Rajiv Gandhi
Institute for Contemporary Studies

Policy Watch

Volume XI, Issue 2
February 2022, New Delhi

Governance and Development

In this issue

RAJIV GANDHI
INSTITUTE FOR CONTEMPORARY STUDIES

POLICY WATCH

Volume XI, Issue 2
February 2022, New Delhi

Editorial

The Rajiv Gandhi Institute for Contemporary Studies (RGICS) works on five themes:

1. Constitutional Values and Democratic Institutions
2. Governance and Development
3. Growth with Employment
4. Environment, Natural Resources and Sustainability
5. India's Place in the World.

We bring out the monthly Policy Watch on each of these themes sequentially and every sixth issue is a Special Issue, where we carry articles from each theme. This is issue is on the theme, Governance and Development.

The first article is a Review of the Status of the 73rd Constitutional Amendment on Panchayati Raj in 1922 by RGICS Senior Research Associate, Arnab Bose. It has been 30 years since a major step was taken by the Parliament to establish and strengthen the third tier of elected government at the local level. As we have seen in many other cases, though the laws were highly progressive in intent, even in enactment and adoption, these got diluted, and the attenuation was severe at the stage of implementation.

The early formative stage of Panchayati Raj is obvious in the next article which is about the state of the Panchayati Raj in Uttar Pradesh, contributed by Dr Chandrashekhar Pran, the founder of a campaign called "Teesri Sarkar Abhiyan". He shows some stark facts about the state of Panchayats in UP based on analysis of the results of the 2021 elections to Panchayats in UP.

This is the month when the Union Budget was presented by the Finance Minister on 1st Feb 2022. The Budget was hailed as a pro-growth budget, where the government has significantly increased the outlay for capital expenditure, mainly for infrastructure. This issue of Policy Watch thus carries a compilation of comments on the Union Budget, designed to present a spectrum of views on the Budget.

The first is an article by Dr Santosh Mehrotra, formerly of the Planning Commission and JNU and now visiting professor at the University of Bath, UK. It appeared in The Wire. We also carry a link to a video interview with Prof Mehrotra. The second article on the Budget is by Shri Praveen Chakravarty, Chairman Analytics of the Congress Party. It appeared in the Indian Express. The third article on the Budget is by Pushparaj Deshpande, Director of the Samruddha Bharat Foundation. This appeared in the PolicyCircle.org.

Taken together, the three articles explain what the Budget has not addressed – health, education and weaker section welfare, as well employment creating segments of the economy – MGNGEGA, MSME and the informal sector.

We hope the readers find the articles interesting and Policy Makers use some of the lessons to design better policies and programs with people's participation.

Vijay Mahajan
Director,
Rajiv Gandhi Institute for Contemporary Studies

Panchayati Raj Institutions - Thirty Years after the 73rd Amendment of the Indian Constitution

Arnab Bose, RGICS

1. Introduction

From the time of the freedom struggle to the present day, there has been recognition in India that Panchayat Raj is imperative for both deepening India's democracy and making its development process more inclusive. The aim is to involve the people in the running of their own affairs in their respective neighbourhood communities. It is recognized that Panchayats comprising their own elected representatives, responsible to their own community, would be more likely to respond to the needs and demands of the neighbourhood communities than a distant bureaucracy.

While these ideas were well understood since independence, owing to a focus on various other priorities, they had been ignored by the political elite for a long time. It was only after the advocacy by Prime Minister Rajiv Gandhi that led to the passing of the historic 73rd Amendment, these institutions of local governance received constitutional status in 1992. However, the actual progress in securing the goal of democratic local governance has been uncertain and not sustained. There are now nearly 300,000 units of local self-government, to which some 3.2 million representatives have been elected, 1.2 million of whom are women.

However, instead of empowering this democratically elected community and neighbourhood leaders to deliver public goods and services to the intended beneficiaries, State governments continue relying on the bureaucracy to do so. In consequence, outcomes are nowhere near commensurate with goals. This paper aims to review the 73rd Amendment and the status of Panchayats in six states in order to understand some of the key issues that are hindering the fulfillment of the objectives of democratic local governance and inclusive growth.

2. History of Panchayats in Pre-Independence India

In India the concept of panchayats as partly autonomous village governments can be traced, with some certainty, into medieval times. A number of inscriptions mention village communities, which act in common accord and exert some judicial and administrative powers; they also mention common action of village communities[1]. However, claims of antiquity of democratic self-governance in villages should be considered carefully[2]. The concept of Panchayati Raj as a democratic institutional arrangement is modern.

1 Sewell, R. (1882). Lists of the Antiquarian Remains in the Presidency of Madras (Vol. 1): E. Keys, at the Government Press.
2 Mathew, G. (1994). Panchayati Raj from Legislation to Movement: Concept Publishing Company.

As a formal administrative unit panchayats were first used by the British colonial authority from the second half of the 19th century[3]. The British started to take the issue of local administration seriously when they established the first local institutions in territorial units called 'unions', that were used to maintain law and order in villages and at the same time levy taxes to finance village policing under the Bengal Chowkidari Act 1870[4]. In the same year attempts to devolve administrative powers and public duties in municipal areas were also made by Lord Mayo's resolution, 1870[5]. For rural British India the decisive act was the Ripon Resolution of 1882 that established 'taluks' or sub-divisional boards of administration. The resolution called for local self-government through elections of officials and the ability to levy their own revenue to cover their expenditures[6]. However, the resolution was primarily implemented in the Central Provinces. Over the next few decades further attempts were made to enlarge and strengthen local administration.

At the turn of the century the Royal Commission on Decentralisation reviewed some of the existing efforts from 1907 to 1909 and recommended major improvements and the re-establishment of local administrative units in all provinces[7]. The commission also recommended panchayats be constituted and entrusted with judiciary functions in petty civil and criminal cases, the levy of revenue to execute minor public works in villages, and the construction and maintenance of village schools, amongst others.[8] The main purpose behind the commission's suggestions was to delegate minor public duties to local authorities in order to relieve the workload of officials at higher administrative levels[9]. They also included provisions for an "elections by the villagers"; even though, no mode of election was proposed[10]. Additionally, the panchayats were also subject to the supervision of the District Officer and could be dissolved at his will[11]. It was, however, an important step towards a more self-reliant, indigenous administration at the village level. Although the Government of India accepted the recommendations and allowed their implementation through a resolution in 1915 (Governor-General of India), only a few panchayats were actually constituted and the process was generally slow and tedious[12].

Evaluating the implementation of the 1915 resolution, the Montagu- Chelmsford report found many problems and subsequently suggested in 1918 that a new initiative towards improved local self-government be taken. The report recommended expanding the franchise in panchayat elections to include a broader representation of the village population, restricted to male taxpayers, an elected president and nominated members from minorities[13]. These measures were intended to increase local interest in their administrative affairs and to 'educate' the population politically and administratively[14]. Thereafter, the Government of India Act of 1919 enabled provincial legislatures to enact laws that entrusted panchayats with the recommended powers. The Bengal, Madras and the United Provinces were at the fore front, and The Bengal Village Self-Government Act, 1919[15] and the Madras Village Panchayat Act, 1920[16] were enacted at the time. Over the next decade the electoral base of the panchayats were also expanded.

In 1935, the Government of India Act, 1935 ended the parallel structure of administration laid down by the 1919 Act which had made the elected ministers responsible to the provincial

3 Goel, S. R. S. (2009). Panchayati Raj in India: Theory & Practice (2nd Rev. & Enlg: Deep and Deep Publications.
4,5,6,8,9,10,11,14 Ibid
Chishti, A. (2001). Committees and Commissions in Pre-independence India, 1836-1947: 1903- 1912: Mittal Publications.
12 Goel, S. R. S. (2009). Panchayati Raj in India: Theory & Practice (2nd Rev. & Enlg: Deep and Deep Publications.
13 Simon Commission Report 1930.
15 https://lawsofindia.blinkvisa.com/statelaw/5764/TheBengalVillageSelfGovernmentAct1919.html
16 http://www.southasiaarchive.com/Content/sarf.144124/210921/005

legislative assemblies and the implementers responsible to the governor. Most of the powers and duties were transferred to the provincial legislatures; this included all powers over self-governance in villages[17]. However, the provincial acts were not uniform across India. The definition of panchayat areas differed from province to province and even within provinces there were differences in terms of which areas were under panchayats and which were not. While several provincial acts were passed to formalise and extend the duties of panchayats until 1940, these efforts stopped with the onset of World War II. The Congress leaders, initially sympathetic towards Britain's cause in the war against fascism, were angered that their elected representatives were not consulted before the declaration of war against Germany[18]. Consequently, they started a campaign of non-cooperation and left the provincial governments, where they were in charge of village administrations[19]. Subsequently, no efforts were made towards decentralization between 1940 and 1946[20].

In addition to the provinces under British India, many of the princely states, under the British influence had also started implementing legislations to enable village self-government, and until 1946, 18 of these semi-independent States had enacted such laws[21]. While these were important steps towards self governance in villages it is important to note that the British did not develop this system of decentralisation to democratise the Indian population; this was by no means the intention. It was primarily a way to delegate duties to native administrators at the local level and therefore, to reduce the administrative cost in often-remote areas[22]. The Bengal Chowkidari Act 1870 is a prime example as it essentially delegated the responsibility as well as the cost of policing villages to the local inhabitants, making local law enforcement cost-neutral to the British authorities[23]. Both, cost-efficiency and appeasement to the growing independence movement motivated the British to further delegate duties to Indian representatives. The idea that locals could be appeased if they could participate in administrative decisions at the village level was a factor in devolving duties of public works and minor judiciary functions[24].

Parallel to these formal institutional arrangements that evolved between 1870 and 1947 in British India, there always existed informal arrangements that represented caste or religious groups in villages. In some cases, these panchayats represented the whole village community. These informal panchayats exercised considerable influence over their respective members, fulfilled judicial duties, mediated between groups and governed customs and traditions[25]. Usually, the traditional panchayats were either meetings of village elders or representatives of the village castes, and were mostly dominated by the Brahmins[26]. Women were normally excluded from these meetings, as were Dalits[27]. Some informal panchayats were also formed as part of the independence movement during the first half of the 20th century, following Gandhi's ideal of the village swaraj[28], usually transcending the caste-barriers; but even in those cases, the caste-panchayats continued to exist in parallel[29]. The legacy of the panchayat in pre independence India was therefore twofold: The British way of formalising village panchayats to enforce law and order and to execute public duties; and the tradition of group representation within village communities through caste panchayats that enforced traditional law and customs and mediated between groups.

17 Government of India Act. (1935).
18 Kulke and Rothermund 2006.
19 Goel, S. R. S. (2009). Panchayati Raj in India: Theory & Practice (2nd Rev. & Enlg: Deep and Deep Publications.
20,22,23,24,26, 27 Ibid
21 Mathew, G. (1994). Panchayati Raj from Legislation to Movement: Concept Publishing Company.
25 Some Successful Panchayats. Case Studies. (1960). New Delhi: Government of
28 Gandhi, M., & Vyas, H. (1962). Village swaraj: Navajivan Publishing House.
29 Some Successful Panchayats. Case Studies. (1960). New Delhi: Government of India.

3. Panchayats in the Constituent Assembly Debates

While the debates on rural decentralization during the Colonial period were concerned with effective governance, the debates in the Constituent Assembly on Panchayati Raj were more fundamentally grounded. There were two viewpoints in contestation, that of Gandhi presented by his followers, and that of Ambedkar. Village swaraj was the centrepiece of Gandhi's vision of an independent India. This followed from his fundamental opposition to parliamentary democracy which he saw as perpetuating domination and from his belief in an economy of limited wants and based upon local production, resources, consumption and technologies. He outlined this vision of the village republic in the issue of Harijan in July 26, 1942.

