CHAPTER 8

Revenue Transfers to Panchayats

8.1 Chhattisgarh is one of the few States in India where Panchayats are fiscally empowered with substantial revenue assistance from the State and Union governments under different fiscal mechanisms. The State government has incorporated Art.243.H of the India Constitution with certain modifications, in its own enactment on Panchayats. The Panchayat Act of the State provides that (i) the "State Government may assign to a Panchayat such taxes, tolls and fees levied and collected by the State government and may make grant-in-aid from the Consolidated Fund of the State for such purposes and subject to such conditions and limits as the State government may deem fit"., and (ii) "The State government shall make grants-in-aid to Panchayats *as may be decided on the basis of recommendations of the State Finance Commission*".

In pursuance of these provisions the State government has been providing financial assistance to the Panchayats in the State, as discussed in this chapter.

State Government Support

8.2 *Assigned Revenues*

(1) **Land Revenue**: In compliance with Section 76(2) of the Panchayat Act, the State government has been transferring, through the District Panchayat Raj Fund, the net proceeds of land revenue to the GP.

(2) **Cess on Land Revenue**: The Panchayat Act, also provides for the compulsory levy of a cess at the rate of fifty paise (Re.0.50) on every rupee on land revenue or rent assessed on land held by a tenure holder and government lessee. The proceeds of this cess are collected by the State government along with land revenue and the net revenue thereof is transferred to the Gram Panchayats.

(3) **Duty on Transfers of Property:** The Act provides for compulsory levy of an additional duty of one per cent on instruments relating to sale, gift or mortgage of immovable property situated within a Block. The revenue realized there from is transferred to the Janpad Panchayats.

(4) **Surcharge on Sales Tax**: This has since been to discontinued consequent on the introduction of VAT.

(5) **Royalty on Minor Minerals:** Since 2002-03, the State government has been assigning proceeds of the royalty on minor minerals in the State to the Gram Panchayats, Janpad Panchayats and municipal bodies depending on the location of the source of the minor minerals. The formula for sharing of royalty between Gram Panchayats and Janpad Panchayats which was not logical and equitable earlier, has since been reviewed and amended in October 2012. Table-8.1 shows the new formula:

Table-8.1 : Shares of Gram and Janpad Panchayats in Royalty on Minor Minerals

Size of Royalty		Percentage Share	
		GP	JP
a)	Upto Rs.5.00 lakh	100	Nil
b)	More than Rs.5.00 lakh upto Rs.7.50 lakh	90	10
c)	More than Rs.7.50 lakh upto Rs.10.00 lakh	80	20
	More than Rs.10.00 lakh upto Rs.15.00 lakh	70	30
d)	More than Rs.15.00 lakh upto Rs.20.00 Lakh	60	40
e)	More than Rs.20.00 lakh	50	50

It may be noted that since 2010-11, 33 per cent of the total quantum of royalty (earlier it was 25 per cent) is being transferred by the Department of Mineral Development to the P&RD Department which is apparently used for defraying the expenditure on salary of Panchayat Sachivs.

(6) **Surcharge on Excise Duty:** In 2011, the State Government amended the Chhattisgarh Excise Act, providing for the levy of 10% surcharge on excise duty for being "transferred to rural and urban local bodies on the basis of their population". However, appropriate rules are still to be framed for the distribution of the Panchayats' share among different levels of the Panchayats. Nevertheless, this surcharge is being levied with effect from 2012-13 only.

(7) **Entertainment Tax:** The State government had, in terms of recommendation of the first SFC, agreed to transfer the net proceeds of the entertainment tax to the Janpad Panchayats and municipalities in the ratio of 1:2 respectively. Transfer of the net proceeds took effect from 2010-11 onwards.

8.3 **Table 8.2** shows the quantum of funds transferred to the Panchayats at all levels in the form of assigned revenues in the State. Since the information that could be culled out from the primary data provided by the Panchayats is inadequate, this information has been obtained directly from the concerned Departments. However, this secondary data did not specifically mention the transfers made to each level of Panchayats. Therefore, in several cases, consolidated figures on revenues assigned to all the three levels of Panchayats had to be used by the Commission. They nevertheless indicate the magnitude of funds transferred to all levels of Panchayats during the reference period.

Table-8.2 : Transfers to Panchayat Raj Institutions from Assigned Revenues : 2008-09 to 2010-11*

(Rs. In lakh)

Year	Land Revenue + Land Cess**	Additional Stamp Duty	Royalt on Minor Minerals	Total	Entertainment Tax
2008-09	100.00	2150	3927	6177.00	-
2009-10	159.69	2400	4055	6614.69	-
2010-11	247.37	2112	4785	7679.37	535.00
Sub Total	*507.06*	*6662*	*12767*	*19936.06*	*20471.06*
Annual Average	169.02	2220.67	4255.66	6645.35	7180.35

* Surcharge on Sales Tax continued up to 2006-07, and surcharge on Excise duty took effect from 2012-13 only. Entertainments tax revenue is being transferred from 2010-11only.
* Gross proceeds.

