

Financial Resources of Panchayati Raj Institutions in Andhra Pradesh: A Case Study of Boni Gram Panchayat, Anandapuram Mandal Parishad and Visakhapatnam Zilla Parishad, with a State-Level Review of Fiscal Devolution (2013–14 to 2025–26)

Prof. S.R. Subhani¹

¹ Professor of Public Administration, Centre for Distance & Online Education, MANUU, Hyderabad, Telangana, India

Abstract: Local self-government occupies a foundational place in India's democratic and developmental architecture, and the Panchayati Raj Institutions (PRIs) created under the 73rd Constitutional Amendment Act, 1992, are intended to function as genuine "institutions of self-government" rather than mere implementing agencies of higher tiers. This paper examines the financial resources of the three-tier Panchayati Raj system in Andhra Pradesh, combining a micro-level case study of Boni Gram Panchayat, Anandapuram Mandal Parishad and the undivided Visakhapatnam Zilla Parishad (2013–14 to 2017–18) with a macro-level review of state and union fiscal devolution to Panchayats up to 2025–26. Drawing on the Andhra Pradesh Panchayati Raj Act, 1994, successive Union and State Finance Commission reports, and recent data from the Fifth State Finance Commission of Andhra Pradesh (2025–2030), the study finds that Gram Panchayats continue to derive a relatively larger, though still modest, share of income from own sources such as house tax and rents, while Mandal Parishads and Zilla Parishads remain almost entirely dependent on grants from higher tiers of government. Own source revenue of Gram Panchayats in Andhra Pradesh constituted only about 29 percent of total receipts in 2023–24, despite a reported 12 percent compound annual growth rate over the preceding five years. The paper documents chronic problems of delayed and partial acceptance of State Finance Commission recommendations, poor property tax buoyancy, weak accounting and audit systems, staff shortages and diversion of grants, and situates the Visakhapatnam-area case study within the 2022 reorganisation of Andhra Pradesh's district boundaries. The paper concludes with policy suggestions for strengthening own-source revenue mobilisation, timely and rule-based devolution, and accountability of Panchayati Raj Institutions in Andhra Pradesh.

Keywords: Panchayati Raj Institutions; Fiscal Decentralisation; Local Self-Government; Own Source Revenue; State Finance Commission; Andhra Pradesh; 73rd Constitutional Amendment

1. Introduction

The 73rd Constitutional Amendment Act, 1992, sought to transform Panchayati Raj Institutions (PRIs) from advisory or implementing bodies into constitutionally recognised "institutions of self-government," mandating

regular elections, reservation of seats, and the creation of District Planning Committees, State Election Commissions and State Finance Commissions (SFCs). Article 243-G empowers state legislatures to endow Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government, including in relation to the twenty-nine subjects listed in the Eleventh Schedule. However, functional devolution without matching financial devolution renders local self-government largely notional. Article 243-H authorises state legislatures to assign taxes, duties, tolls and fees to Panchayats and to provide for grants-in-aid from the state's Consolidated Fund, while Article 243-I mandates the constitution of a State Finance Commission every five years to review the financial position of Panchayats and recommend the principles governing devolution.

In conformity with these constitutional provisions, the Government of Andhra Pradesh enacted the Andhra Pradesh Panchayati Raj Act, 1994, establishing a three-tier structure comprising the Gram Panchayat at the village level, the Mandal Parishad (renamed Mandal Praja Parishad) at the intermediate level, and the Zilla Parishad (Zilla Praja Parishad) at the district level. The Act specifies the taxes, fees and other sources of revenue available to each tier, and Section 235 provides for the constitution of the State Finance Commission. Since 1994, Andhra Pradesh has constituted five State Finance Commissions, the most recent of which submitted its report for the award period 2025–26 to 2029–30 in December 2024.

This paper revisits and substantially updates an earlier micro-study of PRI finances centred on Boni Gram Panchayat (Anandapuram Mandal), Anandapuram Mandal Parishad, and the undivided Visakhapatnam Zilla Parishad for the period 2013–14 to 2017–18. The original study is retained here as a grounded, primary-record-based case illustration of how the statutory sources of revenue actually translate into receipts at each tier. This is supplemented with a systematic review of Union Finance Commission devolution (Tenth to Fifteenth Finance Commissions), the successive State Finance Commissions of Andhra Pradesh, and the most recent (2023–24 and 2024–25) state-wide data on own source revenue, grant flows and resource gaps of PRIs in Andhra Pradesh, so as to place the case study within its current fiscal and administrative context.

