



CURRENT AFFAIRS



Argasia Education PVT. Ltd. (GST NO.-09AAPCAI478E1ZH)
Address: Basement C59 Noida, opposite to Priyagold Building gate, Sector 02,
Pocket I, Noida, Uttar Pradesh, 201301, CONTACT NO:-8448440231

Date -1 January 2024

THE FINANCE COMMISSION

UPSC MAINS SYLLABUS GS2 PAPER: APPOINTMENT TO VARIOUS CONSTITUTIONAL POSTS, POWERS, FUNCTIONS AND RESPONSIBILITIES OF VARIOUS CONSTITUTIONAL BODIES

WHY IN NEWS?

1. The government on Sunday appointed former NITI Aayog Vice-Chairman **Arvind Panagariya** as the Chairman of the **16th Finance Commission**, which will recommend the **tax revenue sharing formula between the Centre and States** for the 5 year period beginning from April 2026.
2. **October 2025** is the deadline set for the commission to submit its recommendations, so that they can be incorporated in the Budget exercise.

WHAT IS FINANCE COMMISSION?

1. It is a **constitutional body** formed by the order of **the President** every 5 years or whenever he deems fit under **Article 280** of the Indian Constitution to define the **Centre-states financial relations**.
2. The First Commission was established in 1951 headed by **KC Neogy**.
3. As per the constitution, the Commission consists of a **chairman and 4 other members**.
4. Qualifications required for **Chairman** of Finance Commission: "**Experience of Public affairs**".
5. Qualifications required for **Members** of Finance Commission:
 1. Are, or have been, or are qualified, as **judges of a high court**,
 2. Have knowledge of **government finances or accounts**, or
 3. Have had **experience in administration** and financial expertise; or
 4. Have special **knowledge of economics**

FUNCTIONS OF THE FINANCE COMMISSION:

As a federal nation under **7th Schedule**, India suffers from both **vertical and horizontal fiscal imbalances**:

1. Vertical imbalances **between the central and state governments** result from states incurring expenditures disproportionate to their sources of revenue, in the process of fulfilling their responsibilities.
2. Horizontal **imbalances among state governments** result from differing historical backgrounds or resource endowments and can widen over time.

Thus, under the Constitution, the **main responsibilities of a Finance Commission** are the following:

1. The distribution between the Union and the States of the **net proceeds of taxes** which are to be divided between them and the allocation between the States of the respective shares of such proceeds.
2. Determination of principles and **quantum of grants-in-aid to States** which are in need of such assistance.
3. Measures needed to augment the Consolidated Fund of a State to supplement the **resources of the Panchayats and Municipalities** in the State on the basis of the recommendations made by the Finance Commission of the State.
4. The last function was added following the **73rd and 74th amendments** to the Constitution in 1992 conferring **statutory status** to the Panchayats and Municipalities.

Constitutional provisions providing functions of the Finance Commission:

1. Levy of duties by the Centre but collected and retained by the States (**Article 268**)
2. Taxes and duties levied and collected by the Centre but assigned in whole to the States (**Article 269**).
3. Sharing of the proceeds of all Union taxes between the Centre and the States under **Article 270**.
4. Statutory grants-in-aid of the revenues of States (**Article 275**)
5. Grants for any public purpose (**Article 282**)
6. Loans for any public purpose (**Article 293**)

The President shall cause every **recommendation** made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be **laid before each House of Parliament**.

RECOMMENDATIONS OF THE 15TH FINANCE COMMISSION:

15TH Finance Commission which was headed by **NK Singh** made following recommendations will cover a period of five years from the year **2021-22 to 2025-26**:

1. **Vertical Devolution** (Devolution of Taxes of the Union to States) to be kept at **41%**:
 1. It is at the same level of 42% of the divisible pool as recommended by the 14th Finance Commission.
 2. It has made the required adjustment of about 1% due to the changed status of the erstwhile State of **Jammu and Kashmir** into the new Union Territories of Ladakh and Jammu and Kashmir.
 2. For **Horizontal devolution**, it has suggested:
 1. **45%** to income gap between the states
 2. **15%** each to population and area,
 3. **12.5%** weightage to demographic performance
 4. **10%** to forest and ecology
 5. **2.5%** to tax and fiscal efforts
 3. It has recommended post-devolution **revenue deficit grants** amounting to about Rs. 3 trillion over the five-year period ending FY26.
-

PRELIMS 2024 PRACTISE QUESTIONS:

Q1: Which of the following are associated with 'Planning' in India?

