

Analysis of Tax Revenue of GPs and its Co-factors at the Household Level: A study on selected Villages of Selected GPs of Bagnan-I Block of Howrah District of West Bengal in India -

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Abstract

Various issues relating to participation of people in own resource mobilization of Gram Panchayats were discussed at the disaggregate level involving 300 sample households randomly selected from 6 sample villages of 3 Gram Panchayats of Bagnan1 block of Howrah district. The amounts of tax paid were low and largely varied across the sample households. The low amount paid in the form of tax on land and buildings is, according to the sample households, mainly due to the lack of proper assessment on the value of land and buildings, irregularity in collection of tax by the Panchayats and lack of political will of the Panchayat members. There are some institutional constraints on mobilization of tax revenue by the Gram Panchayat (GP). The estimated tax per household as per Panchayat Rules was several times higher than actual amount realized at the Gram Panchayat level. The relatively low performance of GPs in tax revenue mobilization is attributed to their unwillingness in optimally applying the tax instrument for fear of unpopularity at the Panchayat level. Besides, in the absence of any post of tax assessor Gram Panchayat find it difficult to assess the present value of land and buildings on which the tax amount has to be scientifically assessed. Gram Panchayat alone has been empowered to assess and realize any tax, viz. tax on land and buildings. In this section we analyse the sample households' payment to Gram Panchayats during financial year 2014-15. Households' payment to Gram Panchayat may be in the form of tax on land and buildings and fees for different services of Panchayats. To examine the issues relating to participation of people in own resource mobilization of Gram Panchayats (GPs) there is a need for disaggregate level analysis of own resource mobilization of Panchayats at the household level against their socio-economic characteristics. This is done in this paper based on the primary data that have been collected from 300 sample households. These households are randomly selected from 6 sample villages of 3 Gram Panchayats of Bagnan1 block of the district.

Introduction:

Own source revenue of any gram panchayat comes from tax and non-tax revenue. To examine the issues relating to participation of people in own resource mobilization of Gram Panchayats (GPs) there is a need for disaggregate level analysis of own resource mobilization of Panchayats at the household level against their socio-economic characteristics. This is done in this paper based on the primary data that have been collected from 300 sample households. These households are randomly selected from 6 sample villages of 3 Gram Panchayats of Bagnan1 block of the district.

Gram Panchayat alone has been empowered to assess and realize any tax, viz. tax on land and buildings. In this section we analyse the sample households' payment to Gram Panchayats during financial year 2014-15. Households' payment to Gram Panchayat may be in the form of tax on land and buildings and fees for different services of Panchayats.

Our major objective is to analyze Tax Revenue of GPs and its Co-factors at the Household Level of the selected villages of the 3 Gram Panchayats of Bagnan1 block of the Howrah district.

The entire paper is designed as follows. Sub-section 1.1 analyses households' contribution as tax and non-tax revenue to gram panchayats. Sub-section 1.2 deals with opinion and suggestions of sample households of the selected gram panchayats. Sub-section 1.3 analyses of tax revenue of gps and its co-factors at the household level. Sub-section 1.4 summarizes the paper.

1.1 Households' Contribution as Tax and Non-Tax Revenue to Gram Panchayats

It is observed that 41.7 per cent sample households pay tax on land and buildings to the amount less than Rs 10 while 44.3 per cent sample households pay the amount varying between Rs 10 and Rs 30. Only 8.7 per cent families pay tax varying between Rs 31 and Rs 50 while only 5.3 per cent of the sample families pay within the range Rs 51 to Rs 100 as tax on land and buildings. It is revealed that the amount of tax to the tune of Rs 71 to Rs 100 is paid by the maximum number of households in Bagnan I GP while the minimum number of households of GP Bainan pay even this amount. As per contribution of tax to Gram Panchayat Bagnan I GP leads sample GPs (Table 1.1).

