

Report on Datasets for State Finance Commissions Released

“Reliable, Timely & Granular Data is Essential for Sound Fiscal Decisions” : Dr. V. Anantha Nageswaran

“Stronger Coordination, Better Data Essential for Effective State Finance Commissions” : Shri Vivek Bharadwaj

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In a significant step towards advancing data-driven fiscal decentralisation and strengthening grassroots governance, Dr. V. Anantha Nageswaran, Chief Economic Advisor to the Government of India, today released the **Report of the Committee on Datasets for State Finance Commissions** in the presence of Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj (MoPR), Shri Sushil Kumar Lohani, Additional Secretary, MoPR; Smt. Mukta Shekhar, Joint Secretary, MoPR along with senior officers and distinguished representatives from research institutions and policy bodies during an event in New Delhi.



Delivering the keynote address on data-driven policymaking and evidence-based fiscal governance as essential foundations for empowered local self-government and inclusive development, **Dr. V. Anantha Nageswaran**, observed that citizens experience governance through the availability of basic services such as drinking water, roads, street lighting and Anganwadi services, making empowered

Panchayats central to effective governance. He noted that fiscal decentralisation is ultimately about bringing governance close enough to people that it actually touches their lives, and that **State Finance Commissions can only make sound recommendations when they have access to reliable, timely and granular data**, adding that better data leads to better governance. He emphasised that the quality of decisions on resource allocation is directly determined by the quality of data and analysis available, and described the report as an important step towards strengthening the information architecture for local governance. Dr. Nageswaran also **highlighted the report's recommendation that the Comptroller and Auditor General undertake a performance audit of the implementation of the 73rd Constitutional Amendment across States to assess the extent of functional, financial and administrative devolution to Panchayati Raj Institutions**, an initiative that will further reinforce accountability and deepen the gains of constitutional decentralisation. Commending the Ministry of Panchayati Raj for preparing the report, he expressed confidence that its recommendations would contribute significantly to strengthening fiscal decentralisation, enhancing local public finance, and supporting informed decision-making for sustainable development in rural areas.

Delivering the opening address, **Shri Vivek Bharadwaj, emphasized upon the need for greater coordination between the State Finance Commissions and Central Finance Commissions. He stated that reliable and accessible data is fundamental to improving the quality and timeliness of SFC recommendations.** While sharing the news about Panchayat Advancement Index being selected for the Gold Award under the National e-Governance Awards 2026 in the category of digital transformation through the use of data analytics and digital platforms, and four out of the 16 awards announced this year being awarded to Panchayat-related initiatives, Shri Bharadwaj reflected on the growing centrality of Panchayati Raj institutions in India's governance landscape. He emphasized that sustainable decentralisation requires not only financial transfers but also robust institutional reforms. **Strengthening the data ecosystem for local governments, he noted, will enable evidence-based decision-making and enhance the effectiveness of fiscal devolution to Panchayati Raj Institutions.** Shri Bharadwaj highlighted two key outcomes of the Ministry's sustained engagement with the Sixteenth Finance Commission. First, recognising the governance needs of India's rapidly expanding peri-urban areas, the Commission has proposed an Urbanisation Premium of ₹10,000 crore to support local bodies managing the transition of census towns into urban entities. He described this as the first dedicated national initiative aimed at addressing the challenges and opportunities of peri-urban transformation. Second, he noted that the Commission has reintroduced a performance-based grant framework, allocating ₹87,000 crore exclusively for Panchayats. The grants will be linked to annual growth in own-source revenues of at least 2.5 per cent, reflecting confidence in the increasing financial capacity and self-reliance of local governments.

Dr. Manish Gupta, Member of the Committee on Datasets for State Finance Commissions and Associate Professor, National Institute of Public Finance and Policy (NIPFP), highlighted the importance of robust datasets and evidence-based analysis for strengthening the quality of fiscal devolution and local public finance. He observed that one of the greatest opportunities before State Finance Commissions is to harness accessible, standardised and granular data at the Panchayat level, and that **strengthening data systems is not only about improving SFC reports but about empowering local governments to function as effective institutions of self-governance.**

The Report on Datasets for State Finance Commissions **identifies essential datasets required by State Finance Commissions** across fiscal, demographic, governance, infrastructure and service delivery dimensions. **Among its key recommendations, the Committee has proposed the development of Panchayat-level fiscal databases, classification of Panchayat Advancement Index indicators for SFC use, establishment of dedicated State Finance Commission Cells within State Governments, standardisation of accounting frameworks, adoption of a common reporting framework for SFCs,**

publication of comprehensive data handbooks, and preparation of a State Finance Commission Manual to support future Commissions. The report is expected to serve as an authoritative reference for State Governments, State Finance Commissions, constitutional bodies, and institutions committed to deepening democratic decentralisation and strengthening local public finance in India as part of the journey towards Viksit Bharat @2047.

Background

State Finance Commissions, constituted under Article 243-I of the Constitution of India, are mandated to assess the financial position of Panchayati Raj Institutions and recommend principles for fiscal devolution to local governments. At the Finance Commissions' Conclave on Devolution to Development organised in November 2024 under the leadership of the Chairman of the Sixteenth Finance Commission, the Ministry of Panchayati Raj identified the need for a strengthened data ecosystem to support the functioning of State Finance Commissions. Accordingly, the Committee on Datasets for State Finance Commissions was constituted to map essential data requirements, review existing sources, and recommend systemic measures to advance evidence-based fiscal decentralisation.

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