

## **Impediments of Own Resources Mobilization of the Local Self Government a Study on Grampanchayat Bagnan-I in the Howrah District of West Bengal (1990-91 to 2012-13) India**

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### **Abstract**

*The issue of own resource mobilization of rural decentralized planning units, i.e. panchayats has assumed importance in recent years, particularly after two landmark developments, namely the structural adjustment programme that began in a comprehensive way since 1991 and the 73<sup>rd</sup> amendment to the Constitution of India. Following the liberalization, privatization and globalization policy of the Government of India the state has been gradually withdrawing from economic, social and infrastructural development programmes. Hence, great emphasis is made on mobilization of own resources of panchayats that are now formalized as third tier of government, local self-government with the constitutional responsibility of planning for economic development and social justice, in the rural areas. Panchayats' own resources largely determine their fiscal autonomy (Subramaniam 2003 ISSR). On the revenue side a measure of autonomy captures the extent to which local bodies can raise their revenue independently, that is on their own account with the freedom to spend according to their own priority. Own income of local bodies is one component of fiscal decentralization and consists of revenue raised by way of tax as well as non-tax receipts. On the expenditure side, a measure of autonomy reflects the extent of the right and the capacity of PRIs to allocate their resources. Own receipts of panchayats come from tax and non-tax sources including voluntary contributions. Panchayats tax receipts as well as voluntary contributions depend on rural people's capacity to pay which, in its turn, depends on people's saving and investment. For accelerating economic growth and development and for promotion of saving and investment, decentralized planning and people's contributions are recognized as engines of growth and for attainment of social objectives like poverty alleviation, increase of employment rate, reduction of economic inequalities etc. in a developing country like India.*

### **1.1 Introduction**

Panchayats constitute an integral part of rural life in India and have played an important Role in the socio-economic development. The 73rd Amendment Act of the constitution of India, 1992 has the great intention of bringing power to common people. It provides for decentralized administration through local self governing Panchayat Raj Institutions (PRIs) at the district block and also village levels and thus accelerates rural development. It may be noted that rural development in a strategy designed to all round development of rural areas including their physical, economic, social, cultural and moral development. It involves as Robert chambers says, "helping the poorest among this who seek a livelihood in rural areas to demand and control more of the benefit of rural development. It is the major thrust for investment in men.

To examine various issues relating to benefits out of schemes being implemented by panchayats and their own resource mobilisation and participation of people in decentralized planning there is a need for disaggregate level analysis at the field level incorporating households and their socioeconomic characteristics. This is done in this chapter based on the primary data collected from sample village and 350 households from block of Howrah district of West Bengal. The object of this chapter is to study socioeconomic characteristics of Bagnan -1 gram panchayat of Bagnan block -1 in Howrah district of West Bengal. Let us examine their over all position with regard of function and finance we may then proceed to a discussion of their sources and use of finance in detail.

## Database Methodology

The necessary data base of our study based on primary and secondary data which are collected from directly from the field, panchayat office, official website of WBPRD, DPRDO OFFICE and Finance commission and Census report. We have taken twenty Panchayats of the Howrah District of West Bengal. Total & Per capita own source revenue data have been taken 2006-07 to 2012-13. These data have been analyzed by using simple statistical techniques, (v.i.z, ratio, correlation –regression, compound annual growth rate, coefficient variation etc.). All the calculations have done by using statistical software SPSS and computer software MS excel.

Per capita receipt of panchayats in t-th period are estimated by using the following formula:

$PCX = X/P$  Where PCX is the per capita receipt of X-head of a particular year, and P is the estimated population of that year.

Regression analysis is used to estimate the compound annual growth rate (CAGR) of different heads of receipt and expenditure at the state level and village level. The CAGR has been calculated for the relevant variables with the help of loglinear equation as follows:

$$\ln Y = \alpha + \beta t$$

where  $\alpha$  and  $\beta$  are the regression coefficients.

The slope coefficient  $\beta$  of the above growth model gives the instantaneous (at a point of time) rate of growth and not the compound (over a period of time) rate of growth. But the latter can be easily found by taking the antilog of  $\beta$ , subtracting 1 from it and multiplying the difference by 100. This growth rate is slightly higher than the instantaneous growth rate.

## Objective of the Study

To examine the problems and impediments of Own Sources Revenue of the Gram Panchayat Bagnan-I of the block Bagnan-I in Howrah District of West Bengal in India.

