



Gaon Panchayats as Local-Self Governments from the viewpoint of the financial autonomy : a study of four selected Gaon Panchayats of Nalbari District of Assam, India.

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Abstract

The basic emphasis of the 73rd Amendment of the Constitution of India is to ensure the uniformity between the functional responsibilities and the financial resources of the three tier Panchayati Raj Institutions (PRIs) and to provide them functional and financial autonomy to work as effective local-self governments for development of the rural society at the grass root level. Functional autonomy of the PRIs is possible only when they have financial autonomy. Because, only then the PRIs will be able to prepare and execute development plans on the basis of needs, aspirations and local resources. The noteworthy point is that in Assam, Gaon Panchayats (GPs) have been vested with more developmental responsibilities and provisions of financial resources as compared to the Anchalik Panchayats (APs) and Zila Parishads (ZPs) by 'The Assam Panchayat Act, 1994'. Therefore, the GPs have to play more effective role as an agency of local-self government. GPs must have financial autonomy to work as effective local-self government from the viewpoint of fulfilling the local needs independently. Financial autonomy does not mean the transfer of funds from the state or central governments; rather it must be achieved through mobilization of revenues from its own sources. In this context this paper throws light on the own revenue mobilization pattern of a few GPs of Nalbari district of Assam in comparison to transfer of funds to them from the higher levels of governments. Apart from the secondary sources, information is collected from the Secretaries of the GPs. It is observed that the goal of financial autonomy of the GPs is yet a dream not coming to true and they have not been able to work as effective local-self governments due to lack of financial autonomy.

Keywords: Gaon Panchayats, own revenue, transfer of funds, financial autonomy.

1. Introduction

The Panchayati Raj Institutions (PRIs) in India have been given constitutional status of local-self governments through the enactment of the 73rd Amendment of the Constitution of India. The 73rd Amendment of the Constitution of India under its Articles 243 A, B, C, D, E, F, G, H, I & K, emphasizes the enactment of Panchayat Acts by different states of India, basically to ensure uniformity in respect of functional and financial devolutions to the PRIs and enriching them with functional and financial autonomy

for being effective local-self governments (Sekar, S.C; 2008). Article 243(H) and Article 243(I) of the Constitution of India provide for financial devolution to the PRIs. Article 243(H) empowers the state legislatures: (a) to authorize to levy, collect and appropriate specified taxes, duties, fees and tolls on Panchayats; (b) to assign state taxes, duties, fees and tolls to Panchayats; (c) to provide grants-in aid to the Panchayats; (d) to constitute specified funds for creating all money received by or on behalf of the Panchayats and for their withdrawal. Article 243(I)

has made the provision of the formation of State Finance Commission within one year from the date of commencement of the 73rd Amendment and at the expiry of every fifth year thereafter, to review the financial position of the Panchayats and to make appropriate recommendations to improve their finances (Chalinvedi, T.N., 1972).

Following the directions of the 73rd Amendment of the Constitution of India, 'The Assam Panchayat Act, 1994' has been enacted in Assam and accordingly various developmental functions have been transferred to the PRIs. Similarly, to develop the financial base, Assam Government has made various provisions of financial resources to the PRIs under the Assam Panchayat (Financial) Rules, 2002.

The noteworthy point is that in Assam, the Gaon Panchayats (GPs) have been vested with more developmental responsibilities and financial resources as compared to the Anchalik Panchayats (APs) and Zila Parishads (ZPs). Therefore, the GPs have to play more role as local-self government. GPs must have financial autonomy to work as effective local-self government from the viewpoint of fulfilling the local needs independently (Joshi, R.P; & Narwani, G.S; 2005). As per the Assam Panchayat (Financial) Rules, 2002, GPs in Assam may collect revenue by imposing the following taxes and fees etc. (Ghosh, B. K; 2007).

