

Chapter 12

Financial Resource Gap and Devolution

- **Assessment Of Financial Resource Gap**
- **Strategy To Fill the Gap**
- **Devolution Plan**

12.1 The minimum facilities required for living like water supply, roads, drains, sewage and rain water sewage, drainage, street lighting etc. are provided to the citizens by Panchayati Raj Institutions in rural areas and by municipal Bodies in urban areas. According to the Constitutional provision financial assistance is provided to the local bodies by the Central and state Governments on the basis of the recommendations of the Central and State Finance Commissions after reviewing their own sources of income in compulsion to the costs incurred in fulfilling the major responsibilities of these local bodies. How much should this assistance be? To estimate this, it is necessary to obtain the financial resource gap by assessing the financial and physical facilities provided to the citizens and to determine the amount to be devolved to the local bodies in view of the financial condition of the government.

Assessment of needs of Panchayati Raj Institutions Service Gap

12.2 To assess the needs of Panchayati Raj Institutions, it is necessary to be clear about the Service Gap of basic services provided by Gram Panchayats. Table Number 12.1 shows the current status of civic facilities provided by Gram Panchayats.

**Table – 12.1
Current Status of Civic Facilities Provided by Gram Panchayat**

No	Civic facilities	Percentage of Gram Panchayats providing facilities	Percentage of Gram Panchayats not providing facilities
1	2	3	4
1.	Tap water availability	50.59	49.41
2.	Solid waste management	26.07	73.93
3.	Waste water management	57.97	42.03
4.	Street lighting	51.24	48.76

Source- 4TH SFC Chhattisgarh (Annexure 7.3, 7.6 7.7)

12.3 It is clear from the above table that tap water facility is available in 51 percent Gram Panchayats and tap water facility is yet to be provided in 49 Percent Gram Panchayats. Drain facilities are available in about 58 percent of Gram Panchayats and this facility is to be provided in 42percent of Gram Panchayats. Similarly, street lighting facility is available in 51 percent Gram Panchayats and this facility is to be provided in 49 parent Gram Panchayats. This is a big gap considering the total 11,664 Gram Panchayats of the state.

- 12.4** Internal roads in Gram Panchayats are an important facility in out of the total internal roads of Gram Panchayats, 43 percent are paved roads while 57 percent are unpaved. This can be seen in Table No. 12.2.

Table 12.2
Status of Average Internal in Gram Panchayats

No.	Description of roads	Average length of roads (in km)	% of paved & unpaved roads
1.	unpaved roads	7.07	57
2.	paved roads	5.28	43
	Sum	12.35	100

Source – 4TH SFC Para 7.3 to 7.41

- 12.5** Like urban areas, civic facilities should be available in rural areas also. For this effort are being made by the Central and State Governments along with Panchayati Raj Institutions for the development of basic facility in rural areas, but looking at the figures of service gap. it seems that these are not sufficient. Therefore, special efforts need to be made to provide civic amenities similar to cities in rural areas also.

Service Benchmark for Gram Panchayats

- 12.6** Service Benchmark have been set by the Ministry of Housing and Urban Affairs, Government of India for monitoring civic amenities in urban areas. It is very useful for monitoring the civic amenities provided by Urban bodies and estimating the capital and maintenance expenditure for the development of urban areas. For eligibility to receive grants recommended by the 14th CFC, it was made mandatory for urban bodies to notify annually the current status of Service Benchmark and targets for the coming year.
- 12.7** As a first step to provide civic facilities equivalent to urban areas in the rural areas it is necessary to fix service benchmark for Gram Panchayats also. By determining the service benchmark for Gram Panchayats minimum civic facilities provided to the villagers by Gram Panchayats can be ensured. Its advantage will also be that through this, the expenditure on civic services can be estimated and the basic facilities provided can be monitored on the basis of certain benchmarks. In the manual issued by the Government of India ministry of Jalshakti, Department of Drinking Water and Sanitation. for the utilization of the funds of the tied grants of 15th Finance Commission Some Service benchmarks related to drinking water and

sanitation have been included for monitoring the drinking water and sanitation related services being provided by the Gram Panchayats.

- 12.8** A study was also sponsored by the Fourth State Finance Commission, Chhattisgarh to give suggestions for determining service benchmarks for the services provided at the Gram Panchayat level. **On the basis of the service benchmarks prescribed for urban bodies, the benchmarks related to Drinking Water and Sanitation suggested for monitoring of Gram Panchayats by the Ministry of Jal Shakti, Government of India and the service benchmarks suggested in the study sponsored by the State Finance Commission of Chhattisgarh, the Commission Recommends determining the 'Service Benchmarks' as per Table No. 12.3 for monitoring the citizen services provided by the Gram Panchayats.**

**Table 12.3
Gram Panchayat Service Benchmarks**

No.	Description	Indicators	Benchmark
1. Water Supply			
1.1	Expansion	Tap water supply in all habitations	100 percent
1.2		Tap connection in all houses	100 percent
1.3	Amount	per capita water supply	55 lpcd
1.4		Water supply at fixed time every day	100 percent
1.5	Continuity	Monthly payment of electricity bill related to water supply	100 percent
1.6	Quality	Clean water supply	100 percent
1.7	Cost recovery	Cost recovery of water supply service	100 percent
2. Cleanliness			
2.1	Access	There are toilets in all the houses of the Gram Panchayat	100 percent
2.2	Use	All household toilets are usable	100 percent
3. Solid waste management			
3.1	Expansion	Garbage is being collected from all the houses	100 percent
3.2	Resolve	Proper disposal of collected waste	100 percent
3.3	Cost recovery	Cost Recovery of Solid Waste Management	100 percent
4. Waste water management			
4.1	Expansion	All internal paved roads have drains on both sides	100 percent
5. Street Lighting			
5.1	Expansion	There are street lights on all the unpaved roads	100 percent
5.2	Continuity	Street light electricity bill is being paid every month	100 percent
5.3	Cost recovery	Recovery of street light maintenance expenses	100 percent

- 12.9** The data required to calculate the benchmark of each indicator and information on calculation of the indicator is given in Annexure 12.1

Assessment of requirement of financial resources for Panchayati Raj Institutions.

- 12.10** SFC CG is of the opinion that providing civic facilities to the population of rural areas - like water supply. Solid waste management waste water management. street lighting, construction of internal roads. and streets conservation of water sources, development of general recreational facilities etc. should be focused on, thereafter, depending on the availability of resources, work can be done on other subjects which are given in the 11th schedule of constitution. Therefore, the commission has focused its recommendations only on the development of civic amenities.

Gram Panchayat

- 12.11** Due to the decision of the Commission to focus its recommendations on civic amenities while assessing the requirements of financial. resources the commission has taken into account the expenditure incurred on providing civic amenities by the Panchayati Raj Institutions. A detailed review was done by the SFC after receiving online Information's from Panchayati Raj Institutions. It is found in the review that Gram Panchayat Spend Rs. 834 per person on providing civic facilities to its citizen, out of this Rs. 257 is spent in the form of maintenance expenditure and Rs. 577 is spent as capital expenditure.

Table 12.4
Per Capita Maintenance and Capital Expenditure by Gram Panchayats on Civic Facilities

No.	Civil liberties	Maintenance expenses	Capital expenditure	Total expenditure
1-	Water supply	60.93	95.88	156.81
2-	Street lighting/lighting system	12.90	29.74	42.64
3-	Sanitation/solid waste management	32.62	48.26	80.88
4-	Road improvement (Internal roads/streets)	38.88	126.07	164.95
5-	Drainage/wastewater management	15.41	51.75	67.16
6-	Building construction	31.25	103.00	134.25
7-	Other	65.27	122.37	187.64
Total Expenditure		257.26	577.07	834.33

Source – 4Th SFC

- 12.12** According the census 2011, the rural Population in Chhattisgarh was 1.96 Cr., according to the population estimates of the ministry of Health and Family Welfare Government of India, it is estimated to be 2.17 Cr. in 2030. Population projections are also available for the 4th SFC award period 2025 to 2030. Detailed population projections are given in Annexure 12.2

Maintenance Expenditure

- 12.13** To estimate the resources for Gram Panchayats the SFC has taken into account only the minimum civic services provided by the Gram Panchayats. The Commission agrees that Gram Panchayats should provide civic services at par with urban bodies hence instead of the average maintenance expenditure of Gram Panchayats, the need for maintenance expenditure has been estimated on the basis of maintenance expenditure on civic facilities provided by the Nagar Panchayats of the state.