**The Plan of this Paper:** The plan of this paper is as follows. Section 1.2 Indicates Brief Profile Of The Sample Block. Section 1.3 represents Brief Profile Of The Sample G.P (Bagnan 1). Section 1.4 Amanitas and infrastructural facilities. Section 1.5 analyses the Source of Revenues of sample Gram Panchayat Bagnan-1. Section 1.6 Looks into the revenues structure of Bagnan-1 Gram panchayat 1.7 Presents the Estimated Growth rate of Different Heads of Receipt sides of Bagnan-I G.P. and Section 1.8 Explains the Estimated Growth rate of Different Heads of percapita receipt of Bagnan-I G.P. Section 1.9 Fiscal & Revenue autonomy of the GP BAGNAN –I. Section 1.10 Represents Institutional Constraints on Own Resource Mobilization of Panchayats. Section 1.11 Summarizes & Concludes the observations made earlier in this paper.

### 1.2 Profile of the Sample Block

Bagnan 1 gram panchayat is selected for are study from Bagnan 1 Block of Howrah district. The Block is situated in north side of Bagnan Railway station and it is placed beside by the pacca bus road.

There are 57 Mouzas and also 66 villages on this Block. The number of gram panchayats of Bagnan 1 Block in Howrah district are 10. The area of the Block is 10355 hector and population of the Block is 180650 census report in which there are 97551 males and the number of female is 83099. the scheduled casts (s.c) among the total population is 18520. the literate persons among the total population is 152320 in which 90200 are male and 62120 are females.

There are 102 primary schools, 18 secondary schools, 2 junior schools and 8 higher secondary schools in this Block. There are 5 nationalized bank and 3 Gramin bank in this Block and 2 co-operative bank.

### 1.3 Profile of the Sample G.P Bagnan 1

Total number of population of Bagnan 1 G.P is 14161 (census report 2001). The number of male is 7596 i.e. 50.77% of total population and the number of female is 6365 i.e. 49.22% of total population. The S.C. among total population is 1993, S.T is 114 and general population 12854. Total number of literates is 11571 in which 6083 i.e. 52.12% are male and 5588 i.e. 47.87% are female of total literates. In the Bagnan 1 G.P around 15% of total population depend on services. There are 200 agricultural laborers in which 175 are males and 25 are females the G.P contain 4 mouzas and 4 villages. There are 6 primary schools 3 higher secondary schools and 1 village library 1 nationalize bank in this gram panchayat. It is shown in table 1

Bagnan 1 G.P well connected with Block office and their distance from block office 1500 miter and 2 kilometer respectively. According to agrometic condition, infrastructure! facilities, a industrial structure, employment etc. the selected gram panchayat are relatively advanced categories.

### 1.3 Amanitas and Infrastructural Facilities

Bagnan 1 G.P selected for our study belongs Bagnan 1 Block in Howrah district this G.P being adjustment to Bagnan 1 Block head quarter. The communication network has been fairly advanced as a result marketing facilities has been developed leading to the growth of trade and service sector in the gram panchayat economy. Most villages are well connected with pacca road. Health and family well fare facilities have been adequate, there are 1 rural hospital, 1 health center in Bagnan 1 G.P and also there are 1 post office.

**Table-1 Resources and other features of Baqnan-l Block**

	Item	Bagnan-l Block
1	Total Area	10355Hectre
2	Total Population	180650(100)
	a) Male	97551 (54)
	b) Female	83099 (46)
3	Caste	
	a) General	161115(89.19)
	b)SC	18520(10.25)
	c)ST	1015(0.56)
4	Literate	
	a) Total	152320(100)
	b) Male	90200 (59.22)
	c) Female	62120(40.78)
5	No. of Mouzas	57
6	No. of Villages	66
7	No. of Primary School	102
8	No. of Secondary School	18
9	No. of H.S School	8
10	No. of Junior School	2
11	No. of Village Libraries	7
12	Block Primary Health Centre	3
13	No. of Post Office	24
14	No. of Bank	10

Source : Census Report of India

Note : Figures in parentheses are percentage

**Table-2: Demographic and other Features of Bagnan-I G.P**

	Item	Bagnan-i G.P
1	Total Population	14161 (100)
	a) Male	7596 (50.77)
	b) Female	6365 (49.22)
2	Caste	
	a) General	12954(86.58)
	b)SC	1193(13.32)
	c)ST	14(0.09)
3	Literate	
	a) Total	11671
	b) Male	6083(52.12)
	c) Female	5588 (47.87)
4	No. of Mouzas	4
5	No. of Villages	4
6	No. of Primary School	6
7	No. of SecondaryJSchool	2
8	No. of H.S School	3
9	No. of Libraries	1
10	No. of Markets	2
11	No. of Tubewetls	23
12	No. of ICDS	—
13	No. of Post Office	1
14	No. of Bank	1

Source : Census Report of India

Note : Figures in parentheses are percentage

### 1.5 Source of Revenues of sample Gram Panchayat Bagnan-1

Having reviewed the evolution of Panchayat in West Bengal and examine their over all position with regard to function and finances we may now proceed to a discussion of their sources and uses of finance detail.