8.4 It may be seen from the above that on an average, the total revenues assigned to GPs in a year have been of the order of Rs. 67 crore which comes to around Rs. 68,500 per GP. If we include ET transfer it comes about Rs. 72 crore annually and around Rs. 73,000 per GP. There has been a quantum jump in royalty on minor minerals from Rs. 47.85 crore in 2010-11 to Rs. 94.82 crore in the year 2011-12. This has pushed up the per GP assigned revenues on an average to Rs. 1,43,000. But occurrence of minor minerals not being uniform across GPs, revenue from royalty is not uniform and vary from nil to Rs. 5 lakh. Assigned revenues thus constitute an important part of the revenues of the GP.

(1) However, we have the following observations with regard to assigned revenues: Although there has been substantial increase in royalty on minor minerals recently, we feel that the potential of this source of revenue is yet to be fully realised. With massive construction activities going on in the State and the consequent ever increasing demand for construction material, the royalty on minor minerals should be much more than at present. The Commission has found that lack of coordination between the field functionaries of the

Mineral Resources Development Department and GPs is partly responsible for this. There is very little monitoring and check on legal and illegal extraction of minor minerals. Although MRD has endowed the Panchayats with the powers of checking of mining records, search and seizure of minerals illegally extracted and even imposition of fines under the Minor Mineral Rules, GP which is directly concerned has no capacity for exercising these powers. The Department has issued no instructions to indicate how these powers may be exercised. There are complaints that the Mining Inspectors do not heed the reports of the GPs regarding illegal mining. *We would suggest that the Government seriously consider placing the services of the Mining Inspectors atleast in districts which have no major minerals, with the ZPs, so as to ensure effective control over extraction of minor minerals and recovery of royalty. In any case, recommend that the MRD issue necessary instructions to their field staff for better co-ordination with GPs. If there are reports of over extraction in leased mines or illegal extraction, from a Panchayat these must be enquired into in co-ordination with the concerned Panchayat.*

(2) The State Govt. has abolished royalty on sand and the management of sand mining has been handed over to GPs. The GPs neither have the manpower nor the competence to manage sand mining. Big contractors from cities have entered into sand mining and GPs do not and cannot have any control over them. Several such instances have come to the notice of Commission. *We recommend that the royalty on sand should be revived and the net proceeds transferred to GPs. Unbriddled sand mining is wrecking havock to our rivers and river fronts. After the recent directions of the Supreme Court regarding regulation of sand mining this should be possible.*

(3) A percentage of Mandi Tax collected by the Krishi Upaj Mandis should be shared with the Panchayats in the area. The Mandi Act may be amended, if necessary, to give effect to this suggestion.

(4) In scheduled areas a small percentage of the income from minor forest produce should be shared with Panchayats which are subject to PESA. Such a dispensation exists in some states (e.g. Rajasthan). Apart from some revenue for the Panchayats such a provision may also fosters a sense of ownership of minor forest produce in Panchayats.

Grants-in-Aid

8.5 Grants from Panchayat Department

The Panchayati Raj institutions in the State are being provided recurring grants for a variety of purposes by the Department of Panchayats. All grants for Janpad and Gram Panchayats are however passed on to them through the Zila Panchayats. The following grants are being paid to the Panchayats on a regular basis by the State Government:

(1) General Purpose Grant to Zila Panchayats

The State Government provides a general purpose grant to its Zila Panchayats on a regular basis. A total grant of Rs.40.00 lakh to each Zila Panchayat was being paid since 2001-02, which was subsequently increased to Rs.50.00 lakh and again to Rs.200.00 lakh from 2012-13 onwards.

(2) Honorarium and other Allowances to Elected Panchayat Non-officials

The State government has been providing a grant to the Panchayats for meeting the costs involved in payment of honorarium, travel allowance and sitting fee to the elected functionaries of the Panchayats at different levels. This grant is paid to the Janpad and Gram Panchayats through the Zila Panchayats. The State Government has recently revised the monthly honorarium of the elected functionaries upwards in April, 2012 which is Rs. 4000 for Zila Panchayats and Rs. 1500 Janpad Panchayats. Besides, a Sarpanch of a Gram Panchayat, is eligible to receive Rs.500/- for every meeting convened and chaired by him, subject to a monthly ceiling of Rs.2000. Similarly, a member of a Gram Panchayat is now entitled to a sitting fee of Rs.100 for every Panchayat meeting that he attends, subject to a maximum of Rs.200/- per month.

(3) Capacity Building Training for Elected Leaders

The State government has been providing financial assistance to the SIRD and PRTCs for training the elected functionaries of Panchayats at various levels.

