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सशक्त पंचायत सतत् विकास

Vande Mataram 150 Years

सत्यमेव जयते
Government of India
Ministry of Panchayati Raj

Panchayati Raj

GRAMODAY SANKALP

In This Issue

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PESA Mahotsav 2025: Bringing Folk Culture onto a Common Platform

A two-day PESA Mahotsav was organised in Visakhapatnam on 23–24 December 2025

On the occasion of PESA Day, the Union Minister of State for Panchayati Raj, Professor S. P. Singh Baghel, addressed the participants of the two-day PESA Mahotsav in Visakhapatnam.

The Ministry of Panchayati Raj, in collaboration with the Government of Andhra Pradesh, organised the PESA Mahotsav with great fervour in Visakhapatnam on 23–24 December 2025. The festival emerged as a vibrant confluence of the folk culture, tribal sports, cuisine, and handicrafts of the ten PESA States. Tribal participants not only showcased their skills and talents but also engaged in mutual learning and exchange.

The Mahotsav witnessed enthusiastic participation from Panchayat representatives, sportspersons, artisans, craftsmen, and cultural performers from tribal communities across all ten PESA States—Andhra Pradesh, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, and Telangana. Participants demonstrated their abilities in events such as kabaddi, archery, PESA races, and traditional tribal sports. Exhibitions of tribal food, crafts, art, culture, dance, and traditions provided a vibrant national मंच for showcasing the rich tribal heritage of India.

Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj, underscored the importance of the PESA Act as a key institutional framework for the protection of water, forests, and land in Scheduled Areas, while also strengthening grassroots governance. He stated that the Act empowers local institutions, enables community-based decision-making, and places the Gram Sabha at the centre of democratic participation.

On the second day of the Mahotsav, which also marked PESA Day, several significant initiatives were launched, including the PESA Portal, PESA Indicators, training modules on PESA in tribal languages, and an e-book on Kinnaur district of Himachal Pradesh.

On the occasion of PESA Day (24 December 2025), the Union Minister of State for Panchayati Raj, Professor S. P. Singh Baghel, addressed the participants through a video message. He emphasised that the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA) provides strong constitutional support to tribal rights over water, forests, land, and natural resources, and called for its effective implementation at the grassroots level. He noted that participatory development plans prepared at the village level, in accordance with local needs and traditions, are crucial for the progress of tribal communities and for realising Prime Minister Narendra Modi's vision of Viksit Bharat 2047.

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सत्यमेव जयते

पंचायती राज मंत्री
और मत्स्यपालन, पशुपालन एवं डेयरी मंत्री
भारत सरकार
Minister of Panchayati Raj and
Minister of Fisheries, Animal Husbandry and Dairying
Government of India

DO. No. 27481/MIN PR&FAHD/2026

MESSAGE

I am extremely happy to know that the Ministry of Panchayati Raj is publishing the 17th issue of its ***Gramoday Sankalp*** magazine with the theme, '**Own Sources of Revenue of Panchayats**'.

Our Hon'ble Prime Minister has resolved to build a *Viksit Bharat* by the year 2047 and the Panchayats are going to play a pivotal role in it. For the realization of this noble vision, it is imperative that Panchayats become financially self-reliant. While Panchayats receive mainly Central and State Finance Commissions grants for developmental works, their financial autonomy remains a formidable challenge that is critical to the attainment of a Viksit Panchayat.

The Ministry of Panchayati Raj, in collaboration with State Governments, is making sustained efforts to promote enhancement of Own Sources of Revenue of Panchayats. Elected representatives and officials of Panchayati Raj Institutions are being adequately trained and motivated so that they may take initiatives to generate their own revenue. In this issue, inter alia, the efforts of the Ministry on various aspects of mobilisation and augmentation of own sources of revenue by the Panchayats have been covered.

I am confident that this issue of *Gramoday Sankalp* will be very useful to the readers, elected representatives of the Panchayats, officials, and other stakeholders, and will inspire them to move forward with a well-defined strategy for generating their own revenue.

(Rajiv Ranjan Singh)

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Panchayati Raj

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राज्य मंत्री
मत्स्यपालन, पशुपालन एवं डेयरी
एवं
पंचायती राज मंत्रालय
भारत सरकार

पंचायती राज

सत्यमेव जयते

Prof. S.P. SINGH BAGHEL
Minister of State for
Fisheries, Animal Husbandry & Dairying
and
Panchayati Raj
Government of India

MESSAGE

I am pleased to note that the Ministry of Panchayati Raj is bringing out the 17th issue of *Gramoday Sankalp* magazine. It is particularly commendable that this issue carries special features on *Own Sources of Revenue of the Panchayats*, which can significantly support Panchayats in their journey towards financial autonomy.

It would not be an exaggeration to state that making Panchayats financially self-reliant and reducing their dependence on government assistance is a decisive and positive step towards realising the vision of *Gram Swaraj* as envisaged by the Father of the Nation. Empowered Panchayats are expected to play a vital role in fulfilling the Hon'ble Prime Minister's resolve to build a *Viksit Bharat*. Panchayats can truly be empowered only when they become self-reliant and effectively harness their own revenue sources.

Over the past decade, strengthening the Panchayati Raj system—particularly in the area of financial self-reliance—has been one of the key focus areas of the Ministry of Panchayati Raj. Through enhanced capacity-building initiatives, the Ministry has been equipping elected representatives and Panchayat officials with the skills and competencies necessary to realise the full potential of their revenue sources. The Ministry is also encouraging States to formulate or amend *Own Source Revenue (OSR)* rules. This issue highlights some important aspects and areas of Panchayat revenue.

I am confident that this issue of *Gramoday Sankalp*, featuring informative articles and best practices on Own Sources of Revenue, will prove valuable and enriching for elected Panchayat representatives, Panchayat officials, other stakeholders, researchers, and members of the public interested in rural local governance.

(Prof. S. P. Singh Baghel)

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सचिव
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Secretary

सत्यमेव जयते

आज़ादी का अमृत महोत्सव

भारत सरकार
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Message

It is noteworthy that the 17th issue of '*Gramoday Sankalp magazine*' being brought out by the Ministry of Panchayati Raj centres around the theme **"Own Sources of Revenue (OSR) of Panchayats"** as the country puts concerted efforts to realise the vision of a Viksit Bharat by 2047. To me only financially self-reliant Panchayats can build a strong foundation of a developed India.

2. As per a recent study, at the national level, the Panchyats mobilse hardly 6-7 per cent of the fund from their Own Sources Revenue and they largely depend on grants from Centre and States for the developmental works. There are a few Panchayats those generate a very impressive amount of revenue both from tax and non-tax sources and can set examples for others. There is thus immense potential for augmentation of OSR by the Panchayats. In these circumstances, it becomes essential to empower and enable Panchayats to mobilize and augment their own revenue.

3. Article 243-H of our Constitution empowers Panchayats to mobilize revenue, authorizing State Legislatures to enable Panchayats, by law, to levy, collect, and appropriate taxes, duties, tolls, and fees. Despite these constitutional provisions, the empowerment and enablement of majority of Panchayats in the country are uneven. The Ministry of Panchayati Raj, in coordination and collaboration with State Governments, has taken initiatives for the capacity-building of the Panchayat representatives and extended technical assistance including digital interventions to enable the Panchayats plan, levy, collect tax and non-tax revenue. This issue of the Gramoday Sanklap magazine includes some such initiatives of the Ministry, SAMRATH like digital platform, constitutional provisions in the matters of OSR, and best practices on OSR.

4. I am confident that this edition will prove to be very useful for the readers, and particularly for the elected representatives of the Panchayats towards their capacity building which will go a long way in tax administration in their endeavour to attend fiscal autonomy and build a Vikist Panchayat and contribute to Viksit Bharat.

5. I also take this opportunity to congratulate all the contributors to this issue.

Vivek Bharadwaj

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It's Time for India's Panchayats to Reinvent and think like Entrepreneurs

*Shri Sushil Kumar Lohani**

*Shri, Ranjan Ghosh***

With the 73rd Constitutional Amendment Act of 1992, Gram Panchayats (GPs) were empowered to usher in a new era of grassroots self-governance. They were to be fiscally empowered, politically accountable, and innovative. Although much progress has been made ever since, that vision remains only half fulfilled. Despite constitutional powers to raise their own revenue under Article 243H, most GPs remain financially dependent on state and central transfers. According to latest data from the Ministry of Panchayati Raj (MoPR) and a 2025 study by the National Institute of Public Finance and Policy (NIPFP), Own Source Revenue (OSR) contributes barely 6–7% of Panchayat finances nationally. The remaining 93-94% still come from grants. This dependency has dampened local initiatives within GPs. They have largely become implementers of government schemes rather than self-reliant local governments. It is time to change that, not just by revising tax rules but by adopting an entrepreneurial mindset within Panchayats.

This is important because without control over finances, GPs cannot plan or prioritise according to local needs. The NIPFP report shows that even where economic potential exists, through property taxes, user fees, or community assets – the absence of innovation, digital systems, and political will limits performance. States such as Kerala, Karnataka, and Goa have higher per capita OSR (₹286, ₹148, and ₹1,635 respectively). They also have higher digitised tax collection, and community participation. On the other hand, states like Jharkhand, Bihar, and Himachal Pradesh collect almost negligible OSR. Entrepreneurship, as Joseph Schumpeter described, is about creative transformation. For Panchayats, this will mean moving from passive collection to active creation. They will have to rediscover themselves and find ways to monetise local assets, provide services efficiently, and reinvest the proceeds in development.

The water park and marriage garden developed by the Gram Panchayat Dharmaj, District-Anand, Gujarat is a significant source of Own Source Revenue (OSR).

IIM Ahmedabad (IIMA)'s recent engagement with OSR in documenting entrepreneurial best practices revealed several positive developments in this direction. For instance, in Dharmaj, Gujarat, the GP runs a ₹5 crore annual budget with half of it coming from locally generated income. By redeveloping uncultivated land into a multi-purpose park, collecting property and water taxes digitally, and leveraging contributions from its NRI diaspora, the village has built reserves of over ₹2.5 crore. In Sirasu, Uttarakhand, the GP earns ₹15–20 lakh a year by

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Shri Vivek Bharadwaj, Secretary, Panchayati Raj, addressing the training programme on 'Aatmanirbhar Panchayat – Own Revenue Sources' held at IIM Ahmedabad.

charging nominal fees for pre-wedding photo shoots in its scenic locales. They have used this to fund solar lights and roads. In Mukundapurpatna, Odisha, the GP revenue jumped from ₹93,000 in 2006 to ₹36.78 lakh in 2018 through temple rents, market leases, and geo-tagged assets. These (and several other) GPs did not wait for state funds to arrive, they rather turned them into financially viable institutions.

Nevertheless, these examples are far and few in between to bring the larger change needed. Where do most Panchayats lag? Mostly, they can be attributed to political reluctance to levy taxes arising out of fear of voter backlash. Many GPs still assess property manually, with poor records and weak enforcement leading to very low valuation. User charges are rarely revised. In some states, ceilings on fees have not changed for decades. This has resulted in a narrow, stagnant tax base and a culture of dependency. As the NIPFP report notes, de jure fiscal empowerment means little without de facto operational autonomy.

Technology is beginning to change the equation, albeit slowly. Tamil Nadu's VP Tax Portal enables real-time monitoring of property and professional taxes, while Jharkhand's PoS-enabled tax collection has improved efficiency and transparency. Linking such systems with SVAMITVA's property mapping can vastly expand Panchayats' revenue base. Some behavioural nudges such as publicly recognising timely taxpayers or showing visible outcomes ("your tax built this road") can also increase voluntary compliance. When people see the connection between taxes and tangible improvements, resistance will decline – and "fiscal trust" will increase.

Ministry of Panchayati Raj's recent initiative in collaboration with IIM Ahmedabad in rolling out a specialised capacity building intiative for Panchayat functionaries will go a long way in realising the immense potential of OSR at the grassroot level. In order to support the states, a digital platform called "Samartha" has also been developed by the Ministry for facilitating end-to-end digitisation of OSR management by Panchayats. MoPR is also nudging states to formulate or revise the OSR rules to make Panchayats more progressive and empowered. Efforts are also being made to handhold identified panchayats having high revenue collections or those situated in peri-urban areas close to growth centres in formulating commercially viable projects. The right entrepreneurial energy in these places, we expect, could create a virtuous economic cycle with spin off effects.

The time has come to accept that while improving tax rates and buoyancy is important, it is only entrepreneurial thinking that can bring real change. As IIMA's study has found, GPs using circular economy models such as biogas and composting plants, solar energy sales, community markets, and eco-tourism are fiscally more independent and are looking to grow further. To accelerate this process, the MoPR is pushing for performance-linked grants which is tied to OSR growth. Further, the concept of 'Fiscal Fellows' at selected GPs that can handhold financial planning and digital integration can also be tried out. The 16th Finance Commission can also incentivise Panchayats by rewarding outcomes to those that increase OSR – rather than just adhering to procedures.

