

Chapter – 8

Evaluation of the Financial status of Three-Tier Panchayats

- **Transferred Amount to Panchayati Raj Institutions**
- **Income structure of Gram Panchayats**
- **Expenditure structure of Gram Panchayats**
- **Overview of Financial Status of Janpad Panchayats**
- **Overview of Financial Status of Zila Panchayats**
- **Accounts and Audit**
- **Human Resources**

- 8.1** For the success of Panchayati Raj, it is necessary that Panchayats strive continuously for financial self-reliance, can identify local resources in such a way that they can get economic benefits from the resources, the system of tax collection should be regular and economically beneficial and compliance of thrift be ensured. The financial condition of the three-tier Panchayats of the state has been studied in detail in this chapter and impact of their economic trends on rural development has also been pointed out. There are better possibilities of collecting obligatory taxes as well as optional taxes in the state, but these possibilities have not been exploited yet.

Transfers to Panchayati Raj Institutions

- 8.2** According to the state Budget Papers, a total of Rs. 11,056 Cr. was transferred to the three tier Panchayati Raj Institutions of the state during 2017-22 of which 54.4% was transferred on the recommendation of the Central Finance Commission and 45.6% was transferred by the State Government. The amount transferred from the State Government to the three-tier Panchayats during financial year 2017-22 was Rs. 5,041 Cr. of which 80% was the actual amount transferred against the recommendations of the State Finance Commission and 20% was the actual amount transferred from the amount collected from assigned taxes. (Table 8.1)\

Table 8.1
Actual transfer to Panchayati Raj Institutions

(Rs. In Crore)							
S. N.	Description	2017-18	2018-19	2019-20	2020-21	2021-22	Total 2017-22
1	Assigned revenue	274.8	61.8	183.2	176.1	314.2	1010.0
2	Amount received against the recommendations of the SFC	945.7	839.1	748.5	617.9	880.3	4031.4
3	Transfer from State Government (1+2)	1220.5	900.9	931.7	794.0	1194.5	5041.4
4	Amount received on the recommendation of the CFC	1022.2	1047.9	1415.9	1454.0	1075.0	6014.9
Total (3+4)		2242.7	1948.8	2347.6	2248.0	2269.5	11056.3

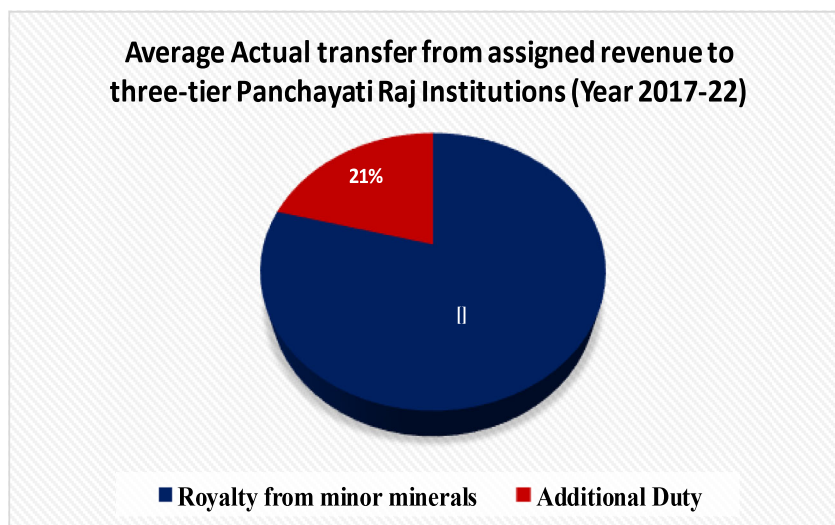
Source – Budget papers of C.G. Govt.

Assigned Revenue

- 8.3** Gram Panchayats receive assigned revenue from the State Government in the form of distribution of certain taxes. There are mainly five components of assigned revenue royalty of minor minerals, additional duty and cess on registration fees, land revenue cess, rural fund cess and surcharge on excise duty. According to the budget papers, an amount of Rs. 1,010 Cr. was transferred to three-tier Panchayats between 2017-22 as assigned receipts, of which 79.1% (799 Cr.) was transferred from the royalty of minor minerals and 20.9% was transferred as grant from registration fees No amount has been transferred from Land Revenue, Rural Development Fund and Excise surcharge. (Table 8.2)

Table 8.2
Actual transfer of Assigned to Panchayati Raj Institution

(Rs. In Crore)						
Description	2017- 18	2018-19	2019-20	2020 -21	2021- 22	Total (2017-22)
Minor mineral royalties	274.8	37.1	127.7	115.6	244.2	799.3
Stamp and registration fee	0	24.7	55.4	60.6	70	210.7
Total	274.8	61.8	183.2	176.1	314.2	1010.0



- 8.4** According to Finance Accounts 2021-22, Rs. 181.53 crore is available in the 'Panchayat Land Revenue Cess' and 'Registration Fee Fund' under the Reserve Fund of Public Accounts under schedule 22. This amount appears to be related to transfer to rural bodies which needs action to be taken.
- 8.5** As per budget of 2023-24, Rs. 30 Cr. is available in Rural development Fund under Public Accounts, there is no provision for its disbursement.
- 8.6** **The commission recommends that a provision be made in the upcoming budget to provide Rs. 181.53 Crore available in Land Revenue cess and Registration Fees and Rs. 30 crore available in Rural Development Fund to the Panchayats under the Reserve Fund of Public Account as shown in the State Budget Paper. It should be ensured that these funds are received by the Panchayats regularly in future.**
- 8.7** According to the information given by the excise department, a surcharge of 10% has been imposed on excise duty (Notification Annexure 8.1) from year 2017-18 to 2021-22, surcharge of Rs 1431.17 Cr. was received. It was to be distributed to rural and Urban bodies in proportion to the population, but there is no provision for distribution in the budget. Information about the amount received under this head from the year 2010-11 to the year 2016-17 is also not available.