(4) Awards to Best Panchayats

Monetary incentives are being offered by the State government to the Panchayats for good governance initiatives. Cash prizes are instituted for best performing gram, Janpad, and Zila Panchayats at the rate of Rs.25, 000/-, Rs.1.00 lakh and Rs.5.00 lakh respectively each year.

(5) Salaries and Allowances of Panchayat *Sachivs*

The State government has been providing recurring grants to the Panchayats towards salaries and allowances of the Gram Panchayat *Sachivs* (earlier called Panchayat *Karmis*) who now enjoy a time scale of pay. This is no longer a separate grant since it is borne out of the proceeds of minor mineral royalty.

(6) Other Miscellaneous Grants to Panchayats

Besides the above, the State government has been meeting the costs of Zila Panch Sammelan, Panchayat Gazette, etc., through separate specific grants.

Table-8.3 shows the volume of grants that have been provided to the Panchayats through the Panchayat Department for various purposes during 2008-09 to 2010-11. It may be seen from the table that the quantum of Panchayat Department's normal recurring grants have gone up by 180 per cent during the 3-year period covered by us. This can be attributed to introduction of time-scales of pay for the Panchayat Karmis, redesignated as Panchayat Sachivs and increase in both the number of these Sachivs as well as their salaries during the period.

Table-8.3 : Grants Released to Panchayats by the Panchayat & RD Department

(Rs in lakh)

Sl. No.	Purpose	2008-09	2009-10	2010-11	Total	Annual Average
1	General Purpose Grant to ZPs	51	52	58	161	53.67
2	Honorarium, etc. to Elected Panchayat Functionaries	595	633	649	4279	1426.33
3	Capacity-Building Training to Elected Panchayat Functionaries	52	54	65	171	57.00
3	Capacity-Building Training to Elected Panchayat Functionaries	52	54	65	171	57.00
4	Awards to Best Panchayats	44	45	45	134	44.67
5	Salary & Allowances of Panchayat Sachivs	2262	2493	4303	9058	3019.33
6	Zila Panch Sammelan	60	60	70	190	63.33
7	Panchayat Gazette	2	11	7	20	6.67
	Total	**3066**	**3348**	**5197**	**14013**	**4671.00**

Source: Panchayat & RD Department, Govt. of Chhattisgarh.

8.6 State-sponsored Special Schemes

(1) The State Government had launched five State-sponsored infrastructural development-cum-employment generation schemes in the rural sector in 2006-07 which are being implemented by the Panchayats in the State. These are: the *Mukhyamantri Gram Utkarsh Yojana* (MGUY) in the 3 non-BGRF districts(2006) with the object of creating and strengthening physical infrastructure and increase employment generation; *Gram Vikas Yojana* (2007) to develop rural areas as commercial hotspots with focus on infrastructural development and livelihood promotion; *CG Gramin Nirman Yojana* in 15 BRGF districts with the object of filling the critical gaps in the physical infrastructure in the villages, and of promoting IRM efforts of Gram Panchayats; *Gram Gaurav Yojana* (2007)with the noble aim of developing the birth places of dignitaries and patriots who have made significant contribution in the social, economic, political fields and in development of the region or nation; and *Hamara Chhattisgarh Yojana* (2007) with a view to protecting and conserving the numerous scattered ancient monuments, structures, idols, etc. Subsequently, the *Gram Gaurav Yojana* and *Hamara Chhattisgarh Yojana* were integrated into a single unified scheme.

(2) In addition, the State government, with a view to empowering the Janpad Panchayats to perform their duties recently launched a new Scheme, *viz., Mukhyamantri Janpad Swashaktikaran Yojana*(MJSY) with effect from 2012-13. The declared objectives of this scheme comprise: empowering the Janpad Panchayats to sanction and execute development schemes in the backward areas within their respective jurisdictions on the basis of the felt needs of the people; and providing necessary funds to the Janpad Panchayats to perform their legitimate functions. An important feature of the MJSY is annual allocation of untied fund of one crore of rupees to each Janpad Panchayat for which the latter has to prepare an annual action plan. **Table-8.4** shows the quantum of funds allocated to the four State-sponsored Schemes for the period 2008-09 to 2010-11.