- (i) Household tax i.e. taxes for brick or R.C.C. building, Assam type house, house with bamboo, mud wall and thatched roof used for business and residence.
- (ii) Tax on trades, callings, manufacture and production etc.,
- (iii) An additional stamp duty on all payments for admission to any entertainment,
- (iv) Fees for providing sanitary arrangement at places of pilgrimage etc.
- (v) Fees for water arrangement for drinking or irrigation etc.
- (vi) Fees for lighting arrangement on public Street or places etc.
- (vii) Fees on sale of fire wood,
- (viii) Fees on slaughter houses,
- (ix) Fees on minor hats and pound
- (x) License fees for running hotels, sweetmeat stall, tea stall, etc.
- (xi) Fees from the registration of the cattle sold etc.

Further as per the provisions of Article 243-I and

Article 243-Y of the Constitution of India, the Assam State Finance Commission has been constituted to review the financial position of the Local Bodies and to put forward the recommendations to the Government relating to the distribution of the net proceeds of the taxes, duties, tolls and fees between the State of Assam and the Panchayats. Besides these sources, in Assam, GPs receive fund in the form of grants-in aid from both the central and the state governments.

But the availability of funds of the GPs under grants-in-aid and tax assignment and sharing from the central and state governments does not ensure financial autonomy. To acquire financial autonomy, GPs in Assam must have to mobilize revenues from their own sources. If the flow of funds from the state or central governments to the GPs goes on increasing without increasing its own revenue mobilization, the financial dependency of the GPs will increase instead of attaining the financial autonomy (Ashirwad, N; 1989). In this context, this paper throws light on their own revenue mobilization of a few GPs of Nalbari district of Assam in comparison to the transfer of funds to them by the higher levels of governments.

2. Materials and methods

The study is based upon the data collected both from the primary and secondary sources. The primary data is collected from four numbers of selected GPs by using Gaon Panchayats' schedules for the period from the year 2003-04 to 2008-09. This is because, in Assam, the GPs are given the financial powers to mobilize revenues from their own sources through the enactment of Assam Panchayat (Financial) Rules, 2002. The GPs are selected on the basis of the differences of own revenue potentialities. Own revenue potentialities of the GPs refer the probable amounts of their own revenues that may be mobilized from their own sources of taxes or fees as provided by 'The Assam Panchayat Act, 1994'. Thus the own revenue sources are number RCC houses, Assam type houses and other houses used for residential and business purposes and numbers of non-agricultural enterprises, sanitation facilities, irrigation facilities, etc., supplied under the GPs. Besides, own revenue sources of the GPs include the GPs' fisheries, public place, etc. Thus the own revenue potentialities of 2 No Khata GP are more not only due to large number of Assam type and RCC type houses but also for large number of non-agricultural enterprises. This is because this GP is closer to Nalbari town of Nalbari district. The own

revenue potentialities of the 47(1) No Upper Barbhag GP are more not due to large number of taxable sources but due to the large number of existing traditional sources like fisheries, public entertainment place etc. On the other hand, the own revenue potentialities of the 51(5) No Upper Barbhag GP and 52(6) No No Upper Barbhag GP are less for having less number of taxable and non-taxable sources. The informations collected by using the Gaon Panchayats' schedules are the amounts of revenues mobilized by the GPs from their own sources and the funds received from the state and central governments as grants-in-aid. Secondary sources of data are the reports published by the Assam Government, reports of the Assam State Finance Commission, Assam Economic Survey reports, reports of the block development offices, Gaon Panchayats' statistics, etc.

3. Results & discussion

From the study, it is observed that the revenues mobilized by the GPs under study from their own sources are very less irrespective of their own revenue potentialities. The own revenues mobilized by them are not even enough to meet their expenditures office in maintenance. Again, the flow of own revenue mobilization is remaining more or less constant for all the GPs under study. The study observes that the GPs have been using the traditional sources for mobilizing their own revenues. On the other hand, the GPs under study have been able to receive huge amount of funds from the state or central governments as grants-in-aid under various development schemes. Table 1 shows the flow of revenues from different sources to the GPs under study.

Table 1: Flows of Revenues to the Gaon Panchayats (in Rs.)

