

Revenue Mobilization by Gram Panchayats of West Bengal: Present Situation and Policy Options

Final Report

Submitted to



**Institutional Strengthening of Gram Panchayats Project
Government of West Bengal**

By



Institute of Social Sciences
Eastern Regional Centre

June 2015

Contract No WB/ISGP/C/017 (R-6)

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Abbreviations

ADDA:	Asansol Durgapur Development Authority
AP:	Andhra Pradesh
BDO:	Block Development Officer
BLLRO:	Block Land and Land Revenue Officer
BPHC:	Block Primary Health Centre
BPL:	Below Poverty Line
CSS:	Centrally Sponsored Scheme
CV:	Coefficient of Variation
DCRD:	Distribution cum Receiving Centre
DFID:	Department of International Department
DMC:	Durgapur Municipal Corporation
DPRDO:	District Panchayat and Rural Development Officer
FGD:	Focus Group Discussion
FP:	Free Primary
GDP:	Gross Domestic Product
GOK:	Government of Kerala
GP:	Gram Panchayat
GS:	Gram Sansad
GUS:	Gram Unnayan Samiti
HQ:	Head Quarters
HS:	Higher Secondary
IAY:	Indira Awas Yojana
ISGPP:	Institutional Strengthening of Gram Panchayat Project
ISS:	Institute of Social Sciences
MSK:	Madhyamik Shiksha Kendra
NDDP:	Net District Domestic Product
NH:	National Highway
NTR:	Non-tax Revenue
OLS:	Ordinary Least Squares
O & M:	Operation and Maintenance
OSR:	Own Source Revenue
OTR:	Own Tax Revenue
PCOSR:	Per Capita Own Source Revenue
PCOT:	Per Capita Own Tax
PDO:	Panchayat Development Officer
P&RDD:	Panchayat and Rural Development Department PRIs: Panchayati Raj Institutions
RAR:	Revenue Autonomy Ratio
SBM:	Swachh Bharat Mission
SC:	Scheduled Caste
SFC:	State Finance Commission
SGRY:	Swarnajayanti Gram Rojgar Yojana
SIPRD:	State Institute of Panchayat and Rural Development
SRD:	Strengthening Rural Decentralisation
SSK:	Shishu Shiksha Kendra
ST:	Scheduled Tribe
TC:	Tax Collector
TR:	Tax Revenue

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Acknowledgements

The authors of this report have been benefited from the comments, suggestions and inputs from a large number of persons and here one can only name a few. First, we would like to express our gratitude to the functionaries of the Gram Panchayats and the rural citizens who gave their time to the researchers.

The research process was facilitated by the efficient state and district team of ISGP Project and without them life would have been lot more difficult for the researchers. The research team has also been benefited from the valuable field inputs provided by the ISGPP team members.

Seven Research Assistants did a thorough job at collecting data from the field. The authors would like to thank Ms Priya Roy, Ms Chandreyee Pal, Mr. Atanu Acharya, Mr. Soham Mukherjee, Mr. Suman Ghoshal, Mr. Sooraj Das and Mr. Sankar Chandra Deb for carrying out their responsibility with rigour and passion. Ms Abira Roy and Ms Anusri Mahato helped to carry out the econometric analysis presented in the report. Mr. Jayanta Das provided technical support in data analysis.

The study was presented thrice before experts and practitioners before it was finalized. The authors would like to thank the various district level government officials who participated in the workshops as well as representatives from the Panchayats and Rural Development Department, Government of West Bengal and representatives from World Bank.

The authors would particularly like to acknowledge the intellectual contribution of Dr. M.N. Roy, former Additional Chief Secretary, Government of West Bengal, Mr. Dilip Ghosh, Member, Fourth State Finance Commission, GoWB, Mr. Amalendu Ghosh, former Commissioner, P&RD Department, Mr. Dilip Pal, OSD and Ex-officio Special Secretary, P&RD Department, GoWB, Dr. Ajay Bhattacharyya, Joint Secretary, Department of Health and Family Welfare, GoWB, Mr. Utpal Chakraborty, Research Officer, Fourth State Finance Commission, GoWB and Ms. Chaitali Chakraborty, ADM(P) Howrah District. Mr. Jos Chatukulum helped the study by providing valuable information on Kerala. Valuable support on Karnataka was provided by Dr. Subha of ISS Bengaluru.

Ms Archana Ghosh, Head of Urban Studies and Regional Coordinator of ISS, Kolkata, provided valuable managerial support. Mr. Ashish Ranjan Mondal, as always, played the role of accountant to perfection.

Finally, the authors would like to thank Shri Soumya Purkait, Joint Secretary, P&RD Dept & Project Manager ISGPP, for trusting ISS to carry out this task.

(27) 27.2.2

- A questionnaire based survey was conducted in a sample of 24 gram panchayats drawn from 9 districts where ISGPP project runs, 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 12 other GPs to gain insights on certain aspects of tax administration.

(27) 27.2.3.1 Data collection methods were conducted with (i) the functionaries (ii) Tax Collectors and (iii) tax payers.

(27) Two good performing GPs were identified on the basis of secondary data and in consultation with the ISGP wing of the P&RD department. Case Studies of these GPs were done.

27.2.4

3. Data-set used in this report consists of the following;
 - Data obtained from the sample of 24 GPs and 12 other GPs, as mentioned above, through questionnaire survey, interview and FGD.
 - The revenue data 936 ISGP GPs for two financial years, 2012-13 and 2013-14.
 - Case studies of two good performing GPs.

4. Individual scholars and the Federal 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. However, even among these studies, discourses on trends and magnitude of local government expenditures and state-local financial transfers have dominated the field. Discussion on own resource mobilisation by the local governments, especially that at the level of panchayats has received comparatively lesser attention so far.

5. It has been noted that the level of OSR of panchayats is in general very poor. For example, in 2006-07, all states average Per capita own tax (PCOT) and Per capita own source revenue (PCOSR) stood at Rupees 15 and 36 respectively against the corresponding figures of Rupees 11 and 24 in 2002-03. In 2002-03, Assam, Bihar, Orissa and Rajasthan recorded zero PCOT, in 2006-07 the position was similar in respect of three states and Rajasthan reported an insignificant sum of Re 1 as its PCOT. Only a few states like Kerala, Tamil Nadu, Karnataka and Maharashtra presented somewhat respectable picture of revenue generation. Other states including West Bengal demonstrated a very poor status of revenue efforts.

6. There is a general belief that Panchayats across the states have poor revenue base or very inadequate 'revenue raising powers'. However in reality this may not be the case. 'There are states like Kerala, where the fiscal base even as presently defined is not poor. What we do have in most states', argues Indira Rajaraman (2004), 'is weak exploitation of the PRI fiscal base'. As a major step for increasing revenue of local governments, Rajaraman argues for exploitation to the full the existing revenue raising powers. This requires incentivising revenue efforts of panchayats.

7. Other authors have also noted that the panchayats of many states do have reasonably good fiscal base. The problem lies with non-utilisation of the fiscal powers of panchayats to their full potentiality. They argue for creating incentive structures for increasing revenue efforts of local

governments and also for identifying additional sources of revenue. Their prescription is first to 'exploit the revenue base that exists'. They also drew attention to the fact that non-tax revenues have higher buoyancies than tax revenue. Without ignoring the need for giving more efforts for increasing buoyancy of tax revenue, the authors note that 'non-tax revenues are under researched and could be hiked by rationalisation of various charges'

8. In Rao and Rao (2008) there are a few observations which are worth recapitulating. First step to strengthen Panchayats, they observe, is to empower panchayats to raise revenue, but this has remained a 'neglected aspect of panchayat empowerment' in several states. Secondly, there exist two diametrically opposite views regarding raising revenues by panchayats. One view point is that the rural poor would suffer if they are taxed and hence emphasis on the aspect of revenue generation by panchayats is politically inadvisable. That may also be the reason for panchayats being 'disinterested in collection of taxes'. There is, however, an alternative viewpoint that emphasises the fact that it is possible to ensure 'better compliance of tax payments at local level' if positive linkage can be established between taxes and 'benefits from public services' at that level. In other words, if people realise that delivery of public services would improve if panchayats are enabled to augment own revenues, resistance against payment of taxes would disappear. However, revenue raising by panchayats depend on several factors including, 'the visibility of benefits, rate of tax imposed, culture of tax payments vis-à-vis "free riding", capacity of panchayats to administer and enforce the tax, which inter alia, depends on the power structure of the villages'.

9. Some studies on the fiscal status of panchayats of individual states are available. Among them the studies relating to three states, namely Karnataka, Kerala and West Bengal were examined to gain further insights of the aspect of own resource mobilisation.

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10. In a study made by Rao et al, it was noted that the own revenue generated by the gram panchayats of the state (Rupees 16.2 per capita) was abysmal and the role of these institutions in providing public services was negligible. The authors recommended reforms on three fronts,

namely, ' (i) modernising the valuation system of properties and (ii) building capacity to administer the tax and (iii) instituting an effective enforcement mechanism' to improve collection efficiency. A study by the Centre for Budget and Policy Studies (2013) noted that accessibility, literacy and education of the GP members have positive relation with OSR while proportion of SC/ST has the negative relation. A study done by the Institute of Development and Empowerment (2014) notes that the Panchayats of Karnataka and Tamilnadu operate under hard budget constraints compared to those of West Bengal. That is one of the reasons why revenue collection performance of panchayats in the former two states is better than those of West Bengal.



11. SFC reports of Kerala show that for Kerala's GPs, Property tax and profession tax are the most important sources of tax revenue. Even though Kerala's Panchayats have better track record in respect of generation of own revenue, most of the SFCs of Kerala suggested reform of property tax administration covering, among others, the aspect of undervaluation of property. They laid emphasis on fixation of rates and method of assessment.



12. A study done by the P&RD department in six SRD districts showed that what was being collected in the name of tax during the years 2002-03 and 2003-04 was a pittance (Rupees 2 to 3 per capita). The reasons for this were that assessment was too low and collection as percentage of tax demand was also low. The NTR was also not high and the panchayats were depending at that time more on tax revenue and less on NTR.

13. A study conducted by the Institute of Social Sciences in 2007 found that collection of OSR was increasing in recent times, but collection as percentage of demand remained low in case of tax revenue. In case of NTR, except trade license and building fees, the rates, fees, tolls and user charges are hardly levied and collected by the GPs.

14. A study conducted by Roy Bahl and others noted that only about 6 per cent of all revenue of gram panchayats in West Bengal is derived from own sources. Rural Local Governments in

West Bengal raise very little revenue from own sources, the average for gram panchayats being only about Rs 8 in per capita own source revenues. Some GPs raise 20 to 30 times of this amount, while 200 GPs report raising no own source revenue. An OLS regression model identifies the literacy rate as significant determinant of higher levels of revenue mobilization. The study also notes that there is significant potential for additional revenue mobilization by local governments in West Bengal.

the range of Rs. 4 and Rs. 5. The scenario is such that the dispersion (Standard Deviation) is quite high.

19. In order to test tax collection efficiency of the GPs it is necessary to check the total amount collected by the GPs in a year against the total tax demand for that year. The revenue data reveal several disquieting features. Firstly it is seen that of the total demand (arrear and current), only about a third is collected. This means that the own tax revenue of GPs would increase several folds if the total demand gets collected. Thus, not only assessment of tax is abnormally low, even the meagre amount of tax that is imposed does not get collected. Secondly, while the records of almost all the districts in respect of tax collection are dismal uniformly, the record of Howrah seems to be a shade better than others. Probably the existence of industries and urbanization of many erstwhile rural areas have enabled panchayats to levy and collect more property tax. Lastly, there are reasons to suspect the veracity of what is shown to be as arrear demand. It is possible that much of the arrear tax has become too old and it may be very difficult to realize the same. Besides, our field studies indicate that there are many gaps in the present system of keeping records of arrear demands. To obtain correct picture of arrear demand is accordingly considered as a very important task.

Figure 3.11

3.11

20. For understanding the determinants of OSR and OTR, an econometric analysis of revenue data of 200 sample GPs was carried out. These GPs were chosen from among the 936 GPs. Sample design has been described in para 3.9 and 3.10 of chapter 3. **3.11** The causal variables for quantitative analysis had been taken from Primary Census Abstract (2011) with respect to the villages under the selected GPs. The following variables were identified for performing the modeling exercise: Population, Literacy rate, percentage of SC/ST to total population, percentage of Cultivator to Main worker, percentage of Household Industry and Other Workers to Main workers, percentage of Main Worker to Total Worker, percentage of Agricultural labour to Main worker.

21. After trying various econometric models the major findings emerge as follows.

- The more populous GPs are unlikely to perform better in terms of OSR mobilization. The reason might be that more populous GPs are lacking such administrative and logistical support as is necessary for collecting revenue from a large population group.
- The percentage of SC/ST population serve as a proxy to the percentage of poor people in the GP. Higher is the percentage of SC/ST in the population higher should be the incidence of poverty. Consequently, the tax base of the GP should remain poor, which, *inter alia* would lead to a poor performance in tax collection. The other sources of revenue also remain usually poor in such GPs. The econometric model provides ample evidence in support of this hypothesis.
- The econometric exercise provides empirical evidence in support of the hypothesis that the growth rate of literacy is positively related to PCOSR.
- As expected cultivator dominated villages have strong negative relation with PCOSR. This happens, because the small farmer dominated agriculture in West Bengal is gradually becoming un-remunerative forcing such villages to remain in poverty.
- The growth of non-agricultural workers is also likely to be negatively related to PCOSR. This is explainable, because non-agricultural workers are engaged in informal sector and this sector in rural West Bengal is largely non-remunerative rendering the workers in such sector to remain poor.
- The econometric exercise could not provide evidence in favour of the hypothesis that the panchayats in a district with higher district domestic product would perform better in generating OSR than the panchayats in the districts with lesser district domestic product. On the other hand, OSR is expected to be better for those GPs where the performance gap is lower (which means that collection as percentage of demand is relatively high.) The econometric model strongly suggests that there is a truth behind this inference. The implication is that OSR mobilization is likely to improve if the revenue collection machinery is strengthened at the GP level.
- With respect to more urbanized GPs, the econometric model does not reveal much. It is not necessarily true that more urbanised GPs are expected to explore their revenue

potential in a better way. A regression model involving 27 urbanised GPs reveals that the only factor that might explain better performance in the urbanized segments of the randomly selected GPs is the quality of collection efforts.

- The econometric analysis of the revenue data, however, leaves large part of the behavior of the OSR unexplained. The model explains about 45 per cent of the variations in PCOSR. It seems that there are many other factors which operate at the ground level.

22. Only one tax has been assigned to the gram panchayat, namely tax on land and buildings, which is also referred to as property tax. The basic features of the statutory provision on this tax (Section 46 of West Bengal Panchayat Act) are as follows. First, this is a compulsory tax. It is the duty of the panchayats to levy and collect such tax. Secondly, this is a tax on immobile property, i.e., on land and on building. Thirdly, the base of the tax is 'annual value' of land and buildings. Annual value has been defined as 6% of market value of the land and buildings at the time of assessment of tax. The rate of the tax on the base is fixed by the Act (1% for properties up to certain level of annual value and thereafter 2%).

23. The detailed procedure of preparation of assessment list and the procedure for determining market value of land and buildings have been laid down in the West Bengal (Gram Panchayat Administration) Rules, 2004. While the prescribed method of preparation of assessment list seems to be rational and does not need major change, the procedure of determining market value of land and buildings, however, leaves some gaps. Since reliable evidence for determining market value of buildings is not easily available in rural areas, one has to take recourse to capital value method, instead of depending on subjective perceptions of the assesseees or others. Borrowing ideas from the Tamil Nadu Panchayat Act, the report suggests a new method of assessment based on such parameters as nature of the building in terms of construction material used, use of the building as residential or other purposes, plinth area of the building and unit cost of construction of the building. For standardized application of the latter element it has been suggested that a schedule of unit cost of construction of different kinds of buildings should be prepared and updated from time to time by a prescribed authority. Alternatively it may be determined by the GP in consultation with the technical persons in the Block.

24. It has been suggested that there should be a minimum level of tax.

25. In the Panchayat Act there is a provision for imposing an additional stamp duty by the gram panchayat on transfer of property at the rate of 2% of the consideration for sale, gift, mortgage

or lease, as the case may be. There is also a provision to impose a duty in the shape of an additional stamp duty at the rate of 10% on all payments made by the public for admission to any entertainment. None of these provisions of the Act have so far been made operational. Suggestion has been given to consider as to whether these provisions should be made operational.

26. In the case of NTR, the rates laid down in the rules have become dated. As a result, the GPs, which want to exploit some of the buoyant sources become handicapped unnecessarily. Revision of these rates is urgently called for.

27. Some problems relating to the statutory provisions on certain items of NTR, such as, sanitary arrangements at places of pilgrimage, *melas* etc, fees on village produce sold in the market and water rate for piped water supply have been pointed out and suitable amendments to the Act/rules have been suggested.

28. Most GPs do not tap most of the sources of non-tax revenue, except trade registration fee and building permission fee. One of the reasons for this is that the rules do not lay down procedures detailing the actions to be taken in order to bring in the net everybody from whom the fees, rates and tolls may be realised. Procedural details for realizing various kinds of fees, rates and tolls may be worked out and then incorporated in the rules.

29. The present rules on revenue administration do not specify as to how the various day-to-day administrative functions relating to assessment and collection of revenue would be carried out and by whom? In fact excepting Tax Collector, the Rules do not specifically mention the role of any other permanent functionary of Panchayat, except for a casual reference to the Secretary who may or may not be given some responsibility in revenue administration. Time has come to give adequate attention to this aspect of revenue administration.

30. The post of tax collector was conceived at a time when the economy, communication system and the banking system were underdeveloped. In order to cope with the changed environment and for the sake of raising the level of efficiency, an alternative to collection method through tax collector require to be devised.

5 Resource Mobilisation: A Situation Analysis of Selected GPs

31. For in-depth study of revenue generation activity, a sample of 24 GPs was drawn from among all the ISGP GPs. Selection was made in such a manner that at least 2 GPs could be selected from each of the 9 districts. Accordingly sampling was done in two stages. In the first stage 2 GPs from each district were selected and in the second stage the remaining 6 GPs were selected following procedures that have been described in the report. Field survey was done in these GPs through (i) questionnaire survey, (ii) interviews with key functionaries of GP and (iii) FGDs with villagers. The findings are as follows.

32. The average population of the GP is 19694 which is in tune with the usual population size of Gram Panchayats in West Bengal. About 8 per cent (8.26%) of the population are currently living below the official poverty line. Majority of buildings in the panchayat area are residential buildings (87.81%) and around 91% households fall within the tax net. Percentage of OSR to total receipts of the GPs is almost non-significant (3% to 4%), while OSR looks somewhat better when it is compared with total receipts from various kinds of grants (22 to 24% of total grants). The average per capita OSR is Rupees 29.29. More than half of sample GPs (13 out of 24) generate per capita OSR of Rupees 20 or less and another one-third GPs generate OSR within the range of Rs 21 to Rs 40. The difference in per capita OSR among GPs is partially a reflection of differences in their economic condition, but the lacklustre performance of GPs is also attributable to the lack of motivation and efficiency among the GP functionaries.

33. The per capita tax revenue has shown a slight increase from 8.87 in 2011-12 to 10.51 in 2013-14. Chamrail GP of Howrah and Dhaban GP of Bankura have the highest (Rs 32.31) and lowest (Rs. 1.26) average per capita tax collection respectively. Out of 24 GPs, 37.5% of the GPs registered per capita tax collection of Rs.5 and less. Another 25% GPs of the sample earn less per capita tax within the range of Rs 6 and Rs 10. The non-tax revenue collection marginally increased over last three financial years from 16.38 in 2011-12 to 22.94 in 2013-14. The highest average per capita NTR is of Uchalan GP of Bardhaman. 41% of the sample GPs has a per capita

NTR in the range of 0-10 indicating lack of initiative on the part of the GP functionaries for collecting OSR properly.

34. An analysis of tax payers shows that only 10% of tax payers pay tax of Rs 100 or more per year, 3% among them paying more than Rs 200. 51% of the tax payers paid between Rs 21 and Rs. 50 indicating abnormally low level of taxation. The fact that as many as 28% tax payers pay tax of Rs 20 per annum or less further reinforces the point. The total collection has been well below (33 to 36%) the total demand for all three years.

35. The field survey shows that of the total demand of property tax, roughly a third gets collected. Collection percentage more or less remained constant during the three years for which data were collected. Poor tax collection against demand seems to be one of the main reasons for low level of tax revenue of panchayats.

36. Not even half of the OSR collected by the GPs is spent for development purpose and the trend is declining over the years (43% to 41% between 2011-12 and 2013-14). The GP level data do not show any continuity in this regard.

Field Perspectives on Problems Related to Generation of OSR

37. FGDs with GP functionaries and villagers in 24 sample GPs brought out the following facts:

- The use of Form 5A has proved to be ineffective.
- The GP does not have any information on the actual value of a property. GPs do not have any information on the kind of materials that have been used for construction of buildings.
- The rates fixed in the old model bye laws are now outdated resulting in loss of revenue.
- There is a shortage of manpower in GPs to execute the responsibilities of tax assessment and collection.
- Usually tax collection is a side activity of the Tax Collector. The income from tax collection is usually not good enough for him to make it his only source of livelihood.

- The GPs are reluctant to raise taxes even as per self-assessment forms. They are afraid of popular discontent if they raise the tax rates as per self-assessment.
- There is a deficit of knowledge and skill among GP functionaries regarding generation of OSR. They are also not aware of the legal provisions of the Panchayat Act regarding tax and non-tax revenue collection. The functionaries unanimously agreed that they would benefit from training and exposure visits.
- There is deficit of knowledge as to how OSR can be utilised to create productive assets leading to the creation of more OSR.
- There is no incentive for increasing OSR in terms of receipt of more grants and hence the motivation of the GPs regarding OSR collection is lacking.

Improvements in OSR Collection – Suggestions from the Field

- Need of a third party tax assessment independent of the 5A form
- Need for special capacity building programmes of GP functionaries to collect OSR better and also use the OSR appropriately.
- There is need for reviewing the system of payment of honorarium/commission for the tax collector.
- Special publicity programmes requesting the villagers to pay taxes for enabling the panchayat to deliver services may be useful for increasing tax compliance.
- The provisions for penalising the defaulters may be simplified to enable the GPs to use them without much difficulty and wastage of time.
- There are some cases of overlap between the NTR to be collected by the GP and the NTR to be collected by the Panchayat Samiti. Such confusions should be removed.

Chapter 6: Revenue Administration at Gram Panchayat level: Insights from the Study of Selected Panchayats

38. Engagement of Tax Collector: In most of the sample GPs, only one Tax Collector (TC) is presently working. Two GPs have no TC at present. There are 15 GPs with one sanctioned post of TC, but in all of them there should be two posts as the assessment of tax exceeds Rupees one lakh.

39. Process of Tax Assessment and Approval of Assessment List: In none of the 24 sample GPs, Form 5A is distributed and filled up on regular basis except one. Fifty percent of the GPs have a record of conducting self assessment exercise earlier. Form 5A is used only in respect of assessment of newly constructed buildings. Other GPs could not say anything about it. Most of the GPs do not fill up Form 6. Only Falimari GP in Cooch Behar could produce the whole set of Form 5A, Form 6 and Form 9. GPs where self assessment has not been done, assessment is done by the GP members. The members in a meeting fix up the amount of tax to be paid by each assessee and then put in the form such market value and annual value of the property as would yield the amount of tax already determined. In other words, tax does not derive from the annual value, but annual value and its base market value are derived from the tax to be paid. Once the assessment list is prepared, it is followed in the following years, with necessary changes. The GPs show a number of reasons for not conducting self-assessment exercise, such as, lack of manpower, inability of tax payers to pay assessed amount, adverse effect on electoral prospects, unwillingness of the villagers to fill up Form 5A, false information given by the assessees etc.

40. No Record of Market Value: No GP has correct information about the market value of the property. They do not consult BLRO or Registry offices for determination of market value of land and buildings. For old assessees, tax is increased at a nominal rate either every year, or after two/three years.

41. Displaying Assessment List: The GP is required to display the assessment list at two prominent places within its jurisdiction and place the same also in the half yearly meeting of gram sansad. Most of the GPs surveyed display the list only at GP office. The only exception is Jagdallah I GP in Bankura district which displays the list also in RI office, bank and public library along with GP office. On the other hand, Dhaban GP of the same district and Uchalan GP of Bardhaman district have never displayed the assessment list in public, not even in GP office.

42. Collection of Tax by GP: The TCs collect tax both from the houses of the tax payers and the GP office. Each of them has a routine to divide time between house-visits and office collection. This routine varies from one GP to another. In some of the GPs they visit houses in the early hours and attend the GP office in the second half on all week days. On Saturday and Sunday they visit houses at their convenient time. In some other GPs like Salbari II or Dhaban, the TCs attend office thrice a week and visit houses on other days. Tax is also collected at weekly market (*haat*). Maximum tax payment is made between December and March, that is, after the harvesting period. Lion's share of tax gets collected from house visits, but now-a-days, tendency of paying tax at the office is increasing, though at a slow rate. Almost all the GPs follow now an unwritten rule that certificates (other than birth, death and any kind of certificate needed for getting admitted in hospital) would not be issued unless the property tax (both current and arrear) is paid to the GP by the applicant. When somebody comes to the GP for any certificate, he/she first pays the property tax and then collects the required certificate.

43. Collection of Arrear Tax: The defaulter's list is prepared by the GPs, but the list is not displayed in any public place or placed in gram sansad meetings. The elected members would prefer to make a general appeal to all the defaulters for paying tax, rather than publishing defaulters' list in order to avoid embarrassment of the defaulters.

44. Collection of Non-Tax Revenue (NTR): The GPs are using only a few of the sources of NTR. The GPs earn non-tax revenue mostly from the fees for registration of running trade and giving permission of building construction. Some GPs are earning revenue from lease of ponds and from rent of building. In most cases, RI office is within the GP building from which the GP earns rent. The three other sources from which all GPs are earning revenues are donations, sale of

tender forms and bank interest. Almost half of the GPs earn NTR from selling trees (not every year). Nowadays, some GPs are also charging fees for issuing birth and death certificates.

45. **Bye-laws:** For collecting fees, rates and tolls, the GP should adopt a bye-law. All the ISGP GPs in Paschim and Purba Medinipur districts have passed bye-law during last one or two years. In other districts, the process has not yet been completed by all the GPs under ISGP.

46. **Involvement of GP Members in Revenue Generation:** Meetings of *Artha O Parikalpana Upa-Samiti* have been conducted more or less on regular basis but discussion on own source revenue was very scanty. Only three GPs were found to be monitoring tax collection performance and expressed concern for low collection. NTR issues were discussed only in two GPs and that too was on the issue of lease of pond not on any other matter of NTR.

47. **Evidence from other GPs:** Apart from the 24 sample GPs, information on revenue administration of gram panhayats was collected from 12 other GPs in four districts, namely, Howrah, East Medinipur, Bankura and Birbhum. Data collected from these GPs confirm the findings of 24 sample GPs recorded earlier. For example, these data also show that lack of proper initiative on the part of the G.P is the main cause of poor assessment and collection of tax. Where the members and the staff of the GP take interest in revenue generation, as in Illambazar GP, tax collection can be raised to the level of 70% to 96% of the demand. The survey also showed that even those GPs which use Form 5A for assessment of new buildings, valuation of property bears no relationship with the market value. The latter is shown in such a manner in Form 5A that the base of the tax remains far below the actual annual value. If the Form 5A is filled genuinely by the tax payer, actual assessment of tax as per present practice would be a fraction of the tax that could be derived from the value of the property declared in self-declaration form.

Chapter 7: Documentation of Good Practices

Case Study 1: Gopalpur Gram Panchayat

48. The OSR of the GP was quite impressive in 2011-12 and 2012-13. The average OSR collection during the last three years was Rs. 58,86,985 with per capita OSR collection at Rs. 183. Per capita tax collection was Rs. 44.65 while per capita NTR collection was Rs. 139. Even in national perspective, these are quite impressive figures. Tax collection efficiency is high in comparison to many other GPs. In the last three years it varied from 58 percent to almost 70 percent. In both demand and collection of tax, the share of current amount is much higher than the arrear.

Reasons behind Good Scenario of OSR Generation:

49. Several factors have contributed to high OSR generation in the GP during the last three years

a. *Natural Factors* – These include urban character of the GP (more than 67% of the population are in urban areas), its favourable location (located just outside the Durgapur Municipal Area) and speedy development of real estate sector (real estate developers are investing huge amount of money here)..

b. *In-migration and its impact*: High volume of in-migration is taking place in the GP area. It has a two-fold impact. First, the market value of property is increasing at high rate resulting into increase in the assessment of tax. The other one is increase in the number of tax payers.

c. *Efforts given by the GP*: The GP gives much effort to increase its OSR. OSR generation is considered as one of the thrust areas of GP. The GP took initiative to prepare assessment list on the basis of self-assessment of all assessees. Most of the members of the Board are educated and they are quite aware of the positive benefit of OSR generation. The GP monitors building construction activity closely and does not allow any construction to take place without obtaining permission of the GP. That is why GP's income from fees for giving permission to

construct buildings is so high. The members also ensure that the names of the new in-migrants get included in the assessment list. The TCs of the GP are efficient and sincere. They make a valuable contribution in generating OSR. The GP has campaigned in different ways for motivating citizens to pay tax. The GP members think that the willingness to pay tax increases when provision of basic services is ensured to the citizens. In this GP, the service delivery is much better than many others. It spends large amount of own fund for development of the area. The GP also keeps the citizens informed about the use of own fund for development activities by displaying boards at site after completion of work. The Artha O Parikalpana Upa Samiti of the GP is quite involved in taking care of OSR generation.

Case Study 2: Ahmedpur Gram Panchayat

50. The GP ranks first in per capita land and building tax collected and fifth in per capita OSR collected amongst all the ISGPP GPs of the state. The GP conducted self-assessment of land and building tax by filling up Form 5A in 2011-12 for the first time. As a result tax amount of each and every assessee got increased by about 30%. This year also the GP is carrying out a self-declaration survey. There are 6609 houses in the GP area. About 86% (5677) of these houses comes under land and building tax. Number of assessees of the GP increases every year. 21.61% of assesses pay tax of Rs 201 and above. The TC gives much effort to collect tax. For him it is a 7 days/week job. Tax collection is his only occupation and his earning depends upon the amount of tax he collects. That is a major reason for the extra efforts he gives for collecting taxes. His monthly earning from commission of land and house tax ranges from Rs 10000 to 14000.

51. There are three key factors for good tax collection. These are:

- Ahmadpur is a relatively prosperous area with 50 percent of its sansads being urban. Accordingly the number of high valued property is more in this area providing scope for revenue mobilization.
- It has an experienced TC working since 1978 with much expertise in this job. He is also respected by the tax payers.

- The elected GP members across political affiliation have played a positive role in revenue generation activity of the GP. The GP took several steps like appointment of an additional TC, reassessment of house and property and obtaining self-declaration of market value of land and building once in every 5 years.

52. The NTR collection of this GP is also higher than many other GPs. Main components of NTR of the GP are sale of tender forms, permission for constructing building and registration for running trade.

53. One of the reasons for good collection of NTR is that GP spends substantial portion of own fund for development purposes like street lights, maintenance of roads etc. it also intends to build some revenue generating permanent assets like community hall etc. The TC has no complaint about his job. He receives all cooperation he needs from the GP members and staffs. The amount he receives as commission and honorarium is a decent sum (more than rupees one lakh annually).

Chapter 8: Recommendations on Reforms

54. Based on the study of various aspects of resource mobilization by the gram panchayats, certain recommendations have been made for improving generation of revenue by these institutions from their own sources. These are, in brief, as follows.

55. The study has shown that revenue administration is a neglected task of Panchayats. This is the single most important reason for low level of resource generation at the level of panchayats. Revenue generation at local level is the task of the gram panchayats, but a major responsibility of the state government is to encourage and motivate the panchayats and to create conditions under which they feel that they need a measure of fiscal autonomy for their survival and growth. In order to achieve these objectives, a set of recommendations has been given. The interventions suggested relate to such matters as (a) creating awareness among the panchayats to treat resource generation as one of their primary tasks, (b) introducing hard budget constraints in gram panchayats, (c) Incentivising local resource mobilization by linking revenue generation performance with the SFC grants and (d) giving special attention to the prosperous GPs, including urban GPs, for increasing resource generation substantially in short time.

56. The next set of 11 recommendations relate to matters on reforms of assessment of property tax. These recommendations follow from the premise that any scheme of revenue augmentation of panchayats should begin with property tax reform and such reform should start with assessment of tax. The present practice of showing market value or annual value as derivative of a pre-determined amount of tax must be *reversed*. Instead, the process may start immediately to assess tax on the basis of realistic valuation of property.

57. The recommendations on property tax reform insist on (a) revision of the process of assessment of property tax in all gram panchayats beginning from 2015-16, (b) field survey for collecting basic information for assessment, (c) new method for valuation of land and building, (d) new administrative set up for assessment, (e) introduction of surcharge on basic tax for

buildings used for business and industry, (f) introduction of flexible rates of taxation, (g) making provisions for hearing objections by a committee and introducing provision of remission, (h) introduction of minimum level of property tax and raising the exemption limit of annual value from Rs 250 or below to Rs 1000 or below. These recommendations involve compliance of the existing rules in some cases and major reforms in the method and procedure of assessment and change in the relevant provisions of Act and rules.

58. In the case of NTR, the study has noted that the GPs are not exploring to the full extent the fiscal powers given to them to raise resources from various sources. The recommendations have been made principally to correct this deficiency. They relate to (a) realization of revenue from various sources identified in the Act, (b) revising the schedules of maximum rates on various revenue sources, (c) utilizing the existing fiscal powers on some potential sources of revenue which presently remain underutilized and incorporating some new sources within the ambit of bye-laws, (d) preparing Assessment list of NTR, which is not done presently, (e) changing rules and procedure in some cases.

59. Recommendation has been made to operationalise the provisions of Section 46(5) of the Panchayat Act regarding additional stamp duty on transfer of property and on all payments made by the public for admission to any form of entertainment.

60. Poor collection of tax demands is one of the major weaknesses of panchayats. Accordingly, some reforms of collection process and procedure have been suggested. They relate to such matters as (a) reforms in estimation and recovery of arrear tax, (b) adoption of bye laws covering all sources of NTR, (c) modification of GPMS for full computerization of revenue records, (d) rethinking about the institution of Tax Collector and developing an alternative system of tax collection.

61. Recommendation has been made to set up in every GP Panchayat a 'Revenue (Assessment & Collection) cell'. This cell will oversee various revenue functions including assessment of new buildings and collection. During 5-yearly revision of Assessment, this cell will work with the valuation team.

62. Recommendation has also been made to develop a system of monitoring revenue performance of GPs on regular basis at different levels – at Block level through PDO, district level through DPRDO and at the level of Commissioner of Panchayats.

63. Lastly, there are four recommendations one of which deals with capacity building of GP's functionaries on different aspects of revenue administration. The other three recommendations relate to the interventions which are considered to be essential for enlisting cooperation of the citizens. Firstly, it has been suggested that adequate campaigns should be made by the GP from time to time, so that the citizens do not view tax collection initiatives in negative light. Secondly, the GPs should make serious endeavour to spend as much own source revenue as possible for development purposes, because there is a strong linkage between efficient service delivery and the citizens' willingness to pay tax. Lastly, it has been suggested that cooperation of all political parties should be sought before embarking upon a sustained programme of local revenue generation.

1

Introduction

Background

1.1 There is a legal framework to enable the gram panchayats of West Bengal to collect tax and non-tax revenue from different sources. West Bengal Panchayat Act 1973 has empowered Gram Panchayats (GP) to impose tax on lands and buildings, additional stamp duty on transfer of property and on payment for admission to any entertainment, subject to such Rules as may be prescribed. Rules in respect of tax on land and buildings have been prescribed and the gram panchayats have been collecting this tax traditionally. But the legal provisions relating to imposition of additional stamp duty on transfer of property and on payment for admission to any entertainment have not been made operational so far and as such rules on the manner of utilizing these revenue sources have not been issued. The Act also authorizes GPs to collect fees, rates, charges etc. together called non-tax revenue (NTR). The fiscal base of revenue generation for West Bengal's gram panchayats, thus, cannot be said to be weak, but, due mostly to the weak exploitation of the fiscal base, the performance of West Bengal's panchayats in generating substantial revenue from own sources have remained unenviable.

1.2 Increasing institutional capacities of the GPs to deliver basic services is one of the principal objectives of ISGP project. Delivery of services by the local government is intimately connected with its capacity to access resources. Accordingly, one of the thrust areas of ISGP Project has been augmentation of Own Source Revenue (OSR) of the gram panchayats covered by it, so that fiscal autonomy of these panchayats expands and their dependence on state government for financial resources lessens enabling them to deliver some essential services independently.

1.3 In the above background, the present study was sponsored by the ISGP Project Office of the Department of Panchayats and Rural Development, Government of West Bengal.

Objectives

1.4 The overall objectives of the study are as follows :

- To critically review the current performance of the GPs in generating revenue from own sources;
- To identify the reasons responsible for low level of revenue generation from different tax and non-tax sources;
- To identify, if possible, the new sources of revenue for GPs;
- To suggest various measures, including legislative changes, reform of revenue administration and capacity building activities, for augmenting OSR of the GPs;
- To recommend possible means for improvement in OSR generation of GPs.

Methodology

1.5 The following methodology was adopted to explore the above mentioned issues:

(i) Data Research: This may be subdivided into the following:

- Study of West Bengal's Act, rules, model bye-laws, executive orders, manuals etc related to revenue administration of GP.
- Survey of a available literature on the subject of panchayat finance in general and the issue of resource mobilisation by panchayats in particular in order to obtain information as well as insights on the subject. The survey included specific studies on resource mobilisation by the panchayats of three states including West Bengal.
- For exploring the impact of several socio-economic variables and others on the behaviour of OSR, an econometric analysis of revenue data of 936 ISGPP panchayats for two financial years was conducted. The major objectives of this exercise were (i) to highlight the notable features of the pattern of revenue generation of the GPs covered by ISGP, and (ii) to identify the determinants of own tax revenue and own source total revenue.

