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Having panchayats as self-governing institutions

Three decades have passed since the 73rd and 74th Constitutional Amendments Acts came into effect, which envisaged that local bodies in India would function as institutions of local self government. As a follow up, the Ministry of Panchayati Raj was constituted in 2004 to strengthen rural local governments.

When it comes to analysing the status of devolution, it is evident that some States have forged ahead while many lag behind. The commitment of State governments towards decentralisation has been vital in making panchayati raj institutions an effective local governance mechanism at the grass-roots level.

The constitutional amendment has set forth specific details on fiscal devolution which includes the generation of own revenues. Emanating from the Central Act, various States Panchayati Raj Acts have made provisions for taxation and collection. Based on the provisions of these Acts, panchayats have made efforts to generate their own resources to the maximum extent. Participatory planning and budgeting were the end result of such interventions by the Ministry.

That "Panchayats earn only 1% of the revenue through taxes", with the rest being raised as grants from the State and Centre was highlighted in a 'Datapoint' (Opinion page, *The Hindu*, February 5, 2024). It specifically points out that 80% of the revenue is from the Centre and 15 % from the States. This is an eye-opener for the proponents of decentralisation as the net result is that the revenue raised by panchayats is meagre even after 30 years of devolution initiatives.

Avenues for own source of revenue

The report of the expert committee constituted by the Ministry of Panchayati Raj on own source of revenue (OSR) of rural local bodies elaborates on the details of State Acts that have incorporated tax and non-tax revenue that can be collected and utilised by panchayats. Property tax, cess on land revenue, surcharge on additional stamp duty, tolls, tax on profession, advertisement, user charges for water and sanitation and lighting are



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There is a need to educate elected representatives and the public on the significance and the need for panchayats to be able to survive on their own resources

the major OSRs where panchayats can earn maximum income. Panchayats are expected to establish a conducive environment for taxation by implementing appropriate financial regulations. This includes making decisions regarding the tax and non-tax bases, determining their rates, establishing provisions for periodic revisions, defining exemption areas, and enacting effective tax management and enforcement laws for collection

The huge potential for non-tax revenue includes fees, rent, and income from investment sales and hires charges and receipts. There are also innovative projects that can generate OSR. This covers income from rural business hubs, innovative commercial ventures, renewable energy projects, carbon credits, Corporate Social Responsibility (CSR) funds and donations.

The role of gram sabhas

Gram sabhas have a significant role in fostering self-sufficiency and sustainable development at the grass-roots level by leveraging local resources for revenue generation. They can be engaged in planning, decision-making, and implementation of revenue-generating initiatives that range from agriculture and tourism to small-scale industries. They have the authority to impose taxes, fees, and levies, directing the funds towards local development projects, public services, and social welfare programmes. Through transparent financial management and inclusive participation, gram sabhas ensure accountability and foster community trust, ultimately empowering villages to become economically independent and resilient. Thus, gram sabhas need to promote entrepreneurship, and foster partnerships with external stakeholders to enhance the effectiveness of revenue generation efforts

In several States, gram panchayats lack the authority to collect taxes, while in numerous others, intermediate and district panchayats are not delegated the responsibility of tax collection. When gram panchayats collect 89% of own taxes, the intermediate panchayats collect 7% and the

district panchayats a nominal amount of 5%.

There is a need to demarcate OSR for the entire three-tier panchayats to ensure equitable sharing.

There are several factors behind the general aversion towards generating own income. With the increase in the allocation of Central Finance Commission (CFC) grants, panchayats are evincing less interest in the collection of OSR. The allocation for rural local bodies from the 10th and 11th CFC was ₹4,380 crore and ₹8,000 crore, respectively. But in the 14th and 15th CFCs there was a huge increase by way of allocating ₹2,00,202 and ₹2,80,733 crore, respectively. The tax collected in 2018-19 was ₹3,12,075 lakh which diminished in 2021-2022 to ₹2,71,386 lakh. The non-tax collected for the same period was ₹2,33,863 lakh and ₹2,09,864 lakh. At one time, panchayats were in competition to raise OSR for their commitment to fulfil basic needs. This has now given place to dependency on grants allocated through central and State finance commissions. Some States have the policy of incentivisation by providing matching grants but which were sparingly implemented. Panchayats also have no need of penalising defaulters as they believe that OSR has not been regarded as an income that is linked with panchayat finance.

