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## OWN SOURCE REVENUE: AN ANALYSIS WITH SPECIAL REFERENCE TO THE AZIZNAGAR GRAM PANCHAYAT IN THE MOINABAD MANDAL OF TELANGANA

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### ABSTRACT

*The financial autonomy of Gram Panchayats is vital for effective local governance and sustainable development. Despite the constitutional provisions under Articles 243G, 243H, and 243I, which empower Panchayats to generate Own Source Revenue through taxes, fees, and user charges, their financial independence remains limited. This study examines the dynamics of Own Source Revenue in rural local governance with a specific focus on Aziznagar Gram Panchayat in Telangana. An analysis of OSR trends in Telangana highlights the challenges of fluctuating revenue collections and a heavy reliance on external grants.*

*A qualitative methodology, incorporating primary data from household interviews, consultations with Panchayat officials and field observations, informs the analysis. The findings reveal that while Aziznagar Gram Panchayat has achieved milestones in revenue generation, structural and operational barriers persist. Limited manpower, technological constraints, and dependency on external grants hinder consistent Own Source Revenue enhancement.*

**KEYWORDS:** Gram Panchayats, Own Source Revenue, Financial Autonomy

### INTRODUCTION

The availability of adequate revenue is a critical prerequisite for Gram Panchayats (GPs) to achieve functional autonomy. Historically, the financial constraints faced by Panchayats can be attributed to their evolutionary development (Pal, 2024). The 73rd Constitutional Amendment of 1992 aimed to address these limitations by institutionalizing the devolution of funds from higher tiers of government to Panchayati Raj Institutions (PRIs), in addition to enabling them to generate their own-source revenues (OSR) through taxes, duties, fees, and user charges (Reserve Bank of India, 2024). Despite these measures, the financial independence of PRIs remains restricted, as their primary revenues are derived from grants provided by Central and State governments, with minimal contributions from property taxes, fees, and fines (Reserve Bank of India, 2024).

Article 243G of the Constitution empowers the State to grant Panchayats the necessary powers and authority to function as institutions of self-government, while Article 243H allows Panchayats to levy, collect, and appropriate taxes, duties, tolls, and fees, alongside receiving grants-in-aid from central and state government funds. Further, Article 243-I mandates the establishment of a State Finance Commission (SFC) every five years to review the financial position of Panchayats and recommend measures for implementing Article 243H to strengthen the financial standing of PRIs. SFCs assess the

revenue needs of local governments, considering their roles and responsibilities, and recommend revenue sharing and ways to augment OSR. OSR refers to revenue collected by Panchayats from tax and non-tax sources, though some portions are collected and shared by state governments. While states have the power to regulate taxation under their Panchayat Acts, including suspending or exempting taxes, revenue-sharing with Panchayats is not constitutionally mandatory. Among the three tiers, GPs hold the most taxation powers, such as land and building taxes or profession taxes, though these vary across states. Shared revenues like Entertainment Tax and Advertisement Tax are collected by states, with portions distributed to Panchayats. For Panchayats to achieve fiscal autonomy and reduce dependence on central and state grants, it is essential to enhance their OSR. Despite currently being a small portion of total receipts, there remains significant scope to augment OSR, which would strengthen the financial independence and accountability of Panchayati Raj Institutions (MoPR, 2024).

The issue of low OSR generation is particularly pronounced, with rural local governance bodies collecting an average of only Rs. 59 per capita in taxes between 2017 and 2022, according to government data. During this period, Panchayats collectively raised Rs5,118.98 crore as OSR (PTI, 2024). These figures highlight the need for strengthening OSR mechanisms to empower Panchayats with greater financial autonomy. Telangana has taken steps to address this issue by framing specific rules to enhance OSR generation, as reported by the Panchayati Raj Ministry.