1. The Finance Commission
2. The National Development Council
3. The Union Ministry of Rural Development
4. The Union Ministry of Urban Development
5. The Parliament

Select the correct answer using the code given below:

- A. 1, 2 and 5 only
- B. 3 and 4 only
- C. 2 and 5 only
- D. 1, 2, 3, 4 and 5

ANSWER: C

Q2: Consider the following: (2023 Prelims Question):

1. Demographic performance
2. Forest and ecology
3. Governance reforms
4. Stable government
5. Tax and fiscal efforts

For the horizontal tax devolution, the Fifteenth Finance Commission used how many of the above as criteria other than population area and income distance?

- (a) Only two
- (b) Only three
- (c) Only four
- (d) All five

ANSWER: B

Suyash Rai

MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT WORKERS NOW MANDATORY TO LINK AADHAAR WITH THEIR BANK ACCOUNT FOR WAGES

(This article was published by 'Official website of Ministry of Rural Development, Government of India', 'The Economy Times of India', 'Oxfom India', 'Indian Express', 'The Hindu', monthly magazine 'World Focus' and 'PIB'. The editorial deals with a brief summary of the same. It also includes the suggestions of the PLUTUS IAS team. This article is related to the UPSC Civil Services Examination especially 'Growth of Indian Economy, Poverty and Development-Related Issues, Government Policies and Interventions, Growth and Development, MNREGA Scheme. This article is related to 'Mahatma Gandhi National Rural Employment Guarantee Act workers now mandatory to link Aadhaar with their bank account for wages' under 'Daily Current Affairs').

GENERAL STUDIES – GROWTH OF INDIAN ECONOMY, POVERTY AND DEVELOPMENT ISSUES, GOVERNMENT POLICIES AND INTERVENTIONS, GROWTH AND DEVELOPMENT, MNREGA SCHEME. WHY IN DISCUSSION / NEWS?

According to the order issued by the Ministry of Rural Development, Government of India, wages under Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) will now be paid directly into bank accounts. Aadhaar based system (ABPS) has been prepared for this. Workers have been asked to link Aadhaar with their bank account. Laborers/workers will have to link Aadhaar with the bank account in which they have to receive wages. This order will come into effect across India from February 1, 2024. According to the department, out of the target set to generate man days by March 31 in this financial year, currently 76 percent has been achieved. It is a type of payment system based on unique identification number and allows Aadhar card holders to carry out financial transactions seamlessly through Aadhar based authentication. Aadhar Based System (ABPS) Banking Service aims to empower all sections of the society by making financial and banking services available to all through Aadhar. Cash deposit, cash withdrawal, account balance check, money transfer from one base to another, transactions and various government schemes like NREGA, Housing, NRLM. Payment of etc. Will go directly into the accounts of the beneficiaries/stakeholders through D.B.T. The beneficiary will have to take his Aadhar card and passbook to the bank. After that KYC The form will have to be filled and deposited in the bank.



INTRODUCTION TO MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MNREGA):

- Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), launched in 2005 by the Ministry of Rural Development, Government of India, is one of the largest labor guarantee programs not only in India but in the entire world.
- The primary objective of the scheme is to guarantee 100 days of employment in every financial year to adult members of any rural household willing to do unskilled manual work related to public work.

- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has seen a significant increase in women's participation, a historic increase in the current financial year 2023-24.

WHAT DO THE TRENDS OF WOMEN'S PARTICIPATION IN MGNREGA MEAN?

