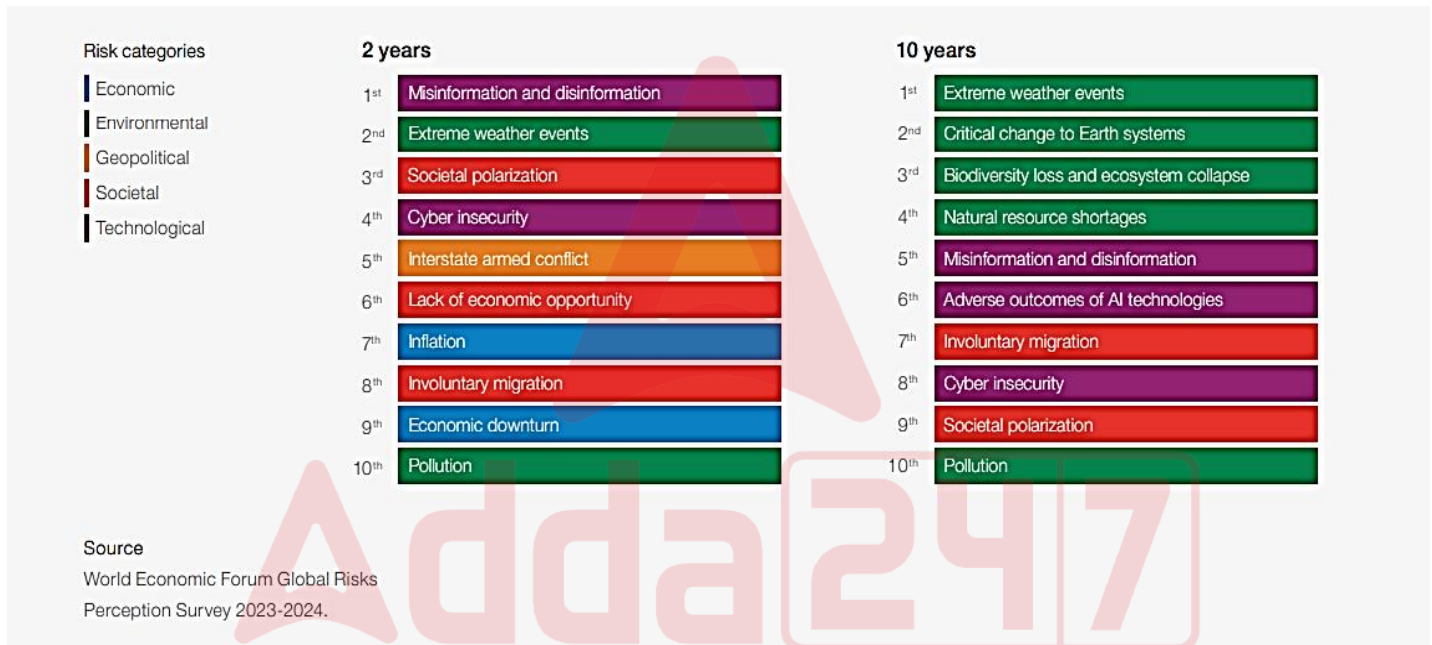


## Important Reports for RBI Grade B 2024 (February)

### Indexes/Reports-February-2024

#### World Economic Forum (WEF)- Global Risk Report 2024

The Global Risk Report 2024, unveiled recently by the World Economic Forum (WEF), identifies the most critical risks expected in the coming decade, amidst swift technological advancements, economic instability, climate change, and ongoing conflicts. This report draws insights from a comprehensive survey of around 1,500 experts, industry leaders, and policymakers.



- **Global Outlook Deterioration:**

- The outlook for global affairs in 2023 appears bleak due to various events such as deadly conflicts and extreme weather conditions, contributing to a largely negative perspective.

- **AI-Driven Misinformation and Disinformation:**

- Misinformation and disinformation are identified as significant risks in the coming years, exacerbated by rapid technological advancements.
- The proliferation of Generative AI chatbots like ChatGPT raises concerns about the creation of sophisticated synthetic content for manipulation purposes, extending beyond individuals with specialized skills.
- With billions of people set to participate in elections in 2024 and beyond, AI-powered misinformation and disinformation pose a critical risk in countries like the United States, Britain, Indonesia, India, Mexico, and Pakistan.

- **Structural Forces Shaping Global Risks:**

- Four structural forces, namely Climate Change, Demographic Bifurcation, Technological Acceleration, and Geostrategic Shifts, are identified as key influencers of global risks over the next decade.
- These forces represent long-term changes in the global landscape, contributing to uncertainty and volatility.