> My idea of village swaraj is that it is a complete republic, independent of its neighbours for its vital wants, and yet interdependent for many others in which dependence is a necessity. Thus the village's first concern will be to grow its own food crops and cotton for its cloth. It should have a reserve for its cattle, recreation and playground for adults and children… The village will maintain a village theatre, school and public hall. It will have its own waterworks ensuring a clean water supply. This can be done through controlled wells or tanks. Education will be compulsory up to the final basic course. As far as possible every activity will be conducted on a co-operative basis. There will be no caste, such as we have today with their graded untouchability. Non-violence with its technique of Satyagraha and non-cooperation will be the sanction of the village community. … The Panchayat of five persons annually elected by the adult villagers, male and female, possessing minimum prescribed qualifications will conduct the government of the village. These will have all the authority and jurisdiction required. Since there will be no system of punishments in the accepted sense, this Panchayat will be the legislature, judiciary, and executive combined to operate for its year in office. Any village can become such a republic without much interference.[30]
>
> Such village republics would be interlinked in a set of 'ever widening, never ascending circles. Life will not be a pyramid with the apex sustained by the bottom. But it will be an oceanic circle whose centre will be the individual always ready to perish for the village, the latter ready to perish for the circle of villages, till at last the whole becomes one life composed of individuals, never aggressive in their arrogance but ever humble, sharing the majesty of their oceanic circle of which they are integral units…' [31]

In this statement one can see Gandhi's belief in the primary harmony of social existence, the essentially co-operative nature of social exchange, and the importance of face to face relationships. Central to his vision was the privileging of the local over the distant. Participation in politics therefore became an integral part of public life. The stature of Gandhi and the appeal of his vision caused some of the members of the Constituent Assembly to argue for it to be the political model for Independent India.[32] Some Gandhians involved in the draft process advocated the inclusion of Panchayati Raj into the constitution as either a fundamental right or a federal institution. K.T. Shah and L.N. Mishra had even drafted motions to include Panchayats as integral parts of the Indian Union.[33]

---

30 H.D.Malaviya, 1956. Village Panchayats in India, Economic and Political Research Department, AICC, New Delhi.
31 M.K.Gandhi. Collected Works, vol 85, pp 32-34.
32 Rao, S. (1967). The Framing of India's Constitution. Select documents: 1946 - 1947. New Delhi: Indian Inst. of Public Administration.
33 Kashyap, A. (1989). Panchayati Raj. Views of our Founding Fathers and Recommendations of Different Committees. New Delhi: Lancer Books.

Dr. B.R. Ambedkar opposed these suggestions since he saw villages in India differently and since he believed that the path of the future lay in a constitutional parliamentary democracy. In strong language he denounced the proposal to make the village the basic unit of the political system. Ambedkar had stated:

> It is said that the new Constitution should have been drafted on the ancient Hindu model of a state and that instead of incorporating Western theories the new Constitution should have been raised and built upon village Panchayats and District Panchayats… They just want India to contain so many village governments. The love of the intellectual Indian for the village community is of course infinite if not pathetic… I hold that the village republics have been the ruination of India. I am therefore surprised that those who condemn provincialism and communalism should come forward as champions of the village. What is the village but a sink of localism, a den of ignorance, narrow-mindedness and communalism? I am glad that the Draft Constitution has discarded the village and adopted the individual as its unit.[34]

Ambedkar's remarks were rooted in an experience of oppressive caste and feudal structures in rural India. The village for Ambedkar represented regressive India, a source of oppression. The modern state hence had to build safeguards against such social oppression and the only way it could be done was through the adoption of a parliamentary model of politics. Ambedkar's remarks caused a furore amongst Gandhians, who expressed their disagreement and lamented that the village, which was an essential feature of Indian social and political life, found no recognition in the Constitution[35]. A compromise was forged and PRIs found place in the non-justiciable part of the Constitution, the Directive Principles of State policy, as Article 40. It stated 'The State shall take steps to organise village Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government'[36]. The late\ inclusion and shift to the directive principles nevertheless continued to cause criticism during the Constituent Assembly debates[37].

4. Evolution of Panchayats from 1947 to 1992

When India became independent on 15 August 1947 most institutions from the colonial period remained in place until 1950. Additionally, India was not yet consolidated in terms of territory or in terms of Constitution. Furthermore, the violent partition and the Kashmir issue called for the immediate attention of the political elite. In such a situation, decentralized rural governance was not an immediate pressing issue[38]. Nevertheless, the institutional legacy of the British gave impetus in creating some new acts on Panchayats. Adding to the already existing legislations, five new acts came into force between 1947 and 1950[39]. Some new acts became necessary due to the merger of Union-States with former princely-States in order to unify legislation within States[40]. Since no Constitution was in place at the time, the States were free to enact their own local government acts constituting panchayats, following the provisions of the Government of India Act of 1935, which remained in force until 1950.[41]

Most of the acts passed during the post-independence, pre-constitution period were updates of existing legislation to accommodate the new situation, and to simplify existing texts. Since

35 Rao, S. (1967). The Framing of India's Constitution. Select documents: 1946 - 1947. New Delhi: Indian Inst. of Public Administration.
36 https://www.constitutionofindia.net/constitution_of_india/directive_principles_of_state_policy/articles/Article%2040
37 http://parliamentofindia.nic.in/ls/debates/v1p10m.html.
38 Mathew, G. (1994). Panchayati Raj from Legislation to Movement: Concept Publishing Company.
39 Ibid
40 The Orissa Gram Panchayat Act, 1948.
41 Mathew, G. (1994). Panchayati Raj from Legislation to Movement: Concept Publishing Company.

the central government gave no recommendations on Panchayats, the States were relatively free to design their structure. The Saurashtra Gram Panchayat Ordinance of 1949 and the United Provinces Panchayat Act of 1949, for example, provided just a single tier structure of the Gram Panchayat, the Assam Panchayati Raj Act of 1948 provided for two tiers and the Madhya Bharat Panchayat Act of 1949140 provided a three-tier structure.

During the early 1950s, post the adoption of the Constitution, Gandhi's village swaraj was kept on the back burner in the overall development plan, which was deeply committed to industrialisation, economic growth, and income redistribution[42]. The thrust on local governance started only with the community development program which occupied the central place in rural administration in the 50s. For the first time, the central government recognised the importance of the rural communities and the villages as units of development. For the development of villages various agencies, departments and ministries concerned with rural industries, agriculture and food, health and education integrated their programs[43]. The Community Development Programme, however, established a system that was largely independent of any Panchayat System[44]. Consequently, in the late 1950s the community development projects failed to evoke people's participation[45].

The earliest committee to study decentralization issues was the Balwantrai Mehta Committee which was appointed in 1957 to study the Community Development Projects and the National Extension Service and to assess the extent to which the movement had succeeded in utilizing local initiatives and in creating institutions to ensure continuity in the process of improving economic and social conditions in rural areas[46]. The Committee in its report expressed dissatisfaction over the centralised functioning of the programme and recommended that public participation in community work should be organised through statutory representative bodies. It suggested the following:[47]

a) an early establishment of elected local bodies and devolution to them of necessary resources, power and authority,

b) That the basic unit of democratic decentralization was to be at the block/samiti level since the area of jurisdiction of the local body should neither be too large nor too small. The block was large enough for efficiency and economy of administration, and small enough for sustaining a sense of involvement in the citizens,

c) such a body must not be constrained by too much control by government or government agencies,

d) the body must be constituted for 5 years by indirect elections from the village Panchayats,

e) its functions should cover the development of agriculture in all its aspects, the promotion of local industries and other services such as drinking water, road building etc., and

f) The higher level body the Zilla Parishad would play an advisory role

42 Kohli, Atul. 1987. The State and Poverty in India: The Politics of Reform, Cambridge, U.K., Cambridge University Press.
43 Dey, S. K. (1964). Community Development: a Bird's-eye View. New Delhi: Asia Publishing House Bombay.
44 Ibid
45 Dayal, R. (1966). Community Development Programme in India. Allahabad: Kitab Mahal.
46 Jain, S. C. (1967). Community Development and Panchayati Raj in India. New Delhi: Allied Publishers.
47 Government of India, Committee on Plan Projects. 1957. Report of the Team for the Study of Community Projects and National Extension Service, Vol. I, II New Delhi, National Development Council. (Chairman: Balvantrai Mehta).

Based on the recommendations of the Balwantrai Mehta Committee, by the early 1960s, PRIs began to be established in all parts of India. By March 1962, 204,000 village panchayats had been established and these served about 95 per cent of the rural population.[48]

By the year 1963, Panchayati Raj legislation had been enacted in 12 States and Panchayat Samitis and Zila Parishads had been established in 10 States [49]. Zila Parishads were considered to be of utmost importance for rural development.

The Third Five Year Plan (1961-66) laid considerable stress to the rural sector to make India self sufficient in food production. Particular attention had been given to the administrative and functional aspects of Panchayati Raj. To carry out the responsibilities entrusted to them, PRIs at each level were in a position to secure adequate resources both from the State Government and the local level [50]. An important contribution of the panchayat movement had been to make available teams of trained workers to serve at block and village level. Thus, till the end of the third plan in 1966, the panchayats began to flourish.

The period between 1967 and 1977 was marked by two major developments: stagnation in the implementation of the Panchayati Raj system and an increasing centralisation. In the 1967 General Elections the Congress lost many seats. As a result, Prime Minister Indira Gandhi, faced by challenges both within the party and within the government, attempted to consolidate her position by a process of centralisation of political and administrative power. [51] In the process, the panchayat system was ignored.[52]

While many States had previously passed legislation to establish a three-tier Panchayat system following the B.R. Mehta Committee's recommendations, the implementation of these acts stagnated; elections for Panchayats for example were not held [53]. Further, most initiatives for development came from the central leadership. Additionally, external factors, like the drought years of 1965 to 1967 and the wars with Pakistan in 1965 and 1971, took the focus of the central government away from decentralisation. As a result panchayats almost disappeared in various policy documents.[54]

After the 1975-77 Emergency, the Indian National Congress led by Mrs. Indira Gandhi lost the General Election in March 1977. Considering the fact that panchayats had not fulfilled expectations, the Janata Party Government constituted a committee headed by Asoka Mehta to review the working of panchayats and to suggest measures to strengthen them.[55]

The Committee considered the PRI experience post 1959 as having gone through three phases; (i) ascendancy (1959-64), (ii) stagnation (1965-69), (iii) and decline (1969-77)[56]. Further, it felt that a combination of factors had conspired to undermine PRIs, such as an unsympathetic bureaucracy, absence of political will, lack of involvement in planning and implementation, confusion with respect to the role of PRIs, as well as the domination of the PRIs by the rural economic and social elite.[57] The Committee was the first to recognise the need for constitutional provisions for panchayats. At the time the states of Karnataka, Andhra Pradesh and West Bengal, passed new legislation based on the Asoka Committee Report. However, political dynamics did not allow these institutions to develop. In 1980 the unstable Janta Party dissolved bringing Indira Gandhi back to power and causing an intermission in the evolution of the panchayat.

48 Government of India. 1963. Report of the Study Team on Position of Gram Sabha in Panchayati Raj Movement (Chairman: R.R. Diwakar), New Delhi.

49,50, 52, 54, 57 Ibid

51 Aiyar, Mani Shankar. 2014. Inclusive Governance for Inclusive Development: The History, Politics and Economics of Panchayat Raj. Chapter 4 in J.P. Faguet and C. Pöschl (eds.). 2015. Is Decentralization Good for Development? Perspectives from Academics and Policy Makers. Oxford: Oxford University Press.

53 Mathew, G. (1995). Status of Panchayati Raj in the States of India, 1994. New Delhi: Institute of Social Sciences.

55 https://www.thehindu.com/news/national/kerala/a-few-hits-and-many-misses/article23631243.ece

56 Government of India1978.Report of the Committee on Panchayati Raj Institutions (Chairman: Asoka Mehta), New Delhi, Department of Rural Development, Ministry of Agriculture and Irrigation.