- 8.8** The Commission recommends that after calculating 10 percent surcharge on excise duty for local bodies from the year 2010, the government should distribute the remaining amount to the local bodies based on availability of its resources and necessary provisions should be made in the upcoming budget for its regular payment.

Revenue of Sample Gram Panchayats

- 8.9** In order to study the amount transferred to Gram Panchayats through various heads, State Finance Commission has analyzed the financial receipts of 5,950 Gram Panchayats. Total amount of Rs. 6,149 Cr. was received by sample size 5950 Gram Panchayats under various heads between during the year 2017-22. Out of the total receipts of the sample Gram Panchayats, the revenue receipts of the Gram Panchayats from their own sources have been about 3% of the own revenue receipts of these Gram Panchayats, about two-third are non-tax revenues. Assigned receipts are about 5% of the total receipts. Out of the total receipts of Gram Panchayats, receipts on the recommendations of Central Finance Commission is more than compared to the receipts on the recommendations of State Finance Commission Capital receipts are about 1% of total receipts. (Table 8.3)

Table 8.3
Total receipts of sample Gram Panchayat from various heads

Description	(data in %)				
	2017-18	2018-19	2019-20	2020-21	2021 -22
(i) Revenue receipts of Gram Panchayat from their own source(1+2)	3	3	3	4	3
(1) Tax revenue of Gram Panchayats	1	1	1	1	1
(2) Non-tax revenue of Gram Panchayats	2	2	2	2	2
(ii) Receipts from State Government (3+4+5+6+7)	53	56	40	48	46
(3) Assigned receipts	6	7	4	6	5
(4) Receipts on the recommendation of the SFC	28	30	21	25	25
(5) Grant in any other scheme from the State Government	8	8	5	6	6
(6) MLA Fund	2	3	3	4	4
(7) other receipts	9	8	6	7	6
(iii) Receipts from Central Government(8+9+10)	43	39	57	47	49
(8) As per 14 th Finance Commission	41	37	54	12	2
(9) As per 15 th Finance Commission	0	0	1	34	46
(10) MP Fund	2	2	1	2	1
(iv) Receipts in the from of debt	1	2	1	1	1
(v) Total	100	100	100	100	100

(Figures are rounded off) Source- 4th SFC

Obligatory Tax Revenue of Gram Panchayats

- 8.10** Gram Panchayats have been conferred with power to levy and collection of taxes in order to encourage them for financial self-reliance. Under section 77 of Chhattisgarh Panchayati Raj Act 1993, Gram Panchayats have power to impose taxes. Tax revenue has been divided into obligatory taxes and optional taxes.

- 8.11** Gram Panchayats, in the form of obligatory taxes. may collect, taxes like Property tax on private land and buildings, tax on private toilets if they are cleaned by the Gram Panchayat, lighting tax on lighting facility provided by the Gram Panchayat, Profession tax on people doing business under the Gram Panchayat area, market fees on persons who keep goods for sale in any market or place belonging to or under the control of Gram Panchayat or in any building or structure therein, fees on the registration of animals sold in any market or place belonging to or under the control of the Gram Panchayat.
- 8.12** According to the study of sample Gram Panchayats by the 4th State Finance Commission, the total obligatory tax demand in the sample Gram Panchayats between 2017-22 was Rs. 78.53 Cr. of which only about 51%. (39.93 Cr.) could be collected.
- 8.13** The collection of obligatory taxes imposed by the Gram Panchayats is at a very low level. At the state level, only a little more than half of the Gram Panchayats collect obligatory taxes, out of which about 20% Gram Panchayats are not able to collect taxes due to various reasons despite imposing such taxes. There are 40% Gram Panchayats in the state which are not even imposing taxes. Despite the above challenges, the average obligatory tax receipt per Gram Panchayat Per year between the year 2017-22 is about Rs. 13,419 and the average obligatory tax receipt per person per year is about Rs. 8. (Table 8.4)

Table 8.4
Status of Tax Demand and Tax Recovery in Obligatory Tax of Sample G.P.

(Rs. In Crore)					
Description	2017-18	2018-19	2019-20	2020-21	2021-22
Tax demand	13.04	13.93	17.72	15.76	18.08
Tax recovery	7.57	7.88	8.78	7.59	8.11
Percentage of tax recovery (%)	58	57	50	48	45
Percentage of G.P. imposing tax	55	53	55	57	58
Percentage of G.P. who could not collect taxes after imposing it.	17	17	16	21	20
Average tax receipt per Gram Panchayat (Rs.)	12723	13238	14755	12751	13630
Per capita average tax receipt (Rs.)	7.56	7.87	8.77	7.58	8.10

- 8.14** It is clear from the study of sample Gram Panchayats that among the obligatory taxes imposed by Gram Panchayats, the highest tax demand is on collection of property tax on buildings, followed by lighting tax, profession or trade tax, animal sale registration tax and tax on private toilets respectively. Despite property tax on land and buildings being the largest head among the obligatory tax demand, its tax collection is not even 40% of the tax demand. The percentage of recovery is highest under the heads of animal sale registration tax demand and light tax demand respectively. (After property tax, the highest tax collection comes from light tax.) In

the past years, tax collection from trade tax has increased compared to animal sale registration tax.

- 8.15** Although, the percentage of Gram Panchayats having obligatory taxation in non-scheduled area is higher than that of panchayats in scheduled areas. But, the percentage of Gram Panchayats not collecting taxes in spite of imposition of taxes is also higher in the Gram panchayats of non-scheduled areas. The inability of Gram Panchayats to collect taxes against tax demand is disappointing - According to the sample survey of State Finance Commission. between 2017-22, the average obligatory tax receipt per gram panchayat per year in non - scheduled area is Rs. 16,621 whereas for the Gram Panchayats of scheduled areas, it amounts to Rs. 9,389. Further, the average obligatory tax receipt per person per year for the same period, in non-scheduled area is Rs. 9.4 whereas for scheduled areas, it is only 6.0 Rs.