(ii) Field ~~by~~

- For obtaining detailed data on revenue generation from different sources and other matters as required for considering the issues mentioned above a questionnaire survey ~~was~~ conducted in the sample of 24 gram panchayats, drawing from 9 ISGPP districts. Sampling plan for selecting these GPs has been described in Chapter 5. The questionnaire survey ~~also~~ collected secondary source information, such as, economic status, demographic features, literacy status, characteristics of the location etc. of the sample GPs. The survey instrument ~~was~~ finalised after obtaining feed back of the department and also after field testing in a GP selected by the department.
- Additionally data on Revenue administration of the panchayats ~~are~~ collected from 12 GPs to gain insights on certain aspects of tax administration, particularly on aspects related to determining market value of property and assessment of non-tax sources of revenue.

(iii) Interview ~~For~~ ~~G~~ ~~p~~ ~~Disse~~

- For gathering qualitative data regarding the factors that act as incentives and disincentives in stepping up tax efforts, focus group meetings ~~are~~ held ~~with~~
 - (i) The functionaries of the GPs.
 - (ii) Taxpayers of the GPs (More than 450 ordinary taxpayers attended FGDs organized by the Study Team in 24 villages.)
 - (iii) Interviews ~~was~~ held ~~with~~ all Tax Collectors of sample GPs.

(iv) Data ~~set~~

- Two sets of data ~~are~~ used for addressing the research questions. For in-depth analysis of the research questions, data-set of the sample of 24 GPs obtained from the above mentioned sources, namely questionnaire survey, interview and FGD ~~are~~ used.

- Another data set of 936 GPs was used, as mentioned earlier, for econometric analysis.
- Two good performing GPs were identified in consultation with ISGPP cell for documentation of good practices.

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1.6 The report is divided into the following chapters:

After the introductory chapter, a survey of available literature on mobilisation of resources by the gram panchayats is provided in **chapter 2**. It provides a national overview of the revenue sources, revenue generation efforts and fiscal autonomy of panchayats of the country. Some studies on the generation of revenue by the panchayats of three specific states, namely, Karnataka, Kerala and West Bengal are also discussed in this chapter. **Chapter 3** deals with the analysis of macro level data of revenue generated in the years 2012-13 and 2013-14 by the GPs covered by the ISGP. The first part of the chapter brings out certain general features of gram panchayat revenue, such as the amounts of per capita own tax revenue (PCOTR), per capita own source revenue (PCOSR), inter GP variation of PCOSR and PCOTR, classification of GPs in terms of revenue generation in different ranges etc. The second part of the chapter records the results of the econometric analysis of the revenue data to identify the determinants of gram panchayat revenue. **Chapter 4** is devoted to a critical review of the provisions in the West Bengal Panchayat Act and rules made under the Act on matters relating to generation of revenue of gram panchyat. **Chapters 5 and 6** record the findings of the field work done in a sample of 24 gram panchayats drawn from 9 ISGPP districts after following a procedure. Insights gained from quick surveys made in 12 other GPs of 4 ISGP districts have also been recorded in chapter 6. **Chapter 7** contains documentation of good practices of two gram panchayats in respect of mobilization of resources from own sources. Finally, based on the information and insights gained from the study, a set of recommendations is made in **Chapter 8** on the steps to be taken for improving revenue generation at the gram panchayat level.

2

Studies on Mobilisation of Resources by Gram Panchayats A Literature Survey

2.1 The Studies on the mobilisation of resources by gram panchayats from their own sources constitute an important part of the literature on fiscal decentralisation in general and that of panchayat finance in particular. Available literature on the subject was surveyed in order to obtain information as well as insights on the subject from the practices of various states of the country. A brief summary of this survey is given below

2.2 Some authors pointed out that there was lack of adequate and quality data on panchayat finance. The Eleventh Federal Finance Commission arranged for special funding to improve the panchayat data base, but the situation has not improved much (Oommen 2010, Rao and Rao, 2008). Nevertheless within these constraints individual scholars and the Federal 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. However, even among these studies, discourses on trends and magnitude of local government expenditures and state-local financial transfers have dominated the field. Discussion on own resource mobilisation by the local governments, especially that at the level of panchayats has received comparatively lesser attention so far.

2.3 Resources are required by the public agencies for delivering services. Normally a local government is assigned certain specific services for which it would remain responsible. Once such 'bundle' of services is assigned, ideally a commensurate 'bundle' of fiscal instruments is also assigned in order to enable the local government to discharge the services it is responsible for. The fiscal instruments made available to a local government may be classified into three groups, namely, (i) fiscal powers to raise revenue by imposing tax and/or different kinds of fees, rates, tolls, user charges etc, which is generally called own source revenue (OSR); (ii) transfer from higher level government in 'tied' (conditional) or 'untied' (unconditional) form; (iii) Borrowing from market or financial institutions.

2.4 Out of the above three broad sources, borrowing' (either from market directly or from the financial institutions) is rarely used as a source of revenue of the local governments, particularly the rural local governments of India. Transfers' constitute the lion's share of revenue of the panchayats followed by OSR, even though the contribution of the latter in the total revenue of panchayats has not, so far, been significant in most states.

2.5 One of the parameters of measuring the economic significance of local government in a federal system is the share of OSR (a) in total government sector OSR (total own source revenue of central government, state governments and local governments) and (b) in the GDP. Oommen (2010) noted that the level of OSR of panchayats was very poor and that appeared to be more distressing was the fact that generation of revenue at panchayat level was showing a declining trend. According to his estimates, the share of Panchayats' OSR in total government sector OSR was as low as 0.04% in 2002-03 and the share further declined to 0.03% in 2007-08. This works out to only 0.08% of GDP in 2002-03 and 0.06% in 2007-08. These figures indicate that the panchayats have hardly any autonomous space and remain highly dependent on state government for carrying out even their minimum activities. The situation becomes more critical when one notices that in the backdrop of the trend of declining share of Panchayats' OSR, the share of Panchayats' expenditure in the public sector expenditure is increasing (from 2.5% in 2002-03 to 3.7% in 2007-08), creating a continuously increasing gap between revenue and expenditure. Comparing per capita expenditure with per capita own source revenue of Panchayats, Chattopadhyay (2012-13) also notices that there exists not only very big gap between panchayats' expenditure and their own revenue, what is of great concern is the fact that the gap has been increasing over the years.

2.6 For better understanding of the status of revenue generation by the panchayats from their own sources, it is worthwhile to look at the figures representing per capita own tax (PCOT) and per capita own source revenue (PCOSR) generated by the panchayats. Using Thirteenth Union Finance Commission data, Oommen (2010) provided information on per capita revenue and expenditure of Panchayats of all major states. This data-set reveals not only abysmal condition of revenue generation, it also shows that the condition remains more or less stagnant

over the years. For example, in 2006 -07, all states average PCOT and PCOSR stood at Rupees 15 and 36 respectively against the corresponding figures of Rupees 11 and 24 in 2002-03. In 2002-03, Assam, Bihar, Orissa and Rajasthan recorded zero PCOT, in 2006-07 the position was similar in respect of three states and Rajasthan reported an insignificant sum of Re 1 as its PCOT. Only a few states like Kerala, Tamil Nadu, Karnataka and Maharashtra presented somewhat respectable picture of revenue generation. Other states including West Bengal demonstrated a very poor status of revenue efforts. In the following table data in respect of PCOT and PCOSR of some better performing states and those of West Bengal are given. The data highlight the unenviable situation of West Bengal's Panchayats in generating revenue.

Table 2.1
Per Capita Tax and OSR of Some States 2005 -06 and 2006-07

States	2005-06		2006-07	
	PCOT	PCOSR	PCOT	PCOSR
Kerala	66	127	66	136
Tamil Nadu	27	70	29	78
Karnataka	36	36	46	46
Maharashtra	70	96	73	103
West Bengal	3	13	4	17

PCOT: Per Capita Own Tax; PCOSR: Per Capita Own Source Revenue

Source: Oommen (2010)

2.7 Another indicator of revenue generation efforts of panchayats is what is called Revenue Autonomy Ratio (RAR), which may be defined as the share of 'own income (tax as well as non-tax) of the PRIs to their total income' (Chattopadhyay 2012-13). In terms of this indicator, the records of panchayats are very poor registering all-India ratios between 4.5% and 6% during the period 2001-02 and 2007-08 (Ibid).

2.8 There is a general belief that Panchayats across the states have poor revenue base or very inadequate 'revenue raising powers'. However in reality this may not be the case. 'There are states like Kerala, where the fiscal base even as presently defined is not poor. What we do have in most states is weak exploitation of the PRI fiscal base'. (Rajaraman, 2004) As a major step for increasing revenue of local governments, Rajaraman argues for exploitation to the full the

existing revenue raising powers. This requires incentivising revenue efforts of panchayats. Any measurement of revenue efforts' requires assessment of the taxable capacity of each PRI jurisdiction, since there is a need to distinguish between revenues actually collected, and revenue potential' (Ibid). Designing an incentive structure and assessment of revenue potential of each panchayat jurisdiction in order to facilitate measurement of revenue efforts of each PRI unit are two important tasks of fiscal reforms of these institutions.

2.9 Pethe and Lalvani (2008) also hold a similar view. They noted that the panchayats of many states do have reasonably good fiscal base. The problem lies with non-utilisation of the fiscal powers of panchayats to their full potentiality. They argue for creating incentive structures for increasing revenue efforts of local governments and also for identifying additional sources of revenue. Their prescription is to 'exploit the revenue base that exists' and thereafter to try to access 'capital markets' for financing production of local public goods. They also drew attention to the fact that non-tax revenues have higher buoyancies than tax revenue. Without ignoring the need for giving more efforts for increasing buoyancy of tax revenue, the authors note that 'non-tax revenues are under researched and could be hiked by rationalisation of various charges'.

2.10 In a review of the issues concerning own resource generation of panchayats, Rao and Rao (2008) made very valuable observations, which may be summarised as follows. First step to strengthen Panchayats, the authors observed, was to empower them to raise revenue, but this has remained a 'neglected aspect of panchayat empowerment' in several states. Secondly, there exist two diametrically opposite views regarding raising revenues by panchayats. One view point is that the rural poor would suffer if they are taxed and hence emphasis on the aspect of revenue generation by panchayats is politically inadvisable. That may also be the reason for panchayats being 'disinterested in collection of taxes'. There is, however, an alternative viewpoint that emphasises the fact that it is possible to ensure 'better compliance of tax payments at local level' if positive linkage can be established between taxes and 'benefits from public services' at that level. In other words, if people realise that delivery of public

services would improve if panchayats are enabled to augment own revenues, resistance against payment of taxes would disappear. However, revenue raising by panchayats depend on several factors including, the visibility of benefits, rate of tax imposed, culture of tax payments vis-à-vis “free riding”, capacity of panchayats to administer and enforce the tax, which inter alia, depends on the power structure of the villages’.

2.11 Borrowing the principles of public finance literature, Rao and Rao argue in favour of assignment of such revenue raising powers to the panchayats as would enable them ‘to finance a significant proportion of the cost of public services they provide.’ In order to ensure that direct relationship exists between the ‘community’s contribution and the benefits received by the community’, the burden of tax imposed by the panchayats ‘should fall on local residents’. The authors noted that ‘there are as many as 66 different types of taxes, user fees and charges’ which are assigned to the panchayats. After reviewing revenue administration of 10 states, they found that most of these tax or non-tax revenue sources remain unutilised and it was the property tax that ‘accounts for the major source of revenue for the gram panchayats in all the states’. However in some states the ‘gram panchayats have significant sources of revenue from Octroi, professional tax and entertainment tax’. However there exist many gaps in the levy and administration of this tax. Collection efficiency is poor and the rate structure as well as assessment of tax is irrational. While reforms are needed in these areas, the authors also argue for developing an incentive structure and capacity building of the officials and political leaders of panchayats as important aspects of the strategy to augment their own revenues.

2.12. Based on a study of three panchayats in Tamil Nadu, Sahasranaman (2012) noted that the gram panchayats were collecting meagre revenue of 0.15% to 0.2% of village GDP. Obviously they are in a position to raise several times more revenue and finance most of their activities, thus reducing to the bare minimum their dependence on the state government and building in the process a culture of self-sufficiency, independence and accountability to their citizens. The panchayats are not taking initiative to march on the road of self-sufficiency, because they are not confronted with ‘hard budget constraints’. The panchayats know that they

are operating in the environment of soft budget constraints under which their funding needs will be largely met by flow from higher-level governments'. In other words, there are 'perverse incentives' that fuel the natural tendency of the elected panchayats not to opt for generating resources by imposing tax or levies on their voters. It is accordingly argued that there should be 'legislatively mandated' hard budget constraints and the same should be strictly enforced. At the same time it is necessary to incentivise competition among panchayats' and to institute a rural development fund to enable the panchayats to access debt capital'.

2.13. In a study on tax assignments to the PRIs, Oommen (2004) noted that the number of taxes assigned to GPs range from two in Tamil Nadu to 12 in AP and Gujarat . By and large, the tax base covers property, persons and business'. The GPs are also entitled to raise revenue from a large number of fees, charges and other non-taxing items. Taxes/Rates made available for levy by the gram panchayats under the Panchayat Acts of different states in the post -73rd constitution amendment period are as follows (Ibid).

- House tax/ building tax
- Tax on buildings and/or lands/property tax
- Tax on cultivable land lying fallow
- Tax on agricultural lands for specific purpose
- Land cess/ Surcharge/ Cess on land revenue/ local rate on lands
- Land conversion cess
- Betterment levy on lands
- Tax on commercial crops
- Surtax on additional stamp duty/ duty on transfer of property
- Tax on professions, trades, calling, etc.
- Entertainment tax/ additional entertainment tax
- Show tax
- Pilgrim tax/ fees
- Octroi

- Tax on advertisement
- Kolagram tax (tax on the village produce sold in the village by weight, measurement or number)
- Tolls
- Tax on sale of firewood, conservancy and slaughter houses
- Tax on private hats and private fisheries
- Tax on goods sold in market, hat etc
- Vehicle tax
- Animal tax
- Conservancy rate
- Lighting rate
- Water rate
- Drainage rate
- Spl. Tax for community services/ civic purposes/ public utility works
- Tax on shops and services

2.14 Some studies on the fiscal status of panchayats of individual states are available. Among them we shall concentrate on the studies relating to three states, namely Karnataka, Kerala and West Bengal to gain further insights on the aspect of own resource mobilisation.

Studies on Karnataka

2.15. So far as Karnataka is concerned, reference may be made to three useful reports. Working with the data of 1999 -2000 to 2001-02, Rao et al made a pioneering study on the finances of panchayati raj institutions of Karnataka. They noted that the own revenue generated by the gram panchayats of the state (Rupees 16.2 per capita) was abysmal and the role of these institutions in providing public services was negligible. Property tax, which in Karnataka is a tax on houses and non-agricultural lands, is the mainstay of own revenue, contributing more than 50% of the total revenue on average. The study noted that the property tax collected by GPs is lower, as expected, in poorer districts. However 'in terms of percentage

to own revenues collected, the property tax makes the highest contribution in the poorest districts'. This may be explained by the fact that in the absence of high level of economic activities in the less developed districts, GPs of those areas do not have much scope to raise revenue from non-tax sources like fees, rates or tolls. Considering the fact that property tax is the only major source of revenue to panchayats', the authors felt, 'augmenting revenues from this tax is critical to fiscal decentralisation ... in Karnataka. Reforming the structure and operation of the property tax' is considered as a 'major reform agenda'.

2.16. The authors then go on recommending reforms on three fronts, namely, ' (i) modernising the valuation system of properties and (ii) building capacity to administer the tax and (iii) instituting an effective enforcement mechanism' to improve collection efficiency. On reforming the valuation system, the following recommendations are made. Firstly, the state government should classify the GPs into three categories, depending on the 'development of the district and taluk, and proximity to the district/taluk headquarters'. Thereafter the individual GPs under each category would make valuation of houses after taking into consideration the 'nature of the roof (thatched/tiled or concrete), plinth area (broadly defined as A, B, or C) and location of the house property (again classified as A, B, and C depending upon proximity to the market and accessibility to road)'. The state government should give broad guidelines to enable the GPs to attach values to each of the above criteria of valuation.

2.17. The authors also observe that a 'critical factor determining revenue performance of GPs is collection efficiency'. The GPs of the state were found to be unable to collect the assessed amount, even though tax levied was at a very low level. This is worrisome, because in a situation where the local government does not have either willingness or capacity to enforce tax compliance, 'free-riding becomes an acceptable behaviour for many taxpayers. This underlines the urgency for 'empowerment of the GPs to enforce and recover the tax from the residents'. For improving the tax system attention has to be given to improve the administrative capacity of the panchayats. In the survey undertaken by the authors, evidence

was found that confirmed the fact that the tax yield was better in those GPs where the administrative activities for revenue generation were being performed in a better manner.

2.18. A study by the Centre for Budget and Policy Studies (2013) for the Decentralisation Analysis Cell of the Department of Rural Development and Panchayati Raj, Government of Karnataka noted the following determinants of own revenue generation by panchayats.

- (a) GPs performing better in terms of OSR generation are generally closer (within 10 KM) either to state or national highways or to district/taluka Headquarters compared to the GPs not performing well.
- (b) Proportion of SC/ST population to total population has a negative relationship with per capita OSR generation, since poverty among these categories of population is more severe than those in general categories. In other words, economically developed GPs can raise more revenue than those which are less developed.
- (c) Literacy rate is another proxy indicator for development. The study shows that it is higher among good performing GPs for both male and female populations'.
- (d) Another important variable was found to be the GP members' educational qualification. It was found that the average OSR as well as the per capita OSR was found to be highest in the GPs with higher share of the educated members'.
- (e) The capacity and (the) state of tax administration would critically determine the level of OSR'. Adequate number of bill collectors, their capacity, maintenance of records properly etc affect mobilisation of own revenue greatly.

2.19. On the basis of the Focus Group Discussions with select members of general public, the study noted that there is awareness among them about the need for OSR. There is a favourable attitude towards local taxes and local government which needs to be channelized and strengthened through tangible benefits accruing to local population from the taxes that they pay. The participants of such discussions were found to be attaching greater emphasis on tax collection efforts rather than increasing the tax rates or expanding the tax base. They felt that tax collection drives, issuing of notices, creating awareness, publishing the list of non

payers, etc. would have an impact on increasing tax collection. The low tax collection was also attributed to lack of political will on part of GP members' .

2.20 A study done by the Institute of Development and Empowerment (2014) for the RD and PR department of the Government of Karnataka notes that the Panchayats of Karnataka (and to some extent those of Tamil Nadu also) operate under hard budget constraints compared to those of West Bengal. In both Karnataka and Tamil Nadu the GPs have to pay the salaries of the clerk and bill collectors. For Karnataka GPs there are stringent expenditure guidelines. That is why there is some motivation for the panchayats of Karnataka (and also Tamil Nadu) to raise at least some amount of own revenue. In West Bengal salaries of staff are paid by the state government. Even a fixed monthly honorarium for bill collectors is paid by the state government. There are no expenditure guidelines for panchayats. Accordingly in this state there is no such motivation. Even though performance of Karnataka's panchayats is not something to write home about, it is significant to note that this state which has only 2 per cent of the total panchayats in India mobilizes almost 11 per cent of the total resources mobilized by the panchayats in the country

2.21 The study also noted that Property tax was difficult to collect, both politically and practically. Panchayat leaders, in both political and administrative roles tend to prefer to seek revenue from other sources and do not wish to rely on property tax. If the other revenue resources are scarce in poor, small and predominantly agrarian areas, if the basic costs of running the panchayat are to be met out of the GP's own resources then there is little choice but [to] initiate efforts into collection of more property tax'. It was also noted that the guidelines issued by the Karnataka government in 2003 were aimed at removing the following deficiencies of property tax administration.

- Arbitrary fixation of the value of the property.
- Lack of proper guidelines on tax administration and ignorance of the staff about correct procedure for assessment and collection of tax.
- Inequity in assessment of tax.

- The collection machinery is not pro-active.
- There are significant number of properties which are not enumerated

Studies on Kerala

2.22. Kerala's panchayats are empowered to levy several types of taxes, namely, property tax, profession tax, entertainment tax, advertisement tax, service tax and some other minor taxes. Out of them, property tax and profession tax are most important sources contributing 48% and 36% respectively of the total tax revenue of gram panchayats as of 1998-99 and 47.4% and 47.2% as of 2008-09. The share of entertainment tax, including additional Entertainment tax and other taxes was 16% as of 1998-99 and only 5.4% as of 2008-09 (GOK: 2nd and 4th SFC report). This means that for Kerala's GPs, Property tax and profession tax are the most important sources of tax revenue. The compound annual growth rate of property tax was 4.5% between 2004-05 and 2008-09 from Rupees 26 to Rupees 31 per capita tax. The growth rate of Profession tax during the same period was 12.9% from per capita tax of Rupees 19 to Rupees 31. This shows that panchayats of Kerala find it more convenient to collect more revenue from profession tax than property tax. Even though Kerala's Panchayats have better track record in respect of generation of own revenue, the OSR of the GPs of the state constituted only 12.6% of their total receipts, 85.8% being transfers from the state and central governments as of 2008-09. However it has to be kept in mind that per capita total receipt of GPs in 2008-09 was Rupees 1023.

2.23. Most of the SFCs of Kerala suggested reform of property tax administration covering, among others, the aspect of undervaluation of property. They laid emphasis on fixation of rates and method of assessment. The second SFC recommended a transparent system of self-assessment 'with a proviso that for concealing or under reporting of plinth area, there should be a penal provision to collect tax at ten times the normal rate'. The 2nd SFC also made valuable suggestion on classification of buildings for the purpose of assessment of tax. The suggestions were as follows.

Zones: Based on location, the whole area may be divided into four zones.

Type of building: Buildings may be classified into three groups, namely (i) ordinary building, (ii) Medium type building, (iii) Luxury building.

Use: Types of use may be twofold, namely, (i) commercial (ii) non-commercial

Weightage: The relative weights for the Zones could be 1, 1.5, 2, 2.5; the relative weights for the 'Type of building' could be 1, 1.5, 2; the relative weights for the 'Use of building' could be 1 for non-commercial and 3 for non-commercial.

There may be some deductions for the 'age of the building' and for 'owner occupation' as provided in the Municipal Act.

2.24. For raising additional revenue the 2nd SFC of Kerala made an interesting observation. According to this Commission, the greatest potential for additional revenue lies in collecting a higher percentage of demand of the taxes and charges. For that a series of systemic steps are to be taken beginning with 'the correct and up-to-date demand register, ... reviewing the collection regularly and taking appropriate steps to identify defaulters and ensuring collection of tax due from them'.

2.25. Nair (2004) notes that several important reforms of property tax for Kerala's panchayats were suggested by a Commission set up in 1985 and also by the first SFC in 1996. These were as follows.

- The work of tax revision should be entrusted to the officers outside the *panchayats*.
- The maximum reduction that could be effected by the *panchayats* on the enhanced building tax should be restricted to 20 percent of the enhancement assessed by the Tax Revision Officer.
- The present system of assessing rental value of residential buildings in rural and urban local bodies might be dispensed with and plinth area might be adopted as the basis for arriving at the rental value.

2.26. In the survey of six panchayats of Kerala, Nair (2004) found that many of the buildings exempted from payment of tax are not really eligible for such exemption. Besides the panchayats were applying the lowest rate of the annual rental value as tax. If they increase the tax rate even marginally, the yield from property tax would increase substantially. It was also noted that the rates for several kinds of charges under non-tax revenue sources were fixed many years ago and presently those rates appear to be abnormally low. There is therefore scope for increasing revenue from non-tax sources by updating the rates.

Studies on West Bengal

2.27. There are three studies on the aspect of resource mobilisation of gram panchayats of West Bengal. Two of them were commissioned by the Panchayat and Rural Development Department (P&RDD) of Government of West Bengal and the other by the World Bank.

Study 1

2.28. The first study was conducted by a team constituted by the P&RD department. The team studied GPs in six districts where the DFID-funded Strengthening Rural Development (SRD) project was being implemented. Main findings of this study are as follows:

2.29. The average per capita tax collection of all the GPs of the state for the years 2002-03 and 2003-04 were Rupees 2.19 and Rupees 3.18 respectively. In 2002-03, 11 districts were below the state average and in 2003-04 GPs of 13 districts collected less than the state average. These figures show that what was being collected in the name of tax was a pittance. Even the best performing districts were not raising enough resources through taxation. There could be two reasons for such poor performance. One, assessment was abnormally low. Second, whatever was being assessed was not collected. From the data in respect of all the GPs of the state, it was found that the tax collection efficiency was very poor. It was found that in the year 2002-03, average tax collection as a percentage of total demand was of the order of 35.42 per cent. This means that if total demand could be collected, the GPs could increase their revenue by 2.8 times.

2.30. Average non-tax revenue (NTR) per GP in 2002 -03 and 2003-04 constitutes about 47 to 51 per cent of the total own source revenue (OSR) of GP, the rest being contributed by tax revenue. The state average of per capita NTR mobilisation was Rs 1.83 for the year 2002 -03. In the year 2003-04, the per capita NTR mobilization rose to Rs 2.54 .Ten districts out of sixteen districts (figures for two were not available) fell below the state average in the year 2002-03. In the year 2003-04, 12 districts out of 18 districts were below the average.

2.31. It is often said that capacity and willingness to pay taxes depend on one's income. In the present case the hypothesis is confirmed, as an exercise to correlate per capita tax collection with the per capita income of different districts yielded a very close result. (Correlation coefficient was found to be 0.8035). High correlation between tax collection and land revenue collection of the districts is also observed, correlation coefficient being 0.6259.

2.32. Though per capita tax collection is highly correlated with per capita income and land revenue of the respective districts, the gross tax collection is not significantly correlated with the gross NTR mobilisation ($r = 0.33$). This means that NTR depends upon other variables like possession of revenue yielding assets or provisioning of public goods and services from which user charges, fees rates and tolls can be collected.

2.33 A range analysis showed that the concentration of GPs was high in the range of Rupees 10000 to Rs 25000 in terms of tax collection, whereas the concentration in terms of NTR was high in the range below Rupees 5000. This meant that most of the GPs of the state were dependent upon tax revenue for their resource generation.

Study 2

2.34 Commissioned by the P&RD department, Institute of Social Sciences conducted a study in the year 2007 on the Utilisation of Untied Funds by the Gram Panchayats of West Bengal. A part of this report was devoted to the issue of own source resource mobilisation by the GPs. The salient points highlighted by this study were as follows.

2.35 The previous record of the gram panchayats of the state in collecting revenue from their own sources was poor. A marked change was being noticed in recent years. Both in respect of collection of tax revenue and non-tax revenue, the GPs were found to be performing better than before in recent years.

2.36 It was baffling to note that despite growth in tax revenue, collection as percentage of demand remained low. The tax revenue could increase by making upward revision of tax imposed on individuals or by widening the tax net or by improving collection of taxes or by all the three methods. In the study areas, collection did not improve. In that case the presumption could be made that the growth had taken place because of the other two factors. But clear evidence on this was not available. It was possible that the figures on demand as reported were not correct.

2.37 Even after improvement, per capita tax of West Bengal's panchayats was low. As of 2005-06, 30 per cent GPs in the sample were collecting per capita tax not exceeding Rupees 2 and another 28 per cent GPs were collecting tax between Rupees 2 and 3. About 42 per cent GPs might be considered to be better performers. But even among them, 40 per cent GPs collected per capita tax between Rupees 3 and Rupees 4. Only 25 per cent GPs were collecting per capita tax above Rupees 4. There were only 10 per cent GPs collecting per capita tax between Rupees 5 and 6 and 7 per cent GPs who collected Rupees 6 or more. The last two groups constituting about 16.66 per cent of the GPs may be considered to be high performers. All others are either low performers (58 per cent GPs collecting tax not exceeding Rupees 3) or modest performers (those collecting per capita tax between Rupees 3 and 5), signifying that potentialities of tax revenue of GPs still remained largely untapped. One encouraging feature is that the number of low performers was steadily decreasing.

2.38 The study could not find a consistent pattern in the growth of NTR. While the North Bengal districts under study are found to be registering consistent growth, the South Bengal districts experienced modest growth and in some cases even negative growth.

2.39 So far as composition of NTR was concerned, it was noted that more than 50 per cent growth of NTR came from rental income in the GPs of some districts. But in many other districts this is not a major source of NTR. Similarly sale of trees/usufructs constitute an important element in the NTR of some districts like Birbhum, but not in others. Taking all the GPs in the sample spread over six districts it was found that rental income constitutes 41 per cent of NTR, fees, rates and tolls constitutes about 30 per cent of total NTR, but more than 50 per cent of revenue from the later sources was being generated by only two items among them, namely trade license and fees for construction of buildings. Other sources contribute marginally. Various sources like tolls, fees and rates as provided in Section 47(2) of the Panchayat Act are being rarely used by most of the GPs. Only in Hooghly and Birbhum evidence was found about collection from user charges or rates, fees and tolls. But there also there is no consistent pattern in utilizing these sources. The state government had some years ago given directions to exploit these sources by framing bye law. But this did not seem to have made much impact upon the panchayats. The data revealed that except trade license and building fees, the rates, fees, tolls and user charges were being hardly levied and collected by the GPs. Except for the item, namely, license fees for running trade, only three other sources out of various sources indicated in Section 47(2) of the Panchayat Act, had been tapped by 10 to 18 per cent sample GPs. These were lighting rate, fees for registration of vehicle or for grazing cattle on GP land. The utility of the various sources other than these 5 sources was therefore considered extremely doubtful. The following table provides the overall picture about utilisation of various NTR sources by the sample GPs.

Table 2.2

Utilities	No. of GPs	% of GPs	% of NTR
Rates, Fees, Tolls, Licenses	Collected	Collected	Collected
Fees for making sanitary arrangements in fair / mela	5.00	3.24	
Trade license	96.66	26.46	
Registration of vehicles	18.33	1.79	
Grazing cattle on GP land	16.66	7.99	
Permission for building constn.	88.33	28.79	
Water rate	8.33	9.05	
Lighting rate	10.00	5.17	
Sanitary rate	3.33	0.25	
Ferry/toll	8.33	2.18	
Tolls on roads/bridges	3.33	14.00	
Use of burning ghat	3.33	0.35	
Registration of deep tube well	1.67	0.25	
Misc license	3.33	0.49	
Total		100.00	

Source: ISS, 2007

2.40 Table 2.2 shows that except trade license and building fees, the rates, fees, tolls and user charges are hardly levied and collected by the GPs. If one leaves license fees for running trade, only three other sources out of various sources indicated in Section 47(2) of the Panchayat Act, have been tapped by 10 to 18 per cent sample GPs. These are lighting rate, fees for registration of vehicle or for grazing cattle on GP land. The utility of the various sources other than these 5 sources is therefore extremely doubtful.

Study

2.41 While the previous studies were based on small number of GPs within six SRD districts, the study sponsored by World Bank and conducted by Roy Bahl, Geeta Sethi and Sally Wallace

was an ambitious one and covered all the GPs of the state. Its findings on the aspect of resource mobilisation by GPs may be summarised as follows

- Only about 6 per cent of all revenue of gram panchayats in West Bengal is derived from own sources. The dependence of blocks and districts on inter governmental transfers is slightly more than that of gram panchayats, because districts and blocks have no taxing powers. These measurements underscore the very strong degree of revenue centralization in West Bengal state.
- Rural Local Governments in West Bengal raise very little revenue from own sources. The average for gram panchayats is only about Rs 8 in per capita own source revenues, but some raise 20 to 30 times this amount while 200 GPs report raising no own source revenue.
- An OLS regression model identified the literacy rate as significant determinant of higher levels of revenue mobilization.
- Since intergovernmental transfers play such a large role in financing rural local governments, it is possible that an effect on tax collection might result. A test of this hypothesis shows that for all governments (GP, Block and Districts) per capita grants and transfers are positively and significantly related to own source revenue per capita, i.e. the more grant received, the more own source revenue raised. This result is not farfetched. GPs that receive more in transfers become accustomed to larger government and are willing to pay more for services.
- About 94 percent of total revenues of gram panchayats come from grants and transfers. The centrally sponsored schemes account for the largest share of revenue, constituting 75 percent of PRI transfers and 70 percent of total PRI revenue. Over two-thirds of this total come from IAY (housing) and SGRY (employment generation) schemes.
- Rural local government taxes in most countries tend to be more narrow based and administratively difficult. But even so, they have the potential to significantly increase the level of revenues of the local government.

3

Revenue of Panchayats : Pattern of Distribution

I. Pattern of Revenue Generation at Macro Level Data

Sample

3.1 There had been 936 GPs under ISGPP spread over 9 districts of West Bengal, for which the OSR related data for the years 2012-13 and 2013-14 were made available to us. 17.09 per cent of these GPs had been from Paschim Medinipur and the percentage share of Burdwan had been 17.41. Dakshin Dinajpur had the lowest share (4.17). The share of GPs from Cooch Behar had also been very low (Table 3.1). It appears that the GPs under ISGPP are mostly concentrated in the southern part of West Bengal.

Table 3.1: District wise Distribution of GPs

District	Number	Percentage District
Bankura	108	11.54
Birbhum	85	9.08
Burdwan	163	17.41
Cooch Behar	65	6.94
Dakshin Dinajpur	39	4.17
Howrah	90	9.62
Nadia	104	11.11
Paschim Medinipur	160	17.09
Purba Medinipur	122	13.03
Grand Total	936	100.00

3.2 An analysis of the data reveals that the average Per Capita Revenue from Own Source (PCOSR) for these ISGPP GPs in the years 2012-13 and 2013-14 had been Rs. 27.04 and the average Per Capita Revenue from Own Source of Tax (PCOTR) had been Rs. 8.44. This indicates that the GPs under ISGPP largely depend on non Tax revenue component for resource mobilization own sources. However, it is necessary to note that property tax accounts for roughly one-third of total revenue (31% in 2012-13 and 33% in 2013-14). Among the better

performing districts, Howrah collects significant proportion of revenue from tax (52% in one year and 42% in another year). It is also necessary to take note of the fact that for six districts out of 9, tax as percentage of OSR is more than the average for 9 districts in both the years. Property tax therefore, has an important role to play in revenue generation of the local bodies.

3.3 The above figures show that the revenue generated by the GPs from their own sources is a meagre amount and it is needless to say that with such meagre own source revenue the GPs can have little capacity to deliver services independently. For delivering services to the citizens they have to depend heavily on the state government and high dependence on the state government is a strong indicator of the lack of fiscal autonomy of panchayats. Not that panchayats of other states operate with significantly greater fiscal autonomy. But some of them are performing much better than those of West Bengal. As already noted in chapter 2, per capita OSR of the panchayats of the states like Kerala, Tamil Nadu, Maharashtra and Karnataka are Rupees 136, 78, 103 and 46 respectively as of 2006-07. The revenue performance of West Bengal's panchayats looks poor, when it is compared with the performance of the panchayats of these states. This indicates the enormity of the task that lies ahead for West Bengal's Panchayats.

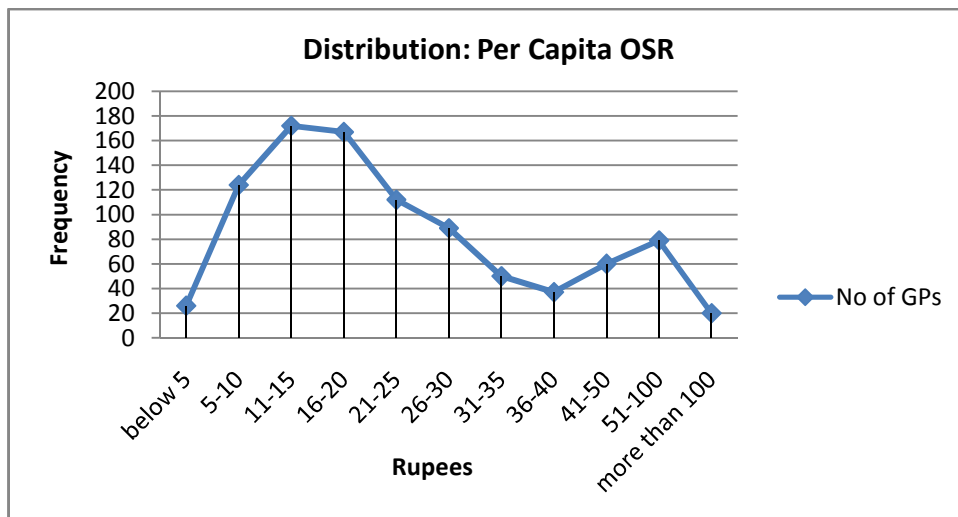
3.4 The scrutiny of the revenue data further reveals that there is wide inter-GP variation both in case of PCOSR and PCOTR. This is reflected in high values of Coefficient of Variations pertaining to both these variables. (CV for PCOSR had been 98.86 per cent and that of PCOTR 122.26 per cent).

3.5 The distribution of 936 GPs according to PCOSR reveals this variation in further detail. Thus there had been 26 GPs for which the PCOSR was below Rs. 5.00. At the other extreme there had been 20 GPs for which the PCOSR had been more than Rs. 100. However, 61.4 per cent of the GPs were found to collect PCOSR in the range of Rs. 5 to Rs. 25. There are only 17% GPs with per capita OSR of more than Rs 40 and 10.6% GPs with per capita OSR of more than Rs 50. The distribution of the GPs in terms of PCOSR is given in Table 3.2 and Figure 3.1.