Table 12.5
Required Maintenance Expenditure in Nagar Panchayats (Equitable to Gram Panchayats) During Award Period

No.	Description	Average maintenance expenditure per capita Nagar Panchayat (2017-18 to 2021-22) (Amount in Rs.)	Estimated population 2025 (people in lakhs)	Required maintenance expenditure per year (Rs. 4x Rs 7) (Amount in Rs crore)	Necessary maintenance expenditure for 5 years from 2025-26 to 2029-30 (No. 8X5) (Amount in Rs crore)
1	2	4	7	8	9
1	Water supply	56.03	222.99	124.94	624.71
2	Street light	34.33	222.99	76.55	382.76
3	Solid waste management	60.41	222.99	134.71	673.54
4	Road Construction	51.60	222.99	115.06	575.31
5	Drainage waste water management	30.48	222.99	67.97	339.84
6	Building construction	16.34	222.99	36.44	182.18
7	Other	161.66	222.99	360.49	1802.43
Grand total		410.85		916.16	4580.77

Source – Budgets of Respective Years

12.14 Between the analysis period i.e. 2017-18 to 2021-22 the per capita maintenance expenditure of Nagar panchayats in Chhattisgarh is RS. 410.85 per year. Based on the estimated rural population of 222.99 lakh. for the year 2025, Gram Panchayats will require Rs. 916.15 crore every year and a total of Rs. 4580.77 crore in five years. Civic services wise amount required for the award period i.e. 2025 to 2030 is shown in Table No. 12.5.

Capital Expenditure

- 12.15** While estimating the need for capital expenditure in Gram Panchayats, the capital expenditure incurred on providing basic civic facilities has been taken into account. Water supply, a major head under civic amenities is being arranged under the 'Jal Jeevan Mission' scheme. Therefore, there is no need to estimate capital expenditure for this purpose during the award period. Therefore, only the capital expenditure on street lights, solid waste management, road construction and drain construction has been included in the calculation of required capital expenditure.
- 12.16** According to Table No. 12.10 there is a need to make arrangements for, solid waste management in 74 percent Gram panchayats constriction of drains in 42 percent Gram Panchayats and street lighting in 49 percent Gram Panchayats. Similarly, 57% of the roads of Gram Panchayats are yet to be concreted. For all these (except water supply), to provide basic civic amenities in Gram Panchayats as per the calculations of the state Finance commission at current prices and as per population of 2011, capital expenditure of RS. 19215 per person is required. On this basis for the estimated population of 222.99 lakh in the year 2025, a total capital expenditure of Rs. 42847. 53 crore will be required.

Table 12.6
Required Capital Expenditure In Gram Panchayats In Award Period

No	Description	Required Capital Expenditure per Capita (Amount in Rs.)	Estimated population 2025	Total Required Capital Expenditure (Co. 3X Co. 4) (Amount in Rs. crore)
1-	Street light	220	2,22,99,000	490.58
2-	Solid waste management	70	2,22,99,000	156.09
3-	Road Construction	10,514	2,22,99,000	23,445.17
4-	Drainage/Wastewater management	8,411	2,22,99,000	18,755.69
Sum		19,215		42,847.53

Source - 4TH SFC

12.17 The highest amount required is Rs. 23445.1712. crore for construction of internal roads of Gram panchayats and Rs. 18755.09 crore is estimated to be required for construction of drains on both sides of the roads. The estimated capital expenditure required for street lights in Gram Panchayats is Rs. 490. 58 cr. Although the facility of street lights is available in 51 percent of the Gram Panchayats of the state, there maybe a need to replace the for previously installed lights in view of the possibility of them being expired and damaged. Therefore, all gram Panchayats have been included in the estimate. Similarly, although the work of solid waste management is being done in 26 percent of Gram panchayats, but considering the needs to replace the existing rikshaws etc. the capital amount is estimated at Rs. 156.09 cr. for all the Gram Panchayats.

Calculation of Per Capita Capital Expenditure

12.18 The estimates of per capita capital expenditure have been made on the basis of the rates given by the representatives of Panchayati Raj Institutions for road construction and drain construction while receiving suggestions from them. The internal roads of Gram Panchayats have been estimated at the rate of Rs. 25 lakh per kilometre (3 meters wide and 6 inches thick) or Rs 2500 per metre. Similarly, the drain has been estimated at the rate of Rs 1000 per metre (one foot wide and one foot deep). The parameters of roads and drains may vary us per requirement. The procedure for calculating the estimated required capital expenditure for Gram Panchayats is given in detail in Annexure 12.3 .

Janpad and Zila Panchayats

12.19 Janpad and Zila Panchayats units are an integral part of the three-tier Panchayati Raj. The Jurisdiction of Janpad and Zila Panchayats is only Gram Panchayats. These units mainly administer the development schemes for Gram Panchayats and monitor the implementation of their development plans. The needs of Gram Panchayats have been estimated in the previous section. With the same estimated amount, all three Panchayati Raj Institutions will work together as per the role given in the chhattisgarh Panchayati Raj Act. Therefore, in this section only the necessary revenue expenditure for janpad and Zila Panchayats will be calculated.

12.20 Based on the data collected by the SFC, the average revenue expenditure of a Janpad Panchayat in 5 Year between 2017-18 to 2021-22 is Rs. 2.50 cr. The total revenue expenditure of all 146 Janpad Panchayats in one year becomes Rs. 365.00 cr. On applying mathematical formula (Total revenue expenditure of Janpad

Panchayats/total rural population of the state in 2011), Then the per capita revenue expenditure of Janpad Panchayats is Rs. 186.15. Based on the current per capita revenue expenditure, in the award period of the commission, based on the estimated population of the year 2025, for the Janpad Panchayats, a total of Rs. 415.10 crore will be required for one year and Rs. 2075.48 cr. for 5 years.

Table 12.7
Estimated Expenditure for Gram Panchayats and Janpad Panchayats

No.	Description	Current per capita Revenue Expenditure (Amount in Rs.)	Based on estimated population of 2025	
			Estimated revenue expenditure for one year (Amount in crores of rupees)	Estimated revenue expenditure for five year (Amount in crores of rupees)
1-	Janpad Panchayat	186-15	415-10	2075-48
2-	Zila Panchayat	22-13	49-35	246-74
Sum		208-31	464-51	2322-55

Source – 4TH SFC

1 Per capita revenue expenditure X estimated population of 2025 i.e. 22299000.

2. Annual revenue expenditure X 5.

- 12.21** The revenue expenditure per Zila Panchayat is currently Rs. 1.55 Cr. and the total revenue expenditure of 28 Zila Panchayats is Rs. 43.40 Cr. Under revenue expenditure Rs. 22.13 per person is being spent by the Zila Panchayats on the basis of 2011 census. Based on the current per capita revenue expenditure of Rs. 22.13, in the commission's award period i.e. 2025 to 2030, a total of Rs. 49.35 Cr will be required for Zila Panchayats in one year and a total of Rs. 246.74 Cr for 5 years.
- 12.22** Thus, according to the assessment of the Fourth state Finance commission. a total of Rs. 49,750. 52 Cr. will be required for the three-tier Panchayati Raj Institutions in the commission's award period 2025-26 to 2029-30. In this, Rs.47428.30 Cr is required for Gram Panchayats and Rs. 2075.48 Cr. and Rs. 246.74 Cr. are required for Janpad and Zila Panchayats respectively. Out of the total estimated amount required, revenue expenditure is estimated at Rs. 6902.99 Cr. and Capital expenditure is estimated at Rs. 4287.53 Cr. This can be seen in Table 12.8.

Table 12.8
Total Required Amount for Panchayati Raj Institutions in Award Period
i.e. 2025-30

(Amt. in Cr. Rs.)

No.	Description	Village Panchayat	District Panchayat	District Panchayat	Sum
1-	Revenue expenditure	4,580.77	2,075.48	246.74	6,902.99
2-	Capital expenditure	42,847.53	—	—	42,847.53
	Sum	47,428.30	2,075.48	246.74	49,750.52

Source – 4Th SFC, Chhattisgarh

Estimation of the Requirements of Urban Local Bodies

Service Gap

- 12.23** To estimate the amount required for the local urban bodies for the five years for the award period of the SFC from 2025-26 to 2029-30, it is necessary to know the service gap of the citizen services being provided by the urban bodies.

Table 12.9
Service Gap in Civic Services Provided by Urban Bodies

No.	Description	Percentage of service coverage available	Percentage of service outstanding
1-	Percentage of population having tap water facility	59.30	40.70
2-	Percentage of population having underground sewerage facility	05.00	95.00
3-	Percentage of length of unpaved roads in total internal roads of urban bodies	82.90	17.10
4-	Percentage of length of roads with roadside drains to total internal roads	76.65	23.35
5-	solid waste management		
	A. Percentage of area with solid waste collection	93.44	6.56
	B. Percentage of regularly cleaned roads out total roads	66.67	33.33
6-	Percentage of length of roads with street lighting facility out of total roads	78.61	21.39

Source – Chhattisgarh Government's Budgets of Respective Years.