Income of Gram panchayat come from five source:

- 1) Income from external source, i.e. central and state government in terms of development grants and contributions, in terms of several schemes such as JRY, EAS, IAY etc.
- 2) Income from external source i.e. income from taxes and own taxes imposed by the Gram panchayat.
- 3) Loans, if any, from the state and central Govt
- 4) Gift or contribution from the people, and income from trusts or endowments made in its favour.
- 5) Miscellaneous source such as (i) Receipts in respect of any school, hospital, dispensary, building, institution or work verted in constructed and managed by it and (ii) fines and penalties realized by it.

Now we examine first the various source and the relative importance of each in the financial structure of the selected gram panchayat.

### 1.6 The Revenue structure of Bagnan-1 Gram Panchayat

We now proceed to examine the relation importance of different components in total income of Bagnan-1 G.P.

Table-3. shows that among the various such of total receipts administration receipts has the largest shares. Then comes the importance of development receipt and welfare receipt, A little important in the receipt from own sources and its proportion has been decreasing very much of the year 1993-94. the proportion of own receipt has been lightly increasing in the year 1990-91. It is seen from the table - that the welfare receipt has been highly increasing in the year 1999-2000 at 33.47%. The welfare receipt has contributed 15.32% of total receipts and the development receipts has contributed 28.69% of total receipts of Bagnan-1 G.P.

In the year 2012-13 The own receipt has contributed 15.32% of total receipts and the development receipts and administrative have contributed 28.69% and 23.5% of total receipts of Bagnan-1 G.P. and the similar types of result is found in the case of percapita receipts in all heads i.e, percapita own receipt, percapita welfare receipt, percapita development receipt etc(Table-4). Opening balance however, gives a very dismal picture of the performance of selected G.P. the opening balance for a particular year is the closing balance for the immediately preceding year. The volume of closing balance practically indicates the amount could not be utilized during this year. This is indicative of the level of performance of G.P in respect of utilization of fund. In this respect the G.P under study has not been able to utilized the fund to the extent of 13.72% on an average for the period. It may here noted that the opening balance constituted as much as 32.52%, 31.06% and 28.57% in the year 1990-91, 1991-92 and 2012-13 respectively. A trend analysis will through further light on the level and efficiency of performance of Bagnan-1 G.P under study. This is done in the subsequent sections.

**Table-3**

Relative importance of Different Heads in total Receipts						
of Baqnan-1 G.P (in Rs. '000)						
Source	Opening Balance	Administrative receipts	Development receipts	Own receipts	Welfare receipts	Total receipts
Year						
1990-91	119.7 (32.53)	106.38 (28.91)	86.3 (23.46)	146.32 (39.77)	28.66 (7.79)	487.36 (100)
1991-92	89.3 (31.06)	92.04 (32.01)	92.2 (32.07)	99.3 (34.54)	3.94 (1.37)	377.14 (100)
1992-93	62.3 (17.97)	98.7 (28.47)	16.6 (47.89)	76.2 (21.98)	5.72 (1.65)	259.50 (100)
1993-94	140.7 (28.57)	102.9 (20.89)	193.5 (39.29)	12.8 (2.59)	42.47 (8.62)	492.37 (100)
1994-95	88.28 (19.32)	141.4 (30.95)	189 (41.37)	30 (6.56)	8.1 (1.77)	456.78 (100)
1995-96	97.1 (27.01)	101.3 (28.18)	124.6 (34.66)	26.8 (7.46)	9.6 (2.67)	359.42 (100)
1996-97	1.06 (0.22)	224.4 (48.10)	150 (32.15)	38.3 (8.21)	52.68 (11.29)	466.44 (100)
1997-98	41.29 (7.23)	202.49 (35.49)	138.5 (24.27)	46.2 (8.09)	112 (19.63)	570.48 (100)
1998-99	81.2 (11.88)	264.09 (38.65)	190.5 (27.88)	35.85 (5.24)	111.5 (16.32)	683.14 (100)
1999-2000	38.6 (4.73)	329.7 (40.40)	117.9 (14.45)	56.6 (6.93)	273.1 (33.47)	815.9 (100)
2000-01	32.4 (3.51)	381.6 (41.3)	207.06 (22.43)	65.6 (7.1)	236.2 (25.55)	922.86 (100)
Relative importance of Different Heads in total Receipts						
of Baqnan-1 G.P						
Source	Opening Balance	Administrative receipts	Development receipts	Own receipts	Welfare receipts	Total receipts
Year						
2009-2010	1825494.67(31.36)	971621(16.69)	2576030(44.25)	447413(7.68)	0	5820558.67(100)
2010-2011	431397.35(12.29)	199945(5.7)	2383369.5(67.89)	495688(14.12)	0	3510399.85(100)
2011-2012	348882.85(6.74)	1410753(27.26)	2661162(51.42)	754791(14.58)	0	5175588.85(100)
2012-2013	996854.85(12.96)	1480359(19.24)	4316137(56.11)	898974(11.69)	0	7692324.85(100)
SOURCES: BAGNAN GP-I AND BAGNAN BLOCK-I						