Table 3.2: Distribution of GPs in terms of Per Capita Own Revenue

Range of Per Capita OSR	No. of GPs	% of Total No. of GPs	Total No. of GPs	Class Percentage
Below 5	26	2.8	26	2.8
5-10	124	13.2	150	16.0
11-15	172	18.4	322	34.4
16-20	167	17.8	489	52.2
21-25	112	12.0	601	64.2
26-30	89	9.5	690	73.7
31-35	50	5.3	740	79.0
36-40	37	4.0	777	83.0
41-50	60	6.4	837	89.4
51-100	79	8.5	916	97.9
More than 100	20	2.1	936	100

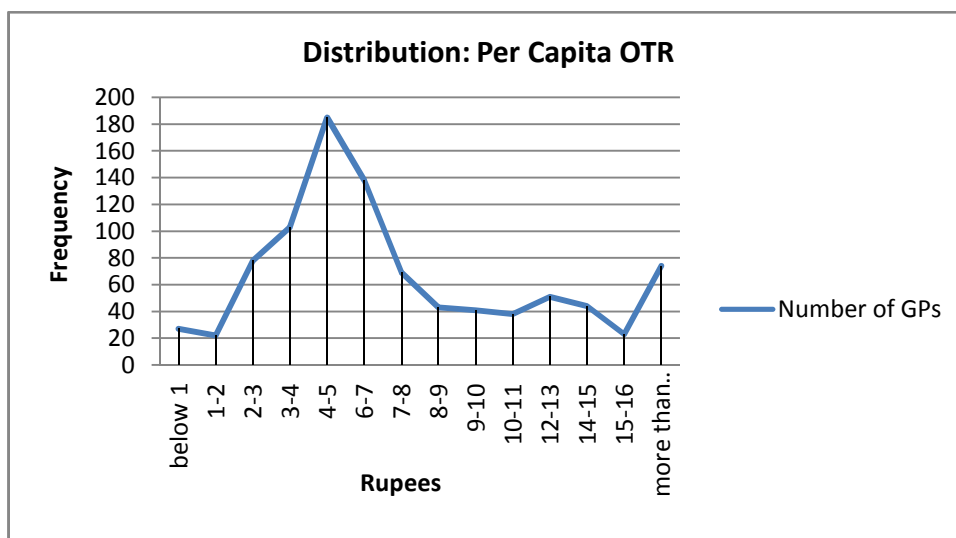
Figure 3.1: Distribution of 936 GPs according to PCOSR



3.6 There had been 27 GPs under ISGP with respect to which PCOTR had been less than Rs. 1.00. There had however, been 74 GPs, for which PCOTR had been more than Rs. 16. At the median level, the PCOTR had been about Rs. 8. The modal value had however been in the range of Rs. 4 and Rs. 5. The scenario is such that the dispersion (Standard Deviation) is quite high, a fact which indicates that the patternistic similarity in the determinants of PCOTR in the GPs under ISGP, if any, might be very weak. We shall consider this issue when we search for the

determinants of PCOTR with respect to a representative set of GPs out of these 936 GPs under ISGP. The cumulative distribution of 936 GPs with respect to PCOTR is given in Figure 3.2.

Figure 3.2: Distribution of 936 GPs according to PCOTR



3.7 In order to test tax collection efficiency of the GPs it is necessary to check the total amount collected by the GPs in a year against the total tax demand for that year. The position is shown in table 3.3 for 807 GPs in 2012-13 and 833 GPs in 2013-14. This table exhibit several disquieting features of tax revenue administration. These are as follows:

3.8 First, of the total demand (arrear and current), only about a third is collected. This means that the Own Tax Revenue of GPs would increase several folds if the total demand gets collected. Thus, not only assessment of tax is abnormally low, even the meagre amount of tax that is imposed does not get collected. Secondly, while the records of almost all the districts in respect of tax collection are dismal uniformly, the record of Howrah seems to be a shade better than others. Probably the existence of industries and urbanization of many erstwhile rural areas have enabled panchayats to levy and collect more property tax. Lastly, there are reasons to suspect the veracity of what is shown to be as arrear demand. It is possible that much of the arrear tax has become too old and it may be very difficult to realize the same. Besides, our field studies indicate that there are many gaps in the present system of keeping records of arrear demands. To obtain correct picture of arrear demand is accordingly considered as a very

important task. In ISS (2007) report it was suggested that special audit might be conducted to estimate correct figures of arrear demand. The suggestion seems to be valid even now

Table 3.3
Demand and Collection of Property Tax

District	2012-13				2013-14			
	No of GPs	Tax Demand (Rs in Lakhs)	Tax Collection (Rs in Lakhs)	% of Tax Collection	No of GPs	Tax Demand (Rs in Lakhs)	Tax Collection (Rs in Lakhs)	% of Tax Collection
Bankura	87	190.72	60.04	31.48	89	183.71	69.44	37.80
Bardhaman	136	734.39	251.85	34.29	151	968.12	325.16	33.59
Birbhum	79	424.59	107.19	25.25	70	428.92	168.49	39.28
Cooch Behar	52	258.29	61.43	23.78	59	256.38	75.27	29.36
D Dinajpur	36	184.29	55.81	30.28	38	217.40	59.91	27.56
Howrah	81	462.80	221.66	47.90	80	506.80	203.66	40.19
Nadia	98	694.25	192.65	27.75	99	1012.19	206.74	20.42
E Medinipur	102	314.31	120.19	38.24	106	289.51	138.02	47.67
W Medinipur	136	637.98	211.30	33.12	141	682.93	235.04	34.42
Total	807	3901.63	1282.12	32.86	833	4545.96	1481.73	32.59

II. Determinants of Panchayat Revenue

3.9 For an econometric analysis of the determinants of OSR and OTR we decided to take a sample of 200 GPs out of 936 GPs under ISGPP. In order to select the units under the sample study we considered first the extent of homogeneity that exists among the GPs in terms of PCOSR and PCOTR. The rank correlation between PCOSR and PCOTR had been 0.61. The patternistic similarity had been more prevalent among 423 GPs in a quartile wise distribution of the GPs both in terms of PCOSR and PCOTR; these 423 GPs were belonging to the diagonal of this distribution (Table 3.4). There had been 263 GPs in the left triangular block and the number of GPs in the right triangular block had been 250.

Table 3.4: Distribution of GPs according to Per Capita OSR and Per Capita Tax

		Quartile as Per Capita Tax			
Quartile as	Per Capita OSR	Q1	Q2	Q3	Q4
Q1		141	52	33	16
Q2		69	79	56	37
Q3		21	74	77	56
Q4		2	29	68	126
Grand Total		233	234	234	235

3.10 The sample of 200 GPs had been selected from these three blocks according to the weight of the number of GPs in the concerned block (e.g. the number of sampled units taken from the diagonal block had been 90 ($423/936*200$)). The individual GPs had been selected by the process SRSWOR, according to the quota of each block. The distribution of the sampled GPs according to PCOSR and PCTAX is described in Table 3.5.

Table 3.5: Distribution of Sample GPs according to Per Capita OSR and Per Capita Tax

		Quartile as per Capita Tax			
Quartile as	Per Capita OSR	Q1	Q2	Q3	Q4
Q1		30	11	7	3
Q2		15	17	12	8
Q3		5	16	16	12
Q4		0	6	15	27

3.11 The causal variables for quantitative analysis had been taken from Primary Census Abstract (2011) with respect to the villages under the selected GPs. The following variables were identified for performing the modeling exercise: Population, Literacy rate, percentage of SCST to total population, percentage of Cultivator to Main worker, percentage of Household Industry and Other Workers to Main workers, percentage of Main Worker to Total Worker, percentage of Agricultural labour to Main worker.

The Probable Explanatory Factors

3.12 To start with, we calculated the correlation coefficients of these variables independently with respect to PCOSR and PCTAX. The idea was to ascertain the degree of association of PCOSR (and PCTAX) with each of these variables, without considering the effect of other independent

variables that might be influencing the behavior of PCOSR (i.e., the effect of the concerned variable on PCOSR in a regression analysis). The findings are described in Table 3.6.

Table 3.6: Correlation between PCTAX , PCOSR and Various Concerned Census Variables

Indicators	Correlation	PCTAX	PCOSR
Percentage of SCST to total population	Pearson Correlation	-0.167(*)	-0.146(*)
	Sig. (2-tailed)	0.018	0.039
Literacy rate	Pearson Correlation	0.097	0.120
	Sig. (2-tailed)	0.174	0.092
Percentage of Cultivator to Main worker	Pearson Correlation	-0.314(**)	-0.280(**)
	Sig. (2-tailed)	0.000	0.000
Percentage of Household Industry and Other Workers to Main workers	Pearson Correlation	0.387(**)	0.334(**)
	Sig. (2-tailed)	0.000	0.000
Percentage Main Worker to Total Worker	Pearson Correlation	0.207(**)	0.210(**)
	Sig. (2-tailed)	0.003	0.003
Percentage Agricultural Labour to Total Worker	Pearson Correlation	-0.327(**)	-0.275(**)
	Sig. (2-tailed)	0.000	0.000
Total Population	Pearson Correlation	-0.328(**)	-0.324(**)
	Sig. (2-tailed)	0.000	0.000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

3.13 As we get from Table 3.6, PCOSR has a negative correlation with percentage of SCST in the total population. The association is significant at 0.05 per cent level. Considering the SCST population as a proxy of economic backwardness of the concerned village or GP, this finding is consistent with the hypothesis that PCOSR depends on the degree of economic backwardness or advancement of a region. More backward a region is the possibility of having less PCOSR becomes stronger (negative relation). The data also indicate that this relation is stronger with respect to PCTAX. In the regression analysis, one should therefore consider percentage SCST to total population as a possible explanatory variable which is negatively related to both PCOSR and PCTAX.

3.14 Literacy rate is widely considered as a proxy for the capability of the population in accessing better employment opportunities. A literate person is also expected to be a better

citizen which *inter alia* would be reflected in better tax performance and even better PCOSR of the concerned GP. The relationship between the two should be positive. The information that we gathered with respect to the selected GPs, do indicate that there are reasons to believe that this is really true. We should however point out that in the data set that we are working with the relation had not been statistically significant even at 5 per cent level of significance. We however decided that, as a working hypothesis, the literacy rate would be taken as one of the explanatory variables in the regression analysis because we do not have any other proxy or dummy variable that might capture the level of taxable capacity of the population in the selected GPs.

3.15 The percentage of main workers to total workers is expected to describe the extent of availability of regular (under usual status for more than 183 days) jobs in a village. The better is the prospect of such jobs, the higher is the expectation of the economic condition of the concerned villages being better, leading ultimately to better collection of PCTAX and PCOSR of the concerned GPs. In other words the relation between these two variables should be positive. As table 3.4 indicates, this is true with respect to the sampled GPs. The correlation coefficient between the percentages of main worker to total worker was 0.21 and it was statistically significant even at 1 per cent level of significance. This was also true with respect to PCTAX where the correlation coefficient had been 0.207 and the relation was statistically significant at 1 per cent level of significance. For regression analysis we therefore decided to keep this variable (percentage of main workers to total workers) in the set of determinants of PCTAX/PCOSR.

3.16 Percentage of cultivator to main worker had been found to have negative correlation with PCTAX and PCOSR. The correlation had been significant at 1 per cent level of significance. The implication is that both PCTAX and PCOSR are expected to be low in those GPs in which the percentage of cultivators to main workers is high. This is consistent with the received wisdom that agriculture nowadays is becoming less remunerative. The population of prosperous GPs depend less on agriculture. This is also true with respect to percentage of agricultural labour to total worker (table 3.4, row 10). The data also indicate that those GPs, in which the percentage

of household industry and other workers to main workers is higher, perform better in terms of both PCTAX and PCOSR. The relationship is expected to be so because the GP having higher percentage of such workers are likely to be more prosperous, the more eminent sector or being the non agricultural sector. The econometric model had to be developed and before consider this variable as the possible explanatory factor in respect to the performance of GP in terms of PCTAX/PCOSR.

3.17 The correlation between total population and both PCTAX and PCOSR are negative and statistically significant (at 0.01 level). More populated a GP is less PCOSR and PCTAX. It seems that the tax base or the base of other resources of even do not identify the growth of population. On the contrary prosperity appears to remain inversely related to the level of population in a GP. Less prosperous GPs are expected to contribute less both in PCTAX/PCOSR. The relation therefore is negative. This is contrary to the received wisdom that with a larger population there should be greater levels of economic activity which, *inter alia* would widen the tax base of the GP, and in the case of smaller GPs the scope of revenue generation should be lower. Such GPs would largely depend on inter governmental transfers that might dampen the enthusiasm for revenue mobilization. We shall take this point in consideration while taking up the modeling exercise.

3.18 We also considered two qualitative variables which might be considered for explaining PCOSR and PCTAX. The first one is the net domestic product (NDDP) that captures the general economic level of a GP belonging to a particular district. It is NDDP per head be the general level of economic activity and consequently taxable capacity should be better for the GP belonging to such a district. We also tested in another qualitative variable that attempts to capture the performance of the GP in mobilization of even from own resources. The difference between the demand and collection of OSR had been calculated and the gap analysis had been done. An index of performance $[(\text{Demanded} - \text{Collection}) / \text{demanded}]$ had been worked with respect to each GP. The GPs above and upto the median value of the index were termed as better and the rest had been considered as worse performer in terms of OSR. A

similar exercise was done with respect to own tax revenue to get the dummy with respect to the model on PCTAX.

3.19 There had been 27 ban GPs (the percentage of population in respect to the census basis in the GP being greater than 20) out of the selected 200 GPs. Average PCOSR in these GPs had been Rs. 103.31. For the non ban GPs, the PCOSR as recorded in the available data had been Rs. 29.67. It appears that there does not exist any homogeneity between these two sets of GPs. We decided to consider a separate set of models for explaining the behavior of OSR pertaining to these urbanized GPs.

The Econometric Models

The Initial Set of Models

3.20 From the ground level reality, the initial approximation in terms of a stylised description had been attempted considering the following variables: population growth rate (LOGPOP), growth rate of SCST (LOGSCST), growth rate of literacy (LOGLIT), growth rate of cultivator (LOGCUL), growth rate of household and other industry worker (LOGHHOTH); the dependent variable being Per Capita Own Source Revenue (PCOSR). This is captured in Model 1 as described below.

3.21 Model1:

$$PCOSR = a + b_1 LOGPOP + b_2 LOGSCST + b_3 LOGLIT + b_4 LOGCUL + b_5 LOGHHOTH$$

3.21.1 The form of function is log linear.

3.21.2 The data had been analysed in SPSS 10. The details of the findings are presented separately in the Appendix to this Chapter. The following is the summary of the findings.

3.21.3 There had been five explanatory variables without any dummy. Only 41 per cent of the variations in PCOSR are explained by this model. Population growth rate appears to be negatively related to PCOSR, the coefficient being (-) 0.25. The coefficient is statistically significant (level of significance 0.000). The growth rate of SC ST population is also negatively

related to PCOSR, the coefficient being (-) 0.138. The coefficient is statistically significant at 5 per cent level of significance. The growth rate of literates is positively related to PCOSR but it does not appear to be significant even at 10 per cent level of significance. The growth rate of cultivator has strong negative relation with PCOSR [($b_4 = (-) 0.669$, level of significance 0.000], but contrary to what is expected PCOSR is found to be negatively related to the growth of non agricultural activities [($b_5 = (-) 0.405$, level of significance 0.000.)]

3.21.4 We may explain the behavior of the relation between population growth rate and growth rate of SCST population with PCOSR in terms of what we placed as hypothesis. But, the weak relation of PCOSR with growth of literacy rate is not in line with what we expected. Only point that we may mention is that the expected sign of coefficients (b_3) has been realized. The relation with growth rate of cultivator is explainable if we consider the fact that agriculture in small farmer dominated West Bengal has mostly become un-remunerative thus weakening the base of OSR.

3.22 Model2:

3.22.1 A variation of the model was tried with log agricultural labour (AGLB) as one of the explanatory variables. Log cultivator (LOGCUL) had been dropped because these two were found to be strongly correlated (giving rise to the problem of multicollinearity in the multi variate regression analysis). The findings as presented below do indicate that PCOSR has a strong negative correlation with LOGAGLB. The other variables also maintained the expected behavior pattern except for the fact that LOGLIT in this model is found to be negatively related to PCOSR—a fact which one can hardly explain. The relation appears to be a spurious one. We therefore decided not to seek the explanation of the behavior of PCOSR in terms of this model.

3.23 Model3: The Final Model

3.23.1 Considering the behavior of the variables with respect to the econometric exercises described in Model 1 and Model 2, the working hypothesis was moderated and the following model had been attempted. It appeared that the quantitative truth underlying the data set had

best been captured by this model. We shall describe the model and then analyse the findings in detail.

3.23.1 Model 3

$$PCOSR = a + b_1 LOGPOP + b_2 LOGSCST + b_3 LOGLIT + b_4 LOGCUL + b_5 LOGHHOTH + b_6 DGAP + b_7 DNDDP$$

Where DGAP is the dummy for index of performance of individual GP in terms of OSR; DGAP=0 for index of performance below median (0.62); DGAP=1 otherwise

DNDDP is dummy for rank in terms of district domestic product. For such GPs which belong to the district for which NDDP is below state average DNDDP=0; DNDDP=1 otherwise.

3.23.2 The data had been analysed in SPSS 10. The details of the findings are presented separately. The following is the summary of the findings.

3.23.3 The model explains about 45 per cent of the variations in PCOSR. The growth rate of population is negatively related to PCOSR [($b_1 = -$) 0.25] and it is statistically significant at 0.000 level. The growth rate of SCST population is also negatively related to PCOSR (level of significance 0.02); the beta coefficient is however lower than that of growth rate of population. The growth rate of literacy is now found to be positively related to PCOSR. The coefficient is 0.13 and it is statistically significant at 0.08 percent level. As expected growth rate of cultivator has a strong negative relation with PCOSR [($\beta = -$) 0.73, level of significance being 0.00.]. The growth of non agricultural worker is also negatively related to PCOSR (level of significance 0.00, $\beta = -$) 0.411. The estimated beta with respect to DGAP is (-) 0.118 and it is statistically significant at 0.035. The implication is that OSR is expected to be better for such GPs for which the performance gap is lower. The estimated beta with respect to DNDDP is (-) 0.152. The findings indicate that this is also statistically significant (at 0.027 levels). The disquieting revelation is that the OSR is expected to be *worse* with respect to such GPs which belong to more prosperous districts. This goes against conventional wisdom but we have an explanation which we would presently submit.

3.23.4 We submit that this model captures the reality in terms of Ordinary Least Squares (OLS) in the best possible way. Inter GP variation in terms of collection of OSR, according to this

model can be explained by the size of the population and the percentage of SCST population as also by the level of literacy. Preponderance of both cultivators and non-agricultural workers also explains to a large extent the poor performance of GPs in terms of OSR related performance. The qualitative factors introduced in terms of two dummy variables also explain the behavior of OSR in a statistically significant manner although the logic behind the behavior of DNDDP needs to be explored in terms of the quantitative information contained in the data set. The details of what one can gather out of the OLS model would be discussed in non technical terms in the final section of this Chapter. But before we enter into that discussion, we would explore the logic behind the non conventional behavior of the estimated coefficient of DNDDP.

3.23.5 Why does the model suggest that the sign of the estimated coefficient of DNDDP in the regression equation should be negative for such GPs which belong to more prosperous districts? The common sense logic suggests that the GPs in more prosperous districts should perform better in terms of OSR mobilization. The model, on the contrary, indicates that this is unlikely to be so with respect to a representative set of ISGPP GPs (according to the model, the estimated coefficient of DNDDP is *unlikely to be negative* only with respect to 27 out of 1000 GPs in the population). In order to find a valid reason we probed the data set further and found that there is strong statistical logic behind what the model suggests.

3.23.6 The initial observation was that in case of the sampled GPs, the inter GP variation in terms of OSR mobilization is very high in the more prosperous districts. We shall elaborate this point. Out of 9 districts from which the data had been collected, East Medinipur ranked number 1 (PC NDDP Rs. 42,398). The number of GPs selected from East Medinipur in this study had been 26. The inter GP variation (the Coefficient of Variation) in terms of OSR mobilization in East Medinipur had been as high as 193.53 per cent. In this prosperous district, there had been such GPs in which the PCOSR was as low as Rs. 3.55. On the other hand, there had been such GPs also, in which the PCOSR was Rs. 324.34. In case of Howrah, another relatively prosperous district, there had been such GPs in which the PCOSR was as low as Rs. 2.53 (Rashpur GP in Amta I Block). In the same district, on the other hand, there had been a GP (Begri GP in Domjur

block) in which the PCOSR was Rs. 762.64. (The CV of PCOSR for Howrah was as high as 196.79 per cent). The inter GP variation in terms of OSR mobilization had also been high in other more prosperous districts (but not as high as in these two districts). Variation was high in less prosperous districts as well (in Cooch Behar the CV of OSR was 173.54 per cent). What then explains the finding that the GPs in more prosperous districts are likely to be worse performers in OSR mobilization? This led to a second round of probing which revealed that the high variation in many of the prosperous districts had been due to the existence of only a few GPs in which the OSR mobilization was very high. If these GPs are excluded, in many of the more prosperous districts the inter GP variation in OSR mobilization becomes lower compared to even some of the less prosperous districts. The third round of probing indicated that the average OSR mobilisation in many of the prosperous GPs had even been lower than the mobilization reported by typical GPs of less prosperous districts. This leads us to derive the following conclusion: Many of the GPs in more prosperous districts might perform worse *vis-à-vis* the GPs in less prosperous districts, so much so that the qualitative differentiation captured by a dummy variable on NDDP should work in the reverse direction; the GPs belonging to the less prosperous districts may perform better in terms of OSR mobilization. This in fact is what one may infer from the sign of the dummy on NDDP in Model 3.

Model Summary 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.674	.454	.434	61.9514

a Predictors: (Constant), DNDDP, LOGPOP, DGAP, LOGSCST, LOGHHOTH, LOGLIT, LOGCUL

Coefficients

Model		Unstandardized	Std. Error	Standardized	t	Sig.
		Coefficients		Coefficients		
	B		Beta			
1	(Constant)	549.218	277.994		1.976	.050
	LOGPOP	-88.680	22.150	-.248	-4.004	.000
	LOGSCST	-42.429	18.902	-.158	-2.245	.026
	LOGLIT	241.725	139.767	.131	1.729	.085
	LOGCUL	-220.583	28.643	-.729	-7.701	.000
	LOGHHOTH	-137.672	30.276	-.411	-4.547	.000
	DGAP	-19.451	9.151	-.118	-2.125	.035
	DNDDP	-25.468	11.438	-.152	-2.227	.027

a Dependent Variable: PCOSR

3.24. Econometric Models for 27 Urban GPs

3.24.1 We considered seven alternative models with respect to the data related to 27 urban GPs. R square values had been very high with respect to each model; considering the covariance matrix we did not find any reason to believe that there might exist multicollinearity in any of these models. However the major problem was that no explanatory variable had been found to have high estimated beta coefficients which are statistically significant at a reasonable level. The best one that might fairly explain the behavior of PCOSR is a model in which the growth rate of PCOSR (log PCOSR) had been linearly related to the following variables:

LOGPOP, DGAP, LOGSCST, LOGLIT, LOGHHOTH, LOGCUL.

3.24.2 The dummy variable that maintained statistical significance at a reasonable level with the expected sign of beta realized had been DGAP. The following is the summary of findings of the model.

3.24.3 The adjusted R square had been 0.638 which indicates that the model can explain more than 60 per cent of the variation in log PCOSR. Population growth rate was negatively related to LPCOSR at 0.10 per cent level of significance. As in case of the general model here also LOGSCST maintained a negative relation with the explained variable, i.e., LPSOR. The level of significance however had been poorer (0.12). Literacy does not seem to have any effect on LPCOSR [estimated beta had been (-) 0.05 which was found to be statistically insignificant]. The percentage of cultivators in the main workers had a negative relation to the growth of PCOSR; the beta coefficient had been quite high but it was significant only at 11 per cent. Contrary to what we expected, LOGHHOTH had been negatively related to LPCOSR, however it was not statistically significant. The district domestic product failed to serve as an indicator of heterogeneity in the GPs which was largely because of the fact that the urbanized GPs were mostly concentrated in more prosperous districts. A striking revelation is that the performance efficiency captured in terms of an index which we developed in this exercise (index of gap) does explain a lot in the behavior of LPCOSR. The beta coefficient had been (-) 0.285 and it was statistically significant at 0.04 per cent level of significance. The detail of the model is given below.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858	.736	.638	.2838

a Predictors: (Constant), DNDDP, LOGPOP, DGAP, LOGSCST, LOGLIT, LOGHHOTH, LOGCUL

Coefficients

Model		Unstandardized	Std. Error	Standardized	t	Sig.
		Coefficients		Coefficients		
	B		Beta			
1	(Constant)	5.863	3.647		1.608	.124
	LOGPOP	-.418	.244	-.298	-1.713	.103
	LOGSCST	-.341	.210	-.265	-1.626	.120
	LOGLIT	-.575	1.866	-.050	-.308	.761
	LOGCUL	-.533	.324	-.478	-1.644	.117
	LOGHHOTH	-.139	.427	-.065	-.326	.748
	DGAP	-.266	.126	-.285	-2.112	.048
	DNDDP	-8.575E-02	.159	-.092	-.540	.596

a Dependent Variable: LPCOSR

Summary and Conclusions

3.25 What explains inter GP variation in OSR mobilization? We tried to address this issue by considering 200 representative GPs out of 936 ISGPP GPs. The findings might be summarized as below.

- It seems that the more populous GPs are unlikely to perform better in terms of OSR mobilization. The size of the population is likely to work as a negative factor in OSR mobilization. The reason might be that more populous GPs do not have adequate logistical support in OSR collection. As the population increases number of tax collectors at GP level should also increase, which possibly is missing in West Bengal. Other reason might be that more populous GPs do not necessarily have better livelihood options. Existence of more number of people alone does not add to the taxable capacity of a GP.
- The percentage of SC/ST population should serve as a proxy to the percentage of poor people in the GP. Higher is the percentage of SC/ST in the population higher should be the incidence of poverty. Consequently, the tax base of the GP should remain poor, which, *inter alia* would lead to a poor performance in tax collection. The other sources

of revenue also remain usually poor in such GPs. The econometric model provides ample evidence in support of this hypothesis.

- Literacy rate is widely considered as a proxy to the level of capability of the population in accessing better employment opportunities. A literate person is also expected to be a better citizen. Tax compliance is expected to be higher in such GPs in which the percentage of literate people is higher. These would be reflected in better tax collection and even better mobilization of non tax revenues against services provided by the GPs. This should be reflected in better PCOSR in the concerned GPs. The econometric exercise provides empirical evidence in support of this hypothesis.
- The econometric model indicates that the PCOSR would be lower in those GPs in which there is preponderance of cultivators. The finding is not surprising given the fact that the small farmer dominated agriculture in West Bengal is gradually becoming unremunerative. The cultivator dominated villages are no longer prosperous villages, as these might have been previously. OSR, particularly the tax component of OSR should remain poor in such villages. This is what one might infer from the quantitative exercise that we have performed with respect to 200 representative ISGPP GPs.
- In rural West Bengal, the importance of non agricultural activities is increasing fast. These non agricultural activities are largely concentrated in Own Account Enterprises or DMEs (employee less than 5). Usually such enterprises operate at low end value addition activities. The preponderance of such enterprises might not indicate prosperity, a fact which has indirectly been corroborated by the econometric model that we have developed. According to this model, preponderance of non agricultural activities is likely to be negatively associated with OSR collection. Such GPs are likely to be poor having a low tax and non tax base. Consequently, the OSR mobilization is likely to remain poor in these GPs.
- There are two qualitative variables that we tried with. One is DNDDP, which was expected to differentiate between the performances of GPs belonging to less prosperous districts vis-à-vis such GPs which belong to more prosperous districts. The surprising revelation is that a typical GP in more prosperous district is likely to perform

worse in terms of OSR mobilisation compared to its counterpart in the less prosperous districts. This is largely due to the fact that the macro level prosperity captured by NDDP for a district is not the true indicator of prosperity at GP level; districts in which the NDDP is higher do not have many GPs in which the PCOSR had been very high. The inescapable truth is that many of the GPs in more prosperous districts might perform worse vis-à-vis the GPs in less prosperous districts, so much so that the qualitative differentiation captured by a dummy variable on NDDP might work in the reverse direction; the GPs belonging to the less prosperous districts may perform better in terms of OSR mobilisation.

- OSR is expected to be better for such GPs for which the performance gap is lower. This is likely to be true because of the fact that lower performance gap indicates that tax collection machinery is likely to be more efficient compared to other GPs. The econometric model strongly suggests that there is a truth behind this inference. The implication is that OSR mobilisation is likely to improve if the revenue collection machinery is strengthened at the GP level. This has a policy implication which may be given adequate attention.
- We should however point out that the model leaves large part of the behaviour of the OSR unexplained (The model explains about 45 per cent of the variations in PCOSR). It seems that there are many other factors which operate at the ground level. A regional or micro level study is likely to reveal such truths in a better way.
- With respect to more urbanised GPs, the econometric model does not reveal much. At the outset, we should point out that the correlation between the level of urbanization and OSR mobilisation is rather poor (the correlation coefficient between level of urbanization and the extent of OSR mobilisation is only 0.45). It is not necessarily true that more urbanised GPs are expected to explore their revenue potential in a better way. A regression model involving 27 urbanised GPs reveals that the only factor that might explain better performance in the urbanised segments of the randomly selected GPs is the quality of collection efforts. As the model reveals the performance efficiency captured in terms of an index which we developed in this exercise (index of gap) does

explain a lot in the variation in OSR collection. The implication is that it would be rewarding to invest in developing better revenue collection machinery in these GPs.

Appendix 3

Model Summary 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653	.426	.411	62.8678

a Predictors: (Constant), LOGHHOTH, LOGPOP, LOGSCST, LOGLIT, LOGCUL

Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	562.809	268.081		2.099	.037
	LOGPOP	-89.712	22.082	-.252	-4.063	.000
	LOGSCST	-36.919	19.030	-.138	-1.940	.054
	LOGLIT	206.207	135.004	.113	1.527	.128
	LOGCUL	-201.844	27.362	-.669	-7.377	.000
	LOGHHOTH	-134.866	30.475	-.405	-4.426	.000

a Dependent Variable: PCOSR

Model Summary 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.642	.412	.396	63.6480

a Predictors: (Constant), LAGLB, LOGLIT, LOGPOP, LOGSCST, HHOTH

Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	993.172	267.928		3.707	.000
	LOGPOP	-81.705	23.201	-.229	-3.522	.001
	LOGSCST	-31.664	19.451	-.118	-1.628	.105
	LOGLIT	-126.070	130.563	-.069	-.966	.335
	HHOTH	-1.356	.390	-.355	-3.482	.001
	LAGLB	-184.846	27.746	-.727	-6.662	.000

a Dependent Variable: PCOSR

4

A Review of the Panchayat Act and the Tax and No - Tax Revenue

Tax and Billings

4.1 Sub-section (1) of Section 46 provides that a Gram Panchayat 'shall' impose a tax on 'land and buildings' within the limits of its jurisdiction at the rate of 1% of the 'annual value', if the annual value of the 'land and buildings' does not exceed Rupees 1000, and at the rate of 2% of the annual value, if such value exceeds Rupees 1000. The tax imposed is to be paid every year. This is a tax on 'property', not on any person, but the owner and the user of the property are liable to pay the tax.

4.2 Certain categories of property are exempted from the obligation to pay tax. These are as follows.

- Land and buildings belonging to a local authority and used or intended to be used *exclusively* for public purpose and not for the purpose of profit.
- Land and buildings used *exclusively* for religious, educational or charitable purposes.
- Lands and buildings, the 'annual value' of which (as defined in the Act) does not exceed Rupees 250 per year.
- Any other class or classes of property which are notified to be exempted by the State Government wholly or partly.

4.3 The basic features of the provisions under Section 46(1) of the Panchayat Act may be summarised as follows. First, this is a compulsory tax. It is the duty of the panchayats to levy and collect such tax. Panchayats do not have the option not to realise this tax. Secondly, this is a tax on immobile property, i.e., on land and on building. The category 'land' has not been specified in the Act, but the explanation (C) to the Section 46 states that "'land" includes homestead land and land appurtenant to building'. This means that any homestead land belonging to the same owner outside the land appurtenant to his/her building within the

jurisdiction of the gram panchayat is also liable to be taxed. Thirdly, the base of the tax is 'annual value' of land and buildings that are being taxed. *Annual value* has been defined as 6% of market value of the land and buildings at the time of assessment of tax.

4.4 Explanation (1b) of Rule 57 of The West Bengal Panchayat (Gram Panchayat Administration) Rules 2004 (hereinafter Administration Rules) states that the 'market value' of any land or building or both means an amount that has to be determined on the basis of the records or valuation list maintained by the Block Land and Land Revenue Officer (BLLRO) and Sub-Registrar or District Registrar or in any other manner as may be directed by the state government.

4.5 The office of the BLLRO maintains land records. This office may be of help in checking the records relating to ownership of land of a taxpayer, but for valuation of land in a mouza, one has to depend upon the valuation list maintained by the Sub Registrar or the District Registrar. As far as valuation of buildings is concerned, none of these sources may be useful as in the villages transfer of buildings does not take place in significant number. Probably because of this, Explanation (2) of the above mentioned Rule suggests a procedure for determination of market value of land and buildings, which is the base of the 'Annual Value'. The procedure is as follows.

4.6 The Gram Panchayat may collect self-declaration of the tax payer about the area and valuation of the land and buildings under his/her ownership. A standard format has been prescribed for this in the Rules called Form 5A. However, this is optional and even if self declaration is collected, the GP cannot fully depend on it. According to the procedure laid down in the explanation (2), steps to be taken for determination of the market value are as follows.

- Collect Self-declaration of the tax payer;
- Conduct field-survey. According to explanation (2) of rule 57, this is compulsory;
- The information collected from field survey about the land and buildings of the assessee should be checked with the records of BLLRO and Sub Registrar/District Registrar.

4.7 After the above mentioned exercises are completed, the information as regards description of the property, name(s) of the owner and occupier and the market value of the property as determined are to be recorded in a register in Form 6. It may be noted that the reference date for market value of property is 1st September. Once Form 6 is prepared, the *Artha O Parikalpana Upa Samiti* of the GP has to assess the tax based on the annual value of the property, annual value being 6% of the market value. As mentioned, tax is statutorily fixed at 1% or 2% of the assessed annual value. Tax is payable in 4 quarters. The list of persons liable to pay tax on land and buildings in a particular year shall thereafter be entered in Part 1 of Form 9. This list will contain information collected from Form 6 regarding the name of the assessee, description of the property possessed and market value of the property. Thereafter the list will provide the estimate of annual value of the property and the amount of quarterly tax payable thereon. If any property is exempted from paying tax, grounds of exemption have to be written in short in the last column. This register needs to be updated every year. But fresh determination of valuation of land or buildings or both shall be made every five years or after constitution of newly elected body in a GP, whichever is earlier. Wherever Gram Unnayan Samiti has been formed their assistance needs to be taken in the field survey for identifying the assesseees, information about their properties and valuation of such properties.

4.8 The work of *Artha o Parikalpana Upa Samiti* must be completed by 7 September. The assessment list will then be placed before the general body of the gram panchayat for approval within 30 September. After GP approves the assessment list, the following procedure has to be gone through, before its final adoption.

- A copy of the Assessment list is to be sent to the Panchayat Development Officer (PDO) by 5th October.
- The PDO is supposed to return the list by 20 October with or without advice for revision.
- The GP may revise the list as per above suggestion or if it is dissatisfied with such suggestion may refer the matter to the District Panchayat and Rural Development Officer (DPRDO) whose decision shall be final.

- By 10 November, the GP has to display the assessment list and the defaulters' list and a notice (in Form 10) inviting objections in two conspicuous places and to place the same in the November meeting of gram sansad for information and deliberation.
- The GP will hear objections, if any and take appropriate decisions either rejecting the objection raised or revising or modifying the list after due consideration of the objection.
- The final assessment list will then be displayed in the same two conspicuous spaces and also will be placed in the meeting of Gram Sabha by 15 December. A notice also will have to be served simultaneously to the effect that any aggrieved assessee may prefer an appeal to DPRDO who will dispose the appeals, if any, by 15 January.
- If any revision is made in appeal, the revised assessment list will be finally adopted by the GP and displayed in conspicuous spaces within 31 January.

Observations

4.9 Most of the steps involved in the above procedure seem to be essential and may not be dispensed with, except for reference to the Panchayat Development Officer. If any input from him/her is required, the same may be taken at the time preparation of Form 6, because this stage is most vital in the whole process.

4.10 The procedure of determining market value of land and buildings as laid down in paragraphs 4 to 6 above leaves some gaps. It was pointed out earlier that the records/information available at the offices of BLLRO and the Registry office are not enough to determine the market value of building. For this, methods, other than the self perception of the assessee, have to be devised and incorporated in the rules. For valuation of land, the procedure is simple enough. First, the area of the land under the ownership of the assessee has to be ascertained and thereafter the market value of the land has to be ascertained from the Registry office. In the case of building, however, it is difficult to ascertain market value directly, as evidence of sale of residential buildings in rural areas is not easily available. It has to be ascertained by indirect method of computing the present construction cost of the building less

depreciation. This is, no doubt, a complicated method. Complaints of arbitrariness in assessments have also been made in some states where capital value method has been adopted as a base for imposing house tax. Some states, such as Tamil Nadu, have therefore gone for classified plinth area basis of valuation of building in panchayat areas. The method as incorporated in Tamil Nadu Panchayat Act 1994 is as follows

4.11 In levying tax on buildings, two types of classification are done. The first classification is made on the basis of the nature of the building, such as, concrete house, house with the roof of GA sheet, house with tiled roof, thatched house, too small (less than 20 Sq metres) thatched house. Second classification is made on the basis of use of the building, namely, residential, commercial and industrial. Tamilnadu Act provides a schedule fixing minimum rate and maximum rate per 9.29 decimetres of plinth area against each category of first type of classification of houses, that is to say, for (i) concrete houses, (ii) tiled houses, (iii) thatched houses, and (iv) thatched houses below 20 sq metres. Panchayats are free to impose rates between the minimum and maximum rates indicated in the schedule under each category of house. Over and above the basic tax surcharge has to be paid for the buildings used for commercial or industrial purpose partially or fully. The rate at which such surcharge may be imposed has been indicated in the Act.

4.12 The above method is easier to implement, as there is little scope for intrusion of the element of subjectivity or arbitrariness in determining market value of a building by capital value method. However there may be some problems with regard to fixing statutorily the maximum and minimum rates of taxation. Firstly, the range has to be relevant and appropriate to cover panchayats in diverse regions of a state, namely developed, less developed and underdeveloped areas. Secondly, rates require revision from time to time, as value of money does not remain fixed over a long period of time. One has to tackle these problems if the plinth area method is adopted for taxation of building.

4.13 West Bengal Act provides for taxation of not only buildings but also lands. Hence, full conversion to plinth area basis of taxation may not be feasible. But for the purpose of

standardised application of capital value method of valuation of building, the concept of plinth area maybe used in a fruitful manner. If one has information about the plinth area of the building possessed by the assessee, then what is needed for making valuation is a schedule indicating unit costs of construction of buildings falling under different classes in different regions. The plinth area multiplied by the unit cost of construction of the building would then be the value of the building. The schedule referred to here maybe prepared and issued by the prescribed authority for different regions and such schedules maybe used for valuation of buildings.