It was not until Rajiv Gandhi became prime minister in 1984 was there a revival of interest in the Panchayat Raj. His personal interest in decentralisation and major changes in the Indian society, such as the beginning of liberalisation and the emergence of social movements, further triggered the revival. Rajiv Gandhi started his quest for a "responsive administration" through "representative" and, therefore, "responsible" institutions of local self government.[58]

A committee headed by G.V.K. Rao was appointed by the Planning Commission in March 1985 to review the existing administrative arrangements for rural development and poverty alleviation programmes and to recommend structural mechanisms for the planning and implementation of these programmes in an integrated manner. The Committee submitted its report in December 1985 and recommended to activate "Panchayati Raj bodies, viz. the Zila Parishad, Panchayat Samitis, and Gram Panchayats"[59]. The Committee further emphasised strengthening the role of the block development officer in the rural development process.

Another major attempt to regenerate PRIs was made with the appointment of the L. M. Singhvi Committee in 1986. The committee recommended that PRIs should be enshrined in the Constitution, and 'Gram Sabha' be the base of decentralised democracy [60]. The Committee also showed its displeasure over the irregularity of panchayat elections and dealt with the issue of the role of political parties in panchayat elections. Further, the Committee suggested that non-involvement of political parties should be consensual rather than through legislation [61].

On this issue the supporters of panchayats had two opinions. The Gandhians supported party less democracy while others argued for the involvement of political parties to support candidates with weak economic backgrounds [62]. Notwithstanding, democratic momentum did not find pace to cater to the requirements of rural development [63].

5. The 73rd Amendment

In 1989, Prime Minister Rajiv Gandhi proposed to assign constitutional status to PRIs and tabled the historic 64th Constitutional Amendment Bill[64] in the lower house of the parliament. Although he failed by five votes to muster in the Rajya Sabha the required two-thirds majority to amend the Constitution, his draft remained on the anvil.[65] This bill was opposed mainly because it was viewed as an instrument for the union government to deal directly with PRIs and bypass the state governments[66]. Over time, however, consensus in favour of PRIs grew among all political parties. The National Front government that came into power for a short period introduced a bill for PRIs on September 7, 1990.

Finally, the Congress government, led by Narasimha Rao, which came back to power after the assassination of Rajiv Gandhi, introduced a constitutional amendment bill for PRIs in September 1991. After debate and discussion it was passed virtually unanimously in the Parliament on 22 December 1992, and became the Constitution (73rd Amendment) Act 1992 on April 24, 1993 after ratification by most State Assemblies[67].

58 Rajiv Gandhi, Selected Speeches and Writings, 1988, Vol. IV, Publications Division, New Delhi, speech to District Magistrates at Jaipur, 30 April 1988, p. 156 and p.161.

59 Rao, G.V.K. 1985.Report of the Committee to Review the Existing Administrative Arrangements for Rural Development and Poverty Alleviation Programmes (CAARD),Department of Rural Development, Ministry of Agriculture.

60 http://ncsc.nic.in/files/Chapter4.pdf

61, 66, 67 Ibid

62 Wadhwani, M. and S.N. Mishra.(ed.) 1996.Dreams &Realities : Expectation from Panchayati Raj, IIPA, New Delhi.

63 Ibid

64 Two documents became the basis for the draft amendment to the constitution that inaugurated the present era of Panchayat Raj. The first was the outline of constitutional amendments suggested by a the Ashok Mehta committee, 1978, and the second was a draft of a possible constitutional amendment prepared in 1986 by L.M. Singhvi (who was also a member of the Asoka Mehta committee).

65 S.S.Singh et al. 1997. Legislative Status of Panchayati Raj Institutions in India, IIPA, New Delhi.

5.1 Key Features of 73rd Constitutional Amendment[68]

(i) Part IX has been inserted immediately after 'Part VIII' of the Constitution and after the 'Tenth Schedule' of the Constitution, ' Eleventh Schedule ' has been added (Article 243G) which gives the detail list of functions to be performed by PRIs. Panchayats shall be constituted in every state at the village, intermediate and district levels, thus bringing about uniformity in the PR structure. However, the states having a population not exceeding 20 lakh have been given the option of not having any Panchayat at the intermediate level.

(ii) ZWhile the elections in respect of all the members to Panchayats at the level will be direct, the election in respect of the post of the Chairman at the intermediate and district level will be indirect. The mode of election of Chairman to the village level has been left to the State Government to decide. All members including the chairperson shall have the right to vote.

(iii) Reservation of seats for SC/STs has been provided in proportion to their population at each level. Not less than one-third of the total membership has been reserved for women (in both reserved and general category) and these seats may be allotted by rotation to different constituencies in a Panchayat. Similar reservations have been made in respect of the office of the chairperson also.

(iv) A uniform term of five years has been provided for the PRIs and in the event of dissolution or super session, election to constitute the body should be completed before the expiry of six months from the date of dissolution. If the remainder period is less than six months, fresh elections may not be necessary. Panchayat constituted upon dissolution may continue for the remainder of the period.

(V) With a view to ensuring continuity, it has been provided in the Act that all the Panchayats existing immediately before the commencement of this Amendment Act will continue till the expiry of their duration unless dissolved by a resolution to that effect passed by the State Legislatures concerned or any law relating to the panchayats which before the amendment came into force, not inconsistent with its provisions shall continue, unless amended or repealed.

(vi) There shall be an Election Commission for the conduct of all elections to the panchayats consisting of a State Election Commissioner to be appointed by the State Government. It shall also be in charge of superintendence, direction and control of the preparation of electoral rolls.

(vii) The State Legislatures have been given the power to authorise the Panchayats to levy, collect and appropriate suitable local taxes and also provide for making grants-in-aid to the Panchayats from the consolidated fund of the concerned state.

68 https://www.education.gov.in/sites/upload_files/mhrd/files/upload_document/73amend.pdf

(viii) A State Finance Commission has to be constituted once in every five years to review the financial position of the Panchayat and to make suitable recommendations to the Governor as to the principles which should govern the distribution between the state and the panchayats of revenue, whether net proceeds of the taxes, duties, tolls, and fees leviable by the state or grants in aid and recommend measures to strengthen the financial position of the panchayat bodies and deliberate on any other matter referred to it by the Governor. The Constitution 73 rd amendment act adds a sub clause (bb) to Article 280 of the Constitution. According to this sub clause, the Central Finance Commission, in addition to other stipulated duties, shall also make recommendations to the President regarding the measures needed to augment the then Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State.

Nearly three decades have passed since the Constitution was amended. Panchayat Raj Institutions have now been established countrywide. Their establishment has coincided in time with the era of economic reforms, but the self-delivery of public goods and services through PRIs, which was the very purpose of the constitutional amendments, remains most uneven and continues to be a distant prospect.

6. Status of Panchayats

As local government is a State subject, State legislatures have a critical role in determining various aspects of Panchayati Raj in their States. States are keys as far as devolution of powers to Panchayats is concerned. The Constitution envisages that Panchayats will function as institutions of local government and prepare plans and implement schemes for economic development and social justice, but leaves the precise devolution of powers and authority to Panchayats to the States. Powers to impose taxes by and provisions of funds to the Panchayats are also determined by the States. Moreover, States play a critical role in building Panchayat capacities and in creating an appropriate framework for accountability and transparency. In this section, the implementation status of Panchayats has been assessed in six states in which the Panchayati Raj Extension to Scheduled Areas (PESA) Act[69] does not apply: Assam, Karnataka, Kerala, Punjab, Uttar Pradesh, and West Bengal. The status has been assessed based on the following four parameters: Representation, Elections, Devolution of Functions and Financial Resources.

i. Representation

a. **Representation of Women:** Panchayat elections with gender quotas were instituted with the passage of the 73rd Constitutional Amendment Act, mandating 33.3 per cent reservation for women in PRIs across India[70]. Today, as many as 20 states, including Assam, Karnataka, Kerala, Punjab and West Bengal, have increased reservations for women in their PRIs to 50 per cent.[71]

69 The Fifth Schedule of the Constitution deals with the administration and control of Scheduled Areas as well as of Scheduled Tribes residing in the areas other than States of Assam, Meghalaya, Tripura and Mizoram. PESA is a Central legislation that extends the Provisions of the Panchayats, as given in Part IX of the Constitution to the Fifth Schedule Areas with certain modifications and exemptions. The States with Fifth Schedule Areas that are covered under PESA are Andhra Pradesh, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan and Telangana.

70 Clause (3) of Article 243D of the Constitution

71 https://theprint.in/opinion/77-women-in-panchayati-raj-institutions-believe-they-cant-change-things-easily-on-ground/644680/

Table 2: Percentage of Elected Women Representatives (As of 2018)

S. No.	State	Total Elected Representatives	Total Elected Women Representatives	Percentage of Elected Women Representatives (%)
1.	Assam	26820	13410	50.00
2.	Karnataka	104967	50892	48.48
3.	Kerala	18372	9630	52.42
4.	Punjab	97180	32393	33.33
5.	Uttar Pradesh	826458	272733	33.00
6.	West Bengal	59402	30157	50.77

Source: Ministry Of Panchayati Raj Statistics 2019

According to above table it is observed that a majority of the states have gone beyond the mandated 33.33% reservation except Uttar Pradesh which falls marginally short at 33 per cent. Additionally, out of all the states which had further increased their reservation to 50 per cent only Assam, Kerala and West Bengal meet the criteria. Karnataka falls marginally short at 48.48 per cent, whereas Punjab has only managed to fulfill the Constitutional mandate and remains at 33.33 per cent.

b. Representation of Weaker Sections: The 73rd amendment further mandates reservation of seats for SCs and STs in proportion of their population in the respective panchayat areas, and it also requires one-third of those seats to be reserved for women of these sections[72].

Table 2: Percentage of SCs and STs amongst Elected Representatives in Panchayats

S. No.	State	SC Population (%) (2011 Census Data)	SC Representatives (%) (2008 Data)	ST Population (%) (2011 Census Data)	ST Representatives (%) (2008 Data)
1.	Assam	7.15	5.284	12.45	3.48
2.	Karnataka	17.15	18.59	6.95	10.73
3.	Kerala	9.10	10.85	1.45	1.22
4.	Punjab	31.94	31.17	0	0
5.	Uttar Pradesh	20.70	24.87	0.57	0.09
6.	West Bengal	23.51	29.08	5.80	7.28

Source: Ministry of Panchayati Raj, Annual Report 2014-15

It should be noted that the population figures are from the 2011 Census whereas the panchayat figures are based on 2008 data. Further, these figures are not disaggregated by panchayat areas but are just aggregate state figures. Therefore, these figures cannot be used as a precise estimate but merely as a general indicator of trends in these states. As per the figures all these states have fared reasonably well in terms of representation of the weaker sections in Panchayats.

72 Clause (1) and (2) of Article 243D of the Constitution

ii. Elections

The Constitution of India has stipulated direct elections of all members of Panchayats. For conducting these elections, all States are mandated to constitute a State Election Commission. Further, it has mandated five year terms for these panchayats[73].

Table 3: Status of Elections to PRIs

S. No.	State	Total Elections Held Since 73rd Amendment	Date of Last Election	Date of Next Election
1.	Assam	5	2018	2023
2.	Karnataka	6	2020/21	2025/26
3.	Kerala	6	2020	2025
4.	Punjab	5	2018	2023
5.	Uttar Pradesh	6	2021	2026
6.	West Bengal	5	2018	2023

Source: Ministry of Panchayati Raj

Since the 73rd Amendment the conduct of elections has been regular in all these states. However, there have been some question marks on the actual conduct of elections in some states such as electoral violence, seats going uncontested due to fear of violence etc [74]

iii. Devolution of Functions

The Constitution has mandated the State Legislatures to endow the PRIs with powers and authority to enable them to function as institutions of local self-governance[75]. The State legislatures are to consider 29 areas for devolution to the Panchayats for the planning and implementation of schemes for economic development and social justice. However, the precise devolution of powers and authority to Panchayats has been left to the States. The functions entrusted to a Panchayat are as under [76] :

1) Agriculture, including agricultural extension.
2) Land improvement, implementation of land reforms, land consolidation and soil conservation.
3) Minor irrigation, water management and watershed development.
4) Animal husbandry, dairying and poultry.
5) Fisheries.
6) Social forestry and farm forestry.
7) Minor forest produce.
8) Small scale industries, including food processing industries.