Table-8.4 : Allotment and Expenditure on State-sponsored Schemes

(Rs. Lakh)

Year	CM's Gram Utkarsh Yojana		Gram Vikas Yojana		Gramin Nirman Yojana		CG Gaurav & Hamara CG Yojana		Total	
	Allot-ment	Expendi-ture	Allot-ment	Expendi-ture	Allot-ment	Expendi-ture	Allot-ment	Expendi-ture	Allot-ment	Expendi-ture
2008-09	3000	3000	1850	1825	3800	3800	2000	2000	10650	10625
2009-10	1663	1663	1850	1850	3800	3800	2000	1988	9313	9301
2010-11	7500	7500	1500	1500	1500	1498	1500	1500	12000	11998
Total	12163	12163	5200	5175	9100	9098	5500	5488	31963	31924
Annual Average	**4054.33**	**4054.33**	**1733.33**	**1725**	**3033.33**	**3032.67**	**1833.33**	**1829.33**	**10654.33**	**10641.33**

Source: a) Department of Finance, Govt. of Chhattisgarh
b) Department of RD & Panchayats, Govt. of Chhattisgarh (for 'Expenditure')

8.7 *It is observed that the four State sponsored schemes and the Janpad Scheme are over-lapping in their scope. It would be necessary to avoid such overlap as these lead to misuse of funds. There are instances of the same work being funded through money from two schemes. Moreover, none of these schemes are of assistance to GPs in providing basic services in the villages such as drinking water, street lights, drainage, etc. We therefore recommend that the four schemes be merged into one or at best two, one for rural infrastructure and the other for provision of basic services in the villages.*

8.8 Funds under First SFC Devolution

The First Finance Commission of the composite State of Madhya Pradesh (1994) had recommended (1996) devolution of 2.91% of the State's gross tax and nontax revenue. After the formation of Chhattisgarh, the State Government continued to implement this devolution package. Accordingly 2.91 per cent of the State's own gross tax and non-tax revenue was being devolved on the Gram Panchayats as basic services grant. The grant was being distributed among the Gram, Janpad and Zila Panchayats in the ratio of 70:25:5 respectively. The State Government had issued guidelines in 2004 to the Gram Panchayats indicating the purposes for which this grant can be applied. These instructions are operative till now.

The Commission feels that the Government should identify the basic/core services which in our view comprise those civic services to be delivered by Gram Panchayats for improving the overall quality of life of the people. They comprise drinking water sanitation and drainage, lighting of public places, internal roads, and solid waste disposal etc. The basic services grant should not be allowed to be used to meet office expenses, staff salaries, etc. The Commission therefore suggests that the guidelines governing the basic services grant which are stated to be still in force be reviewed, and the purposes for which these public funds can be utilized be prioritized. At best, the Government may earmark a small per cent of this grant untied in nature to enable the Panchayats to meet a part of their revenue expenditure on miscellaneous items.

8.9 The first Finance Commission of the State submitted its report to the Governor of the State in May 2007. The fiscal and non-fiscal recommendations of the FSFC and the action taken by the State Govt. on them have been discussed in Chapter III of this report. In regard to the transfer of funds to Panchayats under the FSFC dispensation, it is pertinent to make the following observations: In the first place, the quantum of SFC devolution for Panchayats, in absolute terms, rose by 89 per cent during the award period of 2007-08 to 2011-12. In real terms the Panchayat entitlement was reduced through earmarking of 37 per cent of these funds over the award period, to the State sponsored schemes. These schemes have been in operation much before the FSFC and were independent of the SFC devolution. In effect, by taking away about Rs.600 crore over the five-year period of the FSFC award from the Panchayats has reduced the funds available for basic services of the Panchayats. Secondly, a total quantum of Rs.344.29 crore is still pending payment to the Panchayats under FSFC award. Although the Panchayat Department has been sanctioning grants to the Panchayats for a variety of purposes which aggregate Rs.434.84 crore, this can not be set off against the short release of Rs.344.29 crore. In this connection, it may be pointed out that ever since the formation of the State, the government has been continuing the tradition of MP by making the normal recurring Departmental grants independent of the agreed size of SFC devolution. The State Government still owes a total sum of Rs.344.29 crore to the Panchayats (Table 8.5).

Table-8.5 : SFC Devolution of Funds on Panchayats 2007-08 to 2011-12

Sl. No.	Item	2007-08	2008-09	2009-10	2010-11	2011-12 (RE)	Total
1	State's Own Net Tax Revenue	4903.91	5599.21	6106.29	7874.62	9269.29	33753.32
2	4.79 per cent to Panchayats from Item 1 above	235.39	268.76	293.10	377.98	444.93	1620.16
3	Funds earmarked from Item 2 above to						
a)	Gram Utkarsh Yojana	16.00	30.00	16.63	75.00	105.00	242.63
b)	Gramin Nirman Yojana	72.00	38.00	38.00	15.00	25.00	188.00
c)	Gram Gaurav Yojana	10.26	20.00	20.00	15.00	25.00	90.26
d)	Gram Vikas Yojana	1.96	18.50	18.50	15.00	25.00	78.96
	Sub Total of 3	**100.22**	**106.50**	**93.13**	**120.00**	**180.00**	**599.85**
	Item 3 as % of Item 2 above	42.58	39.63	31.77	31.75	40.46	37.02
4	Basic Services Grant to Panchayats	116.02	130.00	130.00	150.00	150.00	676.02
	Sub Total of 3 + 4	**216.24**	**236.50**	**223.13**	**270.00**	**330.00**	**1275.87**
5	*Difference between Item No.2 and 4 above*	*19.15*	*32.26*	*69.97*	*107.98*	*114.93*	*344.29*

Source: Department of Finance, Govt. of CG

8.10 The Commission therefore recommends that the State Government should seriously consider delinking the provisions made for the State- sponsored schemes from the SFC devolution, and that the funds earmarked to these schemes should not continue to be a charge on the SFC devolution.