4.14 It has been suggested in some quarters that there should be a minimum level of tax. In Tamil Nadu suggestion was made to fix the minimum level of house tax at Rupees 40 per annum. Considering the present rural per capita income and the minimum agricultural wage (Rupees 169 per day) this amount should not appear to be on high side.

Other Taxes

4.15 There is a provision for imposing an additional stamp duty by the gram panchayat on transfer of property at the rate of 2% of the consideration for sale, gift, mortgage or lease, as the case may be. There is also a provision to impose a duty in the shape of an additional stamp duty at the rate of 10% on all payments made by the public for admission to any entertainment. None of these provisions of the Act have so far been made operational. There is an administrative arrangement for transfer of a portion of entertainment tax collected by the state government to the panchayats. But such transfers have scarcely been transparent, regular and predictable. In many states power to collect profession tax has been given to the gram panchayats. For Kerala's Panchayats profession tax is an important source of revenue. In West Bengal also such provision was there in the Act. But by an amendment to the Act, power to realise profession tax was taken away from the gram panchayat. Now the state government collects profession tax and transfers a small amount to the panchayats and that too very irregularly.

Non-Tax Sources of Revenue

4.16 Section 47 of the Panchayat Act provides for collection of revenue from realisation of fees, rates, tolls of the following types, subject to such maximum rates as may be prescribed by the State Government. The maximum rates have been laid down in the Annexure to the under Rule 58 of the West Bengal Panchayats (Gram Panchayat Administration) Rules, 2004.

Fees

- (i) For providing sanitary arrangements at such places of worship or pilgrimage, fairs and *melas* as may be specified by the State Government by notification. This means that the GP is authorised to provide the facilities and collect fees for the same only in those places which are specified by the state government by notification.
- (ii) For registration of non-motorised vehicles, that is to say, Rickshaw van, cart, bullock cart, horse or buffalo drawn carriage, tractor-trailer. The Act permits registration of bicycles also, but the relevant rules on this (GP Administration Rules) does not make mention of bicycles.
- (iii) On registration for running trade, wholesale or retail, unless such registration or such trade is prohibited under any law. This is not a licence, but enlistment as a trading establishment.
- (iv) For use of burning *ghat* under the control of GP. This is in the nature of user charge.
- (v) For registration of deep or shallow tube wells fitted with motor driven pump sets and installed for providing irrigation on commercial basis, that is to say, the water supplied by the owner has a price tag.

This is a unique source of revenue that finds place in West Bengal Act, not in the Acts of other states. Yet, as we shall see later, it is used rarely as a source of revenue.

- (vi) On the village produces sold in the village market organized by the gram panchayat.
- (vii) On any advertisement for public display in any manner and in any place, except those exhibited by the State Government in public interest.
- (viii) For making an application for permission to erect new structure or building or to make addition to any structure or building under Section 23 (2) of the Act.

Rates

- (ix) Rate for supply of drinking water or irrigation water.
- (x) Lighting rate where arrangements for street lights or lights in public places is made by the GP.
- (xi) Conservancy rate for clearing septic tank or for clearance of garbage from dumping ground of the owner.
- (xii) General sanitary rate or user charge for use of public toilet or public latrine constructed and/or maintained by the GP
- (xiii) Drainage rate is also to be construed as user charge for maintenance and cleaning of public drains. The rate has to be realised from the households (or the individual property taxpayers).

Tolls

- (xiv) Tolls at the toll-bar that may be established by the GP on any road or bridge under the management of the GP. Toll is payable in respect of persons, vehicles or animals.
- (xv) Tolls in respect of a Ferry established by or under the management of GP.

Some Observed Tax Rates

4.17 The maximum rates that may be imposed on any of the 15 items mentioned above have been laid down in the table at the Annexure of the West Bengal Panchayat (Gram Panchayat Administration) Rules 2004, as amended. The rates laid down therein have become dated and

does not reflect the reality. As a result, the GPs, which want to exploit some of the buoyant sources become handicapped unnecessarily, because the maximum rates fall short of the realisable revenue from the same. Revision of these rates is urgently called for.

4.18 In the provision at (i) above regarding sanitary arrangements at places of pilgrimage, worship, melas etc, the requirement of government notification for enabling the GP to make sanitary arrangements is unnecessarily restrictive. In fact in the interest of public health and for maintaining clean environment, it should be the duty of the local government to make sanitary arrangements at any place of congregation, unless the state government takes responsibility for this. This will enable the gram panchayat to provide an essential service by realising fees from the beneficiaries.

4.19 Fees on the village produce sold (item vi) may be a good source of income. But here also the provision has been made restrictive as this clause is applicable only in respect of the market 'organised' by the gram panchayat. In fact the Act requires to be amended to make it applicable for all types of market except those which are constructed and/or managed by any Trust or Society or company. Revenue obtained from market fees would enable the GP to maintain the infrastructure of the market and to provide essential civic services like waste disposal, water supply and sanitation.

4.20 As far as realising revenue for drinking water supply (item ix) is concerned, presently the rate may be realised only in respect of house connection (see para 3 of the Annexure to Rule 58 of the GP Administration Rules). It may be extended to realisation of rates for water supply through stand posts also.

4.21 Our field experiences have shown that most GPs do not tap most of the sources of non-tax revenue, except trade registration fee and building permission fee. One of the reasons for this is that the Rules do not lay down procedures detailing the actions to be taken in order to bring in the net everybody from whom the fees, rates and tolls may be realised. Rule 59 of the Gram Panchayat Administration Rules lays down, inter alia, that the GP should 'assess the sum

to be levied as fees, rates and tolls' and prepare assessment list for the same in part 2 to part 9 of Form 9 of the aforesaid Rules. Unlike the provisions relating to property tax the Rules are silent as to the procedure that needs to be adopted for preparing assessment list for fees, rates and tolls. Procedural details for realizing various kinds of fees, rates and tolls may be worked out and then incorporated in the Rules.

Other Revenue Administration

4.22 There are two chapters in the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 that deal with some aspects of revenue administration. Chapter III contains provisions (Rule 10) regarding the responsibilities of the Tax Collector and some other matters, mostly relating to keeping of accounts, safe custody of cash collected and receipt books.

4.23 As far as matters relating to revenue administration is concerned, the Rules confer the responsibility to the Artha o Parikalpana Upa Samiti (Sub Rules (1) and (8) of Rule 10). It is the duty of this committee to supervise and monitor 'the process of collection of taxes, rates and fees' by the Tax Collector. The Committee is required to make a review of the position of collection of OSR 'in each quarter and in between as may be deemed necessary and take all possible steps to raise collection'. The Samiti may also involve any member of the GP or the Gram Unnayan Samiti.

4.24 Revenue administration is a routine job, as certain actions have to be taken routinely day in and day out. The Rules overlook the task of identifying these routine jobs and providing appropriate guidelines for managing these jobs. Nor there is any work manual. While the decision as to whether the Panchayat should 'mobilize maximum amount of own fund' is a political decision, the rest of the activities required to be taken for implementing the decision are administrative in nature. The Rules do not seem to have given enough attention as to how these administrative functions would be carried out. In fact excepting Tax Collector, the Rules do not specifically mention the role of any other permanent functionary of Panchayat, except for a casual reference to the Secretary who may or may not be given some responsibility in

revenue administration. Time has come to give adequate attention to this aspect of revenue administration.

4.25 Chapter XI of the Account, Audit and Budget Rules deal with the terms and conditions of Tax Collector. The post of Tax Collector was conceived at a time when the economy, communication and the banking system were undeveloped. In order to cope with the changed environment and for the sake of raising the level of efficiency, an alternative method of collection through Tax Collector may be devised.

Bye-Law

4.26 The provisions of Section 47(1) of the Panchayat Act relating to fees, rates and tolls remained inoperative for a long time, since in terms of Section (3) of Sec 47 of the Act Bye-laws are to be framed by the respective gram panchayats before exercising powers of the Act. In the notification no 3644 P.N./0/1/3 -R 3/21 dated 14 October 2003, the State Government circulated a model bye-law and asked the gram panchayats to issue their bye-laws in accordance with the instructions given in the said notification. Some gram panchayats responded to it and framed bye-laws, but till today many GPs have not framed bye-laws.

4.27 Earlier, comments have been made about the need for revising the maximum rates on various types of fees, rates and tolls. Apart from that, other administrative instructions contained in the above notification and in the model bye-laws need to be revisited, as more than a decade has passed after the same were issued.

5

Resource Mobilization: Situation Analysis Selected GPs

Sample Design

5.1 It was decided that for in-depth study of the problems relating to resource generation of GPs from own sources, 24 GPs will be selected for primary data collection. Selection of these 24 sample GPs was to be made in such a manner that at least 2 GPs were to be selected from each of the 9 ISGP districts. Accordingly sampling was done in two stages. In the first stage 2 GPs from each district was selected and in the second stage the remaining 6 GPs were selected following a different methodology. Both stratified and purposive sampling processes have been considered in the sampling plan.

First Stage: Selection of 2 GPs from Each District

5.2 A stratified sampling process has been followed in this stage.

- From the data on OSR for the years 2012-13 and 2013-14, average per capita OSR of each GP has been calculated.
- Thereafter GPs had been arranged in descending order of average per capita OSR.
- Mean value of per capita OSR has been calculated for each district.
- Then 20 percent higher and 20 percent lower values of the mean per capita OSR have been calculated.
- The GPs that stand closest to the two calculated values have been identified and selected as the two sample GPs from each district.

Annex Table 1 shows the details of the selected 18 GPs from nine ISGPP districts.

Second Stage: Selection of Remaining 6 GPs

5.3 In this stage, purposive sampling process has been followed.

- a) GPs irrespective of district with Per capita OSR (PCOSR) had been arranged in descending order. Taking Rs. 100 as the upper limit of PCOSR, and ignoring those with

more PCOSR as outliers, top ten GPs are identified. Top three GPs of them are selected for the study. (See Annex Table 2)

b) In similar way, bottom ten GPs had been arranged in descending order. Taking PCOSR of Rs 2.00 as the lowest limit, three least performing GPs had been selected to understand the problems of revenue generation by the gram panchayats. (See Annex Table 3)

Profile of the GPs

5.4 Total population of the 24 GPs is 472667. This means that the average population of the GP is 19694.45 which are in tune with the usual population size of Gram Panchayats in West Bengal. Male population (51.35%) is somewhat higher than the female population (48.64%). A little more than 28 per cent (28.18%) of the population belongs to the Scheduled Caste community, whereas 7.83 per cent belong to the Scheduled Tribes. About 8 per cent (8.26%) of the population are currently living below the official poverty line (see table 5.1).

Table 5.1: Demographic Profile of the Sample GPs

Total No. of GPs	Total Ppto	Avg Ppto PerGP	Male	Female	SC	ST	Gen	Households Below Pojia
24	472667	19694.45	242760 (51.35)	229907 (48.64)	133232 (28.18)	37033 (7.83)	302402 (63.97)	39052 (8.26)

Note: Figures in brackets denote percentage

5.5 Table 5.2 shows that overwhelming majority of buildings in the panchayat area are residential buildings (87.81%). Commercial/industrial or institutional buildings that may have higher annual value are around 9% only. Lack of such buildings in adequate numbers may be one of the reasons for low level of revenue from property tax.

Table 5.2: Types of Houses

Total Number of Houses	Residential Houses	Commercial / Industrial Houses	Total	Other
102977	90440 (87.83)	8124 (7.89)	1040 (1.01)	3373 (3.27)

Note: Figures in brackets denote percentage

5.6 It was also found that on an average there are 4980 households in a GP and 4533 households per GP (91%) fell within the tax net. On average around 9% households are exempted from paying tax.

Table 5.3: Distance from Block and District Headquarters

Avg Distance between GP Office and Block HQ (In Km)	Avg Distance between GP Office and District HQ (In Km)	Percentage of GPs Located within 5 KM of National Highway/State Highway/ District Road
9.89	40.29	88

5.7 The data on the distance between District Headquarters and Block Head Quarters and the GP were collected to understand how remote the GPs are. The assumption was that if the GP is located in a remote area, its economy would be weaker and consequently its capacity to generate revenue will be less. The data above (Table 5.3) show that the average distance of the GP from the Block head quarters is less than 10 kilometers. It can also be seen that 88 per cent of the GPs are within 5 km of the National Highway/State Highway/ District Road. Thus the GPs in the sample are not located in remote places and connectivity of the GPs with the nerve centres of the district is good. This also means that remoteness or isolation of the sample GPs cannot be a factor for generating revenue at a low level.

Table 5.4: Type of Roads Connecting the GP with the Block HQ (In %)

Black topped	Black Topped and Morum	Concrete	Concrete and Black topped	Concrete and Morum	Concrete, Black topped and Morum	Grand Total
79.17	4.17	4.17	4.17	4.17	4.17	100

5.8 Table 5.3 shows that the GPs in the sample are well connected with the Block Head Quarters and very close to highways or district roads. Table 5.4 shows that they are also connected by black topped and concrete roads in more than 87% of the cases.

Table 5.5: Distribution of GPs in Terms of Transport Facility Available within the GP (In %)

Mode	No Service	(1-3) Service Per Day	(4-6) Service Per Day	(7-9) Service Per Day	(10 or more) Service Per Day
Bus/ Minibus	8	13	4	8	67
Auto	54	4	0	0	42
Trecker/ Magic Car	17	8	21	4	50
Cycle Van/ Rickshaw	17	0	4	8	71
Machine Van	13	8	8	4	67
Others	75	4	0	0	21

5.9 Apart from distance and quality of roads, the study also sought to find out how well the GPs are connected through transport. It can be seen from Table 5.5 that on average buses, autos and other forms of transport have significant frequency. In more than 67% GPs, buses or mini-buses travel more than 10 times a day. In 42% GPs there are auto-rickshaws and in 50% GPs there are motorised vehicles (Treckers/ Magic cars).

5.10 Following the data on infrastructure and transport we may consider the data on economy. It is found that in all the GPs taken together, 73% of the total workers belong to the category of main workers while the 27 per cent of the workers belong to the category of the marginal workers. 17 per cent of the total workers are cultivators, while 42 per cent were agricultural labourers. 41 per cent of the workers are not directly involved in agriculture.

5.11 So far as cropping intensity is concerned it is found that in the sample GPs, 51% of agricultural lands are single cropped, 36 percent are double cropped and 12 per cent are triple cropped. (See figure 5.1)

Fig 5.1: Cropping Intensity for all GPs

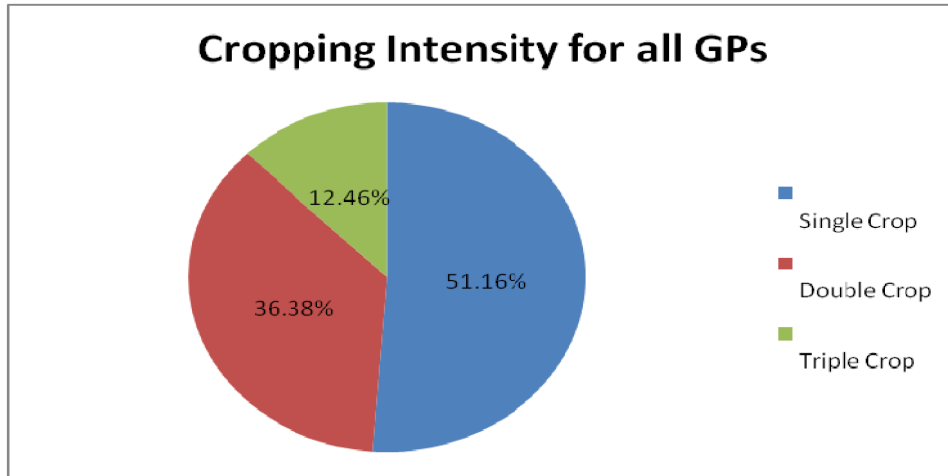
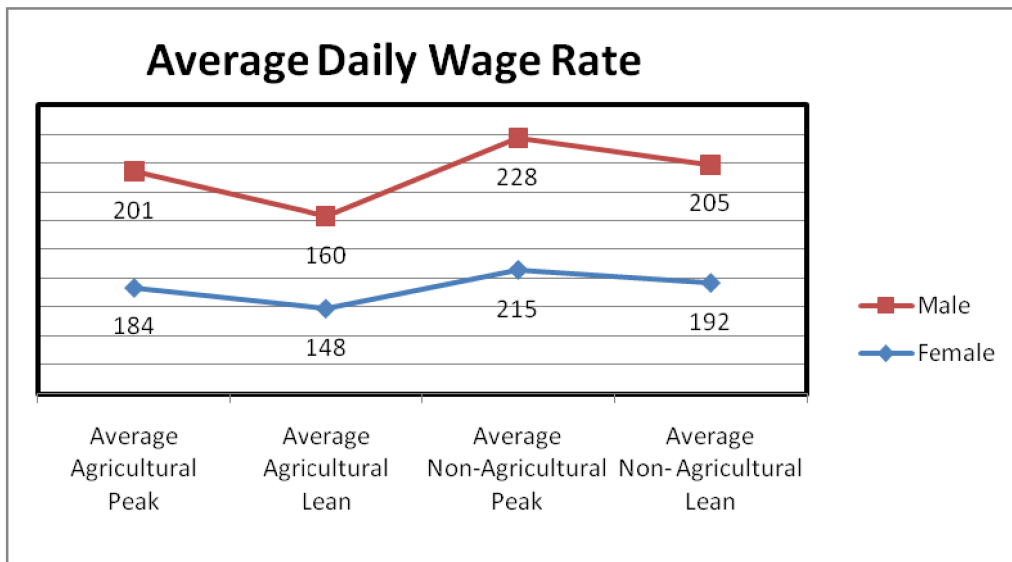


Fig 5.2: Average Daily Wage Rate



5.12 It was outside the scope of the study to collect data on household income. As proxy, we collected data on the agricultural and non-agricultural wage rate, assuming that the prevalence of wage rate that is higher than the minimum wage rate should indicate better bargaining power of the workers, which in turn also indicates that opportunities exist for accessing jobs/income. The result of the survey as presented in Figure 5.2 shows that during peak season men agricultural workers earn Rs 201 per day on an average, whereas women agricultural

worker earn Rs 184. In the case of non-agricultural workers, wage rates are Rs 228 for men and Rs 215 for women. Thus during peak season both men and women in agricultural and non-agricultural sectors earn more than the minimum wage. However during the lean season for agricultural workers the wage rate drops below the minimum wage for both men and women (M=160; F = 148). Non-agricultural workers also earn less during lean season, but still they earn more than the minimum wage. This shows that it is marginally more remunerative to be a non-agricultural worker than to be an agricultural worker. As noted earlier, the ratio between agricultural workers and non agricultural workers are roughly 50:50 in the sample GPs and 27% of the total workers are marginal workers. All these factors taken together indicate that the economies of the sample GPs are on average neither much prosperous nor very poor.

5.13 The above discussion gives a certain understanding of the economy of the sample GPs but it should be remembered that it is not possible to quantify the economy of a GP in order to understand the revenue potential of the GP. The GP does not have any data-base on the basis of which one can ascertain per capita income of people. Such data base is necessary for estimating revenue potential of the GP's jurisdiction.

Own Source Revenue in Sample GPs

5.14 This section provides data on the status of revenue generation in the sample GPs. Table 5.6 shows that OSR contributes only 3% to 4% of total receipts of GPs (GP-specific tied and untied grants and tied funds meant for discharging agency functions).

Table 5.6:

OSR as Percentage of Total Funds of GP (Tied +Untied)

Year	Percentage of OSR
2011-12	4
2012-13	4
2013-14	3

5.15 The position improves if OSR is compared with total grants minus such grants as are linked with implementation of specific schemes or projects, such as MGNREGS or ISGP. As Table 5.7 shows OSR constitutes 22% to 24% of such grants. However, the data for all three years show wide variation among the GPs in terms of the percentage of OSR vis -à-vis grants.

Table 5.7: OSR as Percentage of Total Grant to GP

Year	Percentage of OSR
2011-12	22
2012-13	23
2013-14	24

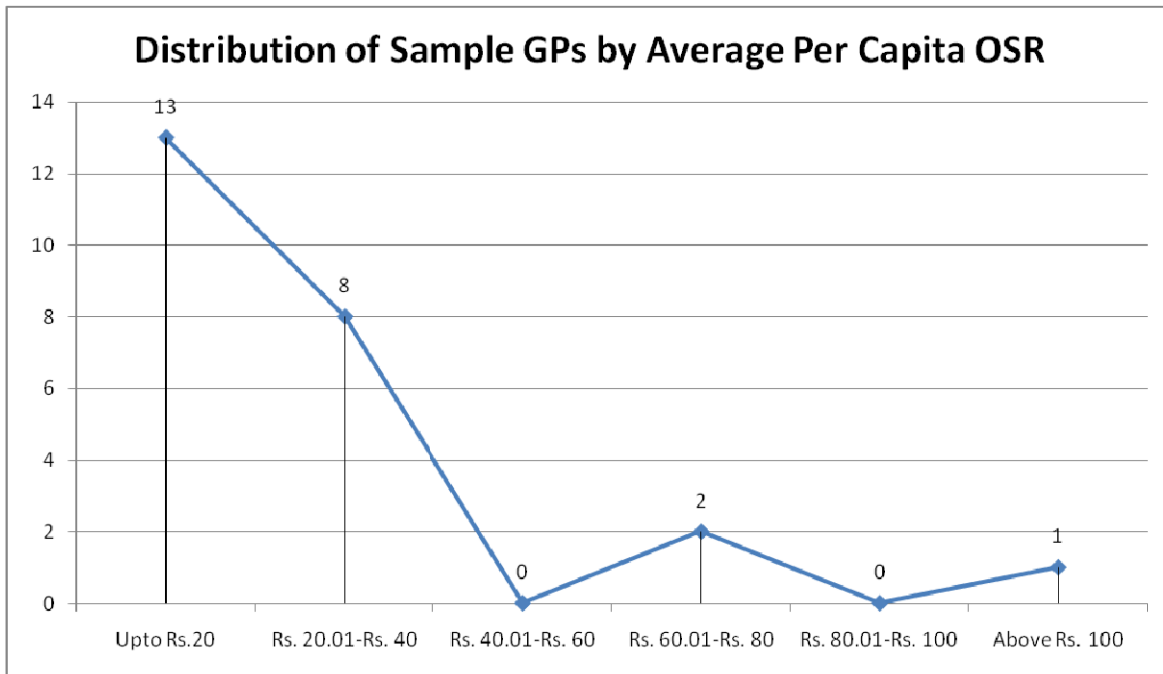
Note: Total Grant = { Specific Purpose Grants + SFC Grant + UFC Grant + Incentive Grant (state govt.) + Share of entertainment tax + Other Grants (NGP Award, cash GR, Misc grants etc)}

If the share of OSR within GP-specific grants (excluding grants earmarked for agency functions) can be increased, not only fiscal autonomy of GP increases, but also its capacity to provide services not covered by special projects like CSS or ISGPP expands. There lies the importance of OSR.

Table 5.8: Per Capita OSR of the Sample GPs

Year	Per capita OSR
2011-12	25.25
2012-13	29.16
2013-14	33.45
Average	29.29

Figure 5.3: Distribution of Per Capita OSR of the Sample GPs



5.16 In Table 5.8, OSR of the sample GPs for 3 years have been given. It may be noted that OSR has shown a marginal increase between 2011-12 and 2013-14. The average for all three years is Rupees 29.29. If the average for the last two years is taken, it comes to Rupees 31.3, which is much higher than the average worked out for of 936 ISGP GPs, that is, Rupees 27.04 (See para 3.2 of chapter 3). However, there are wide variations between GPs in terms of their performances. There are 2 GPs with OSR of Rs. 30 to Rs. 40. Six GPs have average OSR in the range of Rs 20 and Rs 30 and 11 GPs have average OSR In the range of Rs 10 and RS 20 and 2 GPs have average OSR of less than Rs 10. There are only 3 GPs with average OSR of Rs 60 and above. These 3 GPs have lifted the average of the sample GPs above the state average. A comparison between above figures and Table 3.2 of chapter 3 would prove the point.

5.17 The difference in per capita OSR among GPs is partially a reflection of differences in their economic condition. However field visits have shown that the lacklustre performance of GPs is also attributable to the lack of motivation and efficiency among the GP functionaries. The quality of human resource in charge of the post of Secretary for example was found to be varying widely and in some cases the post was also vacant. Similarly the tax collectors were

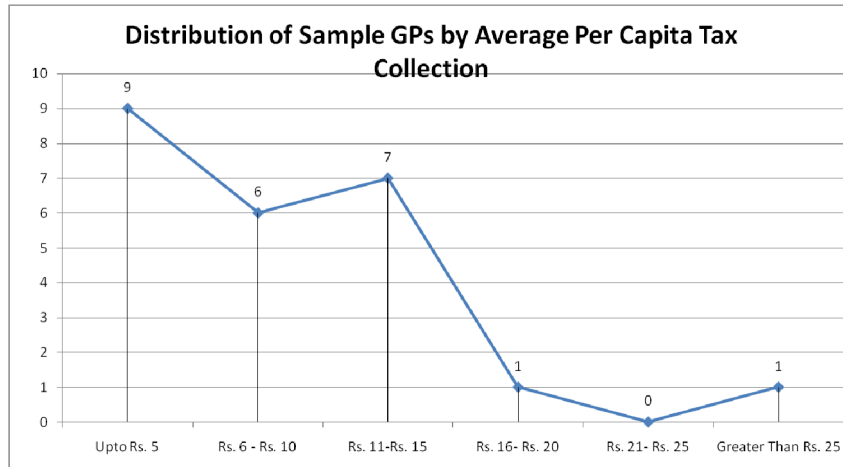
found to be persons having varying level of enthusiasm. For some of them it is a full-time occupation, while for most of them it is a part-time source of livelihood. No wonder the initiative of TaxCollector varied from one GP to another and this was reflected in the performance of OSR generation.

5.18 Field visit to Uchalan GP of Bardhaman district, one among the 24 sample GPs, has shown that the good performance of the GP (average OSR being Rs 110.12) has several reasons behind it. (a) Firstly, the GP has performed well in almost all aspects of GP's functioning, including implementation of schemes, (b) second, the GP is located not far from Bardhaman town and therefore has good staff ; (c) third, the GP has opportunity to collect Non-tax revenue from different sources and happens to be the best performing GP in terms of per capita NTR although it is second best in terms of per capita tax and (d) lastly, the GP has two Tax Collectors. The GP functionaries however said during the FGD that they have not as yet managed to reach the maximum level of tax collection and would like to improve their collection further. It may be recalled that one of the major findings of the regression analysis was that better tax efforts or performance efficiency in revenue collection as captured in the index of gap $[(\text{Demand} - \text{Collection}) / \text{demand}]$ explains a lot in the behaviour of OSR. Confirmation of this finding can be found in the case of Uchalan GP.

Table 5.9: Per Capita Tax

Year	Per capita Tax (In Rupees)
2011-12	8.87
2012-13	9.10
2013-14	10.51
Average	9.49

Figure 5.4: Distribution of GPs by Average Per Capita Tax Collection



5.19 Own Source Revenue consists of two parts – the revenue generated from Tax and the revenue generated from various rates, fees, tolls etc. Thus the OSR data need to be further divided into Tax and Non -Tax data. As can be seen from the Table 5.9 and Figure 5.4, the per capita tax revenue has shown a slight increase from Rs. 8.87 in 2011-12 to Rs. 10.51 in 2013-14.

5.20 The disaggregated data for 24 GPs show that Chamrail GP of Howrah has the highest average per capita tax collection of Rs 32.31. This is followed by Uchalan of Bardhaman. On the other hand Dhaban GP of Bankura has the lowest average per capita tax of 1.26. Classifying GPs in different ranges, one finds that 1 GP has an average tax above 30; 8 GPs are in the range of 10-20; 6 GPs are in the range of 5-10 and 9 GPs have average per capita tax of less than Rs 5. In other words, out of 24 GPs, 37.5% of the GPs collect less than Rs. 5 per capita, although the overall average is Rs 9.49. As has been explained in case of the above table, the varying range of the GP's performance may be partly due to economic factors, but field visits once again showed that there was a lack of policy focus on tax collection and the capacity of the GP staff to collect tax also varies significantly. There is also a political fear of tax collection as many representatives feel that they will lose their popularity if they insist on tax payment.

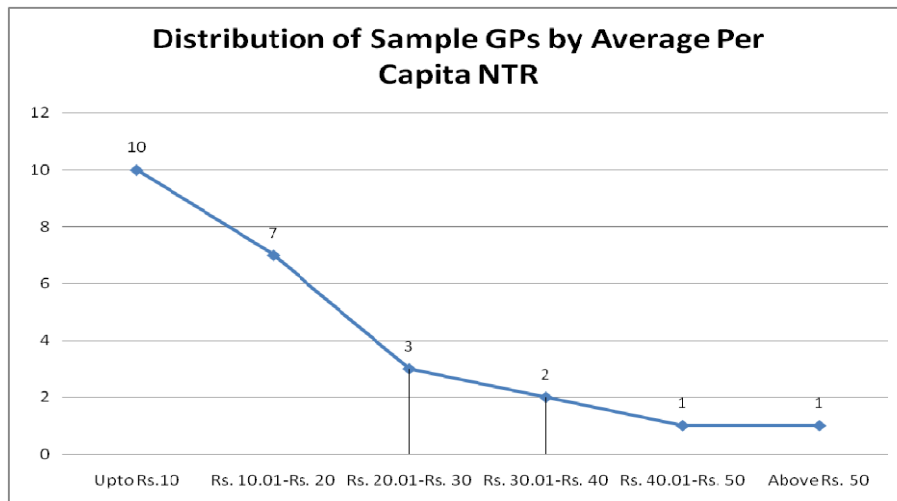
5.21 The reason why Chamrail GP of Howrah has the highest per capita tax is, as our field visit showed, that the GP has a significant proportion of urban areas and in fact the GP is on its way

to be transformed into a municipality. It has a lot of concrete-roof houses and is surrounded by factories and is a busy trading area. Therefore in order to get trade licenses or renew them the owners show keenness to pay their tax. It is to be remembered though that although Chamrail has the highest average per capita tax collection, the Tax Collector has said that 40% of the population of the GP area do not pay any tax. The process of self-assessment was also last carried out in 2007 and therefore there is a lot of room for improvement even in the best performing GP.

Table 5.10: Per Capita NTR

Year	Per Capita NTR
2011-12	16.38
2012-13	20.06
2013-14	22.94
Average	19.79

Figure 5.5: Distribution of GPs by Average Per Capita NTR



5.22 As with the tax revenue data, the non-tax revenue collection has also seen a marginal increase over last three financial years, going up from Rs. 16.38 in 2011-12 to Rs. 22.94 in 2013-14. The disaggregated data for the 24 GPs show that the highest average per capita NTR is of Uchalan GP of Bardhaman. The reasons for the success of Uchalan GP have been discussed earlier. The most important source of NTR for Uchalan is tolls from roads and bridges which was as much as Rupees 17.05 lakhs in 2013-14. There is a river bed nearby from where sand is lifted

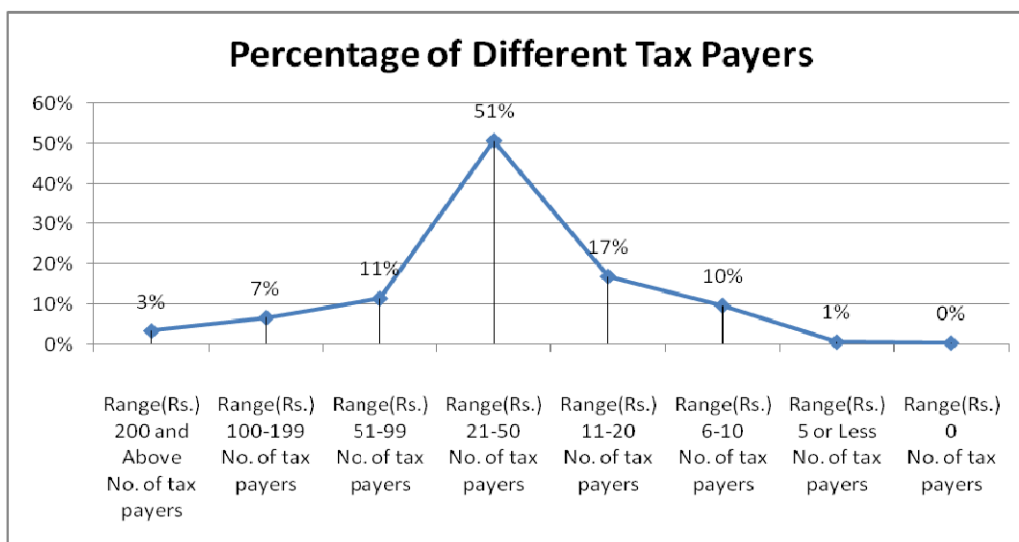
by trucks and the GP takes a toll charge from the trucks. The range analysis shows that there is only one GP with a per capita NTR of more than Rs 50 and also only 1 in the range of Rupees 40-50 per capita. Two GPs are in the range of Rupees 30-40 per capita; three in the range of 20-30; 7 in the range of 10-20 and ten in the range of 0-10. Thus 41% of the sample GPs has a per capita NTR in the range of 0-10. This shows that there is lack of initiative on the part of many GPs to collect OSR seriously, resulting in wide variations in performance.

Table 5.11: Distribution of Tax Payers in Terms of Tax Paid in 2013-14 (In %)

Rupees							
200+	100-199	51-99	21-50	11-20	6-10	5 or less	
3	7	11	51	17	10	1	100

Note: Percentages have been rounded off

Figure 5.6: Distribution of Tax Payers in Different Ranges



5.23 The per capita OSR data does not explain the differences that may exist in the tax paid by the citizens of a GP. Hence a range analysis was carried out. It can be seen that 51% of the taxpayers paid in the financial year 2013-14 property tax in the range of Rupees 21 and Rupees 50. 21 per cent paid more than Rupees 50 and only 10% paid more than Rupees 100. This indicates a very low level of tax payment although the per capita tax is showing an increase over last three years. Our field work in the GPs have shown that there is a reluctance among GP

functionaries to raise taxes to any significant level as they are afraid of popular discontent. The general consensus uniformly has been to raise taxes by small amounts every year rather than asking for a sudden raise based on their actual valuation of properties. Our sample GPs show that the majority of taxpayers (51%) pay tax in the range of Rupees 21-50 and 28% tax payers pay less than that.

Table 5.12: Tax on Land and Buildings: 2011-12 to 2013-14

Year	Demand			Collection		
	Arrear	Current	Total	Arrear	Current	Total
2011-12	6863520	4891094	11754614	1368357 (19.94)	2824442 (57.75)	4192799 (35.67)
2012-13	7512961	5413978	12926939	1434680 (19.10)	2866047 (52.94)	4300727 (33.27)
2013-14	8300259	5735991	14036250	1686330 (20.32)	3282047 (57.22)	4968377 (35.40)

Note: Figures in brackets in the last three columns denote collection as percentage of demand.

5.24 Table 5.12 provides a picture of collection efficiency of gram panchayats. It will be seen that of the total demand roughly a third gets collected. Collection percentage more or less remained constant during the three years. The collection figure of the sample panchayats tallies with the result obtained from the state level data (See Chapter 3). Poor collection against demand is therefore one of the main reasons for low level of tax revenue of panchayats. If collection efficiency could be raised to the level of 90% or above, tax revenue would have increased several times. The performance with regard to collection of arrear tax is very poor, as hardly one-fifth of arrear demand gets collected. Even with regard to current demand the collection performance is poor. Mostly it is in the level of a little over 50%.

5.25 If we disaggregate the data we see the familiar picture of wide variation between the GPs. In the year 2011-12, the best performing GP was Manikkundu of Paschim Medinipur (90%) while the lowest was Salbari II of Cooch Bihar (6%). In 2012-13 the highest percentage was in Jagadalla I of Bankura (85%) whereas the lowest was in No. 8 Sijua (4%). In 2013-14 the best

performer was once again Manikkundu of Paschim Medinipur (92%) while the worst performer was again Salbari II of Cooch Bihar (3%).

5.26 Field visit to Jagdalla 1 of Bankura revealed that the TaxCollector was an old hand, working in this post since 1978. He is usually engaged full-time in tax collection except for the monsoon months when he is involved in paddy cultivation. He regularly visits every house of the GP and informs the taxpayers about the tax that is due to be paid. He divides his day in two parts, visiting houses in the morning and sitting at office in the afternoon. The GP and the Tax Collector maintain records related to taxation. In case of defaulters the GP has also taken the extreme step of sending “red letters” to the assesseees. This was done in case of 3 major defaulters. At least, two of them paid up. The case of Jagadalla 1 once again confirms the finding that it is the tax efforts of the functionaries of panchayat that make the difference between high level of OSR and low level of OSR.