The long-cherished dream of Gram Swaraj will be realised, not by how much money flows from top, but on how effectively it is generated and used at source. Panchayats need to think less like accountants and more like entrepreneurs, spotting opportunities, managing risks, and reinvesting gains into the community. India's rural transformation will not come from new schemes alone – it will come when its 2.5 lakh+ Gram Panchayats learn to earn, and when local governance becomes the country's most vibrant entrepreneurial ecosystem. ■

Strong Local Governments Hold the Key to Viksit Bharat

*Shri Sunil Kumar**

The goal of 'Viksit Bharat' (Developed India) by the year 2047 (centenary year of India's independence) has been set by the Government and seems to have caught the fancy of the people. Experts are busy debating about the projected size of the Indian economy, the required GDP growth rate over the next twenty two years and how and where new capital investments need to be made. Some experts are of the opinion that India should focus on fifteen mega-growth clusters[1] which are best placed to power growth. Others feel that more than world-class physical infrastructure, reducing growing income inequality and employment generation ought to be the primary focus.

While this debate rages, with economists and policy makers weighing in and debating about who should do the heavy weight lifting - union government and/or state government or private industry - one thing which is crystal clear is that from the citizen's point of view, and especially if citizen-centric governance is to be made available, it is neither the union or the state government which really matter... they are far too removed and distant. It is the local governments which matter - whether urban or rural. Local governments have played a stellar role in the social and economic growth of all developed countries - whether in USA, Europe or even in China. Unfortunately, the state of local governments in almost all states of India leaves a lot to be desired.

The 73rd and 74th Constitution Amendment Acts (CAA) were historic since they granted constitutional status to local government - both urban and rural - as the third tier of government in India. After thirty two years of the aforesaid CAA coming into force, it can be safely asserted that they are here to stay. They are seen as strengthening grassroots democracy and an integral part of the federal structure. Local governments in rural areas are reasonably strong in some States like Kerala, Karnataka, Maharashtra and West Bengal but the same cannot be said of their urban local governments barring a few. The devolution of fund, functions and functionaries continues to be a work in progress in most States. The functioning of constituional bodies like the State Election Commission (Article 243K & 243ZA), the State Finance Commission (Article 243I & 243Y), the District Planning Committee (Article 243ZD) and the Metropolitan Planning Committee (Art.243ZE) is at best 'uneven'. Actual functioning of constitutional institutions like the Gram Sabha in different States leave considerable scope for improvement. Absence of an institution akin to the Gram Sabha to facilitate citizen participation in urban governance is acutely felt. The size of Gram Panchayats (GPs) do not lend to their administrative and financial viability in most States barring Kerala, West Bengal, Bihar, Assam and Karnataka (to an extent). The delimitation exercise is arbitrary in most States except Kerala which has an effective State Delimitation Commission.

Local governments are best placed to provide citizen-centric governance. However, at present, the local governments function more like an implementing agency of union and state governments than an autonomous elected body focused on providing citizen-centric governance in most States. The bureaucracy dominates and the elected representatives play a secondary role in almost all States. Despite twenty-two states providing for 50 percent reservation of seats for women in Panchayats, the issue of 'proxy leadership' remains a 'live' issue in most States.

It must be remembered that India is rapidly urbanising. Around 40 percent of the population is likely to be residing in urban areas by 2030 (and over 50 percent by 2047). Consequently, all governance issues, rural and urban, need to be addressed on priority by local

[1]It will take a city If their potential is unlocked, 15 urban hubs can propel India's economy - Amitabh Kant; https://amitabhkant.co.in/upload/articles/13663679556868a0f18fe1d0.16754010_It-will-take-a-city.pdf

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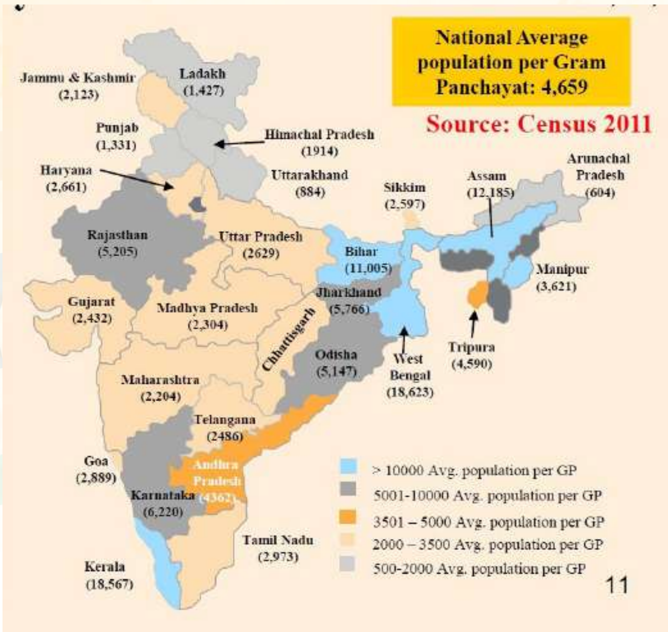
governments. Good governance from the citizen's perspective would entail addressing design flaws, building accountable institutions, and enhancing effectiveness and efficiency in service delivery. Without these, the dream of viksit Bharat would be difficult to realize.

In this scenario the reform agenda, in the opinion of the author, would involve the following:

One, there is urgent need to set up institutions like the *Delimitation Commission for Local Governments* in every State. Necessary amendment would be required in Article 82 of the Constitution. These would need to be set up immediately after the results of the Census are released. These should be headed by retired Supreme Court or High Court judges and tasked with not only traditional functions like revision of the boundaries of existing constituencies of all tiers of local governments (rural and urban) with rotation of seats as per extant reservation policy of the State governments but also examination of the administrative and financial viability of rural and urban local governments. Their recommendations should include transition from rural to urban local government, based upon objective criteria.

Improvement in road and telecommunication infrastructure has shrunk physical distance and brought people closer. Fixing the average size of Gram Panchayats between ten to twenty five thousand in the plains and anything between one to ten thousand in hilly and difficult areas could make them administratively and financially viable units. In urban areas, Nagar Panchayats (Town Areas) could have population between twenty five thousand to one lakh; Municipalities between one to ten lakh and Municipal Corporations above ten lakh. The maximum population of even a Municipal Corporation could be capped at say 30 to 50 lakh so that they do not lose their citizen-centric focus.

Two, to provide appropriate transfer of functions and functionaries to local governments, insertion of a *Local Government list* and *Concurrent list between State and Local government* in the Seventh Schedule of the Constitution would be effective. While the power to legislate could remain with the State legislature, rule -making powers may be extended to the local governments.



State-wise information on population per Gram Panchayat

Three, provision for a *Consolidated Fund of Local Government*[2] should be inserted in the Constitution by amending Article 266. All funds from the Union and State government, including those derived from the devolution of funds based on recommendation of the Union and State Finance Commissions, would directly flow into this Fund. States would also need to transfer an appropriate share of the State budget to local governments as is the case in the state of Kerala. Since all local governments, urban and rural, have a unique LGD code, there should not be any difficulty in maintaining proper accounts for every local government by the Reserve Bank of India.

Four, the time is ripe for evolving political consensus around the proposal to provide *one-sixth share in both CGST and SGST to local government*[3]. This would remove the uncertainty in flow of funds to local governments and enable them to plan and execute their schemes in a better way.

Five, local governments need to explore different innovative bond and land based financing mechanisms to augment their resources with proper State Guarantees.

Six, with increased flow of funds, steps should be taken to enhance and strengthen accountability mechanisms. Improved and timely audit of funds of local government by auditors of Local Fund Audit department. Quality control ensured by the Accountant General (AG) of the State, should be made mandatory. There is a case for setting up an

[2]Second BPR Vithal Memorial Lecture by Dr. Vijay Kelkar, Hyderabad, December 1, 2023; https://cess.ac.in/bpr-vithal-memorial-lectures/
[3]Ibid.

institution like the *Public Accounts Committee at the District level* within District Panchayats to undertake in-depth examination of serious objections reported by the Audit. This would go a long way in ensuring accountability of local government and departmental officials to the elected representatives.

Seven, the *Budget Manual, Accounts Manual* and *Audit Manual* for all tiers of local government must be prepared in all States and notified with the approval of the State Accountant General. This would streamline financial administration in the local governments.

Eight, it would be appropriate if the rural and urban distinction is removed and *Block Panchayats and District Panchayats have elected members representing the urban and rural areas* in the Block and District respectively. This step would infuse new life into these currently moribund institutions. It would also be in line with the recommendations made by the Second Administrative Reforms Commission.

Nine, assigning civic functions of Local Governments to parastatal organizations has weakened Local Governments and must be immediately curbed. Control over parastatal bodies may be ceded by State Government to appropriate local government - say District Panchayat.

Ten, the office and post of *District Collector would need to be brought within the ambit and control of the District Panchayat*. The institution of District Collector (a colonial legacy) in its present form, ends up weakening local governments. The powers of bureaucracy over elected local government representatives must be curbed and suitable oversight mechanisms put in place to curb excesses/ malpractices of elected representatives of local governments.

Eleven, all States must proceed forthwith to set up a *dedicated cadre of local government*. The selection would be by the State Public Service Commission and the Governor would remain their appointing authority. Gazetted officers would need to be appointed as executive officers in all local governments. Officers of the local government cadre would be able to work in both urban and rural local governments and also go on deputation to the state and Union governments. All India Service and State Service officers would also be able to go on deputation to local governments. While on deputation, they would work under the administrative control of local government.

Twelve, a *manual containing rules and procedures for conducting meetings* of the Ward Sabha / Gram Sabha; Block & District Council; Municipal Council meetings; Area Sabha / Mohalla Sabha meetings must be prepared. Elected members, officials and citizens need to be suitably trained so that these institutions can be effectively used to raise issues of concern by citizens. Organizing Townhall meetings open to all citizens for participation in public policy-making in local governments must also be encouraged.

Thirteen, it must be recognized that representing the people in rural and urban local government is a full-time and not part-time activity. Accordingly, *the honorarium / salary payable to elected representatives must be an adequate index of their time and effort*. They need to be supported in monetary terms as well as through physical infrastructure and quality manpower.

Convening of the Gramsabha meeting

Fourteen, *use of digital technology* would be a must to facilitate efficient delivery of services to citizens. The apps and portals must be designed for easy use by citizens and not just the administrators. Local governments should have ownership rights over data generated from their area and they should receive a decent portion of the proceeds of data monetisation by the State and Union government.

Meri Panchayat Mobile Application

Fifteen, in order to address the challenges ahead, it is important to get out of the mind-set wherein everything is seen through the rural-urban prism. One important step in this direction would be the setting up of a *Ministry of Local Government* in the Union and Department of Local Government in the States which subsumes both Panchayati Raj, Rural Development and Urban Development Ministries/departments.

As pointed out earlier, this would require some amendments in the constitution and many more in the State Panchayati Raj and Municipal Acts and Rules. The demand for these reforms must emanate from the local government elected representatives and the MLAs and MPs must support and articulate them at appropriate forums. Among the States, Kerala, Karnataka and Maharashtra are best placed to take the lead in bringing about structural reforms and transforming local governments as the first-tier of government rather than the third-tier as is the case now.

To a make India a developed country a system of strong local government would be not only necessary but sufficient condition. Strong and effective local governments, endowed with fund, functions and functionaries, armed with constitutional and legal authority, alone can succeed in providing good governance to citizens and emerging as centres for economic growth. This could, *inter alia,* potentially curb internal rural to urban migration, create new employment opportunities and reduce income inequality between regions as well. Local government need to be viewed as the first tier of government (and not third-tier) for citizen-centric governance. The time for the next generation of economic and administrative reforms is now. Strong local governments hold the key to 'viksit Bharat'. ■

(This article is based on the keynote address delivered on 30th October in the online session on the theme "Local Governments in India since Constitutional Amendments: Reflections and Lessons for Kerala" as part of the International Seminar on Decentralisation organized by the Dr. A. Suhruth Kumar Library and Research Centre, Kerala, on the theme "Reimagining Decentralisation in Kerala – Local Governance for a Sustainable Future" held between 21st October 2025 to 31st October 2025)

Towards Fiscal Self-Reliance: Rethinking Own Sources Revenues of Panchayats in India

*Shri Vijay Kumar**

The 73rd Constitutional Amendment, passed thirty years ago, promised India a true grassroots democracy. But today, Panchayats are at a difficult turning point. They have constitutional authority. They have electoral legitimacy. They are also close to the community. Yet, despite all these strengths, they lack one key element needed for real autonomy which is financial independence. "Own Source Revenues (OSR) remain negligible in most parts of India despite the extensive taxation and non-taxation powers legally vested in Panchayats", this is the finding of every research study on this subject. This article seeks to examine the most recent study on the OSR undertaken by the National Institute of Public Finance and Policy (NIPFP) titled *"Preparation of a Viable Financial Model for Generation of Own Sources of Revenue (OSR).* This report is available on the website of the Ministry of Panchayati Raj.