73 Article 243E of the Constitution.
74 https://indianexpress.com/article/north-east-india/tripura/tripura-panchayat-polls-86-seats-won-uncontested-cpm-blames-bjp-armed-gangs-5827175/
75 Article 243G of Part IX of the Constitution.
76 These 29 areas are listed in the Eleventh Schedule of the Constitution.

9) Khadi, village and cottage industries.

10) Rural housing.

11) Drinking water.

12) Fuel and fodder.

13) Roads, culverts, bridges, ferries, waterways and other means of communication.

14) Rural electrification, including distribution of electricity.

15) Non-conventional energy sources.

16) Poverty alleviation programme.

17) Education, including primary and secondary schools.

18) Technical training and vocational education.

19) Adult and non-formal education.

20) Libraries.

21) Cultural activities.

22) Markets and fairs.

23) Health and sanitation, including hospitals, primary health centers and dispensaries.

24) Family welfare.

25) Women and child development.

26) Social welfare, including welfare of the handicapped and mentally retarded.

27) Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.

28) Public distribution system.

29) Maintenance of community assets.

Table 4: Devolution of Subjects in States

S. No.	State	Number of Subjects Devolved	All India Rank Based on Index of Devolution of Function
1.	Assam	21	15
2.	Karnataka	29	9
3.	Kerala	29	1
4.	Punjab	9	17
5.	Uttar Pradesh	26	8
6.	West Bengal	28	6

Source: Devolution Report (2015-16): Where Local democracy and Devolution in India is heading towards?, TISS: Mumbai.

As per the above figures, 4 out of the 6 states have fared well in devolution, with Karnataka and Kerala having devolved all the subjects, followed by West Bengal and UP. However, Assam and particularly Punjab has fared poorly on devolution as also reflected from their devolution rank. While the selected states have done reasonably well on devolution, various studies have shown that lack of devolution at all India level is one of the major concerns for the poor performance of panchayats .[77]

iv. Financial Resources

A major portion of Part IX of the deals with the structural empowerment of the PRIs but the real strength in terms of both autonomy and efficiency of these institutions is dependent on their financial position (including their capacity to generate own resources). In general, Panchayats receive funds in the following ways:

- Grants from the Union Government based on the recommendations of the Central Finance Commission[78]
- Devolution from the State Government based on the recommendations of the State Finance Commission[79]
- Loans/grants from the State Government
- Programme-specific allocation under Centrally Sponsored Schemes and Additional Central Assistance
- Internal Resource Generation (tax and non-tax)[80]

a. Fourteenth Finance Commission Grants

As per the Constitution, Union Finance Commissions are required to make recommendations to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State[81]. The status of actual allocation and release of grants to the rural local bodies under the 14th Finance Commission is as under:

Table 5: 14th Finance Commission Allocation of Grants to Rural Local Bodies (2015-20)

S. No.	State	Basic Grant in Crores (2015-20)	Performance Grant in Crores (2016-20)	Total Grant in Crores (2015-20)	Total Grants Share in Total Grants of all States (%)	Formula Adopted by State for Distribution of Basic Grants
1.	Assam	4874.92	541.66	5416.58	2.70	SFC
2.	Karnataka	8359.79	928.87	9288.66	4.64	FFC
3.	Kerala	3615.85	401.76	4017.61	2.01	SFC
4.	Punjab	3682.02	409.11	4091.13	2.04	SFC
5.	Uttar Pradesh	32198.90	3577.66	35776.56	17.86	SFC
6.	West Bengal	12772.60	1419.18	14191.78	7.09	FFC

Source: Ministry of Panchayati Raj Statistics 2019

77 Devolution Report (2015-16): Where Local democracy and Devolution in India is heading towards?, TISS: Mumbai.
78 Article 280 of the Constitution.
79 Article 243I of the Constitution.
80 Article 243H of the Constitution.
81 Article 280(3) (bb) of the Constitution.

Table 6: Fourteenth Finance Commission Allocation and Release of Grants to Rural Local Bodies (2018-19)

S. No.	State	Total (BG + PG) Allocation in Crores	Total (BG + PG) Release in Crores	Release as a Share of Allocation (%)
1.	Assam	1218.82	0.00	0
2.	Karnataka	2090.10	1841.54	88.11
3.	Kerala	904.03	802.78	88.8
4.	Punjab	920.58	0.00	0
5.	Uttar Pradesh	8050.34	7148.74	88.8
6.	West Bengal	3193.39	2740.69	85.82

Source: Ministry of Panchayati Raj Statistics 2019

The above tables suggest that the actual release of grants during the FFC was around 88 per cent in four of the six states whereas in Punjab and Assam there was no release of grants in 2018-19. Further, the formula adopted for distribution of grants is based on SFC in 4 out of the 6 states. West Bengal and Karnataka have distributed grants based on FFC.

Data from the Thirteenth Finance Commission shows that the panchayats' own sources of revenue are very meager. Over the last decade, the own sources of revenue of PRIs have been less than 10% of their expenditure[82]. Therefore, panchayats are heavily dependent on grants from Union and State Governments. There is an imperative to ensure proper release of grants, as well as effective fiscal decentralization, so as to ensure that adequate finances are available with the panchayats for their proper functioning.

b. State Finance Commission

The Constitution mandates each state to constitute a State Finance Commission every five years to review the financial position of the Panchayats and to make recommendations for[83]:

- the distribution of the net proceeds of the taxes, duties, tolls and fees leviable by the State to the panchayats
- the determination of the taxes, duties, tolls and fees which may be assigned to the Panchayat
- the grants-in-aid to the Panchayats from the Consolidated Fund of the State
- the measures needed to improve the financial position of the Panchayats

Further, every recommendation made by the Commission under this article together with an explanatory memorandum by the Governor about the action taken is required to be laid before the State Legislature. The status of the SFC of the sample states is given below:

The Constitution provides for the appointment of SFCs within one year from the commencement of the Constitution Amendment Act 1992, and, thereafter, at the expiry of every fifth year. Thus, as per the Constitutional provisions, setting up of fifth SFC became

82 https://nipfp.org.in/media/medialibrary/2019/05/WP_263_2019.pdf
83 Article 243I of the Constitution.

due in 2014-15 in all the states. However, the table above shows that only four out of the six states have constituted their fifth SFC. Further, the record of many other states is even worse with many states having constituted just one or two SFCs[84].

Table 6: Status of State Finance Commissions

S. No.	State	Number of the Latest SFC Constituted	Year of Constitution of the Latest SFC	Whether Reports of Earlier Commissions Available (Yes/No)	Whether Reports of Earlier Commissions Accepted (Yes/No)
1.	Assam	5	2015	Yes	Yes
2.	Karnataka	4	2015	No	Yes
3.	Kerala	5	2014	Yes	Yes
4.	Punjab	5	2018		
5.	Uttar Pradesh	5	2016	Yes	Yes
6.	West Bengal	4	2013	Yes	Yes

Source: Ministry of Panchayati Raj Statistics 2019

Another important concern is the delay in tabling the SFC reports to the State Legislatures. Review of the SFC reports of states have revealed that the average time taken by them to submit their reports is around 32 months resulting in an average delay of about 16 months. And the average time taken by state governments to table the ATR (Action Taken Report) is around 11 months[85]. Delay in the submission of reports by SFCs along with the delay in tabling the action taken reports in the legislature by state governments effectively means that very little time remains to work on the recommendations of SFCs. A steady and predictable flow of funds is essential for reliable provisioning of basic public goods, such delays means that the flow of funds to local governments is not steady and predictable thereby adversely impacting the delivery of basic services by the local governments.

c. Devolution of Finance

While the 73rd amendment has mandated the SFC to give recommendations for Panchayat finances including the devolution of funds[86], however, the centrality of State governments in deciding the extent and process of decentralisation continues. The table below shows the per capita devolution in the sample states as recommended by the SFCs.

It can be observed that there is huge variation in the recommended per capita devolution across States. The average per capita recommended devolution for the period 2015-16 and 2019-20, varies between Rs.234.89 in case of Assam and Rs.6101.04 for Karnataka. As own revenues of local bodies is very small and most of the central funds are tied in nature, the devolution from SFC is an important source of untied funds to them. There needs to be some uniformity across states to ensure availability of adequate resources for panchayats in all states.

84 https://nipfp.org.in/media/medialibrary/2019/05/WP_263_2019.pdf
85 Ibid
86 Article 243H of the Constitution.

Table 7: Per Capita Devolution Recommended by SFCs (in Rs.)

S. No.	State	2015-16	2016-17	2017-18	2018-19	2019-20	Average (2015-16 to 2019-20)
1.	Assam	201.25	232.87	238.84	245.89	254.10	234.89
2.	Karnataka	4966.28	5637.60	6267.57	6516.94	7061.93	6101.04
3.	Kerala	2164.16	2505.53	2929.77	3418.46	3980.77	3004.26
4.	Punjab	448.25	416.30	443.01	471.90	503.19	456.96
5.	Uttar Pradesh	449.53	-	-	-	-	449.53

Source: NIPFP Working Paper Series, 2019[87]

7. Key Issues

Panchayati Raj Institutions (PRIs) have been a remarkable success in certain areas especially related to political representation. Soon after the 73rd amendment, every state government began the process of creating the requisite layer of PRIs. State election commissions were in charge of the infrastructure required to elect local representatives. At the moment there are more than 260,000 PRIs and over three million elected local government representatives[88].

Additionally, the 73rd Amendment required that no less than one-third of the total seats in local bodies should be reserved for women. At 1.4 million, India currently has the most women in elected positions[89]. Seats and sarpanch/pradhan positions were also reserved for SC/ST candidates. In a country where access is determined by gender and caste these changes are remarkable.

However, on all other areas representation, PRIs have been quite ineffective. Some of the key areas of concern are as follows:

i. **Lack of Devolution of Functions:** The 73rd Amendment does not mandate the transfer of various governance functions like the provision of education, health, sanitation, and water. Instead the amendment has listed the functions that could be transferred, and left it to the state legislature to actually devolve functions. There has been very little devolution of authority and functions in the last 25 plus years[90]. PRIs cannot govern unless they are given the authority to actually perform functions related to governance. Further, because these functions are not adequately devolved, state executive authorities have proliferated to carry out these functions.

ii. **Inadequate Financial Resources:** Local governments can either raise their own revenue through local taxes or receive intergovernmental transfers. The 73th Amendment recognized both forms of public finance, but did not mandate either. The power to tax, even for subjects falling within the purview of PRIs, has to be specifically authorized by the state legislature, a choice a lot of states have not exercised. Data has repeatedly shown that own sources of funds continue to be extremely meager[91].