Optional Tax revenue of Gram Panchayats

- 8.16** Schedule 2 of section 77 of the Panchayati Raj Act 1993 mentions the Optional taxes imposed by the Gram Panchayats, under which the Gram Panchayats levy taxes on buildings not falling under schedule 1 of section 77 of the Panchayati Ras Act, tax on the riding of animals. tax on bullock carts cycles or rikshaws if they are run on hire within the panchayat area, water tax, tax on inns, dharmshalas, rest houses and slaughter houses, drainage tax, tax on persons practicing the profession of buyer, agent. commission agent or measurer within the meaning of Chhattisgarh Krishi Upaj Mandi Act 1972 within the gram panchayat area except the mandi area, tax on construction and maintenance of public toilets, cleaning tax for garbage removal and disposal, entry tax on vehicle owners except for motor vehicles entering panchayat area, fees for Bullock cart or tanga stand. Fee for grazing of Cattle on pastures, public places, temporary construction sites and its usage.
- 8.17** According to the survey study of sample Gram Panchayats of the State Finance Commission, the total Optional tax demand between 2017-22 was Rs. 40.95 Cr. of which 83% tax has been recovered.
- 8.18** The percentage of collection of obligatory taxes for the sample Gram Panchayats is approximately 51% while the percentage of collection of Optional taxes is 83.2%, as a result, despite the amount of tax demand being higher under obligatory taxes, the gap between the actual amount of collection of obligatory taxes and Optional taxes is reduced.
- 8.19** Although the percentage of collection of Optional taxes is high, but in the sample Gram Panchayats, only about 20% Gram Panchayats are levying Optional taxes, out of which 3% Gram Panchayats levy taxes but are not able to collect them due to various reasons. The percentage of Gram Panchayats that do not levy tax on Optional tax heads is more than 77%. According to the survey of 4th State Finance Commission, the average Optional tax receipt per gram panchayat per year between 2017-22 is Rs. 11,447 and the average Optional tax receipt per person per year is

about Rs. 7. The reluctance of Gram Panchayats towards tax recovery, lack of political willpower and lack of suitable institutional motivation are adversely affecting the financial self-reliance of Gram Panchayats, while there is an inherent possibility of increase in the percentage of tax recovery.

Table 8.5
Tax Demand and Tax Recovery in Optional Tax of Sample G.P.

(Rs. In Crore)					
Description	2017-18	2018-19	2019-20	2020-21	2021-22
Tax demand	6.23	7.36	8.03	9.51	9.82
Tax recovery	5.45	6.41	7.05	7.42	7.73
Percentage of tax recovery (%)	87	87	88	78	79
Percentage of G.P. imposing tax (%)	19	19	20	21	21
Percentage (%) of G. P. that could not collect taxes after levying taxes.	3	3	3	3	3
Percentage (%) of G.P. not imposing tax	77	77	77	79	78
Average tax receipt per G.P. (Rs.)	9153	10775	11847	12475	12987
Per capita average tax receipt (Rs.)	5.44	6.40	7.04	7.41	7.72

- 8.20** It is clear from the study of sample Gram Panchayats that the highest tax demand under Optional taxes comes under the head of "water tax", which is followed by drainage tax and cleaning tax. The percentage of tax collection under water tax is also around 85% due to which the highest tax collection is achieved through water tax. The percentage of collection of drainage tax and cleaning tax is also satisfactory and exists as an important source of alternative tax revenue. The percentage of tax collection in non-scheduled areas is much higher than that in scheduled areas.
- 8.21** In non-scheduled areas of the state, about 27% to 29% Gram Panchayat are collecting Optional taxes, out of which 4% tax levying gram panchayat are not able to collect taxes due to one or the other reasons. Moreover, 70% to 72% Gram Panchayats are not even imposing taxes on Optional tax heads. The situation is even more disappointing in the scheduled areas. Only 9% to 12% of the Gram Panchayats in the scheduled areas are levying taxes on Optional tax heads, out of which 2% tax levying Gram Panchayats are not able to collect taxes due to various reasons, whereas more than 85% of the Gram Panchayats are not even levying taxes.
- 8.22** According to the study of sample Panchayats, the average Optional tax receipt per year Gram Panchayat in non-scheduled areas between 2017-22 is Rs. 18,399, whereas in scheduled areas, it is only Rs. 2,695. It is also worth noting that between 2017-22, the average Optional tax receipt per year per Gram Panchayat is Rs. 18,399 as compared to Rs. 16,621 in obligatory tax receipts.
- 8.23** The average obligatory tax receipt per person per year in the non-scheduled area from 2017-18 to 2021-22 is Rs. 9.4, and in the scheduled area, it is Rs. 6. During the same period, the average Optional tax receipt per person per year in the non-scheduled area is Rs. 10.4 and in scheduled areas, it is Rs. 1.7.
- 8.24** It is clear from the sample survey of Gram Panchayats of State Finance Commission that there is a complete lack of motivation regarding imposition of taxes on Optional

tax heads in the scheduled areas. Hence the average Optional tax receipts per gram panchayat and the average tax receipt per capita is at a low level. A comparative study of the average Optional tax receipts per Gram Panchayat in the non-scheduled area makes it clear that the scope for income under this head is very high even in the scheduled areas.

