

# Documentation of Best Practices

## Thematic Area: Own Source Revenue Generation



### Making Panchayats Self-Reliant:

Case Study of Own Source Revenue (OSR) Generation in Velpur Gram Panchayat, Nizamabad District, Telangana



National Institute for Rural Development & Panchayati Raj [NIRDPR]  
Ratendranagar, Hyderabad

*Prepared by*

Department of Sociology, University of Hyderabad  
Hyderabad, Telangana

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## *EXECUTIVE SUMMARY*

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### **I. Introduction and Methodology**

It is no exaggeration to say that achieving Gandhi's idea of Gram Swaraj depends to a great extent in making Panchayats self-reliant and less dependent upon higher tiers of government. In order to become self-reliant, the panchayats need to work to mobilise their own funds as per the powers given to them by Article 243-H of Indian Constitution, which authorises the panchayats to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grant-in-aid from central and state government funds. Own Source Revenue (OSR) generation provides greater autonomy to the Panchayats and makes the Panchayats self-reliant; and thus, remains crucial in making the idea of gram-swaraj into a reality. It is in this context, the present case study aims at documenting a successful case of OSR generation in the Nizamabad district of Telangana State. The primary objective of the present study is to document the process of successful generation of own source revenue by Panchayats and to investigate challenges and opportunities of OSR generation, so as to explore the possibilities of its replication in other similar locations.

The Velpur Gram Panchayat (GP) of Velpur mandal in Nizamabad district in Telangana was chosen for the detailed case study. It is pertinent to mention that the Velpur Panchayat was identified to receive the Panchayat Sashaktikaran Purashkar for the year 2017 (appraisal year 2015 – 16) by the Ministry of Panchayati Raj (MoPR), Government of India on the occasion of National Panchayati Raj Diwas on 24<sup>th</sup> April 2017 held at Lucknow, Uttar Pradesh.

### **II. Learning Outcomes**

Having gone through this case study, learners will be enlightened about a successful case of OSR generation by the Gram Panchayat, which will help the learners to replicate similar practices of generating OSR in their respective Panchayats.

### **III. Case Presentation**

***Demographic Profile:*** As per 2011 census, there are 2046 households in the village, consisting of different social backgrounds, such as Scheduled Castes, Backward Castes and other castes of general category. Total population of Velpur as per 2011 census was 8,321 which included 4059 (48.78 %) males and 4262 (51.2 %) females. There is a numerical preponderance of Backward Castes in Velpur (52.75 %), followed by General Caste (23.69%) and Scheduled Castes (17.24 %)

***Organisational Structure of Velpur GP:*** The Velpur GP has 17 elected representatives including the Sarpanch (President) and the Upa-Sarpanch (Vice-president), out of which, 9 (52.94 %) are women and 8 (47.06 %) are men. There is a numerical preponderance of the Backward Caste (BC) representatives (70.59 %) in the Gram Panchayat with more than half (12 members) of the representatives coming from the BC caste. Scheduled Castes constitute 17.65 per cent of the total representatives, followed by the General Caste category (11.76 %). There are 15 support staffs including the Gram Panchayat secretary in the Gram Panchayat. These staffs included a *Karobar* (tax

collector), an office assistant, three electricians (including one computer operator), a tractor driver, two pump operators, and six sweepers.

**Standing Committees of Velpur GP:** For the purpose of governance of local affairs in an inclusive and participatory manner, the GP had constituted seven different standing committees to look after different aspects of gram panchayat development. These seven standing committees are as follows:

- i. Water and Sanitation Committee
- ii. Education Committee
- iii. Natural Resources Maintenance Committee
- iv. Health and Nutrition Committee
- v. Social Security and Poverty Eradication Committee
- vi. Agricultural Committee
- vii. Infrastructural Committee.

The details of members of each standing committee (including their phone number) are displayed in the walls of GP office, so that citizens can contact them in case of need.

**Own Source Revenue (OSR) Generation by Velpur Gram Panchayat:** In order to understand the process of Own Source Revenue (OSR) generation by the Velpur GP, we made an inquiry about the following two factors:

- i. Assets and resources that the GP has at its disposal – revenue potentials of a GP
- ii. Ability of the GP to generate OSR from the given assets – revenue mobilisation

**Revenue potentials of Velpur GP:** The assets and natural resources, which Velpur GP possessed, created great potentials for mobilisation of OSR. These assets included the following:

- **Commercial Building given on Rent:** The Gram Panchayat has built around 20 *pucca* buildings, which are rented for commercial purposes. These building are used as shops and other commercial establishments. Besides, the GP has also rented one of its buildings to Andhra Bank, which runs its banking operations and an ATM in it.
- **Weekly and Daily Market:** Velpur GP has made provisions for establishment of weekly and daily markets in the GP. The weekly market runs every Friday. The daily market, which is situated near the GP office, sells fresh vegetables every day.
- **Water Supply System:** Velpur GP 6 OHT spread across the Velpur village to cater to the drinking water needs of the households. Besides house connections, there are also provisions for public taps in the Velpur GP.
- **Water Tractors:** Besides water supply system, Velpur GP possesses water tractors, which are given in rent to people who need large quantities of water especially during marriages, functions and also for construction purposes.