8.11 The Department of Panchayats and RD of the State in their memorandum to the Commission suggested that the SFC grants be released to the Panchayats in two installments, the first in the month of April, and the second in October. *The Commission agrees with their suggestion and recommends that the grants under the SFC dispensation be released to the Panchayats in two equal installments preferebly in April and October of each year.*

8.12 Line Department Grants for Devolved/transferred Functions

Since 1998, various line departments have been providing funds in respect of their schemes and salary and allowances of their staff transferred to the Panchayats which exercise administrative control over them. The purposes and funds allocated to the Panchayats are being exhibited in a budget supplement. The issue of functional devolution has been dealt in a separate chapter in greater detail. Suffice it here to mention that the budgetary allocation that was made for the activities/schemes and staff salaries of the line departments to the Panchayats during the three-year period of 2008-11 amounted to Rs. Rs.525.33 crore or to an annual average of Rs.175.11 crore.

Grants from Union Government:

8.13 Central Finance Commission Grants

The XII Finance Commission had allocated a total grant of Rs.615 crore to the Panchayats in the State for the five year period 2005-06 to 2009-10. The XIII Finance Commission had provided to the Panchayats a share of 2.65 per cent in the total divisible pool of General Basic and General Performance grants, and a share of 13.21 per cent in the divisible pool of the Special Areas Grant. Panchayats have received a total grant of Rs. 478.97 crore under XIII CFC dispensation for the years 2010-11 and 2011-12. Details of CFC grants have been discussed in Chapter-3.

8.14 Rajiv Gandhi Panchayat Sashktikaran Abhiyan (RGPSA)

(1) In August 2012, the GOI had informed the States/UTs about launching of a new scheme by his Ministry titled 'Rajiv Gandhi Panchayat Sashktikaran Abhiyan' (RGPSA). The Scheme allows the States/UTs to undertake a range of activities relevant to strengthening of Panchayats like provision of administrative and technical support and infrastructure for gram Panchayats, e-enablement, capacity-building and strengthening of institutional infrastructure, training of the functionaries of Panchayats, measures to improve Panchayat processes, special initiatives to make Panchayats in Schedule-V areas active in terms of PESA, etc. To access the Central funds, States/UTs have to prepare perspective plans for 5 years, i.e., the Twelfth Plan period and annual plans for strengthening Panchayats, detailing activities and deliverables, from among the permitted components in the Scheme. The Ministry wanted plans for 2012-13 and 2013-14 together. The Scheme provides performance-linked funds from 2014-15 onwards. However, 25 pr cent of the schematic funds will be tied to State performance on identified deliverables in the State Plan. States/UTs

are required to fulfill some essential conditions for accessing RGPSA funds, which include regular elections to Panchayats, one-third reservation for women, constitution of SFC for every fiver years and constitution of DPC etc.

(2) The funding pattern under the Scheme would be on a 80:20 per cent basis between the Centre and the State/UT. Besides, 10 per cent of the Central share of the Scheme is earmarked to States with Schedule-V areas to strengthen implementation of PESA. In addition, the Scheme earmarked Rs.50 crore per annum towards incentivization of best-performing Panchayats.

(3) *The Commission has been given to understand that the perspective plan is under preparation. The Scheme addresses all the institutional incapacities of the Panchayats. We strongly urge the State government to take advantage of the scheme for the Panchayats. Fortunately the State fulfills almost all the prerequisites stipulated for accessing funds.*

Centrally-sponsored Schemes

8.15 Since early-1980s' , the Government of India have been launching a large array of rural development programmes and schemes which are being managed by different Ministries at the Union level, and by different departments or agencies at the State level. These programmes do not pertain only to Ministry of RD/Panchayat but to a number of other Ministries and are similarly implemented in the State through a number of Department. There are schemes/progrmmes for guaranteed rural employment, water conservation and irrigation, sanitation, housing, road connectivity, rural health, education, poverty alleviation, nutrition, women and child welfare, institution-building, capacity-enhancement, rural infrastructure, electrification, water supply, tribal welfare, etc. The Commission had endeavored to elicit information from the State line departments as well as the Panchayat Raj institutions. In the absence of data on all CSS for the coming from the implementing agencies, the Commission had to access the statistical data relating to a few important rural development programmes like MGNREGS, PMGSY, IAY, SGSY, and BRGF/RSVY, etc. The total volume of funds that are flowing to the Panchayats in the State under different schemes/programmes of the Union Government is larger than the fund flow that we have shown under a few important rural development programmes in **Table-8.6.**