87 https://nipfp.org.in/media/medialibrary/2019/05/WP_263_2019.pdf
88 https://www.panchayat.gov.in/documents/20126/0/Statistical+handbook_MoPR+02082019.pdf/4988ca1b-4971-1f3b-54e7-980228eb47f9?t=1564729098415
89 Ibid
90 https://nipfp.org.in/media/medialibrary/2019/05/WP_263_2019.pdf
91 https://www.panchayat.gov.in/documents/20126/0/Panchayati_Raj_Final_pdf_02-5-11.pdf/8aa0a6bd-bdfa-0144-b89b-cd7a78d79981?t=1554872219971

A second source of revenue generation is intergovernmental transfers, where state governments devolve a certain percentage of their revenue to PRIs. The constitutional amendment created provisions for State Finance Commissions to recommend the revenue share between state and local governments. However, these are merely recommendations and the state governments are not bound by them. Though finance commissions, at every level, have advocated for greater devolution of funds, there has been little action by states to devolve funds[92]. As a result, PRIs are so starved for funds that they are often unable to meet even basic obligations.

iii. **Tied Nature of Central Funds:** The central funds under schemes are tied to certain activities which are not always appropriate for all parts of the district GP. This results in unsuitable activities being promoted or an under-spend of the funds[93].

iv. **Excessive Control by Bureaucracy:** In some States, the GPs have been placed in a position of subordination. GP Sarpanches have to spend extraordinary amount of time visiting Block Offices for funds and/or technical approval[94]. These interactions with the Block staff office distort the role of a Sarpanch as an elected representative.

v. **Capacity Building:** Capacity building of elected representatives and officials is critical for the empowerment of the Panchayats as well-functioning institutions of local self-government. Moreover, as the PRIs are being assigned increasing responsibilities in both developmental and regulatory activities, there is a growing concern about their capacity. The magnitude of the challenge is enormous. Around 30 lakh Elected Representatives and 10 lakh official functionaries have to be trained every year[95].

8. Recommendations

- There is an urgent need for devolution of 3Fs (Funds, Functions, Functionaries) by the States across the key sectors. Going forward states should progressively aim to devolve all 29 areas listed in Schedule XI of the Constitution. Clarity on the role and responsibilities of the Panchayats of different tiers is provided by Activity Mapping which therefore is also important for the devolution of functions to the Panchayats.
- The Panchayats need to be given the right to levy and collect taxes, tolls, fees, user charges on their own with minimum and maximum rates, and such collection needs to be incentivised in order to reduce their dependence on the Central and State Government transfers.
- Effective financial devolution is of utmost importance so as to ensure that the funds available with the Panchayats are adequate to fulfill the mandated functions.
- The share of transfers to the PRIs from the State Governments as untied grants needs to be increased by consolidating the State schemes into untied grants (as Kerala has done). Further, the formula to allocate grants to the PRI as a share of the State revenues needs to be explicitly defined through State legislation.
- There is a need to develop a comprehensive Capacity Building strategy based on thorough Capacity assessment to address gaps at both, the individual and institutional levels.

92 Ibid
93 https://nipfp.org.in/media/medialibrary/2019/05/WP_263_2019.pdf
94 https://economictimes.indiatimes.com/news/politics-and-nation/devolution-of-power-to-sarpanchs-ineffective-in-practice-cag/articleshow/75741839.cms?from=mdr
95 https://www.panchayat.gov.in/documents/20126/0/Panchayati_Raj_Final_pdf_02-5-11.pdf/8aa0a6bd-bdfa-0144-b89b-cd7a78d79981?t=1554872219971

9. Conclusion

The Constitutionally mandated PRIs in India, in terms of the size of the electorate, the number of grass roots institutions (about 260,000), the number of elected representatives (3.1 million), and in terms of empowerment of women (about 1.4 million elected women representatives), is the greatest experiment in democracy undertaken anywhere in the world or at any time in history. However, over the last three decades while they have succeeded in representation, especially of women and weaker sections, many challenges with respect to governance remain.

Currently moving towards completing 30 years there is a need to set in motion a new set of reforms. The time has come to move from political representation to power devolution. There is a need for the state political leadership to accept the importance of PRIs, and devolve power to them as mandated by the Constitution of India. Building the capacities of PRIs not as mere implementers of projects but as planners and evaluators would help strengthen the institution. There is also a need for elected local leaders to come together with their constituents, and demand more control and autonomy as enshrined to them by the Constitution of India.

References

Aiyar, Mani Shankar. 2014. Inclusive Governance for Inclusive Development: The History, Politics and Economics of Panchayat Raj. Chapter 4 in J.P. Faguet and C. Pöschl (eds.). 2015. Is Decentralization Good for Development? Perspectives from Academics and Policy Makers. Oxford: Oxford University Press.

Basic Statistics of Panchayati Raj Institutions, 2019, Ministry of Panchayati Raj, New Delhi.

Chishti, A. (2001). Committees and Commissions in Pre-independence India, 1836-1947: 1903- 1912: Mittal Publications.

Constitutional Assembly Debates, 4th November 1948.

Dayal, R. (1966). Community Development Programme in India. Allahabad: Kitab Mahal.

Devolution Report (2015-16): Where Local democracy and Devolution in India is heading towards?, TISS: Mumbai.

Dey, S. K. (1964). Community Development: a Bird's-eye View. New Delhi: Asia Publishing House Bombay.

Gandhi, M., & Vyas, H. (1962). Village Swaraj: Navajivan Publishing House.

Goel, S. R. S. (2009). Panchayati Raj in India: Theory & Practice (2nd Rev. & Enlg: Deep and Deep Publications.

Government of India Act. 1935.

Government of India, Committee on Plan Projects. 1957.Report of the Team for the Study of Community Projects and National Extension Service, Vol. I, II, New Delhi, National Development Council.(Chairman: Balvantrai Mehta).

Government of India. 1963. Report of the Study Team on Position of Gram Sabha in Panchayati Raj Movement (Chairman: R.R. Diwakar), New Delhi.

Government of India1978.Report of the Committee on Panchayati Raj Institutions (Chairman: Asoka Mehta), New Delhi, Department of Rural Development, Ministry of Agriculture and Irrigation.

Gupta, Manish and Chakraborty, Pinaki. April, 2019. State Finance Commissions: How successful have they been in Empowering Local Governments?. NIPFP, No. 263: New Delhi.

H.D.Malaviya, 1956. Village Panchayats in India, Economic and Political Research Department, AICC, New Delhi.

Jain, S. C. (1967). Community Development and Panchayati Raj in India. New Delhi: Allied Publishers.

Kashyap, A. (1989). Panchayati Raj. Views of our Founding Fathers and Recommendations of Different Committees. New Delhi: Lancer Books.

Kohli, Atul. 1987. The State and Poverty in India: The Politics of Reform, Cambridge, U.K., Cambridge University Press.

Kulke, Hermann and Rothermund, Dietmar (2006). A History of India, Routledge, London.

Mathew, G. (1994). Panchayati Raj from Legislation to Movement: Concept Publishing Company

Mathew, G. (1995). Status of Panchayati Raj in the States of India, 1994. New Delhi: Institute of Social Sciences.

M.K.Gandhi. Collected Works, vol 85, pp 32-34.

Mohanty, Meera, "Devolution of power to sarpnchs ineffective in practice: CAG", Economic Times, May 14, 2020, Bhubaneshwar.

Rajiv Gandhi, Selected Speeches and Writings, 1988, Vol. IV, Publications Division, New Delhi, speech to District Magistrates at Jaipur, 30 April 1988, p. 156 and p.161.

Rao, G.V.K. 1985. Report of the Committee to Review the Existing Administrative Arrangements for Rural Development and Poverty Alleviation Programmes (CAARD), Department of Rural Development, Ministry of Agriculture.

Rao, S. (1967). The Framing of India's Constitution. Select documents: 1946 - 1947. New Delhi: Indian Inst. of Public Administration.

Roadmap for the Panchayati Raj (2011-17): An All India Perspective, Ministry of Panchayati Raj, New Delhi.

Sewell, R. (1882). Lists of the Antiquarian Remains in the Presidency of Madras (Vol. 1): E. Keys, at the Government Press.

Simon Commission Report 1930.

Some Successful Panchayats. Case Studies. (1960). New Delhi: Government of India.

S.S.Singh et al. 1997. Legislative Status of Panchayati Raj Institutions in India, IIPA, New Delhi.

The Bengal Village Self Government Act, 1919.

The Orissa Gram Panchayat Act, 1948.

Wadhwani, M. and S.N. Mishra.(ed.) 1996. Dreams &Realities: Expectation from Panchayati Raj, IIPA,

Panchayat Raj System in Uttar Pradesh - Gram Panchayat Members' Representation and Present Status

Dr. Chandrashekhar Pran, Teesri Sarkar Abhiyan

Panchayat elections were held in Uttar Pradesh in April 2021. Through the 73rd Constitutional Amendment, the Panchayati Raj system has been given the status of 'Self-Government'. In rural areas, a provision of 'Panchayat Sarkar' has been made at village, block and district level. Among these, the place of 'Gram Panchayat' is most important. Because before 1959 there was basically 'Gram Panchayat' in the form of Panchayat. Based on the suggestions of Balwant Rai Mehta Committee, the Panchayati Raj system was re-organized and activated in 1959 by the then Prime Minister Pandit Jawaharlal Nehru.

At that time, 'Block Development Committee' at the block level and 'Zila Parishad' at the district level were re-organized to make the development programs of the village effective. In 1992, by the 73rd Constitutional Amendment, a provision was made for Panchayat in the form of 'Self-Government' at these three levels. This is referred to as the three-tier panchayat system. At present, there is a provision of Gram Panchayat, Block Panchayat and District Panchayat at village, block and district level respectively. These three are now units of 'Self Government'.

Among these three 'Gram Panchayat' is the most important because villages were in centre behind the concept of this system. And there the adult citizen of the country as a voter is a direct participant in forming and running the government. As we know that in a democratic system, constitutional institutions are formed and they are given some power in the form of government. In principle, these institutions are in three forms – Legislative, Executive and Judiciary. During the time of the British Raj, when village panchayats were legally established as 'local government' in 1920 and from that time provision was made for these three forms of government at the village level. They were addressed as Gram Sabha, Gram Panchayat and Nyaya Panchayat respectively. After independence, the topic of 'Gram Panchayat Sarkar' was very much discussed while making the constitution.

A draft of 'Gandhian Alternative Constitution' was prepared in 1946 itself by Shriman Narayan Agrawal, a prominent follower of Gandhiji. In which the draft of the provision of 'Panchayat

Sarkar' from village to all India level was presented. It is a different matter that despite the lengthy debates in the Constituent Assembly in the support and opposition of the Panchayat government, the state system was ultimately formed on the basis of the parliamentary system in the country. But due to this long struggle, an article 40 was definitely added in the constitution in favor of village panchayats. Article 40 was added under the 'Policy Directive Principles', and definitely a window was opened for 'Panchayat Sarkar' in the form of 'Self Government.

On this basis, the 73rd Constitutional Amendment was done in 1992 and then the journey of 'Panchayat Sarkar' started anew. Since Panchayat is a state subject, therefore, in accordance with the intention of the constitutional amendment, after the amendment in the 'Panchayat Act' of the states in 1994, from April 1995, elections to Panchayats were started afresh in different states of the country and from village to district. The formation of the third government of the country's state system 'Panchayat Sarkar' started and later in most of the states of the country, Panchayat elections were held regularly every five years.

In the 73rd Constitutional Amendment, all the provisions have been made for the Panchayat Government, which are necessary to establish an institution as a government. Determination of its 'working area' and 'subject', provision was made for the formation of constitutional bodies like 'Election Commission' and 'Finance Commission' at the state level separately and 'District Planning Committee' for planning. In this Panchayat government, with the system of reservation for women, backward and scheduled castes, the elected members were made the basis in its formation at all three levels and at the same time institutional recognition was given to their group.

Panchayat Elections in Uttar Pradesh, 2021

In the year 2021, the election of Panchayats has been completed for the sixth time in Uttar Pradesh. It is true that elections to panchayats are being held almost regularly in this state and the formation of panchayats is also being done duly. But what is most important is that there is a lack of active participation of the elected members from whom the Panchayat is formed in this state. especially at the level of Gram Panchayat. This lack is visible not only in the functioning of the Panchayat but also in its formation process on a large scale.

From 1995 to 2021, the number of times Gram Panchayat elections have been held, there is gross indifference and neglect towards the position of its members. The result of this has been that no candidate is found for lakhs of position of members, due to which thousands of gram panchayats are not formed after the normal election process. Later, they are somehow filled through by-elections and the process of formation of the remaining Gram Panchayats is completed. At the same time, the path of institutional development of village panchayats has also been blocked due to inaction and lack of interest of the members.

