

## A Study on Own Source Revenue generation by Gaon Panchayats of Darrang district in Assam

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### Abstract

*Grassroots democracy thrives when governance is decentralized and participatory, enabling citizens to engage directly in decision-making. The Gaon Panchayat (GP), as the foundational unit of India's Panchayati Raj system, plays a critical role in rural self-governance. This study investigates the Own Source Revenue (OSR) generation capacity of Gaon Panchayats in Darrang district of Assam within the framework of constitutional and legal provisions. Despite being legally empowered under the 73rd Constitutional Amendment and the Assam Panchayat Act, 1994, GPs in Assam exhibit limited success in mobilizing their own revenue. The study highlights that financial self-reliance is crucial for sustainable functioning and for realizing the constitutional vision of empowered local governance. Through a combination of empirical and analytical methods, the research identifies institutional, administrative, and legal constraints that hinder effective revenue mobilization. It further explores trends in OSR across 24 sampled GPs using SPSS-based data analysis, emphasizing the need for policy reforms, capacity-building initiatives, and simplification of existing legal frameworks. The study also reflects on the post-COVID operational realities and limitations due to region-specific socioeconomic factors. Ultimately, the findings underscore that improving GPs' fiscal autonomy through enhanced local taxation, productive investment, and participatory planning is essential for strengthening rural democracy and inclusive development.*

### Keywords:

*Gaon Panchayat, Own Source Revenue, Decentralized Governance, Fiscal Sustainability*

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## Introduction

Democracy flourishes when governance is both decentralized and participatory, enabling citizens to take part in decisions that shape their daily lives. Grassroots democracy embodies this principle by placing power in the hands of local communities, ensuring that governance remains people-oriented and attuned to local needs. In a vast and diverse country like India, such decentralization is crucial for addressing regional disparities, cultural diversity, and socio-economic differences effectively. An essential component of India's Panchayati Raj system, the Gaon Panchayat plays an important role in empowering rural people. It offers a venue for local government where people can take part decision making process. In the past, Gaon Panchayats were set up to solve issues of social justice, rural development, and regional identity as well as to decentralize power. These institutions are crucial because they serve as grassroots tools for bolstering democracy in addition to their function as local administrators. The Indian constitution gives the *Gaon* Panchayats the authority to impose and collect taxes.

The ability of *Gaon* Panchayats to generate revenue on their own is a crucial aspect of their operational sustainability. Income-generating initiatives, such as those implemented in other rehabilitation centres, offer a model that *Gaon* Panchayats might adapt (Roy & Sivakumar, 2022). The mobilization of own resources by rural decentralized planning units, such as Panchayats, has gained significant importance in recent years. This growing attention is largely attributed to two major developments: the introduction of the comprehensive Structural Adjustment Programme in 1991 and the enactment of the 73rd Amendment to the Constitution of India (Chakraborty, 2016).

According to Article 243G of the 73rd Amendment to the Indian Constitution State Legislatures have the power to grant Panchayats (local self-government organizations) the authority and powers necessary for them to function effectively. These powers include the creation and implementation of social justice and economic development programs in addition to the levying and collecting of taxes, levies, tolls, and fees. Panchayats can manage finances thanks to it. Article 243-I mandates the creation of State Finance Commissions to review Panchayat finances, provide rules for revenue distribution, and suggest measures for financial improvement. State legislatures make decisions about the makeup and powers of commissions and forward proposals to them for approval. The Assam Panchayat Act of 1994 and the Assam Panchayat (Financial) Rules of 2002 included numerous measures for distributing revenue to the Gaon Panchayats. There are twelve distinct revenue streams available to Assamese Gaon Panchayats, including both non-tax and own-tax revenue. The

situation of Gaon Panchayats' revenue mobilization is still dismal, despite their considerable capacity to generate their own funds (Das, 2017).

Although *Gaon* Panchayats in Assam hold significant potential in this area, an analysis of reports from central and state-level finance commissions indicates that they are not generating sufficient revenue independently.

### **Objectives of the Study**

- i) To analyse the constitutional and legal provisions governing the Own Source Revenue (OSR) of *Gaon* Panchayats with a focus on Assam.
- ii) To analyse the own source revenue generation of the *Gaon* Panchayats of Darrang
- iii) To identify challenges and limitations faced by Gaon Panchayats in executing their functions.

### **Data Base and Methodology**

The study employs both empirical and analytical methods. The study has been conducted in the Gaon Panchayat in Darrang District of Assam. The Darrang district has been selected for the study because it was listed as one of the 14 aspirational districts in the Northeast and was ranked as the district with the best performance in the "North East Sustainable Development Goals Conclave, 2020." There are 75 Gaon Panchayats in the Darrang district and six Anchalik Panchayats spread throughout six development blocks. According to 2011 census the total population of Darrang district is 9,28,500 (Male-4,75,273, Female-4,53,227) and rural population is 94.02 percent.