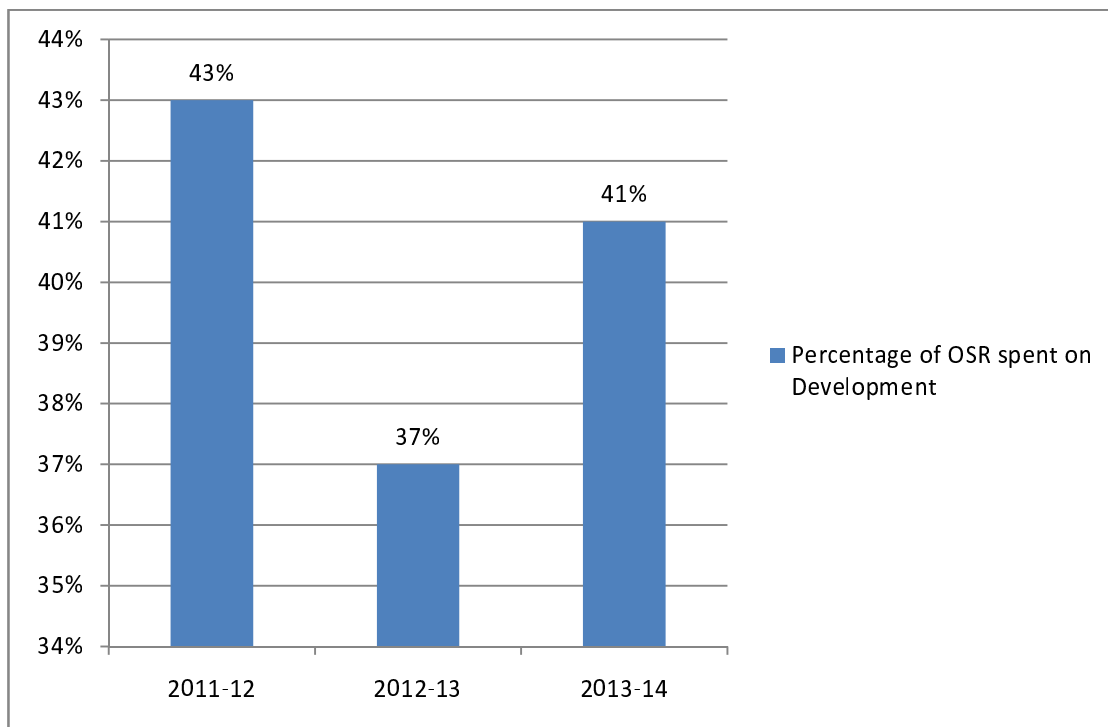
Table 5.13: Growth in Schematic Funds and Growth in OSR

Year	Growth in Schematic Funds (In %)	Growth in OSR (In %)
2012-13	34	15
2013-14	28	15
Average	31	15

5.27 It is often hypothesized that greater fund flow to local government from the higher level government may result in lesser motivation on the part of the former to work hard for mobilization of own resource source revenue. Is this true in the case of the sample GPs? It can be seen in table 5.13 that both schematic fund flow and OSR have improved over the last two financial years, indicating that there is no inverse relationship between the flow of schematic fund and OSR. Here again the disaggregated data reveal a wide range of fluctuations. The average percentage change in schematic fund receipt for Islampur in Howrah was -36% while the highest was 174% for Chamrail in the same district. Similarly while the OSR change on an average looks the same there has been variation across the districts. The lowest average change for OSR has been in 8 No. Sijua in Paschim Medinipur (-29%) and the highest average

change in OSR has been in Deulpur of Howrah (92%). While examining the good performance of Deulpur GP our field team found that the Tax Collector has a good rapport with the local population and he has over the years managed to convince people that taxes need to be paid. The local population is also happy with the work of the GP and they are mostly willing to pay their taxes and the GP has a steady income from non-tax sources like trade license fees.

Figure 5.7: OSR Spent on Development



5.28 A question for the study was to check whether the OSR that was being collected was being used for development purposes or for less productive items. For, the taxpayers would not grudge paying taxes, if they get services from the local government. Here the results exhibit (Figure 5.7) not a very encouraging picture. In none of the three years under consideration, 50% target of spending on development was met. After spending 43% of OSR on development in 2011-12, the GPs performed worse in the next two years, expenditure in 2012-13 being only 37% and that in 2013-14 being 41%. The disaggregated data on OSR spending show that that in 2011-12 Salbari II of Cooch Bihar recorded the highest percentage whereas Arbandi 2 of Nadia

recorded the lowest. In 2012 -13, No.8 Sijua of Paschim Medinipur recorded the highest whereas Bhadrapur 1 of Birbhum recorded the lowest. In 2013-14, No.8 Sijua again recorded the highest percentage whereas Salbari II of Cooch Bihar recorded the lowest.

5.29 Our field work in the 24 GPs shows that there is generally a lack of understanding among the GP functionaries as to how to converge OSR with other funds for building remunerative assets. However an exception was noticed in Karimpur 1 GP of Nadia district. This is an arsenic prone area. Therefore arsenic free drinking water is scarce. In order to mitigate this problem the GP has converged ISGP grant with OSR to create a water treatment facility for supplying potable drinking water to the villagers. Water is not given free, but priced, though the price charged is substantially lower than the market rate. Each jar of 20 litres of arsenic free filtered water costs Rs 5 when one takes it from the plant and Rs 10 when it is delivered by the GP to the residence of the user. They have bought drums for carrying water with the Own Source Revenue. They are also planning to buy motor vans with OSR funds so that they can deliver this treated water to each and every citizen of the GP. Those who have to buy water from markets will benefit, once the GP is able to provide them treated water at a reasonable price. The income from the sale of water is used to pay the honorarium of two persons who are employed to manage this plant. The income is also used to pay for the electricity bill for the plant. The GP has also used the OSR to build a meeting hall in the GP office and is also in the process of building a banquet hall which they plan to rent out to the residents of the GP in order to further augment their OSR. The banquet hall is useful to the local residents as it is rented out at a rate lower than the market rate and it also helps the GP to build its OSR reserve.

Table 5.14
Literacy Rate vis-à-vis Per Capita OSR

Sl No	District	Block	GP	Literacy Rate	Per Capita OSR with Rank
1	Dakshin Dinajpur	Tapan	Dipkhandra	85%	14.85 (16)
2	Howrah	Jagatballavpur	Islampur	85%	25.20 (6)
3	Purba Medinipur	Sahid Matangini Block	Raghunathpur - I	83%	24.26 (7)
4	Coochbihar	Tufanganj - II	Salbari - II	83%	18.68 (11)
5	Coochbihar	Coochbihar - I	Falimari	80%	12.02 (18)
6	Bardhaman	Raina - II	Uchalan	72%	110.12 (1)
7	Birbhum	Mayureswar - II	Mayureswar	71%	16.12 (15)
8	Paschim Medinipur	Ghatal	Irhpala	71%	28.10 (5)
9	Nadia	Chakdaha	Rautari	71%	22.56 (8)
10	Bardhaman	Bhatar	Sahebganj - II	70%	37.19 (4)
11	Paschim Medinipur	Chandrakona - I	Manikkundu	67%	17.93 (12)
12	Nadia	Karimpur-I	Karimpur-I	66%	60.53 (2)
13	Bankura	Bankura - I	Jagadalla - I	66%	39.72 (3)
14	Birbhum	Labpur	Kurunnahar	64%	12.38 (17)
15	Paschim Medinipur	Binpur - I	8 No. Sijua	63%	5.65 (20)
16	Bardhaman	Purbasthali - II	Mertala	61%	8.22 (19)
17	Bankura	Chhatna	Dhaban	57%	16.93 (14)
18	Bardhaman	Ketugram - I	Pandugram	55%	22.45 (9)
19	Dakshin Dinajpur	Kumarganj	Ramkrishnapur	37%	17.05 (13)
20	Birbhum	Nalhati - I	Bhadrapur - I	20%	19.78 (10)

Note: Data on literacy rate was available for 20 GPs and hence only those have been considered

5.30 The econometric exercise provides empirical evidence in support of the hypothesis that literacy rate has an impact upon tax and OSR collection. In other words, higher literacy rate would be reflected in better OSR generation and vice versa (See chapter 3). Does this hypothesis work in respect of the 24 sample GPs?

5.31 In Table 5.14, we organise the sample GPs in descending order of literacy rate and match them with the corresponding rank in terms of per capita OSR. We do not find any causal or accidental correlation between them. The two GPs which have the highest literacy rate

(Dipkhanda and Islampur) are ranked 16th and 7th in terms of per capita OSR. The two GPs which have the lowest rank in terms of literacy rate have a middle level rank in terms of per capita OSR (10th and 13th). In other words in the sample GPs, we could not find either a positive or a negative correlation between literacy and OSR/TR.

Field Perspectives on Problems Related to Generation of OSR

5.32 The research team carried out Focus Group Discussions with GP functionaries and villagers in 24 sample GPs, apart from interviewing the Tax Collectors in each GP. The purpose of such discussions was to find out the nature of the problems being faced by the Gram Panchayats in collecting taxes. The key problems highlighted by the GP functionaries and the tax payers are presented below.

- The use of Form 5A has proved to be ineffective. The GPs have mostly discontinued the practice of sending Form 5A to the tax payers, as the forms are hardly ever filled up and returned to the GPs. In most cases the villagers have failed to recollect what this form looks like.
- A person may give inaccurate data in the self-assessment form, but it is not possible for the GPs to reject the same, as it does not have any reliable data on the basis of which correct valuation of the property can be done.
- GPs do not have any information on the kind of materials that have been used for construction of a building.
- The rates fixed in the old model bye laws are now outdated resulting in loss of revenue. For example, building plan approval rate is now ten years old and GPs have to charge the old rate as they are yet to be revised.
- There is a shortage of manpower in GPs to execute the responsibilities of tax assessment and collection.
- Usually tax collection is an additional income generating activity of the Tax Collector who has other sources of income. The income from tax collection is usually not good enough for him to make it his only source of livelihood. If two Tax Collectors are

employed for the purpose of better coverage of the GP area instead of one, the income of each Tax Collector goes down and consequently both of them might lose motivation. On the other hand, if only one Tax Collector works, it might be difficult for him to cover the entire GP area.

- The GPs are reluctant to raise taxes even on the basis of information provided in the self-assessment forms. They are afraid of popular discontent if the tax is imposed on realistic assessment of annual value.
- There is an information gap among the people of a GP as to why they should pay taxes. They see it as a requirement to get necessary certificates, but do not understand why a GP needs to raise revenue through taxes.
- The GPs do not feel confident to utilize the legal provisions against the defaulters. The usual method employed by GPs is that they do not give certificates unless tax payments are made. Sometimes letters are issued. However this method is more useful against the poor citizens rather than the rich/influential persons (βrobhabshali).
- There is a deficit of knowledge and skill in revenue administration among GP functionaries. They are also not aware of the legal provisions of the Panchayat Act regarding tax and non-tax revenue sources. The functionaries unanimously agreed that they would benefit from training and exposure visits.
- There is deficit of knowledge as to how OSR can be converted into productive assets leading to the creation of more OSR.
- The GPs are mostly pre-occupied with the implementation of Central and State Schemes and therefore do not have much time to devote to OSR generation.
- There is no link between the amount of revenue generated and grant received and hence the motivation of the GPs regarding revenue generation is low.
- GPs are currently not in a position to tax mobile towers. Only the land on which the mobile tower stands can be taxed. Thus the GP is unable to tap a potentially significant source of revenue.
- At present owners of shal low tube wells do not pay any fee to the GP. Thus the GP loses revenue from a potential source.

5.33 In the Focus Group discussions with the villagers and discussions and interviews with the functionaries of the sample GPs and others, several suggestions are given on what needs to be done for increasing OSR. A summary of the key suggestions is given below:

- It would be fruitful if a third party does the tax assessment independent of information given in the 5A form. It is comparatively easier for the third party to make realistic assessment. When assessment is done by a third party, the GP gets the opportunity to avoid public criticism for high assessment.
- Some people suggested that the GP should carry out house to house survey to ascertain the value of the property.
- State Government needs to take a decision regarding realisation of tax from the mobile towers. It should also issue appropriate orders, so that the GPs can collect revenue from the authorities in charge of such towers.
- GP functionaries expressed the need for special capacity building programmes including exposure visits to improve their knowledge and skill in revenue administration.
- There is a need to review the scale of honorarium/commission for the Tax Collector as the Tax Collector's income is usually not sufficient to make it his/her full time job.
- ISGPP district personnel opined that the funds that a GP currently receives from the Central and State Government are not linked to the performance in OSR collection except for a small percentage of the State Finance Commission Grant. If the volume of grant is made proportional to the performance in OSR collection then there will be greater motivation for GPs to collect taxes.
- Villagers have uniformly opined that if they get better services they are willing to pay more taxes.
- If there is a website in which the names of the taxpayers and their present status of tax payment are shown, it would be easier to track the defaulters and to put pressure on the taxpayers to pay tax since others will be able to check who is defaulting.

- Wide publicity should be given reminding the villagers of their legal obligation to pay tax on time and also of the consequences of not paying tax.
- At present the legal provisions for penalizing the defaulters are complicated and time consuming, as a result of which the GPs feel reluctant to take recourse to penal provisions for realising tax from the defaulters. It is necessary to simplify the process, so that the GPs are enabled to use the penal provisions of law for recovery of tax from the defaulters without much difficulty and wastage of time.
- There has to be a penal provision in the rules for giving wrong information in the self-assessment form.
- There are some cases of overlap between the NTR to be collected by the GP and the NTR to be collected by the Panchayat Samiti. Such confusions need to be removed.
- Certificates should not be given free and there should be a charge for issuing a certificate.
- All political parties need to be motivated to ensure that they should not do anything which might create obstruction in the efforts made by the GP to collect more revenue from taxes and other sources.
- In order to get a ration card or an electricity connection or to apply for mutation of land, submission of tax clearance certificate from the panchayat must be made compulsory. This will motivate the taxpayers to pay their taxes on time.
- Self assessment forms may be filled up with the help of SHGs and they may be paid some fees for doing the job.

6

Revenue Administration at Gram Panchayat Level: Insights from the Study of Selected Panchayats

I

Fiscal Powers of GP and Procedures of Revenue Collection

Legal Provision

6.1 The West Bengal Panchayat Act, 1973 has empowered the gram panchayats (GP) of the state to impose taxfees , rates and tolls on different items within its jurisdiction. Under section 46 of the Act, a GP has obligation to impose tax on lands and buildings within the local limits of its jurisdiction. According to Section 47, a GP may levy fees, rates and tolls on different items to generate what is generally known as non-tax revenue (NTR). The West Bengal Panchayat (Gram Panchayat Administration) Rule, 2004 and The West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 prescribe the administrative setup that the GP should have and the procedure that a GP should follow, while exercising its fiscal powers to generate revenue.

Realisation of Tax Revenue (TR) and Non-Tax Revenue (NTR)

6.2 A GP may impose tax on persons who are the owners or occupiers of land or buildings or both within its jurisdiction. The features of this tax have already been described in chapter 4 and need not be repeated here.

6.3 A GP may also levy fees, rates and tolls on different items. As mentioned in Section 47 of The West Bengal Panchayat Act, 1973 these items are as follows (Table 6.1).

Table 6.1: Sources of Non -Tax Revenue

Item	Source
Fees	Sanitary arrangements at fairs/melas
	Registration for running trade
	Registration of vehicles
	Use of burning ghat
	Registration of shallow tube wells
	Registration of deep tube wells
	Fees on hording for advertisement
	Fees on village produce
	Permission for constructing building
Rates	Water rate
	Lighting rate
	Conservancy rate
	Sanitary rate
	Drainage rate
Tolls	Roads/Bridges
	Ferry
Rents	Lease of land/pond etc
	Land, buildings etc.
Others	Receipts from institutions
	User charges
	Sale of trees/usufructs
	Contributions/Donations
	Fines/Penalties
	Other NTRs (Specify)

Tax Collector

6.4 According to the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007, a GP may engage a Tax Collector for collection of tax and non-tax revenue. The person should reside within the jurisdiction of GP and is to be engaged for a specified period, not more than two years at a time. The person is supposed to work on commission basis, the rate of which is determined by the GP on the basis of direction of the State Government given from time to time. At present, the rate of commission of the Tax Collector is 10 percent for collection up to Rs. 5000, 15 percent for collection from Rs. 5001 to Rs. 8000 and 20 percent for collection beyond Rs. 8001. The GP may engage one additional Tax Collector if the total amount

of tax assessed for the year is rupees one lakh and above and the amount of tax collection during the previous year exceeded rupees one lakh. In that case, the terms and conditions of the second Tax Collector will be as applicable to the first Tax Collector. Apart from the commission, the Tax Collector is entitled to a fixed monthly remuneration that may be prescribed by the state government and is paid by the GP from its own fund. An equivalent amount is paid by the state government.

Administrative System to Collect Revenue

6.5 Preparation of Assessment List

6.5.1 The entire procedure of tax collection is to be monitored and supervised by the Artha and Parikalpana Upa Samiti of the GP. According to the rule, the Upa Samiti may involve any member of the GP or a Gram Unnayan Samiti for this purpose. The process of preparation of assessment list starts with the self-declaration of the market value of property by the owner/occupier. To do this, the GP is supposed to distribute Form 5A, called Self-declaration Form and collect self-declaration of the assessee about area and valuation of his/her land and building for the purpose. The GP is also supposed to conduct field survey for collecting the required information about the land and building under the ownership of the assessee. For ascertaining the market value of the property information may be collected from the offices of BLLRO and Sub-Registrar or District Registrar.

6.5.2 The whole exercise of preparation of assessment list has to be completed within 1st September of each year. While Form 6 giving details of the properties of the assessee and the market value of the same should be updated every year, fresh survey of properties and their valuation should be done every five years or after constitution of newly elected body of the GP whichever is earlier. On the basis of the information given in Form 6, an assessment list will be prepared in part I of Form 9. Part II to IX of Form 9 which relate to the assessment of different sources of NTR also should be prepared. The *Artha and Parikalpana Upa Samiti* should approve the assessment list consisting of nine parts in Form 9 and submit the same to GP by 7th September of each year.

6.6 Approval of Assessment List

6.6.1 The GP should approve the assessment list at a meeting of the general body within 30th September and send the duplicate copy to the Panchayat Development Officer of the Block by 5th October. If the latter finds any anomaly in the list, s/he should advise the GP for revision and the GP should prepare a revised list. If the GP is dissatisfied with the findings of the PDO, it may refer the matter to the DPRDO and the decision of the DPRDO in this regard shall be final.

6.6.2 The GP is supposed to display the revised assessment list together with the list of defaulters within 10th November of every year at two conspicuous places within GP's jurisdiction and also to place the same in the half yearly meeting of gram sansad. If there is any objection to the list, the same should be filed within 10 days from the date of display. The GP should hear and decide on the objection by 5th December and the modified list should be displayed at the same places by 15th December and also in the Gram Sabha. Even after that if any assessee has any objection, s/he can file objections to the DPRDO within 10 days. If any revision is made on that appeal, the GP should adopt and display the final list at the same conspicuous place within 31st January. If a GP under any circumstance fails to comply with the time schedule prescribed in the rule for any stage, it should adopt a resolution mentioning the reasons for its failure and fix up the alternative dates.

6.7 Method and Time of Payment of Tax

6.7.1 The assessee is supposed to pay the tax determined by the GP in equal quarterly installments which is due on the first day of each quarter. The payment should be made within fifteen days of the due date either at GP office or to the Tax Collector.

6.8 Method of Recovery of Arrear Tax and Other Dues

6.8.1 Immediately after the 15 days of the due date, the GP should prepare a list of defaulters and publish it at two conspicuous places within GP's jurisdiction. If any defaulter fails to pay the due or does not show sufficient cause for failing to pay the due within 15 days, the GP may take necessary action against that defaulter. The GP is also supposed to place the defaulter's list in the half-yearly and annual meetings of Gram Sansad for deliberation.

II

Scenario of the Revenue Administration System in the Sample GPs

6.9 The sample GPs present a picture that deviates substantially from the prescriptions given in the rules on revenue administration system of panchayats.

6.10 Engagement of Tax Collector

6.10.1 Table 6.2 shows that in most of the GPs, only one Tax Collector (TC) is presently working. Out of 24 GPs, seven GPs have two TCs while only one GP (Falimari in Cooch Behar district) has engaged three TCs. Two GPs, namely, Raghunathpur I in Purba Medinipur district and Sijua in Paschim Medinipur district have no TC. In the former the post is vacant since last one year while in the latter, there is no TC since last one and half year. It is not surprising that their OSR collection is among the lowest of the sample GPs.

Table 6.2
Classification of GPs according to the Number of Tax Collector

No. of TC Presently Working	No. of GPs
3	1
2	7
1	14
0	2

Source: Field Survey

Arbandi II GP in Nadia district has female TC while other GPs have male TC. Out of 14 GPs where one TC is presently working, one GP (Rautari in Nadia district) has two sanctioned posts of TC but at present one post is vacant. In thirteen GPs, there is only one sanctioned post of TC.

6.10.2 vAccording to the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007, a GP may engage the second TC if the amount of the tax assessed is rupees one lakh or more and the amount of tax collection of the previous year exceeds rupees one lakh. There are 15 GPs with one sanctioned post of TC (whether the post is vacant or filled up) but in all of them the amount of total assessment in 2013-14 was more than rupees one lakh. Even in two GPs, named Chamrail in Haora district and Pandugram GP in Bardhaman district, the assessed tax of that year amount to more than rupees fifteen lakh. In terms of tax collection, in

seven out of these 15 GPs, the amount exceeded rupees one lakh in 2013 -14. On the other hand, the value of assessed tax of nine GPs with two or more TCs was more than Rupees one lakh, though the performance in tax collection was not good in all of them (Table 6.3).

6.10.3 In all GPs, the TC's contract for the job gets renewed after every two years except Falimari GP where it is done after every three years. The renewal is approved by the GP Board in meeting and the TC is informed verbally. In none of the sample GPs, any formal communication renewing the contract for another term was made to the TC. At present, the TCs get a monthly remuneration of Rs. 750 of which Rs. 600 comes to the GP from the block office and the remaining Rs. 150 is paid by the GP from its own fund.

Table 6.3
Tax Assessment, Collection and the Number of TCs in Sample GPs

District	GP	Sanctioned Post of TC	No. of TC in Position	No. of Assessee	Total Assessment of Tax 2013-14	Total Collection of Tax 2013-14
Bankura	Jagdalla I	1	1	3003	1,14,516	63,733
	Dhaban	1	1	2271	1,06,667	25,726
Bardhaman	Mertala	1	1	2722	3,27,048	21,085
	Sahebganj II	2	2	4939	4,37,741	1,21,917
	Pandugram	1	1	4438	15,44,967	3,92,505
	Uchalan	2	2	6014	7,88,343	4,93,723
Birbhum	Mayureswar	1	1	3812	1,88,555	1,65,575
	Kurunnahar	1	1	4940	5,64,024	1,06,359
	Bhadrapur I	1	1	3088	4,59,469	57,008
Cooch Behar	Falimari	3	3	6634	6,63,051	1,44,677
	Salbari II	1	1	3868	7,76,097	24,430
Dakshin Dinajpur	Ramkrishnapur	2	2	6878	7,03,938	1,35,852
	Dwipkhanda	2	2	3037	7,66,512	1,36,926
Haora	Chamrail	1	1	5129	17,15,000	8,10,182
	Islampur	1	1	3793	6,44,879	2,49,578
	Deulpur	1	1	4210	4,53,944	83,542
Nadia	Karimpur I	2	2	7427	6,39,471	4,53,922
	Arbandi II	2	2	4914	6,88,360	2,87,151
	Rautari	2	1	5410	4,64,741	2,52,010
Paschim Medinipur	Irhpara	1	1	3572	5,27,599	2,02,190
	Manikkundu	1	1	6626	3,60,947	3,33,386
	Sijua	1	0	3195	3,71,424	21,675
Purba Medinipur	Raghunathpur I	1	0	3444	3,63,140	49,925
	Bhekutia	2	2	6770	4,46,026	3,35,305

6.11 Process of Tax Assessment and Approval of Assessment List

6.11.1. In none of the 24 sample GPs, self assessment form (Form 5A) is distributed and filled up on regular basis. One GP claimed that it conducted self assessment exercise every three years, but it could not show any documents in support of the claim. What were produced before the survey team turned out to be a few 5A forms that were filled up in 2013 either for assessing newly constructed buildings or for changing the names of owners of the buildings. This means that this GP uses Form 5A while dealing with the cases of assessment of new buildings or change of ownership of old buildings. Use of the form in respect of every assessee during general revision of tax is not in vogue.

6.11.2. Fifty percent of the GPs reported that they had conducted self assessment exercise in the past. Seven of them had done it five to ten years back, three had done it within last five years while one GP did it before 10 years. One GP (Falimari in Cooch Behar) did it in 2014. One GP, named Bhadrapur I in Birbhum district had done the survey in 1996-97. After that it was not repeated. The other 12 GPs could not say anything about the filling up of Form 5A. Some of these GPs like Bhekutia in Purba Medinipur district are thinking to start the process but in other cases, the GP members even do not have any idea of the form. During the FGD, most of the GP members kept silent when this issue was raised. Salbari II GP of Cooch Behar district conducted self-assessment exercise in 2004-05 and prepared an assessment list based on that. Till the present financial year, the same assessment list is used to collect property tax. An exercise has been conducted in this financial year to revise the assessment list. The new assessment list has been prepared and approved by the present Board. But Form 5A was not used for revision of the list. As summarized in table 6.4, 50% of sample GPs have no idea about self assessment. Out of the rest, only 4 seem to have used Form 5A for assessment in recent years and 8 GPs have memories of doing self assessment exercise for assessment long time ago.

Table 6.4
Using Self-Assessment as a Tool for Assessment of Property Tax

Period when Self Assessment Done	No. of GPs
In 2014	1
Within last 5 years	3
5 years to 10 years ago	7
Before last 10 years	1
Not done at all/no Idea	12

6.11.3. In conducting the self-assessment of the property, the GPs involve various persons. Some GPs had involved SHG members or other educated persons to distribute and collect the form. In some GPs, TC did it while in some other GPs, forms were distributed through the members.

6.11.4. Even if self assessment is done, the GPs do not necessarily follow the proper process of tax assessment. Most of the GPs do not fill up Form 6 and from Form 5A, they prepare the assessment list in Form 9. Only one out of 24 GPs, Falimari in Cooch Behar could produce the whole set of Form 5A, Form 6 and Form 9. Rautari GP in Nadia district could furnish forms 5A and 9. In Rautari and Karimpur I GPs, 5A forms are filled up in case of new assesses only. The GP members identify new constructions in their constituencies and ask the owners to get their property assessed. After filling up Form 5A, the GP members verify it and then sign it. Other GPs could not produce Form 5A. They reported that the filled in forms were either damaged or lost.

6.11.5 In 12 GPs where self assessment has not been done, assessment is done by the GP members. The GP members have knowledge of the property and the economic condition of the assessee of his/her constituency. Based on such information, the members in a meeting decide on the amount of tax to be paid by each assessee and then put in the records such market value and annual value of the property as are derived from the tax determined already. The entire assessment list is prepared in this way and then GP in a general body meeting approves it. Once the assessment list is prepared, it is followed in the following years, with necessary changes like addition of newly constructed buildings and changes in the names of the owners of assessed properties.

6.11.6 The GPs show the following reasons for not conducting self-assessment exercise.

- Lack of manpower – In most of the GPs, one or more number of sanctioned posts of TC remain vacant. As mentioned earlier, in two GPs presently there is no TC, in one GP out of two posts of TC, one is vacant. The functionaries of all the GPs felt that they had much workload and it was not possible to deploy any staff other than TC for works relating to assessment even temporarily.
- Inability to pay assessed amount – The GPs which do not use self-assessment as a tool for the revision of assessment of property tax feel that this is not a useful tool at all. For, the market value of property determined even on the basis of information given by the tax payer would be several times more than what is shown in the present records. If tax is assessed on the basis of such market value of property, tax would get increased several folds. Karimpur GP of Nadia district informed that if proper valuation is done, tax will increase twenty times over the present tax, while Dwipkhanda GP of Dakshin Dinajpur informed that tax would increase ten times over the amount the tax payer is paying at present. According to the GPs, the villagers will not be able to pay such amount as tax. As a result, whatever little amount the GP is presently collecting will not be collected.
- Affecting the electoral prospects: – If the property tax gets increased considerably, it would breed discontent among people affecting ultimately the electoral prospects of the members of the GP. All the GP members across the political parties have this fear. This is one of the main reasons for which the GPs are not willing to conduct self-assessment of property.
- Unwillingness of the villagers to fill up Form 5A – Some of the GPs tried to do assessment of tax through self assessment, but could not be successful due to the unwillingness of the villagers. According to them, the villagers think that tax would get assessed at a high level if they volunteer to provide the information asked for in

Form 5A. Mayureswar and Kurunnahar GPs of Birbhum district distributed the form five/six years ago, but the villagers did not return the form. Same thing also happened in Uchalan GP in Bardhaman district in 2006-07 and Dhaban GP of Bankura district in 2013. Irphala GP of Paschim Medinipur district once distributed the form in 2006 but around 300 assesses did not return the form. They started the process again in March 2014, but could not complete the work till the date of field visit in December 2014.

- False information given in the form – The assesses may be reluctant to give full and correct information about their properties. They know that based on the information they provide in Form 5A, the tax would be assessed. That is why they would try to declare a sum as the market value of their property, which is invariably much lower than the actual value. Sometimes, while giving description of the property, some information is concealed. In some of the GPs it was stated that the Pradhan or the concerned members should not be required to sign the Form 5A, as they cannot take responsibility of any false information that might be given by the assesses.

6.12 Determination of Market Value Property

6.12.1. No GP has correct information about the market value of the property. They do not consult BLLRO or Registry offices for determination of market value of land and buildings. According to the functionaries of all GPs, the members have a general idea of the market value of property of their area and for new assesses such information becomes helpful in determining tax. However, the real value, even if it is known, is not shown in the official records in order to ensure that tax does not get assessed at a level much higher than the normal level. For old assesses, tax is increased at a nominal rate either every year, or after two/three years. Every year after the approval of assessment list by the GP, it is sent to the BDO office for approval.

6.12.2. As mentioned, proper valuation process is not followed anywhere. Among the sample GPs, the research team noticed a practice introduced in Irhpala GP, which deserves to be mentioned. It was noted that Form 5A had been distributed in this GP, but the villagers were asked not to fill in the column on market value of property. The GP prepared a valuation chart in a meeting (See Box 6.1). The market value of the property of a tax payer is determined on the basis of this chart. The new assessment list prepared on the basis of the information provided in Form 5A and this valuation chart would be made operational in the year 2015-16.

Box 6.1: Valuation Chart Prepared by Irhpala GP, Paschim Medinipur

SI No.	Property	Valuation (in Rs.)
1	1 decimel land	10000
2	1 room kuccha house	15000
3	1 Room Semi Pucca House	30000
4	1 Room Pucca House	40000

6.13 Displaying Assessment List

6.13.1 The GP is required to display the assessment list at two prominent places within its jurisdiction and place the list also in the half yearly meeting of gram sansad, so that the villagers can check it and inform GP if they have any objection. Most of the GPs surveyed display the list only at GP office. There is no practice of displaying the list at any other place within the GP's area. The only exception is Jagdallah I GP in Bankura district which displays the list also in RI office, bank and public library along with GP office.

6.13.2 On the other hand, Dhaban GP of the same district and Uchalan GP of Bardhaman district have never displayed the assessment list in public, not even in GP office. They even did not think it necessary to do so, as the GP functionaries informed during FGD. In some GPs that display the list do not inform the villagers that the list has been displayed for their inspection. In many GPs, the villagers informed that they had never seen the assessment list. They come to

know about the tax payable by them, when the TC comes to their house or in their locality to collect tax

6.14 Collection of Tax by GP

6.14.1 The GPs do not collect property tax on quarterly basis as mandated in the Rules but once a year. It is the responsibility of the TC to collect property tax from the villagers. The TCs collect tax both from the houses of tax payers and at the GP office. In the GPs where the post of TC is vacant at present like Raghunathpur I in Purba Medinipur and Sijua in Paschim Medinipur districts, the responsibility of collecting money from the tax payer at the GP office and to give him/her a receipt is taken up either by the members or by any staff (mainly GP Secretary).

6.14.2 The TCs generally make a schedule for collecting tax, though it varies from one GP to another. In some of the GPs they visit houses in morning hours and attend the GP office in the second half on all week days. On Saturday and Sunday they visit houses at their convenient time. Mayureswar, Kurunnahar and Jagdallah I GPs belong to this group. In some other GPs like Salbari II, Dhaban etc. the TCs attend office thrice a week and visit houses on other days. In Ramkrishnapur GP of Dakshin Dinajpur district, tax is also collected at weekly market (haat). The other GPs have other types of schedule, the details of which are given in Table 6.5.

6.14.3 The TC of Bhadrapur I GP in Birbhum district used to make a schedule for every village, but nowadays it is not maintained. For each Sansad, the TCs fix some contiguous days and tries to cover all houses within those days. After that, they go to another Sansad. In the GPs where more than one TC is engaged, the Sansad is divided among them. Nowadays, the GPs are also organizing camps to collect property tax. They prepare sansad wise schedule of the camp and inform the villagers by making announcement through microphone and also through sansad members.

6.14.4 The TCs do not visit houses in the beginning of the financial year particularly in April and May. They start collection in the months of June but maximum amount of tax is collected between December and March particularly after the harvesting period. This is the time when the villages sell their crops and possess some cash. Accordingly, it becomes easier for the TCs to collect tax during this period. The TCs also avoid collecting taxes in the festive season that is

during the period when major pujas like Durga puja and Kali puja are celebrated. The tax collection gets hampered in the rainy season, particularly in the flood prone areas. The Irphala GP situated in Ghatal Block of Paschim Medinipur faces the problem of water logging in every rainy season. At that time, the TC cannot maintain the schedule of tax collection. Even, the public works of the GP remain suspended during rainy season. At the time of election, the GP members instruct the TCs not to collect taxes till the election is over.

Table 6.5
GP wise Schedule of Tax Collection

District	GP	Schedule of Collecting Tax	
		House visit	at GP office
Bankura	Jagdalla I	early hours and on holidays	second half on office day
	Dhaban	after 2 p.m. on Monday, Thursday and Friday	10 a.m. to 2 p.m. on Monday, Thursday and Friday
Bardhaman	Mertala	week end and on other holidays	weekdays
	Sahebganj II	week end and on other holidays	weekdays
	Pandugram	week end and on other holidays	in the weekdays
	Uchalan	Tuesday, Wednesday, Friday, Saturday and Sunday	Monday and Thursday
Birbhum	Mayuresar	early hours and on holidays	second half on office day
	Kurunnahar	rarely	in office hours
	Bhadrapur I	No schedule is maintained	
Cooch Behar	Falimari	week end and on other holidays	in the weekdays
	Salbari II	Tuesday, Thursday, Saturday and Sunday	Monday, Wednesday and Friday
Dakshin Dinajpur	Ramkrishnapur	everyday mainly in the early hours	one day in week
	Dipkhandra	8 a.m. to 2.30 p.m. on Monday, Wednesday, Thursday and Saturday and also whole Sunday	Tuesday: 11a.m. to 4p.m Friday: 11 a.m to 2.30 p.m.
Haora	Chamrail	generally no house visit	all working days
	Islampur	three days in week	two days in week
	Deulpur	weekend	weekdays
Nadia	Karimpur I	all days in the second half	no fixed date
	Arbandi II	Monday, Wednesday, Friday and Saturday	Tuesday and Thursday
	Rautari	No house visit	Monday to Friday from 10 a.m. to 5 p.m.

Paschim Medinipur	Irphala	Wednesday	Monday, Tuesday, Thursday, Friday and also sometimes on Wednesday in the second half
	Manikkundu	everyday up to lunch	second half but no fixed date
	Sijua	No Tax Collector	
Purba Medinipur	Raghunathpur I	No Tax Collector	
	Bhekutia	week end and in December and January	all working days, one or two days in December and January

Source: Tax Collectors of Sample GPs

6.14.5 From the assessment list (Form 9), the TCs prepare another register called Form 7. The TCs visit houses with this register and after collecting tax, they give receipts to the tax payers. The TCs inform that in most cases, the villagers do not pay tax at the time of first visit. They need to go to most of the houses two or three times. (This view is not shared by the villagers universally, as some of them complained about the irregular visit by the TCs to their houses.)

6.14.6 Lion's share of tax is collected by house visit, but nowadays, tendency of paying tax at the office is increasing, though at a slow rate. Villagers need to collect different types of certificate from the GP. Nowadays all the GP authorities follow an unwritten rule that certificates (other than birth, death and any kind of certificate needed for getting admitted in hospital) would not be issued unless the property tax (both current and arrear) is paid to the GP by the applicant. When the person comes to the GP office for any certificate, he/she first pays the property tax and then collects the required certificate. In many GPs, certificates are issued on a particular day in the week. On that day, large amount of tax gets collected.

6.14.7 After collecting tax of Rs. 1000 the TC is supposed to deposit the amount in the GP office along with the receipt book(s). The authorized person in the GP is supposed to sign in to the TC. This procedure is fully followed in Dhaban GP. But in many GPs the situation is different. The TCs deposit the amount in the GP office but not just after collecting Rs. 1000. The situation varies from one GP to another. In Jagdalla I and Irphala GPs, the TC deposits the amount when it exceeds Rs. 2000. In Mayureswar GP, the TC deposits the collected money after every 2 or 3 days.

6.14.8 *Collection of Arrear Tax:* As the GPs collect property tax once a year, the defaulter's list is also prepared after the financial year is over. As mentioned before, the list is not displayed in any public place, nor is it placed in Gram Sansad meetings. The members of many GPs felt that announcing the names of defaulters in the Gram Sansad meetings would be embarrassing both for the tax payer and the local elected representative of panchayat and it would unnecessarily deteriorate the relationship between the two. The elected members would prefer to make a plea for paying tax to all the defaulters in general, but would avoid the situation of naming them individually in a meeting where other villagers are also present.

6.15 Collection of Non-Tax Revenue (NTR)

6.15.1 Table 6.6 shows that GPs are using only a few of the sources of NTR. Among the fees, the GPs mostly earn revenue from registration of running trade (23 GPs) and giving permission of building construction (23 GPs). Only 2 GPs earn from registration of vehicles while another three GPs collect fees on hoarding for advertisement. Only one out of 24 GPs is collecting lighting rates from the villagers, though some other GPs are also providing lights in the streets and in the market places. Other sources of rates are not tapped by the GPs. Some GPs have also constructed submersible water pump and over head tank with pipe line but those have been handed over to the beneficiary committees and are now being managed by them. GPs have no role in operation and maintenance of the system.

6.15.2 Eleven GPs are earning revenue from lease of ponds, two from lease of pounds, while 13 GPs are earning from rent of building and one from rent of shops in the market. In most cases, RI office is within the GP building from which the GP earns rent. The three other sources from which all GPs are earning revenues are donations, sale of tender forms and bank interest. Almost half of the GPs are earning from selling trees (not every year). Nowadays, some GPs are also earning against issuing birth and death certificates (7 GPs) and also for giving permission for setting up mobile towers (6 GPs). Out of 24 sample GPs, one GP (Chamrail GP in Howrah district) is earning from hiring charges of carriage for carrying dead bodies and ambulance. GPs rarely get any amount from institutions. Only three GPs have reported to have earned revenue from the institutions, but not frequently. The other sources of NTR are not tapped by the GPs.