A special awareness campaign was conducted for the position of 'Gram Panchayat members' through the Teesri Sarkar Abhiyan (TSA), which has been active for the last seven years for the institutional development of Panchayats, before the 2021 Panchayat elections. Under which the task of motivating active and capable citizens to come forward for the position of member and to explain the pride and importance of Gram Sabha was specially taken up. Therefore, after the election, TSA collected the data of elected members and it has been analyzed to assess the actual status of the position of Gram Panchayat members, which is presented here in different forms.

In this analysis, on the one hand, number of the member's position left vacant after the panchayat election is observed, on the other hand, analysis of the election process took place in the form of 'opposed' and 'unopposed'. Attempts have been made to analyze the proportion of the members in terms of age, education and reservation.

It is pertinent to mention here that the role of members is very important in the Panchayati Raj system, especially at the level of Gram Panchayat. It can be said that members are the backbone of this 'Panchayat Sarkar'. Through the 73rd Constitutional Amendment, it has been made mandatory that the Panchayats of all the three levels (village, block and district) will be constituted by their elected members. Article 243C (2) of the Constitution clearly states that "All the seats in a Panchayat shall be filled by persons chosen by direct election from territorial constituencies in the Panchayat area". These elected persons are respected members of the Panchayat. So, the position of the members is very important. Not only this, but the Article 243G of the Constitution, which lays down the powers, authority and responsibility, has given all these powers, authority and responsibility to the 'Panchayat' itself.

In this sense, the members of the Panchayats at all levels get equal power. This power has not been given to any position or person. Accordingly, provision has also been made in the Acts of the State. In such a situation, the apathy and neglect that is being seen regarding the post of member in the Gram Panchayat is a matter of great concern.

Lakhs of Gram Panchayat member' posts are vacant

According to the information of the State Election Commission, a total of 58136 Gram Panchayat's elections were held. The Gram Panchayat consists of one Pradhan as the President and 9 to 15 members according to the population. Thus, in the Gram Panchayat Government of Uttar Pradesh, there are a total of 58136 Pradhan and 749362 Gram Panchayat member' posts. When the results of Panchayat elections held in April 2021 were announced on May 2, it was found that 199453 posts of Gram Panchayat members remained vacant. Elections were held only on 549909 posts of Gram Panchayat members as there was no candidate for these remaining vacant posts of members. These vacant posts of members are 26.62% of the total posts. Due to this, the formation of about 20 thousand Gram panchayats could not take place. Because for the formation of a Gram Panchayat, it is mandatory to fill 2/3 of the post of members. All these vacant posts were filled through by-elections on 12 June 2021.

Unopposed election on 80% seats of Gram Panchayat members

The second figure is more important in this context that out of total 549909 posts of Gram Panchayat members on which the election process was completed, only 20.01 percent of the posts were duly elected members and total number of such elected members is 110010. The remaining 439899 seats were filled unopposed. Here only one candidate was in the fray. It is true that there are some of these members who have been elected unopposed on the basis of consensus on the basis of their merit and popularity. But their number is quite limited. Hardly any candidate has been found for most of the posts. Wrong methods have also been adopted for unopposed in some seats but their number is also very less.

Member is the backbone of 'Panchayat Sarkar'

An analysis of the present status of Gram Panchayat members is presented on the basis of the detailed data available on the website of the Election Commission for the 549909 posts on which elections were held during the Panchayat Election in the month of April 2021.

Least vacant seats in backward districts

If we analyze the 199453 posts of Gram Panchayat members which were left vacant at the time of Panchayat election-2021, it is found that Kanpur Dehat is the district where maximum number of posts were left vacant. Here no candidate was found for more than half of the posts (50.72%) of the total number of members. There were a total of 7750 member's posts out of which 3931 posts remained vacant. Another four of the top five districts with vacant position in the highest numbers of the members are Etawah (49.91%), Ghaziabad (48.76%), Basti (46.62%) and Prayagraj (46.51%) respectively.

On the other hand, comparatively, if we look up least number of the member's seats have been vacant and maximum number of seats were filled, Chandauli district comes first. There were total of 9126 seats, out of which elections were completed on 8756 seats in the election process. No candidate contested for only 711 seats, which is only 4.05%. Other top four districts with minimum number of vacant number of seats in this category are Mahoba (5.83%), Pilibhit (9.05%), Kushinagar (10.13%) and Sonbhadra (10.78%). It is important to note here that the districts with maximum number of vacant seats are those which are prosperous districts of Western Uttar Pradesh. The least number of vacant seats is visible in economically weaker and relatively backward districts. Sonbhadra is on the top among the members won after contesting the election.

Out of the 549909 seats filled under the general election process, the number of contesting members is only 110026, which is 19.90%. If we look at the figures of districts from the point of view of the members who came after contesting elections, then Sonbhadra, the only tribal dominated district of the state, is at the top. There out of 7767 seats, 2818 seats are won by contesting members which is 40.66%. In this order of priority of five districts, other four districts are Sambhal (40.15%), Moradabad (36.70%), Shamli (36.53%) and Lucknow (33.73%).

On the contrary, in Basti district, the least number of members came after contesting elections. The total number of members elected here is 7359, out of which only 431 members have come after contesting elections. Their percentage is 5.86%. The other four in this ranking of five districts are Agra (7.23%), Chitrakoot (7.76%), Azamgarh (8.85%) and Bijnor (8.95%). It is worth mentioning here that in the tribal-dominated district Sonbhadra, the scale of awareness and activism regarding panchayat elections is the strongest, while in a leading district like Agra, this situation is very poor.

Reservation of Seats

As we know that there is reservation of Scheduled Castes and Backward Classes in Panchayats. This reservation is decided according to the proportion of the population. Article 243D of the Constitution provides for such reservation. In this, the subject of reservation for the backward class of citizens has been given to the state legislatures. In the Uttar Pradesh Panchayat Raj Act, reservation has been fixed for the Scheduled Castes on the basis of population as per the instructions of the Constitution, but for the backward classes, even on the basis of population, its maximum limit has been fixed at 27%. 1/3rd of the reserved seats in all these categories are reserved for women.

According to the data of 549909 selected Gram Panchayat Members available on the website of the State Election Commission, only 22.15% of these seats were allocated for the unreserved category i.e. general category. All the remaining seats have come under the share of Scheduled Castes, Scheduled Tribes and Backward Classes. In this, 29.05% seats have been given to Scheduled Caste, 0.94% to Scheduled Tribes and 47.86% to Backward Classes. The total population of Scheduled Castes in the state is 22.7% and that of Scheduled Tribes is 0.6%. For backward classes, the maximum limit of 27% reservation is fixed. It is clear from this that in many places the reserved category has won the election even on the unreserved seats.

If women's reservation is seen in these, then out of 22.15% seats in the general category, 7.57% women representatives have been elected. But in other sections the number of women representatives is more than 1/3 women representatives have been elected in 12.82% of the 29.05% seats of the Scheduled Castes, 0.46% of the 0.94% seats of the Scheduled Tribes and 18.86% of the 47.86% seats of the Backward Classes. Thus their total representation is 39.71%.

Women's Representation

If we look at the status of women participation in gram panchayat members, out of 549909 members elected at the state level, women members are 218366 which is 39.71%. Whereas in Uttar Pradesh, the reservation for women is only 33%. In this way, an increase of about 8 percent is registered, which is a remarkable fact in itself. But if we look at it in different districts, a different picture appears.

There are about 30 districts of Uttar Pradesh where the number of women members is more than the average percentage of 39.71 in the entire state. In this, Shahjahanpur is at the fore with 45.93% female members. Mau ranks second in this category with 45.20 percent. There are other four districts where the number of women members is more than 44%. It includes Pratapgarh (44.93%), Sant Kabir Nagar (44.68%), Azamgarh (44.53%) and Jaunpur (44.13%).

The industrial and prosperous district of the state, Ghaziabad is the weakest in terms of the share of women members. There, out of 1097 elected women, only 351 are women, which is only 32% less than the reserved number. Not only this, the districts with the lowest number of women members in the state are the prosperous districts of western Uttar Pradesh. In which Gautam Buddha Nagar (33.32%) and Hathras (33.40%) are included respectively. In terms of age group: 31 to 40 age group has the highest share.

Status of Gram Panchayat Members in Terms of Age Group

It is found that the number of members in the age group of 31 to 40 years is the highest (31.83%) being 1 lakh 75 thousand 33. The number of female members in this class is 73318 which is 13.33%. In second place are the members between 41 to 50 years, their number is 140630 which is 25.57% of the total elected members. There are 55267 females in this, whose percentage is 10.05. The total number of members who are 30 years and below is 112513 which is 20.46%. The number of female members in this is 45826 which is 8.33%. The percentage of members between 50 years to 60 years is 15.02. Of this, 5.59% are females. Similarly, the number of members above 61 years is only 7.12%. It has 2.40% female members.

If that figure is analyzed on the basis of district, then Firozabad, Lalitpur and Amroha are the districts with the highest (about 30.30%) in terms of members aged 30 years and below. In contrast, Maharajganj (11.23%), Deoria (13.01%) and Siddharth Nagar (13.16%) have the lowest number of districts. Similarly, the district with the highest number of members in the age group of 31 to 40 years is Agra (42.20%) and the lowest number is Rampur (24.06%).

Among the members in the age group of 41 to 50, there are about 30 districts where their number is between 27 and 29 percent. It includes districts like Sant Kabir Nagar, Azamgarh, Ghazipur, Gorakhpur, Bahraich, Rae Bareli, Mau, Unnao, Shamli, Sambhal and Pilibhit. Unnao (31.03%) and Siddharth Nagar (21.09%) districts have the highest number of members in the last phase of adulthood (51 to 60) and the lowest members are in Agra (6.43%) and Lalitpur (8.45%).

Siddharth Nagar (15.27%) is at the fore in the district where the members of the senior citizen category (above 61 years) are included in the relatively high number, then Gorakhpur, Deoria, Balrampur and Rampur (almost all with 11-11 percent). along) are immediately behind him. The districts with the lowest numbers in this age group included Agra (1.87%), Lalitpur (2.73%) and Jhansi (3.28%). The reserved category won the election about 78 percent of the seats.

Educational Background of Panchayat Members

From the educational point of view 79 percent of the members are educated. In the last few years, the demand for the education of Panchayat representatives has started rising very fast. Some states like Rajasthan and Haryana have even made it mandatory. An analysis of the education status of the Gram Panchayat members of Uttar Pradesh has revealed that out of the 549909 representatives elected in the general election, the total percentage of educated members is 78.92 and 21.08% are illiterate. The total number of illiterate members is 115936, out of which 12.09% are female and 8.99% are male representatives. More than half of the educated members are class 8th pass.

Here the educated representatives have been assessed by dividing them into five categories for convenience. In the first division, representatives of primary and junior high schools (class

8 pass) have been taken. A total of 307242 representatives are included in this category. Which is 55.87% of the total elected representatives. In this, the female member is 21.11 percent and the male member is 34.76%. The total number of second category High School and Inter (12th) pass members is 83121 (15.12%). In which 3.97% female and 11.14% male members are included. The third category is of members having graduation, their number is 16050, which is only 2.92% of the total selected members. In this, the number of female members is 3784, which is 0.69%. Similarly, fourth category, Post Graduates and Ph.D. degree holders Gram Panchayat members whose total number is only 3147, which is 0.57% in which the percentage of women is only 0.14%. The fifth category is of the members having technical, professional or other certificates, diplomas or degrees. Their number is 24422 which is 4.44%. It comprises 1.71% women members.

