Status of Devolution to Panchayats in States 2024 Report

For Prelims: **Panchayati Raj Institutions (PRIs)**, **Article 243G**, **11th Schedule**, **Rashtriya Gram Swaraj Abhiyan**, **State Finance Commissions (SFCs)**, **GST**, **Gram Sabha**, **MGNREGA**, **NHM, PMAY**, **Finance Commissions**.

For Mains: Progress and challenges in functioning of Panchayati Raj Institutions (PRIs).

Source: PIB

Why in News?

The **Ministry of Panchayati Raj** has released a report titled **"Status of Devolution to Panchayats in States – An Indicative Evidence Based Ranking"** highlighting the **progress** in **empowering Panchayati Raj Institutions (PRIs)** across India**.**

What are the Key Findings of the Devolution to Panchayats in States 2024 Report?

- **About Report:** It is also referred to as the **Panchayat Devolution Index 2024** which evaluates the autonomy and empowerment of **Panchayati Raj Institutions (PRIs)** by assessing the devolution of powers and resources across Indian states and Union Territories.
    - It assesses **Panchayats' autonomy** in decision-making and implementation, reflecting **Article 243G** of the Constitution.
- **Dimensions:** It assesses **six critical dimensions** i.e., Framework, Functions, Finances, Functionaries, Capacity Building, and Accountability of the Panchayats.
- **Key Findings:**
    - **Overall Devolution:** The overall devolution to **rural local bodies** increased from **39.9% in 2013-14 to 43.9% in 2021-22**.
    - **State Rankings: Top 5 States** are **Karnataka (1st),** Kerala (2nd), Tamil Nadu (3rd), Maharashtra (4th) and Uttar Pradesh (5th) .
        - Lowest-ranked states/UTs are **Dadra & Nagar Haveli and Daman & Diu (13.62),** Puducherry (16.16), and Ladakh (16.18).
    - **Improvements in Infrastructure:** Government efforts have strengthened PRIs through **infrastructure, staffing, and digitalization**, raising the functionaries index from **39.6% to 50.9%.**
        - The **Rashtriya Gram Swaraj Abhiyan** **(RGSA, 2018)** boosted the capacity enhancement component of the Index from **44% to 54.6%.**
    - **Performance Across 6 Dimensions:**

Dimension	State	Key Strength
Framework	Kerala	Robust legal and institutional framework for Panchayats
Functions	Tamil Nadu	Devolved functional

		responsibilities to Panchayats
Finances	Karnataka	Best financial management practices
Functionaries	Gujarat	Personnel management and capacity-building efforts
Capacity Enhancement	Telangana	Institutional strengthening efforts
Accountability	Karnataka	Transparency and financial accountability

- **Challenges:**
  - **Institutional Flaws**: **Rotation** of reserved seats for **SCs, STs, and women** affects leadership continuity as new leaders may **not prioritize the same goals** or may have **different approaches.**
    - **District Planning Committee (DPCs)** exist but lack proper implementation.
  - **Inconsistent Transfer of Functions**: **29 subjects (11th Schedule)** are **inconsistently** transferred as State governments **fear losing control or influence** at ground level, limiting Panchayats' decision-making power.
  - **Weak Financial Autonomy**: Non-implementation of **State Finance Commissions (SFCs) recommendations**, **centralized GST,** and **lack of fiscal autonomy** restrict Panchayats' financial control.
  - **Poor Resource Capacity**: Elected representatives **lack proper training** in **governance, budgeting, and planning**.
  - **Low Accountability:** Low **social audits** and **Gram Sabha participation** reduce oversight; insufficient finance disclosure undermines transparency.
- **Recommendations:**
  - **Fund Utilization**: Stresses **strict monitoring of funds** to prevent misuse and corruption.
  - **Strengthening Panchayat Bhawans**: Should act as **hubs for public services** and improve access to government schemes e.g., **Ayushman Bharat**.
  - **Empower Panchayats**: Urges states to fully **devolve powers and responsibilities** to Panchayats.
  - **Strengthening SFCs:** To ensure **timely fund allocation.**
  - **Autonomy in decision-making** for Panchayats, especially in flagship schemes like **MGNREGA**, **NHM,** **and** **PMAY.**
  - **Digital Infrastructure:** Enhance **digital infrastructure** in Panchayats for better governance and transparency.

What is the Status of PRI Funding?

- **Revenue Composition:** PRIs generate **only 1%** of revenue through taxes, indicating limited self-financing capacity.
  - **80% of PRI revenue** comes from **Central government grants**, and **15%** from **State government grants.**
- **Revenue Per Panchayat:** Each Panchayat earns **Rs 21,000 from own taxes and Rs 73,000 from non-tax sources.**
  - Central grants average **Rs 17 lakh**, and State grants are around **Rs 3.25 lakh per Panchayat,** showing high reliance on external support.
- **Low Revenue Expenditure:** The ratio of revenue expenditure of panchayats to **nominal GSDP** is less than **0.6%** for all the states ranging from **0.001% in Bihar to 0.56% in Odisha.**
- **Inter-State Disparities: Kerala and West Bengal** have the **highest average revenue** (over Rs 60 lakh and Rs 57 lakh)**,** while states like **Andhra Pradesh and Punjab** report **much lower revenues** (less than Rs 6 lakh).

How Can PRI Funding be Improved?

- **Regular Transfer of Funds:** The **14th and 15th Finance Commissions** recommended substantial grants to Panchayats, but **regular transfers**, rather than ad-hoc grants, are needed for **sustainability.**

        - Financial transparency and accountability should be ensured through **regular audits, RTI disclosures,** and strong **procurement procedures** to ensure efficient fund use.
    - **Capacity Equalization:** Fiscal transfers to PRIs should **match states' capacity** to finance Panchayats, ensuring **balanced and sustained local governanc**e growth.
    - **Strengthening SFCs: SFC reports** should be submitted regularly, with **full implementation of recommendations** to ensure consistent Panchayat funding.
    - **Enhancing Own Revenue Generation:** Panchayats should boost revenue through l**ocal taxes (e.g., land taxes),** with states providing **support and incentives for better tax collection and administration.**
    - **Creating Special Purpose Grants:** Special-purpose grants should be made to incentivize performance and improve rural infrastructure and services like **roads, water, and sanitation.**

Click Here to Read: What is a Panchayati Raj Institution?

Conclusion

The "Devolution to Panchayats" report highlights notable **progress in empowering local bodies**, with increased devolution and strengthened infrastructure. However, challenges such as **weak financial autonomy, inconsistent devolution, and poor accountability persist**. Addressing these gaps can further empower PRIs for sustainable local governance and development.

Drishti Mains Question:

Discuss the progress and challenges in the devolution of powers to Panchayats in India.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. 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 the Panchayati Raj system is to ensure which among the following? (2015)

1. People’s participation in development
2. Political accountability
3. Democratic decentralization
4. Financial mobilization

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)

Mains

Q1. To what extent, in your opinion, has the decentralisation of power in India changed the governance landscape at the grassroots? (2022)

Q2. 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)