Table 6.6
Collection of NTR by GPs from Different Sources

Item	Source	No. of GPs Collecting Revenue
Fees	Sanitary arrangements at fairs/melas	0
	Registration for running trade	23
	Registration of vehicles	2
	Grazing cattle on GP land	0
	Use of Burning Ghat	0
	Registration of Shallow Tube wells	0
	Registration of Deep Tube wells	0
	Registration of Dog, Bird and other domestic pet animals	0
	Fees on Hording for Advertisement	3
	Fees on village produce	0
	Permission for constructing Building	23
Rates	Water Rate	0
	Lighting Rate	1
	Conservancy Rate	0
	Sanitary Rate	0
	Drainage Rate	0
Tolls	Roads/Bridges	2
	Ferry	3
Rents	Lease of Land/Pond etc	11
	Lease of Pound	2
	Land, Buildings etc.	14
Others	Receipts from Institutions	3
	User Charges	0
	Sale of Trees/Usufructs	11
	Contributions/Donations	24
	Fines/Penalties	0
	Other NTRs (Specify)	
	Sale of Tender Forms	24
	Bank Interest	24
	Birth and Death Certificates	7
	Permission of Mobile Tower	6
Dead Body Carriage	1	
Ambulance Charge	1	

Source: Office of the Sample GPs

6.15.3. In all sample GPs, the TCs collect NTR along with tax revenue, but the former is generally collected at GP office not in the field. In all GPs, the TCs have schedule of attending office when

they collect both tax and NTR. Following the rules, the GP authorities pay them commission on NTR at the same rate for collecting property tax.

6.15.4 For collecting fees for trade registration, the GP should pass a bye-law following the model bye-law prepared and circulated by the state government. During the discussion with District ISGPP Teams, the issue of bye-law was raised. All the ISGP GPs in Paschim and Purba Medinipur districts have passed bye-law during last one or two years. This has been possible because of the initiative taken by the district ISGP teams of these two districts. On the other hand, in other districts, the process has been completed by some GPs. Karimpur I and Rautari GPs in Nadia district have re-adopted the previous bye law with minor changes in 2013. The District Coordinator of Haora ISGP team also expressed her concern about the issue and suggested that the process should be monitored on regular basis by the department.

6.16 Involvement of GP Members in Revenue Generation

6.16.1 According to the West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007, the whole process of collection of OSR at the GP level should be monitored and supervised by the *Artha O Parikalpana Upa-Samiti* of GP. The *Upa-Samiti* should review the status of OSR generation at least once in each quarter and take all possible steps to increase collection. To get an idea of what is really happening in the field, resolutions of the last six meetings of the above Upa- Samiti of all sample GPs have been studied. The findings are as follows:

- Meetings of *Artha O Parikalpana Upa-Samiti* have been conducted more or less on regular basis. Even more than one meeting was held in most of the GPs sometimes.
- Discussion on own source revenue was very scanty. In seven out of 24 GPs, no discussion was held on OSR, not even on own fund. Four GPs held discussions on the issuance of tender for works to be executed from own fund.
- Six GPs held discussions for giving approval to the Assessment list prepared by the Tax Collector. Only two GPs made discussions on self-assessment or other issues of assessment.

- Two GPs were the post of TC was vacant held discussion on the appointment to that post.
- Only three GPs were found to be monitoring tax collection performance and expressed concern for low collection. One of them (Dhaban GP) discussed the issue continuously in three meetings held between August and October 2014, mainly in response to a remark on this issue in the audit report.
- NTR issues were discussed only in two GPs, but those discussions related to leasing of ponds and not on any other matter.

III

Evidence from Other Gram Panchayats Revenue Generation

6.17. Apart from the 24 sample GPs, information on revenue administration in gram panchayats was collected from 12 other GPs – 3 in Howrah, 1 in East Medinipur, 3 in Bankura and 5 in Birbhum. Findings from the study of these GPs are summarised below.

6.18 Howrah District

6.18.1 **Islampur GP** under Jagatballavpur Block, **Deulpur GP** under Panchla Block and **Jagadishpur GP** under Bally Jagachha Block: Neither in tax collection nor in NTR, stable pattern of growth is visible. Rise in collection in some year is followed by decline in collection in the following year, both in respect of tax revenue and non-tax revenue. Collection of property tax as percentage of demand is not encouraging. In Deulpur it was as low as 18% in 2013-14. Jagadishpur GP which collected 60% of the demand 3 years back could collect only 37% in 2013-14. As a result of this, the arrear demand is increasing year after year.

6.18.2 Assessment of tax is made on the basis of previous records in assessment register. No self declaration in Form 5A was collected. In case of newly built houses only self declaration form is insisted upon. Bye-laws have been adopted; no source other than that of trade registration fee is tapped for generating revenue. The GPs do not seem to be interested in taking initiatives for augmenting revenue. The entire task of revenue mobilisation seems to

depend on the Tax collector. In the meetings of G.P, Gram Sansad and Gram Sabha the agenda of collection of tax fees, rates or tolls are rarely discussed. Members do not get involved in assessment and collection of tax. On the other hand assesses are also not properly aware of their obligation to pay tax and about the utility that may be derived by the citizens if they pay tax.

6.18.3 Lack of proper initiative from the part of G.P seems to be the main cause of poor assessment and collection of tax. For example, Jahadishpur GP is urbanized and there is huge scope of collecting tax at a high rate, as the area is full of high-valued concrete houses. The scope of NTR generation is also high. Despite this, no effort is made to augment OSR. Regular discussion, training and persuasion for creating general awareness in this regard among the tax payers and the G.P functionaries may change the present attitude of both the panchayats and the tax payers.

6.19 Bankura District

6.19.1 **Mandalgram GP** under Simlapal Block, **Brahmandiah GP** under Indpur Block, **Kuchiakole GP** under Joypur Block: The stories of Mandalgram GP and Brahmandiah GP are more or less the same as described above. What is to be particularly noted in these two GPs is that their tax efforts almost seem to be nil. Brahmandiah GP collected 1% to 3% of demands of property tax in the last three years. Mandalgram is marginally better, as they collected 14.5% to 17% of demand during the same period. True, the areas are not developed, but that is not the sufficient reason for keeping collection performance at such low level. In Kuchiakole the situation is different. Here there is clear sign of GP taking interest in OSR generation. The GP members also are involved in the process and the issue of revenue generation is discussed in gram sansad meetings also. As a result of all this, collection of tax is to the extent of over 75% of demand on average. Substantial revenue also gets generated from NTR also. However, here also assessment is done on the basis of previous records.

6.20 Birbhum District

6.20.1 **Sangra GP** under Sainthia Block, **Bhadhrapur 1 GP** under Nalhati 2 Block, **Tantipara GP** under Rajnagar Block, **Dhakaibati GP** under Rampurhat 1 Block and **Illambazar GP** under

Illambazar Block: This group of GPs presents a mixed picture. At the lowest level of performance stands Sangra GP, where not more than 5% of tax demand could be collected in the last three years. No initiative is taken by the GP to increase revenue. Lack of awareness of taxpayers is also clearly visible.

6.20.2 Bhadrapur I GP may also be placed in the same class as with that of Sangra. Here collection as a percentage of demand moved between 11% and 13% in 2010-11 and 2011-12 respectively. But in the following year it jumped to 40%, which shows that collection can increase if the tax collector and others in the GP show some initiative. In this GP minimum tax is Rupees 6 per annum.

6.20.3 Tantipara GP is showing sign of progress, as tax collection both in absolute term and as percentage of demand has been showing consistent growth in the last three years. NTR also appears to be increasing, as the GP is realising trade registration fees from cottage industry establishments, poultry, shops and traders. It is also collecting revenue from vehicle registration fees. In this GP assessment of property tax is made on the basis of the previous list. Attempt was made to collect form 5A from the assesseees, but the response was poor. Out of 1600 forms distributed only 120 filled-in forms were returned to the GP. Minimum tax in this GP is Rupees 30 only, while the highest is Rupees 180.

6.20.4 Dhakalbati GP is like average GPs in respect of performance in revenue collection. But an interesting aspect of this GP is that while minimum property tax is Rupees 20 per annum, the maximum tax is Rupees 60000, which has been imposed on a nursing home.

6.20.5 Illumbazar GP has a very good record of tax collection ranging between 70% and 96% of demand in the last three years. NTR is also showing impressive growth. All this was possible because the members and the staff of the GP take interest in revenue generation.

6.21 Purba Medinipur District

6.21.1 **Sagarbandh GP** under Kolaghat Block: The assessment of tax is made on the basis of self declaration in form 5A in some cases of newly constructed houses and in other cases on the basis of previous records. Bye-Laws have been adopted. Though properties of the assesseees are

grossly undervalued in comparison to market value, the G.P particularly the Pradhan seems to be interested and serious about resource mobilization. For this reason the percentage of collection of taxes high and is gradually increasing year after year during last three years (from 74% in 2011-12 to 80% in 2013-14). The G.P seems to have been able to create an environment in which people look at its tax efforts in positive light. This has been possible by motivating the GP functionaries and the public through persuasion on the one hand, and by providing various civic services (like proper maintenance of roads, piped water supply etc.) on the other.

IV

Form 5A, Determining Market Value and Actual Assessment

6.22 Data from 24 sample GPs and the 12 other GPs mentioned in the previous section confirm the following findings.

- (i) General revision of assessment list based on field survey and/or collection of self-declaration in Form 5A at regular interval, as provided in the rules, is not done.
- (ii) Assessment is based on the basis of previous records and tax is increased marginally from time to time not on the basis of certain parameters, but somewhat arbitrarily. Nobody objects to this, as the hike on the tax remains marginal.
- (iii) Form 5A is used only in respect of assessment of newly constructed buildings. But in these cases also, valuation of property bears no relationship with the market value. The latter is shown in such a manner that the base of the tax remains far below the actual annual value. The practice followed is somewhat like this. First it is decided how much tax is to be realised from the assessee. The

annual value and the market value are determined thereafter arithmetically, treating assessed tax as the independent variable. It is a unique case of turning a dependent variable, as provided in the Act, into an independent variable. An example of this may be seen at Table 6. 7.

- (iv) Our study team wanted to verify what would be the scenario like, if form 5A could be filled in more truthfully. The team distributed forms to some existing tax payers and asked them to fill up the form. The forms were distributed to 43 tax payers in 7 GPs, 4 of which were sample GPs. It was noted that value of land and buildings as noted in self declaration is several times less (more than 2 to 4 times in most cases) than the actual market value. Despite this, the assessed tax remains a fraction of the tax that could be derived from the value of the property declared in self-declaration form. This is shown in Table 6.8. The difference between Table 6.7 and Table 6.8 would be quite obvious. In type 1 (Table 6.7) Form 5A was doctored. In type 2 (Table 6.8) form 5A was filled in by the Study team on the basis of self declaration of the tax payer.

Table 6 .7:
Tax Derived from Form 5A and Tax Demanded: Type 1

Case No.	As in Form 5A				As in Form 6 or 9
	Market Value of Land/House(Rs)	Yearly Value of Land/House(Rs)	Assessed Tax Amount(Rs)	Date of Assessment	Tax Amount Demanded from Assesse (Rs)
(1)	(2)	(3)	(4)	(5)	(6)
Rautari GP Nadia					
1	160000.00	9600.00	192.00	07.10.2013	192.00
2	300000.00	18000.00	360.00	06.12.2013	360.00
3	48308.00	2898.00	58.00	20.11.2013	60.00
4	100000.00	6000.00	120.00	29.08.2013	120.00
5	80703.00	4842.00	97.00	25.10.2013	96.00
6	300000.00	18000	360.00	27.08.2013	360.00
7	350000.00	21000.00	420.00	06.11.2013	420.00
8	50000.00	3000.00	60.00	02.09.2013	60.00
9	380000.00	22800.00	456.00	02.12.2013	456.00
10	35000.00	2100.00	42.00	28.11.2013	40.00

Falimari GP Coochbehar					
1	42000.00	2520.00	50.00		50.00
2	42000.00	2520.00	50.00		50.00
3	42000.00	2520.00	50.00		50.00
4	42000.00	2520.00	50.00		50.00
5	25000.00	1500.00	30.00		30.00
6	42000.00	2520.00	50.00		50.00
7	42000.00	2520.00	50.00		50.00
8	50000.00	3000.00	60.00		60.00
9	50000.00	3000.00	60.00		60.00
10	20000.00	1200.00	24.00		24.00

Table 6.8
Tax Derived from Self-Declaration of Market Value and Tax Demanded, Type 2

Tax Payer (SI)	Gram Panchayat	Assessment as Per Form 5A	Actual Assessment as per Assessment Register	Difference
1	Jagadishpur, Howrah	1080	70	1010
2	Do	1680	70	1610
3	Do	1680	70	1610
4	Do	1440	70	1370
5	Do	780	70	710
6	Do	1380	70	1310
7	Islampur, Howrah	480	26	454
8	Do	360	22	338
9	Do	240	22	218
10	Do	564	26	538
11	Do	288	22	266
12	Do	408	26	382
13	Do	180	22	158
14	Do	180	22	158
15	Do	180	22	158
16	Do	240	26	214
17	Deulpur, Howrah	240	30	210
18	Do	324	30	306
19	Do	36	25	11
20	Do	216	25	191
21	Do	480	25	455

22	Do	540	25	515
23	Do	120	30	90
24	Sagarbarh, E. Medinipur	1080	180	900
25	Do	1242	300	942
26	Raghunathpur 1, E Medn	528	15	513
27	Do	264	15	249
28	Do	540	54	486
29	Do	156	15	141
30	Do	540	54	486
31	Do	360	15	345
32	Do	102	15	87
33	Do	420	15	405
34	Jagadalla I, Bankura	480	480	nil
35	Do	360	360	nil
36	Do	240	200	40
37	Do	360	300	60
38	Do	60	50	10
39	Dhaban GP, Bankura	240	40	200
40	Do	138	20	118
41	Do	180	20	160
42	Do	180	20	160
43	Do	240	40	200

7

Documentation of Good Practices

Case Study 1: Gopalpur Gram Panchayat

Profile of the Gram Panchayat

Identification

7.1. Gopalpur Gram Panchayat is located in Kanksa block of Bardhaman district. It has nine inhabited mouzas which are divided into 25 gram sansads. There are 25 members along with three members of the panchayat samiti. Twelve out of 25 GP members of the present board are women including the Pradhan.

Demographic Profile

7.2. According to Census of India 2011, Gopalpur GP has a population of more than 32,000. Mouza wise population is given in Table 7.1. During the last decade (2001-2011), population of the GP increased by 20.27%. The sex ratio of the GP is 1038. It has 38 percent Scheduled Caste Population, while almost 10 percent population belongs to Scheduled Tribes. Literacy of the GP is 86 percent with 88 percent male literacy and 84 percent female literacy. Literacy among the SC and ST population are 81 percent and 85 percent respectively.

Table 7.1
Mouza wise Population of Gopalpur Gram Panchayat

Name of Mouza	Population
Pathardiha	179
Bamunara	5856
Banskopa	2711
Gopalpur	15967
Keshabpur	832
Bandra	2240
Brindabanpur	627
Birudiha	3377
Mahal Chandni	347
Total	32126

Source: Census of India, 2011, West Bengal Primary Census Abstract

House Types and Connectivity

7.3 There are 7538 houses in Gopalpur GP. 82 percent of these houses are used for residential purpose, while 15 percent are used for commercial purpose. The remaining three percent houses are used for industrial and institutional purposes. The institutions are schools, anganwari centres, sub-health centres and banks. There are 35 schools (including SSKs), 51 anganwari centres, four sub-health centres and two commercial banks in the GP.

7.4 The connectivity of the GP is also good. The block head quarter is 14 Km away and the district headquarter 62 km. The GP is connected with the block head quarter by black top road. The National Highway No. 2 is within five Km from the GP. There are three modes of transport running within the GP, auto rickshaw, cycle van and cycle rickshaw with high frequency of service.

Occupational Pattern

7.5 The economy of the area is not dependent on agriculture. According to 2011 Census, work participation rate is 42.43 percent. Out of total workforce, 66.46 percent are main workers while the rest are marginal workers. Only 17 percent work in agricultural sector of whom, the majority are agricultural labourers. Only four percent workers are involved in household industry while 79 per cent are in other sectors including large scale industry and tertiary sectors (See table 7.2).

Table 7.2
Occupational Pattern of GP

Category	Percentage
Workforce Participation Rate	42.43
Share of Main Workers to Total Workers	66.46
Share of Marginal Workers to Total Workers	33.54
Share of Cultivators to Total Workers	3.35
Share of Agricultural Labourer to Total Workers	13.91
Share of Household Industrial Workers to Total Workers	4.01
Share of Other Workers to Total Workers	78.73

Source: Census of India, 2011, West Bengal Primary Census Abstract

7.6 The wage rate of the area is higher in agricultural sector than non -agricultural sector. In the peak season, it goes up to Rs. 200 - 220, while in the lean season, it comes down to minimum wage rate i.e. Rs. 169 per day. But in the non -agricultural sector, there is no difference in wage rate between peak and lean seasons. For the unskilled labourers, it is Rs. 169 per day while for semi-skilled and skilled labourers, the wage rate becomes one and half and double that of unskilled labourers respectively.

Generation of Own Source Revenue (OSR)

7.7 The OSR of the GP was quite impressive in 2011-12 and 2012-13, but in the following year it decreased substantially. This is due to sharp drop in NTR generation in 2013-14. In the first two years, the collection of NTR was much higher than that of TR while in 2013-14, tax revenue was slightly higher than NTR (Table 7.3). The average OSR during the last three years was Rs. 58,86,985 with per capita OSR of Rs. 183. Per capita tax was Rs. 44.65, while per capita NTR was Rs. 139. Even in national perspective, these are quite impressive figures.

Table 7.3
Sector wise OSR Generation in Gopalpur GP

Year	Tax Revenue		Non-Tax Revenue		OSR	
	Rs.	%	Rs.	%	Rs.	%
2011-12	12,70,930	26.82	34,67,114	73.18	47,38,044	100
2012-13	15,79,002	15.59	85,49,224	84.41	101,28,226	100
2013-14	14,53,351	52.00	13,41,333	48.00	27,94,684	100

Source: Gopalpur GP

Table 7.4
Demand and Collection of Tax of Gopalpur GP

Year	Demand (Rs.)	Collection (Rs.)	% of Collection to Demand
2011-12	19,13,600	12,70,930	66.42
2012-13	22,70,911	15,79,002	69.53
2013-14	24,82,974	14,53,351	58.53

Source: Gopalpur GP

7.8 Table 7.4 reveals that demand of land and building tax increased continuously from 19.1 lakh in 011-12 to 22.7 lakh in 2012-13 and further to 24.8 lakh in 2013-14. But the tax collection was not demonstrating uniform pattern of growth. From first year it increased in the second year and then decreased in the third year. Tax collection efficiency is high in comparison to many other GPs, but it did not cross 70% of the demand in the last three years. In the last financial year, the collection fell below 60% of the demand, probably because of panchayat election that took place in the same year. The average tax collection during this period was Rs. 14,34,428 with per capita average tax collection at Rs. 44.65 against per capita average tax demand of Rs. 66.18.

Table 7.5
Composition of Arrear and Current Tax Demand and Collection (%)

Year	Demand		Collection	
	<i>Arrear</i>	<i>Current</i>	<i>Arrear</i>	<i>Current</i>
2011-12	22.3	77.7	24.3	75.7
2012-13	28.3	71.7	25.3	74.7
2013-14	27.9	72.1	40.0	60.0

Source: Gopalpur GP

7.9 The share of current demand is much higher than the arrear demand. The arrear demand remained less than 30% of total demand in all the three years. This is a good feature, but the fact is that it went up by 6% of the total demand in the last two years compared to that of 2011-12 is worrisome. The rate of collection of current tax at around 75% in the first two years is satisfactory, but the fact that it dropped to 60% in 2013-14 indicates lack of consistency in tax efforts. Since collection of current demand is good, arrear demand is not accumulating in large quantity (Table 7.5).

Non-Tax Revenue

7.10 The main sources of NTR of this GP are shown in Table 7.6.

Table 7.6
NTR Collection of Gopalpur GP

Source	2011-12	2012-13	2013-14
Fees on Building Plan Approval	5,66,308 (16.33)	79,41,099 (92.89)	2,75,722 (20.56)
Donation for Development	1,30,905 (3.78)	1,72,042 (2.01)	3,43,931 (25.64)
Fees on Registration for Running Trade	44,750 (1.29)	1,24,242 (1.45)	12,500 (0.93)
Sale of Tender Form		63,500 (0.74)	1,74,000 (12.97)
Rent of Building /shop	1,500 (0.04)	5,500 (0.06)	6,600 (0.49)
Tolls on Road/Bridges	5,760 (0.17)		
Miscellaneous Income		30,768 (0.36)	28,236 (2.11)
Bank Interest	27,17,891 (78.39)	1,76,747 (2.07)	3,70,414 (27.61)
Adjustment		35,326 (0.41)	1,29,930 ((9.69)
Total	34,67,114	85,49,224	13,41,333

Source: Gopalpur GP (figures in parenthesis are share to total NTR)

7.11 The GP collects NTR from a several sources. The main source is the fee on permission for building construction. In the year 2012-13, almost Rs. 80 lakh was collected from this source contributing 93 percent of the total NTR collection of this year. In 2011-12 and 2013-14 the contribution of this source was 16 percent and 21 percent respectively. The GP also gets large amount as donation which gradually increased during the last three financial years. The income from fees on trade registration increased from 2011-12 to 2012-13 but decreased in 2013-14. The GP also earned Rs. 63,500 on selling of tender form in 2012-13 which went up to Rs. 1,74,000 in 2013-14. The lion's share of NTR in 2011-12 came from miscellaneous income, bank interest and adjustment but in the subsequent years, their share in the total NTR was much lower. This indicates that if NTR depends upon such sources too much neglecting the sources provided in the Act, the growth may not be sustainable.

Reasons behind Good Scenario of OSR Generation

7.12 Several factors have contributed to high OSR generation in the GP during the last three years. These are indicated below:

- I. Urban character of the GP – The GP is highly urbanized. According to 2011 census, more than 67 per cent population of the GP is urban. Out of nine mouzas, two namely, Gopalpur and Bamunara are census towns.

- II. Favourable location of the GP – Location of the GP has several advantages for the growth of industry and trade. It is just outside the boundary of Durgapur Municipal Corporation (DMC). Durgapur city is only 10 Km. away from the GP. The GP is also located within the boundary of Asansol – Durgapur Development Authority (ADDA). It is also easily accessible from National Highway No. 2.
- III. Speedy development of real estate sector – Due to its favourable location, growth of real-estate development is taking place in high speed. As the area is not within DMC, real estate developers are buying lands at much lower rate than DMC area. Construction of flats is taking place rapidly. The demand for such flats is increasing, because people get lots of benefits if they buy these flats. Firstly, being outside the municipal corporation area, the flats are cheaper here, but being very close to the city the buyers can avail its facilities. People can stay here and commute to Durgapur city for work. The growth of population of the GP at a very high rate during last census decade also indicates large scale in-migration to the GP.
- IV. Positive impact of in-migration – The in-migration to the GP has twofold impacts. One is that the market value of property is increasing at high rate resulting into increase in the tax assessment value. The other one is increase in the number of taxpayers. During the period from 2011-12 to 2014-15, more than 1200 new assesseees have been included in the assessment list. Maximum increase has taken place during the last three financial years (Table 7.7).

Table 7.7

Year	Number of Assesseees	Increase in Number
2011 – 12	4939	--
2012 – 13	4988	49
2013 – 14	5400	412
2014 – 15	6151	751

Source: Gopalpur GP

Efforts by the GP

7.13 Gopalpur GP has also given much effort to increase its OSR. These are as follows

- I. Thrust on OSR – One of the thrust areas of the GP is OSR generation. The GP functionaries realize that OSR collection is important for development of the GP. The GP members and staffs are very active in this respect. They also take guidance of ISGP team if necessary. For instance, the GP was facing some problems in collecting property tax from some factories operating in the area. In December 2014, the functionaries discussed the matter with ISGP team and the team drafted a letter for the GP to be sent to the defaulting factory authorities. The GP sent the letter to the management of each defaulting factory drawing its attention to the legal obligation to pay tax to the GP. This had a good effect on tax compliance of factory owners.
- II. Conducting self-assessment – The GP took initiative to prepare assessment list on the basis of self-assessment of all assesses. In 2006, the GP once tried to conduct the exercise, but could not succeed, because most of the 5A forms, which were distributed to the tax payers, were not returned. They started the process once again in August 2014. Some enumerators were engaged for form distribution. This time most of the forms were filled in by the assesseees and returned to the GP. At the time of our visit, the GP was preparing new assessment list for 2015-16 on the basis of self-declaration of the assesseees. This is one of the rare occasions when a GP is trying to assess tax not arbitrarily on the basis of previous records, but on the basis of solid information provided by the assessee as regards to description of the property and its current market value. As a result, the tax amount of each assessee will increase largely in the next financial year.
- III. Involvement of GP members – According to the Pradhan of this GP, most of the members of the Board are educated and they are quite aware of the positive benefit of OSR generation. The GP monitors building construction activity closely and does not allow any construction to take place without obtaining permission of the GP. That is why GP's income from fees for giving permission to construct

buildings is so high. The members also ensure that the names of the new in - migrants get included in the assessment list. Such efforts resulted in the sharp rise in the number of assesses during the last few years , as observed earlier. While making assessment of a newly constructed building, the GP insists upon filling self-assessment forms. Consideration of political cost of creating discontent of the citizens for increasing one's tax does not seem to stand in the way of the present leadership of the panchayat to make proper assessment of land and buildings.

- IV. Sincere efforts given by the Tax Collectors – The GP has two Tax Collectors (TCs), one of them is newly appointed replacing his father. According to the GP functionaries, both the TCs have some contribution for good tax collection. They visit every house to collect tax which creates some effect on the taxpayers. According to one TC, seventy percent tax is collected during house visits, while 30 percent is collected in the office. Generally the factories pay tax in the office. The TCs generally visit houses during week end. To ensure collection, sometimes they contact taxpayers over phone and go to their houses after making appointment.
- V. Making tax payment mandatory – The GP authority has made tax payment mandatory for enabling one to avail any service from the GP, including issuance of various certificates. Even for getting trade license, the applicant needs to produce tax clearance documents to the GP.
- VI. Campaign for tax payment – The GP has campaigned in different ways for motivating citizens to pay tax. All over the GP area, campaigning through mike has been done. The issue is also discussed in Gram Sansads. During the week December 15 -19 2014, the GP also observed tax payment week when camps were organized in five Sansads. A sum of Rs. 1,32,055 were collected in these five days. The GP functionaries think if they could organize camps in all the 25 Sansads, much higher amount of property tax could be collected.
- VII. Providing services to the villagers – The GP members think that the willingness to pay tax increases when provision of basic services is ensured to the citizens. In this

GP, the service delivery is much better than many others. Various services provided by the GP are briefly discussed in the following paragraphs.

- Water supply – All the nine mouzas are covered with piped water supply. The GP has constructed some submersible pumps with overhead tanks. Seven out of 12 such projects have been completed and handed over to the beneficiary committees. The committees are looking after the day to day operation and maintenance of the pumps. The beneficiaries are contributing an amount to the committees from which the recurring expenditure like electricity bill, payment of the pump operators etc. are met.
 - Waste disposal – In near future, the GP plans to have solid and liquid waste management system under *Swachchha Bharat Mission* (SBM). Training was imparted to the GP members by the ISGPP cell and Gopalpur GP has been selected for implementing the pilot project in the district. For solid waste management, the GP will introduce door to door collection system. Already survey has been conducted to understand the volume of daily waste generation by the households. The GP engaged some local persons for the survey for which payment was made @Rs. 2.50 per household. The action plan has been prepared and sent to the Block office for approval. A sum of Rs. 20 lakh has been received by the GP under SBM fund for infrastructure development and recurring cost of initial six months. Additional fund for infrastructure development will be supported by ISGPP cell. The present Board has taken a decision to charge Rs. 30 per household per month.
- VIII) Using own fund for development purpose – The GP has adequate ground to ask the villagers for paying tax as it spends large amount of own fund for development of the area. Table 7.8 shows the amount of expenditure incurred by the GP during the last three financial years for office expenses and development purpose. It will be seen that unlike many other GPs, lion's share of the expenditure of own fund has been made in this GP for local development and the share is gradually increasing.

Table 7.8
Expenditure of GP from Own Fund

Year	Office Expenditure		Development Expenditure		Total Expenditure
	Rs.	%	Rs.	%	
2011-12	5,41,985	27.46	14,31,404	72.54	19,73,389
2012-13	5,85,019	22.67	19,94,974	77.33	25,79,993
2013-14	7,87,586	17.55	36,99,947	82.45	44,87,533

Source: Gopalpur GP

Table 7.9
Composition of Development Expenditure from Own Fund (%)

Purpose	2011-12	2012-13	2013-14
Road construction and repairing	26.4	25.72	67.25
Construction of school building	0.00	21.24	9.47
Drinking water	66.5	34.33	14.80
Health (support for treatment)	0.97	2.83	3.17
Sports and culture	5.24	3.71	1.49
Construction of rest shed	0.00	8.21	3.80
Support for repairing of dwelling units	0.00	3.81	0.00
Disaster management	0.89	0.00	0.00

Source: Gopalpur GP

Under the development expenditure, most of the fund is spent on road construction and repairing and for the construction of school building. Larger share was spent for drinking water in the first two years while in 2013-14, 67.25 percent (almost Rs. 25 lakh) of the development expenditure was spent for road construction and repairing. In 2014-15 also the GP was spending a large amount of own fund for water supply. 12 submersible pumps had been installed and overhead tanks were constructed from own fund, of which seven overhead tanks have been constructed in the present financial year. In addition, 256 tube wells have been installed by the GP with own fund. In the last two financial years, the GP also spent money for construction of school buildings including anganwari centres. It also gave support to poor people for medical treatment. In 2012-13 and 2013-14, the fund was also used for construction of rest sheds. These activities are being continued in the present year, while in 2012-13, support was also given to poor people for repairing dwelling units (Table 7.9).

The GP also keeps the citizens informed about the use of own fund for development activities by displaying boards at site after completion of work. People also feel happy to know that their money is used for area development.

IX) Involvement of Artha O Parikalpana Upa Samiti: The *Artha O Parikalpana Upa Samiti* of the GP is quite involved in the task of OSR generation. We examined the resolution of meetings of the *Upa Samiti* from May to October 2014. Sometimes meetings were held more than once a month. Two related issues were discussed in the meetings – NTR and development expenditure from own fund. Under NTR, discussions were held on toll tax and trade registration. The *Upa Samiti* sanctioned levying tolls on a particular road where number of traffic was increasing rapidly. It also approved the Bye-Law prepared by the GP for earning fees on trade registration. A number of discussions were held in the *Upa Samiti* meetings on the development activities to be done with own fund.

Replicability

7.14 The success of Gopalpur GP in generating OSR is not based on any single charismatic individual and therefore is replicable. The GP of course has the locational advantage like nearness to Durgapur city and NH 2. Large part of it is urban and it has a number of industrial and business establishments. Lot of real estate development is also taking place. Thus, the area covered by the GP had potential for mobilization of resources. Nonetheless, the credit should go to the GP for taking advantage of all this in order to raise revenue. Other GPs may not have these advantages, but they can surely emulate the efforts that the leadership of the GP puts in and the attention they give for increasing revenue from various sources, including property tax

Case Study: Ahmadpur Gram Panchayat

Introduction :

7.15 Ahmadpur Gram Panchayat comes under the Sainthia development block in Birbhum district. It has 20 Gram Sansads and 22 mouzas. Of these 22 mouzas 1 is uninhabited. As per Census 2001, the GP has a population of 24778 (male 50.47% and female 49.53%). The SC/ST population accounts for about 43.28% of total population of the GP. 69.08% of this SC/ST population belongs to different scheduled caste communities and remaining 30.92% to ST communities. Census 2011 recorded a 6.86% growth in the total population (26479) of the GP.

7.16 The literacy rate of the GP is quite high (82% of the total population). It has 18 literacy centres, 38 *Anganwari Kendras (preschool)*, 4 SSK, 1 MSK, 21 FP schools, 1 Junior High School, 4 secondary schools and 3 HD schools. It also has a public library.

7.17 Ahmadpur is endowed with a very good road and rail connectivity. Ahmadpur railway station on the Sahebgunj Loop is situated within the GP. It is also a junction station. Almost all mail, express and local trains stop at Ahmadpur. In addition a number of bus services ply through the GP area. It is due to this communication facility that Ahmadpur is a preferred place of permanent residence for service holders (in both private and public sectors) of the adjoining rural areas.

7.18 As a result Ahmadpur and some adjoining mouzas under the GP together have taken the shape of a rural town with a daily market, a number of shops and other commercial establishments, government offices etc. Moreover the head quarter of the block and BPHC are situated within the GP.

Tax Administration:

7.19 Though the GP ranks first in per capita property tax collection and fifth in per capita OSR collection amongst all the ISGPP GPs of the state it does not maintain any up-to-date tax register. All it has is an old form of Form No. 9 as assessment register. Tax Collector copies the

relevant information (arrear and current) and tax collection (arrear and current) in plain full - scale size registers given by the GP. All these registers are maintained by the Tax Collector. Unlike other ISGPP GPs surveyed in the present study, no tax information is uploaded in the computer. Paucity of staff is cited by the Executive Assistant as the reason for this shortcoming. The GP is without its Secretary for the last 2 years. One of the *Sahayaks* performs the duties of the GP Secretary as additional charge.

7.20 The GP has one Tax Collector to collect land and building tax from all its 20 Sansads. As per the Tax Collector and other GP staffs, 11 out of 20 Sansads are urbanized and the rest 9 are still rural in character. As per the Tax Collector there exists two distinct phases of tax collection in Ahmedpur GP: (i) Pre-1993 phase and (ii) post-1993 phase.

7.21 Pre-1993 phase: Till 1993 each GP had a number of *Chaukidars* employed on fixed government honorarium (in 1993 it was Rs 60/pm). They were also given a matching honorarium per month by the GPs. The amount of honorarium given by the GP varied with the amount of tax collected. Therefore the *Chaukidars* had a keen interest in the collection of property tax. "During the pre-1993 phase, the concerned *Chaukidars* used to inform the tax payers in advance about the time and place of tax collection. I would sit in the corridor of the local school or in any other public place and the tax payers would come to that place to pay tax", informed the Tax Collector. It was due to the involvement of the *Chaukidars* the tax could be collected without much hassle. During this phase, tax collection was poor and it never exceeded Rs 1 lakh per year. As school education was free and land rent was abolished, there prevailed a notion among the public that it was not necessary to take payment of panchayat tax seriously. Even many elected members of GP held such view.

7.22 Post-1993 phase: The post of *Chaukidar* was abolished in 1994 and many things changed thereafter. The GP's volume of work increased and with it also increased the office expenses of the GP. The elected GP members also started realizing that it was necessary to increase own source revenue to meet the running expenses of the GP and to do some development work for which government funding was not available. The GP members approached the tax payers and

tried to convince them about the importance of paying panchayat tax timely. In the absence of the *Chaukidars*, the TaxCollector began to visit houses of the taxpayers. Initially it was necessary to visit the same house more than once to collect tax. Gradually tax compliance of the taxpayers increased.

7.23 The GP revised the assessment list on the basis of self-declaration of taxpayers in the year 2011-12. Use of form 5A was made for the first time and assessment was done with seriousness. As a result tax amount of every taxpayer increased by about 30%. This enhanced tax rate is still in vogue.

7.24 This year (2014-15) also the GP is carrying out a self-assessment exercise. The forms (5A) were distributed to each residential house in the months of September and October 2014. The filled-in forms for majority of assesses have already reached the GP office and the rest are expected to reach the GP office shortly. If anybody fails to comply with date line, s/he will be given notice to submit the same as soon as possible. Otherwise the GP would conduct a survey and assess the tax unilaterally. The GP expects to publish the new assessment list for the financial year of 2015-16 soon.

7.25 Number of assesses: There are 6609 houses in the GP area. About 86% (5677) of these houses comes under land and building tax. Number of tax payers of the GP increases every year. Compared to 2011-12, the number of tax payers in 2014-15 increased by 12.53%. The growth in the number of tax payers in the last three years is shown in table 7.10.

Table 7.10: Number Tax Payers

Financial Year	Number Tax Payers	% Increase
2011-12	5045	-
2012-13	5115	1.39
2013-14	5225	+2.15+
2014-15	5677	+8.65

Source: Ahmadpur GP

7.26 The classification of taxpayers in terms of tax assessed is shown in Table 7.11.

Table 7.11: Classification of Tax Payers in Different Tax Groups

Tax Range (Rs)	Number of Assesses	%
201	1227	21.61
101-200	740	13.04
81-100	1120	19.73
41-80	670	11.80
21-40	760	13.39
10-20	Nil	X
< 10	1160	20.43
All	5677	100.00

Source: Ahmadpur GP

The above table stands in sharp contrast to the general pattern of tax revenue of West Bengal's panchayats where around 45% of tax payers are in the tax group of Rs 5 per capita or below. In Ahmadpur we find that two-third of tax payers tax above Rupees 40 per annum and the single largest group of assesses (21.61%) belong to the tax bracket of Rs 201 and above. More than a half of total assesses (54.38%) pay property tax of Rs 80.00 and above.

7.27 Tax Collection: Collection of tax is the full time job of the present Tax Collector of Ahmadpur GP. He collects tax from the tax payers of all the 20 sansads. He has to work hard and he often does not take even the weekly break from work. He makes house to house visit routinely for seven days of the week, except for Thursday, his working hours being 8 AM to 1-00 PM in the first half and again from 3-00 PM to 9 PM in the second half. On Thursday he visits houses from 8 AM to 11 AM and then sits in the GP office from 12 noon to 4 PM. In addition, the tax collector visits GP office almost once on each weekday to deposit his collection. According to the Tax Collector about 90% of the total tax collected is received during door to door visits while, only 10% tax payers deposit their tax at the GP office. He devotes so much time in his job as it is his sole means of subsistence. His monthly earning from commission ranges from Rs 10000 to Rs 14000. To collect tax he has to visit a Sansad 5 to 15 times each year. According to the estimate of the Tax Collector on an average about 60% to 65% tax payers pay their tax regularly. But for the 9 rural Sansads the proportion comes down to about 20%. In

urban Sansads people pay taxes at higher rate compared to those of rural Sansads. For, most of the residential houses in urban Sansads are multi storied concrete houses. A lighting rate of 33% on property taxes to be paid by the taxpayers of urban Sansads, as street lights have been provided for them. The rural Sansads of the GP are yet to be electrified.