**Table:1: Own Source Revenue by Panchayats during 2017-18 to 2021-22 (Rs. in Lakh)**

State	2017-18	2018-19	2019-20	2020-21	2021-22
Telangana	39754	42566	32102	27825	29298

Source:<https://cdnbbsr.s3waas.gov.in/s316026d60ff9b54410b3435b403afd226/uploads/2023/05/202403142019206601.pdf>

Table 1 illustrates the Own Source Revenue (OSR) collected by Panchayats in Telangana over five years, from 2017–18 to 2021–22. The data highlights fluctuations in OSR, with a peak collection of ₹42,566 lakh in 2018–19, followed by a decline to ₹ 27,825 lakh in 2020–21, before recovering slightly to ₹ 29,298 lakh in 2021–22. These figures underscore Telangana's relatively strong performance in OSR collection compared to other states. However, the variability in annual collections indicates underlying challenges that require consistent efforts to stabilize and enhance revenue generation. While Telangana demonstrates better OSR performance, achieving sustainable growth in Panchayat revenues demands strategic interventions. Support from the State Government is critical in addressing structural and operational barriers that hinder consistent collection. Strengthening administrative capacities, promoting public awareness, and introducing innovative revenue mechanisms are essential steps to maximize OSR potential. These measures will enable Panchayats to better support local governance and community development initiatives through self-reliant financial models.

Empirical analyses reveal that smaller GPs tend to generate higher OSR per capita, receive larger grants, and incur greater expenditure per person. The fiscal performance of GPs is influenced by demographic, socio-economic, and geographical factors, which shape their priorities and needs. For instance, literacy levels significantly impact the willingness to pay taxes, with more literate communities showing higher compliance. Conversely, GPs with a higher proportion of agricultural laborers or Scheduled Caste/Scheduled Tribe populations exhibit lower OSR collection and per capita expenditure, though they tend to receive more grants from higher government levels (Chattopadhyay, 2024).

Gram Panchayats in India, including those in Telangana, play a pivotal role in local governance by implementing government policies and addressing the immediate needs of rural communities. Their reliance on a mix of external grants and OSR underscores the importance of enhancing their capacity for independent revenue generation. OSR encompasses income generated through taxes, fees, and charges. However, in Telangana, the financial autonomy of Panchayats remains limited due to challenges in effectively imposing and collecting taxes and fees (Reddy & Mohapatra, 2022). This study focuses on the dynamics of OSR in Aziznagar Gram Panchayat, exploring its efforts to enhance financial self-reliance and address revenue generation challenges.

### Own Source Revenue in Aziznagar Gram Panchayat

Aziznagar Gram Panchayat, located in Moinabad Mandal, Telangana, has demonstrated notable progress in revenue generation, reflecting effective financial management practices. In the fiscal year 2022–2023, the Panchayat collected ₹63.37 lakhs through property taxes, underscoring its commitment to enhancing OSR. Additionally, an annual water charge of ₹360 per household contributes to the revenue stream.

Despite these achievements, approximately 15% of households remain non-compliant in paying property taxes. To address this challenge, the Panchayat has adopted measures such as issuing notices and withholding essential certificates (e.g., birth and death certificates) until outstanding dues are cleared. These enforcement strategies highlight the critical role of OSR in sustaining local governance and ensuring the delivery of essential services.

**Table 2: Own Source Revenue Pattern (2022–2023)**

Revenue Source	Amount (₹)
1. House Tax	63,37,722
2. Library Cess	6,37,437
3. Water Bills	1,69,887
4. Nalla Donation	0
5. License Fee	10,000
<b>Total</b>	<b>71,55,046</b>

Source : Gram Panchayat AZEEZNAGAR Mandall MOINABAD DISTRICT: Ranga Reddy for the year 2022-23

This data emphasizes the Panchayat's efforts to diversify its revenue streams and highlights areas for improvement, such as addressing non-compliance and exploring untapped revenue sources like Nalla donations.

This study aims to delve into the dynamics of OSR in Aziznagar Gram Panchayat, focusing on property tax compliance, water charge collection, and the effectiveness of administrative strategies in ensuring revenue generation. By analyzing these aspects, the study seeks to highlight challenges and propose recommendations for enhancing OSR management in rural governance.

### Objectives

- To evaluate the current structure and components of OSR in Aziznagar Gram Panchayat;
- To analyze house tax compliance rates and identify factors influencing non-payment;

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- To assess the collection and utilization of water charges in the Gram Panchayat;
  - To examine the strategies employed by the Gram Panchayat to improve revenue collection, including administrative measures; and
  - To provide actionable recommendations for strengthening OSR mechanisms in rural local governance.