Name of GP	Source of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
2 No Khata GP	Own Revenue	1170/-	780/-	800/-	830/-	1050/-	1100/-
	GIA from State Govt.	60,000/-	81,816/-	30,721/-	35,556/-	16,770/-	---
	GIA from Central Govt	293,495/-	327,265	1505,331/-	1742,270/-	82,1728	1800,000/-
47(1) No Upper Barbhag GP	Own Revenue	4550/-	5755/-	6750/-	5875/-	2900/-	3200/-
	GIA from State Govt.	12700/-	125,570/-	365,900/-	385,700/-	1,25000/-	462,000/-
	GIA from Central Govt	356,000/-	778,700/-	12,27,600/-	14,66,900/-	49,32,500/-	7,77,500/-
51(5) No Upper Barbhag GP	Own Revenue	800/-	900/-	500/-	700/-	800/-	500/-
	GIA from State Govt.	28000/-	16000/-	1,09,000/-	54,000/-	N.A.	N.A.
	GIA from Central Govt	18,5417/-	31,8360/-	65,9,722/-	63,9811/-	5,39,828/-	N.A.
52(6) No No Upper Barbhag GP	Own Revenue	450/-	640/-	690/-	750/-	750/-	800/-
	GIA from State Govt.	N.A.	1,25,000/-	72,600/-	1,65,000/-	45,000/-	100,000
	GIA from Central Govt	3,15000/-	4,75,100/-	2,50,000/-	4,85,000/-	1,55,000/-	3,23000/-

Source: Field survey.

Table 1 shows that the amounts of their own revenue mobilization are very less for all the GPs as compared to the funds received by them from the state and central governments as grants-in-aid. However, 47(1) No Upper Barbhag GP has been able to mobilize slightly more of its own revenues than the 2 No Khata GP, 51(5) No Upper Barbhag GP and 52(6) No Upper Barbhag GP. This is because, 47(1) No Upper Barbhag GP is more resourceful for their existing traditional sources. On the other hand, Table 1 shows the increasing flow of the transfer of funds to the GPs from both the state and central governments as grants-in-aid. Thus, the study reveals that though the state or central governments have been transferring a lot of funds to the GPs under different development schemes to promote the rate of rural development, but, due to poor amounts of the own mobilized revenues, the GPs have not been able to prepare and execute development plans on the basis of needs, aspirations of the local people and available local resources. Thus the GPs

under study have not been able to achieve financial autonomy. Rather, due to increasing developmental responsibilities, GPs' financial dependence on the state and central governments has been increasing rapidly.

3.1 Comparison of Revenues of the PRIs of Assam from different Sources

For being financially independent, the PRIs of Assam must mobilize sufficient funds from their own sources to satisfy the local needs. The study shows that the PRI officials and elected representatives are passive in case of mobilizing their own revenues. Ultimately, the PRIs are compelled to depend on the fund transferred by the state or central governments through the assignment and sharing of taxes and grants-in-aid (Shaheena, P; 2013). In recent time, the governments have been transferring huge amount of funds to the GPs and other tiers of the PRIs of Assam. Table 2 gives a comparative picture of the flow of funds to the PRIs of Assam from different sources.

Table 2: Flow of Funds to the PRIs in Assam

Rs. In Crores

Source of Fund	2006-07	2007-08	2008-09	2009-10
Own Revenue	12.30	16.00	13.90	17.03
SFC transfers	Nil	Nil	48.60	295.68
CFC transfers	50.04	55.17	52.60	152.71
Grants for State Sponsored Schemes	190.76	166.14	207.82	123.69
GOI grants for Centrally Sponsored Schemes	2198.10	1382.50	1184.95	1712.18
Total	2451.20	1619.81	1507.87	2301.29

Source: 2006-07 to 2008-09: Commissioner, P&RD, Assam, 2009-10: Appropriation and Finance Accounts. Retrieved from http://agasm.cag.gov.in/forms/audit_report/tailed_in.../Chap_1.pdf on 5th June, 2016

Table 2 reveals that the amounts mobilized by the PRIs of Assam from their own sources are only about 2 to 3 percent while around 90 percent of revenues of the PRIs of Assam come from the Central Government grants. On the other hand only 6 to 7 percent fund has been transferred by the Assam State Government to the PRIs. Thus it may be stated that the revenues mobilized by PRIs in Assam from the own sources are almost nil as compared to the revenues transferred either from the Finance Commissions or from the state or central governments (Rao, V.V; & Hazarika N;

1983). This signifies how the PRIs in Assam have been dependent on Central Government for rural developmental works.

