



## Greater Authority to Panchayats

For Prelims: [Panchayati Raj Institutions \(PRIs\)](#), [73rd Constitutional Amendment Act, 1992](#), [Gram Sabhas](#), [Panchayat Samithis](#), [Zila Parishads](#), Article 243G, Article 243H, Article 243-I.

For Mains: [Financial empowerment of PRI](#), [Fiscal decentralisation](#), [Inter-state disparities](#), [Role of Women's Self-Help Groups \(SHGs\)](#)

[Source: BS](#)

### Why in News?

Recently a World Bank working paper, '**Two Hundred and Fifty-Thousand Democracies: A Review of Village Government in India**' has called for granting **greater authority** to Panchayats while strengthening **local fiscal capacity** to ensure **effective local governance**.

### What is a Panchayati Raj Institution (PRI)?

#### ▪ Historical Background:

- Village government in India has a long, varied and dynamic history. [Kautilya's Arthashastra](#), a treatise on governance that dates back to around 200 BCE, describes a decentralised system of government where villages were ruled by village headmen who were called by various names **gramika, gramakuta or adhyaksha**.
- The [Rig Veda](#), a Vedic text which is over 3,000 years old, refers to three types of institutions namely **vidhata, sabha, and samiti**, which were all assemblies of **adults who gather to voice their views and participate in decision-making**.

#### ▪ Views of Gandhian and Ambedkar on PRI:

- [Dr B R Ambedkar](#) famously argued in the Indian [Constituent Assembly](#) against village democracies. He argued that **villages are nothing, but a sink of localism, a den of ignorance, narrow mindedness and communalism**.
- However, for [Gandhi](#), the **village formed the bedrock of his idea of a free India**. India, he famously declared, "is to be found not in its few cities but in its 700,000 villages."
  - Gandhi envisioned a village life centred around **three key tenets** namely **self-sufficiency** and **frugality, deliberative** and **representative democracy, and community-spiritedness**.

#### ▪ Post Independence:

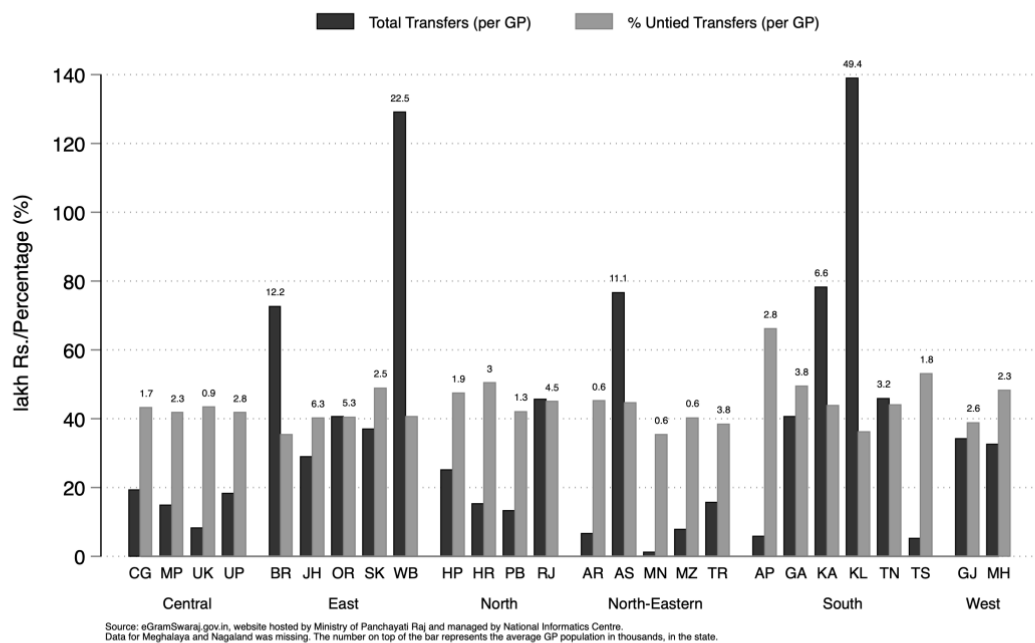
- The Gandhian idea of **village-led free democratic India was rejected** by the principal architects of post-independent India.
- Dr. Ambedkar convinced the **Constituent Assembly to include Panchayati Raj Institutions as non-mandatory guidelines in the [Directive Principles](#)**, suggesting but not requiring their creation by regional governments.
- In 1992, the devolution of formal power to **Panchayats commenced with the passage of the 73rd Amendment act**.