Table 1.1 Frequency Distribution of Sample Households by Payment of Tax to GP

GPs	Bagnan I			Bagnan II			Bainan			Grand total	Per cent
	Hijlak	Tenpurnabasan	Total	Chandra pur	Khadinan	Total	Karia	Khajutti	Total		
Amount of Tax (Rs)	(V _i)	(V _{ii})		(V _{iii})	(V _{iv})		(V _v)	(V _{vi})			
0-09	20	20	40	20	25	45	20	20	40	125	41.7
10--30	20	25	45	18	20	38	25	25	50	133	44.3
31-50	5	3	8	9	4	13	3	2	5	26	8.7
51-70	4	1	5	2	1	3	2	2	4	12	4
71-100	1	1	2	1	1	1	0	1	1	4	1.3
101 & above	0	0	0	0	0	0	0	0	0	0	0
Total	50	50	100	50	50	100	50	50	100	300	100

Source: Household Survey during financial year 2014-15.

The low amount paid in the form of tax on land and buildings is, according to the sample households, mainly due to the lack of proper assessment on the value of land and buildings, irregularity in collection of tax by the Panchayats and lack of political will of the Panchayat members. There are some institutional constraints on mobilization of tax revenue by the Gram Panchayat.

1.2 Opinion and Suggestions of Sample Households

We consider here the opinion and suggestions of sample 300 households about the functioning of Gram Panchayats so as to Increase own source revenue of Gram Panchayats. It is observed that 38.66 per cent respondents opine 'good' about the quality of work done by Gram Panchayats whereas 40.33 per cent respondents argue 'not bad'. 19 per cent respondents are not satisfied at all in respect of the performance of Gram Panchayats in overall development of their areas. Only 1.66 per cent respondents are fully satisfied about the functioning of Gram Panchayats. Thus, near about 80 per cent respondents are satisfied either partially or fully about the functioning of Gram Panchayats. So the households of GPs Bagnan I and Bagnan II express the knowledge regarding Panchayat's own resource mobilization by their valuable opinions whereas the sample households of Bainan are not so much pleased about Panchayat's performance (Table 1.2).

Table 1.2 Frequency distribution of sample household respondents by their opinion about the quality of work done by Gram Panchayats

GPs Villages	Bagnan I			Bagnan II			Bainan			Grand total	Per cent
	Hijlak	Tenpurnabasan	Total	Chandrapur	Khadinan	Total	Karia	Khajutti	Total		
Excellent	1	0	1	0	0	0	0	0	0	1	0.3
Very Good	2	1	3	1	0	1	0	1	1	5	1.7
Good	35	30	65	25	15	40	6	5	11	116	38.7
Not Bad	10	14	24	19	25	44	29	24	53	121	40.3
Bad	2	5	7	5	10	15	15	20	35	57	19
Total	50	50	100	50	50	100	50	50	100	300	100

Source: As Table 1.1

Households' Opinion in respect of awareness of Panchayat Expenditures and Willingness to pay more tax to Panchayat

In this section we make a study about the household's opinion in respect of their awareness about the pattern of Gram Panchayat's expenditure. It is expected that households have an idea about Panchayat's expenditures. It is observed that only 65 per cent respondents have idea about the pattern of expenditure of Gram Panchayats whereas 35 per cent of the sample respondents (out of 300 samples) have no idea about their expenditure pattern.

Another important issue that needs to be addressed is whether households are ready to increase the tax rate and expand the tax base of Gram Panchayats. We make a study about their opinion in this respect. It is observed that 65.3 per cent of the sample respondents out of 300 respondents of 6 sample villages argue in favour of increasing the tax rate and expanding the tax base provided that this must be spent for the development of their areas whereas only 34.7 per cent respondents have the opinion that Gram Panchayats should not increase the tax rate and expand the tax base because of their inability to share the excess burden. Thus, it is concluded that the Panchayats as well as Government near about 80 per cent respondents are satisfied either partially or fully about the functioning of Gram Panchayats. So the households of GPs Bagnan I and Bagnan II express the knowledge regarding Panchayat's own resource mobilization by their valuable opinions whereas the sample households of Bainan are not so much pleased about Panchayat's performance (Table 1.3).