- 12.24** 59.30 percent population of urban bodies has tap water facility, only 5 percent population has under ground sewage drainage facility, out of the total internal roads of urban bodies 17. 10% roads are unpaved. Solid waste is being collected

from 93.44 percent areas of urban bodies and regular cleaning is being done in 66.67% of the roads. Street light facility is available in 78.61 percent of the roads of the urban bodies. The service Gap of the civic services provided to the citizens by the urban bodies in the state is given in Table No. 12.9. On the basis of these service gaps, the required maintenance expenditure and the capital expenditure has been estimated.

Estimation of Required Financial Resources for Urban Bodies

- 12.25** While estimating the needs of the Urban bodies. it has been kept in the mind that the expenditure on those services for which the work is being done through other schemes has not been included in the estimation. Tap water facility is being provided through the Central Government scheme AMRUT (Atal mission for Rejuvenation and urban Transformation - AMRUT) and other state schemes. Therefore, the maintenance expenditure of tap water facility has been included in the assessment of requirements, but the capital expenditure has not been taken into account.
- 12.26** It is a challenge to develop sewage disposal facilities in urban bodies while operating the present system smoothly. This will require a detailed action plan and financial resources. Therefore, the state Finance Commission has considered sewage drainage facility as challenging and has not taken it into account in the assessment of maintenance and capital expenditures of urban bodies.
- 12.27** **The State Finance Commission recommends that a high-level committee of national level experts and departmental officers be formed to prepare a study based plan for developing sewage drainage facilities in the urban bodies of the State and in accordance with the recommendation of the committee, the implementation of the schemes and arrangement of funds should be done by the State Government in a phased manner.**
- 12.28** To estimate the requirements of urban bodies, the State Finance Commission has included basic services like water supply, solid waste management, internal urban roads, drainage and Street lighting in its estimation of requirements. Urban transport and traffic system are also been included in the citizen services provided by urban bodies. In the report of the High-Powered Expert Committee Constituted by the ministry of urban Development Government of India to estimate the investment required for Indian Urban Infrastructure and Services has also included urban transport and traffic support system in its estimates. The State Finance

Commission is of the opinion that the commission should firstly focus on the availability of basic civic facilities and in view of the fact that other Central and State schemes have been started for the development of urban transport and traffic support system. therefore, both these services have not been included in the commission's estimates of requirements.

Maintenance Expenditure

- 12.29** In the report of the expert committee constitute by the Ministry of Urban Development, Government of India, per capita maintenance expenditure has been made the basis for estimating the required investment in urban bodies. The state finance commission has estimated the necessary expenditure for the urban bodies on the basis of the per capita maintenance expenditure determined by the said expert committee and the estimated urban population (85.68 lakh) in chhattisgarh in the year 2025. According to the data collected from the Urban bodies of the State, the average maintenance expenditure per person between 2017-18 to2021-22 is Rs 762.52. In the report of the Expert committee, the maintenance expenditure of the remaining five basic services excluding sewage disposal is estimated at Rs 1114 per capita at 2009-10 prices. In view of the need to improve and expand the basic civic services of the Urban bodies, without making any increase in the per capita maintenance expenditure determined by the Expert Committee, has been used to estimate the maintenance expenditure for the Urban bodies of the state.

Table 12.10
Estimated Maintenance Expenditure Urban Bodies

(Amt. In Cr. Rs.)

No.	Basic civil service	per capita maintenance expenditure	Estimated maintenance cost of one year	Estimated maintenance expenditure for five years
1	2	3	4	5
1-	Water supply	501	429.26	2146.28
2-	Solid waste management	155	132.80	664.02
3-	Urban Roads	397	340.15	1,700.75
4-	Drain	53	45.41	227.05
5-	Street lighting	8	6.85	34.27
Sum		1,114	954.47	4,772.37

- 12.30** On the basis of per capita maintenance expenditure of Rs. 1114 for the Urban Bodies of the state, for the estimated population of 85.68 lakh in 2025, a total of Rs 954.47 Cr. will be required in one year and a total of Rs. 4772.37 Cr. in five years. As shown in Table No. 12.10, Under maintenance expenditure, the highest amount estimated to be Rs. 2146.28 Cr for water supply service and Rs. 1700.75 Cr. for maintenance of urban roads.

Capital Expenditure

- 12.31** The requirement of capital expenditure has been estimated on the basis of expenditure incurred in completing the outstanding services and providing basic citizen services to the newly added population till the award period. The expenditure on outstanding services has been calculated on the basis of

Box 12.1 Per Capita Required Capital Exp. (Amt. In Cr. Rs.)		
No.	Civic service	Per capita expenditure
1-	Solid waste management	391
2-	Urban roads	22,974
3-	Drain/Rain water drainage	3,526
4-	Street lighting	366
Sum		27,257

Source – Report of expert committee constituted by ministry of urban development, GOI.

service gap shown in Table No. 12.9. The cost of paving internal unpaved roads has been calculated at Rs. 6 Cr. per kilometre and the cost of constructing the remaining drains has been estimated at Rs.4 Cr. per kilometer. Discussions have been held with concerned departments to estimate the cost of construction of paved roads and drains. The parameters of internal roads and drains of cities generally vary depending on the need and location. The cost may also vary us per the criteria. Similarly, the outstanding street lighting expenditure has been estimated on the basis of Rs. 2000 per unit. on the basis of service gap. a total expenditure of Rs. 22691.95 Cr. is estimated on paving the outstanding unpaved roads, construction of drains and street lighting. Detailed description can be seen in Table No. 12.11 .

Table 12.11
Required Capital Expenditure For UBs

No.	Description	Required capital expenditure
Part-A		
1.	Capital expenditure on outstanding facilities	
	A. Cost of paving outstanding kutch roads (Annexure- 12.4)	11418.00
	B. Cost of construction of outstanding drain (Annexure-12.5)	10536.00
	C. Outstanding street lighting cost (Annexure-12.6)	11.72
	D. Solid waste management	726.23
	Sum	7171.31
2.	Capital expenditure to provide civic amenities like solid waste management, drains, internal roads and street lighting to the new population of 26.31 lakh (Annexure- 12.7)	7171.31
3	Sum 1 and 2	29863.26
4	Point no. the estimated expenditure for items other than those shown in 1 and 2 is Rs. An amount equal to 10 percent of Rs 29863.26 crore	2986.33
5	Yoga Bindu 3 and 4	32849.59
6	Estimated expenditure for renovation and redevelopment of total urban areas is Rs. An amount equal to 12 percent of Rs 32849.59 crore	3941.95
7	Sum points 5 and 6	36791.54
8	Capacity building 2.5 percent of the total amount	919.78
	Grand Total	37,711.32

Note- Process of the calculation of each expenditure has been given in respective Annexures.

Source – 4TH CFC Chhattisgarh.

- 12.32** According to the census 2011, the urban Population of Chhattisgarh was 59.37 lakh, which is estimated to be 78.10 lakh in the year 2021 and 95.15 lakh by 2030. Thus, the urban population is estimated to increase by 26.21 lakh between 2011 to 2030. According to the high-powered expert committee constituted by the Ministry of Urban Development, Government of India. The capital expenditure required per capita to provide civic amenities to this additional population is Rs. 27,257. Based on this per capita expenditure, Rs. 7171.31 Cr. will be required to provide basic civic services to the increased population of 26.21 Lakh by 2025.
- 12.33** An expenditure of Rs. 29863.26 Cr. will be required for supply of the outstanding services for urban bodies and to provide civic services to the new Population. According to the report of the expert committee of Ministry of Urban

Development, 10% of the estimated expenditure for urban bodies is required for other items, 12% is required for renewal and redevelopment of urban areas and 2.5% is additionally required for capacity building. Thus, a total of Rs. 37711.32 Cr. will be required. Its detailed discussion is available in table no. 12.11.

- 12.34** According to the assessment of the State Finance Commission, for the award period 2025-30, the amount required for expenditure by urban bodies is Rs. 42483.69 Cr. of which Rs. 4772.37 Cr. is estimated under maintenance expenditure and Rs 37711.32 Cr. under capital expenditure.

Table 12.12
Total Required Amount for Urban Bodies

(Amt. In Cr. Rs.)

No.	Description	Amount
1-	Maintenance expenses	4,772.37
2-	Capital expenses	37,711.32
Sum		42,483.69

Source -4th SFC Chhattisgarh.

