



NITI Aayog

Concept Note

National Workshop on Strategies for Enhancing Own Source Revenue of Panchayats

To be Organized by Panchayati Raj Division, NITI Aayog

Background and Context

Panchayati Raj Institutions (PRIs) are the cornerstone of India's decentralized democratic governance system, entrusted with responsibilities for local development and delivery of public services. Under Articles 243G and 243H of the Constitution, Panchayats have been granted powers to function as institutions of self-government and are authorized to levy, collect and appropriate taxes, duties, tolls, and fees. Despite this constitutional empowerment, Panchayats remain heavily dependent on intergovernmental fiscal transfers. Own Source Revenue (OSR), a key indicator of fiscal autonomy, continues to contribute a meagre share to the total receipts of PRIs in most states.

The Joint Parliamentary Committee (1991) for the Seventy Third Constitution Amendment Bill, 1992 showed its concerns over the poor financial position of local governments. It has made the following observations:

- Fiscal need of the local governments is required to be addressed as a considerable gap exists between their need and the resources available to them.
- The growth in revenue of local governments has been significantly lower compared to that of the Union and State governments.
- Since the local governments support the economic activities at the local level, it should be the responsibility of the Union and the States to dovetail creation and maintenance of local infrastructure with the overall economic development and to share in the financial burden for the creation and maintenance of the local infrastructure needed to increase productivity, provide greater employment opportunities and for improving the quality of

life of its citizens. Towards this end, devolution of resources from the Union to States and States to local governments is a necessary requirement.

As per data from 2017–2022 compiled by the Expert Committee on OSR of Rural Local Bodies constituted by Ministry of Panchayati Raj (MoPR), the average contribution of OSR to the overall receipts of Panchayats remains low, hovering around 6–10% in most cases. A handful of states such as Kerala, Andhra Pradesh, Karnataka, Gujarat, Tamil Nadu, Telangana and West Bengal are comparatively better in OSR collection by Panchayats, while states such as Bihar, Jharkhand, Himachal Pradesh, and several Union Territories have either reported no collections or initiated OSR reporting only in recent years. Notably, Kerala reported Rs. 86,862 lakhs in 2017–18 and maintained nearly Rs. 78,000 lakhs in 2021–22. Karnataka recorded Rs. 81,221 lakhs in 2021–22, and Andhra Pradesh Rs. 96,909 lakhs in the same year. In contrast, Bihar's OSR data is recorded as zero until 2021–22, when it reported Rs. 3,789 lakhs.

This wide inter-state variation highlights not just differences in fiscal devolution but also in the administrative will, legal empowerment, and community engagement necessary to operationalize OSR mandates. The Expert Committee constituted by the Ministry of Panchayati Raj has underlined that financial autonomy, measured by the ratio of OSR to total income, is key to transforming Panchayats into self-reliant institutions. The Committee further recommended that the OSR share should ideally reach at least 25% of total Panchayat income in the near future, to enable real decentralization of service delivery and developmental planning.

There are multiple challenges at the operational level that have restricted effective augmentation of OSR. Among the most pressing are the absence of clear guidelines on how to determine and revise tax rates, limited capacity of Panchayat functionaries to undertake assessments or enforce collections, lack of digitized property records or demand collection registers, and a prevailing reluctance to impose taxes for fear of political backlash. In several states, Panchayats do not even exercise the taxation powers legally vested in them due to procedural bottlenecks and ambiguities.

While the Government of India has instituted service-level benchmarks to monitor key civic services delivered by municipalities, linking the achievement of these benchmarks to the disbursement of grants under the 13th, 14th, and 15th Finance Commissions, no such performance-based framework currently exists for Panchayats. Introducing similar benchmarks for basic services provided by Panchayats, and tying a portion of grant allocations to their attainment, is both timely and necessary. Such a service delivery-linked funding approach would inherently incentivize improved performance in OSR mobilisation.

The National Institute of Public Finance and Policy (NIPFP), in its financial model for Panchayat OSR commissioned by the MoPR, has noted that although legal provisions for various taxes and non-taxes exist in nearly all states, operationalization remains weak. The report identifies 78 different tax and fee instruments across tiers, but most states rely predominantly on property tax, water fees, and lease income, often collected in fragmented and inefficient ways. These findings further reinforce the need for systemic reforms to equip Panchayats with the tools, autonomy, and incentives necessary to sustainably mobilize OSR.

About the Workshop

Panchayati Raj Division proposes to convene a national workshop to provide strategic impetus to the agenda of augmenting OSR of Panchayats. The purpose is to build upon the analytical groundwork already done by the Ministry of Panchayati Raj and foster peer learning, enabling operational pathways and advance implementation of recommendations to enhance OSR. The Workshop will serve as a forward-looking platform for states to share their experiences, identify high-impact reforms, and promote digital and institutional innovations that can improve the revenue-generating capacity of rural local bodies. This initiative aligns with the NITI Aayog's objectives of cooperative and competitive federalism and to empower, enable and make local governments accountable to ensure inclusive economic development with social justice and efficient delivery of services as envisaged in Part IX of the Constitution.

This platform will also provide an opportunity to assess the relationship between OSR performance, service delivery outcomes, and public confidence in Panchayat governance. It seeks to move the discussion from broad mandates to tangible strategies, grounded in what states and Panchayats are already attempting on the field.

Objectives

1. To catalyse strategic discussions on augmenting OSR of Panchayats
2. To facilitate peer learning among the States through sharing of state-level experiences, best practices, and innovations in enhancing OSR
3. To promote the adoption of technologies for improving the efficiency, transparency, and enforcement capacity of Panchayat revenue systems.
4. To explore non-conventional and underutilized revenue streams
5. To strengthen the linkage between revenue generation and service delivery outcomes

Key Themes for Deliberation

The Workshop will be structured around four interrelated themes, each addressing a critical lever for augmenting OSR.