MEANING OF TRENDS IN WOMEN'S PARTICIPATION:

- There has been a gradual increase in women's participation over the last decade, with the percentage increasing from 53.19% during the COVID-19 outbreak in 2020-21 to the current 59.25%.
- Southern states such as Kerala, Tamil Nadu, Puducherry and Goa have significantly higher female participation rates, exceeding 70%, while northern states such as Uttar Pradesh and Madhya Pradesh are around 40% or less.
- Despite historical disparities across the world, some states in India such as Uttar Pradesh, Madhya Pradesh and Lakshadweep have shown recent improvement due to increasing percentage of women's participation rates in the current financial year.

THE MAIN REASONS FOR THE INCREASING TREND OF WOMEN IN THE RURAL LABOR FORCE:

- The Periodic Labor Force Survey (PLFS) by the Ministry of Statistics and Program Implementation shows a substantial increase in the female labor force participation rate (LFPR) in rural areas, beyond the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- Notable data from the Periodic Labor Force Survey (PLFS) shows that the rural female labor force participation rate (LFPR) has increased from 18.2% in the session 2017-18 to 30.5% in the session 2022-23, with the female unemployment rate declined from 3.8% to 1.8%.
- The scheme provides a legal guarantee of minimum one hundred days of employment in each financial year to adult members of any rural household willing to do unskilled manual work related to public works at minimum wages.
- The number of active employees/workers under this scheme in the financial year/session 2023-24) was 14.32 crore.



KEY FEATURES OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MNREGA):

- The cornerstone of the design of MGNREGA is its legal guarantee, which ensures that any rural adult can request work and must get it within 15 days.
- If for some reason this commitment is not fulfilled, then in such a situation those workers should be provided 'unemployment' allowance.
- It is necessary that priority be given to women in such a way that at least one third of the beneficiaries are women who have registered and requested for work.
- Section 17 of MNREGA mandates social audit of all works executed under MNREGA.

ORGANIZATION IMPLEMENTING MNREGA:

- The Ministry of Rural Development (MRD), Government of India, is monitoring the overall implementation of this scheme in collaboration with the State Governments.

OBJECTIVE OF MNREGA:

- This Act was introduced with the aim of improving the purchasing power of the people in rural areas, its main objective is to provide semi or unskilled work mainly to the people living below the poverty line in rural India.
- The Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) seeks to reduce the income gap and lifestyle gap between the rich and the poor in India.

ACHIEVEMENTS OF MNREGA FOR THE YEAR 2022-23:

- Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) has provided employment to about 11.37 crore families across the country.
- Out of this, 289.24 crore person-days of employment has been generated, which includes:
 - 56.19% women
 - 19.75% Scheduled Caste (SC)
 - 17.47% are Scheduled Tribe (ST) people.

MAJOR CHALLENGES IN THE IMPLEMENTATION OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MNREGA):

DELAY AND INADEQUACY IN DISTRIBUTION OF FUNDS:

- Most states in India fail to pay wages within the 15 days mandated by MNREGA or have failed, according to some data. Apart from this, those workers are also not compensated for the delay in payment of wages, which creates many challenges in rural areas.
- Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), has turned the scheme into a supply-based program and after which, workers have stopped taking interest in working under it.
- Substantial evidence received so far, including admissions from the Ministry of Finance, Government of India, indicates that delays in salary payments are a result of inadequate funds.

NEGATIVE IMPACT OF CASTE-BASED SEGREGATION IN INDIA:

- There were significant variations in the delay in payments under this scheme based on caste in India. 46% payments to SC workers and 37% to ST workers were completed within the mandatory seven-day period, while it was a dismal (26%) for non-ST/SC workers.
- The negative impact of caste-based segregation is particularly felt in poorer states such as Madhya Pradesh, Jharkhand, Odisha and West Bengal.

INEFFECTIVE ROLE OF PANCHAYATI RAJ INSTITUTION (PRI):

- Panchayati Raj institution in India is a subject of “State List”. In many states of India, the states are not able to implement the MNREGA Act in an effective and efficient manner due to very little autonomy given to the Panchayati Raj Institution (PRI) in practice by that state.