The key issues relating to the OSR include: (i) Why Panchayats collect so little of their own revenue? (ii) What opportunities they have to increase it? (ii) What legal, administrative, and institutional reforms are urgently needed? How Gram, Intermediate, and District Panchayats differ in their ability to raise OSR? What steps can be taken to build a self-reliant Panchayat system in the future? etc.

At the outset, this report highlights that Gram Panchayats legally have the power to collect many types of taxes and fees—like property tax, water charges, market fees, and rent from Panchayat assets—but in reality, they collect very little, often only 1–7% of their total revenue. This amount also varies a lot from one state to another. OSR makes up only 1% of total receipts in Uttar Pradesh but goes up to 40% in Andhra Pradesh. Per-person OSR is more than ten times higher in the best-performing states compared to the worst. In many successful Gram Panchayats, water charges and trade licenses are the biggest contributors. If States follow Karnataka's efficient model, property tax collections could increase a lot everywhere—especially in Madhya Pradesh, Odisha, and Gujarat.

The report says that Intermediate (Block) Panchayats act like a "missing middle" in the system. They have been allowed to charge various kinds of fees, but in reality they collect almost nothing. This is mainly because their powers are unclear, they do not have enough trained staff, they have very few assets to use for revenue.

The report further says that District Panchayats handle big infrastructure but collect very little of their own revenue. Even the user charges which they can collect easily—like rent from Panchayat-owned buildings—are hardly collected by them. The report says District Panchayats can earn much more by collecting tolls, managing markets, renting out commercial complexes, or handling minor minerals etc.

The report highlights several problems that prevent Panchayats from raising their own revenue. In some states, the laws are unclear, tax rules are not well defined, and the methods for valuing property are confusing. Different departments also argue over who controls common resources. On the administrative side, Panchayats do not have enough trained staff, their record-keeping is weak, and monitoring is poor. They also lack important skills—they don't fully understand how to assess taxes, they are not trained in digital tools, and their financial knowledge is limited. Adding to this, many important areas like water systems, forests, and fishery leases are controlled by other departments, not Panchayats. Because of all these problems, Panchayats find it difficult to use their financial powers properly.

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The report gives a simple and clear plan to improve OSR. It suggests making laws and policies easier to understand—by giving clear rules for property tax, using simple valuation methods, changing laws in UP and Odisha so they can collect property tax, and clearly stating who owns and can use common property resources. To improve staff capacity, it recommends appointing a full-time Secretary in every Gram Panchayat, hiring tax collectors and technical staff, giving incentives based on performance, and making revenue management more professional.

For administration and digital systems, the report suggests using GIS-based property surveys with SVAMITVA data, setting up online billing and payment systems, keeping digital records of all assets, and using clear and open e-auctions. It also recommends developing income-generating assets like markets, haats, tourism places, godowns, and digital service centers, and using PPP models where useful. Finally, it emphasizes involving people—by getting Gram Sabha approval for tax rates, doing social audits of OSR, and keeping budgets open and transparent for everyone to see.

The report gives a clear picture of how Panchayats can become financially self-reliant. It shows that Panchayats have a lot of unused potential to raise their own money. If states carry out the suggested reforms, property tax collections could increase a lot, common property resources could bring in steady income, user charges could make local finances stronger, and district and block Panchayats could finally start playing a real financial role. In the long run, financial independence is essential for true decentralisation. A Panchayat that cannot raise its own money cannot truly govern. The future of rural governance in India depends on turning Panchayats from dependent bodies into confident, self-reliant local governments that can guide their own development.

In Motipur Gram Panchayat, Bihar, public ponds have been beautified and developed as sources of revenue

The NIPFP report notes: Panchayats collect very little OSR mainly because the constitutional mandate has not been carried out properly. The 73rd Amendment created a three-tier Panchayati Raj system and gave Panchayats the power to act as local self-governments. Article 243G allows states to give Panchayats powers for planning, implementation, and raising revenue. But the use of the word "may" in Article 243G gives states too much freedom to decide how much power they actually want to devolve. Because of this, there are big differences across India. States like Karnataka and Kerala have strong devolution and well-functioning OSR systems. But others—such as Uttar Pradesh, Odisha, Bihar, and Madhya Pradesh—are far behind in giving Panchayats the power and support needed to raise their own revenue.

The NIPFP study shows that even though the Eleventh Schedule lists 29 subjects for devolution, states have handed them over unevenly across the three tiers. Karnataka has successfully assigned activities across all 29 subjects. But Odisha, Madhya Pradesh, and Andhra Pradesh have devolved far fewer activities, which reduces OSR opportunities. When responsibilities are unclear, Panchayats cannot use OSR sources properly, and many functions remain with line departments instead. OSR simply means all revenue that Panchayats generate on their own, not through grants.

Non-tax revenues are usually stronger and face less political resistance than taxes. These include fees from trade licenses, shop licenses, cattle markets, mobile towers, building permissions, rent from Panchayat properties, water connection charges, tender fees, deposits, EMDs, and fees from markets and public utilities. The NIPFP report shows that in many Gram Panchayats, user fees make up 30–50% of their total OSR.

The NIPFP report points to a huge unused opportunity in Common Property Resources (CPRs). These include ponds and fisheries, sand ghats, community halls, grazing land, forest produce, small irrigation tanks, tourism spots, and more. But Panchayats earn very little from these because line departments control many of them, ownership rules are unclear, leasing systems are outdated, and monitoring is weak. The report says that if CPRs are clearly given to Panchayats, they could earn both one-time income and regular yearly income.

The report also identifies major structural problems that stop Panchayats from collecting enough OSR. Many State Panchayat Acts are unclear. In states like Uttar Pradesh and Odisha, Gram Panchayats do not have clear legal permission to levy property tax—even though property tax is the most important source of OSR. There are also no proper government orders or guidelines. Even when Panchayats have the legal power, they do not have rules for property valuation, proper assessment methods, billing formats, or enforcement systems. Karnataka and Andhra Pradesh are exceptions—they have issued detailed guidelines that make it easier for Gram Panchayats to assess and collect taxes correctly.

There are also many administrative and staffing problems. The report says that most Gram Panchayats have only one secretary, who often handles work for several villages. Staff members are not trained in important areas like tax assessment, auditing, GIS mapping, or digital billing. There is almost no proper training material or training system. Technical staff is also missing.

In many states, revenue powers have been taken away from Gram Panchayats and given either to higher-level Panchayats or to line departments. For example, in West Bengal and Maharashtra, water charges are collected by the Public Health Engineering Department. In Uttar Pradesh, District Panchayats collect commercial licenses, unlike most other states where GPs collect them. This causes "vertical leakage," meaning money that should go to GPs goes somewhere else, weakening their financial base.

There are social pressures too. Village leaders often hesitate to collect taxes from relatives, neighbours, or powerful families. They fear losing elections if they enforce taxes strictly. Grants are another reason—since grants make up almost 80% of Panchayat income in some states, many Panchayats see little benefit in collecting small local taxes.

The report presents a model, namely the regression model, which shows that certain key factors largely determine how much OSR a Gram Panchayat is able to collect.GPs with richer populations and more shops or businesses usually collect more. Being close to a bank also helps, especially for collecting user charges. However, GPs that are far from the block headquarters tend to collect less. Coastal GPs generally do better, which means location also makes a difference.

The report points to some useful examples from different states. Karnataka uses good data systems, clear rules, and GIS surveys to manage revenues better. In Maharashtra, the village of Wadi Ratnagiri collects a pilgrimage tax effectively. Andhra Pradesh raises money by openly auctioning poramboke and common lands. Gujarat earns high OSR by using many different kinds of non-tax revenue sources. ■

In short, for Panchayats to become financially independent, real change is needed — not just in laws and systems, but in the commitment to truly empower local government. The NIPFP report shows that Panchayats have many ways to earn their own money — from property tax and user fees to using village resources better — but these are not being used well because of unclear rules, lack of skilled staff, and half-hearted support from states. If states make laws clearer, train staff, use digital tools, and involve the community, Panchayats can stop depending so much on grants and start governing with confidence. This change is necessary at every level — village, block, and district — to turn the vision of the 73rd Amendment into reality. When Panchayats can fund themselves, they can truly lead their own development and build a stronger, self-reliant rural India.

OSR: A Vital Enabler of Sustainable Local Governance

*Shri S Mohit Rao**

1. Introduction:

Sustainable local governance depends on the ability of Rural Local Bodies (RLBs) to mobilize and manage their own financial resources effectively. The constitutional framework itself reinforces this responsibility to Rural Local Bodies through the Article 243H which empowers Panchayats to impose and collect taxes, duties, tolls, and fees—laying a robust foundation for the financial autonomy. Complementing this mandate, the Eleventh Schedule of the Constitution assigns twenty-nine subjects to Panchayats, covering critical areas such as agriculture, education, health, water supply, sanitation, rural development, social justice, and women and child development.

Together, these provisions have empowered Panchayats at the centre of local self-governance and entrust them with a broad development agenda. However, fulfilling these responsibilities requires adequate and predictable financial resources. This is where Own Source Revenue (OSR) becomes indispensable. A strong OSR base equips Panchayats with the flexibility to meet locally felt needs, invest in essential infrastructure, maintain community assets, and deliver quality public services without excessive reliance on external grants. It strengthens accountability, deepens community participation, and supports long-term planning aligned with local priorities.

By enhancing OSR through improved tax administration, better asset management, and greater civic engagement, RLBs can build a resilient revenue ecosystem that underpins sustainable, inclusive, and future-ready local governance.

2. Different Sources of Revenue of RLBs

Gram Panchayats currently depend heavily on Central and State Finance Commission grants, which account for nearly 90% of their funding. The remaining share comes from their own revenue mobilisation through taxes, user charges, licence fees, a share in local body taxes (including stamp duties), and voluntary contributions or donations. The different sources of revenue of RLBs are given below:

Together, these diverse revenue streams form the financial backbone of Rural Local Bodies. However, the overwhelming reliance on intergovernmental grants

Table 1. Sources of Revenue of RLBs

Revenue Type	Description
Central Grants	Funds allocated by the central government to support local development initiatives. Like Finance Commission Grants, grants under different central schemes.
State Grants	Similar to central grants, these are funds provided by the state government for local development. Such as State Finance Commission Grants, grants under different State schemes.
Taxes	Property Tax, Professional Tax, Advertisement Tax, Vehicle Tax, Entertainment Tax, Profession Tax, Development Tax, Sanitation Tax, Drainage Tax and Water Tax
User Charges	Fees collected for specific services provided by the Gram Panchayat, such as water supply, sanitation, and waste management.
Licence Fees	Fees charged for granting licenses for various activities within the Gram Panchayat area.
Share in Local Body Taxes	Share on Stamp duties, levied on registration/leasing of properties in its jurisdiction.
Donations and Contributions	Funds received from voluntary contributions by individuals or organizations for specific community development projects.
Other Sources	Rent, Permit Fee, Penalties and Fines, User charges, Interest on Savings and Investments, Market Receipts, Royalties and Fees from Natural Resources, Grazing Fees, Charges for Services Provided, Rent from Mobile Towers, Income from renewable energy etc.

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highlights the need for Panchayats to strengthen their own revenue base. Enhancing OSR not only improves fiscal autonomy but also enables Panchayats to respond more effectively to local priorities, maintain essential services, and plan for long-term, sustainable development. As responsibilities continue to expand under the constitutional framework, building robust and reliable local revenue systems becomes indispensable for truly empowered grassroots governance

Commercial buildings rented as shops in Velpur GP

Commercial building rented to Andhra Bank in Velpur GP

3. Own Source Revenue and its importance in Panchayat Finance:

Own Source Revenue (OSR) refers to the financial resources that Panchayats generate within their jurisdiction through various locally administered revenue instruments. These revenues are collected directly by the Rural Local Bodies and form a critical component of their financial autonomy. Unlike grants and transfers from higher levels of government—which are often tied to specific schemes or guidelines—OSR provides discretionary funds that Panchayats can allocate based on local priorities and emerging needs.

OSR broadly comprises tax and non-tax revenues. Tax revenues include compulsory levies such as property tax, professional tax, advertisement tax, sanitation tax, water tax, and other local taxes authorized under State Acts. These taxes form a stable and predictable source of income for Panchayats.