- **Environmental Risks at the Forefront:**

- Environmental risks, particularly extreme weather events, dominate the global risk landscape across all time frames.
- Concerns regarding climate change, biodiversity loss, and significant alterations to Earth systems are evident, with potentially irreversible consequences.

- **Economic Strains and Inequality:**

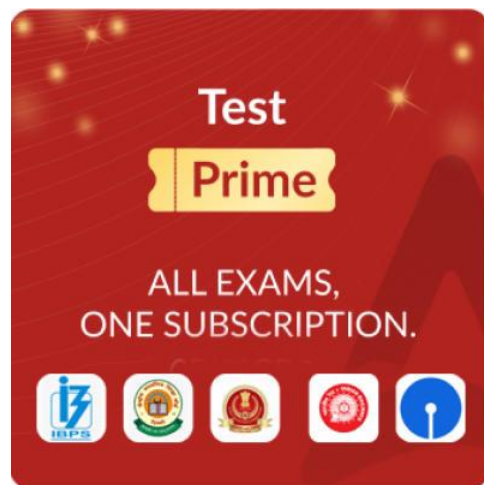
- Economic challenges such as the cost-of-living crisis, inflation, and economic downturns pose significant risks for 2024.
- Low- and middle-income countries are expected to bear the brunt of economic uncertainty, potentially leading to digital isolation and exacerbating societal and environmental issues.

- **Security Risks and Technological Advances:**

- Interstate armed conflicts emerge as a new top risk in the coming years.
- Technological advancements, particularly in artificial intelligence, present security risks by granting non-state actors access to disruptive tools, potentially escalating conflicts and crime.

- **Geopolitical Shifts and Governance Challenges:**

- Increasing divisions between global powers, particularly between the Global North and South, may result in governance challenges on an international scale.
- The rising influence of states in the Global South, coupled with geopolitical tensions, could reshape security dynamics and affect global risk profiles.



## Recommendations

- **Leveraging Localized Strategies:**

- Utilizing localized strategies involving investment and regulation can mitigate the impact of foreseeable risks, allowing for better preparation. Both the public and private sectors have vital roles to play in extending these benefits to all segments of society.

- **Emphasizing Breakthrough Endeavors:**

- Prioritizing the future and focusing on research and development efforts can lead to breakthrough endeavors, which in turn contribute to enhancing global safety.

- **Recognizing the Power of Collective Action:**

- Although individual actions by citizens, companies, and countries may seem insignificant in isolation, their collective efforts, when reaching critical mass, have the potential to significantly mitigate global risks.

- **Promoting Cross-Border Collaboration:**

- In a world becoming increasingly fragmented, large-scale cross-border collaboration remains crucial for addressing risks that are paramount to human security and prosperity.

### **About Global Risk**

- **Definition of Global Risk:**

- Global risk refers to the potential occurrence of an event or circumstance that, upon happening, would have adverse effects on a substantial portion of global gross domestic product, population, or natural resources.

- **The Global Risks Report:**

- Annually, the World Economic Forum releases the Global Risks Report before its Annual Meeting in Davos, Switzerland.

### **Additional Info**

- **World Economic Forum (WEF):**

- Established in 1971, the WEF is a Swiss nonprofit foundation headquartered in Geneva, Switzerland.
- Recognized by Swiss authorities as the premier international institution for fostering public-private cooperation.

- **Mission:**

- Dedicated to enhancing the condition of the world by engaging leaders from business, politics, academia, and other sectors to influence global, regional, and industry agendas.

- **Founder and Executive Chairman:**

- Klaus Schwab.

- **Major Reports:**

- The WEF, in collaboration with INSEAD and Cornell University, publishes several influential reports, including:
  - Energy Transition Index.
  - Global Competitiveness Report.
  - Global IT Report.
  - Global Gender Gap Report.
  - Global Travel and Tourism Report.

### **Finances of Panchayati Raj Institutions**

The Reserve Bank of India (RBI) has recently published a report named 'Finances of Panchayati Raj Institutions' for the fiscal year 2022-23, offering insights into the financial operations of Panchayati Raj Institutions (PRIs) in India.