Non-Tax Revenue of Gram Panchayats

- 8.25** Under non-tax revenue, Registration fee on sale of animals in Gram Panchayat area and market fee on people importing goods from outside for sale in Gram Panchayat area, drainage tax, tax on entry of vehicles in Panchayat area, tax for grazing of animals in panchayat pasture area. taxes on construction and use of temporary structure at public places and taxes on inns, dharmshalas, rest houses and slaughterhouses have been included.
- 8.26** The study of sample Gram Panchayats by the 4th State Finance Commission makes it clear that the receipt of non-tax revenue is more than the receipt of tax revenue.
- 8.27** According to the sample survey of the State Finance Commission, between 2017-22, An average amount of Rs. 29,831 per Gram Panchayat has been received as non-tax revenue per year. The largest source of non-tax revenue is the amount of interest paid to Gram Panchayats which is one-third of the total non-tax revenue.

Table 8.6
Non-Tax Revenue Receipts of Sample Gram Panchayat

(Amount in Lac, share in percentage)

Description	2017-18		2018-19		2019-20		2020-21		2021-22	
	Amount	% share in total	Amount	% share in total	Amount	% share in total	Amount	% share in total	Amount	% share in total
Land/Building rent	114.20	6.95	156.59	9.12	175.73	9.65	132.15	7.04	164.96	9.08
Fees	81.25	4.94	80.80	4.70	74.23	4.08	66.23	3.53	86.20	4.75
Kanji House	16.56	1.01	10.93	0.64	13.20	0.72	15.22	0.81	12.59	0.69
Interest	820.17	49.92	764.00	44.48	757.36	41.58	1024.82	54.62	920.51	50.68
Other	610.94	37.18	705.43	41.07	800.95	43.97	637.88	34.00	631.94	34.79
Total	1643.12	100.00	1717.75	100.00	1821.48	100.00	1876.30	100.00	1816.20	100.00

- 8.28** On an average, Rs. 857.37 lakhs has been received by Gram Panchayats as interest Payment in last 5 years which is 48.25% of total non-tax revenue.
- 8.29** Based on the data collected by the Commission, the estimated receipt of the tax and non-tax revenue by the Sample Gram Panchayat's is approximately Rs. 159.45 crore, out of which Rs. 63.78 core is being collected by the Panchayats, which is only 40%.
- 8.30** Taxes or fees are being imposed by the Gram Panchayats on the basis of the rates prescribed in the Gram Panchayat Obligatory Taxes and Fees Rules, 1996. At present, based on the data collected by the Commission, the estimated income of the Gram

Panchayats from their own sources is RS. 159.45 crore per year. The contribution of own revenue in the financial receipts of Gram Panchayats is only 3%, which needs to be increased, for this, the Commission has the following recommendations -

1. **Efforts should be made by public representatives and administrative staff of Panchayats to create awareness among citizens regarding tax payments through continuous discussions.**
2. **Revision of the tax rates prescribed in the Gram Panchayat obligatory Taxes and Fees Rules, 1996 should be considered and the optimal Possibilities for increasing the tax rates and rationalizing them as per the need should be explored.**
3. **In the Gram Panchayat obligatory Taxes and Fees Rules, 1996, the rates have been determined on the basis of minimum and maximum limits on the basis of which the Gram Panchayats determine the amount of taxation under the prescribed procedure and then impose the prescribed tax or fee. Taxes or fees are not being imposed by 40 percent of the Gram Panchayats in the state. Therefore a provision should be made in the above rule that "If the tax or fee is not determined by the Gram Panchayat then the minimum rate of tax or fee mentioned in the rule will be automatically imposed and its recovery will be mandatory".**

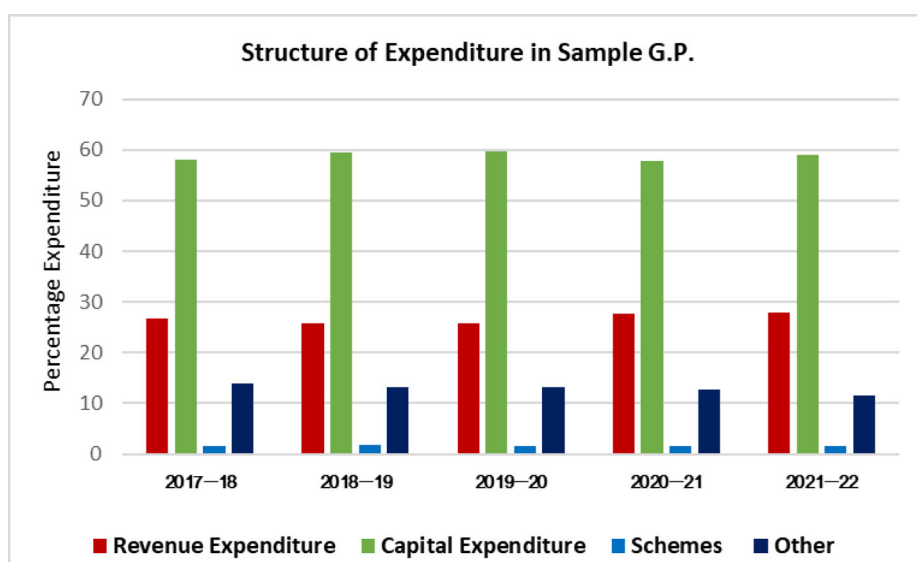
Structure of the Expenditures of Gram Panchayats

- 8.31** According to the survey-study of sample Gram Panchayats by the 4th State Finance Commission, the total expenditure of the sample Gram Panchayats between the periods 2017-22 is Rs. 5,000.3 Cr. in which the average expenditure per Gram Panchayat per year is Rs. 16.80 lakhs. In the total expenditures being incurred by the Gram Panchayats about 59% of the expenditure is Capital Expenditure and about 27% of the expenditure is revenue expenditures. The largest component of revenue expenditure is "maintenance expenditure" which is 25% of the revenue Expenditure. The remaining 14% expenditure comes under "other expenditure" and "expenditure on welfare schemes". (Table 8.7)

Table 8.7
Structure of Expenditure in Sample G.P.