2. Review of Literature

Studies on the finances of Panchayati Raj Institutions in Andhra Pradesh have consistently found that own resources form only a minor share of the income of Mandal Parishads and Zilla Parishads, with the bulk of their income derived from state and central grants, whereas Gram Panchayats, though still grant-dependent, mobilise a comparatively larger share of own revenue through house tax and other local levies. Successive Andhra Pradesh State Finance Commission reports (First to Fifth SFC, 1997–2024) have repeatedly identified weak own-source revenue mobilisation, delays in the release of assigned revenues and Central Finance Commission grants, poor implementation of accepted recommendations, and inadequate accounting and audit

capacity at the Panchayat level as recurring structural constraints. National-level assessments by the Ministry of Panchayati Raj, including the Status of Devolution to Panchayats reports and the successive Union Finance Commissions from the Tenth to the Sixteenth, similarly note that Panchayat, being a state subject under the Seventh Schedule, experiences highly uneven devolution of funds, functions and functionaries across states, with Andhra Pradesh recording lower functional devolution relative to some other southern states despite comparatively higher revenue effort. This paper builds on this body of work by combining the fine-grained, records-based case-study method used in earlier Andhra Pradesh studies with the most recent state and national fiscal data, so as to test whether the patterns identified in the 2013–18 case data continue to hold in the post-bifurcation, post-XV Finance Commission period.

3. Objectives of the Study

1. To examine the constitutional, legal and institutional framework governing the financial resources of Panchayati Raj Institutions in Andhra Pradesh.
2. To analyse the statutory sources of revenue available to Gram Panchayats, Mandal Parishads and Zilla Parishads under the Andhra Pradesh Panchayati Raj Act, 1994.
3. To study, through the case of Boni Gram Panchayat, Anandapuram Mandal Parishad and Visakhapatnam Zilla Parishad, the actual pattern and growth of income across 2013–14 to 2017–18.
4. To review the devolution of funds recommended and released by successive Union Finance Commissions (Tenth to Fifteenth) and Andhra Pradesh State Finance Commissions (First to Fifth) to Panchayati Raj Institutions.
5. To assess the present (2023–24 to 2025–26) fiscal position of Panchayati Raj Institutions in Andhra Pradesh, including own source revenue shares and resource gaps identified by the Fifth State Finance Commission.
6. To identify the major issues constraining resource mobilisation by Panchayati Raj Institutions and to suggest measures for strengthening their financial resources.

4. Research Methodology

The study adopts a mixed-methods, descriptive-analytical design combining a micro-level case study with a macro-level policy review. The micro-level component draws on primary financial records maintained at Boni Gram Panchayat, Anandapuram Mandal Parishad and the undivided Visakhapatnam Zilla Parishad for the period 2013–14 to 2017–18, supplemented by profile data on population, literacy, land use, rainfall and connectivity from the Chief Planning Office, Visakhapatnam district. The macro-level component is based entirely on secondary data drawn from official sources of the Government of India and the Government of

Andhra Pradesh, namely: the Constitution of India; the Andhra Pradesh Panchayati Raj Act, 1994; the Reports of the First to Fifth Andhra Pradesh State Finance Commissions; the Reports of the Tenth to Sixteenth Union Finance Commissions; press releases of the Ministry of Panchayati Raj and Press Information Bureau, Government of India, on release of Fifteenth Finance Commission grants; and reports of the Parliamentary Standing Committee on Rural Development and Panchayati Raj (2025). Simple statistical tools — percentages, growth rates and tabular and graphical comparison — are used to analyse trends in receipts, expenditure and devolution over time.

5. Constitutional and Legal Framework Governing PRI Finances

Panchayat is placed under "Local Self-Government" in the State List of the Seventh Schedule of the Constitution, and the design, powers and finances of Panchayats therefore vary from state to state within the broad framework laid down by Part IX of the Constitution. Article 243-G enables state legislatures to devolve powers and responsibilities to Panchayats with respect to the preparation of plans for economic development and social justice and with respect to the twenty-nine subjects listed in the Eleventh Schedule. Article 243-H empowers the state legislature to authorise a Panchayat to levy, collect and appropriate taxes, duties, tolls and fees; to assign to a Panchayat taxes, duties, tolls and fees levied and collected by the state government; to provide for grants-in-aid to Panchayats from the Consolidated Fund of the state; and to provide for the constitution of funds for crediting all money received by or on behalf of Panchayats. Article 243-I mandates the Governor to constitute, at the expiration of every fifth year, a Finance Commission to review the financial position of Panchayats and to make recommendations on the distribution of taxes, duties, tolls and fees between the state and the Panchayats, the assignment of specific taxes to Panchayats, grants-in-aid, and measures to improve the financial position of Panchayats. Article 280(3)(bb) similarly obliges the Union Finance Commission to recommend measures to augment the Consolidated Fund of a state to supplement the resources of Panchayats, on the basis of the recommendations of the concerned State Finance Commission.