Non-tax revenues arise from services and assets managed by the Panchayat. These include user charges for water supply, sanitation, and waste management; licence fees; rent from Panchayat properties; penalties and fines; market fees; royalties from natural resources; and voluntary donations or contributions. Non-tax sources provide flexibility and reflect the Panchayat's capacity to manage services efficiently and utilise its assets productively

4. Sources for Mobilisation for OSR

Panchayats rely on OSR, comprising taxes and non-taxes, crucial for local governance and development. Tax avenues include land revenue, supporting essential services and rural infrastructure, and property taxes. Non-tax sources include income from local commons and traditional economic activities, reflecting rural economy dynamics and the need for adapting revenue models to modern community needs. Tax and non-tax list is given in the *table* below:

Table 2. Sources of Revenue of RLBs

Tax	Non-Tax
i. Property tax	i. Licence Fee
ii. Tax on lands (lands not subject to agricultural assessment)	ii. Rent
	iii. Permit Fee
iii. Tax on building – House tax (inclusive of land appurtenant to such buildings)	iv. Registration Fee
	v. Other Fees
iv. Profession tax	vi. Penalties and Fines
v. Water Tax	vii. User charges
vi. Tax on entertainment	viii. Interest on Savings and Investments
vii. Tax on vehicles	ix. Market Receipts
viii. Advertisement Tax	x. Royalties and Fees from Natural Resources
ix. Stamp Duty	xi. Sale of Agricultural Produce
x. Trade License Tax	xii. Grazing Fees
xi. Animal Tax	xiii. Charges for Services Provided
xii. Other taxes	xiv. Rent from Mobile Towers
	xv. Income from renewable energy

Key Challenges

Despite the constitutional vision of strong and self-reliant Panchayats, several structural, fiscal, administrative, and socio-economic bottlenecks continue to limit their effectiveness. These challenges not only weaken service delivery but also constrain the ability of Rural Local Bodies to mobilise Own Source Revenue and meet growing local development needs.

i. Governance and Financial Limitations:

a. The quality and accessibility of infrastructure and services delivered by Gram Panchayats often remain inadequate, which weakens community confidence and reduces willingness to contribute through local taxes and fees.

b. Many Gram Panchayats demonstrate limited willingness to fully exercise their available taxation powers, constraining their ability to mobilize revenues proportionate to their constitutional mandates.

c. User charges, when not properly structured or aligned with actual service costs, result in inadequate recovery of operational, maintenance, and capital expenditures.

d. Gram Panchayats have yet to fully leverage borrowing as a strategic tool to finance long-term infrastructure projects linked to user charges, benefit taxes, and value-capture mechanisms.

ii. Environmental and Natural Resource Concerns

a. Poor management of natural resources and ongoing environmental degradation impede sustainable rural development, necessitating investments in conservation and eco-friendly practices.

b. Rural regions are particularly vulnerable to the impacts of climate change, requiring investments in climate-resilient infrastructure and sustainable agricultural systems.

iii. Social and Infrastructure Gaps

a. Inadequate healthcare services and sanitation infrastructure contribute to persistent health challenges, affecting productivity and community well-being.

b. Insufficient disaster preparedness and mitigation measures leave rural communities exposed to natural calamities, causing severe economic setbacks

c. Poor road connectivity restricts access to markets, services, and economic opportunities, isolating many rural communities.

d. Weak digital connectivity limits access to e-governance services, digital payments, online learning, and market linkages essential for rural economic growth

5. Way forward:

Strengthening Own Source Revenue (OSR) requires a coordinated and forward-looking strategy that enables Panchayats to effectively exercise their fiscal responsibilities and fulfil their constitutional mandate. Improving OSR is not merely a financial reform—it is a crucial step toward ensuring that Rural Local Bodies have the autonomy, flexibility, and capacity needed to plan, implement, and sustain development initiatives responsive to local needs. The following measures outline a practical and actionable roadmap for States and Panchayats to broaden their revenue base, enhance financial governance, and build a resilient and self-reliant framework for sustainable rural development.

Institutional Orientation and Capacity Building

- **Orienting States and Panchayats:** Integrate OSR-related themes—such as the need for enhanced revenue mobilization, feasibility considerations, best practices, and procedural guidance—into orientation and training programmes at all levels.
- **Capacity Development Framework for OSR:** Prioritize structured capacity-building interventions to strengthen financial management skills within Panchayats.

Strengthening Legal and Regulatory Frameworks

- **Legal empowerment of Panchayats:** Establish clear and comprehensive legal provisions, including Acts, rules, regulations, and guidelines, that authorize Panchayats to levy and collect well-defined taxes, non-tax revenues, and donations.
- **OSR in peri-urban areas:** Develop rules and guidelines tailored to peri-urban contexts, particularly where rural settlements are rapidly expanding near cities.
- **Higher OSR for property near highways**: Empower Panchayats to levy higher taxes on commercial, industrial, and rental properties located along national and State highways.

Enhancing Revenue Assignment and Sharing

- **Appropriate mechanism for OSR sharing:** Ensure fair and transparent sharing of OSR from sources with overlapping jurisdictions, including various property-related taxes and revenues from common property resources.
- **Imposition and distribution of Advertisement Tax:** Authorize Gram Panchayats to levy advertisement taxes, with a clearly defined sharing arrangement involving Intermediate Panchayats, District Panchayats, and the State Government.
- **Rationalization and sharing of Professional Tax:** Allocate a share of professional tax collected by States or municipal bodies to Panchayats based on residency in rural or peri-urban areas.
- **Income from cess or royalty on minor minerals:** Share cess/royalty collections from minor minerals with Panchayats as determined by the State Government.
- **Enabling non-tax measures for CPRs:** Implement the Fourteenth Finance Commission's recommendation to assign productive common assets to Panchayats and empower them to collect OSR from such resources.

Improving Systems for Collection and Financial Oversight

- **e-banking enabled OSR collection**: Introduce e-banking platforms to ensure quick collection, equitable distribution, and transparent utilization of OSR, backed by robust accountability.
- **Use of SVAMITVA for property tax assessment**: Leverage SVAMITVA data for transparent and accurate assessment of house/property taxes in rural areas.

Strengthening Institutional Mechanisms

- **Tax autonomy for Panchayats**: Ensure that all three tiers—including Intermediate Panchayats—have the authority to augment their OSR through both tax and non-tax instruments.

Incentivization, Compliance, and Public Engagement

- **IEC initiatives on OSR**: Launch large-scale information, education, and communication (IEC) campaigns to promote awareness on the importance of local revenue mobilization.
- **Penalty for non-payment of OSR**: Implement penalties for non-payment after adequate community sensitization, supported by enforcement through administrative and police authorities.
- **Public Information Boards**: Display OSR collection and utilization details on Public Information Boards at all levels of Panchayats to enhance transparency.

With sustained reforms and committed action, Panchayats can transform OSR into a powerful instrument of local empowerment and development. Strengthened fiscal capacity will ensure that rural communities receive the quality infrastructure and services they deserve, making grassroots governance truly self-reliant and future-ready. ■

Tax and Non-Tax Revenue in PRIs

*Shri Ram Pratap**

1. Understanding Panchayat Revenues

Panchayats typically draw money from four major streams: tax revenues, non-tax revenues, assigned revenues, and grants. Together, these sources define the fiscal space within which local governments operate. However, the strength of these revenue streams varies considerably. Certain sources offer Panchayats greater fiscal freedom and stability, whereas others are unpredictable, narrowly tied to schemes, or subject to significant control from higher tiers of government.

The most critical among these streams is Own Source Revenue (OSR)—the revenue that Panchayats mobilize on their own through local taxes and fees. It is the one segment that unmistakably showcases the Panchayat's own initiative and financial diligence. Tax revenues include property taxes, profession taxes, advertisement taxes, and other legally authorized levies. Non-tax revenues, on the other hand, include user charges for water supply, sanitation services, waste management, building permissions, trade licenses, rent from Panchayat properties, fines, and income from natural resources such as fisheries, minor minerals, and forests. These sources together establish the degree to which a Panchayat can independently support local development without relying exclusively on external funding.

Another major component of Panchayat finances is assigned revenues, which include taxes collected by the State Government and later shared with Panchayats. Common examples include additional stamp duty, a share of land revenue, income from state-owned minor minerals, or other designated receipts. Although assigned revenues can provide a substantial financial inflow, Panchayats have no control over the assessment, rate, or collection. Their role is limited to receiving what the State Government transfers, often with delays or uncertainty.

Grants-in-aid form the largest share of Panchayat revenues, comprising transfers recommended by the Central and State Finance Commissions. Finance Commission grants typically come in tied and untied formats. Tied grants may be earmarked for specific sectors such as sanitation, water supply, or infrastructure. Untied grants provide more flexibility but still come with certain overarching guidelines. In addition, numerous schemes—from the National Rural Drinking Water Programme to MGNREGS—channel funds through Panchayats, but these are tightly constrained and leave little space for discretionary spending.

While grants are indispensable for rural development, they cannot substitute for robust local revenue mobilisation. Grants fluctuate with administrative reforms, political cycles, or changes in national priorities. They rarely offer the predictability that long-term planning demands. A Panchayat that relies solely on grants becomes a passive entity, dependent on bureaucratic processes rather than its own capacity. Tax and non-tax revenues, however, strengthen autonomy by enabling Panchayats to make decisions tailored to local needs.

2. Tax Revenues: Powers, Practices, and Gaps

2.1. What taxes can Panchayats levy?

The Constitution empowers States to authorize Panchayats to levy certain taxes, but the specific list varies. Most States allow Panchayats to impose property or house taxes, profession taxes, advertisement taxes, market fees, and, in some cases, water or sanitation taxes. These taxes form the

Local villagers depositing taxes at the Gram Panchayat office in Gujarat

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theoretical backbone of local public finance. However, the practice often tells a different story. Although Panchayats are allowed to levy these taxes, the real autonomy associated with taxation is minimal.

2.2. Limited Powers and a Restricted Base

The real challenge lies in how States have structured Panchayat taxation. In nearly all States, tax rates are predefined. Panchayats cannot revise rates beyond the minimum or maximum ceilings set by the government. Even the definition of taxable assets is controlled at the State level. For example, a Panchayat cannot independently decide to tax commercial establishments at a higher rate than households unless the State rules permit such differentiation.

This limited autonomy has real consequences. As rural economies evolve and new commercial activities emerge—such as mobile towers, warehouses, micro-industrial units, or tourism-based enterprises—Panchayats find themselves unable to tax these activities unless the State Government specifically notifies them. Even when Panchayats identify such opportunities, bureaucratic delays in approvals result in significant revenue loss.

2.3. Poor Collection and Weak Enforcement

Even within the existing framework, tax collection remains weak. Numerous studies have observed that Panchayats under-collect even the taxes that are within their mandate. Gupta and Jena's 2008 study of Rajasthan showed that out of seven devolved taxes, only three were regularly collected. In many cases, collection of obligatory taxes is negligible, inconsistent, or stopped entirely during election cycles. Tax registers are often outdated, assessments are inaccurate, and enforcement mechanisms are weak or underutilised.

Political considerations also play a major role. Panchayat representatives hesitate to levy or increase taxes for fear of upsetting their voter base. Even when statutory obligations require certain taxes, they are often kept at the lower end of the permissible band to avoid backlash. This political economy issue lies at the heart of India's weak local taxation.

2.4. Why Service Charges Tend to Perform Better

Interestingly, Panchayats tend to be more successful in collecting service charges than taxes. When citizens perceive a direct link between payment and benefit—such as paying for piped water—they are more willing to cooperate. The transparency and tangibility of service delivery make it easier to justify fees, unlike taxes that are often viewed as general-purpose burdens with no immediate visible benefit.

3. Non-Tax Revenues: The Underestimated Powerhouse

Non-tax revenues represent one of the most flexible and potentially high-yielding sources of income for Panchayats. Unlike taxes—which are often politically sensitive—fees, charges, licenses, and rents are more straightforward to administer and less contentious. Yet across India, non-tax revenues remain significantly underexploited.

User charges for water supply, sanitation, waste management, and streetlighting are often collected irregularly or at nominal rates that bear little resemblance to actual service delivery costs. Building permission fees, market fees, and trade licenses sometimes generate revenue, but the potential is far higher given the rising commercial activity in many rural and peri-urban areas. Panchayat-owned properties such as community halls, shops, open grounds, and markets often remain underutilised or are leased at rates far below market value due to poor management or political interference.

Income from natural resources is another area of immense untapped potential. Many Panchayats

Energy generation through the installation of solar plants on comunity land by Gram Panchayats is an exemplary model of revenue generation control water bodies, fisheries, quarries, and minor forest produce. However, irregular leasing practices, weak documentation, and lack of transparency in auction processes often lead to leakages.

An important but often overlooked challenge is the inconsistency in how States classify different types of non-tax revenues. The absence of a standard definition makes it difficult to distinguish between taxes and fees—for example, between a "water tax" and a "water charge." This ambiguity complicates financial reporting, weakens comparability across regions, and makes evidence-based policymaking harder.

Finally, user charges rarely reflect actual cost recovery. When fees are set too low, services deteriorate because maintenance is underfunded. In turn, deteriorated services reduce people's willingness to pay, trapping Panchayats in a downward spiral of dependency on grants.

4. Systemic Factors That Disincentivize Local Revenue Effort

Despite their importance, both tax and non-tax revenues remain underdeveloped due to deeper systemic and institutional challenges.

