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Impact of Own Source Revenues of Gram Panchayats on Overall Development of Rural Areas in Karnataka: A Case Study of Rajanukunte Gram Panchayat

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Abstract:

Gram Panchayats are recognized as the primary institutions of local self-governance in India, and Karnataka has been a pioneer in the Panchayat Raj system. The Karnataka Panchayat Raj Act was enacted on 10th May 1993, shortly after the 73rd Constitutional Amendment, enabling decentralization of governance and empowering villages to take charge of their development. Effective functioning of Panchayat Raj Institutions (PRIs) is crucial for addressing rural challenges such as poverty, illiteracy, unemployment, infant mortality, and inadequate infrastructure. This study focuses on the own-source revenue (OSR) of Rajanukunte Gram Panchayat and its impact on rural development. OSR is broadly classified into tax revenue (property tax, land tax, etc.) and non-tax revenue (fees, charges, cesses, rent from Panchayat properties, etc.). Analysis of the Panchayat's financial data over three consecutive financial years (2022–23 to 2024–25) demonstrates a consistent increase in revenue mobilization, reflecting improved fiscal management and autonomy. The study also highlights how OSR has enabled infrastructure development, social welfare initiatives, and community- centric programs, reinforcing the Panchayat's self-reliance.

Keywords: *Gram Panchayat, Own-Source Revenue, Rural Development, Fiscal Autonomy, Karnataka, Panchayat Raj Institutions*

Introduction

Panchayat Raj Institutions have introduced a transformative dimension to rural development by serving as instruments of integrated governance at the grassroots level. Their philosophy is deeply rooted in Gandhian ideals of Gram

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Swaraj, emphasizing self-governance, participatory democracy, and local decision-making (Jha, 2012). In India, the Panchayat Raj system operates across three tiers: the Gram Panchayat at the village level, the Mandal Parishad or Panchayat Samiti at the block level, and the Zilla Parishad at the district level. The 73rd Constitutional Amendment formalized this framework, empowering Gram Panchayats to plan, implement, and monitor local development initiatives. These institutions are designed to manage rural resources efficiently, ensuring that governance is decentralized, accountable, and inclusive. However, the effectiveness of Panchayati Raj Institutions is closely linked to financial autonomy, which is primarily achieved through the mobilization of own-source revenue, enabling them to sustain development initiatives and meet the needs of local communities.

Objectives of the Study

1. Identify and list the own-source revenues of Rajanukunte Gram Panchayat.
2. Assess the impact of OSR on infrastructure, social welfare, and community development.
3. Evaluate the effect of the COVID-19 pandemic on revenue collection and service delivery.

Methods and Study Area

Sampling Method

Karnataka has 31 Zilla Panchayats (ZPs), 238 Taluk Panchayats (TPs), and 5,948 Gram Panchayats (GPs). Bengaluru Urban district contains 86 Gram Panchayats, of which Rajanukunte Gram Panchayat was selected as a representative case study due to its diverse socio-economic profile and proactive governance.

Study Area

Rajanukunte Gram Panchayat spans 3,063.15 hectares and comprises 6 villages and 1 recorded village. According to the 2011 Census, it has 2,630 families (360 SC, 8 ST, and 2,262 others) and a population of 10,791 (5,698 males and 5,093 females). The literacy rate stands at 70.19%, indicating moderate educational attainment.

Data Collection

The study primarily relies on secondary data sources, including Panchayat records, government reports, financial statements, and official websites. Financial trends, revenue mobilization, and service delivery outcomes were analyzed to evaluate the impact of OSR on self-reliance and rural development.

Background and Context: Own Source Revenue (OSR)

Panchayat Raj Institutions (PRIs) have played a transformative role in shaping rural development in India by functioning as key instruments of decentralized governance at the grassroots level. Rooted in the Gandhian concept of Gram Swaraj, these institutions emphasize self-governance, participatory democracy, and community-driven decision-making, aiming to empower rural citizens to take charge of their own development (Jha, 2012). The Panchayat Raj system in India operates on a **three-tier structure**: the Gram Panchayat at the village level, the Mandal Parishad or Panchayat Samiti at the block level, and the Zilla Parishad at the district level. The 73rd Constitutional Amendment formalized this system, granting Gram Panchayats the authority to plan, execute, and monitor local development initiatives, including infrastructure projects, social welfare schemes, and resource management programs. These institutions are envisioned to manage rural resources efficiently, ensuring that governance is decentralized, inclusive, and accountable to local populations. However, their success largely depends on financial autonomy, which allows them to implement development programs independently and sustainably. This financial autonomy is primarily achieved through the mobilization of own-source revenue, including taxes, fees, and other locally generated funds, which not only strengthens the Panchayat's fiscal capacity but also fosters responsibility, transparency, and citizen engagement in local governance. Effective utilization of these resources ensures that PRIs can respond promptly to the developmental and welfare needs of the community, thereby translating the vision of self-reliant villages into practical outcomes.