7.28 About 41.17% (2721) of the total households (6609) of the GP are BPL households. As the Tax Collector and others inform, most of these households find it difficult to make both ends meet. It is difficult to collect tax from such households. Moreover it is difficult for a single Tax Collector to visit each and every household repeatedly. The Tax Collector usually avoids visiting rural Sansads during monsoon months due to bad road condition whereas he visits the urban Sansads almost every month. To cope with the problem the GP is considering appointing one more Tax Collector particularly for the rural Sansads from next year.

7.29 Demand- collection ratio of tax: Table 7.12 shows the demand – collection ratios for last 3 financial years.

Table 7.12: Demand for and Collection of Tax

Financial Year	Demand (Rs)			Collection (Rs)		
	Arrear	Current	Total	Arrear	Current	Total
2011-12	2861230	616650	3477880	93281 (3.26%)	384441 (62.34%)	477722 (13.74%)
2012-13	3000758	616650	3617408	47039 (1.57%)	559897 (90.80%)	606936 (16.78%)
2013-14	3010152	640000	3650152	84246 (2.80%)	619356 (96.77%)	703602 (19.28%)

[Figures in the parenthesis indicate the proportions of corresponding demand]

As the above table shows, collection performance, at least in respect of current demand has been remarkable. Making progress each year in raising collection efficiency, the GP could collect 97% of current demand in 2013-14. Collection against arrear may not be good, but the volume of arrear demand has not been allowed to grow beyond reasonable limits. It is interesting to note that although two and a half months are left to complete the current

financial year (2014-15), total tax collection (Rs 9.92 lakhs) till January 2015 has already surpassed the last year's performance by about 41%.

7.30 Role of elected representatives: The elected GP members across political affiliation have played a positive role so far as the house taxes concerned. They take initiative in convincing the residents to pay house tax regularly without which the GP cannot function properly. People in Ahmadpur GP, says the Pradhan of the GP, do not mind paying land and building tax. They are getting good services in the form of road, street light, piped drinking water, tube well etc. There is no complaint and grievances. The GP is lenient only in cases of the BPL households." She also indicates that after the ongoing self-declaration survey in Form 5A is complete, tax may go up to a considerable extent and she is confident that that there will not be any problem in realizing tax on the basis of new assessment.

7.31 Steps taken by GP to enhance tax collection : The GP has taken following steps for improving tax collection performance.

- (i) One more tax collector is to be appointed soon particularly to cover the rural Sansads;
- (ii) Each year properties of some taxpayers may be reassessed on the basis of the observations of the tax collector and elected GP members to the effect that they have concealed the real market value of their land and buildings;
- (iii) Self-declaration of measurement and market value of land and house survey should be done once every 5 years.

7.32 No Tax Return : Tax- NTR ratios of the GP for last three financial years are shown in Table 7.13.

Table 7.13: Composition of Revenue

Financial Year	Total OSR (Rs.)		Rate (%)
	Land & Building Tax	Non-tax Revenue	Total OSR
2011-12	477722 (53.24)	419496 (46.76)	897218 (100.00)
2012-13	606936 (50.81)	587607 (49.19)	1194543 (100.00)
2013-14	703602 (62.54)	421523 (37.46)	1125125 (100.00)

Source: Ahmadpur GP

The above table indicates that NTR comprises 37 % to 49% of the total OSR of the GP in last 3 financial years. Main components of NTR of the GP are sale of tender forms, permission for constructing building and registration for running trade. Of these, collection of yearly registration fees for running trade is the responsibility of the tax collector. For this, he receives commission at par with the land and building tax. The proportions of total receipts on account of registration for running trade to total NTR receipts during last 3 financial years are 21%, 16% and 21% respectively. It may be noted here that the bye-laws of registration for running trade was last updated in the GP in the year 2005.

7.33 Utilization of OSR: The ratios of expenditures of Own Fund in office expenses and development heads are shown below.

Table 7.14: Expenditure of Own Fund

Financial Year	Expenses (Rs.) and Proportions (%)		Total Own Fund Received including Opening Balance & Interest
	Office Expenses	Development Expenses	
2011-12	370025 (38.08)	463603 (47.71)	971793.61 (100.00)
2012-13	625395 (46.49)	521345 (38.75)	1345243.61 (100.00)
2013-14	655297 (47.92)	647318 (47.34)	1367362.59 (100.00)

Source: Ahmadpur GP

Table 7.14 shows that on an average expense on office heads surpass that on development heads. This is so because the GP, at the request of the Block administration, has to spend a significant part of its OSR each year on various non development heads, such as, cleaning of DCRC ground for election work, provision of refreshment for pulse polio workers and personnel

of electoral roll revision etc. Despite this, the GP undertakes a lot of development works out of its own fund. Some illustrative examples are given below

- I. **Street light:** Presently there are about 1100 electric poles in all the 11 urban Sansads of the GP. The rural Sansads of the GP are yet to be electrified. All of these 1100 electric poles are fitted with street light. The street lights remain switched on from 5 -30 pm to 5-45 am everyday. Maintenance work of these street lights is given to a private agency selected through tender. Currently a locally based small enterprise is entrusted with this job. It receives Rs 20000 per month as fees. All users of these lights have the contact number of the said enterprise. They directly call its personnel as and when they need their service. However the responsibility of payment of electric bills (Rs. 8000 per month) and replacement cost of tubes and new connections are with the GP. The SEB charges the GP for street light at a much lower rate. Expenses in last 3 financial years towards street lights were Rs. 2.75 lakhs, Rs. 1.32 lakhs and Rs. 1.83 lakhs respectively.
- II. **Other development works from OSR:** These include maintenance of roads. The GP intends to build some revenue generating permanent assets like community hall etc. in near future for the use of local people at a reasonable rate.

7.34 Replicability

There is no doubt that Ahmadpur GP has broken new grounds in generating revenue from own sources, particularly revenue from property tax. Its initiative to insist on self declaration of the tax payers and to assess tax on the basis of that has brought the assessment list closer to reality. When they first introduced the new system of assessment in 2011-12, tax was raised in general by 30% at one go. This was a bold step to start with and they have continued the efforts thereafter also. Its collection efficiency is also remarkable. The support given by the elected members and the staff to augment OSR is also something from which other GPs may learn. Another noteworthy feature was to bring owners of the newly constructed buildings within the tax net. In sum, the Ahmadpur story may be of great value to those GPs which seek to improve their revenue administration.

8

Recommendations on Reforms

8.1 In the previous chapters, we have tried to critically look at various aspects of resource mobilisation at the level of gram panchayats and to examine in detail revenue administration of these bodies. Current performances of GPs to generate revenue from own sources have been critically reviewed both through macro and micro level analyses. The provisions of the relevant Act and Rules have been examined. Attempts have been made to identify both the external factors and internal factors responsible for low level of revenue generation. Experiences of other states like Karnataka, Kerala and Tamil Nadu have been drawn to place the issues of revenue generation performance of West Bengal's panchayats in a larger perspective. On the basis of all this, we may, in this concluding chapter, try to suggest certain recommendations for improving own resource generation at the gram panchayat level. Even though the empirical base of our analysis has been GPs under ISGP project, it is believed that our recommendations will be relevant for all panchayats of West Bengal.

Some Strategic Issues

8.2 Analysis of the data presented in this study prompts us to make the following general observations.

8.2.1 Among the external factors responsible for better resource generation, prosperity of the area seems to be one. Economic backwardness is inversely correlated with OSR (See Chapter 3).

8.2.2 Prosperity is more likely, but not invariably, to be seen in urbanising or significantly urbanised GPs. Such GPs have better potentiality for revenue generation because urbanisation is often accompanied by more and diverse economic activities resulting in real estate development, higher land value and the growth of industrial and business enterprises. These are good bases for augmenting revenue both from property tax and NTR sources. Some GPs can utilise this opportunity fruitfully to generate impressive

revenue, as we have seen in the cases of two good performing GPs, namely Gopalpur and Ahmedpur (Chapter 7), and also in the case of one of the 24 GPs surveyed by us, namely, Chamrail GP (see Chapter 5 and 6). However, all GPs do not show the initiative to exploit the full potentiality that their areas might possess. An example of this may be seen in the case of Jagadishpur GP of Haora district (See paragraph 6.18.2 of Chapter 6). The lesson that we draw from this discussion is that the urbanising or significantly urbanised GPs are in all probability better placed in augmenting TR and NTR. In annexure Table 4, we have given a list of 150 ISGPP GPs, which are at different levels of urbanisation. Special attention may be given for raising the level of revenue efforts and strengthening revenue administration of those GPs within this group, which are considered to have better revenue generation potentiality.

- 8.2.3 Apart from the urbanising GPs, there are many agriculturally prosperous GPs with high level of cropping intensity and good communication system. These GPs also may have the potentiality of generating more revenue.
- 8.2.4 As the econometric analysis of the revenue data of the GPs under ISGPP shows (Chapter 3), the factor that impacts most on OSR is the collection efficiency. This means that revenue increases where pro-active steps are taken by the panchayat and the gap between demand and collection gets closer.
- 8.2.5 However in most cases, generation of revenue does not have priority in the scheme of activities of the gram panchayats. For *Pradhan* or for members of *Artha o Parikalpana upa Samiti* or for the officials, this is not one of their primary tasks. As a result, tax revenue gets collected because of the Tax Collector who being driven by the urge for earning commission may take initiative for collecting tax or because of the unwritten rule followed in almost all the GPs that one would not be eligible for receiving various types certificates or various types benefits under beneficiary-oriented schemes, unless one has cleared the tax. Pro-active steps on the part of panchayat functionaries for revenue generation are rarely seen. In other words, revenue administration is a neglected task of Panchayats and in official evaluation of panchayat's performance also,

resource mobilisation is not considered to be a priority area. This is the single most important reason for low level of resource generation at the level of panchayats.

8.2.6 One of the reasons why the panchayats can take such a carefree attitude towards the task of resource mobilisation is that they operate under the condition of soft budget constraints. There are no functions or activities for which gram panchayats have been made exclusively responsible. The salaries of the staff come from the State Government and for every service the GP delivers, government funds are made available. In Tamil Nadu and Karnataka, for example, GPs have to pay the salaries of some of their staff and deliver some services from their own fund. This fact answers, at least partially, the question as to why they are performing better than West Bengal's panchayats in respect of revenue mobilisation. Hard budget constraints may therefore be built within the State-local fiscal relations in West Bengal, so that the panchayats of the state are obliged to undertake responsibilities for delivering some specific services and find resources for them by generating own revenue and not by taking grants from the government.

8.2.7 The government may also devise some incentives and disincentives and link them with the grant system, including SFC grants.

8.2.8 It is often said, and some panchayat leaders also believe, that taxation is a highly sensitive issue. Any attempt to increase the tax beyond token increase would create discontent among the villagers and that would unnecessarily damage the political prospects of panchayat leaders. Our study team conducted FGDs with the groups of tax payers in the entire 24 sample GPs. A summary of discussions that took place in these discussions may be seen at Annexure 5. Some of the views expressed therein were as under.

- ❖ We do not mind paying tax, but TC does not come to our house to collect tax. We cannot spend a sum of Rs 10 to go to the GP office for paying tax of only Rs 22.
- ❖ Our tax is very low and therefore we do not pay tax every year. When tax becomes due for 2 or 3 years, we clear the entire amount by a single payment.

We are agreeable to paytaxat higher rate, but the raise should not be so high that it goes beyond one's capacityto pay. (This viewof a moderate hike of tax as repeated in several GPs.)

- ❖ We are prepared to paymore taxif GP provides essential civic services to us. (This viewas also repeated in manypanchayats).
- ❖ We do not take initiative to paytaxbecause the GP does not put pressure on us, except when w demand some certificates from them.

Thus the notion of apprehension of stiff resistance from the taxpayers against anykind of raise in taxseems to have been overplayed. If a dialogue can be opened betwe the GP and the taxpayers, the prospects of getting cooperation of the latter in favour of tax reforms maynot be ruled out, provided people are enabled to see benefits being derived from it.

Recommedate

8.3 Some important recommendations that emerge from the above discussions are as under.

8.3.1 The State Government may insist upon all gram panchayats to ensure that they augment their tax and non-tax revenue substantially by utilising their fiscal powers more efficiently and utilise the resources thus generated for delivering essential services to the local citizens. While communicating to the gram panchayats, it needs to be emphasised that resource generation from own sources and utilising such resources for local development should be considered a priority task of all gram panchayats. Presently, this task is given low priority by most of the gram panchayats.

8.3.2 The state government may introduce some elements of hard budget constraints and link it with the system of transfer of resources from the state to the local. One way to do this is to assign to the GP exclusive responsibilities for delivering some core civic services, such as intra-GP roads, culverts, street lights, water supply from spot sources, sanitation (drainage, solid waste disposal) etc. GPs may be asked to find resources necessary for providing such services in their own fund or by converging own fund with untied resources received from the state or central government.

- 8.3.3 A system of incentive and disincentive may be devised and linked up with the SFC grant to create pressure on GPs for gearing up tax efforts. For example, 50 percent of untied fund can be given to the GPs on entitlement criteria and for the remaining 50 percent some conditionality could be applied. The essential elements in the structure of conditionality could be, for example, (i) X % growth in realisation of property tax revenue, (ii) Y% growth in NTR, (iii) Z% growth in expenditure on local development from own fund etc.
- 8.3.4 Special attention may be given to the urbanising panchayats and panchayats of other prosperous areas which are in more advantageous position to enhance revenue substantially in a short time.

8.4 Reforms of Assessment of Property Tax

- 8.4.1 At one time property tax used to be the mainstay of panchayat revenue. Now-a-days it contributes a third of OSR. This is the only tax that now remains with the panchayats. Other taxes of local nature, such as, profession tax or entertainment tax are being administered by the State government. Any scheme of revenue augmentation of panchayats should begin with property tax reform. This is necessary for another reason also. Once local government starts earning substantial revenue from tax, its direct accountability to the tax payers also increases. In the foregoing discussions of this report, attention has been drawn to the fact of abnormally low yield of this tax. The administrative and other problems surrounding property tax administration have also been discussed in detail. Based on that, the following recommendations are being offered for property tax reform.
- 8.4.2 Property tax reform must start with reform in the process of assessment. The problem of assessment starts with the determination of annual value of the property, which is in turn derived from the determination of its market value. The present practice of showing the market value or annual value as derivative of a pre-determined amount of tax must be reversed. Instead, the process may start immediately to assess tax on the basis of realistic valuation of property. The problem that has to be encountered while taking such a step is

that at present there is a huge gap between the value of property as recorded in assessment list and its market value. The gap is so huge (from a minimum of 20% to as high as 20 or 24 times and even more as revealed in several cases recorded in Table 6.8 of Chapter 6) that it cannot be closed at one stroke. A long term policy needs to be pursued in order to bring the assessed value closer to the market value of the property in the course of successive revisions of assessment.

Recommendations

- 8.5** The following recommendations emerge from this discussion.
- 8.5.1 A general revision of assessment of tax on land and buildings in all gram panchayats may be made and this work may be completed in 3 or 4 years beginning from the year 2015-16, irrespective of the fact whether such revision has been made in any panchayat in the course of last 5 years or not.
- 8.5.2 This revision must be made on the basis of house-to-house survey, as provided in West Bengal Gram Panchayat Administration Rules 2004.
- 8.5.3 The system of tax assessment on the basis of self-assessment may be abolished. Form 5A may be revised and the revised form may be used for the purpose of eliciting information from the tax payer about the status of ownership/occupancy of the property, description of the property, such as, type of building (thatched roof, concrete roof, house with tiled roof or roof with GA sheet etc), use of the building (residential, commercial, industrial), plinth area of the building, details of land possessed etc. Columns regarding market value of land or building may be removed from Form 5A.
- 8.5.4 There shall be a valuation team in the GP headed by Executive Assistant and two other members, namely Secretary and *Nirman Sahayak*. The valuation team will cause the door-to-door survey to be conducted through the trained surveyors.
- 8.5.5 The District Panchayat and Rural Development Officers of P&RD Department may maintain panels of surveyors for each district. They may be given special professional training by the Central Valuation Board on the valuation of property in terms of the provisions of the West

Bengal Panchayat Act and the Rules made under it. At the time of general revision of assessment of tax a GP may commission some empanelled surveyors for carrying out the survey under the supervision and guidance of the valuation team.

- 8.5.6 Land value of the concerned *mouza* may be obtained by the valuation team from the Registry Office on the basis of which land value may be estimated. BLLRO may be contacted by the GP's valuation team when there is a dispute over ownership of property.
- 8.5.7 For valuation of building, the valuation team of the GP has to adopt capital value method, as indicated in explanation (a) of section 46 of the West Bengal Panchayat Act. For the purpose of standardised application of capital value method of valuation of building, the concept of plinth area may be used. If one has information about the plinth area of the building possessed by the assessee, then what is needed for making valuation is information on unit cost of construction of different types of buildings (such as house with concrete roof, tiled roof, thatched roof etc). The unit cost of different types of building within the local area may be determined by the valuation team of the GP in consultation with technical persons in the block. The plinth area multiplied by the unit cost of construction of the building would then be the value of the building. For use of the building for commercial or industrial purposes a surcharge on the annual value may be added.
- 8.5.8 Once valuation of the land and building of the tax payer is done, tax may be assessed as such percentage of the annual value as may be indicated in the Act. Presently the rates are fixed, leaving no flexibility to the GP. Since it is being insisted upon that valuation of property should be realistic, some flexibility may be given to the GP to fix the rate on annual value, so that sharp upward rise of the tax due to realistic assessment of annual value of property could be somewhat controlled. Accordingly it is recommended that the GP should be free to fix the rate of property tax at any level between 1% and 2% of the annual value.
- 8.5.9 It is also recommended that a surcharge may be imposed on the basic of tax of such properties as are being used for commercial or industrial purpose. The rate at which such surcharge could be imposed may be indicated in the Act.

8.5.10 Draft assessment list may be prepared by the valuation team after determining the annual value of the properties. This may be placed before the *Artha o Parikalpana Upa Samiti* which will adopt the same with or without modifications. Thereafter the procedure as laid down in the West Bengal Panchayat (Gram Panchayat Administration) Rules 2004 may be followed for preparation of final assessment list, subject to the modifications as follows.

(a) Firstly, the requirement of making reference to the PDO may be dispensed with.

(b) Secondly, for hearing objections from tax payers on the assessment list, an Objection Hearing Committee may be formed with *Upa Pradhan* as Chairperson and two other members of *Artha O Pariklpna Upa Samiti*.

(c) Thirdly, the gram panchayat, may, on the recommendations of *Artha O Parikalpana Upa Samiti* give remission of tax on grounds of poverty or on grounds of justice and equity, but such remission shall not exceed 25 % of tax assessed.

8.5.11 It was noted earlier (Chapters 3 and 5) that there is preponderance of tiny tax payers. (Many of them pay per capita tax of Rupees 5 or less). They contribute little to the revenue of GP and cause more harm than good. In many cases much of the revenue collected from them gets eaten up by cost of collection. The reason for keeping the assessed tax at such low level is not necessarily poverty of the tax payers. There are ways to exempt the poor from paying tax. In fact the households that find it difficult to pay even yearly tax of Rupees 15 or 20 need not be brought under tax net. Secondly, it is also necessary to put a break on the continuance of a long-standing practice of fixing a trifle amount as panchayat tax, instead of deriving the amount to be paid as tax from the real annual value of the property. In this context the following recommendations are made.

(a) The owners/occupiers of properties, the annual value of which does not exceed Rupees 750 may be exempted from paying tax. The present limit of such exemption is Rs 250.

(b) A *minimum level of tax* on land and buildings should be fixed. Such level may be somewhere in the range of Rs 25 and Rs 40. Considering the present rural per capita income and the minimum agricultural wage (Rs 169 per day) this amount should not appear to be on high side.

8.5.12 Implementation of some of the recommendations given above would necessitate amendment to the relevant provisions of the Panchayat Act and the Rules made under it. These have been shown at the appropriate places at the summary of recommendations provided in the annexure to this chapter. It would also be necessary to revise some of the registers, especially forms 6 and 9. At this stage, we are not going into the details of changes necessary in the design of these registers and forms.

Agreement No - Tax Revenue

8.6 It was noted in Chapter 6 that out of 17 sources indicated in Section 47(1) of the Panchayat Act, panchayats use only one source for revenue generation, namely registration for running trade. Another NTR source from where panchayats earn much revenue is fee for giving building permission under Section 23(2) of the Panchayat Act. Other sources mentioned in Section 47(1) are rarely used by the panchayats. Though, in general, NTR is growing, growth is taking place through rent of landed property like ponds, bank interest or sale of tender forms. Rarely income from remunerative projects is generated. These are not healthy signs of fiscal management. The fiscal powers already given should be *explored to the full extent* for healthy and sustainable growth of revenue generation.

8.7 Recommendations

8.7.1 It is in this background that we would like to offer the following specific recommendations

8.7.2 GPs should be asked to take initiative in realising various fees. (There are at least 11 kinds of fees among which the Panchayats utilise only one, namely trade registration fee.) GPs should give particular attention to realise fees on registration of pump sets installed for selling water, fees on village produce, fees on hoarding, registration of vehicles, tolls and water rate wherever O & M responsibilities of piped water supply installations are shouldered by the GPs.

8.7.3 In many GPs mundies/ markets are growing up. Hence, item no (xvi) of Section 47(1) of Panchayat Act, namely, fees on village produce sold may turn into a very good source of income. However, presently panchayats are empowered to collect fees under this provision, provided such markets are 'organised by the gram panchayat'. The Act may be amended for omitting this restriction and for empowering GPs to collect fees on the 'village produce sold in any market' within the area of the GP, except those run by the government or owned by separate Trusts or registered societies. This is also necessary for enabling the GP to provide sanitary and other infrastructural facilities to the market.

8.7.4 The maximum rates that may be imposed on any of the items mentioned in Section 47(1) have been prescribed in the table at the Annexure of the West Bengal Panchayat (Gram Panchayat Administration) Rules 2004, as amended. The prescribed rates have become dated. As a result, the GPs, which want to exploit some of the buoyant sources become handicapped unnecessarily, because the maximum rates fall short of the realisable revenue from the same. Revision of these rates is urgently called for. Besides, any rate laid down by rules would become obsolete after passage of time. In view of this, two specific recommendations are being made.

(a) The state government may take steps for revising and updating the maximum rates prescribed in the existing rules. While revising the rates for trade registration fees, attention may be given to the new types of commercial establishments that are coming up in panchayat areas, such as nursing homes, clinical establishments, petrol pumps, coaching centres etc.

(b) Provisions should be made in the appropriate Rules to review the maximum rates referred to in Section 47(1) of the Panchayat Act after every 5 years and this task may be given to the State Finance Commission.

8.7.5 One of the reasons for not utilizing fully the potential of NTR generation is that the GP does not try to assess its demands from various sources. Rule 59 of the Gram Panchayat Administration Rules lays down, inter alia, that the GP should 'assess the sum to be levied as fees, rates and tolls' and prepare assessment list for the same in part 2 to part 9

of Form 9 of the aforesaid Rules. This rule is not followed. It is accordingly recommended as follows

- (a) The GP should prepare assessment list of NTR after collecting relevant information. Such information may be collected at the time of field survey undertaken during general revision of property tax every five years. In other words the 5-yearly revision of assessment lists of both property tax and NTR should be done together. The GP should also develop a system of updating the assessment list of NTR every year, as it does in the case of property tax
- (b) Relevant Rules should be suitably amended to fill the gaps that now exist in respect of procedures to be followed for preparing assessment list for fees, rates and tolls (See in this connection discussion in paragraph 4.20 of Chapter 4).

8.7.6 As far as realising revenue for drinking water supply is concerned, presently the rate may be realised only in respect of house connection (see para 3 of the Annexure to Rule 58 of the GP Administration Rules). Provision may be made to realise water rate from those also who benefit from supply through stand posts.

8.7.7 Several reforms are necessary with regard to fees for giving permission for construction of building. We recommend the following reforms in this regard.

- (a) First, the highest rates as prescribed in the rules are dated. They need to be revised immediately after taking into consideration new types of construction that are coming up.
- (b) Often people do not care to ask for building permission from panchayat. Generally those who need bank loan come to the GP for obtaining permission. Accordingly many GPs are losing substantial revenue. Special care should therefore be taken by the gram panchayat to enforce every person engaged in construction of building to apply for permission from GP after paying necessary fee.
- (c) The state government should make amendments in the rule to accommodate new types of construction in GP areas, such as, mobile tower, petrol pumps, nursing homes and clinical establishments, coaching centres, housing complex etc within the scope of Section 23 of the Panchayat Act.

8.7.8 Sometimes the leased out property (e.g. pond) of GP is again let out for commercial purpose by the lessee, resulting in loss of potential revenue of the GP from such property. Hence there is necessity to re-examine the terms and conditions of lease of GP's property and impose conditionalities for preventing loss of any potential revenue and also physical damage of the property.

Additional Sources of Tax Revenue

8.8 There is a provision for imposing an additional stamp duty by the gram panchayat on transfer of property at the rate of 2% of the consideration for sale, gift, mortgage or lease, as the case may be. There is also a provision to impose a duty in the shape of an additional stamp duty at the rate of 10% on all payments made by the public for admission to any entertainment (Sub section 5 of Section 46 of Panchayat Act). None of these provisions of the Act have so far been made operational.

Recommendations

8.9 The State Government may consider if the provisions of Sub Section 5 of Section 46 of the West Bengal Panchayat Act could be made operational.

Reforms of Collection Process and Revenue Administration

8.10 Recommendations

8.10.1 Mention has been made in this report about the doubt that exists with regard to estimate of arrears. Besides, there is a huge problem of collection of arrear taxes. Considering all this, it is recommended as follows.

- (a) Special audit may be arranged by hiring retired Government Officers, if necessary, (i) to arrive at a realistic estimate of arrears and (ii) to prepare reliable list of defaulters showing the amounts due from them year by year.

(b) In each GP, a plan of action may be prepared for realisation of arrears. Such plan may include giving incentive to the taxpayers in the shape of ~~waiving~~ giving a portion of one's arrear tax in lieu of clearing out the rest of the dues in not more than three yearly instalments.

(c) In the Panchayat Act there is no ~~waver~~ waver clause. Practical situation demands that there should be a ~~waver~~ waver clause in the Act, but this should be used cautiously and principally for giving incentive to clear arrears. The ~~power~~ power to ~~wave~~ waive a portion of the tax should remain ~~with~~ with the prescribed authority. Necessary amendment to the Act may be made to incorporate this provision.

8.10.2 Many GPs have not adopted bye-laws as yet. Even if some of them adopt them, the bye-laws remain restricted to only trade registration fees. Bye-laws on other items are conspicuous by their absence in most GPs. A massive drive should be given to motivate GPs to adopt bye-laws and to implement the same after adoption.

8.10.3 Presently most of the works of revenue administration are done manually. GPMS has provisions of computerising some revenue records, such as forms 6 and 9. These are not being utilised and at present assessment and demand lists are being prepared manually by the Tax Collector. In this context the following recommendations are made.

(a) Entire work of revenue administration including assessment, preparation of assessment list, demand notice, tax bills, tax receipts, accounts keeping, defaulters' list etc should be computerised.

(b) GPMS has to be further developed to accommodate all these requirements.

8.10.4 A rethinking is necessary about the institution of Tax Collector. This is an age-old institution, but it is doubtful whether such an institution is now serving the purpose for which it was created. First with growth in the number of tax payers, it is impossible for the TC to go to each household. Our study confirms that such apprehension is true. Secondly, for many TCs, tax collection is not a full time occupation. Tax collections in many GPs suffer, if the concerned TCs fail to take initiative. Thirdly, this institution has created a bad habit among the tax payers, as they feel that they would pay tax only when the TC comes to their door steps and need not be pro-active to pay tax through any other means. Accordingly it is

suggested that attempt should be made to develop gradually an alternative system of collection through the following means.

- (a) The taxpayers should be encouraged to pay tax at the GP office.
- (b) Wherever facilities exist, collection centres may be opened by GP in sansad areas.
- (c) Wherever possible, collection may be made through banks.
- (d) Considering the fact that TC is still the backbone of revenue collection in GPs, we are not recommending his overnight replacement. For the present, GPs have to depend on TCs for some more time to come. In order to motivate them to work harder for increasing revenue collection, some incentives may be given to them in the (a) form of increased rate of commission and (b) by ensuring that they get commission for not only the amount collected by them personally, but also for the amount collected at the GP office or in collection centres or through banks.

8.10.5. Revenue administration is a routine job, as certain actions have to be taken routinely day in and day out. Not much attention has been given on how these jobs will get performed at the GP level. It was mentioned earlier that as of now only person involved seriously in revenue collection activity is the Tax Collector. He is hardly given support. This situation cannot be allowed to continue. It is accordingly suggested as follows.

- (a) In every Gram Panchayat a revenue (assessment & collection) cell may be set up. This cell may be headed by the Executive Assistant. On behalf of the Gram Panchayat, *Upa Pradhan* shall supervise the work of revenue cell on regular basis. This cell will oversee various revenue functions including assessment of new buildings and collection. During 5-yearly revision of assessment, this cell will work with the valuation team as suggested earlier.
- (b) Assessment and collection position (both tax revenue and non-tax revenue) should be regularly monitored and reviewed first by the revenue cell and then by the *Artha O Parikalpana Upa Samiti*.

8.10.5 Presently the state government does not have a system of monitoring revenue performance of GPs. This has to be developed at different levels – at block level through PDO, district level through DPRDO and at the level of Commissioner of Panchayats.

OtherAsasibnto

8.11 Recommendations

8.11.1 The study has revealed that there is a gap in the understanding of villagers as to why they should pay tax. However the study has also revealed that wherever the GPs have done visible service delivery with OSR, the villagers have shown interest in paying tax. Hence it is recommended that any attempt by a GP to initiate a programme of augmenting its revenue should be accompanied by campaigns to explain to people as to why it is necessary for the panchayat to generate its own fund by exploiting its tax and non tax revenue sources.

8.11.2 During discussions with GP functionaries, it became clear that there was a significant gap in terms of (a) awareness about the necessity of generating OSR for achieving fiscal autonomy and (b) knowledge on legal provisions related to OSR collection. Hence the following steps may be taken:

(a) Special Training Programme may be arranged for the elected representatives and staff to (i) create awareness about the necessity of generating OSR for achieving fiscal autonomy of GP and to (ii) transfer knowledge and skill on revenue administration in general and legal provisions relating to fiscal matters in particular. These may be supplemented by easy-to-understand manuals explaining the procedures of assessment, collection and documentation of revenue data.

(b) Documentation of good practices in different GPs of the state and sharing of the same among the GP members for horizontal learning.

8.11.3 In this study it has been noticed that there is a linkage between visible delivery of services by the GP and tax payers' willingness to pay tax. The GPs should therefore be encouraged to deliver essential services to the villagers by utilising as much as possible its own fund and by converging untied funds with own fund.

8.11.4 Without participation of both ruling and opposition political parties, it is difficult for panchayats to take initiative in matters concerning mobilization of resources from own sources. Hence the GPs may be encouraged to involve members of all political parties in any programme of augmentation of OSR.

8.12 Concluding Remarks on Reforms

8.12.1 In this study an attempt has been made to look at the problems of revenue generation holistically. The holistic approach has also guided the proposals on reforms as suggested in the foregoing paragraphs. As noted, they fall under several inter-related groups. In this concluding section we shall highlight the basic premise behind each set of reform proposals. This, we hope, would explain the conceptual framework of the proposals.

8.12.2 Revenue generation at local level is the task of the gram panchayats, but a major responsibility of the state government is to encourage and motivate the panchayats and to create conditions under which they feel that they need a measure of fiscal autonomy for their survival and growth. In order to achieve these objectives, a set of recommendations has been given in paragraphs 8.3.1 to 8.3.4. The interventions suggested relate to such matters as (a) creating awareness among the panchayats to treat resource generation as one of the primary tasks, (b) introducing hard budget constraints in gram panchayats, (c) Incentivising local resource mobilization and (d) giving special attention to the prosperous GPs, including urban GPs, for increasing resource generation substantially in short time. All these recommendations, excepting the one at (d) are policy issues, which have to pass through the normal decision making process of government before being accepted for implementation.

8.12.3. The next set of 11 recommendations contained in Paragraph 8.5.1 to 8.5.11 relate to matters on reforms of assessment of property tax. These recommendations follow from the premise that any scheme of revenue augmentation of panchayats should begin with property tax reform and such reform should start with assessment of tax. The present practice of showing market value or annual value as derivative of a pre-determined amount of tax must be *reversed*. Instead, the process may start immediately to assess

taxon the basis of realistic valuation of property. The state government has to take initiative on this, because enabling conditions for introducing reforms can be created only by them.

8.12.4 The recommendations on property tax reform insist on (a) revision of the process of assessment of property tax in all gram panchayats beginning from 2015-16, (b) field survey for collecting basic information for assessment, (c) new method for valuation of land and building, (d) new administrative set up for assessment, (e) introduction of surcharge on basic tax for buildings used for business and industry, (f) introduction of flexible rates of taxation, (g) making provisions for hearing objections by a committee and introducing provision of remission, (h) introduction of minimum level of property tax and raising the exemption limit of annual value from Rs 250 or below to Rs 1000 or below. These recommendations involve compliance of the existing rules in some cases and major reforms in the method and procedure of assessment and change in the relevant provisions of Act and Rules.

8.12.5 In the case of NTR, the study has noted that the GPs are not exploring to the full extent the fiscal powers given to them to raise resources from various sources. The recommendations contained in paragraphs 8.7.1 to 8.7.7 have been made principally to correct this deficiency. They relate to (a) realization of revenue from various sources identified in the Act, (b) revising the schedules of maximum rates on various revenue sources, (c) utilizing the existing fiscal powers on some potential sources of revenue which presently remain underutilized and incorporating some new sources within the ambit of bye-laws, (d) preparing assessment list of NTR, which is not done presently, (e) changing rules and procedure in some cases. Most of the reforms suggested can, however, be implemented within the framework of existing rules.

8.12.6 The study noted that despite statutory provisions on two sources of tax revenue, the panchayats have not been allowed to tap such sources [Section 46(5) of Panchayat Act]. Following the basic principle of the study that the panchayats should utilize fully its

fiscal base, it has been recommended that the state government should consider if these provisions could be made operational.

8.12.7 Collection of revenue demand is one of the major weaknesses of panchayats. Major improvement is necessary for improving collections. For this some reform proposals have been recommended. First, introduction of incentive scheme for growth of revenue has been suggested (Paragraph 8.3.3). Second, some reforms of collection process and procedure have been suggested in paragraphs 11.1 to 11.4. They relate to such matters as (a) reforms in estimation and recovery of arrear tax, (b) adoption of bye laws covering all sources of NTR, (c) modification of GPMS for full computerization of revenue records, (d) rethinking about the institution of Tax Collector and developing an alternative system of tax collection.

8.12.8 The study also confirmed the widely held belief that one of the reasons for low level of revenue generation by the gram panchayats is that gram panchayats do not have adequate administrative structure for managing revenue collection efficiently. There is also need for monitoring the performance of the panchayats in respect of revenue generation on regular basis and at different levels to keep pressure on the panchayats. The recommendations laid down in paragraphs 11.5 and 11.6 cover these matters.

8.12.9 Lastly, there are four recommendations (paragraphs 8.11.1 to 8.11.4) one of which deals with capacity building of GP's functionaries. The other three relate to the linkage with the external environment. Revenue generation requires not only the initiative of the law enforcing agencies, but also cooperation of citizens. Hence it has been suggested as follows. (a) Any attempt by a GP to initiate a programme of augmenting its revenue should be accompanied by campaigns to explain to the public as to why it is necessary for the panchayat to generate its own fund. (b) There should be a visible linkage between generation of own fund by panchayat and delivery of essential services. (c) Cooperation of all political parties should be sought before embarking upon a sustained programme of local revenue generation.