One of the most significant disincentives is the heavy reliance on grants. With large inflows from Central and State schemes, Panchayats often find it easier to depend on external funds rather than invest political capital in taxing citizens or enforcing collections. Staff time is disproportionately diverted to scheme implementation, making revenue mobilisation a secondary priority.

Administrative capacity is another major constraint. Many Panchayats lack trained bill collectors, accountants, or revenue officers. Property registers are outdated, assessments are inaccurate, and legal frameworks for enforcement are poorly understood. Without adequate manpower or technical capacity, even the best-designed revenue systems fail in implementation.

Political economy complexities also discourage taxation. Elected leaders worry about alienating local voters or influential groups. The very nature of grassroots politics—where leaders are closely embedded in the community—creates pressure to under-assess or overlook dues.

Migration and demographic shifts further complicate the situation. In many regions, young working-age populations migrate for employment, reducing the local tax base and weakening local markets. As populations fluctuate, maintaining accurate revenue records becomes even more challenging.

5. Why Strengthening Tax and Non-Tax Revenues Matters

A strong local revenue system is fundamental to the idea of decentralisation. It enables Panchayats not only to perform their assigned responsibilities but also to plan, innovate, and deliver services that reflect local priorities. Scholars such as Oommen emphasize that OSR enhances autonomy, improves accountability, and increases citizen participation—all hallmarks of a vibrant grassroots democracy.

When local governments generate their own income, they begin to function as real institutions of self-governance. Citizens also become more invested in holding them accountable when their own contributions are at stake.

Most importantly, strong revenues enable Panchayats to maintain critical services and invest in infrastructure without being excessively dependent on unpredictable grants. They gain the resilience to withstand delays in fund flows, changing scheme priorities, or political shifts.

6. The Road Ahead: Making Rural Local Revenues Work

Strengthening tax and non-tax revenues requires a combination of legal reforms, administrative capacity-building, technological upgrades, and political commitment. States should periodically revise tax bands to keep them aligned with economic realities. Digitised property surveys, GIS mapping, and integration of SVAMITVA data can modernise assessments and reduce discretion.

Professionalizing revenue administration is essential. Panchayats need trained staff, standardised procedures, and digital tools for billing and collection. User charges should be rationalised to reflect actual costs and ensure service sustainability.

Natural resource management should be systematised through transparent leasing, community involvement, and sustainable exploitation practices. States should also allow Panchayats to innovate—whether by introducing new fees or adapting value-capture mechanisms in growing peri-urban regions.

Ultimately, strengthening local revenues is not a technical exercise but a governance reform that touches the core of decentralisation.

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Table 1. Key Reform Areas for Strengthening Panchayat Tax and Non-Tax Revenues

Area of Reform	Proposed Measures
Legal Reforms	Revise tax bands, notify new taxable activities, clarify fee vs. tax classification
Technology Upgrades	GIS property mapping, SVAMITVA integration, digital DCB systems, e-payments
Administrative Strengthening	Training revenue staff, updating registers, standard operating procedures for billing and recovery
Asset Management	Periodic valuation, transparent auctions, market-based rents, lifecycle management
Natural Resource Management	Scientific valuation, community monitoring, sustainable extraction norms
Cost Recovery Rationalisation	Conduct cost-to-serve calculations, update user charges, ring-fence revenues for O&M
Political Commitment	Incentivise performing Panchayats, public dashboards, SFC-linked rewards

7. Conclusion: Building a Culture of Local Revenue

Tax and non-tax revenues are far more than financial instruments—they represent the Panchayat's identity as a self-governing institution. When local governments generate and manage their own resources, they gain control over their developmental trajectory. They become more accountable to citizens and better equipped to deliver quality services.

India's rural transformation and democratic deepening depend on building Panchayats that are financially empowered, administratively capable, and politically confident. Strengthening tax and non-tax revenue systems is the first and most essential step toward achieving this vision. ■

Panchayati Raj

Technology-Enabled Transformation of Own Source of Revenue in Gram Panchayats

*Shri Rameez Usmani**

Introduction

Own Source of Revenue (OSR) constitutes the backbone of fiscal autonomy in rural local governance. Strong and predictable OSR allows Gram Panchayats to plan, execute, and sustain development programmes without excessive dependence on state or central grants. It reflects the financial maturity of local governments and their ability to respond to community needs using their own resources. However, for decades, OSR collection in India's Panchayati Raj system has been hindered by fragmented record-keeping, weak assessment and billing processes, low citizen compliance, limited technological exposure, and the absence of standardized models across states.

Recognizing this, the Ministry of Panchayati Raj (MoPR) has undertaken significant steps to modernize the financial systems of Panchayats. One of the most impactful interventions among these is the creation and rollout of the SAMARTH Panchayat Portal [www.samarthpanchayat.gov.in], a technology-driven platform that digitizes OSR processes end-to-end and help in collection and. Through SAMARTH, MoPR aims to empower Panchayats with tools that simplify tax administration, improve transparency, and ultimately enhance revenue mobilization.

This article provides a comprehensive overview of how MoPR's technological interventions—especially the SAMARTH Portal—are transforming OSR collection, planning, and management in rural India. It also reflects on the critical support systems, institutional reforms, and capacity-building initiatives that accompany the adoption of these digital tools.

The Historical Context: Why OSR Needed a Technology Reset

Gram Panchayats across India have heavily relied more on external support for fund rather than relying on their Own Source of Revenue (OSR). Let us explore

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some of the reason because of which gram panchayats had barriers to generate sustainable revenue:

A. Weak Assessment and enumeration systems

Most Panchayats maintained handwritten ledgers, outdated tax registers, and scattered documentation. Properties were often unassessed or under-assessed, markets lacked proper fee schedules, and public assets such as shops, ponds, ghats, and community halls were rarely monetized systematically.

B. Lack of Standardized rules across States

OSR powers are state-specific. In some states, Panchayats had the authority to levy taxes but lacked operational rules. In others, fee-based structures existed but were not backed by modern administrative processes. This regulatory inconsistency limited the ability of Panchayats to adopt uniform systems for taxation and collections.

C. Limited digital literacy and absence of tools

Even when Panchayats wanted to modernize their procedures, they lacked the technological systems to generate tax demand, maintain digital registers, issue receipts, or track payments scientifically.

D. Citizen compliance and transparency issues

Manual records led to disputes, delays, and mistrust. Citizens were often unaware of dues, lacked clarity about rates, and found the payment process inconvenient.

E. Absence of Real-Time Monitoring

Districts and states were previously unable to track OSR performance in real time, making policy-level interventions reactive rather than proactive.

These gaps translated into extremely low OSR numbers across most states. In many rural regions, the per capita OSR collected by Panchayats was a fraction of what was possible, restricting financial flexibility and limiting development potential. It is precisely this context that guided MoPR's technology-led OSR reforms.

The Ministry of Panchayati Raj's Vision for Technology-Driven OSR

MoPR's strategy for strengthening OSR is rooted in three fundamental goals:

1. Standardization of processes, rules, and digital workflows across States.
2. Digitization of assessment, billing, collection and monitoring mechanisms.
3. Capacity building to ensure panchayat officials can use these systems effectively.

   The rollout of national digital platforms like eGramSwaraj strengthened accounting and planning. Building on this momentum, MoPR introduced SAMARTH, a more specialized platform focusing entirely on OSR.

   Through SAMARTH and allied reforms, MoPR aims to ensure that Panchayats:

   - Accurately access their tax base.
   - Generate demand notices digitally.
   - Collect revenue through online and offline mode.
   - Maintain verifiable financial records.
   - Utilize analytics for planning and decision making.

In essence, the Ministry of Panchayati Raj is enabling Panchayats to transition from manual, fragmented revenue systems to a modern, data-driven financial architecture.

SAMARTH Panchayat Portal: The digital backbone for OSR Modernization

The SAMARTH Panchayat Portal is MoPR's flagship initiative designed exclusively for OSR management. It serves as a unified digital platform that supports Gram Panchayats throughout the entire lifecycle of revenue mobilization.

Below are the key pillars of SAMARTH and how each contributes to OSR enhancement.

A. Digital Assessment and Enumeration

SAMARTH allows Panchayats to create a digital inventory of:

- Properties (residential, commercial, industrial)
- Assets such as markets, ponds, shops, community halls, and ferries.
- Services that attract user fees such as trade licenses, building permissions, advertisements, and rental spaces.

This digital enumeration is the foundation for accurate taxation. The portal ensures that all taxable entities within the Panchayat's jurisdiction are identified and recorded.

B. Automated Demand Generation

The portal enables Panchayats to generate:

- Property Tax
- Market Fee notices
- Sanitation Tax
- Professional Tax
- Demand slip for shop and commercial establishment
- Service Fee
- Rent demand and Panchayat-owned properties.
- Other type of Tax and Non-Tax services.

This replaces manual registers and hand-written notices with standardized, computer-generated documents that are easier for citizens to understand and Panchayats to enforce.

C. Online Payment Facility for Citizens

SAMARTH integrates online payment gateways, allowing citizens to pay their dues directly through:

- UPI
- Net Banking
- Debit/Credit Cards

Digital receipts are automatically generated, making the process transparent and convenient. This convenience plays a key role in improving compliance.

By eliminating intermediaries and in-person visits, online payments significantly reduce leakages and delays.

D. Real-Time Revenue Monitoring Dashboard

One of SAMARTH's strongest features is its multilayer dashboard that provides:

- Panchayat-level dues vs. collection analytics
- Daily, weekly, and monthly collection trends
- Pending demand reports
- Comparative performance rankings

This enables Sarpanches, Panchayat Secretaries, Block-level officers, and District administrations to pinpoint gaps and take corrective actions quickly.

Data-driven monitoring is a first-of-its-kind transformation in Panchayat OSR management.

E. Digital Receipt and Audit-Ready Records

Every transaction logged in SAMARTH is stored digitally and becomes part of the Panchayat's financial record.

This supports:

- Transparency
- Audit compliance
- Trust between citizens and the Panchayat
- Error-free record keeping

When records are systematic and verifiable, Panchayats can make stronger claims for performance-based grants and financial incentives offered by states.

Institutional Strengthening: MoPR Support Beyond Digital Tools

Technology alone cannot transform OSR unless institutional and human systems evolve in parallel. MoPR has understood this well and taken several complementary steps:

A. Development of Model OSR Rules

MoPR is drafting **Model Rules for Own Source of Revenue**, which states can adapt and notify. These rules:

- Standardize tax and fee categories
- Provide legal backing for modern revenue systems
- Empower Panchayats to implement digital billing
- Promote uniformity across regions

By offering these model rules, MoPR ensures SAMARTH aligns with a clear legal framework.

B. Training and Capacity Building

MoPR has partnered with leading institutes—including IIM Ahmedabad and NIRDPR—to develop:

- OSR-specific training modules

- Workshops and master-trainer programmes
- Guidelines for assessment and valuation
- Hands-on portal training sessions for Panchayat staff

Training ensures that technology adoption is not superficial but actually improves on-ground practices.

C. Research and Financial Modelling

MoPR has commissioned detailed studies to analyze:

- Revenue potential of Panchayats
- Best practices across states
- Asset monetization strategies
- Innovative financing models

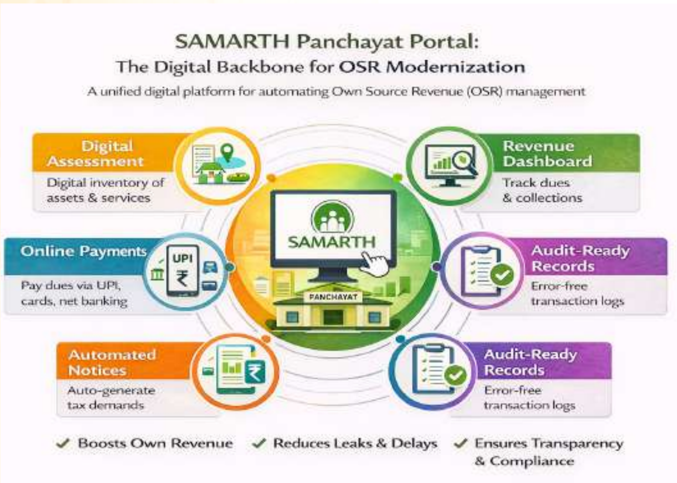
Such research supports evidence-based policymaking and informs future digital enhancements in SAMARTH.

D. Integration with State Systems

SAMARTH is designed to seamlessly integrate with state-specific requirements and financial regulations.

MoPR works continuously with states to:

- Onboard Panchayats
- Configure local tax structures
- Map departmental workflows
- Ensure user adoption through continuous support



This collaborative approach ensures that the platform is relevant to diverse local contexts.

Early Outcomes and Improvements Observed

Early implementation of SAMARTH across states has shown promising results. Panchayats using the portal report increased efficiency in generating demand and collecting revenue. Digital receipts have reduced payment-related disputes, while dashboards enable Panchayat officials to review performance frequently. Field surveys conducted using the app have resulted in more accurate assessments, enabling Panchayats to capture previously unrecorded revenue sources.