(Rs. In Crore)

Description	2017—18		2018—19		2019—20		2020—21		2021—22	
	Amt.	% in Total expen diture	Amt.	% in Total expendi ture	Amt.	% in Total expendi ture	Amt.	% in Total expen diture	Amt.	% in Total expendi ture
Revenue Exp.(A)	282.3	26.7	259.0	25.7	242.6	25.7	279.9	27.7	273.3	27.9
Establishment(1)	15.2	1.5	16.0	1.6	14.7	1.6	16.1	1.6	15.7	1.6
Maintenance(2)	267.1	25.2	243.0	24.1	227.9	24.2	263.8	26.1	257.6	26.3
Capital Exp.(B)	614.7	58.1	600.4	59.5	561.9	59.6	585.3	57.9	577.8	59
Expenditure in welfare	15.7	1.5	17.8	1.8	13.7	1.5	16.4	1.6	14.6	1.5
Other	145.8	13.8	131.9	13.1	124.9	13.2	129.5	12.8	112.4	11.5
Total	1058.6	100	1009.2	100	943.1	100	1011.2	100	978.2	100



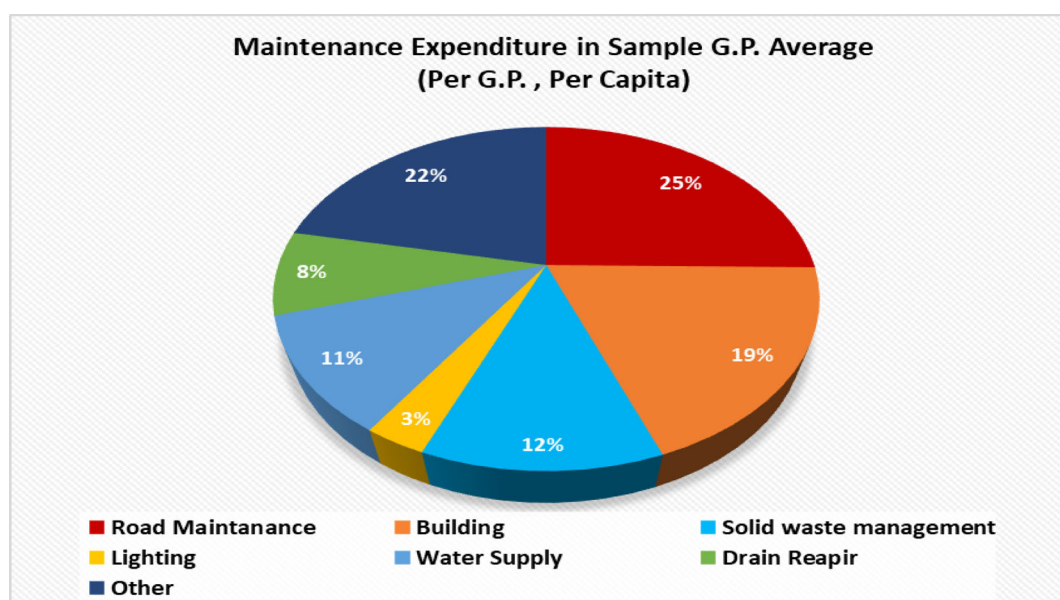
- 8.32** Out of sample Gram Panchayats, the average revenue expenditure per Gram Panchayat per year is Rs. 4.49 lakh, in which the average of establishment expenditure per Gram Panchayat per year is Rs. 26,118 and the average of maintenance expenditure per Gram Panchayat per year is Rs. 4,23,328. The out of sample Gram Panchayat, the annual average of Capital expenditure per Gram Panchayat is 988269.
- 8.33** Under maintenance expenditure, the maximum expenditure is being made for Water Supply Improvement. Both the quantity and percentage of expenditure for Water Supply improvement is continuously increasing. For sample gram Panchayats, the average expenditure for Water Supply improvement per Gram Panchayat per year between 2017-22 is Rs. 85,283 and average expenditure per capita per year for Water Supply improvement is Rs. 50.7. The average expenditure per gram panchayat per year of various components of maintenance expenditure in the sample Gram Panchayats between 2017-22 is Road improvement - Rs. 63,710 Solid Waste Disposal expenditure – Rs. 59,765, Building repair - Rs. 52,819, Drain repair Rs. 23,734 and lighting improvement - Rs. 19,343. (Table 8.8)
- 8.34** The average revenue expenditure per capita per year in gram panchayats of non-scheduled areas is Rs. 280 whereas this expenditure is Rs. 249 in Gram Panchayats of scheduled area. Maintenance expenditure per capita per year in Gram Panchayat of non-scheduled area is Rs. 260, which is higher than per capita per year Maintenance expenditure in the Gram Panchayat of scheduled areas. similarly, the establishment expenditure is also Rs. 20 per person per year in Gram Panchayats of non-scheduled areas, which is only Rs. 9 in scheduled areas.
- 8.35** In Gram Panchayats of non-scheduled areas, the maximum amount of maintenance expenditure is being spent on Water Supply improvement, which is more than 20%

of the total maintenance Expenditure followed by the expenditure on Solid Waste Disposal, Road maintenance, building maintenance, drain repair and lighting system improvement respectively.

- 8.36** In Gram Panchayats of scheduled areas, the maximum expenditure under the maintenance expenditure is being made for Road maintenance followed by expenditures made on Building maintenance and Solid Waste Disposal, although in these Gram Panchayats also, maintenance expenditure for Water Supply improvement is continuously Increasing in last years, reaching at the level of 20% of the total maintenance expenditure in the year 2021-22.

Table 8.8
Maintenance Expenditure in Sample G.P.