Table 1.3 Frequency Distribution of Sample Respondents by their Opinion in respect of Awareness of Panchayat's Expenditure and Willing to Pay more Tax to Panchayat

GPs	Bagnan I			Bagnan II			Bainan			Grand total	Per cent	
	Hijlak	Tenpurn abasan	Total	Chandrapur	Khadinan	Total	Karia	Khajutti	Total			
whether house hold have any idea about Panchayat expenditure?	Yes	45	40	85	35	30	65	25	20	45	195	65.0
	No	5	10	15	15	20	35	25	30	55	105	35.0
Total	50	50	100	50	50	100	50	50	100	300	100.0	
are household ready to increase tax rate & tax base ?	Yes	40	35	75	30	25	55	39	27	66	196	65.3
	No	10	15	25	20	25	45	11	23	34	104	34.7
Total	50	50	100	50	50	100	50	50	100	300	100.0	

Source: As Table 1.1

Households' Suggestions to increase in Own Source Revenue of Gram Panchayats

In this section we present the suggestions made by the sample households to increase own revenue of Panchayats based on the opinion of 300 sample respondents of 6 sample villages of Bagnan I Block in Howrah District.

Table 1.4 Frequency Distribution of Sample Households by their Suggestions to Increase Own Source Revenue of Gram Panchayats

GPs	Bagnan I			Bagnan II			Bainan			Grand total	Per cent
	Hijlak	Tenpurn abasan	Total	Chandrapur	Khadinan	Total	Karia	Khajutti	Total		
Suggestions	(Vi)	(Vii)		(Vi)	(Vii)		(Vi)	(Vii)			
Creation of Revenue Building Assets	10	10	20	5	10	15	5	15	20	55	18.3

A] Proper Assesment of Tax & Fees	15	20	35	10	15	25	20	10	30	90	30
B]Utilization of Own Fund	10	15	25	15	20	35	15	15	30	90	30
[A+B]	15	5	20	20	5	25	10	10	20	65	21.7
Total	50	50	100	50	50	100	50	50	100	300	100

Source: As Table 1.1

It is observed that all the sample households recommended how to improve the own fund and its mobilization through Panchayats. It is observed that 30 per cent respondents stressed on the proper assessment of tax and fees. 30 per cent respondents stressed on the proper assessment of utilization of own fund. 18.33 per cent respondents stressed on the creation of revenue building assets and 21.33 per cent respondents stressed on both proper assessment of tax and fees and Utilization of own fund (Table 1.4).

Households' Opinion about the Basis of Taxation of Gram Panchayats

As mentioned earlier that annual value of land and buildings is the only basis of taxation of the Gram Panchayats. It is observed that out of 300 respondents 31.3 per cent argue that value of productive assets should only be the appropriate basis of taxation and 42.7 per cent argue that the value of land and building should only be the appropriate basis of taxation while 26 per cent per cent respondents mentioned that household's income from non-agricultural enterprises should be the basis of taxation (Table 1.5).

Table 1.5 Frequency Distribution of Sample Respondents by their Opinion about the Basis of Taxation

GPs	Bagnan I			Bagnan II			Bainan			Grand total	Per cent
	Hijlak	Tenpur nabasan	Total	Chandrapur	Khadinan	Total	Karia	Khajutti	Total		
Basis of taxation	(Vi)	(Vii)		(Vi)	(Vii)		(Vi)	(Vii)			
Value of productive assests	17	15	32	20	15	35	15	12	27	94	31.3
Income from non - agriculture enterprise	13	10	23	10	22	32	10	13	23	78	26.0
Value of land and buildings	20	25	45	20	13	33	25	25	50	128	42.7

Total	50	50	100	50	50	100	50	50	100	300	100.0
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Source: As Table 1.1

1.3 Analysis of Tax Revenue of GP and its Co-factors at the Household Level

Framework of the Model

The empirical analysis of households' willingness to pay tax to Gram Panchayat is made on the basis of the theoretical background of Probit model. The households' willingness of tax payment to Gram Panchayat depends on awareness of activity of Panchayats, literacy rate, quality of work of Panchayats, proper assessment of tax, fees and utilization of total fund, and also distance of household from town.

Probit model is called for to estimate the coefficients of independent variables which influence households' willingness of tax payment to Gram Panchayat.

We have set the Probit model by using dummy variable such as, whether a person interested on tax payment to the Panchayat then ($Y=1$) or ($Y=0$) as dependent variable and whether a person aware about Panchayat performance the ($Y=1$) or ($Y=0$). We have adjusted the order variables as their rank on quality of Panchayat work such as Excellent = 1, Very Good = 2, Good = 3... etc. We have also taken the distance of different sample villages from town, literacy rate and also tax revenue enhancement by all types of Panchayat asset building capacity ($Y=1$) or ($Y=0$) as independent variables.