DELAY IN COMPLETING TASKS AND LARGE NUMBER OF INCOMPLETE TASKS:

- There has been delay in completing the works under MNREGA within the stipulated time frame and at the same time the inspection of these projects has been irregular. Besides, the issue of quality of work and wealth creation under MNREGA has also been related. As a result, the issue of a large amount of work remaining incomplete also comes to the fore.

CASE LIKE CREATION OF FAKE JOB CARD BY INCLUDING FAKE NAMES:

- It is coming that there are many issues under MNREGA like creation of fake job cards by including fake names, entries with multiple names missing and delay in inclusion of entries in the job card, posing challenges in its smooth functioning.

SCHEMES/INITIATIVES RUNNING UNDER MNREGA:

- Amrit Sarovar Yojana: The main objective of this scheme running under MNREGA includes construction/renovation of at least 75 Amrit Sarovar (ponds) in every district of the country which will help in increasing the availability of groundwater both on surface and underground.
- ‘Jaldoot’ App: This app was launched in September 2022 to measure the water level in a Gram Panchayat through 2-3 selected open wells twice a year in the construction works under MNREGA.
- Lokpal for MNREGA: Lokpal app was launched in February 2022 for smooth reporting and classification of complaints received from various sources related to timely implementation of all schemes under MNREGA.

CONCLUSION / WAY FORWARD TO SOLVE THE PROBLEM:

- Even though the Constitution of India has provided all the fundamental rights to women in India in the year 1950 itself and has implemented “equal pay for equal work” and has prohibited any kind of discrimination between men and women on the basis of gender. But even today in Indian society, the working skills and abilities of women are underestimated. Therefore, there is a need to make it practical and visible on the ground for women to get “equal pay for equal work” even in the construction works done under MNREGA. Any kind of discrimination in the work of men and women is a hindrance in the “building of an inclusive society” and in the “process of building an egalitarian nation”, which needs to be removed with immediate effect.
- There is an urgent need to ensure continuous fund flow to States and implementing agencies by leveraging digital tools for timely and transparent salary payments.

- By focusing on the various exclusionary errors that deprive family members of marginalized SC and ST communities from the benefits of MNREGA and identifying the areas that deprive them of the benefits of MNREGA. There is an urgent need to remove it with immediate effect so that the objective underlying the MNREGA scheme can be fulfilled.
- There is a need to strengthen the State and Central Employment Guarantee Councils to achieve the core objective of the MNREGA scheme by involving public participation through trade unions, civil societies and legislatures, as well as D.B. There is a need to send wages/salaries of MNREGA workers directly to the accounts of beneficiaries/stakeholders through T.T. so that any kind of discrimination and corruption can be stopped and the basic objective of the MNREGA scheme can be achieved.

PRACTICE QUESTIONS FOR PRELIMINARY EXAM:

Q.1. Consider the following statements regarding Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA).

1. This is one of the largest labor guarantee programs not only in India but in the entire world, launched by the Ministry of Rural Development, Government of India in the year 2005.
2. The primary objective of the scheme is to guarantee 180 days of employment in every financial year to unskilled adult members of any rural household engaged in public work.
3. The MNREGA scheme works to widen the gap in income and lifestyle between the rich and the poor in India.
4. Periodic Labor Force Survey (PLFS) data shows that the rural female labor force participation rate (LFPR) has increased to 30.5% in the session 2022-23, while the female unemployment rate has declined from 3.8% to 1.8%.

Which of the above statement/statements is correct?

- (A). Only 1 and 4
- (B). Only 1, 2 and 3
- (C). None of these.
- (D). All of these.

Answer – (A).

PRACTICE QUESTIONS FOR MAIN EXAM:

Q.1. What is Mahatma Gandhi National Rural Employment Guarantee Act? How will linking your Aadhaar with your bank account bring transparency in timely payment of salaries to MNREGA workers and implementation of government schemes? Discuss in details.

Akhilesh Kumar Shrivastava