The highest number of illiterate members in the districts bordering Nepal From the point of view of illiteracy, if the district wise (in order of priority of five) is assessed on the basis of maximum and minimum, then the five districts where most illiterate members have been elected are Balrampur (51.46%), Shravasti (40.26%), Rampur (37.85%).), Siddharth Nagar (35.28%) and Maharajganj (34.63%). Agra (4.49%), Etawah (5.48%), Auraiya (5.58%), Jalaun (8.71%), Bijnor (8.72%) and Mahoba (8.81%) districts with the lowest illiteracy (below 10%) are included. It is worth mentioning here that the most backward districts bordering Nepal have the highest percentage of illiteracy and on the other hand, Jalaun and Mahoba, two backward districts of Bundelkhand, have the lowest percentage of illiteracy. Although Etawah, Auraiya and Bijnor are also economically general category districts, but even here the illiteracy percentage of the members is less than 10.

On the basis of the above data, it is clear that the position of the Gram Panchayat members in a decisive state like Uttar Pradesh is quite weak which is the most important link in the development of Gandhi's 'Gram Swaraj' and Jai Prakash Narayan's participatory democracy', Without its competence and activism, this democratic process at the grassroots level cannot be made effective. Its effect is clearly visible on the regional mainstream of democracy. Along with this, it is also an important reason for Uttar Pradesh to lag far behind in the race for development at the national level. Therefore, it is a matter of concern for both the society and the state. A lot of fresh thinking and effort is needed in this direction.


BUDGET 2022

Budget 2022: There's Good and Bad News on the Jobs Front

Dr Santosh Mehrotra

In the absence of any vision document (for example, a five-year plan) put out by the current Union government, the annual budget is supposed to provide direction to the country and the government's own departments about the priorities of government policy. The budget's direction (or vision) becomes even more important in a global pandemic, in which the world economy contracted by 3.1% in 2020 but India's economy contracted by 7.3% – the worst among major economies. And that is understating the actual full GDP contraction since it does not adequately measure the unorganised sector, which accounts for roughly 30% of the GDP, 40% of exports, but 90% of employment.

Open unemployment was already at a 48 year high in 2019-20 at 8.8%, by the internationally recognised measure of current weekly status (CWS). There has been no change in open unemployment over three years, 2017-2020, by the current weekly status of the worker – hardly surprising, given that the economy was slowing each quarter over that period. That implies underemployment was increasing, but the Periodic Labour Force Survey (PLFS) measures that poorly. That is one reason that many of us on the National Statistical Office (NSO)'s Standing Committee of Economic Statistics are attempting to get the office to switch the PLFS to the internationally comparable CWS as opposed to usual status (which uses a 365 day reference period).

The only serious intervention that finance minister Nirmala Sitharaman's budget for FY 2023 has made for jobs is the increase in capital investment. From its normal level of 1.3% of the GDP, it plans to continue the FY 2022 Budget's commitments to capital investment to increase it to 2.9% of the GDP. This is important for several reasons.

First, most public investment in India is undertaken by state governments and much less by the Union government. It seems that finance minister Nirmala Sitharaman realised that the states are in no position to increase public investment this year, since they have borne the responsibility of managing the second wave of COVID-19. In any case, they have strict commitments on borrowing on account of the FRBM Act.

Second, an increase in public investment was required to crowd in private investment – a typical Keynesian measure. This is rather contrary to the Union government's policy stance for the last two years, when the size of the fiscal stimulus was barely 2.1% and 1.9% of the GDP. This is very stingy – measly in fact – compared to the emerging market economies in

This article first appeared in The Wire
https://thewire.in/economy/union-budget-2022-good-news-bad-news-jobs

2020 alone stimulating their economies by 4.7% of GDP; and the Union government's own fiscal stimulus in 2008, after the much smaller global economic crisis, of 3.5% of the GDP. However, the good news on jobs in the budget stops there, and the bad news begins.

The bad news

First, the FM implicitly recognised the problem of joblessness when she said early in her speech that the Union government plans to create six million jobs over the next five years. Recognising a problem, however, is not the same as understanding the scale of the problem, which has three dimensions. One, about five million young people, mostly educated, join the labour force looking for work each year. Two, there were already 30 million unemployed in 2019 – and at least 10 million have been added to that number since the COVID-19 pandemic began. And three, 32 million semi- and unskilled migrant labourers went back to agriculture between 2019 and 2020 and received little succour. The last development is a reversal of the trend of the absolute reduction of workers in agriculture between 2004-05 and 2019.

The reverse migrants have come to depend upon Mahatma Gandhi National Rural Employment Guarantee Act (MG-NREGA) since their return to their villages. The programme is a life-saver at a time of desperation. There are already too few livelihood opportunities in the states which are source states of migrant labour (the Hindi belt, West Bengal, Odisha and Assam). A saturated labour situation in these states is now having to support at least 32 million more returnees. The GoI had allocated Rs 60,000 crore in FY21, then increased it to Rs 1.1 lakh crore but still, there were arrears left to be paid to states in FY22. In FY22, it allocated Rs 70,000, to which another Rs 15,000 crore was added, but has not sufficed. Millions of workers were denied work.

Worse, notified MGNREGA wage rates increased by 4% between FY 2020-21 and FY 2021-22, but actual wages paid remained lower than the notified wage rates for most states till December 31, 2021. The percentage of unmet demand, which is the difference between the employment demanded and the employment provided, was the highest in April and September 2021 at 33% and 31%, respectively. For FY 2021-22 until December 31, 2021, around 91 lakh households that demanded work had not yet received it. According to a 2019 survey by the NSO, there was not much difference in who participated in the scheme, i.e. the proportion of rural agricultural households that undertook work under the MGNREGA was similar for the bottom (22%) and top quintile (20%).

Finally, from the jobs perspective, Budget 2023 has given more funds to the Emergency Credit Line Guarantee Scheme (ECGLS) for MSMEs: Rs 50,000 crore in FY23. This takes the total allocation to the scheme to Rs 5 lakh crore between FY21 and FY23. This might have some uncertain implications for saving some jobs in MSMEs that fear closing down, because of lack of aggregate demand in the economy. In any case, the Union government in general does not seem to recognise that we have a crisis in aggregate demand. Per capita private consumption expenditure had dropped by 5% in real terms between FY22 and FY23. The economic collapse in the unorganised sector and MSMEs, driven by the pandemic, is essentially the result of a decline in aggregate demand. The Union government's fiscal stimuli in the last two years have not been large enough to reverse the collapse in jobs that the COVID-19 lockdowns triggered, on top of a preexisting shortage of jobs. This is what has driven rising poverty and increasing inequality in India.

Funding government CapEx without cutting MGNREGS

Praveen Chakravarty

A week before the Union budget was to be presented, the Chairman of Hindustan Unilever (HUL) wanted the Finance Minister to plan for a Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS) type program for the urban poor. He reasoned that personal consumption, which constitutes nearly two-thirds of India's economy, has been badly hit and schemes like MGNREGS should be extended and expanded until consumption recovers fully.

This is a stunning reversal of opinion about MGNREGS which was lampooned just a decade ago by the private sector, policy commentators and then Chief Minister Narendra Modi as a "dole" for the poor that would render them lazy and indolent. Ironically, the Economic Survey of 2021-22 proudly states that MGNREGS provided a safety net to more than 110 million poor Indians. For context, all the companies listed in the stock exchange and unicorn start-ups put together, employ a mere 7 million people.

But in actuality, more than 110 million would have been reliant on MGNREGS this year, had the program not run out of money after just six months in the current financial year. Demand for work under MGNREGS, which is by design an unemployment insurance scheme for poor people, is at record highs and ostensibly many were turned away due to lack of funds.

Amidst this backdrop, the Finance Minister (FM) outlined a new economic philosophy in the budget that moved away from direct government welfare assistance for the needy to an indirect 'trickle down' economic impact. Belying expectations of an extended and expanded MGNREGS, conversely, the FM cut the program's budget and reallocated that sum for government capital expenditure. To be clear, lower MGNREGS demand should be our primary economic objective as a nation. It is a demand-based program and if people are able to find better quality jobs than toiling for minimum wages, MGNREGS demand and hence expenditure will also be lower. But turning people away due to lack of funds and artificially suppressing MGNREGS demand does not behove a democratically elected government.

The idea that the government must step in when private investment is tepid and demand is lacklustre in an economy is a sound and well established economic theory. By itself, embarking on a productive government investment program to stimulate economic activity, boost demand and catalyse private investment is a laudable objective. The question is - was it right to cut MGNREGS expenditure to fund government investment at this perilous time? And the natural corollary question will be – how else could such a government investment program

This article first appeared in The Indian Express https://indianexpress.com/article/opinion/columns/reducing-welfare-spending-right-now-is-a-dangerous-gamble-7768370/

have been funded? The Union government plans to spend an additional Rs. 2.5 lakh crores in capital expenditure next year than it did in the current year, including Rs. 1 lakh crore as loans to states exclusively for capital expenditure. 60% of this additional capex amount is budgeted to come from reduction in food (ration), fertilizer, fuel subsidies and MGNREGS.

The government's fundamental premise is that we are past the pandemic blues and next year will be a normal year. Additional food grains given during the pandemic can be withdrawn and food subsidies can be cut by Rs.80,000 crores is the belief. Similarly, the government seems to believe that MGNREGS demand will taper off next year and has cut its allocation by roughly Rs.30,000 crores. The government's conviction that next year will be a 'business as usual' pre-pandemic year is a dangerous gamble.

It is important to recall that in September 2019, outside the budget cycle, there was a sudden announcement of a dramatic reduction in corporate tax rates. As a result, of the more than nine lakh corporates that filed income tax returns last year, the top 433 companies with profits greater than Rs.500 crores paid taxes at the effective rate of 20% while in FY2019 these companies paid an effective tax rate of 27%.

Profits of these top 400 odd companies have doubled and market value increased three times since 2019. But the total number of people employed by these companies remained the same. To put simply, the corporate tax cuts have cost the government Rs. 3 lakh crores thus far (Rs.1.5 lakh crores per year), doubled profits for companies but created no new jobs.

Since the government believes that next year will be a normal year like 2019, the corporate tax rate could have been reverted to the 2019 rate. Doing so could have garnered at least Rs. 1 lakh crore more in tax revenues, likely more, which could have been used for increased capital expenditure without the need to cut down on welfare.

There would have been no economic or social repercussions to this move since these companies had neither increased investment nor created jobs after the tax cuts and they were used to paying tax at that tax rate anyways. Similarly, with booming stock markets and massive increases in capital wealth of a tiny few, an increase in securities transaction and capital gains taxes could have fetched an additional Rs.50,000 crores at least, to be used for increased capital expenditure. India's capital gains and corporate tax rates are among the lowest in the world which has fetched no 'dividends' in terms of investments or jobs for people. There was a clear and justified rationale to spur government capital expenditure through increased corporate and capital gains tax rates and not by reducing welfare expenditure at such a precarious time for the economy.

Increased government investment to stimulate economic activity is in principle a sound philosophy. Reducing MGNREGS expenditure is an optimum objective but one that should be achieved naturally, not forcefully. Reducing welfare expenditure to fund capital expenditure in the hope of a 'trickle down' economic benefit is a dangerous gamble at this time. Especially, when there were other more prudent ways to raise funds through increased progressive direct taxes of large corporates with no deleterious impact. For the nation's sake, I sincerely hope the dangerous gamble by the Modi government to fund government investment by reducing safety net allocations pays off, though I remain sceptical.

(Chakravarty is a political economist and Chairman of Data Analytics of the Congress party)


UNION
BUDGET
2022

Budget 2022: A path-breaking document, but for wrong reasons

Pushparaj Deshpande

The 2022 Budget is truly a historic one. It is path breaking because for the first time since it came to office in 2014, the BJP government has spearheaded a new policy course that markedly diverges from the normative underpinnings of the United Progressive Alliance (UPA) government. In that sense, the 2022 Budget can be characterised as the first BJP Budget.