- **Ponds and Water Bodies:** There are seven water bodies in Velpur GP, out of which two big ponds are managed by fisheries department and the remaining five small ponds are managed by the GP. The fishing rights from these ponds are auctioned every year, which add to the OSR of the gram panchayat.
- **Dumping yard:** Velpur GP maintains a dumping yard, where the waste collected from the GP by the sanitation workers is dumped. A compost plant has been built by the GP in the dumping yard to convert the waste into fertilizer.

**Revenue Mobilisation by Velpur GP:** The Gram Panchayat mobilised OSR from the following sources:

- **Rent from Commercial Buildings:** One of the major source of OSR for Velpur GP included rent collected from commercial buildings of the GP. The GP collects Rs. 1000/- to Rs. 1500/- (depending upon size) per month as rent from each of these buildings.
- **Collection of Tax and Non-Tax OSRs:** House tax remains as the major source of OSR in Velpur GP, which is collected from households for various services provided by the GP. Besides, the GP also collects other taxes such as: library cess, drainage tax and street light tax. Regular payment of house tax has been made as a mandatory pre-condition for receiving any kind of certificate or services from the GP. The major sources of non-tax revenue collected by Velpur included the following:
  - Water charges collected from households having house connections
  - Licence fee collected from individuals having commercial or business establishments
  - Asset transfer charge collected from individuals during transfer of movable or immovable assets
  - New house building permission fee collected from individuals constructing new residential building
- **Auction of Rights and Resources:** The GP generates OSR by auctioning the management of daily and weekly market as well as the fishing rights from the five water bodies that exist in the GP. The auction of right to manage daily and weekly market of the GP is known as '*Tai Bazar*', which was fixed for Rs. 80,000/- per annum. The person to whom *Tai Bazar* is auctioned collects fees from fruit and vegetable sellers, hawkers, and vendors in the daily and weekly market.
- **Security deposit:** The GP collects a security deposit of Rs. 10,000/- from individuals who construct any new buildings or build any kind of infrastructure in the village. This security deposit is refunded at the end of construction if there are no damages to the public property (such as roads, street lights, pipelines, etc) during the process of construction. In case of damage to public property of the village, the repair cost of the same is deducted from the security amount deposited by the concerned persons.

#### **IV. Outcomes of the Initiative**

The timely and regular collection of OSR has enhanced its financial status of Velpur Gram Panchayat, and has enabled it to provide various kinds of services in an effective manner. OSR generation by Velpur has contributed towards its self-reliant and autonomy in matters of local decision making for delivery of various services. The major services provided by the GP in the village included water and sanitation, street lights, maintenance of roads and drainage, and cleanliness of the gram panchayats.

#### **V. Conclusion**

What makes Velpur GP stand unique is its ability to convert the opportunities and potentials of various sources of revenue generation into a reality. Some of the factors that may be considered as enabling conditions of success of Velpur GP, and therefore should be taken seriously while attempting to replicate the case in other locations are the following:

- Able leadership, strong political will and commitment to collect tax and non-taxes (revenue) on a regular basis
- Availability of resources (both natural and build) which created potentials for OSR
- Delivery of basic services in effective manner, which created incentives for the citizens to pay taxes and fees regularly
- GP's efforts to link regular and timely payment of taxes to issue of important documents and certificates (viz. birth, death, caste certificate) from GP

We may, therefore, conclude that availability of resources and infrastructure may have created ample potentials for Velpur GP to capitalise on it, but what was perhaps striking about the GP was its effort to convert these potentials into outcomes by way of successful mobilisation of revenue from these resources.

## **Making Panchayats Self-Reliant:**

**Case Study of Own Source Revenue (OSR) Generation in Velpur Gram Panchayat in Nizamabad District, Telangana**

## **Location of the Study:**

**Velpur Gram Panchayat, Velpur Mandal, Nizamabad District, Telangana**

### **Prepared by**

**Dr. Satyapriya Rout**

**Associate Professor**

**Department of Sociology**

**University of Hyderabad**

**Hyderabad, Telangana**

*Hyderabad*

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# **I. Introduction and Methodology**

## **1.1 Contextual Background**

In the last two to three decades, a large number of developing countries have embarked upon some form of decentralisation programmes with varying degrees of success. The political and economic rationales of popular participation in local decision making, greater accountability, responsiveness to local needs and preferences, effective delivery of public services, and allocative efficiency of public spending incorporating local needs have led many developing countries to adopt programmes of decentralisation. With its emphasis on popular participation, accountability, public deliberation and people's involvement in local decision making, decentralisation is often regarded as a vehicle of democratisation, inclusive development and good governance. As a system of governance, decentralisation may be best understood as process of meaningful devolution of power, authority and finances to the local units of government, that are accessible and accountable to local citizens.

Decentralisation manifests itself in three main types, i.e. political, administrative and fiscal. While political decentralisation aims to give local citizens and their elected representatives more power in decision-making, administrative decentralisation entails transfer of authority, responsibility and resources to local units of government for provisioning of public services. Fiscal decentralisation entails the definition of authority over raising revenues or access to transfers and making decisions on current and investment expenditures. Fiscal decentralisation forms an important dimension of decentralisation because local governments can carry out decentralised functions effectively only if they have adequate revenues, raised locally or transferred from central government, as well as authority to make expenditure decisions. If decentralised institutions are to fulfil the responsibilities devolved to them effectively, they will need an appropriate level of fiscal resources to cover the costs of providing services and public goods and infrastructure. These three dimensions of decentralisation are interconnected, and hence effective decentralisation requires proper coordination among these three dimensions. Appropriate political structure at the local level should,



therefore, not only be complemented with administrative capacity for effective service delivery, but also must have adequate functional and financial autonomy to emerge as visible self-governing institutions (CGG, 2004).