#### ▪ 73rd Constitutional Amendment Act, 1992:

- The [73rd Constitutional Amendment Act, 1992](#) gave **constitutional status** to the PRIs and established a system of **uniform structure**, elections, reservation of seats for [Scheduled Caste](#), [Scheduled Tribes](#) and **women** and devolution of fund, functions and functionaries to PRIs.
- The amendment mandated a **three-tier system** of local government across states, consisting of village (Gram Panchayat), intermediate (Block Panchayat), and district (Zilla Panchayat) levels.
- **Provisions:**
  - **Article 243G** of the Constitution of India gives state legislatures the power to provide Panchayats with the authority and powers to function as **self-government institutions**.
  - For the financial empowerment of Panchayats, provisions have been made in terms of Article 243H and Article 243-I of the Constitution.
  - Article 243H gives state legislatures the power to authorize Panchayats to levy, collect, and appropriate taxes, duties, tolls, and fees.
  - [Article 243-I](#) mandates the formation of [state finance commissions](#) every five years by the [Governor](#).
  - The **Ministry of Panchayati Raj** looks into all matters relating to the Panchayati Raj and Panchayati Raj Institutions. It was created in May 2004.

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Statewise 15th Finance Commission Transfers to per Gram Panchayat, FY2022-2023



Statewise 15th Finance Commission Transfers to per Gram Panchayat, FY2022-2023

## Related Initiatives

- **SVAMITVA Scheme:** Survey of Villages and Mapping with Improved Technology in Village Areas (SVAMITVA) scheme was launched on [National Panchayati Raj Day 2020](#) to enable economic progress of Rural India by providing **“Record of Rights”** to **every rural** household owner.
- **e-Gram Swaraj e-Financial Management System:** e-Gram Swaraj is a Simplified Work Based Accounting Application for Panchayati Raj.
- **Geo-Tagging of Assets:** The Ministry of Panchayati Raj (MoPR) has developed **“mActionSoft”**, a mobile based solution to help in capturing photos with Geo-Tags (i.e., GPS Coordinates) for the works which have **assets as an output**.
- **Citizen Charter:** In order to focus on the commitment of the PRIs towards its Citizens in respect of

Standard of Services, the MoPR has provided a platform to **upload Citizen Charter documents** with the slogan “Meri Panchayat Mera Adhikaar – Jan Sevaayein Hamaare Dwaar”.

## What are the Challenges Faced by the Panchayats?

- **Fiscal Decentralisation Issues: Insufficient devolution of financial powers and functions from higher levels of government to panchayats hampers their ability to mobilise resources independently.**
  - **Limited fiscal decentralisation** undermines local governance and community empowerment.
- **Low Capacity and Utilisation:** PRI's may lack the capacity and **skills to generate their own revenue** from various sources, such as fees, tolls, rents, etc.
  - They also face challenges in utilising the funds efficiently and effectively, due to poor planning, monitoring, and **accountability mechanisms**.
- **Top-down Approach:** Dependence on **external funding** leads to interference from **higher tiers of government** mainly central and state governments.
- **Delay in Funding:** Some regions have also reported **non-receipt of funds** under key schemes, impacting their functioning.
  - The Standing Committee on Rural Development and Panchayati Raj in March, 2023 said that 19 out of 34 State/UTs did not receive any funds under the [Rashtriya Gram Swaraj Abhiyan scheme](#) in FY23.

