

**Provisions & Strategies for the Gaon Panchayats of Assam to achieve Financial Autonomy**

**Khagen Das**

**Assistant Professor of Economics**

**Pub Kamrup College,**

**Baihata Chariali, Assam**

**ABSTRACT:** In India, the Gaon Panchayats, the grass-root level local government, are considered as the effective mechanism of realizing the goals of democratic decentralization and for accelerating village economic development. Therefore, the 73<sup>rd</sup> amendment of the Constitution of India has endowed the Gaon Panchayats with greater powers, functions along with the provisions of financial resources. Unless these provisions and recommendations are in practice in the sense of achieving the financial autonomy, the objective of the 73<sup>rd</sup> amendment of the Constitution of India of strengthening the Gaon Panchayats as a mechanism of rural economic development will not be realized.

For achieving the financial autonomy, the Gaon Panchayats have to collect the own revenues from the different own tax and non-tax sources besides the assigned taxes and shared taxes. The Gaon Panchayats should have uniformity between the assigned functions and the financial resources. There is no doubt that since the Gaon Panchayats have to bear the responsibilities of the state at the village level, it is the duty of the state government to devolve funds and encourage the Gaon Panchayats to raise their own resources to enable them to discharge their functions effectively for the satisfaction of the people. Unless the financial autonomy of the Gaon Panchayat is achieved in real sense and in proportion to the responsibilities, it can not serve as an effective local government for local economic development.

**Keywords: Panchayats, Financial provisions, Strategies for financial autonomy.**

**Introduction:** In India, the GaonPanchayats, the grass-root level local government, are considered as the effective mechanism of realizing the goals of democratic decentralization and for accelerating village economic development. Therefore, the 73<sup>rd</sup> amendment of the Constitution of India has endowed the GaonPanchayats with greater powers, functions along with the provisions of financial resources. Recognizing the importance of the Panchayati Raj in India, three tiers Panchayati Raj Institutions (PRIs) have been given constitutional recognition through the enactment of the 73<sup>rd</sup> Amendment of the Constitution in 1993. After the 73<sup>rd</sup> Amendment of the Constitution of India, much attention has been drawn towards the state-local bodies' relationship and particularly on the crucial issue of financial and functional devolution from the state to the local bodies. The Article 243(H) and 243(I) of the 73<sup>rd</sup> amendment have made various provisions of financial sources for the PRIs as well as the GaonPanchayats. Similarly, the Government of Assam has made various provisions of financial resources for the GaonPanchayats under the Assam Panchayat (Financial) Rule, 2002 and Assam Panchayat Act, 1994. Unless these provisions and recommendations are in practice in the sense of achieving the financial autonomy, the objective of the 73<sup>rd</sup> amendment of the Constitution of India of strengthening the GaonPanchayats as a mechanism of rural economic development will not be realized.

For achieving the financial autonomy, the GaonPanchayats have to collect the own revenues from the different own tax and non-tax sources besides the assigned taxes and shared taxes. The GaonPanchayats should have uniformity between the assigned functions and the financial resources. There is no doubt that since the GaonPanchayats have to bear the responsibilities of the state at the village level, it is the duty of the state government to devolve funds and encourage the GaonPanchayats to raise their own resources to enable them to discharge their functions effectively for the satisfaction of the people. Unless the financial autonomy of the GaonPanchayat is achieved in real sense and in proportion to the responsibilities, it can not serve as an effective local government for local economic development.

**Objectives:**

1. To highlight the financial provisions for the GaonPanchayats made by the Assam Panchayat Act, 1994..
2. To highlight the strategies that may be undertaken for ensuring financial autonomy of the GaonPanchayats.

**Financial Provisions for the GaonPanchayats in Assam:**

The 73rd amendment of the Constitution of India has made various financial provisions for the GaonPanchayats under the Articles 243 and 243 I. The Article 243(H) empowers the state legislatures: (a) to authorize by law, to levy, collect and appropriate specified taxes, duties, fees and tolls on Panchayats; (b) to assign state taxes, duties, fees and tolls to Panchayats for specific purposes; (c) to provide grants-in-aid to the Panchayats from the Consolidated Fund of the state; (d) to constitute specified funds for creating all money received by or on behalf of the Panchayats and for their withdrawal. The Article 243(I) stipulates that the state government should constitute a State Finance Commission within one year from the date of commencement of the 73rd amendment of the Constitution of India 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.