In its efforts to institutionalise decentralised local governments at the grassroots level, the 73<sup>rd</sup> Constitutional Amendment Act, 1993 has made provisions for transfer of political, administrative and taxation power from state governments to local governing bodies or Panchayati Raj Institutions (PRIs). While Article 243-G empowers the state to endow panchayats with such powers and authority to enable them to function as institutions of self-government; Article 243-H authorises the panchayats to levy, collect and appropriate taxes, duties, tolls and fees apart from receiving grant-in-aid from central and state government funds. Besides, Article 343-I provides for constitution of State Finance Commission (SFC) every five years to review the financial position of panchayats and to recommend ways of implementing the provisions of Article 243-H so as to improve financial positions of PRIs.

The two and half decades of establishment of Panchayati Raj Institutions (PRIs) in India has witnessed several attempts to study different perspectives of democratic decentralisation in India. However, much of the literature on the subject has focused on political, administrative and social aspects of decentralisation, and consequently, financial aspects of decentralisation have received scant attention. It is no exaggeration to say that achieving Gandhi's idea of Gram Swaraj depends to a great extent in making Panchayats self-reliant and less dependent upon higher tiers of government. In order to become self-reliant, the panchayats need to work to mobilise their own funds through collection of taxes, fees and dues as per the powers given to them by Article 243-H of Indian Constitution. Own Source Revenue (OSR) generation provides greater autonomy to the Panchayats and makes the Panchayats self-reliant; and thus, remains crucial in making the idea of gram-swaraj into a reality. However, generation of OSR has remained low in the country, with

representatives of local bodies being hesitant to collect taxes or fees (Jha, 2004; 2002). It is in this context, the present case study aims at documenting a successful case of OSR generation in the Nizamabad district of Telangana State.

## **1.2 An Overview of Gram Panchayat Finances**

As per Panchayati Raj act of most of the states, the power to levy various kinds of taxes and duties in rural areas are enjoyed by gram panchayats (GPs), whereas the first and second tiers, i.e. Zilla Parishad (ZP) and Panchayat Samiti (PS) are in general not entrusted with taxing powers. A Panchayat receives its revenue from four sources, i.e. grants from central and state government, assigned revenue, donations and contributions, and own source revenue (CBPS, 2013). Own Source Revenue of a Panchayat can be generated from two sources, i.e. taxes and non-tax revenue. Different sources of OSR of a panchayat are mentioned in the box below: (see Box 1).

### Box 1: Tax and Non-Tax Revenues of GPs

#### Sources of Tax:

- Land Tax (agricultural and non-agricultural)
- House building tax
- Vehicle tax
- Water, drainage and sanitation tax
- Pilgrim tax
- Tax on profession, trade and calling
- Tax on fairs and other entertainments
- Tax on advertisement

#### Sources of Fees and Charges:

- Water rate
- Lighting fee
- Street cleaning fee
- Drainage fee
- Sanitary fee for public toilets

#### Fee for use of common resources:

- Fee for use of panchayat shelter
- User charges for hospitals and schools
- Fee for use of common resources like grazing land
- Fee on animals sold,

#### New powers recommended by SFCs:

- House tax
- Tax on pumps and tractors
- Tax on highway services
- Tax on village produce sold in regulated markets
- Tax on telephones and cable TVs
- Non-agricultural professional tax

Source: Bohra (1998, 2002); Rajaraman (2001)

Since the present study pertains to the state of Telangana, it is worth mentioning different taxation powers of panchayat as per Andhra Pradesh Panchayat Raj Act, 1994. Chapter III (section 60 – 79) of the AP Panchayat Raj Act, 1994 deals with taxation and finances of Gram Panchayats (GPs).

Section 74 of the AP Panchayat Raj Act provides for construction of the 'Gram Panchayat Fund', which will include all moneys received by the GP. As per section 75, the GP fund is to be used to spend on all obligatory functions and any other discretionary functions that GP assumes, as well on salaries of GP staff.

As per section 60 of AP Panchayat Raj (APPR) Act, 1994 GP has three compulsory taxes, i.e.:

- (a) House tax (section 61)
- (b) Kolagaram or Katarusum – village produces sold in the village by weight, measurement or number
- (c) Advertisement tax (section 63)

Besides, there are provisions for several other optional taxes and fees in APPR Act, 1994:

- (a) Vehicle tax (Section 60.3.i)
- (b) Tax on agricultural land (Section 60.3.ii)
- (c) Land cess (section 60.3.iii)
- (d) Fees for use of porambokes or common lands (section 60.3.iv)
- (e) Fee for the occupation of building under the control of GP (section 60.3.v)

### **1.3 Objectives and Research Questions**

The primary objective of the present study is to document the process of successful generation of own source revenue by Panchayats and to investigate challenges and opportunities of OSR generation, so as to explore the possibilities of its replication in other similar locations.