TABLE-4				
Relative importance of Different Heads Per-capita Receipts				
of Bagnan-I G.P				
Source Year	Per-capita development receipts	Per-capita own receipts	Per-capita welfare receipts	Per-capita total receipts
1990-91	7.29	12.36	2.42	31.09
1991-92	7.61	8.2	0.32	23.75
1992-93	13.4	6.15	0.46	27.99
1993-94	15.27	1.01	3.35	38.87
1994-95	14.57	2.26	0.62	35.25
1995-96	9.4	1.97	0.72	27.41
1996-97	11.06	2.8	3.88	34.4
1997-98	10.13	3.3	8.19	34.43
1998-99	13.62	2.5	7.97	48.87
1999-2000	8.25	3.87	19.1	57.06
2000-01	14.15	4.38	16.15	63.1
Source Year	Per-capita development receipts	Per-capita own receipts	Per-capita welfare receipts	Per-capita total receipts
2009-10	172.18	29.91	NA	389.05
2010-2011	159.31	33.13	NA	234.64
2011-2012	177.87	50.45	NA	345.94
2012-2013	288.49	60.09	NA	514.16

SOURCES: BAGNAN GP-I AND BAGNAN BLOCK-I

### 1.7. Estimated Growth rate of Different Heads of Receipt sides of Bagnan-I G.P

From table-5 it is found that the compound annual growth rate for opening balance , development receipts , own receipts and total receipts are statically insignificant except administrative receipts. The growth rate most of all the heads is negative during 1990-91 .But during 2009-10 to 2012-13 except opening balance most of all are positive but insignificant( except administrative receipts).

Table- 5: CAGR OF THE GP BAGNAN –I (1990-2001)		
Opening Balance	-24.4	Insignificant
Administrative receipts	1.85	Significant
Development receipts	-2.9	Insignificant
Own receipts	-13.47	Insignificant
Total receipts	-14.59	Insignificant
CAGR OF THE GP BAGNAN -I(2009-2013)		
Opening Balance	-18.10	Insignificant
Administrative receipts	15.00	Significant
Development receipts	19.00	Insignificant
Own receipts	26.00	Insignificant
Total receipts	9.600	Insignificant

### 1.8. Estimated Growth Rate of Different Heads of Percapita Receipt of Bagnan-I G.P

From the table – 6 it is observed that the pattern of growth rate is similar to receipts side of Bagnan-I G.P. i.e. most of all are statistically insignificant except percapita total receipts(1990-2001) & Administrative receiptss.(2009-2013)

**Table-6: Percapita Cagr of The Gp Bagnan -I(1990-2001)**

PERCAPITA CAGR OF THE GP BAGNAN -I(2009-2013)		
Opening Balance		Insignificant
Administrative receipts	1.85	Insignificant
Development receipts	2.38	Insignificant
Own receipts	-7.84	Insignificant
Total receipts	7.98	Significant
PERCAPITA CAGR OF THE GP BAGNAN -I(1990-2001)		
Opening Balance		Insignificant
Administrative receipts	15.00	Significant
Development receipts	19.00	Insignificant
Own receipts	26.00	Insignificant
Total receipts	9.600	Insignificant