At the state level, the Andhra Pradesh Panchayati Raj Act, 1994, gives statutory effect to these constitutional provisions. Section 235 of the Act provides for the constitution of the State Finance Commission, while other provisions of the Act (including Sections 60 and 172 dealt with below) prescribe the specific sources of revenue available to Gram Panchayats, Mandal Parishads and Zilla Parishads respectively.

6. Statutory Sources of Revenue of the Three Tiers of PRIs in Andhra Pradesh

6.1 Gram Panchayat

Under the Andhra Pradesh Panchayati Raj Act, 1994 (Section 235 read with related provisions), the Gram Panchayat is empowered to levy the following taxes: (i) house tax; (ii) tax on village produce (katarusum);

(iii) duty on transfer of property; (iv) vehicle tax; (v) agricultural land tax; (vi) fee on the use of communal lands; (vii) rents from Panchayat properties; and (viii) income from remunerative enterprises. In addition, Gram Panchayats receive assigned revenue in the form of duty on transfer of property, fees on the use of communal properties, rents from Panchayat properties, and property-tax compensation, together with a per-capita grant from the state government. The financial resources of a Gram Panchayat may thus be classified into three broad categories: (a) own sources, comprising obligatory and optional taxes, fees, levies, duties and income from remunerative enterprise; (b) assigned revenues, comprising land cess, surcharge on stamp duty, entertainment tax, compensation for loss of income from profession tax, per-capita grant, salary grant for provincialised staff, honorarium grant for Sarpanches, and matching grants for good tax collection performance; and (c) grants-in-aid, including developmental grants under central schemes.

6.2 Mandal Parishad

Mandal Parishads possess no independent power of taxation but may levy a surcharge on taxes collected by Gram Panchayats. Under Section 172(1) of the Andhra Pradesh Panchayati Raj Act, 1994, the income of a Mandal Parishad consists of: (i) funds relating to institutions and schemes transferred to it; (ii) funds for Community Development Programmes; (iii) grants from the Central and State Governments; (iv) donations and contributions from Gram Panchayats or the public; (v) such income of the Zilla Parishad as the government may allocate to it; (vi) such share of land revenue, state taxes or fees as may be prescribed; (vii) proceeds of any tax, surcharge or fee the Mandal Parishad is empowered to levy under the Act; and (viii) such contributions as it may levy from Gram Panchayats. The state government additionally makes an annual per-capita grant to Mandal Parishads.

6.3 Zilla Parishad

Like Mandal Parishads, Zilla Parishads have no powers of taxation. Under Section 198 of the Act, a Zilla Parishad receives income from: (i) central or state government funds allotted to it; (ii) grants from all-India bodies for the development of cottage, village and small industries; (iii) such share of land cess, local cess, state taxes or fees as may be prescribed; (iv) proceeds of any tax or fee the Zilla Parishad may levy under law; (v) income from endowments or trusts administered by it; (vi) such income of the erstwhile district board as the government may allocate to it; and (vii) donations and contributions from Mandal Parishads or the public. The state government makes an annual per-capita grant to Zilla Parishads.

An overall assessment of these three revenue structures indicates that Gram Panchayats' own resources, together with assigned revenues, typically account for 70 to 80 percent of total income (excluding scheme funds such as the erstwhile Jawahar Rozgar Yojana), whereas Mandal Parishads and Zilla Parishads derive 90 to 95 percent of their revenue from grants provided by the state and central governments. The own resources

of Mandal Parishads and Zilla Parishads are largely confined to rents from commercial complexes and buildings, market and ferry fees, and cess from inspection bungalows.

7. Profile of the Study Area

The original case study (2013–14 to 2017–18) was undertaken in the undivided Visakhapatnam district of Andhra Pradesh, then comprising 46 mandals, of which Anandapuram Mandal and Boni Gram Panchayat were selected for intensive study.

7.1 Boni Gram Panchayat

Boni village lies in Anandapuram Mandal, about 9 km from the Mandal headquarters and 32 km from the Visakhapatnam district headquarters. The village, with a population of 1,423, is well connected by road and National Highway, is fully electrified, and is served by Andhra Pradesh State Road Transport Corporation (APSRTC) buses. It has one Zilla Parishad High School and two Mandal Primary Schools.

7.2 Anandapuram Mandal

Anandapuram was one of 46 mandals of the undivided Visakhapatnam district. As per the 2011 Census, the Mandal's population was 60,789, with a literacy rate of 48.52 percent. All villages in the Mandal were electrified and connected to APSRTC bus services, with 70 primary schools, 10 upper primary schools and 11 Zilla Parishad High Schools.

