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Finances of Panchayati Raj Institutions

Today, the Reserve Bank released the second edition of its biennial Report titled "*Finances of Panchayati Raj Institutions*". The theme of this edition is 'Local Finances and Capacity Building in Rural India'. Drawing upon a balanced panel of 2.25 lakh *Gram Panchayats* for the period 2022-23 to 2024-25, the Report presents an assessment of their finances and their role in achieving sustainable and inclusive rural socio-economic development.

Highlights:

- *Gram Panchayat* finances strengthened during 2022-23 and 2023-24; they, however, remain dependent on intergovernmental transfers, accounting for about 90 per cent of total receipts, while own source revenues (OSR) accounted for a modest share of about 10 per cent, predominantly driven by non-tax receipts such as interest receipts, *Panchayati Raj* programme funds and user charges.
- Expenditure patterns primarily reflected both the mandates of the Fifteenth Finance Commission and convergence with national schemes/missions, with water supply and sanitation accounting for the largest share (about 40 per cent) of total expenditure.
- While notable progress has been made in rural connectivity, electrification, water supply, sanitation and community assets, inter-State disparities persist in access, quality and functionality.
- As some large *Gram Panchayats* transition to small urban local bodies or Town *Panchayats,* functional responsibilities may expand faster than fiscal and administrative preparedness, requiring transitional fiscal support and administrative capacity building alongside a calibrated strengthening of OSR through improved collection efficiency and rationalised property taxes and license fees.

This Report has been prepared in the Division of Local Finances of the Department of Economic and Policy Research. The current edition, along with the previous edition of the Report, is available on the Reserve Bank's website (www.rbi.org.in). Feedback and comments to help improve the analytical and informational content of the Report may be sent to the Director, Division of Local Finances, Department of Economic and Policy Research, Amar Building (6th Floor), Reserve Bank of India, Sir Pherozshah Mehta Road, Mumbai – 400 001 or through e-mail.

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