

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
LOK SABHA
UNSTARRED QUESTION NO. 424
ANSWERED ON 02.12.2025

PANCHAYATI RAJ INSTITUTION

424. SHRI ZIA UR REHMAN:

Will the Minister of PANCHAYATI RAJ be pleased to state:

- (a) whether the Government has taken note that inadequate financial autonomy of Panchayati Raj Institutions (PRIs) is hampering effective implementation of local development projects;
- (b) if so, the details of the measures being taken by the Government to enhance the fiscal capacity and revenue-raising powers of Panchayats; and
- (c) if not, the reasons therefor?

ANSWER

THE MINISTER OF PANCHAYATI RAJ

(SHRI RAJIV RANJAN SINGH ALIAS LALAN SINGH)

(a) “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, which may vary from State to State, 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 location-specific felt needs under 29 subjects enshrined in the Eleventh Schedule of the Constitution, except for salary or other establishment expenditures. Central Finance Commission grants for Rural Local Bodies in the States have continuously increased from the 13th Finance Commission to the 15th Finance Commission. The allocations under the 13th Finance Commission (FY 2010-15) were Rs. 64,408 Crores, and the allocation under the 15th Finance Commission (FY 2021-26) is Rs. 2,36,805 Crores, which is around 4 times that of the 13th Finance Commission allocation.

(b) & (c) Ministry of Panchayati Raj is actively involved in assisting the Rural Local Bodies (RLBs) towards augmenting their Own Source Revenues (OSR), thereby assisting in their autonomy and self-sufficiency. With this objective, the Ministry has set up a dedicated Panchayat Revenue Enhancement Cell (PREC /OSR Cell) and has launched a project under the RGSA Scheme for identification and transformation of 350 Gram Panchayats as Growth Centre over next four years.

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 Ministry has commissioned a study on "Preparation of a Viable Financial Model for Generation of Own Sources of Revenue (OSR)", which is being conducted by the National Institute of Public Finance and Policy (NIPFP).

Ministry of Panchayati Raj, in collaboration with the Indian Institute of Management-Ahmedabad (IIM-A), has developed specialised modules on the generation of Own Source Revenue (OSR) by the Panchayats. Based on the specialised modules of OSR training of State Level Master Trainers (SLMTs) of 31 States/UTs are being trained by the team of IIMA.

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 Revenue (OSR) by Panchayats.