To achieve this, the study adopted the following specific objectives:

- To examine and document the process of mobilisation of own source revenue by Gram Panchayat
- To examine the challenges and opportunities of OSR generation by the Gram Panchayat
- To explore the factors behind the success of the Panchayat in mobilising OSR, and the possibilities of replication in other similar locations

The central question of the study pertains to the role of Gram Panchayat in successful mobilisation of own source revenues. In the process of investigation, the case attempted to answer the following relevant research questions:

- What role does the Gram Panchayat play in successful mobilisation of OSR in Panchayats?
- To what extent the studied Panchayats can be termed as successful cases in OSR generation?
- What are the challenges that Gram Panchayats faced during generation of OSR?
- What are the value added opportunities of collecting OSR?
- What is the outcome of mobilisation of OSR by Panchayats?
- Does OSR generation have any link with delivery of basic services by the Panchayats?
- Can the initiative be replicated at other locations?

#### **1.4 Methodology and Approach**

In order to identify the site for empirical investigation, the study adopted purposive sampling method. Since the study aimed at documenting one of the successful cases of Own Source Revenue (OSR) generation, the following criteria were identified to choose the sample:

- That the panchayat should have generated sufficient revenues through OSR generation
- That the panchayat should have enough common resources from which OSR can be generated
- That the panchayat should have made provisions for effective delivery of public services
- That the panchayat should have received recognition for its initiatives of OSR generation

Based on above criteria, Velpur Gram Panchayat of Velpur mandal in Nizamabad district in Telangana was chosen for detailed study. Further, Velpur GP of Nizamabad district was chosen to receive the Panchayat Sashaktikaran Purashkar for the year 2017 (appraisal year 2015 – 16) by the Ministry of Panchayati Raj (MoPR), Government of India on the occasion of National Panchayati Raj Diwas on 24<sup>th</sup> April 2017 held at Lucknow, Uttar Pradesh. Velpur GP has several productive resources such as ponds, tanks and dumping yard, from which the GP mobilised OSR. Further, the GP was observed to be collecting several taxes and fees seriously to enhance its OSR.

With regard to collection of relevant data, the study adopted a mixed approach and relied on both secondary and primary sources of data to investigate the GP's efforts to mobilise OSR.

**Desk research and collection of secondary data:** The secondary data sources were mainly tapped to understand the socio-demographic scenario of the village. In order to draw an overview of the panchayat, secondary data were collected from the District Census Handbook and survey reports of Ministry of Panchayati Raj.

**Empirical research and primary data:** Along with the secondary source, the first-hand data were also collected from the field with appropriate qualitative methodological design. The primary data about (i) various resources available with GP, (ii) resources from which the GP generates revenue, and (iii) different public services provided by the GP with the revenue generated were collected through case study method. Personal interview with key informants and focused group discussion (FGD) were used as relevant techniques to elicit relevant data. A structured interview guide with open-ended questions was used to carry out the personal interviews with the key informants. Likewise, a structured check-list was used to carry out the focused group discussions. Besides, participatory research techniques were also adopted to map the social set-up, resource availability and service delivery system of the village.

## **1.5 Learning Outcomes**

Having gone through this case study, learners will be enlightened about a successful case of OSR generation by the Gram Panchayat, which will help the learners to replicate similar practices of generating OSR in their respective Panchayats.

## II. Case Presentation

### 2.1 Socio-demographic Profile of the Study Area

Velpur gram panchayat of Velpoor Mandal in Nizamabad district of Telangana State was chosen as the site for empirical inquiry (see Figure 1). Before we present the Own Source revenue generation scenario of the Velpur gram panchayat, it is apt to provide a socio-demographic background of the study area. The following paragraphs attempt a brief description of the profile of the study area.

**Nizamabad District:** Nizamabad district is located in North west region of the Telangana. The district situated in the Deccan Plateau of north-west region of Telangana State, and lies between 18° 5' to 19° 0' North Latitudes and between 77° 40' to 78° 37' East longitudes. The district is bounded on the north by Nirmal district; east by Jagtial and Rajanna Sircilla districts; south by Kamareddy district and west by Nanded district of Maharashtra; Nizamabad district was formed in the year of 1905 in the then Hyderabad State. In the process of reorganisation of states, Nizamabad became part of Andhra Pradesh State in 1956. In October 2016, the districts of Telangana State were reorganised, and Kamareddy District was removed from Nizamabad district to form a new district. At present, Nizamabad district has three revenue divisions, namely Bodhan, Armur and Nizamabad; which are sub-divided into 27 Mandals. As per the 2011 Census, the present Nizamabad district has a total population of 15,77,108, out of which 7,71,449 were males and 8,05,659 were females. The average literacy rate of the district remains at 54.24 per cent, with male and female literacy rate being 63.26 per cent and 45.69 per cent respectively.

**Velpoor Mandal:** Out of the three revenue divisions of Nizamabad district, Velpoor Mandal is situated in the Armur division of the district. Velpoor is also the manadal headquarter for another 16 villages including Velpur itself. The Mandal is bounded on the north by Balikonda, on the east by Mortad, on the south by Bheemgal, and on the west by Armur and Jakhranpalle Mandals. Velpur has

16 gram panchayats, which are further divided into 19 villages. As per the 2011 census, Velpur Mandal has a total population of 42,486, with land area of 12,026 hectares.