Overcoming the dependency syndrome

Despite every enabling factor to raise revenue, panchayats confront several impediments in resource mobilisation: the 'freebie culture' rampant in society is the cause for the antipathy in paying taxes. Elected representatives feel that imposing taxes would alter their popularity adversely. Here, the answer is clear. There is a need to educate elected representatives and the public on the significance of raising revenue to develop panchayats as self-governing institutions. Ultimately, the dependency syndrome for grants has to be minimised and in due course, panchayats will be able to survive on their own resources. Panchayats can only achieve such a state of affairs when there are dedicated efforts in all tiers of governance, which includes even the State and central level.

EVA STALIN

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The real threat to the 'India as we know it'

With the 17th Lok Sabha having ended, the stage is now set for the general election. The final session of Parliament, unfortunately, proved to be as divisive as several of the previous sessions, with both the ruling and the Opposition parties trading charges and conceding no quarter to each other. This unseemly spectacle has given rise to concerns about the future of parliamentary democracy in the country.

We in India have been more fortunate than many other countries in being able to sustain democracy, and in earning a reputation of adherence to the best of parliamentary practices. The Constitution of India, one of the finest written Constitutions to be found anywhere in the world, includes among other Articles, a set of Fundamental Rights, Fundamental Duties of its citizens and the Directive Principles of State Policy, which have been our safeguards in sustaining democracy. Looking at the current decline in parliamentary practices, people, however, worry whether Parliament can be depended upon to sustain a stable democracy in the future.

This situation has nothing to do with India's external or internal dynamics. India is today better placed than it has been for many decades in connection with these two points. The global political environment may be murky, but India has hardly been impacted adversely, notwithstanding the ongoing war in Ukraine, the turmoils in West Asia and other similar tensions. China remains a matter of concern demanding extreme vigilance, but it does not pose an immediate threat. Pakistan, embroiled in its internal problems, is hardly a threat to India.

The internal dynamics, no doubt, are more problematic, but India has been fortunate, of late, to be spared of facing major terror attacks. There are quite a few internal security issues that lurk just below the surface. While some defy early solution, they are not insoluble. The farmers' agitation in the Punjab and Haryana has, no doubt, the potential to turn into a 'prairie fire', but if handled properly, can be controlled. The northeast region remains unsettled, with Manipur representing a microcosm of the problems that have plagued this region for years. But again, it is manageable. Communal violence is under check, even though communal tensions could be exacerbated in an election year. Left-wing extremist violence is at a low ebb as of now, even though it could see a revival in an election year.

A 'divided' nation

What is a matter of concern though is that the country today appears more divided than it has at any time in the recent past. The Prime Minister himself has been constrained to observe that the Opposition is creating a "North-South Divide and that the Opposition was speaking the language of breaking the country". He has levelled serious



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charges against the Congress, stating that it was intent on "creating a divide among people in the name of caste, language and religion". During the interim Budget session in Parliament, Finance Minister Nirmala Sitharaman went to the extent of personally attacking the former Finance Minister and Prime Minister Manmohan Singh, of having failed to discharge his responsibilities adequately during his tenure, and of failing the nation in its hour of need. Not to be left behind, the Opposition has been pouring vitriol on the Treasury benches, accusing them of vitiating the atmosphere in Parliament and of violating existing guidelines concerning parliamentary practice and conduct. In an election year, it is not unexpected, or unknown, for political parties to trade barbs. It is, however, the element of viciousness that is seen in these exchanges, which does not augur well for either Parliament or the nation. This departure from past parliamentary traditions has resulted in a widening of the gulf between the ruling party and the entire Opposition. This is most regrettable.

