

## Finance Commission and Devolution of Constitutional Power to the Local Bodies

**Alik Banerjee**

*"I feel more and more that we must function more from below than from the top... too much of centralization means decay at the roots and ultimately a withering of branches, leaves and flowers." -Pandit Jawaharlal Nehru*

*In Vedic times (1700 BC), self-governing village bodies called sabhas existed. Gradually they became panchayats with huge powers, both executive and judicial. During the British rule the autonomy of panchayats declined with the establishment of local civil and criminal courts, revenue and police organization, improvement in communications, growth of individualism. However, the Indian constitution took a leap. Part IX relating to panchayats was incorporated, vide the 73rd Constitution Amendment Act, 1992.<sup>1</sup> It promised institutionalization of a third stratum of government at the local level and refute the idea of a distinct possible decentralized policy in our country.<sup>2</sup> The amendment also provided Finance Commission the power to review the financial position of panchayats and make recommendations: how taxes, duties, tolls and fees should be assigned to local bodies and which of them would be shared among the centre, state and local bodies. For the local communities, the local government is expected to be sensitive and respond to their requirements. Arguments began with the financial ability of a local body as soon as development was a point to ponder upon in reality. Even with such an ambitious devolution of powers to the rising stream of local bodies, there are demerits which need to be checked. To raise an all-around efficacy, thinking in small pockets would not only raise equitable distribution of benefit, the supervision would also become a concrete process.*

### I Introduction

In the time of the Rig-Veda (1700 BC), evidences suggest that self-governing village bodies called 'sabhas' existed. With the passage of time, these bodies became panchayats (council of five persons). Panchayats were functional institutions of grassroots governance in almost every village. The Village Panchayat or elected council had large powers, both executive and judicial. Land was distributed by this panchayat which also collected taxes out of the produce and paid the government's share on behalf of the village. Above a number of these

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Alik Banerjee, Research Scholar in Economics, Dhirubhai Ambani Institute of Information and Communication Technology (DAICT), Gandhinagar 382007, Gujarat,  
Email: alik.banerjee87@gmail.com