**Velpur Gram Panchayat:** Velpur is one among the 16 gram panchayats of Velpoor Mandal of Nizamabad district. The gram panchayat of Velpur also corresponds to the revenue village of Velpur. Velpur has a total area of 1887 hectares. The land-use pattern of the Velpur village is depicted in the following table (see Table 1).

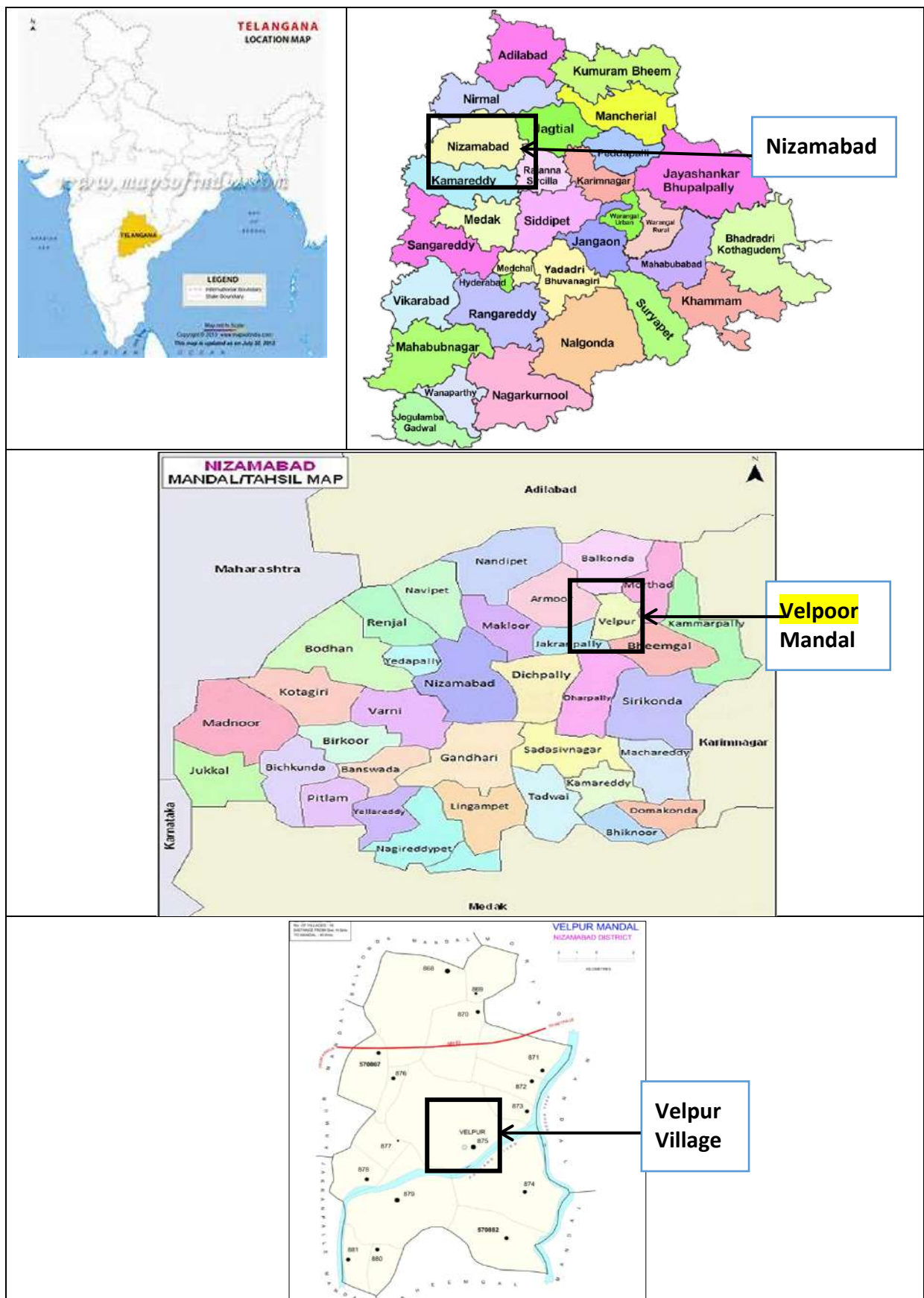
**Table 1: Land Use Pattern of Velpur Village**

Different land use	Area in hectares
Total land area	1887
Area under non-agricultural use	360
Barren and un-cultivable land	3
Permanent Pastures and Other Grazing Lands	85
Land under miscellaneous tree crops	99
Culturable waste land	110
Fallow lands other than current fallows	145
Current fallows	302
Net area sown	783
Total irrigated land area	616
Total un-irrigated land area	614

Source: District Census Handbook, Nizamabad, Census of India, 2011



Figure 1: Map showing location of Study Area



**Demographic Profile of Velpur:** As per 2011 census, there are 2046 households in the village, consisting of different social backgrounds, such as Scheduled Castes, Backward Castes and other castes of general category. Total population of Velpur as per 2011 census was 8,321 which included 4059 (48.78 %) males and 4262 (51.2 %) females. Table 2 depicts the socio-demographic profile of Velpur village. Caste wise population depicted in Table 2 reveals that there is a numerical preponderance of Backward Castes in Velpur (52.75 %), followed by General Caste (23.69%) and Scheduled Castes (17.24 %) (see Table – 2). Scheduled tribes constitute numerically less as compared to the other castes with 0.72% of total population. A sizable minority (5.57 %) population belonging to Muslim religion also reside in the village.