Description	2017–18		2018–19		2019–20		2020–21		2021–22	
	Amt.	% in total maintenance expenditure	Amt.	% in total maintenance expenditure	Amt.	% in total maintenance expenditure	Amt.	% in total maintenance expenditure	Amt.	% in total maintenance expenditure
Water supply improvement	46.9	17.6	45.7	18.8	47.4	20.8	52.7	20.0	61.0	23.7
Lighting improvement	9.5	3.6	10.5	4.3	10.7	4.7	14.0	5.3	12.9	5.0
Solid Waste Management	47.6	17.6	34.3	14.1	28.1	12.3	35.1	13.3	32.7	12.7
Road Maintenance	38.9	14.6	36.6	15.1	35.3	15.5	39.7	15.0	38.9	15.1
Drain Repair	14.3	5.4	13.1	5.4	12.9	5.6	14.8	5.6	15.4	6.0
Buildings	31.7	11.9	32.5	13.4	28.8	12.6	32.8	12.4	31.3	12.1
Others	77.9	29.2	70.2	28.9	64.7	28.4	74.6	28.3	65.3	25.4
Total	267	100	243.0	100	227.8	100	263.8	100	257.6	100



8.37 The average expenditure per capita per year in the sample Gram Panchayats between 2017-22 is Rs. 998.7. During this period, the revenue expenditure per capita per year is Rs. 267.7 which is Rs. 547.2 for capital expenditure. Under the revenue expenditure, per capita per year Rs. 50.7 is being spent on Water Supply improvement, Rs. 37.85 on road maintenance, Rs. 35.5 on solid waste disposal, Rs. 31.40 on Building repair, Rs. 14.10 on drainage repair and Rs. 11.5 on lighting improvements.

Table 8.9
Maintenance Expenditure in Sample G.P. (Per G.P. , Per Capita)

Description	2017-18		2018-19		2019-20		2020-21		2021-22	
	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend
Water supply improvement	78820	46.8	76786	45.6	79597	47.3	88668	52.7	102543	60.9
Lighting improvement	16061	9.5	17688	10.5	17925	10.6	23590	14.0	21703	12.9
Solid Waste Management	80008	47.5	57706	34.3	47221	28.1	58996	35.0	54893	32.6
Road Maintenance	65418	38.9	61621	36.6	59359	35.3	66720	39.6	65433	38.9
Drain Repair	24164	14.4	22088	13.1	21623	12.8	24870	14.8	25927	15.4
Buildings	53350	31.7	54633	32.5	48444	28.8	55076	32.7	52594	31.2
Others	130993	77.8	117950	70.1	108779	64.6	125476	74.6	109839	65.3
Total	448813	266.7	408472	242.7	382949	227.5	443396	263.5	432933	257.3

8.38 According to the sample study by Finance Commission, the average Capital Expenditure per Gram Panchayat per year is Rs. 9,88,269. Among the various components of capital expenditure, the average expenditure per Gram Panchayat per year is for road construction Rs. 2,49,147, Building construction – Rs. 1,87,992, Solid Waste Disposal - Rs. 1,18,151. Water Supply Rs. 1,09,248, Drain Construction - 78,171 Rs. and expenditure on lightings is Rs. 30,567 (Table 8.10)

Table 8.10
Capital Expenditure in Sample Gram Panchayat

Description	2017-18		2018-19		2019-20		2020-21		2021-22	
	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend	Per G.P. Average Expend	Per Capita Avrg. Expend
Water supply improvement	47.7	7.8	51.9	8.6	60.3	10.7	69.0	11.8	96.0	16.6
Lighting improvement	9.8	1.6	11.7	1.9	17.0	3.0	22.6	3	29.8	5.1
Solid Waste Management	135.0	22.0	68.4	11.4	43.8	7.8	55.9	9.6	48.3	8.4
Road	128.9	21.0	170.3	28.4	169.9	30.2	145.9	24.9	126.2	21.8

Maintenance										
Drain Repair	45.8	7.4	44.3	7.4	43.3	7.7	47.3	8.1	51.8	8.97
Buildings	112.6	18.3	125.3	20.9	106.9	19.0	111.3	19.0	103.1	17.8
Others	134.9	22.0	128.5	21.4	120.6	21.5	133.1	22.7	122.5	21.2
Total	614.7	100	600.4	100	561.9	100	585.3	100	577.8	100

8.39 On studying the sample Gram Panchayat area by classifying it as non-scheduled area and scheduled area it becomes clear that - The percentage of Capital Expenditure in the total expenditure is higher in the Gram Panchayats of scheduled area as compared to the Gram Panchayats of non-scheduled area. The average Capital Expenditure per capita per year in gram Panchayats of scheduled area is Rs. 594, while it is Rs. 584 for the Gram Panchayats in non- scheduled area.

8.40 In the Gram Panchayats of both scheduled and non-scheduled areas, the maximum expenditure Under Capital Expenditure is being made for road construction, followed by Capital Expenditure for Building Construction and Water Supply respectively. The share of Capital Expenditure under the head of Water Supply is continuously increasing.