Results and Discussion

Rajanukunte Gram Panchayat has demonstrated a strong financial performance, with its annual revenue totaling ₹4.02 crore, comprising tax revenue of ₹3.97 crore and water tax of ₹4.84 lakh. Analysis of the Panchayat's own-source revenue (OSR) over three consecutive financial years indicates a consistent upward trend, reflecting effective fiscal management and efficient resource mobilization. In the financial year 2022–23, the total revenue demand stood at ₹4.22 crore, of which ₹2.39 crore was collected, leaving a balance of ₹1.82 crore. The following year, 2023–24, saw a sharp increase in total demand to ₹9.73 crore, largely due to the carry-over balance from the previous year, with ₹7.58 crore collected and a remaining balance of ₹2.15 crore. In 2024–25, the total demand amounted to ₹8.21 crore, of which ₹6.54 crore was successfully collected, leaving a balance of ₹1.84 crore to be carried forward. This upward trajectory underscores the Panchayat's ability to mobilize financial resources efficiently, despite fluctuations in demand and carry-over balances. The revenue streams contributing to this performance include house and building taxes, land taxes, drinking water charges, rent from Panchayat-owned properties, auction proceeds, and miscellaneous receipts. Such diversified sources of revenue have enhanced the Panchayat's financial autonomy, enabling it to fund infrastructure projects, welfare programs, and other community development initiatives without being entirely dependent on state or central government grants.

Infrastructure and Services

Rajanukunte Gram Panchayat has effectively leveraged its own-source revenue (OSR) to strengthen infrastructure and improve public services across multiple sectors, demonstrating a proactive approach to rural development. In the area of water and sanitation, the Panchayat has implemented key initiatives such as the construction of a Faecal Sludge Treatment Plant (FSTP), installation of RO drinking water units in all villages, and the establishment of community toilets, ensuring safe and hygienic living conditions for residents. In the health sector, the Panchayat has conducted the Grama Arogya Abhiyana, provided free ambulance services, organized eye check-up camps, and coordinated blood donation drives, reflecting a strong commitment to public health and well-being. The Panchayat has also focused on education and digital literacy by establishing a model digital library equipped with computers and internet access, alongside supporting 8 primary schools and 1 high school, thereby facilitating learning opportunities for children and adults alike.

In terms of skill development and livelihood enhancement, Rajanukunte Gram Panchayat has organized various workshops, beautician training programs, and Samriddhi Sanjeevini initiatives, along with Women-Friendly Gram Panchayat programs, empowering women and youth to develop vocational skills and entrepreneurial capabilities. For environmental conservation and recreational development, the Panchayat has created parks with open gyms, organized walkathons, developed local ponds, planted 6,700 nursery saplings, and implemented solid waste management systems, including a Material Recovery Facility (MRF) unit to promote recycling and sustainable waste disposal. Additionally, the Panchayat has invested in renewable energy infrastructure, installing 18 KV solar power connections for Panchayat offices and Anganwadi buildings, thereby reducing dependence on conventional electricity and promoting sustainable energy solutions. Collectively, these initiatives demonstrate how OSR has enabled Rajanukunte Gram Panchayat to deliver comprehensive, citizen-centric services, enhancing the quality of life and fostering sustainable development in the local community.

Impact on Economy and Community

The own-source revenue (OSR) of Rajanukunte Gram Panchayat plays a vital role in supporting and sustaining multiple economic sectors within the community. In the primary sector, revenue facilitates agricultural and horticultural activities, as well as dairy and milk production, providing livelihoods for a significant portion of the rural population. In the secondary sector, industrial and manufacturing units, including factories and local enterprises, contribute to revenue generation while creating employment opportunities and stimulating local economic activity. The tertiary sector, encompassing banks, hospitals, and service-based enterprises, benefits from Panchayat-supported infrastructure and services, further promoting economic stability and growth.