### 1.9. FISCAL AND REVENUE AUTONOMY OF THE GP BAGNAN –I

This section examines the extent of revenue autonomy and fiscal autonomy of the gram panchayat Bagnan-I in Howrah District during the period from 1990-91 to 2010-11. Revenue autonomy is defined as percentage share of own source revenue in total receipt. It measures what proportion of total receipt of panchayats comes from their own source revenue. Fiscal autonomy is measured as a proportion of own source revenue in total expenditure of panchayats. Table-7 shows the trend of revenue autonomy and fiscal autonomy of the gram panchayat Bagnan-I. It is observed that the revenue autonomy is increasing at fluctuating mode (as the figure in the Table-7) but in the 2010-11 fiscal & REVENUE autonomy is decreased compare to 1990-91 (as the figure in the Table-7).

TABLE-7

FISCAL & REVENUE AUTONOMY OF THE GP BAGNAN-I 1990-91 TO 2010-2011		
Year	fiscal autonomy	revenue autonomy
1990-91	52.61	30.2
2000-01	9.11	7.11
2010-2011	15.68	14.2

### 1.10 Institutional Constraints on Own Resource Mobilisation of Panchayats

In order to improve per capita plan revenue as well as plan revenue autonomy of panchayats what is of great significance is to increase own resource mobilization. But there are many constraints on the same. In this section we examine only two constraints - which relating to tax revenue. Tax revenue of the sample GPs includes revenue from tax on lands and buildings. Given the land area tax revenue depends upon annual value of lands and buildings as well as tax rate.

**Institutional Constraints:** The institutional constraints get reflected on estimation of (i) annual value of lands and buildings, (ii) tax rate.

i) Estimation of Annual Value of Lands and Buildings : The serious problem in the said Act is that there is no mention of the base year for the estimation of the 'annual value of lands and buildings'. Since the said Act was passed in 1973 we may take 1973-74 to be the base year. It may be noted that during the period from 1973-74 to 2012-13 wholesale price index went up by more than 7 times which needs to be considered, and this may be used as deflator for calculating the annual value of land and buildings at constant prices. Since this process is not adopted in actual assessment of taxes on lands and buildings amounts of taxes so calculated as per provisions of the said Act at annual market value of lands and buildings appears to be inflated and very high for each household. This problem ensures high degree of manipulations being made in respect of market value of lands and buildings to keep the volume of tax within the tolerable and acceptable limits of the rural households. This institutional problem in assessment of taxes on lands and buildings at their market prices arises because of the non-use of the appropriate price deflator.

ii) Tax rate: Another institutional constraint relates to the provision in the said Panchayat Act in respect of tax rate. The owners and occupiers of lands and buildings be taxed at the rate of one per centum of annual value of lands and buildings when that value does not exceed rupees one thousand and at the rate of two per centum when that value exceeds rupees one thousand.

This provision obviously presents two rates which do not accommodate the existence of multiple differentiation of the peasantry in the forms of marginal farmers, small farmers, middle farmers and big farmers. Inter-household equity demands that multiple tax rates be there and higher tax rate be applied to the incremental tax base, i. e., incremental annual value of lands and buildings.

Since this clause is not incorporated into the said Act manipulations are frequently resorted to for the sake of keeping under minimum tax rate net through manipulation of the annual value in such a way that it be below rupees one thousand as far as practicable.

In Bagnan - I Gram Panchayat the total number of tax payer is more than 2100 people. For studying the amount of the tax in Bagnan - I G.P we consider 350 households. Households pay a very little amount of per capita tax of Rs.10 to Rs.33 only but it should be Rs.40 to Rs.807. It can be shown in the table 8 & 9 respectively.

**Table – 8**

Year	Class Interval	Frequency
2012 - 13	Amount of Tax(Rs.)	No. of Households
	10-15	175
	16-21	140
	22-27	25
	28-33	10
	<b>TOTAL</b>	<b>350</b>

**Table – 9**

Year	Class Interval	Frequency
2012-13	Amount of Tax (Rs. )	No. of Households
	40-150	155
	151 -261	120
	262 - 372	30
	373-483	15
	484 - 594	10
	595 - 705	10
	705-815	10
	<b>TOTAL</b>	<b>350</b>

Now a question arises as to who is responsible for this low taxable income, members of Panchayat or Panchayat's Acts? We discuss the above issue. Provisions of Panchayat Act (1973) of West Bengal are as follows :

Annual value of land & building = 6% market value of land & building. 1% tax rate up to annual value of Rs.1000/-. 2% tax rate beyond annual value of Rs.1000/-. The related problems are as follows :

- we have seen that there is no mention of the base year, such assessment of annual value.
- Let us take an example one has annual value of Rs.999/- and another has annual value of Rs.1001/-. Then only for a difference of Rs.2/- the tax amount changes from Rs.9.99/- to Rs.20.02/-.
- Take another example, suppose one has an annual value of Rs.1000/-. Here the Act silent over the tax rate.