Both primary and secondary sources of data were gathered for this study. Total 24 Gaon Panchayats are selected for the study and at least thirty percent Gaon Panchayats of each development block are selected by using stratified purposive sampling method for where the gender and social category of the Gaon Panchayat president, geographical location of the Gaon Panchayat area, and performance of own source revenue generation are taken in to consideration.

Gaon Panchayat offices are visited in order to gather primary data. Gaon Panchayat officials are the Primary respondent of the study. A Structured interview schedule with open ended questions has been prepared for focus group discussion (FGD). In order to gather secondary data government reports, books, journals, the 2011 Indian census, panchayat and block-level statistics, administrative records, the reports of the Central Finance Commission and the Assam State Finance Commissions, the Assam Statistical Handbooks, the reports of the Panchayat & Rural Development Department, SIRD publications, news articles, journals,

and other sources are used. Collected data are analysed using the SPSS software and represented in form of tables and graphs.

The study focuses exclusively on the revenue-generating activities covering the financial years 2021–2022 to 2023–2024. Although the last Panchayat elections in the state were held in December 2018, the elected representatives assumed office in February 2019 and served until February 5, 2024. However, the functioning of the Panchayats was disrupted for a significant period due to the COVID-19 pandemic. Therefore, the study concentrates only on the post-COVID period of their tenure.

## **Results and Discussions**

### **Constitutional Foundation of Panchayati Raj Institutions**

The 73rd Constitutional Amendment Act of 1992 heralded a new era in the democratic governance of India by recognizing Panchayati Raj Institutions (PRIs) as the third tier of government in the country. This constitutional obligation designated Gaon Panchayats as the "basic units of local self-government" and invested them with large responsibilities for rural development and the delivery of services. Part IX of the Constitution, comprising Articles 243 to 243-O, was added through this amendment, which explains the reservation, composition, and details about the Rural Local Bodies (RLBs) such as the powers and responsibilities to be entrusted to them. Article 243-H directly relates with, functional powers, authority and responsibility of the Panchayats and article 243-I generally stands governed by tax-levy-etc. The constitution makes Gaon Panchayats to be bodies of self-government with rights to generate plans for economic development and social justice. But the actualization of this constitutional vision largely rests on the financial independence of these institutions, and in fact its ability to generate own source revenue.

### **Legal Framework and Revenue Generation Mechanisms**

The constitutional provisions are supported by state-level Panchayat Raj Acts that describe their revenue generation power for Gaon Panchayats. In Assam, the Assam Panchayat Act, 1994, with several amendments, is the Act which provides for the legal status of revenue collection of Gaon Panchayats. Such organs have been also bestowed with the authority to impose and collect several levies, taxes, fees and charges etc. The main sources of revenue are property tax on lands and buildings, profession tax, the levy on vehicles and general trade license fee and market fees. Collection of tax on transfer of property, entertainment tax in some cases and fees for issuing certificates are also ruled by the legal framework. Further, Gaon Panchayats have the power to raise revenue through leasing of community resources, imposition of user charges for water supply and sanitation facilities

and fines for breach of the bye-laws. In practice, the impact of these mechanisms varies greatly from one GP to another, based on local economic realities, administrative capability and the use of enforcement tools. The legislative framework guiding the functioning of Panchayati Raj Institutions (PRIs) in Assam is based on the following provisions:

- Assam Panchayat Act, 1994 (AP Act, 1994)
- The Assam Panchayat (Constitution) Rules, 1995 (As Amended Up to 2018)
- The Assam Panchayat (Administrative) Rules, 2002
- The Assam Panchayat (Financial) Rules, 2002
- The Provisions of the Panchayat (Extension to the Scheduled Areas) Act, 1996
- The Assam Panchayat & Rural Development (Appointment and Promotion) Order, 1988
- The Assam Panchayat and Rural Development Department (Recruitment and Conditions of Service of Administrative Officer (Trysem) Order, 1996
- The Assam Panchayat Employees (Provincialisation) Act, 1999
- The Assam Panchayat and Rural Development Officers Service Rules, 2013
- The Assam Panchayat and Rural Development Department Officers Re- Designation of Deputy Chief Executive Officer, Zilla Parishad to Block Development Officer (Sr. Grade) Order, 2015.
- The Assam Panchayat and Rural Development Officers (Technical) Service Rules, 2015
- The Assam Panchayat and Rural Development Officers (Engineering) Service Rules, 2023
- Government instructions issued from time to time.

## Findings

### Revenue generation of Gaon Panchayats

The following table-1 shows the trend of own source revenue generation by the Gaon Panchayats in Darrang district over the three years of study period. The table shows that revenue generation the Gaon Panchayats has been increasing during the last three years.

Table 1: Own Source Revenue Trends of Gaon Panchayats in Darrang District (2021-22 to 2023-2024)

Financial Year	Average Range of Revenue Generation by GPs in Darrang (₹)
2021-2022	Below 50000
2022-2023	50000 to below 100000
2023-2024	50000 to below Rs.100000

Table 2 reveals the changing composition of revenue sources over the study period, highlighting the dominance of other miscellaneous source as the primary revenue source for *Gaon* Panchayats. Property tax contribution increased from 40.6% in 2021-22 to 49.9% in 2023-24, indicating slightly improved generation of new sources and collection mechanisms. Property tax, service charges, other miscellaneous sources and penalties maintained almost steady contribution.