Appendix to Chapter 8

Summary of Recommendations and their Policy and Legal Implications

Recommendation	Policy and Legal Implications	Time Frame
<p style="text-align: center;">1</p> <p>The State Government should insist upon all gram panchayats to ensure that they augment their tax and non -tax revenue substantially by utilising their fiscal powers more efficiently and utilise the resources thus generated for delivering essential services to the local citizens. While communicating to the panchayats, it needs to be emphasised that resource generation from own sources and utilising such resources for local development should be a priority task of all gram panchayats .</p>	<p>There is nothing new in this recommendation, as it is embedded within the existing legal framework. However, there exists a gap between what is conveyed through the Act and the rules and what is actually practised. The purpose of making the recommendation is that it tries to bring home the point that the GPs, with the support and encouragement of the state government, should prioritise the task of OSR generation. Presently this task is given low priority by most of the GPs.</p>	<p>This recommendation can be implemented immediately</p>
<p style="text-align: center;">2</p> <p>The state government may introduce some elements of hard budget constraints and link it with the system of transfer of resources from the state to the local. One way to do this is to assign to the GP exclusive responsibilities for delivering some core civic services. GPs may be asked to find resources necessary for providing such services in their own fund or by converging own fund with untied resources received from the state or central government.</p>	<p>This is a new concept for West Bengal's panchayats. For introducing hard budget constraints, the GPs, which have remained dependent almost fully on the state government for providing services, have to generate enough revenue to be able to deliver certain services for which they would remain <i>exclusively</i> responsible and accountable. If implemented this would change the character of the panchayats of the state. A new policy framework is necessary for implementing this recommendation.</p>	<p>Time frame: medium to long term</p>

<p style="text-align: center;">3</p> <p>50 percent of untied fund can be given to the GPs on entitlement criteria and for the remaining 50 percent some conditionality could be applied. The essential elements in the structure of conditionality could be, for example, (i) X % growth in realisation of property tax revenue, (ii) Y% growth in NTR, (iii) Z% growth in expenditure on local development from own fund etc.</p>	<p>Attaching conditionality on SFC grants is not something new. What is new is the nature of the conditionality suggested in place of the existing ones. It requires to be noted that the present recommendation follows directly from recommendation 1, and secondly if recommendation 2 is accepted, then no conditionality as regards the manner how the untied fund should be spent should be imposed upon the GPs. Since the recommendation departs from the present practice, a new policy decision has to be taken by the state government.</p>	<p>If accepted, it can be implemented in the short period.</p>
<p style="text-align: center;">4</p> <p>Special attention may be given to the urbanising panchayats and panchayats of other prosperous areas which are in more advantageous position to enhance revenue substantially in a short time.</p>	<p>This is a simple recommendation and can be implemented within the existing policy and legal framework.</p>	<p>May be implemented immediately.</p>
<p style="text-align: center;">5</p> <p>A general revision of assessment of tax on land and buildings in all gram panchayats may be made and this work may be completed in 3 or 4 years beginning from the year 2015-16, irrespective of the fact whether such revision has been made in any Panchayat in the course of last 5 years or not.</p>	<p>This recommendation, along with those up to recommendation 15, are on property tax reform involving major changes in the rate structure of the tax, method of tax assessment, procedure of assessment and implementation, including making amendments to the Act and the Rules. No doubt, there are huge policy implications of this and other recommendations of this group.</p>	<p>If accepted, implementation may start from the current year (2015-16) and continue for the next 3 to 4 years and thereafter every 5 years.</p>
<p style="text-align: center;">6</p> <p>This revision must be made on the basis of house-to-house survey, as provided in Gram Panchayat Administration Rules 2004.</p>	<p style="text-align: center;">Do</p>	<p style="text-align: center;">Do</p>

<p style="text-align: center;">7</p> <p>The system of assessment of tax on the basis of self-assessment may be abolished. Form 5A may be revised and the revised form may be used for the purpose of eliciting information from the tax payer about the status of ownership/occupancy of the property description of the property such as, type of building (thatched roof, concrete roof, house with tiled roof or roof with GA sheet etc), use of the building (residential, commercial, industrial), plinth area of the building, details of land possessed etc. Columns regarding market value of land or building may be removed from Form 5A.</p>	Do	Do
<p style="text-align: center;">8</p> <p>There shall be a valuation team headed by Executive Assistant and two other members, namely Secretary and Nirman Sahayk. The valuation team will cause the door-to-door survey to be conducted through the trained surveyors.</p>	For implementing this recommendation, a change in policy is necessary, but it is easy to implement.	If accepted, it can be implemented immediately
<p style="text-align: center;">9</p> <p>The District Panchayat and Rural development Officers of P&RD department may maintain panels of surveyors for each district. They may be given special professional training by the Central Valuation Board on the valuation of property. At the time of general revision of assessment of tax a GP may commission some empanelled surveyors for carrying out the survey under the supervision and guidance of the valuation team.</p>	Needs change in policy and involves a major departure from past practice.	If accepted, implementation may start immediately

<p style="text-align: center;">10</p> <p>Land value of the concerned <i>mouza</i> may be obtained by the Valuation Team from the Registry office on the basis of which land value may be estimated. BLRO may be contacted by the GP's Valuation team when there is a dispute over ownership of property</p>	<p>It is a part of the existing rule. What is necessary is proper implementation of the rule.</p>	<p>Can be enforced immediately.</p>
<p style="text-align: center;">11</p> <p>For valuation of building, the unit cost of different types of building within the local area may be determined by the valuation team of the GP in consultation with technical persons in the Block. The plinth area (information on which would be obtained from survey) multiplied by the unit cost of construction of the building would then be the value of the building.</p>	<p>The procedure of valuation of building as suggested in this recommendation deviates sharply from the present practice. A new method of valuation of building has been suggested here. Hence it has major policy implications. Besides, if the suggested method is accepted, then corresponding change in the Rules would be necessary</p>	<p>Our suggestion is to take a decision in the short run, but the state government may take its own time to take decision on the method to be adopted for determining annual value of building. Presently, valuation is being done arbitrarily.</p>
<p style="text-align: center;">12</p> <p>The GP should be free to fix the rate of property tax at any level between 1% and 2% of the annual value.</p>	<p>This is another recommendation suggesting change of fundamental nature. Since it involves change in the rate structure of the tax amendments to the provisions of Section 46(1) of the Panchayat Act would be necessary.</p>	<p>The recommendation will have relevance only if the fundamental premise of reforming the system of assessment of property tax is accepted as a policy. If accepted, implementation should not take much time.</p>
<p style="text-align: center;">13</p> <p>A surcharge may be imposed on the basic tax of such properties as are being used for commercial or industrial purpose. The rate at which such surcharge could be imposed may be indicated in the Act.</p>	<p style="text-align: center;">Do</p>	<p style="text-align: center;">Do</p>

<p style="text-align: center;">14</p> <p>After <i>Artha O Parikalpana Upa Samiti</i> approves assessment list, the procedure as laid down in the Gram Panchayat Administration Rules may be followed for preparation of final Assessment list, subject to modifications as follows</p> <p>a. Firstly, the requirement of making reference to the PDO may be dispensed with.</p> <p>b. Secondly for hearing objections from Taxpayers on the Assessment list an Objection Hearing Committee may be formed with <i>Upa Pradhan</i> as Chairperson and two other members of <i>Artha O Parikalpana Upa Samiti</i>.</p> <p>c. Thirdly, the gram panchayat, may on the recommendations of <i>Artha O Parikalpana Committee</i> give remission of tax on grounds of poverty or on grounds of justice and equity but such remission shall not exceed 25 % of tax assessed.</p>	<p>The recommendation on remission of tax will have relevance only if the changes suggested for assessment of property tax based on realistic valuation of property are accepted as a policy. This recommendation may be judged from that perspective, and if accepted then necessary changes have to be made both in the Panchayat Act and the Panchayat Administration Rules. The other two recommendations, if accepted, may be implemented even if the existing procedure of preparation of assessment list remains unchanged. However in that case amendments have to be made to the Panchayat Administration Rules.</p>	
<p style="text-align: center;">15</p> <p>The owners/occupiers of properties the annual values of which do not exceed Rupees 750 may be exempted from paying tax</p> <p>A minimum level of tax on land and buildings should be fixed. Such level may be somewhere in the range of Rupees 25 and Rupees 40.</p>	<p>These recommendations are indirectly related to the changes suggested for assessment of tax based on realistic valuation of property. However, the state government may implement them without necessarily adopting the suggested method of assessment. The state government may however, collect further data from ground before fixing the exemption limit of annual value and fixing minimum level of tax</p>	<p>Maybe implemented in short period.</p>
<p style="text-align: center;">16</p> <p>GPs should give particular attention to realise fees on registration of pump sets installed for selling water, fees on village produce, fees on hoarding, registration of vehicles, tolls and water rate wherever O & M responsibilities of piped water supply installations are shouldered by the Panchayat.</p>	<p>The recommendation is within the existing legal and policy framework. Initiatives have to be taken by the gram panchayats to implement it.</p>	<p>Action may be taken immediately</p>

<p style="text-align: center;">17</p> <p>Presently under item no (xi) of Section 47(1) of Panchayat Act, the gram panchayats are empowered to collect fees on village produce sold in the market, provided such markets are organised by the gram panchayat. The Act may be amended for omitting this restriction and for empowering panchayats to collect fees on the village produce sold in any market within the area of the GP, except those run by the government or owned by separate Trusts or registered societies.</p>	<p>This recommendation involves actions for amending the Panchayat Act and hence it has a major policy implication.</p>	<p>If accepted, implementation may start in short period.</p>
<p style="text-align: center;">18</p> <p>The maximum rates prescribed by the state government on various fees, rates and tolls under section 47(1) of Panchayat Act have become dated. As a result, those rates fall short of the realisable revenue from various sources. In view of this, the following recommendations are made.</p> <p>a. The state government may take steps for revising and updating the maximum rates prescribed in the existing rules. While revising the rates for trade registration fees, attention may be given to such new types of commercial establishments as Nursing Homes, Clinical establishments, Petrol pumps, Coaching Centres etc.</p> <p>b. Provisions should be made in the appropriate Rules to review the maximum rates referred to in Section 47(1) of the Panchayat Act every 5 years and this task may be given to the State Finance Commission.</p>	<p>For (a) the new rates have to be worked out and then incorporated in the rules. For (b) a provision has to be made in the Rules</p>	<p>Can be implemented in the short period.</p>

<p style="text-align: center;">19</p> <p>a. The GP should prepare assessment list of NTR. The 5-yearly revision of Assessment lists of both property tax and NTR should be done together. The GP should also develop a system of updating the Assessment list of NTR every year, as it does in the case of property tax</p> <p>b. Relevant Rules should be suitably amended to fill the gaps that now exist in respect of procedures to be followed for preparing assessment list for fees, rates and tolls.</p>	<p>Recommendation (a) is within the framework of existing rule. The problem exists in implementation. Administrative actions at the GP level are necessary to implement the recommendation. For (b) amendment of rules is necessary</p>	<p>Implementation of (a) may start immediately. The recommendation at (b) may be taken up for consideration along with other issues awaiting to be dealt in the amendments to be made in the rules.</p>
<p style="text-align: center;">20</p> <p>Provision may be made to realise water rate from those who also benefit from supply of piped water through stand posts.</p>	<p>This involves change in policy. If accepted, amendment of rules is necessary</p>	<p>Short to medium period.</p>
<p style="text-align: center;">21</p> <p>a. The maximum rates of fees for permission to construct building as prescribed in the rules are dated. They need to be revised immediately after taking into consideration new types of construction that are coming up in panchayat areas.</p> <p>b. Special care should be taken by the gram panchayat to enforce every person engaged in construction of building to apply for permission from GP after paying necessary fee.</p> <p>c. The state government should make amendments in the rule to accommodate new types of construction in GP areas, such as, Mobile Tower, Petrol Pumps, Nursing Homes and clinical establishments, Coaching Centres, Housing Complex etc within the scope of Section 23 of the Panchayat Act.</p>	<p>For (a) and (c), the state government has to take action. Rules have to be amended. For (b) the GPs have to be suitably advised.</p>	<p>This is an urgent task, because revenue collection is suffering. May be done within a year.</p>

<p style="text-align: center;">22</p> <p>Sometimes the leased out property (e.g. pond) of GP is again let out for commercial purpose by the lessee, resulting in loss of potential revenue of GP from such property. Hence there is necessity to re-examine the terms and conditions of lease of GP's property and impose conditions for preventing loss of any potential revenue as also physical damage of the property.</p>	<p>P&RD department has to advise the GPs in determining the terms and conditions of their lease agreement with the lessees.</p>	<p>Can be implemented in short period.</p>
<p style="text-align: center;">23</p> <p>The State Government may consider if the provisions of Sub Section 5 of Section 46 of the West Bengal Panchayat Act could be made operational.</p>	<p>There are major policy implications of this recommendation. P&RD department has to hold consultation with Finance department before coming to a decision.</p>	<p>Decision on this recommendation cannot be taken in a short period.</p>
<p style="text-align: center;">24</p> <p>a. Special audit may be arranged by hiring retired Government officers, if necessary, (i) to arrive at a realistic estimate of arrears and (ii) to prepare reliable list of defaulters showing the amounts due from them year by year.</p> <p>b. In each GP, a plan of action may be prepared for realisation of arrears. Such plan may include giving incentive to the tax payer in the shape of waiving a portion of one's arrear tax in lieu of clearing out the rest of the dues in not more than three yearly instalments.</p> <p>c. In the Panchayat Act there is no waiver clause. Practical situation demands that there should be a waiver clause in the Act, but this should be used cautiously and principally for giving incentive to clear arrears. The power to waive a portion of the tax should remain with the prescribed authority. Necessary amendment to the Act may be made to incorporate this provision.</p>	<p>The recommendations have major policy implications, particularly the suggestions on waiver scheme and consequent action for amending the Act.</p>	<p>Depending upon the time required for taking decision, full implementation of the recommendations may require 2 or 3 years time.</p>

<p style="text-align: center;">25</p> <p>A massive drive should be given to motivate GPs to adopt by-law and to implement the same after adoption.</p>	<p>The recommendation relates to taking initiative in implementing the existing policy</p>	<p>Actions to implement it may start immediately. This is in fact a continuing activity. The recommendation simply seeks to give emphasis on this activity.</p>
<p style="text-align: center;">26</p> <p>a. Entire work of revenue administration including assessment, preparation of assessment list, demand notice, taxbills, taxreceipts, accounts keeping, defaulters' list etc should be computerised.</p> <p>b. GPMS has to be further developed to accommodate all these requirements.</p>	<p>The software of GPMS may be further developed to accommodate additional tasks of record keeping and accounting. At the same time the GPs should be asked to computerise revenue records.</p>	<p>The department may take initiative immediately to work on the suggestion.</p>
<p style="text-align: center;">27</p> <p>a. The tax payers should be encouraged to pay tax at the GP office.</p> <p>b. Wherever facilities exist, collection centres may be opened by GP in sansad areas.</p> <p>c. Wherever possible, collection may be made through banks.</p> <p>d. Incentives may be given to the Tax Collectors in the (a) form of increased rate of commission and (b) by ensuring that they get commission for not only the amount collected by them personally, but also for the amount collected at the GP office or in collection centres or through banks.</p>	<p>Existing rules have to be changed to give effect to the recommendations. For suggestions at (a) to (c), the matters may be left to the individual GPs to develop methods of collection systems other than house-to-house collection. For (d) the department has to take decision on the revised rate of commission.</p>	<p>Work on this may start immediately.</p>
<p style="text-align: center;">28</p> <p>a. In every Panchayat a Revenue (Assessment & Collection) cell may be set up. This cell may be headed by the Executive Assistant. On behalf of the Gram Panchayat, Upa Pradhan shall supervise the work of revenue cell on regular basis. This cell will oversee various revenue functions including</p>	<p>For giving effect to these recommendations, the relevant rules have to be amended.</p>	<p>May be done in a short period.</p>

<p>assessment of new buildings and collection. During 5-yearly revision of Assessment, this cell is work with the valuation team as suggested earlier.</p> <p>b. Assessment and collection position (both taxrevenue and non -taxrevenue) should be regularly monitored and reviewed first bythe Revenue cell and then bythe <i>Artha O Parikalpana Upa Samiti</i>.</p>		
<p style="text-align: center;">29</p> <p>A system of monitoring revenue performance of GPs maybe developed at different levels – at Block level through PDO, district level through DPRDO and at the level of Commissioner of Panchayats.</p>	<p>The department has to make administrative arrangements for developing the monitoring system .</p>	<p>It maynot be difficult to put in place the suggested monitoring system within a year.</p>
<p style="text-align: center;">30</p> <p>Any attempt by a GP to initiate a programme of augmenting its revenue should be accompanied bycampaigns to explain to people as to why it is necessaryfor the panchayat to generate its own fund byexploiting its taxand non taxrevenue sources.</p>	<p>The GPs have to be suitably advised to organise such campaigns, but the department may help them conduct such campaigns by providing IEC materials and also bylaunching state-wide campaigns at their level.</p>	<p>Work maystart immediately</p>
<p style="text-align: center;">31</p> <p>a. Special Training Programme should be arranged for the elected representatives and staff. The training programmes maybe supplemented by easy-to-understand communication materials explaining the procedures of assessment, collection and documentation of revenue data.</p> <p>b. Documentation of good practices in different GPs of the state and sharing of such documentation among the GP members for horizontal learning.</p>	<p>The members of <i>Artha O Parikalpana Upa Samiti</i> need such training and among the staff, Secretary and Executive Assistant. <i>Nirman Sahayak</i> also needs to be given training on assessment of taxin general and determination of annual value in particular.</p> <p>The training establishments of the department should be given the task of preparing good case studies.</p>	<p>Training programmes may start within a year.</p>

<p style="text-align: center;">32</p> <p>The GPs should therefore be encouraged to deliver essential services to the villagers by utilising as much as possible its own fund and by converging untied funds with own fund.</p>	<p>It would be the task of the mentors of GPs, including PDOs to drive this point home.</p>	<p>This is a continuing activity. The recommendation only gives emphasis on this activity.</p>
<p style="text-align: center;">33</p> <p>Without participation of both ruling and opposition political parties, it is difficult for panchayats to take initiative in matters concerning mobilization of resources from own sources. Hence the GPs may be encouraged to involve members of all political parties in any programme of augmentation of OSR.</p>	<p>This is a political decision. Such decision can be taken only at the appropriate level.</p>	<p>No time frame can be fixed on this activity.</p>

-: Annex :-

Annex 1: 18 Selected Gram Panchayats from Nine ISGPP Districts

District	Block	Gram Panchayats
Bankura	Bankura I	Jagdalla I
	Chhatna	Dhaban
Birbhum	Nalhati II	Bhadrapur I
	Mayuresar II	Mayuresar
Bardhaman	Bhatar	Sahebganj II
	Ketugram I	Pandugram
Cooch Behar	Tufangaj II	Salbari II
	Cooch Behar I	Falimari
Dakshin Dinajpur	Kumarganj	Ramkrishnapur
	Tapan	Dipkhanda
Howrah	Panchla	Deulpur
	Jagatballavpur	Islampur
Nadia	Chakda	Rautari
	Santipur	Arbandi II
Paschim Medinipur	Ghatal	Irphala
	Chandrokona I	Manikkundu
Purba Medinipur	Nandigram I	Bhekutia
	Shahid Matangini	Raghunathpur I

Annex 2: Top 3 GPs in Tenth PCOSR Selected for the Study

District	Blok	Garbhagat
Nadia	Karimpur I	Karimpur I
Burdwan	Raina II	Uchalan
Hovrah	Bally Jagachha	Chamrail

Annex 3: Top 3 GPs in Tenth PCOSR Selected for the Study

District	Blok	Garbhagat
Birbhum	Labpur	Kurunnahar
Burdwan	Purbasthali II	Mertala
Paschim Medinipur	Binpur I	Sijua

Annex 4: Urban Gram Panchayats

Sl. No.	District	Sub-Division	Block	GP	Level of Urbanisation 2011
1	Bankura	Bankura Sadar	Barjora	Barjora	44.69537
2	Bankura	Bankura Sadar	Barjora	Ghutgoria	22.33483
3	Bankura	Khatra	Khatra	Khatra Gram-I	70.5302
4	Bankura	Khatra	Raipur	Raipur	27.14385
5	Bankura	Khatra	Simlapal	Simlapal	30.15946
6	Birbhum	Bolpur	Illambazar	Illambazar	22.55603
7	Birbhum	Bolpur	Nanoor	Kirnahar-I	31.56917
8	Birbhum	Rampurhat	Rampurhat-II	Bishnupur	31.89283
9	Birbhum	Rampurhat	Mayureswar-I	Mollarpur-I	60.90963
10	Birbhum	Rampurhat	Murarai-II	Paikar-I	37.45507
11	Birbhum	Rampurhat	Murarai-I	Rajgram	50.02488
12	Birbhum	Suri Sadar	Sainthia	Ahmedpur	34.90313
13	Birbhum	Suri Sadar	Suri-I	Karidhya	59.29097
14	Birbhum	Suri Sadar	Rajnagar	Rajnagar	72.833
15	Cooch Behar	CoochBehar(Sadar)	Cooch Behar-II	Baneswar	18.18626
16	Cooch Behar	CoochBehar(Sadar)	Cooch Behar-II	Chakchaka	46.10405
17	Cooch Behar	CoochBehar(Sadar)	Cooch Behar-I	Guriahati-II	72.41474
18	Cooch Behar	CoochBehar(Sadar)	Cooch Behar-II	Khagrabari	65.12506
19	Cooch Behar	CoochBehar(Sadar)	Cooch Behar-II	Takagachh-Rajarhat	44.34208
20	Cooch Behar	Dinhata	Dinhata-I	Dinhata Vill-I	37.76954
21	Cooch Behar	Mekhliganj	Mekhliganj	Changrabandha	16.64995
22	Cooch Behar	Tufangunj	Tufanganj-II	Bhanukumari-I	24.97493
23	Cooch Behar	Tufangunj	Tufanganj-I	Nakkatigachh	17.24483
24	Dakshin Dinajpur	Balurghat	Balurghat	Bolla	11.77781
25	Dakshin Dinajpur	Balurghat	Balurghat	Chakvrigu	61.59966
26	Dakshin Dinajpur	Gangarampur	Gangarampur	Gangarampur	39.55573
27	Howrah	Howrah Sadar	Domjur	Bankra-I	100
28	Howrah	Howrah Sadar	Domjur	Bankra-II	100
29	Howrah	Howrah Sadar	Domjur	Bankra-III	100
30	Howrah	Howrah Sadar	Sankrail	Banupur-I	100
31	Howrah	Howrah Sadar	Sankrail	Banupur-II	100
32	Howrah	Howrah Sadar	Jagatballavpur	Bargachhia-II	86.97554
33	Howrah	Howrah Sadar	Domjur	Begari	70.88507
34	Howrah	Howrah Sadar	Panchla	Beldubi	85.83441
35	Howrah	Howrah Sadar	Bally Jagachha	Chamrail	100
36	Howrah	Howrah Sadar	Domjur	Dakshin Jhapordah	100
37	Howrah	Howrah Sadar	Sankrail	Dakshin Sankrail	95.60418

38	Howrah	Howrah Sadar	Panchla	Deulpur	71.69025
39	Howrah	Howrah Sadar	Domjur	Domjur	100
40	Howrah	Howrah Sadar	Sankrail	Duilya	100
42	Howrah	Howrah Sadar	Bally Jagachha	Durgapur Abhoynagar-I	100
43	Howrah	Howrah Sadar	Panchla	Gangadharpur	100
44	Howrah	Howrah Sadar	Jagatballavpur	Hantal Anantabati	69.44571
45	Howrah	Howrah Sadar	Sankrail	Jhorehat	100
46	Howrah	Howrah Sadar	Panchla	Jujersha	100
47	Howrah	Howrah Sadar	Domjur	Kolorah-II	95.99238
48	Howrah	Howrah Sadar	Jagatballavpur	Maju	20.75131
39	Howrah	Howrah Sadar	Domjur	Makardah-I	89.77245
50	Howrah	Howrah Sadar	Sankrail	Mashila	80.55801
51	Howrah	Howrah Sadar	Domjur	Mohiyari-I	81.98103
52	Howrah	Howrah Sadar	Domjur	Narna	35.17433
53	Howrah	Howrah Sadar	Bally Jagachha	Nischinda	100
54	Howrah	Howrah Sadar	Sankrail	Panchpara	93.29882
55	Howrah	Howrah Sadar	Domjur	Salap-II	100
56	Howrah	Howrah Sadar	Domjur	Uttar Jhapordah	44.38158
57	Howrah	Uluberia	Bagnan-I	Bagnan-I	60.9602
58	Howrah	Uluberia	Bagnan-I	Bagnan-II	85.07969
59	Howrah	Uluberia	Bagnan-I	Bainan	83.78434
60	Howrah	Uluberia	Bagnan-I	Bakshihat	25.33826
61	Howrah	Uluberia	Bagnan-I	Bangalpur	21.66042
62	Howrah	Uluberia	Uluberia-II	Baniban	71.64555
63	Howrah	Uluberia	Amta-I	Bhandergacha	35.32652
64	Howrah	Uluberia	Uluberia-I	Chandipur	20.15595
65	Howrah	Uluberia	Amta-I	Chandrapur	53.72836
66	Howrah	Uluberia	Amta-II	Gazipur	41.98882
67	Howrah	Uluberia	Uluberia-I	Kalinagar	32.83264
68	Howrah	Uluberia	Bagnan-I	Kalyanpur	34.97607
69	Howrah	Uluberia	Amta-I	Kanpur	29.45688
70	Howrah	Uluberia	Uluberia-II	Khalisani	67.56968
71	Howrah	Uluberia	Amta-II	Khalna	32.43138
72	Howrah	Uluberia	Bagnan-I	Khalore	39.85441
73	Howrah	Uluberia	Uluberia-I	Mahespur	16.27212
74	Howrah	Uluberia	Shyampur-I	Radhapur	50.17806
75	Howrah	Uluberia	Uluberia-II	Raghudevpur	88.52911
76	Howrah	Uluberia	Amta-I	Serajbati	23.67116
77	Howrah	Uluberia	Uluberia-II	Tehatta Kantaberia-I	76.09868
78	Howrah	Uluberia	Amta-I	Udong-I	52.67801
79	Howrah	Uluberia	Amta-I	Udong-II	42.35257

80	Burdwan	Asansol	Salanpur	Achra	43.89352
81	Burdwan	Asansol	Raniganj	Amrasota	82.95273
82	Burdwan	Asansol	Raniganj	Egara	89.09765
83	Burdwan	Asansol	Salanpur	Jitpur-Uttarrampur	23.91354
84	Burdwan	Asansol	Jamuraia	Kenda	100
85	Burdwan	Asansol	Raniganj	Ratibati	69.48377
86	Burdwan	Asansol	Salanpur	Rupnarayanpur	44.95084
87	Burdwan	Asansol	Raniganj	Tirat	67.18573
88	Burdwan	Durgapur	Kanksa	Amlajora	20.43123
89	Burdwan	Durgapur	Pandabeswar	Baidyanathpur	79.52888
90	Burdwan	Durgapur	Galsi-I	Budbud	67.4114
91	Burdwan	Durgapur	Durgapur - Faridpur	Gogla	41.71391
92	Burdwan	Durgapur	Kanksa	Gopalpur	67.90826
93	Burdwan	Durgapur	Andal	Kajora	92.48584
94	Burdwan	Durgapur	Kanksa	Kanksa	100
95	Burdwan	Durgapur	Andal	Khandra	88.74072
96	Burdwan	Durgapur	Kanksa	Malandighi	31.67803
97	Burdwan	Durgapur	Pandabeswar	Nabagram	79.46403
98	Burdwan	Durgapur	Andal	Ramprasadpur	100
99	Burdwan	Durgapur	Kanksa	Trilokchandrapur	18.68508
100	Burdwan	Durgapur	Andal	Ukhra	100
101	Burdwan	Kalna	Kalna-I	Dhatrigram	31.50586
102	Burdwan	Kalna	Kalna-II	Satgachhi	33.57824
103	Burdwan	Kalna	Purbasthali-I	Sreerampur	67.28192
104	Burdwan	Katwa	Katwa-I	Khajurdihi	24.03907
105	Burdwan	Sadar Dakshin	Memari-I	Durgapur	14.8168
106	Burdwan	Sadar Dakshin	Raina-I	Sehara	31.5557
107	Burdwan	Sadar Uttar	Burdwan-II	Baikunthapur-I	29.06269
108	Burdwan	Sadar Uttar	Burdwan-I	Belkash	20.17175
109	Burdwan	Sadar Uttar	Burdwan-I	Rayan-I	31.73201
110	Burdwan	Sadar Uttar	Burdwan-I	Saraitikar	49.07472
111	Nadia	Kalyani	Chakdaha	Chanduria-I	44.90965
112	Nadia	Kalyani	Haringhata	Haringhata - II	24.05185
113	Nadia	Kalyani	Chakdaha	Hingnara	32.30529
114	Nadia	Kalyani	Chakdaha	Madanpur-I	77.01286
115	Nadia	Kalyani	Chakdaha	Saguna	69.29983
116	Nadia	Kalyani	Chakdaha	Shimurali	29.00415
117	Nadia	Kalyani	Chakdaha	Tatla-II	59.82046
118	Nadia	Krishnagar Sadar	Nabadwip	Bablari	72.51225
119	Nadia	Krishnagar Sadar	Krishnagar-I	Bhatjungla	47.15565
120	Nadia	Krishnagar Sadar	Kaliganj	Matiary	60.98737

121	Nadia	Krishnagar Sadar	Krishnagar-I	Poragachha	19.02814
122	Nadia	Krishnagar Sadar	Nabadwip	Swarupganj	91.03799
123	Nadia	Ranaghat	Hanskhali	Badkulla-II	51.07521
124	Nadia	Ranaghat	Hanskhali	Bagula-I	53.98017
125	Nadia	Ranaghat	Ranaghat-II	Baidyapur-II	26.30799
126	Nadia	Ranaghat	Ranaghat-I	Barasat	29.90755
127	Nadia	Ranaghat	Santipur	Belgoria-II	93.00668
128	Nadia	Ranaghat	Ranaghat-II	Debagram	30.33503
129	Nadia	Ranaghat	Ranaghat-II	Nokari	15.18051
130	Nadia	Ranaghat	Ranaghat-I	Payradanga	58.16176
131	Nadia	Ranaghat	Ranaghat-II	Raghunathpur Hijuli-II	24.26646
132	Nadia	Ranaghat	Ranaghat-I	Ramnagar-I	100
133	Nadia	Ranaghat	Ranaghat-I	Ramnagar-II	74.50896
134	Nadia	Ranaghat	Ranaghat-II	Shyamnagar	100
135	Nadia	Tehatta	Karimpur-I	Karimpur-I	32.41903
136	Nadia	Tehatta	Karimpur-I	Karimpur-II	50.88484
137	Paschim Medinipur	Kharagpur (Sadar)	Debra	Duan-II	87.24603
138	Paschim Medinipur	Medinipur Sadar (North)	Garhbeta-I	Amlagora	16.82959
139	Paschim Medinipur	Medinipur Sadar (North)	Garhbeta-I	Garhbeta	27.71509
140	Paschim Medinipur	Medinipur Sadar (North)	Garhbeta-III	Sankarkata	23.54572
141	Paschim Medinipur	Medinipur Sadar (North)	Garhbeta-III	Satbankura	34.9956
142	Paschim Medinipur	Kharagpur (Sadar)	Kharagpur I	Kalaikunda	24.04653
143	Purba Medinipur	Contai	Deshpran	Basantia	21.95436
144	Purba Medinipur	Haldia	Sutahata	Chaitanyapur	16.81892
145	Purba Medinipur	Haldia	Mahishadal	Garkamalpur	31.53511
146	Purba Medinipur	Haldia	Nandigram-I	Nandigram	30.72809
147	Purba Medinipur	Tamluk	Tamluk	Anantapur - I	33.63736
148	Purba Medinipur	Tamluk	Kolaghat	Kola-II	68.34794
149	Purba Medinipur	Tamluk	Shahid Matangini	Santipur I	69.60358
150	Purba Medinipur	Tamluk	Moyna	Moyna I	31.84956

Methodology to measure the level of urbanization

1. GPs with Census Towns have been identified
2. Population of all mouzas of those particular GPs have been taken from Census 2011 PCA
3. Total population of the GPs have been calculated
4. Percentage of CTs to total population of the GPs have been calculated

Annex

Findings of FGD in the Villages

1. Bihari District

Bhadrapur GP, Nahatal II Block

- Do not know the purpose of tax so unwilling to pay.
- Willing to pay more tax if GP clearly displays the list of works it does with tax amount.
- Tax Collector should visit house more frequently.
- Villagers have no idea when the assessment list is displayed in the GP office.

Manpur GP, Manpur II Block

- Villagers got Form 5A few years ago. Neither they had submitted the form to the GP nor did the GP members collect it from the villagers.
- Assessment list is never displayed in the public place.
- Defaulter list is never placed in the Gram Sansad meetings.
- Not many people know why the tax should be paid.

Kahar GP, Labanpur Block

- Villagers do not know how tax is assessed for individual assessee. They come to know about it only from the Tax Collector.
- They do not receive the self-assessment form from the GP. However, they have the knowledge of the market value of their property.
- GP never displays the assessment list in the public. The villagers have never seen this.
- Most of people in this village pay tax of Rs. 21/- but for paying just this amount, the villagers do not want to travel to the GP.
- In this area, no one can cultivate in Boro season due to lack of irrigation water. If Panchayat installs a deep tube well for the cultivation, then it can earn lot of revenue.

2. Pash in Mediip

Mairu GP, Chada I Bbk

- Willing to pay more if get better services .
- GP should display what they would do with tax amount .

Sira GP, Bip Bbk

- Villagers do not know anything about Form 5A. They come to know about the tax amount from Tax Collector.
- Villagers are unable to assess their own property because they themselves built their houses and construction took place in parts over a long period.
- Villagers have no idea about the benefit they can get from GP if they pay tax
- No discussion is held in Gram Sansads on defaulters or any other issue related to tax

Ihpa GP, Ghat Bbk

- Villagers have no idea on how tax is assessed. They have no idea of Form 5A.
- Tax Collector visits villages and inform the villagers about the amount of tax due.
- Most of the villagers have no idea of how GP uses the tax amount that people are paying to GP.
- Villagers are willing to pay more tax but need to be informed by the GP about the utilization of OSR.
- Sanitation is the main problem in this GP and, hence, GP should provide this service from its own fund.

3. Puba Mediip

Bheta GP, Nadigar Bbk

- People satisfied with GP work .
- Maximum participants pay tax in the GP office as they need to come there for various purposes.
- The issue is discussed in Gram Sansad.

Raghab GP, Sahid Matgin Bbk

- GP has no TaxCollector
- People go to GP to deposit tax
- People are poor and cannot afford to avoid tax payment regularly. It would be difficult to pay accumulated sum.
- Willing to pay more tax if GP does more development works in the area.

4. Dahir Diarp

Dipada GP, Tap Bbk

- People pay tax otherwise they would not get any service from GP; GP demands tax receipt when one goes to GP for any service .
- They will not pay tax if there is no pressure from GP .
- Some said they are ready to pay more tax if GP does more development works .
- GP should display the works done with OSR .

Raka GP, Kmaga Bbk

- Villagers do not know what GP does with the tax amount.
- Pay tax because they are poor and need GP most: to avail any service from GP . production of tax receipt is necessary .
- If they get more benefit (road, drinking water etc.) from GP, they are ready to pay more tax

5. Cdh Behar

Falmar GP, Cdh Behar Bbk

- TaxCollector does not visit houses. Assesseees need to go to GP to pay tax
- They pay tax as current tax receipt is necessary to get any service from the GP
- Willing to pay more tax if they get better road, street light, drinking water etc.

Sabai II GP, Ttaga Bk

- Pay tax to avail services from GP

6. Bardhaman

Mertala GP, Purbasthali II Block

- Villagers know that they pay tax to GP for their house and homestead land.
- They pay tax as otherwise GP won't issue any certificate they might need.
- Tax is used to develop roads, to bore tube well and for other village development works.
- Participants are poor and not ready to pay enhanced tax.

Pandugram GP, Ketugram I Block

- People pay tax because
 - (i) Tax receipt is necessary to get any certificate from GP.
 - (ii) Tax is used for village development.
 - (iii) GP provides protection to the villagers.

Uchalan GP, Raina I Block

- Participants initially could not identify Form 5A when it was shown to them but later some of them informed that earlier the Tax Collector distributed this form to them but they did not return it.
- Villagers have never seen assessment list, whatever the amount the TC asks them to pay, is paid by them.
- The benefit they get from GP against paying tax is
 - (i) protection
 - (ii) different types of certificates
 - (iii) tax clearance is needed for selling property
 - (iv) it is a document to prove that the payer is resident of the GP
- Most of the villagers pay tax when the TC comes to them, only a few of them pay it at GP office.

Sahebganj II GP, Bhatar Block

- Villagers do not know about the display of assessment list, they have seen the list with the Tax Collector
- They pay taxes GP provides them road, drinking water etc.
- Some villagers are willing to pay more tax if they get better service.
- Others are not willing but will be compelled to pay more tax if asked by GP

7. Howrah

Islampur GP, Jagatballavpur Block

- Villagers are not aware of the process of tax assessment. Most of them are ignorant of form 5A.
- Only a few owners of newly constructed houses are needed to register their names in the assessment list for availing various services from GP know about the form.
- Villagers only pay taxes if they need to have some certificates from GP office.
- The participants didn't get any prior notice about the tax increase. They heard it when they went to the GP from some other works.
- Almost all the participants attended last Gram Sansad meetings but nothing was discussed on house tax

Chamrail GP, Bally Jagachha Block

- Most of the taxpayers present in the discussion pay tax only when they need any help from GP, otherwise not.
- They have no idea about 5A form. The only way to know the tax amount is to see the assessment list displayed at the Gram Panchayat office.
- No discussion was held on tax in the last Gram Sansad.
- This area will be under municipality within a year, the tax amount will also increase which will be a major burden for the residents of Chamrail G.P as most of them belong to low middle class.

DeGP, Parbh Bbk

- Residents are not aware of Form 5A
- They are very much aware of the development works done by the GP.
- Most of them do not visit the Gram Sansad meeting. Hence they are not aware of the discussion held over there.

8. Nadia

Karimpur I GP, Karimpur I Block

- The participants called the house taxes 'houkidari tax'
- In 2003 or 2004 there was a survey done about their house and adjacent land.
- They get to know about their tax amount from the Tax Collector.
- Participants pay tax because the up-to-date tax receipt is necessary for availing any service from the GP office.
- Villagers are aware of development works done by GP as the GP display the works on board mentioning source of fund.

Rautari GP, Chakdah Bk

- Most of the villagers pay Rs. 30 -40 as tax while only few of them pay above 50. All of the participants claimed that they cleared their taxes last year.
- They pay their tax so that if they need anything from the GP, they can show the tax receipt.
- People who do not need the GP for any services do not pay tax. According to them those people can have all the facilities by any other means and so avoid paying tax.
- They seemed to be very happy and satisfied with the services provided by GP. They also agreed to pay more tax if GP wants to increase the amount as they are hopeful and positive about their GP.

Arbandi II GP, Shantipur Block

- Maximum villagers present there were daylabour/ agricultural labour. They had already cleared their taxes they had to show their tax receipt for getting 100 days' work.
- None of them are aware of form 5A and they know about their tax amount from the member of that particular Sansad.
- They want a prior notice of the visit of TaxCollector on the particular area through respective member so that they can arrange the amount before her arrival.

9. Bankura

Jagdalla I GP, Bankura I Block

- The participants pay their property tax on time. The tax amount ranges from Rs. 20/- to Rs. 120/- depending upon the property of the villagers.
- They filled up the 5A form few years ago (can't able to recollect the year). Recently, SHG members collected the property details and filled up a form.
- In Gram Sansad meetings, discussion on taxation issues does not generally take place.
- People are willing to pay more tax if they get better services from the GP.

Dhaban GP, Chhatna Block

- When the villagers go to the GP office, the TaxCollector informs them the amount of tax they have to pay individually.
- After harvest, TaxCollector comes to the villagers to collect tax but he does not send prior information about his visit. He should send information at least a day before his house visits for tax collection.
- GP never displays the assessment list in the public.
- The participants could not recall if the GP members had discussed about the tax in the Gram Sansad meeting.

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