The first theme focuses on state-led initiatives and innovations. The implementation of measures to increase OSR varies significantly across states. The Workshop will offer a forum for the states to present their approaches, not only to replicate but also to adapt contextually across low-performing and high-potential geographies. Such sharing will foster a platform of collaborative learning, where successful practices in augmenting OSR can be adapted and scaled appropriately.

The second theme pertains to leveraging digital and spatial technologies to support OSR planning, assessment, and enforcement. The SVAMITVA scheme presents a significant opportunity to link land ownership and property mapping to tax databases. GIS-based mapping systems, real-time data dashboards, and mobile-based POS devices for fee collection can transform the efficiency of Panchayat revenue systems. NIPFP observes that most GPs lack access to reliable property databases, and there is limited training in digital tools. The Workshop will highlight the efforts of states that are leveraging the technologies in the collection of OSR. These technologies have the potential to overcome traditional barriers to OSR mobilization such as poor assessment practices, weak record-keeping, and leakage in collections.

The third theme involves unlocking non-conventional and underutilized revenue streams. According to the Expert Committee on OSR constituted by MoPR, several states do not collect advertisement tax or fees from common property resources even when legally permitted. Few Panchayats have monetized village infrastructure such as crematoria, ponds, or haats. Carbon credits, eco-tourism, and user charges for waste collection remain largely untapped. In this context, the potential of Public-Private-Panchayat Partnerships (PPPP) also merits focused attention. These models can enable Panchayats to co-produce services, such as solid waste management, operation of rural haats, or tourism infrastructure through structured revenue-sharing agreements with private partners, thereby strengthening local revenue streams while ensuring improved service delivery. This theme will explore institutional models that enable Panchayats to harness these opportunities. The Workshop will also delve into how Panchayats can develop local revenue generation strategies based on geographical advantages such as proximity to highways or urban centres.

The fourth theme addresses the linkage between OSR and service delivery outcomes. The MoPR Expert Committee report notes that citizens are more willing to comply with local taxation when there is visible improvement in basic

services. When OSR is clearly linked to roads, sanitation, water supply and street lighting etc., communities tend to develop a sense of ownership and accountability. Panchayats that display tax utilization through Public Information Boards (PIBs), deliberate on OSR in Gram Sabhas and set service improvement targets tied to tax collection tend to show higher compliance. This session will explore strategies to institutionalize such linkages, including community-based performance monitoring and transparency mechanisms. Enhancing citizen awareness through targeted IEC campaigns will also be discussed as a mechanism to build trust in Panchayat finances.

Expected Outcomes

The National Workshop aims to produce a focused set of actionable recommendations aligned with current realities and future priorities to augment OSR. These include: a synthesis of best practices in OSR reform across states, strategies to leverage digital and spatial technologies for enhancing OSR mobilisation and suggest innovative strategies to tap the unconventional and underutilized sources of revenue generation.

Participants and Stakeholders

The Workshop will engage a diverse group of stakeholders. These include representatives from the Ministry of Panchayati Raj, Central and State Finance Commissions, C&AG, Reserve Bank of India, State PR and RD Departments, academic institutions and think tanks. Development partners like the World Bank, Asian Development Bank and UNDP, and civil society organizations working on local governance will also participate in the Workshop.

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Tentative Programme Schedule

Date: 24.07.2025

Venue: NITI Aayog

Time	Session	Speaker
10:30 AM - 11:00 AM	Registration and Networking	
11:00 AM - 11:05 AM	Opening Remarks and Context Setting	Shri. Rajeev Singh Thakur Programme Director (Rural Development & Panchayati Raj Division), NITI Aayog
11:05 AM - 11:15 AM	Keynote Address	Shri. Rajiv Gauba Member, NITI Aayog (tentative)
11:15 AM - 11:25 AM	Special Address	Shri. BVR Subrahmanyam CEO, NITI Aayog (tentative)
11:25 AM - 12:10 PM	Session I: State Initiatives on OSR: Experiences, Insights and Innovations	Shri. Gagandeep Singh Bedi Additional Chief Secretary, Rural Development and Panchayati Raj Department, Government of Tamil Nadu
		Shri. Milind Torawane Secretary, Panchayat, Rural Housing and Rural Development Department, Government of Gujarat
		Dr. P. Ulaganathan Secretary, Panchayati Raj and Rural Development Department, Government of West Bengal
12:10 PM - 12:40 PM	Session II: Leveraging Technology for Enhancing OSR	Shri. Alok Prem Nagar Joint Secretary, M/o Panchayati Raj
		Shri. Auguste Tano Kouamé Country Director, World Bank
		Shri. Amit Shukla, Founder, Empower Panchayat

12:40 PM - 1:10 PM	Session III: Unlocking Non-conventional and Untapped Revenue Sources	Shri. Rahul Jain Joint Secretary, 16 th Finance Commission
		Prof. V N Alok Indian Institute of Public Administration
		Shri. Harsha Vardhan Agarwal President, FICCI
1:10 PM - 1:50 PM	Session IV: Enhancing Accountability: Linking Local Revenues to Service Delivery and Citizen Engagement	Dr. Ranjan Ghosh, IIM- A
		Shri. Subir Mallick Deputy Comptroller & Auditor General (Defence and Local Governance Audit)
		Dr. Shyamsunder Paliwal Padma Shree Awardee
1:50 PM - 2:05 PM	Discussion and Q&A	
2:05 PM - 2:15 PM	Closing Remarks & Vote of Thanks	
2:15 PM Onwards	Lunch	