- 12.35** Thus, the estimated expenditure required for the basic civic amenities is Rs. 49750.52 crore for Panchayati Raj Institutions and Rs. 42483. 69 Cr. for Urban Bodies.
- 12.36** The state Finance Commission has estimated the service Gap and financial resource requirements of local bodies on the basis of data collected for five years from 2017-18 to 2021-22. All information has been sought online. It is necessary to continuously monitor the citizen services provided by the Panchayati Raj Institutions and Urban bodies and their income and expenditure by the Directorate of Panchayat and Urban Administration and Development.
- 12.37** Therefore, the State Finance Commission Recommends that the receipts and expenditure of the Panchayati Raj Institutions and urban bodies and the citizen services provided by them should be regularly monitored against the prescribed benchmarks. Data regarding the status of civics amenities against the benchmark should also be made public through the website.
- 12.38** For the implementation of Recommendation 12.37 Panchayat and Urban Administration and Development Directorates will regularly need data related to income-expenditure and the actual status of service provided. The State Finance Commission recommends that "for obtaining data, software of Panchayat and

Urban Administration and Development directorate and State Finance Commission can be used. After feeding information by local bodies in the software, report is received in pre-determined format. With minimum effort by both the directorates, the software can be updated through Chips as per requirement. The software is available in Chips server".

Receipts of Local Bodies

- 12.39** As per Constitutional Provisions, Panchayati Raj Act, Municipal Corporation Act and Municipality Act, following are the sources of revenue receipts of local bodies:
1. Power to impose taxes and duties within one's Jurisdiction.
 2. As assigned receipts a part or full amount of such taxes, cess, surcharges as per rules which are imposed at the state level and for which provision is made in the Acts and Rules.
 3. Receipts on the recommendation of State Finance Commission.
 4. Receipts on the recommendation of Central Finance Commission.
 5. Grant Payable by the State Government.
- 12.40** Over the period from 2017-18 to 2021-22 the average receipts of local bodies of Chhattisgarh from various source are Rs 4901.06 Cr., in which the receipts of Panchayati Raj Institutions are Rs. 2280.15 Cr. and the receipts of urban bodies are Rs 2620. 91 Cr. According to table no. 12.13, in Panchayati Raj Institutions the income from own sources is 3% of total receipts, whereas for urban bodies it is 28 percent of the total receipts of Panchayati Raj Institutions, highest 53% amount is received from the recommendation of the Central Finance Commission while 35 percent amount is received from the recommendation of State Finance Commission. bodies also receive about 15-15 percent of the amount on the recommendation of the Central and State Finance Commissar. Urban bodies receive 43 percent of total receipts through assigned receipts or grants. Due to the abolition of taxes included in the assigned receipts or inclusion in Goods and Service Tax, an amount equivalent to the amount provided under those taxes is being provided as grant, hence the share of receipts under grants appears to be higher.

Table 12.13
Average Annual Receipts of Local Bodies During 2017-18 To 2021-22
(Amt. In Cr. Rs.)

No.	Description	Gram Panchayat	Civic Bodies	Sum
1.	Income from own source	68.86	727.66	796.52
		(3.02)	(27.76)	(15.99)
2.	Assigned receipts	202.01	75.28	277.29
		(8.86)	(2.87)	(5.72)
3.	Grant	—	1044.79	1044.79
		—	(39.86)	(20.89)
4.	Receipts on the recommendation of the State Finance Commission	806.29	391.00	1197.29
		(35.36)	(14.92)	(24.65)
5.	Receipts on the recommendation of the Central Finance Commission	1202.99	382.18	1585.17
		(52.76)	(14.58)	(32.75)
Grand total		2,280.15	2,620.91	4,901.06

Source – 4Th SFC Chhattisgarh. The Data of 'Income from Own Sources have been taken from sample survey and rest of the data have been taken from budgets of respective years.

Resource Gap

- 12.41** The resource gap is the difference between the local bodies own receipts and the possible expenditure on discharging the assigned responsibilities. It seems legitimate to include income from own source and assigned receipts in the own receipts of local bodies to reduce this gap a constitutional provision for devolution of local bodies has been made on the recommendation of the Central and State Finance Commission. The magnitude of the resource gap and the possibility of eliminating or reducing it will be considered further in this section.
- 12.42** Assigned receipts are included in the own source receipts of local bodies. In award period 2025-30, the receipts from own sources of Panchayati Raj Institutions are estimated at Rs. 2421.17 Cr. which is estimated at Rs. 16515.89 Cr. for urban bodies, whereas for maintenance and capital expenditure, Panchayati Raj Institutions and urban local bodies are estimated to require Rs. 49750.52 Cr. and Rs. 42483.69 Cr. respectively. Thus, the receipts from local bodies' own sources are Rs. 18937.21 Cr. and the estimated amount required for expenditure is Rs. 92234.21 Cr. Hence the resource gap of local bodies is Rs. 73297.15 Cr. This is

shown in Table No. 12.4. The Calculation sheet of the projected amount is given in Annexure 12.10 and Annexure 12.13

Table 12.14
Resource Gape of Local Bodies During 2025-30

(Amt. In Cr. Rs.)

No.	Description	Expected receipts from own sources in five years	Probable expenditure on discharge of given responsibilities	resource gap
1-	Panchayati Raj Institutions	2,421.17	49,750.52	47,329.35
2-	Urban local body	16,515.89	42,483.69	25,967.80
Sum		18,937.06	92,234.21	73,297.15

Source – 4Th SFC, Chhattisgarh

Strategy to Fill the Resource Gap

- 12.43** It is clear from Table No. 12.14 that the resource gap is very large which cannot be filled easily. Efforts need to be made at all levels to fill it. The following strategy can be adopted for this: -

Own source receipts of Gram Panchayats

- 12.44** According to the data compiled by the State Finance Commission, 60 percent of Gram Panchayats levy taxes, out of which one-third Gram Panchayats do not collect taxes. 40 percent of Gram Panchayats not even levying taxes. If all the Gram Panchayats collect taxes at the current rate, then an average of Rs. 159.45 Cr. would have been collected every year whereas the current collection is RS. 63.78 Cr. Thus, Panchayats would have received additional receipts of Rs.95.67 Cr. According to Table No. 12.15. if taxes are collected by all the Gram panchayat in the 5 years of award period, the Panchayats will have additional receipts of Rs.855. 14 Cr from their own sources.

Table 15.15
Projected Receipts After Levy of Tax By 100% Gram Panchayats

(Amt. In Cr. Rs.)

No	Description	2025–26	2026–27	2027–28	2028–29	2029–30	Sum
1	Receipts from own tax sources on taxation by 100 % Gram panchayats	233.45	256.80	282.48	310.72	341.80	1425.24
2	Receipts from own sources on taxation by 40 % Gram panchayats	93.38	102.72	112.99	124.29	136.72	570.10
	Difference in receipts	140.07	154.08	169.49	186.43	205.08	855.14

Source – 4Th SFC, Chhattisgarh

- 12.45** The State Finance Commission recommends that in order to encourage the Gram Panchayats for taxation, an amount equivalent to the income received from their own sources should be provided to the Gram Panchayats in the form of performance grant.

Assigned Receipts

- 12.46** Assigned receipts are a major head of the revenue receipts of the local bodies. Under assigned receipts, local bodies receive a part or the entire amount of taxes, cesses, surcharges and fees as per provision made in the Acts and Rules, which are imposed and collected by the state government.
- 12.47** There is a provision in the Act and Rules to provide the amount of taxes cesses, surcharges on fees to the local bodies in the form of assigned receipts as follows -
1. According to the Panchayat Act 1993 the amount of cess on land and revenue will be provided to the Panchayats.
 2. According to Panchayat Act 1993, municipal Corporation Act 1956, Municipality Act 1961and Indian stamp Act 1989, one percent additional stamp duty amount will be provided to Panchayati Raj Institutions and Urban Bodies on registration of properties.

