

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
LOK SABHA
UNSTARRED QUESTION NO. 2319
ANSWERED ON 06.08.2024

REVENUE OF PANCHAYAT

2319 SHRI ANTO ANTONY:

Will the Minister of PANCHAYATI RAJ be pleased to state:

- (a) the steps taken by the Ministry to increase the revenue generation capacity of Panchayats, especially through local taxes;
- (b) the states where Gram Panchayats lack the authority to collect taxes and the details of measures are being implemented to empower them and ensure effective tax collection;
- (c) the extent to which the Ministry working to ensure timely and efficient disbursement of grants to Panchayats;
- (d) the details of specific programmes are being implemented by the Government to enhance the financial management capabilities of Panchayat representatives;
- (e) whether the panchayats still rely heavily on grants and specific steps taken by the Ministry to accelerate the process of transferring powers and responsibilities to Panchayats; and
- (f) the details of strategies are being adopted to increase public awareness about the importance of Panchayats and their role in local development?

ANSWER

THE MINISTER OF STATE FOR PANCHAYATI RAJ

(PROF. S.P. SINGH BAGHEL)

(a) to (b) Panchayat, being “Local Government”, is a State subject and part of the State list of the Seventh Schedule of the Constitution of India. The Constitution of India envisages the panchayats to be effective instruments of self-government. As per Article 243 G, the state legislatures, by law, may provide for the 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 the financial empowerment of Panchayats, the Constitution provides key provisions:

- (i) **Article 243** allows state legislatures to authorize Panchayats to levy, collect, and appropriate taxes, duties, tolls, and fees, assign such revenues, provide grants-in-aid, and create their own funds.
- (ii) **Article 280(3)(bb)** mandates the Central Finance Commission to recommend measures to augment the State's Consolidated Fund to support Panchayats based on State Finance Commission recommendations.
- (iii) **Article 243-I** mandates the Governor to constitute a State finance commission every five years to review Panchayat finances, recommend tax distribution principles, and measures to improve financial positions, and address other financial matters.

The Ministry has been implementing the Centrally Sponsored Scheme of Revamped Rashtriya Gram Swaraj Abhiyan (RGSA) with the primary objective of developing governance capabilities of Panchayati Raj Institutions to deliver on Sustainable Development Goals. The scheme also aims to enhance Panchayats' capabilities to raise their own sources of revenue. It provides interventions relating to gap-filling support for economic development and income enhancement in Panchayats.

(c) Under the Fifteenth Finance Commission (XV FC), Grants to the tune of Rs. 60,750 crore were allocated for the interim period FY 2020-21 and Rs.2,36,805 Crore were allocated for the period FY 2021-26 to Panchayats in all the three tiers and Traditional Local Bodies and Sixth Schedule areas in 28 States.

To ensure timely disbursement, transparency in funds distribution, monitoring and utilization of XV FC funds by Rural Local Bodies (RLBs), the Ministry of Panchayati Raj (MoPR) has launched eGramSwaraj and AuditOnline portals. The eGramSwaraj addresses the issues of timely funds disbursement to RLBs, and Panchayats' planning to promote decentralized planning, accounting and progress reporting, financial management, and asset tracking. AuditOnline facilitates online audits of Panchayat accounts, ensuring the maintenance and public availability of audited accounts.

As per the Fifteenth Finance Commission (XV FC) recommendation, the State Governments receiving the Fifteenth Finance Commission (XV FC) recommended grants from the Union Government shall transfer the same to Rural Local Bodies (RLBs) within ten working days. Any delay beyond ten working days will require the state governments to release the grants with interest for the period of delay as per the average effective rate of interest on market borrowing/state development loans for the previous year.

(d) to (f) The 73rd Constitutional Amendment Act, 1992 mandates the devolution of powers and responsibilities to Panchayats. The Ministry of Panchayati Raj has been actively advocating for states to fully implement these provisions, emphasizing the need for states to empower Panchayats with adequate functions, finances, and functionaries.

The Rashtriya Gram Swaraj Abhiyan (RGSA) promotes training and capacity building for elected representatives and officials of Panchayati Raj Institutions (PRIs).

Special training modules on accounting and audit are in place to enhance the financial management capabilities of Panchayat representatives.

The Ministry of Panchayati Raj plays a key role in advocating and providing support to state governments to increase public awareness about the importance of Panchayats and their role in local development through workshops, video conferences, and studies. States and Union Territories have been advised to prepare annual calendars for Gram Sabha meetings to discuss their Own Source of Revenue (OSR) for local development and organize presentations by high-performing Panchayats. While identifying nine themes to achieve Sustainable Development Goals (SDGs), the Ministry emphasizes generating OSR for greater autonomy and self-reliance of Panchayats, which falls under Theme 6 'Self-sufficient Infrastructure Village'.