## Panchayat Finances in India: An Overview

### Panchayat Finances in India: An Overview

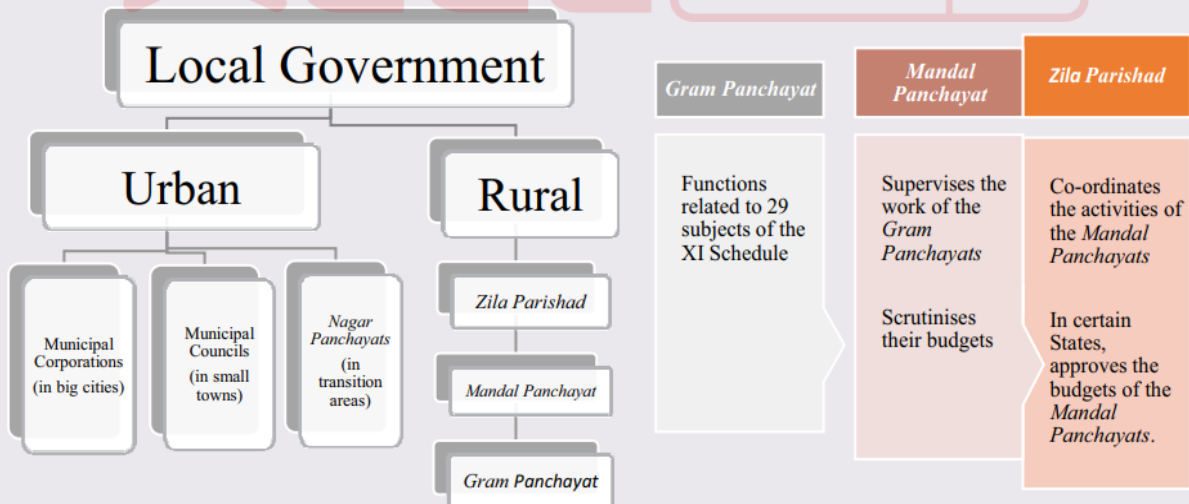
**Table I.1: Functions Listed in the 11<sup>th</sup> Schedule of the Constitution**

1	Agriculture, including agricultural extension	16	Poverty alleviation program
2	Land improvement, implementation of land reforms, land consolidation, and soil conservation	17	Education, including primary and secondary schools
3	Minor irrigation, water management, and watershed development	18	Technical training and vocational education
4	Animal husbandry, dairying, and poultry	19	Adult and non-formal education
5	Fisheries	20	Libraries
6	Social forestry and farm forestry	21	Cultural activities
7	Minor forest produces	22	Markets and fairs
8	Small-scale industries, including food processing industries	23	Health and sanitation, including hospitals, primary health centers, and dispensaries
9	<i>Khadi</i> , village, and cottage industries	24	Family welfare
10	Rural housing	25	Women and child development
11	Drinking water	26	Social welfare, including welfare of handicapped and mentally retarded
12	Fuel and fodder	27	Welfare of weaker sections, in particular, scheduled castes and scheduled tribes
13	Roads, culverts, bridges, ferries, waterways, and other means of communication	28	Public distribution system
14	Rural electrification, including distribution of electricity	29	Maintenance of community assets
15	Non-conventional energy sources		

Source: Constitution of India.

### Finances of Panchayati Raj Institutions

**Chart I.2: Structure of the Rural Local Bodies and their Functions**



Source: Chak, 2017.

- **Revenue Composition:**

- Panchayats derive only 1% of their revenue from taxes, with the majority sourced from grants provided by both the Central and State governments.
- Data reveals that 80% of the revenue originates from Central government grants, while 15% stems from State government grants.

- **Revenue Statistics:**

- In the fiscal year 2022-23, panchayats amassed a total revenue of Rs 35,354 crore.
- Merely Rs 737 crore was generated through internal tax revenue, covering taxes on professions, trades, land revenue, stamps and registration fees, property taxes, and service taxes.
- Non-tax revenue amounted to Rs 1,494 crore, primarily from interest payments and Panchayati Raj programs.
- Notably, panchayats received Rs 24,699 crore in grants from the Central government and Rs 8,148 crore from State governments.