3. According to Chhattisgarh Minor Mineral Act 1996, royalty received from minor minerals will be provided to the concerned Panchayati Raj Institution and urban bodies as per rules.
 4. According to Madhya Pradesh Cess Act 1981 and Chhattisgarh Cess (Amendment) Act 2022, the amount of Cess imposed on transfer of agricultural and vacant land equal to 5 percent of the transfer consideration price will be provided to Panchayati Raj Institution.
 5. According to chhattisgarh Excise (Amendment) Act 2010, 10 percent surcharge on excise duty will be transferred to Panchayati Raj Institution and Urban Bodies on the basis of their populations.
- 12.48** Out of the heads mentioned in para 12.47 only one percent additional duty imposed on stamp duty and royalty received from minor minerals are being provided to local bodies, but the process of its distribution needs to be organized.
- 12.49** **Therefore, the State Finance Commission recommends that, like the Directorate of Urban Administration and Development Department, the Panchayat Directorate should also obtain information regarding the amount of additional stamp duty and minor mineral royalty from Commercial Tax (Registration) Department and Mineral Department respectively and include it in its budget and take action for transfer to the Panchayati Raj Institution.**
- 12.50** Out of the amount of minor mineral royalty, 67 percent amount related to Panchayati Raj Institution and 100 Percent amount related to Urban bodies is distributed by the Mineral Resources Department of Chhattisgarh Government to the concerned department through the office of the collector. But 33 percent amount related to Panchayati Raj Institution which is given to the Panchayat Directorate is not being transferred to the concerned institutions at present. **The State Finance Commission Recommends that, the 33 percent amount of the minor mineral royalty which is given to the Panchayat Directorate, should be provided to the concerned Panchayati Raj Institutions.**
- 12.51** According to Chhattisgarh Panchayati Raj Act 1993, the amount of cess on land revenue is to be provided to Gram Panchayats. Due to waiver to land revenue by the State Government, land revenue cess is also not collected and hence it is not transferred to the Gram Panchayats. **The State Finance Commission recommends that the Panchayat Department, in Co-ordination with the Finance Department and Revenue Department, should estimate the amount of possible land revenue**

cess and then, its equivalent amount should be provided to the Gram Panchayats as compensation.

- 12.52** According to Madhya Pradesh cess Act 1981 and Chhattisgarh cess (Amendment) Act 2022, 5 Percent cess amount collected on transfer of agricultural and vacant land is being deposited in Rural Development Fund but it is not being transferred to Panchayati Raj Institution. **The State Finance Commission Recommends that the amount collected from the imposed cess, which is given to the Rural Development Fund, should be distributed to the Gram Panchayats with immediate effect and its transfer should be started on regular basis. The amount of cess in last 5 Year is given in Table 12.16.**

Table 12.16
Actual and Projected Amount Available in Rural Development Fund

(Amt. In Cr. Rs.)						
Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Sum
Sub Amount	30	30	30	30	30	150.00
year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Sum
Projected amount	30	30	30	30	30	150.00

Source – Budget Papers of respective years.

- 12.53** In the Chhattisgarh Excise (Amendment) Act 2010, provision has been made to collect 10 percent surcharge on excise duty and transfer it to Panchayati Raj Institutions and urban bodies but, it is not being transferred to the local bodies. The Commission recommends that "**the amount of 10 percent surcharge should be transferred on regular basis**".

Table 12.17
Actual and Projected Amount Of 10% Surcharge on Excise Goods

(Amt. In Cr. Rs.)						
Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Sum
Actual amount	281.88	318.81	323.04	246.18	261.27	1431.18
Year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Sum
Projected amount	382.53	420.78	462.86	509.14	560.06	2335.35

Source – 4Th SFC, Chhattisgarh

- 12.54** Under the current assigned receipts, funds are being transferred to the Urban bodies of the state under the following 8 heads –
1. One percent additional duty on stamp duty.
 2. Transfer of Royalty/ Revenue received from minor minerals.
 3. Grant of F.L. License fees to urban bodies

4. General purpose Grants
 5. Grant to urban bodies for road repair from the income received from tax on vehicles
 6. Grant to municipal bodies equal to the income received from entry tax.
 7. Grant to urban bodies from state excise duty
 8. Special grant to local bodies in lieu of abolition of passenger tax.
- 12.55** Out of the 8 heads shown in para 12.54, only the amount collected under Sr. No. 1 and 2 is being transferred to urban bodies in the form of assigned receipts. The amount under heads shown from serial number 3 to 8 are being provided to the Urban bodies in form of grants instead of assigned receipts. During the period from 2017-18 to 2021-22, Urban bodies have received an average of Rs. 1044.73 Cr. every year as grants under these heads whenever these taxes were imposed, the tax collection also increased due to increase or development in economic activities which directly benefited the urban bodies. Now due to lump sum amount being provided as grants in place of taxes, the urban bodies do not get the benefit of increase in economic activities and they suffer loss. It can be seen from Table No. 12.18 that the total projected amount of grant for five years is 7.72 percent of the total projected amount of state Goods and service tax. Therefore, **the State Finance Commission recommends that instead of the grant being given under 6heads in the above paragraph 12.54 (Sr. Number 3 to 8) to the urban bodies, an equivalent amount of 7.62 percent of State Goods and Service Tax should be provided in the form of assigned receipts.**

**Table 12.18
% of Projected Grants to Projected SGST In Award Period**

(Amt. In Cr.Rs.)

No	Year	Projected Receipts from Goods and Service Tax	Projected grant amount	Percentage of projected grant amount to projected State Goods and Service Tax
1	2022-23	11,795.96	1,149.27	9.74
2	2023-24	13,565.35	1,264.20	9.32
3	2024-25	15,600.15	1,390.62	8.91
Adjudication period				
4	2025-26	17,940.18	1,529.68	8.53
5	2026-27	20,631.21	1,682.64	8.16
6	2027-28	23,725.89	1,850.91	7.80
7	2028-29	27,284.77	2,036.00	7.46
8	2029-30	31,377.49	2,239.60	7.14
Sum		1,20,959.54	9,338.83	7.72

Source 4Th SFC, Chhattisgarh

12.56 The amount received by the local bodies on the recommendation of the Central Finance Commission has an important place in the income of local bodies. Receipts from the Central Finance Commission constitute 32.75% of the total receipts of local bodies during the period 2017-18 to 2021-22. Out of the total receipt of Panchayati Raj Institutions, 52.76% is received from the Central Finance Commission. In the award period of State Finance Commission i.e. 2025-30, the projected amount of Rs. 14169 Cr. is likely to be received from the recommendation of the Central Finance Commission. The projected amount to be received from the Central Finance Commission during the award period is given in Table No - 12.19.

Table 12.19
Projected Amount Received from Central Finance Commission

(Amt. In Cr.Rs.)

No	Year	Panchayati Raj Institutions	Civic bodies	Sum
1	2025-26	1,761.30	559.55	2,320.85
2	2026-27	1,937.43	615.50	2,552.93
3	2027-28	2,131.17	677.06	2,808.23
4	2028-29	2,344.29	744.76	3,089.05
5	2029-30	2,578.72	819.24	3,397.95
Sum		10,752.90	3,416.11	14,169.01

Source – 4Th SFC, Chhattisgarh.

Fund related Recommendations of State Finance Commission

12.57 As per State Finance Commissions assessment of the needs of local bodies the local bodies require a total of Rs. 92234.71 Cr. in the award period from 2025-26 to 2029-30, out of this an amount of Rs. 18937.06 Cr. is estimated to be received by the local bodies from their own sources. Receipts from own source also include the amount received from the state government under assigned receipts. Thus, the resource gap is Rs. 73297 Cr. The estimated amount to be received from the central Finance Commission during the award period is Rs. 14169.01 Cr. In case of taxation by all Gram Panchayats, Gram Panchayats will get additional revenue of Rs. 855.14Cr. during the award period. Moreover, under the assigned receipts, local bodies will also receive the amount under two heads first rural development fund and second 10 percent surcharge on excise duty. The transfer of funds for these heads has been recommended by the State Finance Commission. Thus, the local bodies will receive an additional amount of Rs. 2485.35 Cr. over the total projected amount under these heads.

Table 12.20
Receipt of Local Bodies from Other Sources

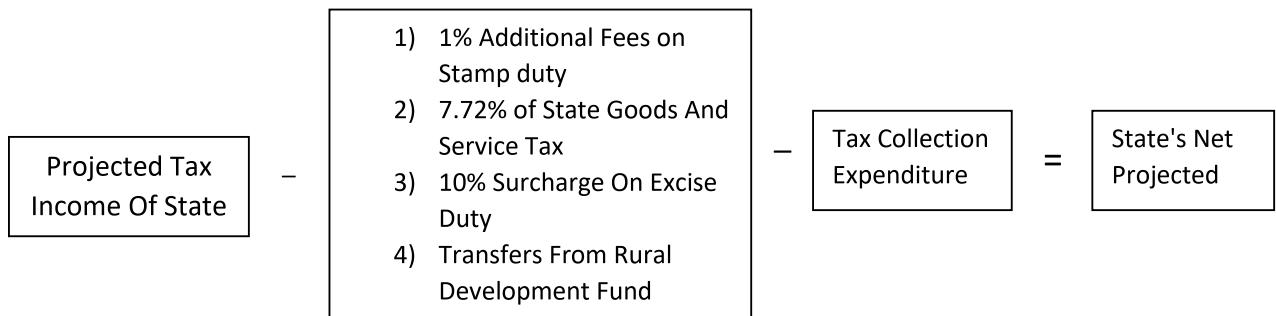
(Amt. In Cr.Rs.)