3.2 Causes for the Poor Rate of Mobilization of Own Revenues by the Gaon Panchayats

It is observed that the GPs under study have not been able to gain financial autonomy through mobilization of the revenues from their own sources due to various reasons as discussed below.

1. Complicated and lengthy legal system: The

existing mechanisms of revenue collection, which basically consist of a review of the appropriate legal provisions is very lengthy and complicated. The GPs derive their taxation powers from the sections 25 and 26 of the Assam Panchayat Act, 1994. Though under these sections, the GPs are empowered to levy various kinds of taxes and fees, but all are possible only after framing bye-laws which have to be approved by the AP and ZP and finally by the state government.

Any person aggrieved by the assessment, levy or imposition of any tax or fee by the GPs, he may appeal to the AP. Again, any person aggrieved by the order of AP may appeal before the ZP, whose decision in this regard shall be final. The Government of Assam may, however, suspend the levy or imposition of any tax or fee at any time and rescind such imposition in consultation with ZP. However to draw the actual financial powers, ZPs have to depend upon the State government.

Unwillingness on the part of PRI representatives : Notwithstanding the far-reaching powers for taxation and revenue generation given to the PRIs of Assam, hardly any GP is actually using these powers to collect revenue due to their unwillingness to levy taxes and fees. The GPs prefer to take an easy way out and depend on grants received from the state and central governments.

2. More emphasis on traditional sources: Though various provisions of taxes, fees, tolls, etc., have been made for the GPs, but they simply exist only on paper, and are not implemented in most of the cases. The GPs only collect their fees from the traditional sources.

3. Unwillingness to raise revenue generating assets: Another constraint in mobilization of own revenue is that the GPs are reluctant to create revenue generating assets. Generally, the GP representatives are not interested to develop their own periphery through earning revenue from own assets in future rather they are interested to raise the flow of government funds.

4. Lack of popular will and cooperation: Lack of popular will and cooperation towards the GPs stands as an important obstacle in the path of own revenue mobilization. Still, people think the GP as a government branch of disbursing schemes funds and implementing developmental activities. They do not consider the GPs as an agency of local government having own administrative and financial powers to raise tax and other assets.

5. Lack of knowledge: Lack of training,

awareness and knowledge about the constitutional provisions for the GPs among the elected representatives may be considered as an important reason for the poor realization of the own revenues.

4. Suggestions for Increasing the Own Revenue Mobilization of the GPs:

Efforts must be taken by the governments, elected representatives and the individuals of the locality to make the GPs financially strong and independent. For this some challenging steps may be undertaken.

1. To raise the rate of own revenue mobilization, GPs may prepare revenue plan by considering four aspects viz. (i) potential for taxation (ii) fixation of realistic tax rates (iii) widening of tax base and (iv) the improvement in tax collection.
2. It is better to make a socio-economic survey of the locality to create a data bank for budgetary data, social infrastructure data, economic infrastructure data and organizational data etc., by each GP.
3. Productive use of the government funds by the GPs may raise the revenue mobilization opportunities.
4. Generally, the GPs receive a large number of applications for licenses, permits as well as for various statutory and non-statutory matters. The GPs may make a provision of affixing court fee stamps in all these applications and thereby revenue can be collected for them.
5. The legal system of revenue collection should be simplified in such way so that the GP can independently take decision in regard to taxation and other matters without much interference from the upper layers of the governments.

6. Conclusion

The GPs are recognized as the grass-root local-self governments for the grass-root rural development. Therefore, they must acquire financial autonomy to prepare development plans on the basis of local needs, aspirations and resources independently. Since the GPs have not been able to gain financial autonomy, therefore, they must take challenging steps to collect revenue from the existing constitutional sources as well as by opening new avenues. The Government of Assam should also make necessary arrangements. Unless there are proper co operations and co ordinations among the different tiers of the PRIs and the State Government, the financial autonomy is not possible to achieve by the Gaon Panchayats in Assam.

Acknowledgement

The authors are grateful and thankful to the Management, Assam down town University for providing

the facilities and Dr. B.K. Dev Choudhury, Principal, Pub Kamrup College for granting permission to undertake research works at Assam down town University.

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