7.3 Visakhapatnam District (as it existed during the study period)

Visakhapatnam district lay on the north-eastern coast of Andhra Pradesh, bordered by Odisha and Vizianagaram district to the north, East Godavari district to the south, Odisha to the west, and the Bay of Bengal to the east. As per the 2011 Census, the undivided district had a population of about 19.6 lakh, growing at 11.96 percent and constituting 3.95 percent of the state's population, with a sex ratio of 983 females per 1,000 males and a population density of 1,869 persons per sq. km. Literacy stood at 78.57 percent (male 84.24 percent, female 72.81 percent). The district received an annual normal rainfall of 1,117.7 mm in 2019–20, with red loamy soils covering about 69.9 percent of the area. Of the district's total geographical area of about 1.05 lakh hectares, roughly 0.13 lakh hectares was forest, 0.18 lakh hectares barren and uncultivable, and 0.40 lakh hectares under non-agricultural use, while net sown area was about 0.13 lakh hectares.

7.4 Post-2022 Administrative Reorganisation: A Note for Context

It is important to note, for readers using this study in the current administrative context, that the Government of Andhra Pradesh reorganised its 13 districts into 26 smaller districts with effect from 4 April 2022. The undivided Visakhapatnam district referred to in the original case study was split into three new districts —

Visakhapatnam district (a compact, largely urban district of about 928 sq. km. and 18.13 lakh population), Anakapalli district, and Alluri Sitharama Raju district. Anandapuram Mandal, and hence Boni Gram Panchayat, now falls within the Bheemunipatnam revenue division of the new, smaller Visakhapatnam district. This reorganisation has implications for panchayat-level administration and for the comparability of any post-2022 district-level financial data with the pre-2022 figures reported in Section 8 below, since the geographical and demographic base of "Visakhapatnam district" itself has changed.

8. Case Study Findings: Income of the Study Panchayati Raj Institutions, 2013–14 to 2017–18

8.1 Boni Gram Panchayat

Sl. No.	Year	Total Income (Rs.)
1	2013–14	45,222
2	2014–15	53,691
3	2015–16	84,285
4	2016–17	1,30,723
5	2017–18	1,53,545

Source: Records of Boni Grama Panchayat (Table 1.1).

The income of Boni Gram Panchayat rose more than three-fold over the five-year period, from Rs. 45,222 in 2013–14 to Rs. 1,53,545 in 2017–18, an increase of about 240 percent, reflecting both improved local tax collection and growth in the per-capita grant and assigned revenue components.

8.2 Anandapuram Mandal Parishad

Sl. No.	Year	Total Income (Rs.)
1	2013–14	53,97,00,000
2	2014–15	57,86,00,000
3	2015–16	17,41,52,000
4	2016–17	17,87,72,000
5	2017–18	18,85,20,000

Source: Records of Anandapuram Mandal Parishad (Table 1.2).

The income of Anandapuram Mandal Parishad fell sharply after 2014–15, largely on account of the bifurcation of the composite state of Andhra Pradesh in 2014 and the consequent restructuring of scheme-linked transfers, before stabilising and recording modest annual growth from 2015–16 to 2017–18. As explained in Section 6.2, most of this income is grant-based rather than derived from independent taxation, since Mandal Parishads possess no autonomous taxing power under the Act.

8.3 Visakhapatnam Zilla Parishad

Sl. No.	Year	Total Income (Rs.)
1	2013–14	5,72,50,37,800
2	2014–15	5,82,81,84,100
3	2015–16	5,15,07,85,400
4	2016–17	4,74,00,56,000
5	2017–18	10,30,17,28,000

Source: Records of Visakhapatnam Zilla Parishad (Table 1.3).

The income of Visakhapatnam Zilla Parishad fluctuated considerably across the study period: it rose marginally from 2013–14 to 2014–15, declined for two successive years (2015–16 and 2016–17), and then more than doubled in 2017–18, reaching over Rs. 1,030 crores. Since Zilla Parishads, like Mandal Parishads, have no independent taxing powers, such year-on-year volatility is attributable almost entirely to the timing and quantum of central and state grant releases, including Finance Commission devolution, rather than to any change in local revenue effort.

Taken together, the three-tier case data corroborate the structural pattern established in Section 6: own resources and assigned revenues form a substantial share of Gram Panchayat income, whereas the income of Mandal Parishads and Zilla Parishads is overwhelmingly grant-determined and therefore more volatile and less within local control.

9. Union Finance Commission Devolution to Panchayati Raj Institutions

Article 280(3) (bb) of the Constitution requires every Union Finance Commission to recommend measures to augment the Consolidated Fund of a state to supplement Panchayat resources. Devolution to local bodies has grown substantially since the Tenth Finance Commission, particularly from the Thirteenth Finance Commission onward.