As per the directions of the seventy third amendment of the constitution of India, Assam Government has passed the Assam Panchayat Act, 1994. Already, Assam government has transferred 23 subjects of administration to the PRIs in June, 2007 with the provision of planning at the district level. To develop the financial base of the PRIs as well as GaonPanchayats, Assam government has passed Assam Panchayat (Financial) Rules, 2002 on 9th October, 2002. The Assam Panchayat (Financial) Rules, 2002 has made the provisions of various sources of income like taxes, penalties, grants-in-aid for administration from the state government, own incomes, loans, donations, public contribution, etc. As per the State Finance Commission of Assam, the sources of incomes are divided into (1) own incomes from the tax revenues and non tax revenues, (2) the grants from the State government and (3) the grants from the Central government. Thus the Assam Panchayat (Financial) Rules 2002 has made the following provisions of own financial resources to the GaonPanchayats.

- (i) Household tax i.e. taxes for brick or R.C.C. building used for business and other than business, taxes on Assam type house used for business and other than business, taxes on house with bamboo, mud wall and thatched roof,
- (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 workshop, 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, pharmacy, tailoring, saloon, etc.
- (xi) Fees from the registration of the cattle sold, etc.
- (xii) Vehicle tax

The following table shows the rate structures of some of the taxes that may be imposed by the GaonPanchayatsof Assam.

Name the source of Tax	Rate per annum
RCC houses Used for Residence	Rs. 150/-
RCC houses used for Business	Rs.250/-
Assam type houses used for Residence	Rs.50/-
Assam type houses used for Business	Rs.200/-
Houses with bamboo/mud wall/thatched roof	Rs.10/-
Trades/Callings/Manufactures etc.	Rs.350/-

Besides the above explicit taxation powers of the GPs, the Section 26 of the Assam Panchayat Act, 1994 has made provisions for sharing of the land revenue, etc., between the GOA and the GPs .

The concerned Section 26 (1) of the Assam Panchayat Act, 1994 states that “subject to the provision of this section, every GaonPanchayat shall be entitled to receive share of land revenue and local Rates / grants-in-aid as prescribed from the consolidated fund of the state as recommended by the State Finance Commission, constituted under section 113 of this Act”.

Non-tax revenue sources of the GaonPanchayats include user charges on public facilities and on the use of the common resources like forest, water bodies, queried materials and minor materials and also taxes on the private property.

### **Strategies for the PRIs for achieving Financial Autonomy**

For achieving the financial autonomy, the GaonPanchayats have to collect the own revenues from the different own tax and non-tax sources besides the assigned taxes and shared taxes. For being the effective organizations of rural economic development, the Panchayats should have uniformity between the assigned functions and the financial resources. There is no doubt that since the GaonPanchayats have to bear the responsibilities of the state at the village level, it is the duty of the state government to devolve funds and encourage the GaonPanchayats to raise their own resources to enable them to discharge their functions effectively for the satisfaction of the people. Unless the financial autonomy of the Panchayat is achieved in real sense and in proportion to the responsibilities, it can not serve as an effective local government for local economic development.

For achieving the financial autonomy as local-self government, the GaonPanchayats have to collect the own revenues from the existing sources as well as they have to broaden their resource bases. There are enormous opportunities for the GaonPanchayats to increase the flow of own financial revenues through the proper use and maintenance of existing tax and non-tax sources and by broadening the resource base. For this purpose, each Panchayat has to make a socio-economic survey of the locality to collect data.

There are great potentialities for the GaonPanchayats to develop properties to generate revenues in future. Generally, GaonPanchayats have been utilizing the state or central governments' funds mainly for consumption purposes and for developing public infrastructures, but a little importance is given to invest the funds for productive purposes.

Generally, each GaonPanchayat has pilgrimages or places of public worship within its jurisdiction.

The GaonPanchayats may make lighting, sanitary and drinking water arrangement at these

places and may collect fees for supplying these. The GaonPanchayat may collect revenues from the festivals or fairs held in the villages under its jurisdiction by making some provisions of lighting, drinking water, etc., to collect fees.

Though there is a provision of collecting fees from daily or weekly markets under GaonPanchayats' areas, but the fees are not collected by the GaonPanchayats rather they are collected by the Mahaldars (broker of the market). By providing proper sanitary arrangement and regular cleaning, the Panchayats may collect more fees.