Citizens have responded positively to online payment options, appreciating the transparency and convenience. As more citizens adopt digital payments, compliance levels improve further, helping Panchayats strengthen their financial position. These outcomes reflect the transformative potential of SAMARTH in reshaping rural revenue administration.

How SAMARTH Enhances OSR Collection at the Ground Level

The real impact of SAMARTH can be seen in how it transforms daily operations at the Panchayat level:

A. Simplified Processes for Panchayat Staff

What earlier required multiple registers, notebooks, and manual calculations is now completed through:

- Automated systems
- Simple interfaces
- Ready-made templates

Staff no longer need advanced computing skills; the portal handles the complexity.

B. Better Financial Planning

With accurate data on expected revenue vs. actual collections, Panchayats can:

- Prepare realistic budgets
- Prioritize projects
- Reduce unnecessary expenditures
- Target gaps in tax compliance

C. Greater Transparency with Citizens

Digital receipts, clear rates, and structured notices reduce misunderstandings between Panchayats and residents. Trust improves when citizens see clarity in financial transactions.

D. Increased Citizen Compliance

Convenient online payment options led to higher voluntary compliance. When paying dues becomes as simple as scanning a QR code, citizens are more willing to participate.

Challenges in Implementation

Despite its success, certain challenges remain. Digital literacy gaps among Panchayat staff, particularly in remote rural areas, may slow adoption. Some regions face internet connectivity issues, limiting the smooth functioning of online features. Additionally, in states where Panchayat tax rules are outdated or restrictive, full realization of SAMARTH's potential requires complementary legal reforms.

Resistance to change is another factor. Traditional manual records have been used for decades, and shifting to digital systems requires sustained handholding. Continuous training, infrastructure upgrades, and supportive state-level policies are essential to overcome these challenges.

The Road Ahead: Strengthening Rural Financial Autonomy

SAMARTH represents a significant advancement in strengthening the financial autonomy of Panchayats. As the platform continues to expand across states, its benefits will multiply. Improved revenue collection will enable Panchayats to undertake more development works independently and efficiently, reducing dependency on State and Central grants, and contribute to the broader goal of Atmanirbhar Panchayats.

The road ahead includes incorporating additional functionalities, encouraging greater citizen participation, and integrating SAMARTH with other governance systems. With continued leadership from the Ministry of Panchayati Raj and strong state-level cooperation, SAMARTH has the potential to become the national standard for rural OSR administration.

Conclusion

The SAMARTH Panchayat Portal is a transformative step in modernizing OSR administration in India's Gram Panchayats. By combining digital tools with institutional reforms, training initiatives, and legal standardization, the Ministry of Panchayati Raj has created a powerful mechanism for boosting revenue, increasing transparency, and improving governance at the grassroots. SAMARTH enables Panchayats to adopt digital workflows for assessment, demand generation, payment collection, and monitoring—functions that were previously hindered by manual methods.

As implementation deepens, SAMARTH will play a crucial role in building self-reliant and financially robust Panchayats capable of delivering improved services and better governance to rural communities. Through this initiative, rural India is taking a major step toward digitization, accountability, and sustainable development. ■

Towards a New OSR Ecosystem Empowering Panchayats for Sustainable Development

*Shri Subodh Gurjar**

Introduction

Panchayati Raj Institutions (PRIs) are the cornerstone of rural governance and the primary drivers of local development and transformation. For these institutions to effectively plan, execute, and sustain developmental activities, adequate financial resources are essential. While Central and State Governments provide substantial grants, an over-dependence on these external funds often limits the autonomy, agility, and long-term resilience of Panchayats. Strengthening Own Source of Revenue (OSR) is therefore critical for empowering Panchayats to respond to local priorities with greater flexibility and accountability. Enhanced OSR generation not only ensures predictable and sustainable financing but also fosters a stronger sense of ownership among citizens and Panchayat representatives. With expanding responsibilities under various schemes and increasing expectations for service delivery, Panchayats can no longer rely solely on intergovernmental transfers. It is thus opportune for Panchayats to adopt innovative and efficient methods for mobilizing OSR such as improving tax administration, rationalizing user charges, leveraging local assets, and promoting economic activities within the village. A robust OSR framework will enable Panchayats to chart their own developmental course and contribute meaningfully to India's rural transformation journey.

Challenges

However, generating own revenues are often fraught with certain formidable challenges, impacting the financial sustainability of the Panchayats and impeding local development initiatives. Some of the key obstacles are mentioned below:

Here is a sharper, more concise, and more polished version of the points:

- The quality and accessibility of infrastructure and services delivered by Gram Panchayats often remain inadequate, weakening public confidence and reducing willingness to pay taxes and fees.
- Many Gram Panchayats hesitate to exercise their taxation powers, limiting their ability to mobilize resources required to fulfil their constitutional mandates.
- User charges are frequently outdated or poorly designed, failing to reflect actual service costs and resulting in inadequate recovery for operations, maintenance, and capital investments.
- Gram Panchayats seldom leverage borrowing as a strategic tool to finance long-term infrastructure, despite clear linkages to user charges, benefit taxation, and value-capture opportunities.
- Outmigration of working-age populations reduces the rural tax base and further strains the availability of skilled manpower for local development and governance.
- Inefficient natural resource management and environmental degradation undermine sustainable development, demanding greater investment in conservation and eco-friendly practices.
- Weak healthcare systems and inadequate sanitation facilities continue to affect rural productivity, resilience, and overall community well-being.
- Rural communities face heightened vulnerability to climate change, necessitating urgent investments in climate-resilient infrastructure, agriculture, and risk-mitigation systems.
- Limited disaster preparedness and response

*Consultant, Ministry of Panchayati Raj

capacity leaves villages exposed to natural calamities, often resulting in significant economic and developmental setbacks.

Remedial Measures to address Challenges

Given these persistent challenges, strengthening Own Source of Revenue is indispensable for Gram Panchayats to meet their developmental responsibilities with autonomy and resilience. A robust OSR base will enable Panchayats to improve service delivery, invest in climate-resilient and sustainable infrastructure, enhance human development outcomes, and respond effectively to emergencies without over-reliance on external grants. To achieve this:

- Panchayats must modernize their tax administration by adopting systematic assessment methods, accurate asset mapping, and streamlined collection mechanisms that reduce leakages and improve compliance.
- Rationalizing user charges to reflect the true cost of services while ensuring affordability can significantly enhance cost recovery and create a sustainable revenue stream for essential operations and maintenance. In parallel, tapping value-capture mechanisms, such as betterment levies or charges linked to land appreciation, can unlock revenue from local economic growth.
- Leveraging borrowing for long-term, revenue-generating infrastructure offers Panchayats the ability to undertake transformational projects that would otherwise remain unfunded.
- Strengthening of institutional capacity through training, professional support, and modern tools that allow Panchayats to manage finances efficiently and strategically.
- Enhanced citizen engagement through transparent communication, participatory planning, and trust-building can boost willingness to pay and foster shared responsibility for local development.
- Integrating technology-driven processes, such as digital payments, GIS-based tax mapping, and automated revenue dashboards, ensures transparency, reduces administrative burden, and improves financial accountability.

Together, all these measures underscore the significance of robust OSR generation as the foundation for empowered, resilient, and self-reliant Panchayats.

From Governance to Growth: The Next Evolution of Gram Panchayats

Gram Panchayats situated near highways, urban centres, and economic corridors possess inherent strategic advantages that position them as potential catalysts for rural growth. Their proximity to markets, lower operational costs, availability of land, and access to natural and logistical resources create fertile conditions for industrial activity, tourism, and services. With targeted government incentives and institutional support, these Panchayats can unlock significant economic potential and drive regional development.

MoPR continues to strengthen the capacities of PRIs, promote self-reliance, and enable Panchayats to enhance their Own Source of Revenue. Many peri-urban Panchayats and emerging Census Towns are already experiencing rapid socio-economic transitions owing to their location along highways, coastlines, trade routes, and urban peripheries. These areas are evolving into dynamic economic nodes; however, the absence of technical expertise in planning, executing, and managing complex infrastructure or economic development projects remains a critical constraint. Bridging this capability gap is essential for strategically located Gram Panchayats to fully leverage their locational advantage and transform into engines of rural economic growth.

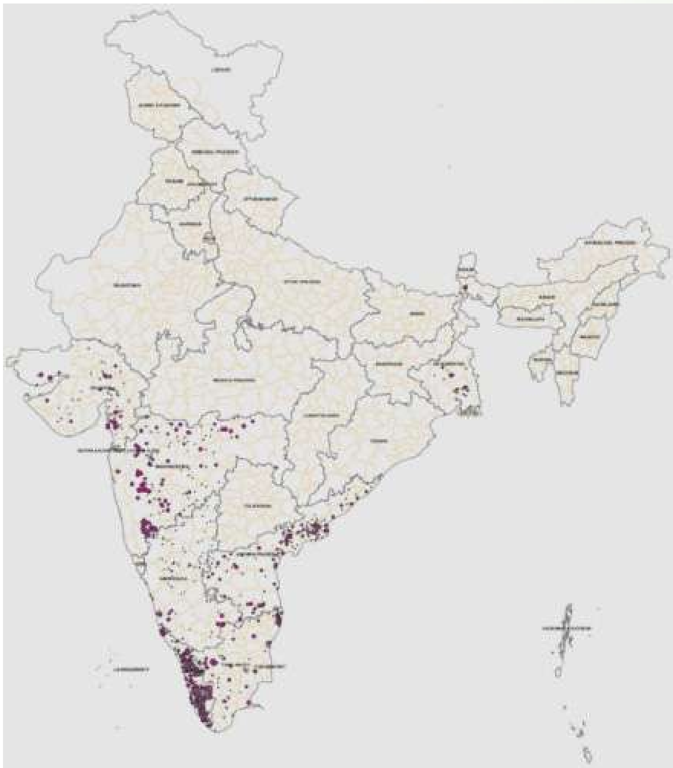


Figure 1: *Panchayats with OSR greater than ₹ 50 lakhs*

The rural development landscape is undergoing a transformative shift, one that positions Gram Panchayats not merely as administrative units, but as future-ready Growth Centres capable of driving local economic transformation. With nearly 70% of the country's population living in rural areas and increasingly engaging in non-agricultural livelihoods, the urgency to monetize local assets, expand business opportunities, and build resilient rural economies has never been greater. The convergence of initiatives such as Sabki Yojana Sabka Vikas, Panchayat Development Plans, and the constitutional framework under Article 243-G has created the conditions for Panchayats to take on a far more decisive role in steering economic development and promoting social justice at the grassroots. Empowered with the right capabilities, Panchayats can emerge as dynamic economic engines anchoring sustainable livelihoods, attracting investment, and shaping a self-reliant rural growth model for the future.

To unlock this potential, there is a pressing need for Panchayats to adopt a more entrepreneurial approach to governance one that emphasizes OSR generation, economic planning, and sustainable asset management. By strengthening their capacity to design bankable projects, manage public assets effectively, and engage with financial institutions and private partners, Panchayats can shift from a model of grant dependency to one of financial autonomy and economic leadership. The envisaged outcomes of such a transformation align directly with the needs of rural India today:

- **Localizing sustainable development**, where projects are rooted in local strengths and create long-term economic value.
- **Adopting innovative financing models** that expand access to credit, diversify revenue streams, and enable investment in resilient infrastructure.
- **Strengthening governance and financial management**, ensuring transparency, accountability, and efficient use of public resources.
- **Enhancing OSR**, allowing Panchayats to reinvest in community priorities without relying solely on state and central transfers.
- **Fostering shared learning and best practices**, enabling dynamic, knowledge-driven rural development.

By taking these forward-looking steps, Panchayats can truly reposition themselves as centres of rural prosperity places where enterprise flourishes, livelihoods expand, and local strengths are converted into tangible economic opportunities. This isn't just an administrative reform; it is a reimagining of the rural development model itself. It signals a future where Panchayats are not just caretakers of local affairs, but empowered economic institutions financially resilient, growth-oriented, and pivotal to shaping an inclusive, self-sustaining development trajectory for rural India. ■

SAMARTH Panchayat Portal Advancing Gandhi's Vision of Self-Reliant Village Panchayats Through Own Source Revenue Reform

*Ms. Sunita Jain**

1. Introduction

The **SAMARTH** Panchayat Portal, developed by the National Informatics Centre (NIC) for the Ministry of Panchayati Raj (**MoPR**), represents a transformative Digital Public Infrastructure (**DPI**) aimed at strengthening the financial autonomy of Panchayats. By facilitating systematic mobilization, management, and monitoring of their Own Sources of Revenue (**OSR**), this DPI empowers Panchayats to manage their finances efficiently. Delivered as a centrally hosted **Software As A Service** (SAAS), **SAMARTH** is designed to change the landscape of local governance in India.