## What is the Status of PRI Funding?

- As per the [Reserve Bank of India \(RBI\)](#) report on the financial dynamics of Panchayati Raj Institutions (PRIs) in India:
- **Revenue Composition:** Panchayats earn **only 1%** of their revenue **through taxes**.
  - The majority of their revenue **comes from grants** provided by the Centre and the States.
  - Data indicates that 80% of the revenue is from Central government grants, while 15% is from State government grants.
- **Revenue Per Panchayat:** **On average each panchayat earned just Rs 21,000 from its own tax revenue and Rs 73,000 from non-tax revenue.**
  - Conversely, grants from the **Central government amounted to approximately Rs 17 lakh per panchayat**, with State government grants totalling over Rs 3.25 lakh per panchayat.
- **State Revenue Share and Inter-State Disparities:** **Panchayats' share in their respective State's own revenue remains minimal. There are wide variations among states regarding average revenue earned per panchayat.**
  - **Kerala and West Bengal** lead with average revenues of over **Rs 60 lakh and Rs 57 lakh per panchayat**, respectively. While States like **Andhra Pradesh, Haryana, Mizoram, Punjab, and Uttarakhand** have significantly lower average revenues, **less than Rs 6 lakh per panchayat**.

## What are the Steps Needed to Strengthen PRI?

- **Reassess the Levels of Devolution:** Pay more attention to the **three critical Fs namely functions, finance, and functionaries** and delegate more authority to panchayats rather than stripping them of power.
- **Enhanced Fiscal Capacity:** To improve governance, there's a need to enhance the fiscal

capacity of Panchayats. For example utilising the [Social Stock Exchange](#) for bringing in additional funds.

- Additionally granting them **more decision-making authority** over finances will reduce the burden on higher-level bureaucrats.
- **Empowerment of Ward Members:** Ward Members (WMs) lack financial resources and often just endorse decisions, **but they can be crucial in overseeing Gram panchayat heads.**
  - Empowering them with funds could **enhance Panchayat effectiveness, as smaller political units show better development outcomes.**
- **Strengthen Gram Sabhas:** Gram sabhas are **central to effective village governance.** To enhance their efficacy, it is recommended to increase their frequency and **expand their powers** to encompass critical areas such as village planning and the selection of beneficiaries for public programs.
- **Improve Administrative Data Quality:** Enhance the **quality of administrative data** and ensure its public availability in an accessible format. Visualisations and interactive dashboards can facilitate understanding and analysis by all community members.
- **Performance Incentives and Accountability:** Establishing an **independent and credible system** for scoring Panchayat performance is suggested. Incentivising Panchayat elected officials and staff based on performance could improve accountability.
- **Grievance Redressal Systems:** Setting up **formal and effective grievance redressal systems** is crucial for holding Panchayats accountable. This allows individual citizens to report problems to higher authorities.
- **Integration of Women's [Self-Help Groups \(SHGs\)](#):** Integrating SHGs with Panchayats is seen as a significant measure for **improving village governance** and balancing decision-making towards the needs of women.

Read more: [Panchayati Raj Institution \(PRI\)](#)

**Drishti Mains Question:**

Q. Discuss the strategies for strengthening the Panchayati Raj Institutions (PRIs) in India.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### **Prelims**

**Q1. Local self-government can be best explained as an exercise in (2017)**

- (a) Federalism
- (b) Democratic decentralisation
- (c) Administrative delegation
- (d) Direct democracy

**Ans: (b)**

**Q. The fundamental object of Panchayati Raj system is to ensure which among the following? (2015)**

1. People's participation in development
2. Political accountability
3. Democratic decentralisation
4. Financial mobilisation

**Select the correct answer using the code given below**

- (a) 1, 2 and 3 only

(b) 2 and 4 only

(c) 1 and 3 only

(d) 1, 2, 3 and 4

**Ans: (c)**

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### **Mains**

**Q.** To what extent, in your opinion, has the decentralisation of power in India changed the governance landscape at the grassroots? **(2022)**

**Q.** Assess the importance of the Panchayat system in India as a part of local government. Apart from government grants, what sources can the Panchayats look out for financing developmental projects? **(2018)**

**Q.** In absence of a well-educated and organised local level government system, 'Panchayats' and 'Samitis' have remained mainly political institutions and not effective instruments of governance. Critically discuss. **(2015)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/greater-authority-to-panchayats>