Generally the GaonPanchayats receive a large number of applications for licenses, permits as well as for various statutory and non-statutory matters. The GaonPanchayats may make the provision of affixing court fee stamps in all these applications and thereby revenue may be collected for the GaonPanchayats' exchequers.

Though there is a provision of imposing stamp duty on all payments for admission to any entertainment, but practically it is not done by the Panchayats. Since generally in each Panchayat area, some entertainments like mobile theatres, etc., are held on the occasion of festivals therefore the GaonPanchayat may collect a sizeable income by imposing stamp duty.

In municipal area, prior permission is required for construction, re-construction and extension for which specific fees have to be paid to the municipal authority. If this rule is also applicable in case of the GaonPanchayat, then it may be good source of revenue to them.

In order to widen the tax base, the GaonPanchayats need to explore additional sources of revenues. Sectors like transport, tourism and infrastructures, etc., have grown remarkably. The GaonPanchayats need to look beyond the traditional areas of lands and buildings and augment their resources by operating in newly emerging sectors through innovative tax / non-tax measures, e.g., fee on tourist vehicles, special amenities, restaurant, theatre, cyber café, etc. The GaonPanchayats should gradually shift itself to some important utility services, such as, transport, water supply and power distribution, etc., on a commercial basis. This will not only ensure better service delivery but will also enable the Panchayats to make some profit and generate additional revenues for themselves.

The taxes assigned to the GaonPanchayat are not elastic or very productive. The autonomy of the GaonPanchayats in exercising them is very much restricted. There is need to make the tax and non-tax sources of the GaonPanchayats more productive and elastic through rationalizing the tax

base, rates, tax administration along with imparting greater autonomy to the GaonPanchayats.

The State Government of Assam and the Assam State Finance Commission should lead policy

work in respect of exploring the appropriate tax and non-tax revenue assignments to the

GaonPanchayats as well as the ways and means of administering and enforcing them to achieve a

greater linkage between the revenue raising and the spending decisions at the local level. The

State Government of Assam should undertake measures to rationalize the list of taxes that may

be levied in order to improve efficient administration.

The State Government of Assam should take steps to strengthen the administrative and

enforcement capacity of the GaonPanchayats to collect the own revenues through frequent

training of the tax collectors to determine and collect tax demands in accordance with the rules

and regulations.

The existing legal system of the revenue collection by imposing taxes, etc., is very lengthy and

complicated. Though the GPs are empowered to levy the various kinds of taxes like tax on

houses and structures within the local limits; tax on trades and callings carried on or held within

the local limits under its jurisdiction, etc., but all are possible only after framing the bye-laws

which have to be approved by the AP and ZP and finally by the state government. Ultimately, the

whole system of mobilization of the own revenues from the own tax and the non-tax sources

depends on the State Government's will and effort. This legal system of the own revenue

collection should be simplified in such a way so that the GaonPanchayats can independently take

the decisions regarding the taxation and others without much interference from the upper layers

of the governments.

### **Conclusion:**

The financial autonomy of the Panchayats is considered as an important parameter for effective

local government. Unless the Panchayats can mobilize the sufficient amount of revenues from

the own sources, financial autonomy will not be possible and the Panchayats will not be able to

serve the locality as effective local-self governments. Therefore, efforts must be taken by the

State government and Central government, elected representatives and the individuals of the

locality to make the Panchayats financially strong and independent.

**References:**

1. Aiyar, M. S., *The politics of Poverty*, India Today, Volume. XXXIV, No-34, August 24, 2009, pp. 44-46.
2. Chakrabarty, A. *Studies in Local Self Government*, New Book Stall, Guwahati, Assam, 1979.
3. Ghosh, B. K., *The Assam Panchayat Act with Rules*, Assam Law House, Guwahati, 2007.
4. Boruah, M., *Role of Panchayati Raj Institutions in Assam and People's Participation after 73<sup>rd</sup> Constitution amendment Act, 1992*, International Journal for Basic Sciences and Social Sciences, Vol.2, No.2, 2013, pp. 145-149
5. MadhavaRao, L.S. *The Bane of Panchayati Raj: Inadequate Resources*, Quarterly Journal of the Local Self Government Institute, 51(1), July-Sept (1980) pp. 22-26.