2. Gandhian Vision: From Gram Swaraj to Self-Reliant Panchayats

Mahatma Gandhi envisioned India as a nation of self-governing, self-sufficient village republics. In his seminal works, such as Hind Swaraj and his writings on Panchayati Raj, Gandhi ji highlighted the importance of local production, local decision-making, and economic independence as prerequisites for meaningful political decentralization. He saw villages as "Centres of Growth" that should be sustained by their own resources.

3. Need for the SAMARTH Panchayat Platform

Historically, most Gram Panchayats have depended on Central Finance Commission (CFC) and State Finance Commission (SFC) grants to fulfil even the most basic governance functions. This dependence has restricted their ability to operate independently. **SAMARTH** directly addresses this issue by equipping Panchayats with the digital tools to raise, record and maintain local revenues transparently and accountably, thereby breaking the cycle of fiscal dependence.

The SAMARTH Portal operationalises this Gandhian ideal in a modern, digital context. It brings Gandhi ji's ideal into the digital age by enabling Panchayats to generate their own income through mechanisms such as property tax, fees, user charges, trade licenses, market revenue, and other local assets. This aligns with his core principle that true self-governance begins with financial self-reliance.

4. Constitutional and Legal Foundation for Own Source Revenues

The 73rd Constitutional Amendment (1992) provides a robust mandate for decentralized self-governance in India. Key provisions for financial empowerment include:

- **Article 243H** – Powers to Impose Taxes: States may authorize Panchayats to levy, collect, and appropriate taxes, duties, tolls, and fees.
- **Article 243X** – Power to Levy Taxes: Reinforces that local bodies must have financial powers comparable to urban local governments.

*Senior Director and Head, Panchayati Raj Informatics Division, NIC, Ministry of Panchayati Raj

- **Article 243G** and the Eleventh Schedule: Empower Panchayats to manage 29 subjects, ranging from infrastructure to poverty alleviation, all requiring stable local revenue.
- **Finance Commissions (Article 243I & 243Y):** Mandate the constitution of SFCs and provision of fiscal transfers from CFCs.

Despite this constitutional framework, the fiscal empowerment of Panchayats has been insufficient, leading to **chronic underfunding of essential local governance functions**.

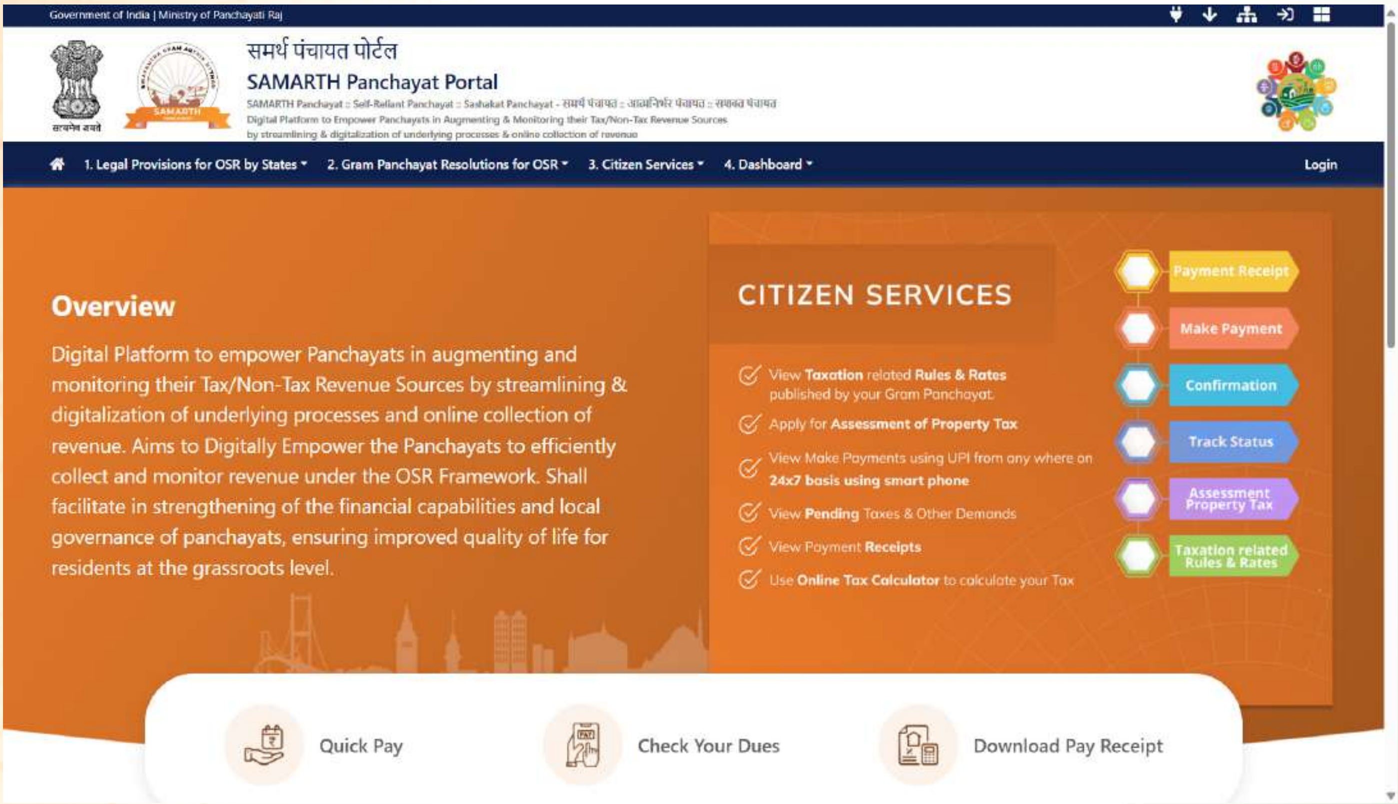
5. The Problem: Overdependence on Finance Commission Grants

Currently, most Panchayats rely heavily on Central and State Finance Commission grants, as well as state-sponsored schemes and tied funds. This model presents several challenges:

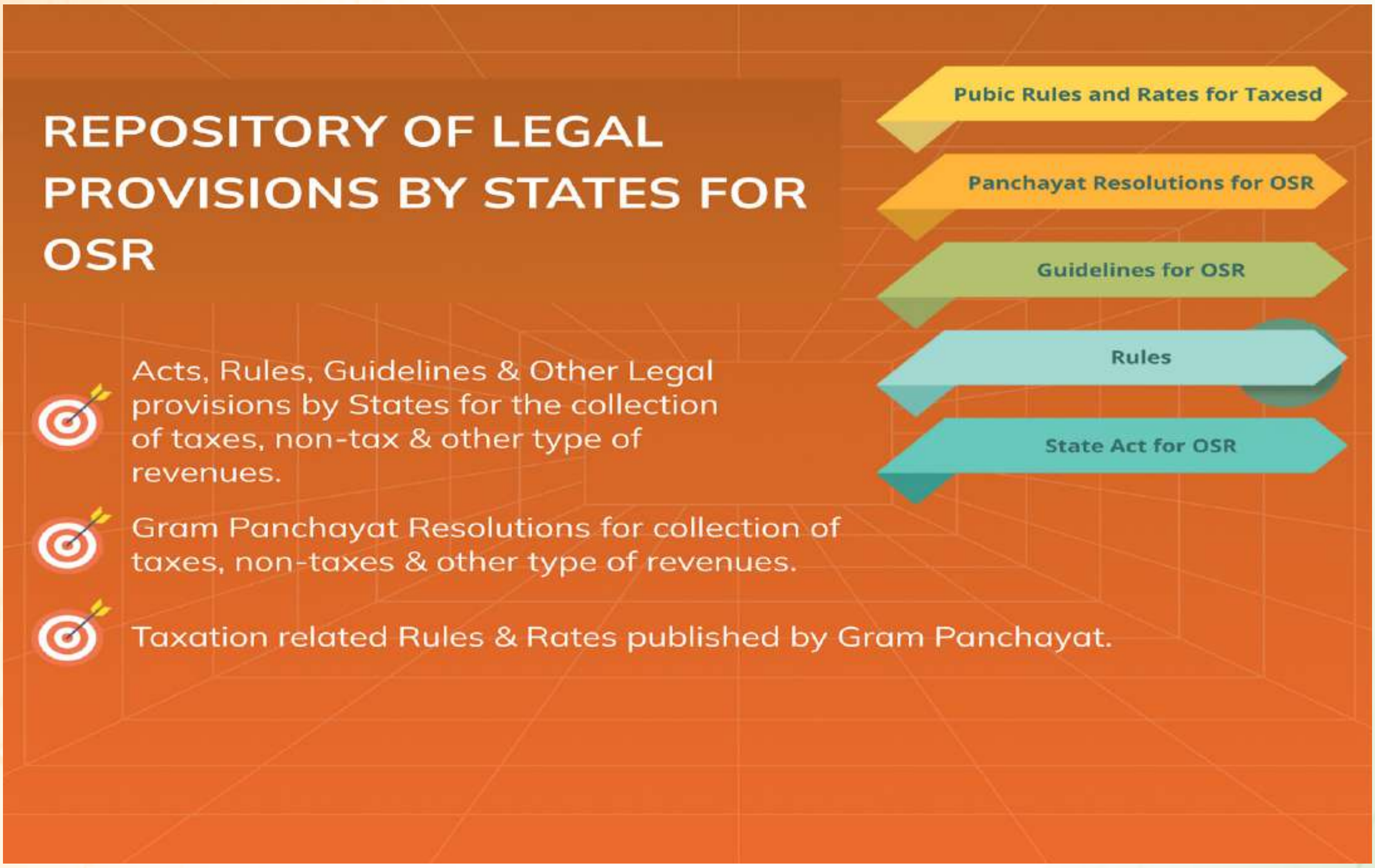
- Limited flexibility due to tied grants
- Delays and unpredictability in fund release
- Insufficient alignment with local needs
- Lack of incentive for Panchayats to mobilize their own revenue
- Poor quality of local public service delivery owing to uncertain funding

Field studies indicate that a significant proportion of Gram Panchayats have OSR below ₹1 lakh annually, which is inadequate for fulfilling their constitutional mandates. The SAMARTH Panchayat Portal is designed to address and reverse this trend.

6. SAMARTH Panchayat Portal: Purpose and Key Capabilities https://samarthpanchayat.gov.in/




CITIZEN SERVICES
View Taxation related Rules & Rates published by your Gram Panchayat.
Apply for Assessment of Property Tax
View Make Payments using UPI from any where on 24x7 basis using smart phone
View Pending Taxes & Other Demands
View Payment Receipts
Use Online Tax Calculator to calculate your Tax
Payment Receipt
Make Payment
Confirmation
Track Status
Assessment Property Tax
Taxation related Rules & Rates


REPOSITORY OF LEGAL PROVISIONS BY STATES FOR OSR
Acts, Rules, Guidelines & Other Legal provisions by States for the collection of taxes, non-tax & other type of revenues.
Gram Panchayat Resolutions for collection of taxes, non-taxes & other type of revenues.
Taxation related Rules & Rates published by Gram Panchayat.
Pubic Rules and Rates for Taxesd
Panchayat Resolutions for OSR
Guidelines for OSR
Rules
State Act for OSR

7. Features of The SAMARTH Panchayat Portal (Samarthpanchayat.Gov.in)

SAMARTH offers a comprehensive suite of features to empower Panchayats:

a. Complete Digitization of OSR

- Creation of demand registers
- Generation of tax and fee assessments
- Issuance of digital demand notices
- Online payment collection
- Automatic receipt generation
- Real-time record maintenance of collections and pending dues

b. Transparency and Accountability

The portal acts as a single source of truth for OSR information, enhancing oversight by State Departments, Zila Panchayats, Block Panchayats, and the Ministry of Panchayati Raj.

c. National-Level OSR Database

- Supports evidence-based policy making
- Facilitates state-wise OSR benchmarking
- Enables targeted fiscal interventions
- Helps identify high-potential Panchayats

d. Strengthening Governance under the 73rd Amendment

SAMARTH accelerates the operationalization of Articles 243G and 243H by equipping Panchayats with the tools to exercise their constitutional right to raise resources.

e. Model Rules and Regulatory Support

The portal is designed to disseminate Model Rules for States to adopt, strengthening taxation norms, valuation procedures, fee structures, compliance mechanisms and enabling digital integration with SAMARTH.

8. SAMARTH a Game-Changer for Rural India

Financial Autonomy

With enhanced OSR, Panchayats can invest in local priorities without waiting for external grants, supporting Gandhi ji's vision of bottom-up governance.

Improved Planning and Service Delivery

- Better asset maintenance
- Enhanced water and sanitation services
- Improved street lighting and infrastructure
- Upgraded community facilities

Enhanced Citizen Trust

Digital receipts, transparent ledgers and regular reporting foster citizen confidence and reduce opportunities for leakage.

Enabling Panchayats as Centers of Growth

Local economic activities such as markets, small industries, and Agri-value chains can be supported through OSR-funded infrastructure.