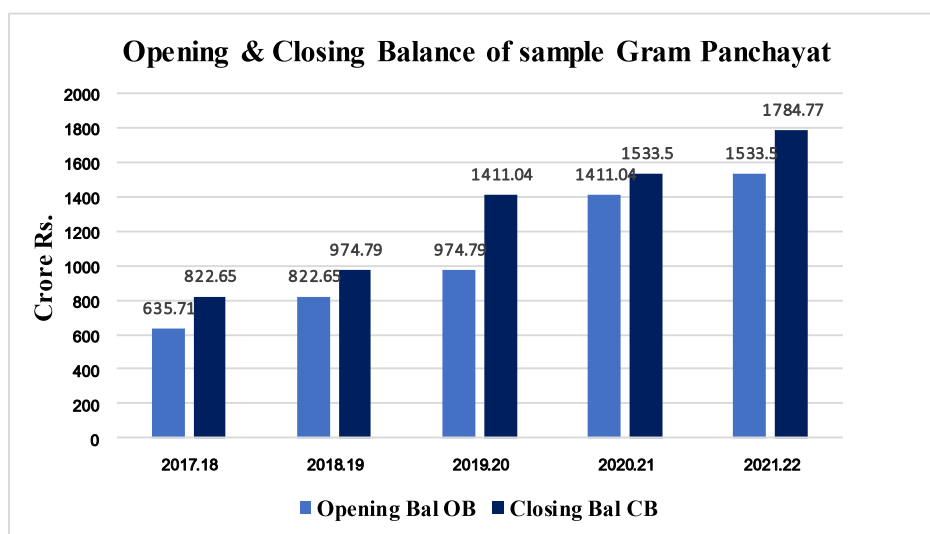
Opening Balance and Closing Balance

8.41 In the year 2017-18, the opening balance of 5,950 Gram Panchayats was Rs. 635.71 Cr. and the closing balance was Rs. 822.65 Cr. which increased to Rs. 1533.50 Cr. and Rs.1784.77 Cr. respectively in the year 2021-22. This imposes question mark on the spending capacity of Janpad Panchayats. There is a need to work on this.

Table 8.11
Opening and closing balance of sample G.P.

(Rs. In crore)						
S.N.	Description	2017-18	2018-19	2019-20	2020-21	2021-22
1	Opening balance	6,35.71	8,22.65	9,74.79	14,11.04	15,33.50
2	Closing balance	8,22.65	9,74.79	14,11.04	15,33.50	17,84.77

R



Review of the financial position of Janpad Panchayats

- 8.42** The taxing powers of the Janpad Panchayats are limited. However, the Janpad Panchayats can levy taxes on theatrical performances and other Public Entertainment performances. The Janpad Panchayats have the power to impose development tax on the agricultural lands and to collect fees for use or occupation of lands vested in, or maintained by the Janpad Panchayats.
- 8.43** 4th State Finance Commission has included 100 Janpad Panchayats as sample size to study the financial status of Janpad Panchayats in the state. which is 68.5% of the total Janpad Panchayats in the state, therefore, the financial conditions of the Janpad Panchayats displayed by the commission are in accordance with the actual conditions.
- 8.44** The total financial receipts of the Janpad Panchayats are shown in table 8.13. The own source receipts of the Janpad Panchayats are only 1% of the total receipts. The Janpad Panchayats are completely dependent on transfers from the State Government to meet their financial obligations and requirements. Janpad Panchayat's receipts from the recommendations of the State Finance Commission constitute about 19% of their total receipts, while assigned receipts have averaged 13.8% per year between 2017-22. (Table 8.12)

Table 8.12
Receipts of Sample Janpad Panchayats

(Rs. in Crore)

Description		2017-18		2018-19		2019-20		2020-21		2021-22	
		Amount	% of total Receipts	Amount	% of total Receipts	Amount	% of total Receipt	Amount	% of total Receipts	Amount	% of total Receipts
I	Receipts from own sources(1+2)	3.8	1	3.2	1	4.0	1	2.28	0	3.7	1
1	Tax revenue	0.5	0	0.1	0	0.1	0	0.01	0	0.01	0
2	Non tax revenue	3.3	1	3.1	1	3.9	1	2.27	0	3.7	1
II	Transfer from State Govt. (3+4+5+6+7+8)	404.8	99	459.0	99	354.4	99	369.1	70	371.4	72
3	Assigned receipts	73.6	18	59.4	13	51.0	14	60.1	11	68.1	13
4	Receipts from the recommendation of the SFC	102.2	25	100.3	22	59.6	17	74.6	14	84.2	16
5	amount received from state government in any scheme	95.5	23	87.7	19	76.3	21	76.0	14	79.4	15
6	MP/MLA fund	57.6	14	67.0	15	79.4	22	72.0	14	65.6	13
7	Amount received for transfer to Gram panchayat	36.7	9	61.5	13	45.2	13	45.6	9	36.7	7
8	Other grants	39.1	10	83.0	18	42.8	12	40.6	8	37.5	7
III	Transfer from centre (Recommendation of 13 th , 14 th FC)	0	0	0	0	0	0	156.4	30	141.9	27
IV	Grant total	408.5	100	462.2	100	358.4	100	527.4	100	517.1	100

Source – 4th SFC C.G.

- 8.45** Of the receipts of Janpad Panchayats, 99% are from non - tax revenue heads while only 1% are from revenue heads. Between 2017-22 tax revenue receipts of the

sample Janpad panchayats have decreased at the rate of 56% CAGR, while among non-tax revenue heads, rent receipts grew by 11.4%. and market fees and other receipts grew at a compound annual growth rate of more than 1%.

- 8.46** The assigned receipts of the Janpad Panchayats between 2017-22 averaged Rs. 3.12 Cr. per year per Janpad Panchayat, during which the assigned revenue from Royalty on minor minerals showed a decreasing trend while grants from stamp and registration fees showed an increasing trend.
- 8.47** About 50% of the amount to be distributed to the janpad panchayat on the recommendation of the State Finance Commission has been transferred for the honorarium of panchayat offices of which more than 20% of the amount has been transferred to the Janpad Panchayat Development Fund.
- 8.48** The study of Sample Janpad Panchayats makes it clear that between 2017-22, the revenue expenditure of Janpad Panchayats has increased at the rate of 1.61% CAGR. Moreover, the revenue expenditure of Janpad Panchayats is increasing rapidly and is at the level of about 20% of the total expenditure. whereas in the same period, the Capital Expenditure of the Janpad Panchayats has decreased at the rate of (-8.54%) CAGR and it is at the level of 3% of the total expenditure. The largest head of the expenditure of Janpad Panchayats is the expenditure on schemes from the funds received from the state government, which is 33% of the total expenditure.
- 8.49** Janpad Panchayats are spending about 87% of their total expenditure on establishment expenditure While 7% on maintenance expenditure. Establishment expenditure is increasing at the rate of 1.59% CAGR while maintenance expenditure is increasing at the rate of 5.50% CAGR.