Table-8.6 : Composition of Assigned Revenues and Grants-in-Aid of PRIs : 2008-09 to 2010-11

(Rs. Lakh)

Sl.No.	Item of Receipt	2008-09	2009-10	2010-11	Total	Annual Average
I.	**Assigned Revenues**					
1.	Land Revenue & Land Cess	100	160	247	507	169
2.	Additional Stamp Duty	2150	2400	2112	6662	2221
3.	Royalty on Minor Minerals	3927	4055	4785	12767	4256
4.	Entertainment Tax	-	-	535	535	178
5.	Surcharge on Sales Tax	-	-	-	-	-
	Sub-Total: I	*6177* (1.68)	*6615* (2.54)	*7679* (1.98)	*20471* (2.01)	*6824* (2.02)
II.	**Grants-in-Aid**					
A.	**State Government**					
1.	Normal Grants of Panchayat Deptt.	3066	3348	5197	11611	3870
2.	State-sponsored schemes	10650	9313	12000	31963	10654
3.	1st SFC Devolution	13000	13000	15000	41000	13667
4.	Line Department Grants	11851	16445	24237	52533	17511
5.	State's share for CSS*	22529	19183	24469	66181	22060
	Sub-Total: II-A	*61096* (16.60)	*61289* (23.52)	*80903* (20.88)	*203288* (20.00)	*67762* (20.00)
B.	**Government of India**					
1.	12th / 13th Finance Commission Grants	12300	12300	17055	41655	13885
2.	Grants under CSS/ACA:					
	a) MGNREGS	163217	81489	168505	413211	137737
	b) PMGSY	93112	51012	67858	211982	70661
	c) IAY	7640	20806	13200	41646	13882
	d) SGSY	5304	6314	6012	17630	5877
	e) RSVY / BGRF	19245	20760	26336	66341	22114
	Sub-Total: II.B	*300818* (81.72)	*192681* (73.94)	*298966* (77.14)	*792465* (77.98)	*264155* (77.98)
	Grand Total	**368091** (100.00)	**260585** (100.00)	**387548** (100.00)	**1016224** (100.00)	**338741** (100.00)

8.16 Suggestions of the Department of Panchayats & RD

The Department of Panchayats and Rural Development has, submitted their suggestions. They are listed below together with the Commission's views thereon.

(1) Panchayats may be given a share in road tax, stamp duty, and surcharge on excise duty. The Commission is of the view that the State government had recently taken the initiative to impose a 10 per cent surcharge on excise duty exclusively for local bodies the impact of which is yet to be seen: Besides, the Government is parting with a portion of its tax revenue, including excise duty, with the Panchayats under the FSFC recommendations. Next, in terms of Panchayat Act, an additional stamp duty at one per cent is being levied and its proceeds are being transferred to the Janpad Panchayats. As regards the road tax, the motor vehicle tax revenue is partially transferred to the Panchayats under the SFC devolution. In addition, Gram Panchayats are statutorily empowered to levy an entry tax or tolls on all non-motorized vehicles that enter their geographic jurisdiction. Therefore, we see no specific merit in the suggestion of the Department relating to revenue-sharing.

(2) Funds provided to the Panchayats by the Public Health Engineering Department for operating Nal Jal Yojana be revised annually and be provided on a quarterly basis to the Panchayats. *The Commission, in principle, agrees with the suggestion and recommends that the grants being provided by the PHE Department for the said Yojana be revised upwards once in every two years keeping in view the inflationary price rise in the costs of manpower and material. These grants may be provided twice in a year, in the months of April and October, to the Panchayats.*

(3) *Funds for the construction of shopping complexes to gram Panchayats having a population of over 2,000 may be provided for augmenting the non-tax revenue of gram Panchayats. The Commission are of the view that unlike in several other States, Gram Panchayats in the State already have a number of schemes and funds which with their existing limited staff they find it difficult to cope with. As the scope of several State-sponsored schemes and of CFC and SFC grants is very wide, funds available under these sources could effectively be utilized for building shopping complexes in select gram Panchayats.*

(4) *Separate funds earmarked to organize events like Jan Samasya Nivaran Shivir, Gram Sampark Abhiyan, Krishi Rath Yatra, Lokarpan, etc., may be provided to the gram Panchayats.* During our interactions with both with the officials and elected representatives GPs. It has been repeatedly brought to the notice of the Commission that generally the GPs have to fund not only such functions held locally but have to share the expenditure of Panchayats Sammelan and other such functions at Janpad/district level. Perhaps the above suggestions of the Deptt. has been made in that context. *We agree that the GPs should not*

be made to spend their meagre finances on such functions/ceremonies. At best the GPs may spend their funds on purely local functions held under their aegis. We recommend that the Govt. should consider separate allocation of funds to GPs through districts for Govt. sponsored campaigns/programmes such as Jan Samasya Niwaran Shivir, Gram Sampark Abhiyan (Gram Suraj), etc.

