

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
RAJYA SABHA
UNSTARRED QUESTION NO 4231
ANSWERED ON 01.04.2026

FISCAL EMPOWERMENT OF PANCHAYAT

4231 SHRI PRAMOD TIWARI:

Will the Minister of PANCHAYATI RAJ be pleased to state:

- (a) whether despite the 73rd Amendment to the Constitution of India, Government is yet to evolve an acceptable fiscal decentralisation of Panchayati Raj Institutions (PRIs);
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the availability of resources for PRIs in the combined Government revenues is negligible; and
- (d) if so, the steps taken by Government to review the present status of devolution of finances to PRIs?

ANSWER

THE MINISTER OF PANCHAYATI RAJ

(SHRI RAJIV RANJAN SINGH ALIAS LALAN SINGH)

(a) and (b) “Panchayat”, being a “Local Government”, is a State subject and part of the State List of the Seventh Schedule of the Constitution of India. Panchayats are set up and operate through the respective State Panchayati Raj Acts. States have made their own Panchayati Raj Act, subject to the provisions of the Constitution. As per Article 243H of the Constitution of India, legislature of the State may, by law, authorize a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits and assign to the Panchayats such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits as may be specified in the law.

However, Article 280 of the Constitution of India provides the basis for the Central Finance Commissions to assess the status of finances of the Union, States and their respective local bodies and recommend sharing of taxes as well as grants for various purposes to the States and Local Bodies. The Finance Commission grant can be used by Rural Local Bodies (RLBs) for 29 subjects enshrined in the Eleventh Schedule of the Constitution, except for salary or other establishment expenditures.

(c) and (d) Article 243G of the Constitution empowers the Legislature of a State to make provisions, by law, for the devolution of power and responsibilities upon Panchayat at

appropriate level, subject to such conditions as may be specified, with respect to the preparation of plans for economic development and social justice and implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to matters listed in the Eleventh Schedule to the Constitution. The State legislatures are to consider the 29 subjects listed in the Eleventh Schedule for devolution of power and responsibilities upon Panchayats. Accordingly, all matters relating to Panchayats, including to review the status of devolution of finances to Panchayati Raj Institutions, comes within the jurisdiction of the State Government concerned.

The Ministry of Panchayati Raj reviews performance of Panchayats, from time to time, through studies, review meetings, field visits, video conferencing, Information Technology applications etc.

The Ministry has released a report titled “Status of Devolution to Panchayats in States - An Indicative Evidence-Based Ranking, 2024” in February 2025 to assess the effectiveness of devolution and the role of local governments in strengthening grassroots democracy. This report presents the Devolution Index, which provides the overall scores and ranks for all States/Union Territories covered under Part-IX of the Constitution, based on six identified dimensions: Framework, Functions, Finances, Functionaries, Capacity Enhancement, and Accountability. This report reveals that the extent of devolution has increased from 39.9% to 43.9% between the period 2013-14 to 2021-22.

Ministry of Panchayati Raj is actively involved in assisting the Rural Local Bodies (RLBs) towards augmenting their Own Source of Revenues (OSR), thereby assisting in their autonomy and self-sufficiency. The Ministry conducted a study to prepare a viable financial model for the generation of Own Source Revenue (OSR) by Panchayati Raj Institutions (PRIs). The study has been done by the National Institute of Public Finance and Policy (NIPFP), and NIPFP has submitted the study report to the Ministry in the month of March 2025.

The Ministry of Panchayati Raj (MoPR) has also undertaken a significant step to digitise the OSR collection of the Panchayats by developing the “SAMARTH Panchayat portal”, a dedicated digital platform that facilitates the generation of tax & non-tax demands & collection thereof, maintenance of tax registers, and online tracking of revenue. This digital empowerment is designed to bring transparency, efficiency, and scalability to local financial administration.

The incentivization of Panchayats is also being carried out under the revamped Rashtriya Gram Swaraj Abhiyan (RGSA) scheme. Under this scheme, in 2025, the Ministry of Panchayati Raj has launched the Atma Nirbhar Panchayat Special Award (ANPSA) on National Panchayati Raj Day (NPRD), and it is for the first time that the Ministry has institutionalised dedicated Special Category Awards to incentivise and acknowledge exemplary efforts of Gram Panchayats in Atmanirbharta (Self-Reliance) through augmentation of Own Sources Revenue (OSR). Atma Nirbhar Panchayat Special Award(ANPSA) is to promote Atmanirbharta through augmentation of Own Source of Revenue (OSR) by Panchayats.

To strengthen Panchayati Raj Institutions financially, Central Finance Commission grants for Rural Local Bodies in the States have continuously increased from the 13th Finance

Commission to the 16th Finance Commission. The allocations under the 13th Finance Commission (FY 2010-15) were Rs. 64,408 crore, under 14th Finance Commission were Rs.2,00,292 crore and the allocation under the 15th Finance Commission (FY 2021-26) is Rs. 2,36,805 crore. The 16th Finance Commission (FY 2026-31) has earmarked a total grant of Rs. 4,35,236 crore for the Rural Local Bodies, which is almost 84% more than the allocation under the 15th Finance Commission (2021-26).