### 1.11. Summary & Conclusions

The chapter conducted with the objective of examining the functions and finance of gram panchayat of the block of Howrah District of West Bengal and identifying the factors of the structure and growth of receipts and expenditures of gram panchayat.

The sources of revenues of sample gram panchayat has been broadly classified into two heads : own receipts and external (development + establishment) receipts. Own source mainly comprises earning from a variety of sources like tax (i.e., land tax, building tax) and non tax i.e., taxes on profession of late, a considerable share of non tax revenue is the earning from various types of economic activities taken by Panchayat themselves.



The revenue autonomy is increasing at fluctuating mode (as the figure in the Table-7) but in the 2010-11 fiscal autonomy is decreased compare to 1990-91 (as the figure in the Table-7).

Development receipts is also an important head of total receipts. Approximately 9% to 52% of total receipts are accounted for by the panchayat. This shows clearly how far the panchayat is depend on development finance for development works. This dependence of panchayat on the external finance leads to the following problems :

- 1) The amount of development receipts fluctuated over years. This fluctuation makes its difficult to plan and to utilize the fund timely and properly for development activities.
- 2) Development receipts are available to panchayat generally at the last few months of the financial year. In other words time spread of external finance is concentrated towards the end of the financial year. This creates problems in the implementation of all development programmes in proper time. The result from the trend equations are as follows :

The annual growth rates for establishment receipts and real establishment receipts, development and real development receipts, own receipts and real own receipts are significant.

- 3) In the provision of external finance the requirements of Panchayats are not considered at all. External finance is not need based. Developed panchayat are therefore on the way to further growth and the less developed are lagging behind the former. –

We have found that both development and own finance play a dominant role in the expenditure for development activities. The annual growth rate for establishment expenditure in both nominal and real terms are significant. In the light of our discussion of panchayat finance and various types of problems faced by the panchayat we may now make certain policy prescriptions to remove the problems.

1. To remove high dependence upon external panchayat may be given adequate financial powers so that panchayats are able to utilize fully the revenue potentially in the panchayat area.
2. Panchayat may be involved with economic activities like plantation in rested land, on the side of the public roads, setting up a dairy farm, fisheries and poultry farms, storage of agricultural products which will increase income and scope of employment in the panchayat area.
3. As regards the taxes on land holding and residential building we any suggest that the valuation of the property is to be made in current prices every year. The collection of tax revenue requires the initiative on the part of panchayat, encourage of the state govt. administrative and technical skill if the gram panchayat.

It has resulted in a situation in which the better of panchayat receive higher amount by way of grants even though the principle of equality may warrant reversal of the procedure. This discussion clearly points out to the need of reconsideration of the existing system of grants-in-aid and appropriate modification so as to make it an instrument of balanced development of the panchayat in the state. Therefore, the external grants should be provided according to the fianacial requirements of the GPs and the financial requirements should be determined by the performance of the development sector as well as size of population, area etc. The perspective plans of the GPs may be formulated on the basis of certainty in external finance. ,

To conclude, the selected one panchayat like their counterpart else in the state have been assigned a variety of functions and numerous sources of revenues. However, most function are not obligatory and several sources of revenues are underutilized. The existing system of grants-in-aid neither on the principles of need nor on the economic efforts of the Panchayat.

The analysis point-out to the need for a radical restructuring of the system of panchayat in respect of revenue with a view to making them effective tools of rural transformations on equitable basis. Moreover, decentralization of planning which is recently being emphasized throughout the country envisages that the decentralization be carried down to the grass root level of village planning and have there is an experiment for developing the village sector which will consist of development schemes which fall within the boundary of the village. In this content there is the stipulation of devolution of more financial power to the gram panchayat are enabled to plan effectively on the basis of assured sources of finance. However, to explicit successively the potential sources of finance and to properly utilize it for rural development programmes as per priority assigned by the state govt. people are to the involved and their participation, co-operation and initiative may be enlisted. In the proper decentralized system of planning and finance people's participation and awareness are the sign for successful and effective rural planning and panchayat finance.

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