9.1 Overview of Union Finance Commission Awards to Local Bodies

- Tenth Finance Commission: recommended Rs. 4,380 crores for PRIs (at Rs. 1,100 per capita of rural population) and Rs. 1,000 crores for urban local bodies, as an ad hoc grant additional to state transfers.
- Eleventh Finance Commission: recommended Rs. 8,000 crores for Rural Local Bodies and Rs. 2,000 crores for Urban Local Bodies, plus state-specific grants for maintenance of Panchayat accounts and creation of a local body finance database; a Devolution Index gave a 10 percent weight to "revenue effort."

- Twelfth Finance Commission: recommended Rs. 25,000 crores over five years (80:20 rural–urban split), tied partly to water supply, sanitation and solid waste management.
- Thirteenth Finance Commission (2010–15): a pathbreaking award linking local body grants to the divisible pool of central taxes; total grants to local bodies of about Rs. 87,519 crores nationally (basic and performance components), of which Andhra Pradesh received about Rs. 7,145 crores (Rs. 5,227 crores to PRIs and Rs. 1,919 crores to ULBs).
- Fourteenth Finance Commission (2015–20): substantially enhanced the award to Rs. 2,87,436 crores nationally (about Rs. 488 per capita per annum), of which Andhra Pradesh received about Rs. 12,290 crores (Rs. 8,654 crores to PRIs and Rs. 3,636 crores to ULBs); for the first time, rural grants were confined to Gram Panchayats alone rather than all three tiers.
- Fifteenth Finance Commission (2021–26): reverted to funding all three tiers of Panchayats, introduced tied grants (60 percent of rural grants, earmarked for drinking water and sanitation) alongside untied grants, and recommended a total of about Rs. 4,36,361 crores to local bodies nationally, including Rs. 2,36,805 crores for Rural Local Bodies, Rs. 1,21,055 crores for Urban Local Bodies and Rs. 70,051 crores for primary health care through local governments.
- Sixteenth Finance Commission (2026–31): in its report submitted in 2026, recommended a substantially larger award of about Rs. 4,35,236 crores for Rural Local Bodies alone for the 2026–31 award period, while noting that Andhra Pradesh is among the states where the transfer of state funds to Rural Local Bodies lags behind leading states such as Karnataka and Kerala.

9.2 Fifteenth Finance Commission Grants to Andhra Pradesh

For the award period 2021–22 to 2025–26, the Fifteenth Finance Commission recommended a total of Rs. 12,856 crores to Rural Local Bodies and Rs. 6,495 crores to Urban Local Bodies in Andhra Pradesh, together constituting about 4.32 percent of the all-India allocation. The year-wise release of grants to the three tiers of Rural Local Bodies in Andhra Pradesh during 2020–21 to 2023–24 is summarised below.

Rural Local Body	Basic Grant (Rs. crore)	Tied Grant (Rs. crore)	Total (Rs. crore)
Zilla Praja Parishads	555.68	735.10	1,290.78
Mandal Praja Parishads	550.92	727.97	1,278.89
Gram Panchayats	2,559.78	3,387.59	5,947.37
Total, all Rural Local Bodies	3,666.38 (43.05%)	4,850.66 (56.95%)	8,517.04

Source: Fifteenth Finance Commission grants released to Rural Local Bodies in Andhra Pradesh, 2020–21 to 2023–24, as reported in the Report of the Fifth State Finance Commission of Andhra Pradesh (2025–2030).

For subsequent years, the Union Government released Rs. 395.51 crore in untied grants and Rs. 593.26 crore in tied grants as the first instalment of Fifteenth Finance Commission funds to Andhra Pradesh's Rural Local Bodies for 2024–25, covering 9 eligible District Panchayats, 615 Block (Mandal) Panchayats and 12,853 Gram Panchayats. For 2025–26, a second instalment of untied grants amounting to Rs. 410.76 crore was released, benefiting 13,092 eligible Gram Panchayats, 650 Block Panchayats and all 13 eligible District Panchayats then constituted. Tied grants under the Fifteenth Finance Commission can be spent only on drinking water, rainwater harvesting and sanitation, and the Parliamentary Standing Committee on Rural Development and Panchayati Raj (2025) has observed that where saturation in these categories has already been achieved through other schemes, such tied funds often go unutilised, and has recommended a mechanism to permit their reallocation as untied funds.

10. State Finance Commissions of Andhra Pradesh: Devolution Recommended and Accepted

Andhra Pradesh has, to date, constituted five State Finance Commissions since 1994. A recurring finding across all five Commissions is a wide and persistent gap between the devolution recommended and the devolution actually accepted and implemented by the state government.