The Specification of the Variables in the Model

The variables that determine the households' willingness of tax payment to Gram Panchayat is presented in Table 1.5. The values of mean, S.D, coefficient of variation (CV) and the notations used for the variables are also listed in the Table 1.6.

Now the regression equation can be written as,

$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$ {where $Y = \text{INTP}$. And $X_1 = \text{DST}$, $X_2 = \text{QLW}$, $X_3 = \text{ASST}$, $X_4 = \text{AWRNS}$, $X_5 = \text{LTR}$. β_i = Estimated coefficient}

Table 1.6 Notation, Specification, Mean, S.D, CV of Variables used in Probit Estimation at the Household Level

	Notation	Specification	Mean	S.D	CV	Max-Value	Min-Value
	INTP	<i>Dependent Variable</i>					
		Willingness to pay tax ($Y=1 \& N=0$)	0.4	0.49	1.23	1	0
	QLW	<i>Independent Variables</i>					
Economic Factors		Quality of Work of Panchayats (Order Variable-1 To 5)	3.76	0.8	0.21	5	1

	ASST	Proper Assesment of Tax & Fees & Utilization of Total Fund(Y=1/N=0)	0.19	0.4	2.11	1	0
Social Factors	AWRNS	Awareness of Panchayats Activity(Y=1/N=0)	0.85	0.36	0.42	1	0
	DSTH	Location of HHs Distance from Town	9.47	2.17	0.23	12	5.8
	LTR	Literacy Rate (%)	85.92	7.04	0.08	95.3	75.6

Notes: *INTP*= Willingness or Interested to pay tax , *QLW*= Quality Of Work Of Panchayats ,*ASST*= Proper Assesment of Tax & Fees & Utilization of Total Fund, *AWRNS*= Awareness of Panchayats Activity, *DSTH*= Location of HHs Distance from Town, *LTR*= Literacy Rate

Source: As Table 1.1

Probit Estimates

It is observed that the tax payment is positively related with quality work of Panchayat, assessment for tax, awareness of Panchayat activities, and literacy rate at 5% level of significance where as it is observed that the distance of households from town is inversely related with tax payment at 5% level of significance(Table 1.7).

Table 1.7 Statistical Results of Probit Model

Variables	Coefficient	Standard Error	z	P>z	Number of Observations =300 LR chi ² (5) = 87.05 Pseudo R ² = 0.2152 Log likelihood = -158.77502
DSTH	-0.227	0.069	-3	0.001	
QLW	0.001	0.114	0	0.995	
ASST	0.52	0.209	2.5	0.013	
LTR	0.037	0.021	1.7	0.088	
AWRNS	0.371	0.231	1.6	0.108	

Cons	-1.691	2.49	-1	0.497	Prob > chi ² = 0.0000
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Source: As Table 1.1

1.4 Summary

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

Near about 80 per cent respondents of sample villages of the two relatively developed GPs, Bagnan I and Bagnan II, express their satisfaction, more or less, with Panchayat's development efforts and own resource mobilization whereas the sample households of the economically not advanced GP Bagnan were not so much pleased about Panchayat's performance. Most of household respondents stressed on the proper assessment of tax and fees and utilization of own fund, the creation of revenue building assets.

The empirical analysis of households' willingness to pay tax to Gram Panchayat was made on the basis of the theoretical background of Probit model. The households' willingness of tax payment to Gram Panchayat depends on awareness of activity of Panchayats, literacy rate, quality of work of Panchayats, proper assessment of tax, fees and utilization of total fund, and also distance of household from town. The analysis of the Probit model exhibits that Panchayat revenue from tax is positively related with quality work of Panchayat, assessment for tax, awareness of Panchayat activities, and literacy rate at 5% level of significance while the distance of households from town is inversely related with tax payment at 5% level of significance because the long distance from town indicates the high incidence of poverty in the region. Thus the tax revenue of Panchayats is significantly related to the economic conditions of the households under Panchayats.

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