**Table 2: Social Composition of Velpur Village**

Social Category	Male	Female	Total
Scheduled Castes	710	725	1435(17.24 %)
Scheduled Tribes	35	25	60 (0.72)
Backward Castes	2159	2231	4390 (52.75 %)
Minority	224	240	464 (5.57 %)
Other Castes (General)	931	1041	1972 (23.69 %)
Total	4059 (50.18 %)	4262 (49.82 %)	8321 (100 %)

Source: Gramajyothi Reports, <https://tspri.cgg.gov.in/form2report.do>

**Social Composition of Velpur:** Social composition of Velpur depicted in Table 2 reveals the heterogeneous nature of the village, which comprises households from several castes and communities such as Scheduled Castes (SCs), Backward Castes and other General Castes, Scheduled Tribes and minorities belonging to Muslim religion.

**Profile of Representatives of Velpur GP:** Velpur GP has 17 elected representatives including the Sarpanch (President) and the Upa-Sarpanch (Vice-president). Out of the 17 elected representatives, 9 (52.94 %) are women and 8 (47.06 %) are men. Age distribution of the representatives depicted in Table 3 reveal that 21-30 age category consists of one-third (5 representatives) of the total representatives. There is a numerical preponderance of the Backward Caste (BC) representatives in the Gram Panchayat with more than half (12 members) of the representatives coming from the BC caste, which shares 70.59 per cent of Representatives. Scheduled Castes constitute 17.65 per cent of the total representatives, followed by the General Caste category (11.76 %). Caste composition of the representatives reveals the decreasing numerical strength of the upper caste in democratic rural political decision making institutions, which once upon a time enjoyed a complete dominance over it. With regard to educational qualification of representatives of the GP, 8 out of 17 i.e. almost half of the representatives in Velpur are either failed in SSC or studied below SSC (47.06%); while 5 out of 17 (29.41 %) completed high school. Out of the 17 elected representatives, only 4 representatives completed graduation. The profile of the elected representatives of Velpur Gram Panchayat is depicted in Table 3.

**Table 3: Profile of Elected Representatives of Velpur GP**

Indicators	Description	Frequency	Percentage
Sex	Female	9	52.94 %
	Male	8	47.06 %
	Total	17	100 %
Age	21-30	5	29.41 %
	31 – 40	9	52.94 %
	41 – 50	2	11.76 %
	51 – 60	1	5.88 %
	Total	17	100 %
Caste	SC	3	17.65 %
	BC	12	70.59 %
	GEN	2	11.76 %
	Total	17	100 %
Educational Qualification	Below SSC / SSC Fail	8	47.06 %
	SSC pass	5	29.41 %
	Degree pass	4	23.53 %
	Total	17	100 %

## 2.2 Organisational Structure of Velpur Gram Panchayat

Before examining the mobilisation of OSR in Velpur, it is worth looking at the organisational structure of the GP. The Velpur Gram Panchayat constituted 17 elected representatives including the president and 15 support staff including the Gram Panchayat secretary. The GP has constituted seven standing committees for governance of local developmental needs.

**Office support staff of Velpur GP:** It was observed that 15 personnel are recruited as support staff for Velpur GP including the Panchayat Secretary. Besides the Panchayat secretary, the office staff of Velpur GP included a *Karobar* (tax collector), an

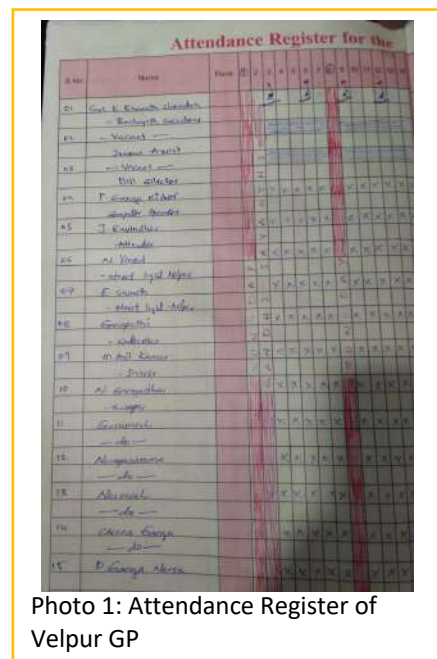


Photo 1: Attendance Register of Velpur GP

office assistant, three electricians (including one computer operator), a tractor driver, two pump operators, and six sweepers. While the *Karobar* is mainly responsible for collection of taxes and fees for the GP, the pump operators take care of the water supply system of the panchayat. The panchayat maintains an attendance register for its staff, which ensures regular presence of staff to cater to the needs of panchayat.

**Standing Committees of Velpur GP:** For the purpose of governance of local affairs in an inclusive and participatory manner, the GP had constituted seven different standing committees to look after different aspects of gram panchayat development. These seven standing committees are as follows:

- i. Water and Sanitation Committee
- ii. Education Committee
- iii. Natural Resources Maintenance Committee
- iv. Health and Nutrition Committee
- v. Social Security and Poverty Eradication Committee
- vi. Agricultural Committee
- vii. Infrastructural Committee.