SFC	Chairperson / Award Period	Devolution Recommended	Devolution Accepted / Key Outcome
First SFC	Sir T. Laxmana Swamy; 1997–98 to 1999–2000	Rs. 979.16 crore (Rs. 818.84 cr. rural, Rs. 160.32 cr. urban)	Rs. 434.42 crore accepted (44.4% of recommendation); grants released for only 2 of 3 years
Second SFC	Prof. D. L. Narayana; 2000–01 to 2004–05	Rs. 1,793.94 crore (Rs. 1,167.33 cr. PRIs, Rs. 626.62 cr. ULBs)	Rs. 300 crore/annum accepted (~17% of recommendation); grants later diverted for electricity dues
Third SFC	Prof. B. Satyanarayana; 2005–10	Rs. 1,274.34 crore (PRIs) + Rs. 489.34 crore (ULBs)	Only Rs. 113.64 crore/annum (8.9%) accepted for PRIs; Rs. 123.12 crore (25%) for ULBs
Fourth SFC	Gummadi Nancharaiiah; 2020–21 to 2024–25	6.50% of SOTR to PRIs, 3.26% to ULBs; resource gap of Rs. 26,975 cr. (PRIs), Rs. 13,568 cr. (ULBs)	7 of 14 financial recommendations accepted; action-taken report tabled 51 months after submission
Fifth SFC	Prof. S. Rathna Kumari; 2025–26 to 2029–30	Estimated PRI resource gap of Rs. 7,033 crores; devolution ratio 70:15:15 (GP:MPP: ZPP)	Report submitted 31 December 2024; implementation under way

Source: Compiled from the Report of the Fifth State Finance Commission of Andhra Pradesh (2025–2030), Chapter III.

The Fifth State Finance Commission's own review finds that the state government accepted around 60 percent of the recommendations of the First, Second and Third Finance Commissions in principle, but that actual implementation of accepted recommendations remained low; the Fourth State Finance Commission, the first

constituted after the 2014 bifurcation of the state, saw its action-taken report placed before the state legislature more than four years after the report was submitted, with no accepted recommendation reportedly implemented in the final year of the award period.

11. Present Fiscal Position of Panchayati Raj Institutions in Andhra Pradesh

The Fifth State Finance Commission's review of PRI finances for the period up to 2023–24 provides the most authoritative recent picture of own source revenue mobilisation across local government tiers in the state.

Local Body	Own Source Revenue as % of Total Receipts (2023–24)
Gram Panchayats	29%
Municipal Corporations	63%
Municipalities	51%
Nagar Panchayats	38%

Source: Report of the Fifth State Finance Commission of Andhra Pradesh (2025–2030), Chapter II.

Property tax remains the single most important tax source for local bodies, contributing 80 to 90 percent of tax revenue, and the Commission notes some improvement in property tax mobilisation, alongside a persistent gap between demand and collection and considerable untapped potential, particularly in the taxation of vacant land. In 2024, the Chairperson of the Fifth State Finance Commission informed the Sixteenth Finance Commission that PRIs and ULBs in Andhra Pradesh had achieved a 12 percent compound annual growth rate in own source revenue over the preceding five years, even as the bifurcated state continues to face difficulty in bridging the resource gap of local bodies from its own limited fiscal space; the state's revenue deficit was estimated at Rs. 34,743 crore (2.1 percent of Gross State Domestic Product) and its fiscal deficit at Rs. 68,743 crore (4.2 percent of GSDP) in the 2024–25 Budget.

For the 2025–26 to 2029–30 award period, the Fifth State Finance Commission has estimated the total resource gap of Panchayati Raj Institutions in Andhra Pradesh at Rs. 7,033 crore, and has recommended that devolved funds be shared among the three tiers in the ratio of 70 percent to Gram Panchayats, 15 percent to Mandal Praja Parishads and 15 percent to Zilla Praja Parishads, with intra-tier distribution based 80:20 on population and geographical area.

12. Issues and Challenges in Resource Mobilisation by PRIs in Andhra Pradesh

Drawing on the Fifth State Finance Commission's district-level consultations across Andhra Pradesh and the findings of the case study above, the following issues emerge as recurring constraints on the financial resources of Panchayati Raj Institutions:

- Heavy dependence on grants: Gram Panchayats continue to rely heavily on Central Finance Commission and state government grants, with own source revenue at only about 29 percent of total receipts in 2023–24; Mandal Parishads and Zilla Parishads, having no independent taxing power, depend on grants for 90 to 95 percent of their income, exactly as observed in the original 2013–18 case data.
- Weak and outdated non-tax revenue: rates for water charges, licence fees, penalties and rent on buildings are not periodically revised in line with inflation, resulting in real revenue losses.
- Under-utilised tax handles: local bodies have made limited use of their statutory power to tax vacant, non-agricultural land.
- GST-related revenue loss: the subsuming of entertainment and advertisement taxes under GST, without a compensatory mechanism for local governments, has eroded these traditional local revenue sources.
- Non-payment of dues by government bodies: service charges on central government properties and property tax dues on state government buildings often go unlevied or uncollected for want of budget provision.
- Incomplete transfer of assigned revenue: profession tax revenue collected by the state is not always transferred to local bodies in full as per eligibility norms.
- Delays and diversion of Finance Commission grants: local bodies have reported delays in transfer of Central Finance Commission grants, and, in some years, adjustment of these grants against pending electricity dues rather than transfer to Panchayats.
- Rising operation and maintenance costs and staff vacancies: many sanctioned posts remain vacant, forcing reliance on outsourced or contract staff, while operation and maintenance expenditure has risen steeply relative to revenue.
- Pension burden: Zilla Parishads report having to divert own resources and general-purpose funds to meet pension payments for non-provincialised retired employees.
- Accounting and audit weaknesses: misclassification of receipts and expenditure, mismatches between manually maintained accounts and the e-GramSwaraj digital accounting platform, inadequate staff training in the Model Accounting System, and incomplete digitisation limit the scope for full online audit of Panchayat accounts.
- Weak implementation of accepted SFC recommendations: as documented in Section 10, even recommendations formally accepted by the state government have frequently not been implemented, or have been implemented with long delays.

13. Findings and Discussion

1. The statutory design of PRI finance in Andhra Pradesh, unchanged in its essentials since the Andhra Pradesh Panchayati Raj Act, 1994, concentrates independent taxing power almost entirely at the Gram Panchayat level, leaving Mandal Parishads and Zilla Parishads structurally and near-completely dependent on transfers from higher tiers of government.
2. The Boni Gram Panchayat case data (2013–18) show income growing more than three-fold, broadly consistent with the state-wide finding of a 12 percent CAGR in own source revenue over the most recent five-year period reviewed by the Fifth State Finance Commission, suggesting the case study's own-revenue trend is not an isolated local phenomenon but reflects a wider, if still modest, state-level trend.
3. The year-on-year volatility observed in Anandapuram Mandal Parishad and Visakhapatnam Zilla Parishad income during 2013–18 — including a sharp decline coinciding with the 2014 bifurcation of Andhra Pradesh — illustrates the vulnerability that follows from near-total grant dependence: local income at these two tiers is effectively a function of external transfer decisions rather than local revenue effort.
4. Even where devolution has grown substantially in nominal terms — Union Finance Commission awards to Andhra Pradesh rose from about Rs. 7,145 crores under the Thirteenth Finance Commission (2010–15) to about Rs. 19,351 crores under the Fifteenth Finance Commission (2021–26) — a considerable and persistent gap remains between the amounts recommended by successive State Finance Commissions and the amounts actually accepted and implemented by the state government, a pattern documented from the First SFC (1997) through to the Fourth SFC (2019).
5. At just under 30 percent, the own source revenue share of Gram Panchayats in Andhra Pradesh in 2023–24 remains well below the 70–80 percent range noted in earlier assessments (including "own resources plus assigned revenues" combined), indicating either a narrowing of the assigned-revenue component, a faster rise in grant inflows relative to own revenue, or both — a question meriting further disaggregated study.
6. Weak accounting and audit infrastructure at the Panchayat level, as identified by the Fifth State Finance Commission's physical verification exercise, constrains not only fiscal transparency but also the ability of Panchayats to meet the accounts-based eligibility conditions that the Fifteenth and Sixteenth Finance Commissions attach to the release of grants, creating a self-reinforcing cycle of weak capacity and constrained access to funds.

14. Suggestions and Policy Recommendations

1. Strengthen own source revenue at the Gram Panchayat level through periodic, rule-based revision of non-tax rates (water charges, licence fees, rents), systematic taxation of vacant non-agricultural land, and use of the SAMARTH Panchayat digital portal being developed by the Ministry of Panchayati Raj to computerise tax demand, billing and collection.
2. Institute a statutory compensation mechanism for local body revenue lost to GST subsumption of entertainment and advertisement taxes, along similar lines to the compensation cess arrangements used for state governments.
3. Ensure prompt payment of property tax and service charges due from central and state government properties, including explicit budget-line provision by the concerned departments, as recommended by the Fifth State Finance Commission.
4. Establish a dedicated, adequately staffed "State Finance Commission Cell" within the Finance Department, as recommended by the Second, Eleventh and subsequent Finance Commissions, to maintain continuous Panchayat-level fiscal data, thereby reducing the chronic data gaps that have hampered every Andhra Pradesh SFC to date.
5. Reduce the time lag between submission of SFC reports and government action, and set a defined timeline (for example, six months) for tabling the action-taken report before the state legislature, so as to avoid repetition of the 51-month delay observed after the Fourth SFC's report.
6. Ensure Central Finance Commission grants are transferred to Panchayats within the stipulated period and are not adjusted against unrelated dues such as electricity charges, in line with Fifteenth Finance Commission guidelines.
7. Build a mechanism, as recommended by the 2025 Parliamentary Standing Committee on Rural Development and Panchayati Raj, to permit reallocation of unutilised tied Finance Commission grants (for drinking water and sanitation) as untied grants where saturation has already been achieved through other schemes.
8. Invest in capacity building and adequate staffing for Panchayat accounts personnel in the Model Accounting System and e-GramSwaraj platform, and expedite full digitisation of Panchayat accounts to enable complete online audit coverage.
9. Expedite the filling of vacant sanctioned posts at all three tiers of PRIs, particularly in engineering, accounts and administrative cadres, to improve both revenue collection capacity and service delivery.
10. In line with the Fifth State Finance Commission's recommended devolution formula (70:15:15 among Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads), ensure that the state budget