Table 2: Source-wise Revenue Collection of *Gaon* Panchayats

Revenue Source	Revenue generation in different financial year (%)			Average Contribution (in %)
	2021-22	2022-23	2023-24	
Property Tax	10.3	11.2	11.4	10.97
License Fees	21.8	4.1	4.2	10.03
Market Fees/Rent	20.2	27.3	27.4	24.97
Service Charges	5.4	6.5	6.7	6.2
Penalties & Fines	1.7	1.2	0.4	1.1
Others (Miscellaneous)	40.6	49.7	49.9	46.73

Source: Primary Survey, 2024

Market fees showed growth reflecting increased commercial activities in rural areas. License Fees declined significantly. This composition pattern indicates a concentration toward more stable and predictable revenue sources, which enhances financial planning capabilities of *Gaon* Panchayats.

Table 3: Challenges faced by *Gaon* Panchayats in generating own source revenue.

Types of Challenges faced by GP	Views of <i>Gaon</i> Panchayats (%)
Refusal to pay revenue	83.33%
Lack of awareness	87.5%
Ignorance of the stack holders	37.5%
Poor economic condition	70.83%
Unwillingness of panchayat representative	33.33%
Government Intervention/ Latest order	100%
Political interference or Influence	37.5%

Lack of proper training	25%
Lack of diversified source	91.6%
Shortage of capital	62.5%
Geographical Condition	87.5%

Source: Primary Data,2024

Table 3 presents the percentage of Gaon Panchayats that have encountered various challenges in generating revenue from their own sources.

### Discussion

The empirical analysis exposes a mixed bag of own source revenues generation by the Gaon Panchayats in Darrang district with positive growth path and concurrent structural impediments. Growth in average revenue over 3 years, cumulatively, suggests scope to improve with suitable policy autopilots and skill reinforcements. Though a ready source of stability, an over-reliance on a sole revenue source exposes Gaon Panchayats to risks of the market or economy when it comes to property taxes. The study reveals geographical disparities of Gaon Panchayats, which are the reflection of the larger developmental disparities present in Assam. Low performance of char areas indicates the importance of context-specific approaches and policies based on economy and geography constraints. Even good Gaon Panchayats collect less than 80 per cent of the potential revenue, implying system inefficiencies with respect to tax administration and collection processes.

The Governor of Assam issuing by the notification vide No. PDA.29/2022/11 dated, Dispur the 25h April, 2022, has abolished the trade license requirement that was previously in place and suspended the imposition of any taxes or fees by Gaon Panchayats, Anchalik Panchayats, and Zila Parishads in relation to the establishment of businesses, shops, etc., with the exception of country and foreign liquor stores, educational institutions, health facilities, brick kilns, mobile towers, gas pumps, timber saw mills, godowns, and other polluting industries. As a result of this notification licence fees are significantly decreased.

Institutional capabilities come out as a key determinant of the revenue performance, and there are also significant correlations between staff strength, training programs, ICT infrastructure and the level of collection efficiency. Every Gaon Panchayats has Tax collectors for revenue collection and the study reveals that sufficient tanning programmes are organised by the government for the official of Panchayati Raj Institutions.

The study affirms that the constitutional and legal provisions supporting own source revenue generation by the Gaon Panchayats of Assam are highly favourable. In spite of

having potentialities for more revenue generation, the Gaon Panchayats of the Darrang district is not generating satisfactory revenue from their own sources. Refusal to pay revenue, lack of awareness, ignorance of the stock holders, poor economic condition of the people, unwillingness of panchayat representative to collect revenue, government notifications prohibiting collection revenue from some key sources, lack of proper training, lack of diversified sources of revenue, shortage of capital, geographical condition are found as some of the major causes for low rate of own source revenue generation by the gaon panchayats of the Darrang.

### **Conclusion**

The extensive empirical enquiry on own source revenue generation by Gaon Panchayats in Darrang shows an upward trend of growth against the back drop of continued structural impasses. There are opportunities to improve financial independence of rural local bodies through targeted interventions. The extent of financial autonomy is still seen as far below desirable levels. The study provides robust empirical evidence of the importance of institutional capacity in explaining tax revenue performance. The relationship between personnel strength, training, ICT infrastructure and collection efficiency renders unambiguous a policy direction that seeks to build the fiscal capacity of Gaon Panchayats. Huge geographical discrepancies emerge in the performance, signalling the importance of differentiated policy according to local economic circumstances and resources for administration. The results add to the accumulating evidence on technology-based solutions and capacity building as leading mechanisms for enhancing local governance. Prospective studies to assess the long-term effects of individual interventions and to investigate alternative financing options particularly for the rural areas are recommended for future research.

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