- **Revenue Per Panchayat:**

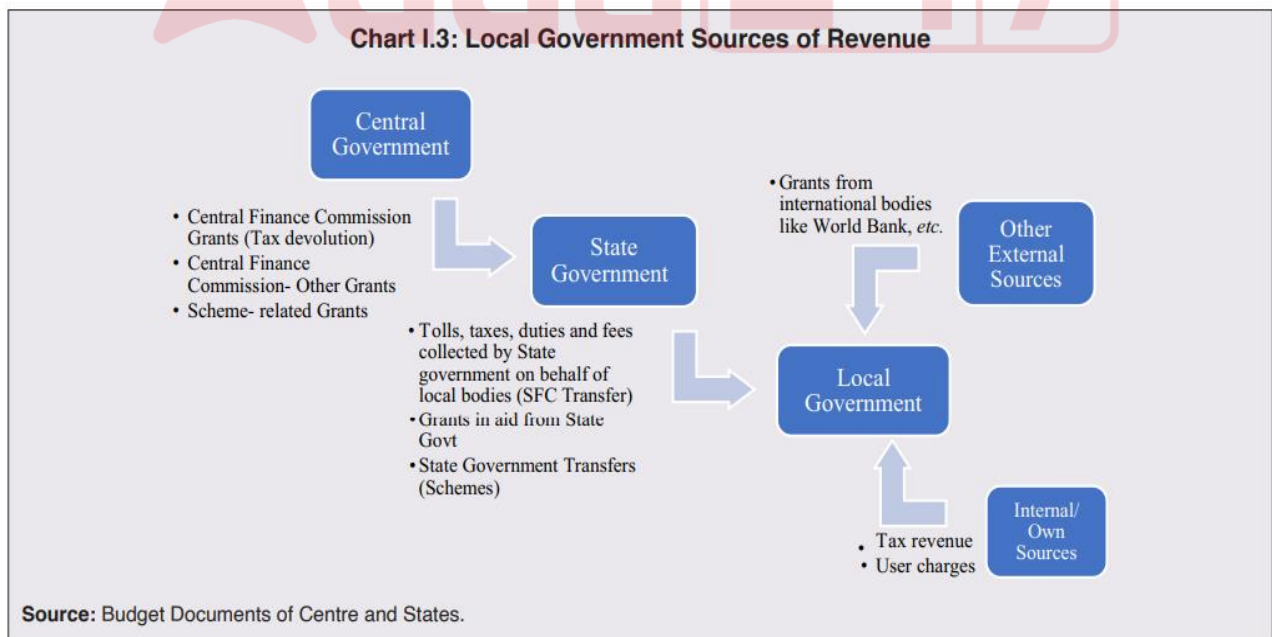
- On average, each panchayat earned Rs 21,000 from internal tax revenue and Rs 73,000 from non-tax revenue.
- Conversely, grants from the Central government averaged around Rs 17 lakh per panchayat, while State government grants exceeded Rs 3.25 lakh per panchayat.

- **State Revenue Share and Inter-State Disparities:**

- Panchayats' share of their respective State's revenue remains minimal, varying significantly among states.
- For instance, in Andhra Pradesh, panchayat revenue receipts account for only 0.1% of the State's revenue, whereas in Uttar Pradesh, it constitutes 2.5%, the highest among states.
- Wide disparities exist among states regarding average revenue earned per panchayat.
- Kerala and West Bengal lead with average revenues exceeding Rs 60 lakh and Rs 57 lakh per panchayat, respectively, while states like Andhra Pradesh, Haryana, Mizoram, Punjab, and Uttarakhand have significantly lower average revenues, less than Rs 6 lakh per panchayat.

**Panchayat Finances in India: An Overview**

**Chart I.3: Local Government Sources of Revenue**



### Fiscal Position of Panchayati Raj Institutions

- The Panchayat system is structured across three levels: the village, the intermediate, and the district levels.
- The foundation of this structure at the village level is the Gram Sabha.
- Membership of the Gram Sabha includes all individuals who are listed in the electoral rolls for the village that falls under the purview of the Panchayat.
- The village community directly elects the Chairperson for the Panchayat.

<b>Table II.1: Number of Panchayats</b>		
<b>Sr. No</b>	<b>Units</b>	<b>Number</b> (As of Dec. 31, 2022)
1.	Number of Village Panchayats	2,55,623
2.	Number of Intermediate Panchayats	6,697
3.	Number of District Panchayats	665

**Source:** Annual Report 2022-23, Ministry of Panchayati Raj (MoPR).

### Receipts

- Revenue receipts are primarily comprised of grants-in-aid, which constitute over 95% of total receipts.
- Panchayats receive financial grants from both the Central and State governments.
- The distribution of these grants can be aligned with particular schemes or as per the recommendations of the Central Finance Commission (CFC) and State Finance Commissions (SFC).