No	Description	Amount
1-	On the recommendation of the Central Finance Commission	14,169.01
2-	Additional receipts from own sources on taxation by all Gram Panchayats	855.14
3-	Estimated receipts under two additional heads of assigned receipts	2,485.35
Sum		17,509.50

Source – 4Th SFC, Chhattisgarh.

- 12.58** Thus, in case of receipt of Rs. 17509.50Cr from various sources, the resource gap of local bodies will reduce to Rs.55787. 65 Cr, To fill this resource gap, the State Finance Commission has to consider. It is not possible for Finance Commission to recommend such a huge amount for 5 years. Considering the spending capacity of local bodies, this does not seem necessary. In view of the state of State Finances, the State Finance Commission recommends that "**10 percent of the State's Net Tax Income should be transferred to the local bodies**".
- 12.59** Projected values of tax income of the state have been taken to calculate the amount to be devolved to local bodies on the recommendation of the State Finance Commission. Net projected tax income has been obtained by deducting the tax amount transferred as assigned receipts and tax collection cost from the projected Tax income of the state. out of the projected income thus received, 10 percent amount has been calculated for transfer to local bodies.

Picture - 12.1 Computation of State's Net Projected Tax Income



12.60 Based on the methodology described in para 12.58, the amount of 10 percent of projected net tax income has been calculated in Table No. 12:21. Thus the total recommended estimated amount for the award period 2025-30 is Rs. 22854.51 Cr. which is 10 percent of net projected tax income.

Table 12.21

Calculation of Amount of Devolution from State's Own Tax Income for The Award Period

(Amt. In Cr. Rs.)

No	Description	2025-26	2026-27	2027-28	2028-29	2029-30	Sum
1	Projected tax income of the state	39527	43480	48731	54854	60887	247479
2	Income received from such tax/cess which is devolved directly to local institutions (Annexure 12.15)	2194.69	2411.16	2649.28	2911.20	3199.33	13365.66
3	Tax collection expenditure	889.36	978.30	1096.45	1234.22	1369.96	5568.28
4	State's projected net tax income	36442.95	40090.54	44985.28	50708.58	56317.72	228545.06
5	10 percent amt. of net tax income	3644.30	4009.05	4498.53	5070.86	5631.77	22854.51

Source – 4th SFC, Chhattisgarh.

12.61 Even after devolution of Rs 22854.51 crore against the resource gap of Rs 55787.65 Cr., the local bodies will still have a short full of Rs. 32933.14 Cr. For this award period, the 16th Central Finance Commission has been constituted on January 2021. The State Finance Commission Recommends that "**to fill the gap of requirement of Rs. 32933 Cr. of the local bodies, the same should be sought by the State Government from the 16th Finance Commission and the this should be included by the State Government in its memorandum**".

Division between Panchayati Raj Intuitions and Urban Bodies Vertical Division

12.62 According to census 2011, the total population of chhattisgarh is 2.55 crore of which 76.76 percent is rural population and 23.24percent is urban population. According to the report of ministry of Health and Family welfare, Government of India, on July 2020, the estimated population of the state will be 3.09 crore in 2025.

which will include 72.24 percent rural population and 27.76 percent urban population. According to the report, the rural population of chhattisgarh will be reduced to 70.65 percent till 2030 (Annexure 12.2).

- 12.63** On the basis of the ratio of rural and urban population in the 2001 census by the First State Finance Commission of chhattisgarh and 2011 census by the second and Third State Finance Commissions, the recommended amount has been divided between Panchayati Raj Institutions and Urban bodies. The census for the year 2021 has not been conducted but government figures of the estimated population from 2021 to 2030 are available. According to the procedure adopted by the previous commission, the recommended percentage can be distributed vertically between Panchayati Raj Institutions and the urban bodies on the basis of the ratio of rural and urban population in the estimated population of the year 2025.
- 12.64** In the discussion by the State Finance Commission with the public representatives and officials of the urban bodies, an issue was put before the commission that a large number of people come to the urban bodies every day from nearby and distant areas for employment, self-employment, education, health, business etc. This temporary population is in addition to the permanent population of urban bodies. Along with the permanent population, the urban bodies also have to make arrangements for civic amenities like water electricity, sanitation, transportation, street lights etc for this temporary population, but this temporary population is not counted by the State Finance Commission in its devolution formula. It was requested by them that the Commission should also take into consideration the temporary population while distributing resources.

Box 12.2

Vertical Division by Former State Finance Commissions of Chhattisgarh

Description	Census	Population Ratio	Vertical Division
1 st SFC	2001	79.9 : 20.1	6.63 : 1.66
2 nd SFC	2011	76.8 : 23.2	6.15 : 1.85
3 rd SFC	2011	76.8 : 23.2	6.91 : 2.07

- 12.65** The State Finance Commission takes cognizance of the issues raised by the public representatives and officials of the urban bodies and by partially increasing the estimated ratio of rural and urban population in the year 2025 i.e. 72.24:27.76, **the State Finance Commission recommends that out of the total recommended**

amount of 10 percent, 70% amount should be transferred to Panchayati Raj Institutions and 30 percent amount should be transferred to Urban Bodies.

- 12.66** The vertical division of the total recommended amount for the award period of State Finance Commission between Panchayati Raj Institutions and urban bodies is given in Table No. 12.22.

Table 12.22
Vertical Division of Recommended Amount Between PRIs& UBs

(Amt. In Cr .Rs.)

No.	Year	Total Estimated Recommended Amount	Panchayati Raj Institutions (70%)	Municipal bodies (30%)
1	2025-26	3,644.30	2,551.01	1,093.29
2	2026-27	4,009.05	2,806.34	1,202.72
3	2027-28	4,498.53	3,148.97	1,349.56
4	2028-29	5,070.86	3,549.60	1,521.26
5	2029-30	5,631.77	3,942.24	1,689.53
Sum		22,854.51	15,998.15	6,856.35

Source – 4th SFC, Chhattisgarh.

- 12.67** After vertical division between Panchayati Raj Institutions and urban bodies on the basis of population, out of the total estimated recommended amount of Rs. 22854.51 crore for local bodies, Rs.15998.15 crore is estimated to be devolved to Panchayati Raj Institutions and Rs. 6586.35 crore to urban bodies.

Table 12.23
Formula of Horizontal Division Between Panchayati Raj Institutions

No.	Criteria	Weighting of criteria (percentage)		
		First commission	Second commission	Third commission
1	Rural population	60	60	60
2	Rural land area/geographical area	20	20	20
3	Rural SC/ST population	10	10	10
4	Reflected Internal Revenue Collection	10	—	—
5	Line of families falling below the poverty line	—	10	—
6	Socio-economic and caste vocabulary index related to Census 2011	—	—	10
7	Women's Literacy	—	—	5

Source – 4th SFC, Chhattisgarh.

- 12.68** The amount recommended by the SFC as a fixed percentage of the net tax income of the state is divided horizontally among the Local bodies on the basis of the divisible formula suggested by the commission. For horizontal division among Panchayati Raj Institutions, 4 criteria each were recommended by the First and Second SFC and 6 criteria were recommended by the 3rd SFC. Out of these, three parameters i.e. Population, area and SC/ST population were taken by all the three commissions. Apart from this, the 1st FC recommended to include revenue collection, 2nd FC recommended to include the number of families below poverty line and the 3rd FC recommended to included privation index included in Socio-economic and cast census of 2011 and women literacy as parameters for devolution to Local bodies.
- 12.69** The distribution formulas for the distribution of the recommended amount are recommended by the SFC and are also accepted by the government in its Action Taken Report (ATR), but at the time of actual distribution of the recommended amount, the accepted distribution formula is not used.
- 12.70** The amount recommended by the CFC is also distributed to the districts on the basis of population and area, but while distributing the recommended amount among the Gram Panchayats at the district level, only the population factor is taken into consideration.
- 12.71** The following points are noteworthy regarding the distribution formula –
- Data related to the criteria taken in the distribution formula are not easily available Gram Panchayat-wise.
 - Even if the data is available, computer technology or software will be required to distribute the amount on the basis of more than one criterion, developing of which is a challenge in itself.
- 12.72** The SFC is of the opinion that until the necessary data is available at the GP level and technology is developed at the departmental level, it would be appropriate to distribute the amount on the basis of minimum criteria.
- 12.73** **Therefore, the State Finance Commission recommends that the recommended amount should be distributed among the Panchayat Raj Institutions only on the basis of population.**
- 12.74** **The State Finance Commission also recommends that the area of Gram Panchayats in scheduled area is large and the population is less, hence keeping in**

mind that, adopting the population criteria should not harm the Gram Panchayats of scheduled areas therefore, in addition to the amount normally received by all Gram Panchayats, an additional amount of Rs. 2.5 lakh per Gram Panchayat should be provided to the Gram Panchayats of the scheduled area.