## METHODOLOGY

The study adopts a qualitative research approach, utilizing both primary and secondary data sources to meet its objectives. The methodology involves interactions with households through interviews to understand reasons for non-compliance and public perceptions of the Gram Panchayat's services. Discussions with former elected representatives, including Sarpanches and ward members, provide insights into historical trends and governance challenges, along with an analysis of evolving OSR strategies. Consultations with Gram Panchayat staff focus on interviews with officials, reviewing administrative records, and understanding service delivery. Document analysis includes examining tax rolls, payment records, and policies under the Telangana Panchayati Raj Act 2018. Additionally, field observations of House tax collection drives and community meetings help identify implementation gaps and areas for improvement.

## Findings

- Aziznagar Gram Panchayat's achievement of collecting ₹63.37 lakhs in house taxes is a significant milestone. However, the non-compliance rate of 15% indicates underlying challenges.
- Interviews with non-compliant households revealed issues such as lack of awareness, financial constraints and perceived inadequacy of services provided by the Gram Panchayat.
- The issuance of notices and withholding of essential certificates, such as birth and death certificates, has had a mixed impact. While it has prompted some defaulters to pay, others view it as coercive and unfair.
- The annual water charge of Rs360 per household is a consistent source of revenue for the Panchayat. Most households comply, recognizing the direct benefit of the service.
- Some resistance to payment was observed, particularly in areas where water supply is irregular or insufficient.
- The Panchayat's approach to ensuring compliance through notices and withholding certificates demonstrates a proactive stance in property tax collection.
- However, the strategy also highlights the need for a more balanced approach that combines enforcement with public awareness campaigns and incentives for timely payments.
- High dependency on external grants reduces the incentive to maximize OSR.
- Limited manpower and technological resources hinder efficient record-keeping and follow-ups on defaulters.
- Resistance from certain sections of the community due to mistrust or dissatisfaction with governance.

## Recommendations

The Expert Committee has recommended that the Ministry of Panchayati Raj undertake a series of targeted actions within specified timelines to strengthen OSR for Panchayats. Recognizing the critical

role of SFC recommendations in enhancing OSR, the Committee emphasizes the need for systematic determination and assignment of taxes, duties, tolls, and fees across Panchayat tiers (MoPR, 2024).

Key recommendations include the annual preparation of an OSR Augmentation Action Plan alongside the Gram Panchayat Development Plan (GPDP). Water tax is identified as a vital OSR component, with suggestions to base charges on utilization, using water meters or alternative metrics such as household size or water storage capacity. Panchayats are also encouraged to implement revenue-generating measures like fees for services, licenses, and registrations, including those for animal sales, grazing, rental housing, slaughterhouses, and life event registrations (e.g., birth, death, marriage).

Peri-urban Panchayats are advised to focus on leveraging commercial and industrial activities for revenue generation, while all GPs should explore non-conventional revenue sources through regular brainstorming sessions facilitated by Finance Standing Committees. State governments are urged to review the existing OSR framework, identifying legal and administrative barriers, untapped potentials, and strategies to close the gap between potential and actual revenue.

Additionally, States should conduct detailed assessments and revenue-gap studies based on consultations with stakeholders and comprehensive analysis. The findings should inform the development of strategies, policies, legislation, and administrative measures to enhance OSR. To support this process, a compilation of successful OSR models from Panchayats should be prepared and widely disseminated as reference material (MoPR, 2024).

## CONCLUSION

Aziznagar Gram Panchayat's performance in generating OSR, particularly through property taxes and water charges, reflects its potential for financial self-reliance. While its strategies have been effective in achieving significant revenue collection, challenges such as non-compliance, resource constraints, and community resistance need to be addressed.

A comprehensive approach that combines enforcement with community engagement, transparent governance, and improved service delivery can enhance compliance and foster trust in local governance. Strengthening technological and human resources within the Panchayat will further enable efficient management of OSR. By adopting these measures, Aziznagar Gram Panchayat can serve as a model for other rural local bodies in achieving financial sustainability and delivering impactful governance.

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