# Polity & Governance · GS - II

**Assess the importance of the Panchayat system in India as a part of local government. Apart from government grants, what sources the Panchayats can look out for financing developmental projects?**

| EXAM YEAR | PAPER | SUBJECT |
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| MARKS | WORD LIMIT |
|---|---|
| 15 | ~250 words |

## Answer Hint

**Grassroots democracy; decentralisation; local planning; participatory development; own-source revenue; user charges; community contributions; financial accountability**

## Model Answer

### Introduction

The Panchayati Raj system, constitutionally strengthened by the 73rd Amendment Act, 1992, enables decentralised governance and citizen participation in rural development.

### Importance of the Panchayat System

1. **Grassroots democracy:** It enables people to participate directly in local decision-making.
2. **Responsive planning:** Panchayats can identify local needs concerning roads, sanitation, drinking water and livelihoods.
3. **Social justice:** Reservation for Scheduled Castes, Scheduled Tribes and women broadens representation.
4. **Accountability:** Gram Sabhas facilitate social audits and scrutiny of local expenditure.
5. **Rural development:** Panchayats support the implementation of development and welfare programmes.

### Alternative Sources of Finance

1. **Own-source revenue:** Property or house taxes, local fees, licence charges and other authorised levies.

2. **User charges:** Fees for water supply, sanitation, markets, community halls and other local services.
3. **Revenue from assets:** Income from ponds, shops, markets, community buildings and other Panchayat property.
4. **Public-private partnerships:** Partnerships for suitable infrastructure and service-delivery projects, subject to safeguards.
5. **Community contributions:** Voluntary labour, donations and contributions for locally prioritised projects.
6. **Institutional finance:** Eligible loans or development assistance, where legally permitted and financially sustainable.
7. **Convergence of schemes:** Pooling resources from different government programmes for integrated local development.

**Conclusion**

Panchayats are essential to participatory and inclusive rural governance. Strong accounting, transparent budgeting and enhanced own-source revenue can reduce excessive dependence on government grants.

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