

GOVERNMENT OF INDIA  
MINISTRY OF PANCHAYATI RAJ  
**LOK SABHA**  
**UNSTARRED QUESTION NO. 3087**  
ANSWERED ON 22.03.2022

**SELF FINANCED GRAM PANCHAYATS**

3087. SHRIMATI PRATIBHA SINGH:

Will the Minister of PANCHAYATI RAJ be pleased to state:

- (a) whether the Government is planning to make Gram Panchayats self financed;
- (b) if so, the steps taken in this regard; and
- (c) the impact of making Rural India self-financed in the economy?

**ANSWER**

THE MINISTER OF STATE FOR PANCHAYATI RAJ

(SHRI KAPIL MORESHWAR PATIL)

(a) & (b) Panchayat, being “Local Government”, is a State subject and part of State list of Seventh Schedule of Constitution of India. Mandate for setting up of Panchayats is provided by Article 243 in Part IX of the Constitution of India.

The Constitution envisages the panchayats to be effective instruments of self-government. In terms of Article 243 G, the state legislatures, by law, may provide for devolution of powers and responsibilities upon panchayats, at the appropriate level, subject to specified conditions 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 included in the eleventh schedule.

For financial empowerment of Panchayats, provisions have been made in terms of Article 243H, Article 280(3)(bb) and Article 243-I of the Constitution.

In terms of Article 243H, the state legislatures may, by law, authorize, the panchayats to levy, collect and appropriate taxes, duties, tolls and fees; assign to the panchayats such taxes, duties, tolls and fees subject to conditions and limits; provide for grants-in-aid to the panchayats from the consolidated fund of the state, and create its own fund to credit its money to.

In terms of Article 280(3)(bb), it shall be the duty of the Central Finance Commission to make recommendations to the President as to the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State.

In terms of Article 243-I, the Governor shall constitute state finance commission every five years to review the financial position of the panchayats and make recommendations to the Governor as to

- (i) the principles which should govern the distribution between the state and the panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the state, which may be divided between them and the allocation between the panchayats at all levels of their respective shares of such proceeds; the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, panchayats, and the grants-in-aid to the panchayats from the consolidated fund of the state;
- (ii) the measures needed to improve the financial position of the panchayats and
- (iii) any other matter referred to the commission by the Governor in the interests of sound finance of the panchayats.

(c) This will have the effect of making the Panchayats as self-reliant and vibrant institutions of local governance and empower them for the effective delivery of services to strengthen the rural economy.

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