

3 decades passed \therefore 73 can be many things
behind fiscal devolution. Explain the source of revenue for
RtB. & enumerate reasons for poor fiscal decentralisation

The objectives of Article 40 of
the constitution was fulfilled by enacting
the 73 amendment act recognising
panchayats at the grassroots level.

Since inception, the panchayats have
transformed the overall landscape though
not uniformly.

Disparity in fiscal devolution

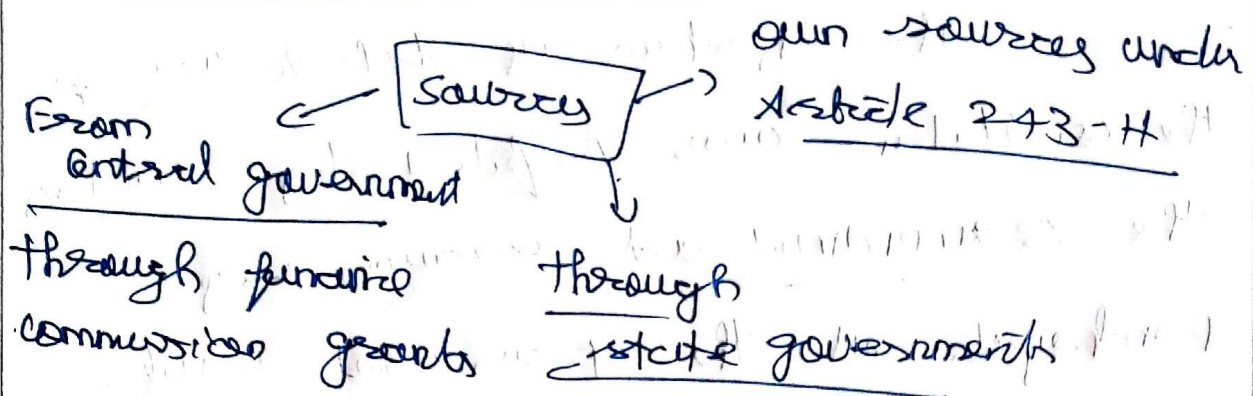
As per the recent RBI report on
Panchayat finances during the year 2022-23

Panchayats generated $\approx 35,300$ crore as
revenue and ≈ 2737 crore as own tax
revenue

This is just each panchayat earning
 $\approx 21,000$ as tax revenue and $\approx 73,000$
as non tax revenue. States have disparity
among them, as states with higher devolution

show better socio-economic outcomes.

Sources of Panchayat revenue



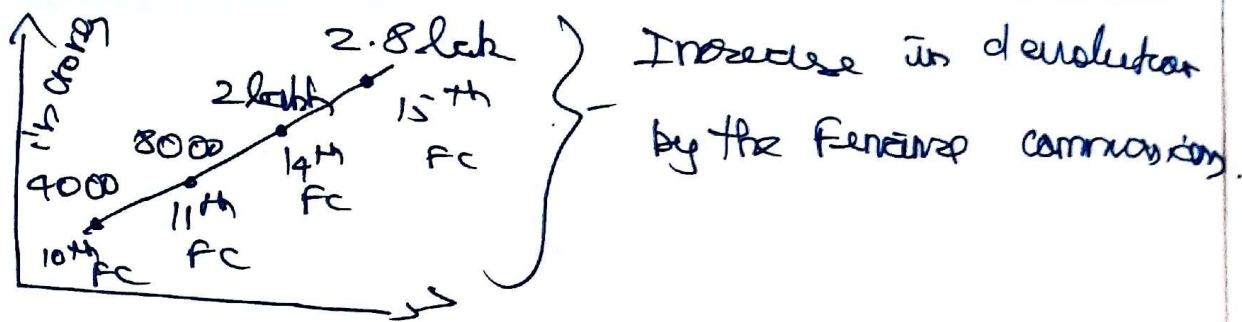
Panchayats generated only 1% of revenue and 85% from central government and 10% from state governments. Despite these, panchayats can generate own sources from:

* property tax, land revenue, etc., stamp duty, water usage charges, etc.

Yet, the financial development of the Panchayats has been abysmal.

Reasons for poor finance

① Dependence on grants: The panchayats are largely dependent on grants from higher governments that discourages own sources.



② Inequality in sharing of own revenue as gram panchayats collect 89% of own revenue, intermediate - 7%, district at 5%.

③ No tax collection vote given to gram panchayats and gram sabhas, as it can reduce the popularity of representatives.

④ Not penalising defaulters as panchayats are devoid of power.

Future The 68% of population lives in several areas dependent on panchayats. Empowering gram sabhas with power to levy and collect finances and improving funding through costed credits and corporate social responsibility can improve the financial outlays of panchayats.