Each of these committees constitute 6 members including the chairperson. Besides the GP president and elected representatives, each of these committees included persons from different backgrounds, such as self-help group members, agricultural development officer, village nurses, school teachers, anganwadi supervisor and youth volunteers as members. The president of Velpur GP functions as chairperson of three standing committees, i.e. Water and Sanitation Committee, Natural Resource Committee and Infrastructural Committee. The standing committees meet at least once in three months to deliberate about relevant issues of the GP. The details of members of each standing committee (including their phone number) are displayed in the walls of GP office, so that citizens can contact them in case of need (see photograph 2).

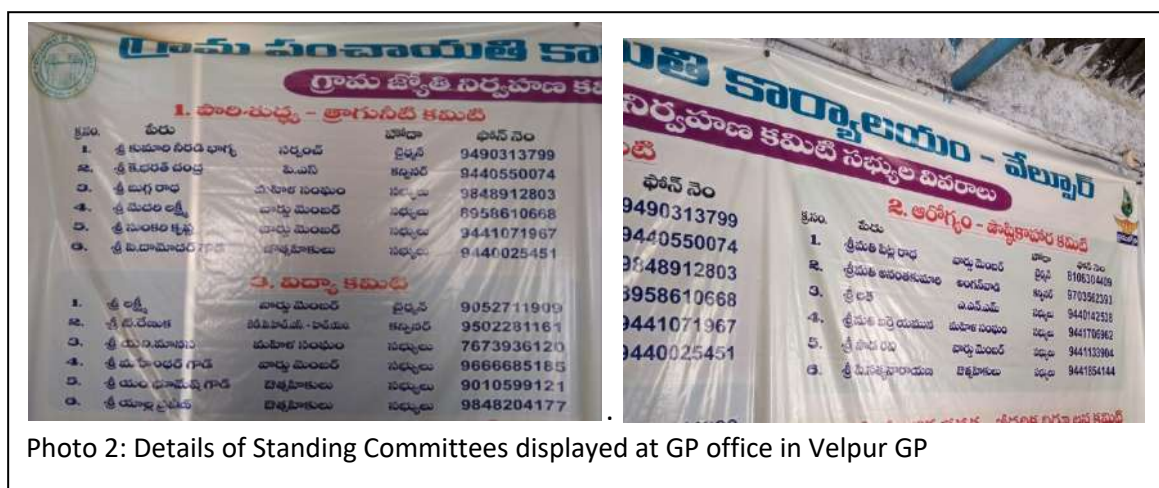


Photo 2: Details of Standing Committees displayed at GP office in Velpur GP

### 2.3 Own Source Revenue (OSR) Generation by Velpur Gram Panchayat

Generating Own Source Revenue (OSR) by a Gram Panchayat (GP) at the local level depends to a great extent upon two factors:

- i. Assets and resources that a GP has at its disposal – revenue potentials of a GP
- ii. Ability of the GP to generate OSR from the given assets – revenue mobilisation

It is important to point out that both the factors are equally important in generation of OSR for a GP, as only having the revenue potential (assets/resources) does not itself guarantee OSR for a GP, if the GP is unable to mobilise revenue out the assets. An attempt was, therefore, made to investigate both the aspects of OSR generation of Velpur Gram Panchayat.

### 2.3.1 *Revenue potentials of Velpur GP:*

One of the important factors behind success of Velpur GP in OSR generation is the vast array of assets and natural resources that the GP has at its disposal. These assets and natural resources create great potentials for the Velpur GP for mobilisation of OSR. It was observed during the fieldwork that the following assets/resources create revenue potentials of Velpur GP.

- **Commercial Building given on Rent:** The Gram Panchayat has built around 20 pucca buildings, which are rented for commercial purposes (see Photo 3). These building are used as shops and other commercial establishments. These buildings of GP were built under the supervision of the Village Development Committee (VDC) of the GP, with complete participation and monitoring by the GP representatives and members of the VDC. Besides, the GP has also rented one of its building to Andhra Bank, which runs its banking operations and an ATM in it (see Photo 4). The building which is given in rent to Andhra Bank was constructed by the MLA Local Area Development (LAD) fund grant.



Photo 3: Commercial buildings rented as shops in Velpur GP



Photo 4: Commercial building rented to Andhra Bank in Velpur GP

- **Weekly and Daily Market:** Velpur GP has made provisions for establishment of a weekly market and daily market in the GP (see Photo 5). The weekly market, which is situated in the centre of the village, runs every Friday. People from nearby villages come to this weekly market with their agricultural produces, vegetables and other homemade artefacts for selling in this weekly market. Besides, there is also a daily market near the GP office, where one can get fresh vegetables every day. The GP collects a fee from the vendors, fruits and vegetable sellers and other shop owners from these markets.