Drastic Reconceptualisation in the Role of the State

This year's union Budget boldly re-conceptualises the role of the State, that is, it reimagines what the government sees its core functions to be. Rather than envisioning itself as a welfare state (wherein development is primarily people rather than industry centric), the BJP government sees itself largely as a facilitator of growth. That is why it has consciously chosen not to provide immediate relief to citizens after a devastating pandemic. It has chosen instead to focus on infrastructure development, whose returns may trickle down only a few years from now. In fact, this is partly why the government has been trumpeting the Amrit-Kaal as a goal 25 years from now. This naturally postpones the promise of 'Acche Din' anytime in the near future, indefinitely. To illustrate this point further-

1. After the first two waves of COVID-19, it would be fair to assume that the government would prioritise healthcare spending both to avoid a potential future wave and to ramp up vaccinations for those unvaccinated (over 50% of Indians below 18 years of age) and partially vaccinated (over 18 crore Indians above 18 years of age). This is even more urgent given the COVID virus is mutating and will necessitate booster shots for the entire adult population. Belying expectations, the BJP government has reduced public spending on medical and public health from Rs. 74,820 crores (2021-'22) to Rs. 41,011 crores (2022-'23). In fact, the BJP government spent the same proportion on healthcare in 2019-'20 as it did in 2015-16 (i.e. 1.3%; as share of GDP).

2. Because of the lockdown (which exacerbated the adverse impacts of demonetisation and GST), consumption expenditure had fallen to a record 40 year low. Why is consumption so important in India's context? Consumption contributes to 57% of India's GDP. Therefore, a sure shot way to kickstart India's economy is to boost consumption. This was even more crucial because 84% of Indian households have seen a massive fall in net incomes, and average household debt has almost doubled from Rs 34,000 per year to Rs 52,000 per year. This has been exacerbated by the fact that unemployment is at a historic 48 year high (with labour force participation among the lowest in the world at 34.6%, as compared to the world average of 61%).

This article first appeared in The Policy Circle.
https://www.policycircle.org/opinion/budget-2022-anti-poor/

Rather than taking measures to boost consumption (by putting more money in peoples' hands, by slashing indirect and direct taxes, by enhancing welfare expenditure etc.) the BJP government has –

a. Dramatically slashed the Direct Benefit Transfer subsidy for LPG cylinders by 491%, which fell from Rs. 23,667 crores (AE 2020-'21) to Rs. 4000 crores this year. At a time when 51% of Indian households had cut funding to accommodate for higher fuel prices, the slashing of this crucial subsidy will mean that families will forego all expenditure except the most basic necessities.

b. Slashed allocations for the Price Stabilisation Fund by a shocking 642%, (from Rs. 11,135 crores; AE, 2020-'21 to Rs. 1500 crores this year). That's why food inflation was at a record high (5.2% in April-December 2021). This is going to lead to high volatility in food prices in the coming months.

c. Cut the National Social Assistance Programme (NSAP) allocations by 339% (which fell from Rs. 42,443 crores in 2020-'21 [AE] to Rs. 9652 crores this year). The NSAP provides a critical safety net for the elderly, widows, disabled persons etc. Reductions in this will severely impact those Indians who are most vulnerable at a time when mass poverty and hunger are back with a vengeance.

d. Slashed the food subsidy by 103%, which has fallen from Rs. 4.62 lakh crore (AE, 2020-'21) to Rs. 2.06 lakh crore (2022-'23). Furthermore, allocations to the Mid-Day Meal programme (now renamed PM-POSHAN) dropped from Rs. 12,878 crores (AE, 2020-'21) to Rs. 10,233 crores this year (a 25.8% drop). This is especially shocking because India slipped to the 104th rank out of 122 countries in the Global Hunger Index during the pandemic and the government was severely criticised for letting millions of Indians starve as 65 lakh tons of food-grain rotted in its godowns.

Why has the BJP government chosen to slash welfare expenditure? This naturally begs the question- how can any government that is sensitive to electoral outcomes possibly take such controversial decisions? After all, the impact of these decisions is going to adversely affect millions of Indians. There are two reasons for this, both political and financial.

Financially, the union government is uncomfortably poised. More than a third (35.3%) of India's current budget will be financed by borrowings. This is exacerbated by the fact that 23.85% of the budget is being spent on interest payments. To be more specific, of the total budgeted expenditure of Rs. 39.4 lakh crores this year, Rs. 9.41 lakh crores is the interest on debt. Most nations pay between 8-12% of their budget on interest payments for debt. India is paying much more!

This is an unprecedented situation, and it is obvious that the government is desperate to bolster its revenues. That is why it has unilaterally decided to sell an estimated Rs. 111 lakh crores worth of India's national assets for a mere Rs. 6 lakh crores under the National Monetisation Pipeline plan. This includes 31 airports, 23 ports, 26,700 kms of highways (20% of nation's road length), 400 railway stations, 1400 kms of rail lines as well as the entirety of the Konkan railway, four heritage hill railways and the dedicated freight corridor. Contrast this with China, which aggressively promotes its state owned enterprises on the global stage. In auctioning India's family jewels, the BJP government may bolster revenues in the short run but it will severely compromise the national interests.

What's equally shocking is the BJP government's decision to depend primarily on GST collections (anticipated revenues of about Rs. 7.8 lakh crores this year), income tax (Rs. 7.0 lakh crores) and Corporation Tax (Rs. 7.2 lakh crores) to bolster its revenues. This effectively means that the BJP government is expecting that the middle class and the poor (about 90% of India's population) will contribute the bulk of government revenues. There is not a word about raising more resources from the ultra-rich Indians, whose wealth in the last two years has increased from Rs. 23,14,000 crores to Rs. 53,16,000 crores, nor of raising corporate taxes (which the government slashed from 30% to 22%, leaving the government poorer by Rs. 1.45 lakh crores). Presumably, the government was expecting that lowering corporate taxes would prompt them to boost investments. That hasn't happened, and is unlikely to happen when demand is at a historic low.

The other strategy adopted by the BJP government to raise its revenues is sharply reducing revenue expenditure. As explained earlier, this essentially means it will cut support to many pro-people welfare programmes that the states implement. This has been done without consulting state governments (which haven't been in the loop because federal institutions like the National Development Council or the National Integration Council or even the Planning Commission are moribund). Given this will adversely impact the ability of state governments to implement their welfare agendas, this is bound to have electoral ramifications. So quite naturally, all state governments will raise a hue and cry. However, this is a bit of a self-goal because it's bound to impact BJP ruled states more (simply because more states are governed by BJP as things stand today).

Will Enhanced Capital Expenditure Boost Demand & Employment?

Even though they have sidestepped the rather worrying issue of suppressed welfare expenditure, the BJP's spokespersons have argued that enhanced capital expenditure (funds allocated for infrastructure development) will boost demand and generate employment (reportedly 60 lakhs over the next five years; a far cry from the 2 crores jobs per year that Prime Minister Modi famously promised). However, the BJP government's decision to put all its eggs in the infrastructure investment basket needs to be objectively analysed. After all, enhanced capital expenditure is desirable.

However, upon careful reflection, it appears this bold gamble seems to be over-pitched. Firstly, enhanced capital expenditure will not generate the kind of employment to absorb the current four crore jobless Indians. Now will it be able to absorb the 50 lakh+ Indians joining the workforce every year. Neither does it do anything to revive India's Micro, Small and Medium Enterprises (which generate over 40% of employment in India).

Secondly, the Rs 7.5 lakh crore allocated for infrastructure development (2.6% of the GDP) does not account for global inflation (which is at a 30 year high) or efforts by central banks of developed nations to rein in liquidity.

Thirdly, most of the infrastructure projects announced may not take off in the time-frame announced. Why? Because India's administrative processes are notoriously slow. Floating tenders, awarding contracts, allocating and transferring funds to firms and starting work will take at least a year and a half (maybe two). This problem is even more acute because there are massive vaccines in government jobs (that the BJP government has not bothered to fill up after eight years in government) and the government simply doesn't have enough personnel on the ground to implement the announced projects. Lastly, given this government is permanently on election mode, it's very unlikely that any of these projects will get the kind of focused push they will need.

Finally, the government hopes that this enhanced infrastructure development will boost demand (assuming the projects take off in time and generate mass employment across the nation). However, it has been estimated that the additional capital expenditure will transfer only about Rs 1,710 per household (or Rs. 1 per person per day) for the entire year. This is nowhere enough to boost consumption or providing a safety net for the poor (23 crore Indians have been pushed into poverty in the last few years, bucking the trend from the UPA years, when 27 crore Indians were pulled up from poverty).

Conclusion

Economically, India is an especially dire situation. The kind of economic distress we are facing is unprecedented. Unemployment is at a historic 48 year, inflation is at record highs, the incomes of 84% of Indian households have fallen, and the average household debt has mushroomed. This has created acute socio-economic distress, which has grave ramifications for India's social contract.

There are those who would disingenuously argue that the economies of all nation's have contracted due to COVID-19. While that is true, what's also true is that while the world economy collapsed by 3.1%, India contracted by 7.3%. India's growth rate collapse in 2020 was the worst for any emerging market economy. Why is this? This is partly because of the BJP government's aversion to expertise (most vocally exemplified by PM Modi's famous dismissal of expertise in his quip- Hard-Work vs Harvard). But this is also because the BJP government has primarily prioritised the welfare of India's top 20 large conglomerates at the cost of India's other economic stakeholders. This is not mere hyperbole. It is a matter of record that in 2020, nearly 70% of all corporate profits accrued to the top 20 firms (as compared to less than 50% in 2011).

The BJP consciously choses to do this because it is in its perverse interests to do so. The more it aids in these 20 firms form oligopolies or capture public assets like airports, mines, highways, railway stations etc. or secure concessions, the more funds it secures for its party-political activities. It is no coincidence that as a party, the BJP cornered 76% of total Electoral Bonds in 2019-'20, and received more than 78% of its funding from unknown sources (3.5 times higher than funding for all other national parties combined).

So what needs to be done?

Firstly, if the union government is genuinely interested in spearheading a recovery package, it needs do three things, namely a) provide a safety net for those who need it today (this includes enhancing expenditure on NSAP, on MG-NREGA, on healthcare etc., b) boost consumption (which would mean transferring funds directly to the poor and vulnerable in the form of a NYAY like scheme) and c) enhance employment rapidly (because that will in turn boost incomes and hence consumption). Providing dignified and productive jobs is perhaps the single biggest mid-term structural solution to stabilising our economy.

Secondly, the BJP government needs to urgently stop wasteful expenditure on statues (reportedly it has spent Rs. 8119 crores on statues so far, and has committed to building more in the coming months); on its self publicity (Rs. 6000 crores- Rs. 4300 crores till 2018 and Rs. 1700 crores after that till 2020); and Rs. 20,000 crores on the Central Vista project (which has not generated massive employment and whose costs have already shot up 29%). All these funds could have been better used to help the people who remain the ultimate end of all development.

But we need to be realistic about how much the BJP government will (or can) course correct. It has been argued that it has consistently proven its incompetence in the past five years- it has consistently failed in meeting the revenue targets it sets for itself since 2016 (by 1.5% or more), and it has consistently been unable to meet its disinvestment targets, (by over Rs 1 lakh crores). So all of us need to acknowledge that we cannot outsource the redressal of this problem any longer. This government just can't govern well, for it repeatedly substitutes the substantive with the symbolic. So we need to understand and confront the root cause of this problem.

All of us have made conscious and unconscious choices that have directly contributed to this situation… We all need to remember that India's development is a bipartisan issue, and we all have a role to play in it. So if you're reading this, make a conscious decision today- stand up and speak out. Yes, "the time is out of joint…(but) come, let's go together" for your country needs you like never before.

Pushparaj Deshpande is the Director of the Samruddha Bharat Foundation & Series Editor of the Rethinking India series

Rajiv Gandhi
INSTITUTE FOR CONTEMPORARY STUDIES

Rajiv Gandhi Institute for Contemporary Studies
Jawahar Bhawan,
Dr Rajendra Prasad Road,
New Delhi 110 001
India

Please visit us at:

web: www.rgics.org

https://www.facebook.com/rgics/

https://www.youtube.com/user/RGICSIndia