(5) Funds for maintenance of assets like roads, buildings, hand pumps, etc., created in the rural areas may be provided to the Panchayats. The Commission considers the issue of maintenance of durable assets created under different Central and State schemes during the last two decades in particular, and of the other assets of the GPs as a very crucial issue demanding urgent attention. In order to make them continuously functional during their normal life-span, it is necessary to provide some funds for their periodic maintenance. Unfortunately, as in several other States, in this State also there are very few Gram Panchayats which maintain an inventory of community assets created under different schemes, their present physical status, and the annual maintenance plan for them. The Commission has considered this issue in the devolution package.

(6) A portion of the revenue realized by the State government from industries located in rural areas may be given to the Panchayats. *The Commission however feels that in view of their devolution package being global-tax sharing –based, there is no point in seeking shares from revenues of individual taxes being levied and collected by the State government separately. The Commission feels that the devolution package being based on the tax revenues of the State Govt. Transfer of share of more individual taxes may not be necessary. However, the State Govt. is understood to have formulated a policy for utilization of the funds set apart for industries for Corporate Social Responsibilities (CSR). The CSR funds of small industries such as, sponge iron plants, should be earmarked for the GPs area only, while a percentage of CSR funds of large industries should go to nearby GPs. It should be incumbent on industries to consult the GPs concerned for preparation of their CSR plan. The State Govt. should incorporate these suggestions in their CSR policy. There are a number of highly polluting industries in rural areas such as sponge iron plants in Raigarh districts, which not only pollute the air and water of the nearby areas but also dispose of their industrial waste nearby adversely affecting the crop and the health of the people. Apart from the action which the Govt. take under the relevant laws to check the pollution, the concerned GPs should be enabled by law to levy penalties on them and use the funds to undo, at least partly,* *the damage done by the industries. Secondly, where industries damage rural roads because of heavy transportation of materials, the maintenance of roads should be, by the order of the Govt., their responsibilities. Alternatively, they must provide funds to the GPs every year for maintenance of the roads.*

8.17 One of the demands of the elected representatives in our *district-level meetings of Panchayat functionaries* relate to a share for the Panchayats in the royalty one major minerals. *The Government's income from royalties on major mineral has gone up substantially recently and constituted nearly 64% of their non-tax revenue receipts during 2010-11. This is a buyont source of revenue. The Govt. should consider sharing a small percentage of royalty receipts with GPs. It will be much better if such sharing can with such GPs as affected by the mines.*

Review of the Finances of PRIs

8.18 In chapter-7, we have endeavored to estimate the IRM of Panchayats within all the limitations imposed by inadequate and imperfect data, the **annual average IRM of all the 9734 Gram Panchayats and 146 Janpad Panchayats could be estimated at Rs. 23.44 crore and Rs. 3.28 crores respectively (Table 7.14 of Chapter-7)**. Now, to arrive at the total quantum of receipts of the Panchayats at all levels in the State, the available micro-level data relating to assigned revenues and grants-in-aid, from the both the State and Union governments, were also found to be inadequate. In such a situation, we had to rely upon whatever State-level secondary data are available in assessing the approximate volume of State assistance provided to the Panchayati Raj institutions in the State. The macro-level data are, also, not readily available tier-wise or district-wise.

8.19 Reverting to the main issue of revenue transfers to Panchayats at all levels in the State during 2008-09 and 2010-11, we have classified State assistance into 'Assigned Revenues' from State government, and 'Grants-in-aid' from both State and Union governments'. State Government grants are further sub-divided into five broad categories, namely, Panchayat Department's normal recurring grants; grants under the dispensation of SFC recommendations; grants for State-sponsored Schemes, grants from the State line Departments that devolved some of their responsibilities and staff on Panchayats; and grants provided to Panchayats as part of their stipulated share for availing the funds of Centrally-sponsored schemes. Grants that emanate from the Union government consist broadly of grants received by Panchayats under the award of the Central Finance Commission, and funds provided by the Union Government Ministries for Centrally-sponsored/supported schemes. However, data on the receipts and expenditure of all Centrally-sponsored schemes being implemented by different Departments at State level are not heavily available with the result that the Commission had to limit its analysis to MGNREGA, SGSY, IAY,PMGSY, and BGF/RSVY only. There are other Central schemes like NSAP, NRSP, RGSY, etc., which are being implemented by the line departments, other than the RD Department. Besides, funds in respect of a some of the programmes or schemes of the Union RD Department directly flow to the DRDAs/ZPs, and there is no disaggregated data available on them. Therefore, our estimate of the quantum of funds being injected into the Panchayat sector under all the relevant Centrally-conceived and locally-executed schemes would obviously be larger than the figures we provided in **Annexure 8.1**. The data relating to the State line department grants and the Centrally-sponsored schemes need therefore to be viewed more as illustrative than as exhaustive.