<b>Table II.3: Revenue Receipts</b>			
	<b>(₹ crore)</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Revenue Receipts</b>	41,744	37,971	35,354
A. Own Tax Revenue	703	786	737
B. Own Non-Tax Revenue	1,365	1,415	1,494
C. Grants-in-aid	39,675	35,770	33,123
(i) Grants from Central Government	30,264	27,060	24,699
(ii) Grants from State Government	9,138	8,412	8,148
<b>Average Revenue per Panchayat</b>			
<b>(₹ thousand per Panchayat)</b>			
<b>Revenue Receipts</b>	2,117	2,320	2,123
A. Own Tax Revenue	24	26	21
B. Own Non-Tax Revenue	68	72	73
C. Grants-in-aid	2,026	2,221	2,029
(i) Grants from Central Government	1,640	1,846	1,694
(ii) Grants from State Government	377	366	327

**Note:** Grants-in-aid include grants from Centre, States, and other institutions.  
**Source:** MoPR.

- **Untied Grants:** These are general-purpose funds without specific conditions, allowing PRIs to utilize them based on local needs and priorities.
- **Tied Grants:** These funds are allocated for specific purposes such as sanitation, education, and healthcare, ensuring that the money is directed to targeted areas as determined by higher government levels.
- **Performance-based Grants:** PRIs that demonstrate effective governance, sound financial management, and successful project implementation may be awarded additional funds as incentives.
- **Special Category Grants:** These grants provide extra support to areas that face unique socio-economic challenges or geographical constraints.

### Role of Panchayats in Economic Development

1. **Population:** It highlights that 69% of India's population resides in rural areas. PRIs are pivotal in local governance and play a significant role in fostering rural development.
2. **Implementation:** PRIs are the primary agencies responsible for implementing policies and schemes from central and state governments. They focus on the needs of rural communities by formulating Village Development Plans (VDPs) and allocating resources to meet these needs effectively.
3. **Agriculture:** PRIs manage agricultural projects aimed at increasing production, promoting sustainable farming techniques, and enhancing rural economic resilience. An example given is Amul, which started at the Panchayat level.
4. **Localization of Sustainable Development Goals (SDGs):** PRIs are actively involved in localizing SDGs through nine specific focus areas, which include:
  - Ensuring poverty-free communities with improved livelihoods.
  - Promoting health.
  - Creating child-friendly environments.
  - Working towards water sufficiency.
  - Establishing good governance within the Panchayats.
  - Maintaining clean and green surroundings.
  - Developing self-sufficient infrastructure.
  - Upholding social justice and ensuring social security.
  - Advocating for women-friendly policies and environments.
5. **Healthcare:** Gram panchayats focus on enhancing healthcare by promoting institutional deliveries, providing pre-natal and post-natal care, and working towards reducing maternal and infant mortality rates.
6. **Education:** PRIs aim to improve educational outcomes by increasing enrollment rates, reducing dropout rates, ensuring teacher attendance, and enhancing the overall quality of education.
7. **Women's empowerment:** It states that the presence of women in PRIs has a positive impact on the provision of local public goods to underprivileged groups, as evidenced by a study conducted by Esther Duflo and R. Chattopadhyay. The Constitution's Article 243D mandates the participation of women in PRIs by requiring at least one-third of the seats to be reserved for women, including in direct elections and Panchayat Chairperson positions.



## Way Forward

- PRIs have limited self-generated revenue from sources like property taxes, fees, and fines, relying heavily on government grants.
- Dependence on central and state grants hinders financial autonomy and the ability to make independent local financial decisions.
- To ensure sustainable growth, Panchayats must increase their own tax and non-tax revenue and improve governance.
- Timely establishment of State Finance Commissions is critical for enhancing PRIs' financial health and enabling them to fulfill their rural development roles more effectively.
- PRIs can optimize the use of their resources through transparent budgeting, fiscal discipline, community engagement, staff training, and the use of digital tools.
- Standardized reporting of PRIs' finances would improve fiscal transparency and empower Panchayats.
- PRIs could play a significant role in addressing climate change by using local knowledge to implement adaptation strategies, climate-resilient farming, and promoting renewable energy.
- Empowering PRIs is essential for effective local governance and rural development, necessitating diverse funding sources, decentralization, capacity building, and infrastructure improvement.
- Raising public awareness and participation in PRIs' functions is key to enhancing local governance and ensuring a people-centric approach.

## About Panchayati Raj Institution (PRI)

A Panchayati Raj Institution (PRI) is a system of local government mandated by the 73rd Amendment to the Indian Constitution in 1992. This legislation conferred constitutional recognition upon PRIs and standardized their structure into three tiers: village, block, and district levels. It also established a uniform election process, mandated seat reservations for Scheduled Castes, Scheduled Tribes, and women, and detailed the devolution of funds, responsibilities, and authority to these local bodies. PRIs operate through Gram Sabhas at the village level, Panchayat Samitis at the block level, and Zila Parishads at the district level.