The impact of a polarised politics

On the eve of what is being posited as possibly the most critical election in this century, politics is highly polarised and is further exacerbating divisive tendencies. No issues appear beyond the pale when carving out winning strategies and ensuring bigger victory margins. Even the consecration of the Ram Temple in Ayodhya – which most Indians have welcomed – has become an election issue, with both Houses of Parliament passing a resolution terming the construction of the Ram Temple in Ayodhya as ushering in a "new era of governance and public welfare". The spectre of 'Hindu majoritarianism', whether intended or not, thus looms large in the minds of sections of the public, alongside a perception that 'Mandir' defines the nature of politics in an election year.

Federalism, on which the Constitution-makers placed great store, is becoming a victim of this situation. While some aspects could be viewed as symptomatic of the steady and gradual decline in democratic practices over the years, there is a difference today, and possibly some substance in the Opposition charge that the ruling dispensation at the Centre is breaching the federal principle with impunity. The Opposition charge sheet includes aspects such as attempts to enforce an Uniform Civil Code, alongside manifest attempts to push through the concept of 'One Nation, One Election', possibly intended to undermine the role of regional parties.

Defections have been a major bane of Indian politics, but engineered defections, particularly of the kind being reported in this election year, are making a mockery of democracy and electoral politics. More to the point, ongoing efforts to induce members to change sides through inducements are undermining the entire election system. A rash of defections have

occurred which includes top leaders from other parties, to the Bharatiya Janata Party (BJP), the ruling party at the Centre. A conspicuous example of this kind has been inveigling the Bihar Chief Minister, Nitish Kumar, to change sides with the implicit promise that he could continue as Chief Minister under a new dispensation (headed by the BJP). Many other instances of engineered high-level defections to the ruling party at the Centre are again taking place across the country, undermining democratic principles and practices. This conveys an impression that electoral democracy stands today at the crossroads; and that constitutionally mandated rules and practices are being trampled upon with impunity. While no one party may be responsible for this situation, given that the majority of engineered high-level defections have been to the ruling BJP in this election year, the import is loud and clear, viz., that those holding the reins of power are better positioned to alter electoral verdicts by other means.

No rules-based order

Distinct from this, but intrinsically linked to it, are perceived violations of constitutionally mandated conduct by centrally-appointed Governors in certain States. The role of Governors in Opposition-ruled States has become a major issue between the Centre and the Opposition-ruled States of late, with these States alleging – and not without reason – that the Centre was using Governors to checkmate the policies and programmes drawn up by Opposition-ruled States. In some instances, and in certain situations, it is leading to a virtual breakdown of relations between the Centre and the States.

The situation clearly calls for dispassionate analysis. It may be that the ruling dispensation at the Centre is not alone to blame and that the Opposition also demonstrates a disregard for constitutional niceties and the principles of federalism. The onus, however, lies mainly on the Centre. What is apparent, and most lacking today, is the absence of a rules-based order in regard to Centre-State relations, and with regard to party-to-party relationships. In the absence of this, there is every danger that the system could overturn altogether.

All this is tantamount to a virtual collapse of Constitution-mandated rules of business. There is again every danger that if these were to continue, what we understand by democracy under a constitutional mandate would cease to exist. Tolerating differences is, hence, the first order of priority. Next, everything has to be subordinated to the requirements of the Constitution. Third, managing the subtle interplay between interests and values and reaffirming a firm belief in the Constitution is a basic necessity. There are no rivalries that cannot be managed within a constitutionally-mandated system, and this is essential if India, as we know it, is to survive.

That the country appears more divided than it has at any time in the recent past, and this worsening in the run-up to the general election, is cause for concern

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