8.20 The available State-level data relating to revenue transfers from both State and Union governments may be seen from Table 8.6. Annexure 8.1 shows the funds released to Panchayats by both the Union and State Governments towards their respective shares for implementation of the specified five Central Schemes. Of these five, about 58 per cent of the funds on an annual average, have been claimed by MNREGA, followed by PMGSY with a share of 28 per cent during 2008-09 to 2010-11. Against the total funds for these five CSS available during this period, 85 per cent was stated to be their combined utilization rate. *In this connection, the Commission recommends that the existing agency functions commission be increased upwards to a reasonable level since the Central sponsored schemes are claming a major part of the energy and time of the limited number of functionaries at Gram Panchayat level, thus leaving very little time to them to take care of their other Panchayat functions. The first SFC had recommend at least 3% agency Commission. We reiterate this recommendation. This should be appropriately taken up with GoI.*

It may be observed from the table that during the 3-year reference period, on an annual average basis, the shares of assigned revenues, and State Govt. grants, work out to Rs. 59.92 crore, and Rs. 596.85 crore, respectively.

8.21 In **Table-8.7**, the year-wise data for the years 2008-2011 relating to the quantum of financial assistance to the Panchayats at all the three levels are given. The funds received from GOI under various Central Sector schemes are not in the nature of assistance as such.

The assigned revenues and State Govt. grants work out to Rs. 68.24 crore and Rs. 67.62 crore respectively on an average basis. Taking the allocation in the Central schemes also into account which amounted to Rs. 2641.55 crore on an annual average basis, the total fund flow of Panchayats at all levels during years 2008-09 to 2010-11 works out to Rs. 3387.41 crore per year.

Table-8.7 : A TENTATIVE ESTIMATE OF THE AGGREGATE RECEIPTS OF PRIs IN CHHATTISGARH

(Rs. in lakhs)

Sl. No.	Item of Receipt	3-Year Annual Average*
I.	*Internal Resource Mobilisation*	**26.73 (0.73)**
(a)	Tax Revenue	7.85 (0.23)
(b)	Non-tax Revenue	18.88 (0.55)
II.	*Assigned Revenues*	**68.24 (2.00)**
III.	*Grants-in-Aid*	**3,319.17 (97.22)**
(a)	State Government	677.62 (19.85)
(b)	Union Government	2,641.55 (77.37)
	Grand Total	**3,414.14 (100.00)**

*** From 2008-09 to 2010-11**

8.22 *We have made an attempt at making a tentative estimate of the aggregate annual receipts of all levels of all Panchayats put together in the State. These can be the benchmark figures for 2011-12. Here we assume that in view of the highly volatile nature of Panchayats' own revenue mobilization and its erratic trend, we may have to consider the annual average own revenue of Gram and Janpad Panchayats for the 5-year reference period as well as for the 3-year period. Accordingly, as may be seen from Table-8.7, in the combined annual receipts of PRIs in the State, annual average own income (IRM) constituted a mere 0.86 per cent during 2006-07 to 2010-11, and 0.73 per cent during 2008-09 to 2010-11. This share of IRM in the total revenue of Panchayats is likely to be further eroded by increased State aid from 2011-12 onwards with two new State-sponsored schemes viz Mukhyamantri Gram Sadak Vikas Yojana and Mukhyamantri Janpad Sashaktikaran Yojana, and of RGPSY launched by the Union Ministry of Panchayati Raj. Infusion of State-aid on an ever-increasing scale over the years has greatly depressed the percentage share of their own revenues in the aggregate resources of the Panchayats. Besides, it has fostered an increasing trend towards laxity in local resource mobilization, and a dependency syndrome in Panchayats.* It is

therefore very necessary that the tax and non-tax structure of the Panchayats in the State is thoroughly reviewed and redesigned with a view to assuring the Panchayats of more elastic and productive sources of income, and that appropriate incentive for improved revenue performance is provided.

8.23 In connection with transfer of funds through various schemes, and their utilization, we have observed that presently the GPs receive funds from various sources and in many cases for similar works. Except for four districts Panchayats in others receive funds under BRGF, some under Integrated Action Plan in ten Naxal- affected areas, money from MP LAD and MLA LAD Funds and funds from the three Vikas Pradhikarans in the State, apart from the fund flows from the award of the 13th Finance Commission and the State Finance Commission. There seems to be no mechanism in place to ensure convergence in the utilization of the money coming from various sources into the rural areas. Instances have come to the notice of the Commission where funds have been drawn from two sources for the same work. *We feel that convergence is best achieved at the level of the district and strongly recommend that the Government institute is a mechanism for ensuring that the funds coming from so many sources, many with overlapping objectives and coverage, are utilized properly convergence.*