Moreover, profitable assets such as the KMF factory, Rigley factory, Angasana Silver Oak Resorts, and local educational institutions contribute substantial taxes, reinforcing the Panchayat's financial base. The mobilization of OSR has enabled Rajanukunte Gram Panchayat to exercise financial autonomy, allowing for the timely execution of development projects, social welfare schemes, and community-centric initiatives without being overly reliant on external grants from the state or central government. This fiscal independence ensures that governance is responsive, efficient, and tailored to local needs, fostering sustainable development and improving the overall quality of life for the community. By linking financial resources directly to service delivery, OSR strengthens citizen engagement, accountability, and participatory governance, creating a model for self-reliant and inclusive rural development.

Role during COVID-19 Pandemic

During the COVID-19 pandemic, Rajanukunte Gram Panchayat encountered significant challenges, including disruptions in revenue collection and a sudden surge in demand for essential services to protect public health. Despite these difficulties, the Panchayat's own-source revenue (OSR) proved to be a critical resource, enabling it to respond swiftly and effectively to the crisis. The funds were utilized for sanitation drives, disinfection of public spaces, and hygiene awareness campaigns, ensuring that the community remained informed and protected. Additionally, OSR supported essential healthcare services, including emergency medical assistance, distribution of health kits, and maintenance of local health facilities, which were crucial in managing the impact of the pandemic at the grassroots level. This experience underscores the strategic importance of local fiscal autonomy, highlighting how robust internal revenue systems allow Panchayats to maintain continuity in governance, sustain development activities, and respond proactively to emergencies. By relying on locally generated resources rather than depending solely on state or central grants, the Panchayat was able to provide timely, targeted, and community-centered interventions during one of the most challenging periods in recent history.

Discussion

The findings of this study clearly demonstrate that own-source revenue (OSR) forms the backbone of grassroots development. Effective revenue mobilization not only strengthens the financial autonomy of Panchayats but also enhances their capacity to deliver quality services, implement infrastructure projects, and promote social welfare programs tailored to local needs. In the case of Rajanukunte Gram Panchayat, OSR has enabled the timely execution of initiatives in water and sanitation, healthcare, education, skill development, environmental conservation, and renewable energy, reflecting a holistic approach to rural development. Furthermore, the process of collecting and utilizing OSR fosters community participation, transparency, and accountability, as citizens directly contribute to and benefit from local development projects. The Panchayat's fiscal empowerment has also allowed it to respond effectively to emergencies, such as the COVID-19 pandemic, without over-reliance on external grants, thereby demonstrating the crucial role of OSR in both sustained development and crisis management. Overall, Rajanukunte Gram Panchayat serves as a model of how financial self-reliance strengthens governance, ensures participatory decision-making, and promotes sustainable rural development.

Conclusion

The study demonstrates that own-source revenue empowers Panchayats to achieve financial self-reliance, improve governance efficiency, and drive sustainable rural development. Rajanukunte Gram Panchayat's consistent revenue mobilization over three years has enabled infrastructure upgrades, health and education programs, environmental initiatives, and community development projects. OSR has also enhanced citizen participation and accountability, creating a positive feedback loop between service delivery and revenue generation.

Policy Recommendations

1. *Enhance Revenue Collection:* Digital payment systems, timely revision of tax rates, and improved compliance mechanisms.
2. *Diversify Revenue Sources:* Promote Panchayat-owned enterprises, public-private partnerships, and rental incomes.
3. *Capacity Building:* Train Panchayat officials in financial management, planning, and revenue mobilization.
4. *Transparency and Accountability:* Publish annual financial statements, conduct audits, and establish grievance redressal systems.
5. *Crisis Preparedness:* Build contingency funds from OSR to manage emergencies, including public health crises.
6. *Community Engagement:* Conduct workshops and awareness campaigns linking citizen contributions to service delivery.

Strengthening OSR mechanisms is central to ensuring that Panchayats are self-reliant, accountable, and capable of sustainable rural development**.** Rajanukunte Gram Panchayat serves as a model for effective fiscal management and citizen-centric governance in Karnataka and beyond.

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