Table 12.24
Distribution Formula of Horizontal Division Between Urban Bodies

No.	Criteria	Weight of criteria		
		First commission	Second commission	Third commission
1-	Population	10	70	70
2-	Revenue efforts	40	10	—
3-	Distance of public health and facility from highest per capita expenditure	50	—	—
4-	Area	—	10	20
5-	Slum population	—	10	—
6-	Performance grant	—	—	10

*By assuming the basis of slum population irrelevant, it has been recommended by 2nd SFC to give 80% weightage to population in context of nagar panchayat.

- 12.75** Like Panchayati Raj Institutions, for horizontal distribution among urban Bodies. the previous three State Finance Commissions have also recommended distribution or division of the recommended amount on the basis of various criteria or division formula. Population has been included in the criteria by all three previous commissions. The 1st SFC has given 10% weightage to population while it has been given 70 percent weightage by the 2nd and 3rd SFC. The receipts from own sources of urban Bodies in the five years between 2017-18 to 2021-22 are 28 percent of the total receipts. Before evaluating urban bodies on the basis of performance, they should firstly be strengthened. Along with this, the basic responsibility of the urban bodies is to provide basic civic services to the population living in their Jurisdiction, hence to simplify the process of distribution or the execution of recommended amount. the recommended amount can be distributed to the Urban Bodies only on the basis of population. It is noteworthy that like Panchayati Raj Institutions, the amount recommended by the SFC is also not distributed by the Urban Bodies on the basis of distribution formula or criteria. **The State Finance Commissions recommends the following criteria for horizontal distribution of the recommended amount among the Urban Bodies.**

Table 12.25
Criteria for Horizontal Distribution Between Urban Bodies

No.	Criteria	Weightage
1	Population	90
2	Area	10

Distribution of the Recommended amount among Panchayati Raj Institutions

- 12.76** During the discussion by the SFC with the representatives of Panchayati Raj Institutions, especially the representatives of Janpad Panchayat and Zila Panchayat said that the people of their wide area have a lot of expectations from them, but due to availability of very less funds for development works at the Janpad and Zila Panchayat level, they are not able to fulfil the aspirations of the people, therefore, the share of Janpad and Zila Panchayats in the amount received by Panchayati Raj Institutions on the recommendation of the State Finance Commission should be increased.

Box 12.3

Recommendations of Previous Finance Commissions of Chhattisgarh For Devolution of Fund Between PRIs

Sr. No.	Description	Recommendations		
		1 st SFC	2 nd SFC	3 rd SFC
1.	Gram Panchayat	90	85	80
2.	Janpad Panchayat	08	10	15
3.	Zila Panchayat	02	05	05

Source – Reports of Chhattisgarh SFCs.

- 12.77** The State Finance Commission is of the opinion that the objective of the three- tier Panchayati Raj is mainly the development of Gram Panchayats and the fund provided to the Janpad and Zila Panchayats is ultimately spent by them on the development of Gram Panchayats. Therefore, **the State Finance Commission recommends that the amount to be devolved to Panchayati Raj Institutions on the recommendation of the Commission, should be divided among Gram Panchayat, Janpad Panchayat and Zila Panchayat in the ratio of 85 percent, 10 percent and 5 percent respectively.**
- 12.78** Based on the recommended ratio i.e. 85 percent 10 percent and 5 percent, the estimated amount to be received by Gram Panchayats, Janpad Panchayats and Zila Panchayats is Rs. 13,598.43 Cr., Rs. 1,599.82 Cr. and Rs. 799.91 Cr. respectively.

Table 12.26
**Estimated Amount to Be Devolved to Gram Panchayats, Janpad
 Panchayats, Zila Panchayats on The Recommendation of The State
 Finance Commission**

(Amt. In Cr. Rs.)

No	Distribution	Estimated amount					
		2025-26	2026-27	2027-28	2028-29	2029-30	Sum
1	Gram Panchayat	2168.36	2385.39	2676.62	3017.16	3350.90	13598.43
2	Janpad Panchayat	255.10	280.63	314.90	354.96	394.22	1599.82
3	Zila Panchayat	127.55	140.32	157.45	177.48	197.11	799.91
Sum		2,551.01	2,806.34	3,148.97	3,549.60	3,942.24	15,998.15

Source – 4th SFC, Chhattisgarh.

Per capita recommended fund for Gram Panchayats

- 12.79** In the 1st year of the award period i.e. 2025-26, the per capita estimated recommended amount for Gram Panchayats is Rs. 1,105.85, which will increase to Rs. 1,708.95 in 2029-30. Thus, by multiplying the population of the Gram Panchayat by the per capita estimated recommended amount, the estimated recommended amount of any Gram Panchayat can be calculated. This can be seen in Table 12.27.

Table 12.27
Per Capita Recommend Amount for Gram Panchayats in The Award Period

(Amt. In Rs.)

Description	2025-26	2026-27	2027-28	2028-29	2029-30	Sum
Gram Panchayat	1,105.85	1,216.54	1365.07	1538.74	1708.95	6935.14

- 12.80** On the recommendation of the SFC, the average receipt per Gram Panchayat in the year 2025-26 is Rs. 18.59 lakh, which will increase to Rs.28.73 lakh in 2029-30. A total of Rs.1.17 crore is expected to be received per Gram Panchayat in the 5 years of award period. The SFC has recommended devolution of the recommended fund on the basis of Population, therefore, the actual receipts may be more or less depending on the population.

Table 12.28
Average Receipt of Recommended Amount by Each of The PRIs In the Award Period

Description	Number of Bodies						(Amt. In Rs.)
		2025-26	2026-27	2027-28	2028-29	2029-30	
Gram Panchayat	11664	18,59,015.40	20,45,084.93	22,94,773.56	25,86,728.84	28,72,860.22	1,16,58,462.95
Janpad Panchayat	146	1,74,72,647.54	1,92,21,491.25	2,15,68,282.67	2,43,12,332.91	2,70,01,645.17	10,95,76,399.56
Zila Panchayat	28	4,55,53,688.24	5,01,13,173.63	5,62,31,594.11	6,33,85,725.09	7,03,97,146.35	28,56,81,327.41

Source – 4Th SFC, Chhattisgarh.

Estimated Receipts of Local Bodies From own sources

- 12.81** The projected receipts of Local Bodies from their own sources, during the award period is Rs. 7119.68 Cr. The projected receipts of Panchayati Raj Institutions and Urban Bodies are Rs. 615.51 Cr. and Rs. 6504.17 Cr. respectively. Year-wise receipts during the award period can be seen in Table No.12.29.

Table 12.29
**Projected Receipts of Local Bodies from Their Own Sources
(Excluding Assigned Receipts)**

No.	Year	Panchayati Raj Institution	Civic bodies	Sum	(Amt. In Cr. Rs.)
1	2025–26		100.82	1,065.37	1,166.19
2	2026–27		110.90	1,171.90	1,282.80
3	2027–28		121.99	1,289.09	1,411.08
4	2028–29		134.19	1,418.00	1,552.19
5	2029–30		147.61	1,559.80	1,707.41
Sum		615.51	6,504.17	7,119.68	

Source – 4Th SFC, Chhattisgarh, Annexure 12.10, 12.13.

Assigned Receipts

- 12.82** The projected assigned receipts of Local Bodies during the award period is Rs. 11,817.38 Cr., out of which the projected assigned receipts of Panchayati Raj Institutions and Urban Bodies are Rs. 1,805.66 Cr. and Rs. 19,011.72 Cr.

respectively. The estimated receipt in the first year of the award period is Rs. 1935.66 Cr. which is expected to increase to Rs. 2,834.00 Cr. in the last year of the award period i.e. 2029-30. Detailed data are shown in Table 12.30.

Table 12.30
Projected Receipts of Local Bodies Under Assigned Receipts in
The Award Period

(Amt. In Cr. Rs.)				
No	Year	Panchayati Raj Institutions	Civic bodies	Sum
1	2025–26	295.76	1,639.90	1,935.66
2	2026–27	325.34	1,803.88	2,129.22
3	2027–28	357.87	1,984.27	2,342.14
4	2028–29	393.66	2,182.70	2,576.36
5	2029–30	433.03	2,400.97	2,834.00
Sum		1,805.66	10,011.72	11,817.38

Source – 1. 4Th SFC Chhattisgarh, Annexure 12.10, 12.13 2. Assigned Receipts are Inclusive of Grants.