Towards Long-Term Fiscal Sustainability

Robust OSR reduces dependency on external grants and improves accountability of Panchayats.

9. How can States onboard on SAMARTH

a. SAMARTH offers Software-as-a-Service (SaaS)

The SAMARTH Panchayat Platform is offered as a centrally hosted Digital Public Infrastructure, featuring:

b. Zero Infrastructure Requirement

States and Panchayats do not require servers, software licenses or local installations.

c. Automatic Updates

MoPR-NIC centrally manages security, version control, new features and state-specific customizations.

d. Pay-As-You-Use Model (Government-Funded)

As a public digital infrastructure, Panchayats incur no direct cost for usage.

e. Scalable, Interoperable, and Standardized

- Supports State-wide rollouts
- Uses standard templates for OSR categories

10. Recommended Rollout Strategy for States

Onboarding to the SAMARTH Panchayat Portal as a SaaS platform requires **structured coordination** between the State Government, Districts, Blocks, and Gram Panchayats. The process is low-cost, scalable and designed to accelerate Panchayats' financial autonomy by enabling systematic OSR mobilization.

Phase 1 — Preparatory Phase (1–2 months)

- Issue Government Order
- Nominate nodal officers for coordination with NIC-MoPR and MoPR
- Prepare master data
- Adopt OSR Model Rules (if needed)

Phase 2 — Pilot Implementation (2–3 districts)

- Test tax/fee modules
- Conduct mock data entry
- Validate demand and collection processes

Phase 3 — Statewide Rollout (All districts/blocks/GPs)

- State-level workshop for district level master trainers
- Create accounts for all Panchayats
- Conduct GP-level training
- Begin real-time demand & collection
- Monitor progress through dashboards

Phase 4 — Stabilization and Optimization

- Routine monitoring
- Citizen awareness campaigns

11. Conclusion

When implemented properly, SAMARTH can:

- Reduce dependency on Finance Commission grants
- Promote transparent and efficient local governance
- Strengthen capacity for bottom-up development
- Fulfil the constitutional mandate of the 73rd Amendment
- Realize Gandhi ji's vision of self-reliant village republics

The SAMARTH Panchayat Portal is not merely a digital solution; it signifies a fundamental shift in India's approach to grassroots governance. By enabling Panchayats to systematically mobilize their Own Sources of Revenue, it advances the country towards constitutional fiscal decentralization, strong and empowered Panchayats and sustainable rural development. Above all, it brings India closer to realizing Gandhi ji's dream of self-reliant village republics. With supportive laws, extensive capacity building and consistent monitoring, SAMARTH has the potential to become one of the most impactful governance reforms of the decade, transforming villages into vibrant, self-sustaining centres of growth.

Atma Nirbhar Panchayats: Success Stories on Efforts Towards Financial Self-sufficiency

*Shri Santosh Kumar Sinha**
*Ms. Chandrani Saha & Ms. Pooja Sharma***

Introduction

To institutionalize decentralized governance and strengthen grassroots self-reliance, the **73rd Constitutional Amendment Act, 1993** laid the foundation for transferring political, administrative, and fiscal powers from State Governments to Panchayati Raj Institutions (PRIs). **Article 243-G** empowers States to endow Panchayats with the authority and responsibilities necessary to function as institutions of self-government, while **Article 243-H** authorizes them to levy, collect and appropriate taxes, duties, tolls and fees, in addition to receiving grants-in-aid from Central and State Governments. Further, **Article 243-I** mandates the constitution of State Finance Commissions (SFCs) every five years to review the financial position of Panchayats and recommend measures to strengthen their revenue base and financial management. Together, these constitutional provisions create a robust framework for fiscal decentralization, enabling Panchayats to mobilize resources, plan development activities and deliver services effectively. The **Atma Nirbhar Panchayat Special Award** builds upon this framework by recognizing and incentivizing Panchayats that demonstrate financial self-reliance, efficient resource mobilization and sustainable local development.

Atma Nirbhar Panchayat Special Award (ANPSA):

The Atma Nirbhar Panchayat Special Award (ANPSA), instituted by Ministry of Panchayati Raj in 2025, recognizes Gram Panchayats that have measurably strengthened self-reliance by mobilizing and augmenting their Own Sources of Revenue (OSR) and building fiscal and institutional sustainability at the village level. In 2025 the Ministry conferred the awards under ANPSA to three panchayats — Mall (Yacharam block, Rangareddy district, Telangana), Hatbadra (Kusumi block, Mayurbhanj district, Odisha) and Gollapudi (Vijayawada Rural block, Krishna district, Andhra Pradesh) and national recognition intended to scale proven model Panchayats across states. These awardees exemplify how local creativity in revenue-generation combined with participatory governance can build resilient, locally financed development.

Context and Rationale:

Over the last three decades Panchayati Raj has matured from an institutional promise to an operational instrument of local governance. Yet, many Gram Panchayats remain dependent on transfers and grants; limited local revenue constrains their ability to plan, maintain assets and respond to shocks. The ANPSA is a major step of the Ministry of Panchayati Raj to motivate the Panchayats to become financially self-sufficient by rewarding/awarding panchayats that mobilize their own resources and channel them into productive, equitable local development.

Focus of ANPSA:

1. **Growth and diversification of Own Source Revenue (OSR)** — new and recurring revenue streams (market/haat fees, property rentals, user charges, local service fees, enterprise income).
2. **Transparent financial management** — book keeping, public asset registers, and open accounting of revenue and expenditure.
3. **Use of OSR for productive investments** — maintenance funds, livelihood support, common facility centres and climate-proofing local assets.

*Deputy Director, Ministry of Panchayati Raj
**Consultants, Ministry of Panchayati Raj

4. **Inclusiveness and governance** — ensuring revenue flows benefit women, marginalized households, and are decided through gram sabha/committees.

Indicators for measuring the successes under ANPSA:

A compact monitoring set helps panchayats track progress toward self-reliance:

- OSR per household (baseline →current)
- Number of recurring revenue streams (markets, rentals, fees, enterprise income)
- Percentage of OSR ring-fenced for maintenance or livelihoods corpus
- Citizen satisfaction with services funded by OSR
- Number of women/SHGs engaged in panchayat-run enterprises
- Public accounting transparency score (frequency and access to receipts/expenditures)

Best Practices of ANSPA Awardees:

The awardees of ANSPA show common, replicable practices to grow revenue while delivering community benefit.

1) Mall Gram Panchayat — Rank 1 (Yacharam block, Rangareddy district, Telangana)

GP Mall has significant and sustained increase in own-source revenue through Implementing Modern and advanced tools for efficient tax assessment, market management and local services fees, accompanied by transparent accounting.

Achievements of GP Mall:

- **Substantial increase of taxes** — Rs.95 lakhs OSR collected during 2023-24 (increase by 45% with reference to previous year), out of which House Tax reached approx. Rs.14.00 Lakhs. Rs.2,954/- approx. per capita OSR.
- **Revived and professionalized local haat /market operations** — A huge amount of Rs.67.00 Lakhs from Weekly Cattle Market and Rs.3.75 Lakhs from Shopping Complexes were generated in FY 2023-24.
- **Special Taxes & Fees** — Special Taxes & Fees that generated income through lighting tax, drainage tax, and various fees like Trade License Fees, Building Permission Fees, Layout Approval Fees, Building Mutation Fees etc.
- **OSR Utilization: Jobs and LSDG Priorities** — OSR income allocated for local employment generation and LSDG-Aligned Expenditure.
- **Revenue generation from Local compost** — SHG-managed vermi compost units for improvement of soil health and also generated saleable produce (compost) that contributed to panchayat revenue through bulk sales and service charges.
- **Transparency measures** — publishing monthly receipts and expenditure summaries at the gram panchayat office and in gram sabha meetings to reduce leakage and build trust.

2) Hatbhadra Gram Panchayat — Rank 2 (Kusumi block, Mayurbhanj district, Odisha)

GP Hatbhadra harnessed market-based activities, agri-value and community enterprise (haats, vegetable cultivation, value-addition) to create local revenue and livelihoods — particularly notable in a historically low-income and tribal district.

Achievements of GP Hatbhadra:

- **Strong Tax Revenue Growth** — Rs.94 lakhs OSR collected during 2023-24 (increase by 28.23% with reference to previous year). Rs.1,407/- approx. per capita OSR.
- **Major contribution from Local Market** — Organized regular haats and weekly market where small traders, farmers and women SHGs sell produce and processed goods; the panchayat enhanced market facilities and civic infrastructure, leading to improved efficiency and higher revenue potential. Also instituted modest vendor fees and management charges which generating ₹89,24,915 from the market in 2023-24.
- **Employment Generation through OSR** — Effectively utilized OSR for local employment generation, promoting livelihood opportunities within the community.
- **LSDG-Aligned Spending** — Ensured LSDG-aligned expenditure by directing OSR towards priority development sectors.
- **Infrastructure Development** — Invested OSR income in infrastructure development projects such as roads, bridges and water supply systems.

3) Gollapudi Gram Panchayat — Rank 3 (Vijayawada Rural block, Krishna district, Andhra Pradesh)

GP Gollapudi leveraged peri-urban opportunity, commercial leases and service delivery to scale OSR while maintaining inclusive governance and investment in local services.

Achievements of GP Gollapudi:

- **Captured peri-urban value:** Situated near urbanized corridors, Gollapudi prudently monetized land-use opportunities (e.g., rentals for commercial stalls or event spaces) with transparent tendering and reinvestment in community priorities.
- **Significant Revenue Growth** — Increased revenue generation by 30% over the past three years through property taxes, user charges, and asset leasing. Rs.1,100/- approx. per capita OSR.

- **High Level of Financial Self-Reliance —** Achieved 80% coverage of operational expenses through own revenues by strengthening tax compliance through incentive-based collection, diversifying revenue streams (eco-tourism and skill training centres), digitizing 13,919 property records under the Swarna Panchayat Initiative, investing OSR in major infrastructure (three water tanks and 5 km roads), implementing door-to-door waste collection reducing unmanaged waste by 60%, and promoting renewable energy through installation of 50 solar streetlights. ■

Model Youth Gramsabha:

An Initiative to Foster Democratic Leadership and Civic Awareness among Students through Experiential Learning

The Ministry of Panchayati Raj, in collaboration with the Ministry of Education (Department of School Education and Literacy) and the Ministry of Tribal Affairs, launched the *Adarsh Yuva Gram Sabha* (MYGS) initiative on 30 October 2025 in New Delhi. On this occasion, the Adarsh Yuva Gram Sabha framework and training modules on the MYGS Portal were also unveiled. This initiative marks a significant step towards connecting young people with grassroots democracy. The programme was attended by the Union Minister of State for Panchayati Raj, Prof. S. P. Singh Baghel, and the Union Minister of State for Tribal Affairs, Shri Durgadas Uikey. Senior officials present included Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj; Shri Sanjay Kumar, Secretary, Department of School Education and Literacy; and Smt. Ranjana Chopra, Officer on Special Duty (OSD), Ministry of Tribal Affairs, along with other senior officials.

In alignment with the National Education Policy (NEP) 2020, the Adarsh Yuva Gram Sabha is being implemented in over 1,000 schools, including Jawahar Navodaya Vidyalayas (JNVs), Eklavya Model Residential Schools (EMRSs), and state government schools. The initiative promotes experiential and activity-based learning, enabling students to understand democratic processes and the importance of collective decision-making.

In his keynote address, Prof. S. P. Singh Baghel emphasised that realising the vision of *Viksit Bharat* by 2047 requires nurturing a generation of youth who understand and strengthen India's democratic foundations. He described the Adarsh Yuva Gram Sabha as a powerful platform for building confidence, leadership qualities, and a sense of civic responsibility among students.

Shri Durgadas Uikey described the Adarsh Yuva Gram Sabha initiative as a reflection of a new approach to participatory education that connects young talent with the functioning of democratic institutions. He noted that the initiative links education with democratic participation and inspires students to listen, deliberate, take decisions, and act responsibly.

Key Achievements to Date

- The MYGS initiative has been successfully conducted in 619 Jawahar Navodaya Vidyalayas (JNVs) and 200 Eklavya Model Residential Schools (EMRSs) across various States and Union Territories. This has ensured near-universal coverage in JNVs and complete coverage in EMRSs, reflecting the programme's extensive national reach.
- Through systematic assessment and documentation, high-performing schools and impactful MYGS sessions have been identified for recognition at the national level.

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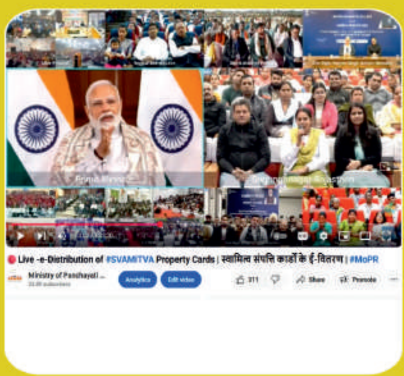

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