Photo 5: Daily market at Velpur GP

- **Dumping yard:** Velpur GP maintains a dumping yard, where the waste collected from the GP by the sanitation workers is dumped. A compost plant has been built by the GP in the dumping yard to convert the waste into fertilizer. Even though the GP is yet to mobilise revenue from this asset, but it is predicted to have a great revenue potential for the GP

- **Water Supply System:** Velpur GP maintains a pipe water supply system, from which water is supplied to households through Over Head Tanks (OHT) and pipelines (see Photo 6). The GP has 6 OHT spread across the Velpur village to cater to the drinking water needs of the households. Besides house connections, there are also provisions for public taps in the Velpur GP, which serves those households, who are not connected through house connections. For the purpose of public taps, the Gram Panchayat had built

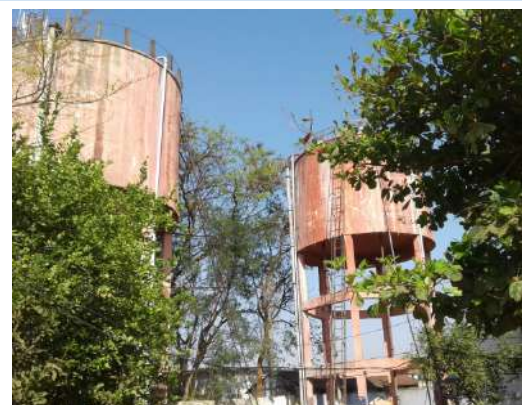


Photo 6: Over Head Tank of Velpur GP

small tanks on the street at regular intervals, from which people collect water. Each of these tanks are connected to bore wells with submersible pumps to extract ground water. The water supply system was observed to be one of the most important sources of revenue for the GP.

- **Water Tractors:** Besides water supply system through OHT and pipe lines, Velpur GP possesses water tractors, which are given in rent to people who need large quantities of water especially during marriages, functions and also for construction purposes. These are basically tractors with a relatively large water tank attached to the vehicles.
- **Ponds and Water Bodies:** There are seven water bodies in Velpur GP, out of which two big ponds are managed by fisheries department and the remaining five small ponds are managed by the GP. The fishing rights from these ponds are auctioned very year, which add to the OSR of the gram panchayat.

### **2.3.2 Revenue Mobilisation by Velpur GP**

The second and most crucial factor behind success of Velpur GP in generating OSR is its ability to mobilise revenue from citizens both in the form of taxes and non-taxes. The Gram Panchayat mobilised OSR from the following sources:

- **Rent from Commercial Buildings:** One of the major source of OSR for Velpur GP included rent collected from commercial buildings of the GP. As mentioned above, GP has constructed around 20 pucca buildings, which are given as rent for shops and other commercial establishments. The GP collects Rs. 1000/- to Rs. 1500/- (depending upon size) per month as rent from each of these buildings. The *Karobar* or tax collector of the GP collects the rent from these commercial establishments regularly on a monthly basis.



- **Collection of Tax and Non-Tax OSRs:** House tax remains as the major source of OSR in Velpur GP, which is collected from households for various services provided by the GP. Besides, the GP also collects other taxes such as: water tax, library cess, drainage tax and street light tax. Regular payment of house tax has been made as a mandatory pre-condition for receiving any kind of certificate or services from the GP. Such a provision ensures regular and timely collection of house tax in Velpur GP.

Besides tax, Velpur GP also mobilises revenue from several non-tax sources in the form of fees and user charges, which are collected from households, who opt for the value added services provided by the GP. The major sources of non-tax revenue collected by Velpur included the following:

- Water charges collected from households who had opted for house connections from the water supply system provided by GP
- Licence fee collected from individuals owning any commercial or business establishments in the village.
- Asset transfer charge collected from individuals who transfer movable or immovable assets among themselves in the village
- New house building permission fee collected from individuals constructing new residential building in the village

- **Auction of Rights and Resources:** The GP generates OSR by auctioning the management of daily and weekly market as well as the fishing rights from the five water bodies that exist in the GP. The auction of right to manage daily and weekly market of the GP is known as '*Tai Bazar*', which was fixed for Rs. 80,000/- per annum. The person to whom *Tai Bazar* was auctioned collects fees from fruit and vegetable sellers, hawkers, vendors and other individuals who come to sell their products in the daily and weekly market. Besides, the person also collects parking fees from customers who come to the market as well as from the vehicles engaged into transporting goods to the market. The rates of fee collection is fixed by the GP, and accordingly fee collections receipts are also provided by

the GP. Besides the daily and weekly market, the GP also auctions the right to fish from the five small ponds that exists in the village. The fishermen of the village take the auction of the ponds in group and pay the auction amount directly to the GP.

- **Security deposit:** It was also reported that the GP collects a security deposit of Rs. 10,000/- from individuals who construct any new buildings or build any kind of infrastructure in the village. This security deposit is refunded at the end of construction if there are no damages to the public property (such as roads, street lights, pipelines, etc) during the process of construction. In case of damage to public property of the village, the repair cost of the same is deducted from the security amount deposited by the concerned persons.

### **III. The Outcome and Conclusion**

#### **3.1 Self-reliance and autonomy in Service Delivery**

The timely and regular collection of OSR has enhanced its financial status of Velpur Gram Panchayat, and has enabled it to provide various kinds of services in an effective manner. Besides the grants received from central and state governments, the OSR generation by Velpur has contributed towards its self-reliant and autonomy in matters of local decision making for delivery of services. The major services provided by the GP in the village included water and sanitation, street lights, maintenance of roads and drainage, and cleanliness of the gram panchayats. It is therefore worth mentioning that while on the one hand, the enhanced service provisioning by the GP has resulted in increased mobilisation of OSR, on the other hand, greater collection of revenue has enable the GP to provide better services to its citizens.

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