Additional Receipts

- 12.83** Additional receipts of Rs. 88.15 Cr. is estimated from taxation by 100 percent Gram Panchayats during the award period. Similarly, under assigned receipts, additional receipts of Rs. 150Cr. and 2335.37 Cr. respectively are estimated from Rural Development Fund and 10 percent surcharge on Excise Duty. Thus, total additional receipts of Rs. 3340.52 Cr. are estimated.

Table 12.31
Additional Projected Receipts in The Award Period

(Amt. In Cr. Rs.)					
No.	Year	On 100% taxation by Gram Panchayats	Rural development fund	10 percent surcharge on excise goods	Sum
1	2025–26	140.07	30.00	382.53	552.60
2	2026–27	154.08	30.00	420.78	604.86
3	2027–28	169.49	30.00	462.86	662.35
4	2028–29	186.43	30.00	509.14	725.57
5	2029–30	205.08	30.00	560.06	795.14
Sum		855.15	150.00	2,335.37	3,340.52

Total Receipts

12.84 Local Bodies are estimated to receive Rs.59,301.09 Cr. from all sources in the 5years of award period against the estimated required amount of Rs. 92,234.21 Cr. The receipts of local bodies from all sources are shown in

Table 12.32

Total Estimated Receipts of Local Bodies in The Award Period

(Amt. In Cr. Rs.)

No	Year	Own sources	assigned receipts	Central Finance Commission	Additional receipts	State Finance Commission Recommendation	Sum
1	2025–26	1,166.19	1,935.66	2,320.85	552.60	3,644.30	9,619.60
2	2026–27	1,282.80	2,129.22	2,552.93	604.86	4,009.05	10,578.86
3	2027–28	1,411.08	2,342.14	2,808.23	662.35	4,498.53	11,722.33
4	2028–29	1,552.19	2,576.36	3,089.05	725.57	5,070.86	13,014.03
5	2029–30	1,707.41	2,834.00	3,397.95	795.14	5,631.77	14,366.27
Sum		7,119.67	11,817.38	14,169.01	3,340.52	22,854.51	59,301.09

Source – 4Th SFC Chhattisgarh.

Process of Fund Devolution to Local Bodies

Current Process - Panchayati Raj Institutions

12.85 There are mainly two types of transfers from the state to the Panchayati Raj Institutions - First is the amount recommended by the SFC and other is the assigned receipts. On the recommendation of the SFC, the fund to be transferred to Panchayati Raj Institutions is being provided through 09 schemes. One of the schemes is named- " Grants to Gram Panchayats for fundamental works" Under this scheme. funds are provided to all the Gram Panchayats. Gram Panchayats can spend this amount on fulfilling the basic responsibilities of the Gram Panchayats on priority basis. The remaining schemes are related to works related to specific purposes like concretization of internal roads and streets, drain construction. street lighting etc. Funds under these schemes are received only by those Gram Panchayats which are sanctioned funds under the scheme from the state level. The schemes operated with the recommended funds of the SFC are as follows –

1. Grants Gram Panchayats for fundamental work
2. Mukhyamantri Panchayat Sashaktikaran Yojna.

3. District Panchayat Development Fund
4. Capacity building of three-tier Panchayati Raj Institutions
5. Janpad Panchayat Fund
6. Secretarial system
7. Chhattisgarh State Rural and other Backward class Area Development Authority
8. Mukhyamantri Samagra Gramin vikas yojna
9. Internal electrification of village roads.

12.86 State Finance Commission makes following Recommendations –

1. Out of the total amount recommended by the commission for Panchayati Raj Institutions, 30 percent amount should be provided to the Panchayati Raj Institutions as untied fund, so that the Panchayati Raj Institutions can use this amount on the maintenance of basic citizen services.
2. 60 percent of the recommended amount should be provided to Panchayati Raj Institutions for carrying out capital works. This amount may be in the form of tied fund. In the capital head, works related to solid waste management (sanitation and cleanliness), construction of internal roads / lanes. drain construction and street lighting only have been included in the capital expenditure grant by the Commission. Detailed instructions for expenditure under these heads should be issued from the department.
3. From 5 percent of the amount recommended by the State Finance Commission, Additional amount should be provided to Gram Panchayats of scheduled area at the rate of Rs. 2.50 lakh per Gram Panchayat.
4. 5 percent of the recommended amount should be given as performance grant to encourage Gram Panchayats to Increase their income from their own sources.

Current Process - Urban Bodies

12.87 In exercise of the powers conferred by section 433 of Chhattisgarh Municipal Corporation Act 1956 and Section 355 of Chhattisgarh Municipalities Act 1961, Chhattisgarh Municipal Development Fund has been created for the infrastructural development of urban local bodies. The assigned receipts of urban local bodies and amount received on the recommendation of SFC are deposited in the Municipal Development Fund. After that, the funds are transferred to the local urban bodies in the following schemes –

1. Repair maintenance
2. Temporary drinking water relief
3. State sponsored scheme
4. Sanitation commando
5. Mission clean city for honorarium of self-help members (for safaimitra)
6. Mayor/ President Fund
7. Councillor fund
8. Aldermen fund
9. Shraddhanjali scheme
10. Estimated pending salary
11. Estimated electricity bill payment

12.88 The amount provided on the recommendation of the State Finance Commission is being given in the budget under two schemes, "Grant for basic services to Urban bodies" and "Infrastructural development to urban bodies". **The State Finance Commission recommends that out of the total amount recommended by commission for urban bodies, 30 percent amount should be provided as untied fund for maintenance expenditure, 65 percent amount should be provided as tied fund for capital works and the remaining 5 percent should be provided as performance grant.**

Process of fund devolution to local bodies

12.89 The State Finance Commission makes the following recommendations regarding the transfers of assigned receipts and amount received on the recommendation of State Finance Commission:

1. **According to the formula recommended by the commission, the amount to be shared with Gram Panchayats, Janpad Panchayats, Zila Panchayats, Municipal Corporation, Municipality and Nagar panchayats should be transferred directly through PFMS to a separate bank account opened for this purpose.**
2. **Necessary detailed guidelines should be issued by the concerned department to ensure that the tied and untied funds recommended by the State Finance Commission is spent as per the rules and the rules of financial discipline should be strictly followed.**

Performance Grant

12.90 The share of receipts from own sources in the total receipts of Panchayati Raj Institutes is 3 percent, which is very less similarly, the share of receipts from own sources in the total receipts of urban bodies is 28 percent which is also not very

encouraging. As a matter of fact, there should be an increase in the receipts from local bodies own sources. State Finance Commission is of the opinion that the local bodies should be encouraged to increase their own sure receipts.

- 12.91 The State Finance Commission Recommends that an amount equivalent to the amount received by the Panchayati Raj Institutions from their own sources in a year, should be provided as performance grant to that gram panchayat in the coming year.**
- 12.92** Even among urban bodies, the share of receipts from own sources in the total receipts of Nagar Panchayats and Municipalities is 13 percent and 15 percent respectively. The situation of municipal corporation is somewhat better. The receipts of Municipal Corporations from their own sources are 35 percent of total receipts. Thus, urban bodies also need to be encouraged to increase income from their own sources.
- 12.93 The State Finance Commission recommends that the amount increased by the urban bodies in their receipts from their own sources as compared to the previous year should be provided as performance grant to the urban bodies in the coming year.**

Convergence Grant

- 12.94** Many such schemes are run by the central and state government in which Gram Panchayats can avail the benefits of related scheme for the development work in their Panchayat area through convergence. For example, Mahatma Gandhi National Employment Scheme is such type of scheme. There are such types of other schemes also. Therefore, to encourage convergence by Gram Panchayats, **the State Finance Commission recommends that out of the total amount recommended by the State Finance Commission, Five percent should be provided to the Gram Panchayats under Convergence Head. This amount can be used only for convergence. The Panchayat Directorate should issue detailed guidelines regarding its use.**

Assistance Grant

- 12.95** The commission visited various divisional head quarters, district head quarters, Janpad Panchayats, Gram Panchayats and urban bodies to discuss with public representatives and officials of local bodies, obtain suggestions and closely observe the arrangements of bodies. Urban bodies and Gram Panchayats with religious, cultural and historical heritage informed about their problems. It was informed by a

religious, cultural city Ratanpur and Gram Panchayat Sirpur, a village with historical heritage, that the civic body has to make special arrangements for the pilgrims and tourists and has to spend additional fund on it but does not get any income from the tourists and visitors. Therefore, **the State Finance Commission recommends that the Panchayat and Urban Administration and Development Department should identify the rural and urban local bodies having such religious, cultural and historical heritage and assess the additional expenditure incurred by them and thus, the necessary fund should be provided to them in the form of assistance grant from the consolidated fund of the State.**

...



Serjus Minj

Chairman

Fourth State Finance Commission

Chhattisgarh