carries clear, year-wise, tier-wise provision for devolved funds so that Panchayats can plan with certainty.

15. Conclusion

This study, combining a records-based case study of Boni Gram Panchayat, Anandapuram Mandal Parishad and the undivided Visakhapatnam Zilla Parishad with an updated review of Union and State Finance Commission devolution in Andhra Pradesh, confirms that more than three decades after the 73rd Constitutional Amendment Act, the financial autonomy of Panchayati Raj Institutions in the state remains limited. Gram Panchayats retain a meaningful, if still modest, base of own and assigned revenue, whereas Mandal Parishads and Zilla Parishads remain almost wholly dependent on transfers from higher tiers of government, exposing them to the volatility of grant timing rather than the discipline and predictability of local revenue effort. Successive Andhra Pradesh State Finance Commissions have made wide-ranging recommendations to correct this imbalance, yet implementation has consistently lagged recommendation, a pattern that persists from the First State Finance Commission of 1997 to the Fifth State Finance Commission of 2024. With own source revenue of Gram Panchayats at under 30 percent of total receipts even in 2023–24, and with Andhra Pradesh identified by the Sixteenth Finance Commission as a state where devolution of funds from the state exchequer to Rural Local Bodies lags leading states such as Karnataka and Kerala, there remains considerable scope — and, in view of the Fifth State Finance Commission's estimated Rs. 7,033 crore resource gaps for the 2025–30 award period, considerable urgency — for strengthening the financial resources, accounting capacity and devolution architecture of Panchayati Raj Institutions in Andhra Pradesh.

References

1. Constitution of India, Part IX, Articles 243 to 243-O (73rd Constitutional Amendment Act, 1992).
2. Government of Andhra Pradesh (1994). The Andhra Pradesh Panchayati Raj Act, 1994.
3. Government of Andhra Pradesh, Chief Planning Office, Visakhapatnam District — District profile data.
4. Government of Andhra Pradesh (1997). Report of the First State Finance Commission, Hyderabad, May 1997.
5. Government of Andhra Pradesh, Reports of the Second, Third and Fourth State Finance Commissions.
6. Government of Andhra Pradesh, Finance Department (2024). Report of the Fifth State Finance Commission, 2025–2030, presented 31 December 2024, available at apfinance.gov.in.
7. Government of India, Reports of the Tenth to Fifteenth Finance Commissions, Ministry of Finance.

8. Government of India, Sixteenth Finance Commission (2026). Report for 2026–31, Volume I – Main Report.
9. Ministry of Panchayati Raj, Government of India — Press Information Bureau releases on Fifteenth Finance Commission grants to Rural Local Bodies in Andhra Pradesh (2024–25 and 2025–26 instalments).
10. Ministry of Panchayati Raj, Government of India (2025). Status of Devolution to Panchayats in States: An Indicative Evidence-Based Ranking, 2024.
11. Lok Sabha Secretariat, Standing Committee on Rural Development and Panchayati Raj (2025). Report on Devolution of Funds under Panchayati Raj System, presented 29 July 2025.
12. Vithal, C. P. (1999). Financial Resources of Panchayati Raj Institutions in Andhra Pradesh: A Case Study for Resource Mobilization and Utilization, in Atmanand (ed.), Financing of Panchayati Raj, New Delhi: Excel Books Co., p. 166.
13. Government of Andhra Pradesh (2022). Notification on reorganisation of districts of Andhra Pradesh into 26 districts, effective 4 April 2022.
14. Commissioner, Panchayat Raj and Rural Development, Government of Andhra Pradesh — cpr.ap.gov.in.
15. Boni Grama Panchayat, Anandapuram Mandal Parishad and Visakhapatnam Zilla Parishad — Primary financial records, 2013–14 to 2017–18.

Publisher's Note: *The views and opinions expressed in this article are solely those of the author(s) and do not necessarily reflect those of the publisher, editors, or the editorial board.*