Table No. 8.13
Expenditure Structure of Sample Janpad Panchayats

(Rs. In Crore)											
No.	Description	2017-18		2018-19		2019-20		2020-21		2021-22	
		Exp.	% of total exp.	Exp.	% of total exp.	Exp.	% of total exp.	Exp.	% of total exp.	Exp.	% of total exp.
1.	Revenue expenditure	49.42	20.11	46.65	17.38	48.43	20.45	52.98	20.46	52.68	22.08
2.	Capital expenditure	9.41	3.83	9.03	3.36	4.51	1.91	8.23	3.18	6.58	2.76
3.	Expenditure of amount received for state sponsored schemes	90.47	36.82	94.42	35.19	78.25	33.05	79.87	30.85	78.22	32.79
4.	Expenditure of MP fund, MLA fund	56.49	22.99	66.63	24.83	70.60	29.82	75.16	29.03	56.07	23.51
5	Transfers to Gram Panchayats	39.91	16.24	51.61	19.23	34.96	14.77	42.67	16.48	45.00	18.86
SUM		246	100.00%	268.35	100.00%	236.76	100.00%	258.92	100.00%	238.55	100.00%

Source – 4th SFC C.G.

Opening Balance and Closing Balance of Janpad Panchayat

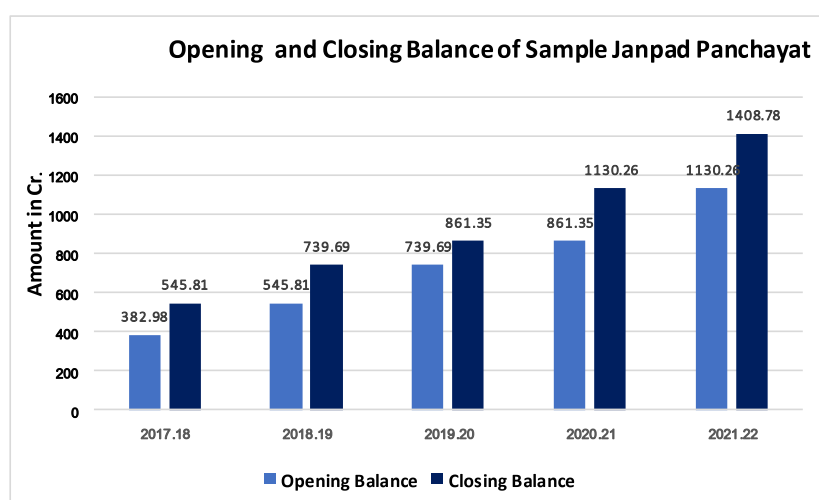
- 8.50** In terms of the Closing balance, the situation of Janpad Panchayats also, is similar to that of Gram Panchayats. In the year 2017-18. the closing balance of the sample Janpad Panchayats was Rs. 545.81 Cr. which increased to Rs. 1408.78 Cr. in 2021-22.

Table No. 8.14

Opening and Closing Balance of Sample Janpad Panchayat

(Rs. In Crore)					
Description	2017-18	2018-19	2019-20	2020-21	2021-22
Opening balance	3,82.98	5,45.81	7,39.69	8,61.35	11,30.26
Closing balance	5,45.81	7,39.69	8,61.35	11,30.26	14,08.78

Sources - 4th SFC C.G.



Review of the financial position of Zila Panchayats

- 8.51** Zila Panchayats have very limited powers in relation to taxation. They only have the power to increase surcharge on land revenue which they distribute to the Janpad Panchayats and Gram Panchayats falling under their Jurisdiction, a Part from this, as a non-tax revenue source, Zila Panchayats can give ponds on rent or lease for fish farming.
- 8.52** The 4th State Finance Commission has included 19 Zila Panchayats as a sample size in its survey. The Zila Panchayats are completely dependent on the funds received from the transfer from the State Government and the recommendations of the Central Finance Commission. The sample Zila Panchayats received only Rs. 16,168 per Zila Panchayat per year from their own revenue sources between 2017-22, most of which came from their own non-tax revenue Sources. between 2017-22, each of the sample Zila Panchayat received a total amount of Rs. 106.23 Cr. per year, of which Rs. 74.93 Cr. was received as a transfer from the State Government while Rs. 34.3 Cr. was received on the recommendation of the Central Finance Commission. In these

five years, on an average 70% of the total Amount received by the Zila Panchayat is from the amount transferred from the State Government.

Table 8.15
Receipts of Sample Zila Panchayat

(Rs. In crore)

Description		2017-18		2018-19		2019-20		2020-21		2021-22	
		Amt.	% in total receipt	Amt.	% in total receipt	Amt.	% in total receipt	Amt.	% in total receipt	Amt.	% in total receipt
I	Receipts from own sources(1+2)	0.2	0	0.05	0	0.06	0	0.06	0	0.06	0
1	Tax revenue	0.15	0	0	0	0	0	0	0	0	0
2	Non tax revenue	0.07	0	0.05	0	0.06	0	0.06	0	0.06	0
II	Transfer from State Govt. (3+4+5+6+7+8)	18320	76.4	1403.0	73.2	1283.0	59.7	1120.6	59.5	1195.0	68.4
3	Assigned receipts	89.0	3.7	53.6	2.8	82.4	3.8	59.2	3.1	60.9	3.5
4	Receipts from the recommendation of the SFC	400.9	16.7	339.5	17.7	230.3	10.7	192.3	10.2	294.4	16.9
5	amount received from state government in any scheme	472.4	19.7	270.2	14.1	174.7	8.1	107.7	5.7	105.4	6.0
6	MP/MLA fund	7.8	0.3	7.6	0.4	12.6	0.6	9.0	0.5	8.5	0.5
7	Amount received for transfer to Gram panchayat	193.7	8.1	101.6	5.3	257.3	12.0	143.7	7.6	147.1	8.4
8	Other grants	668.1	27.9	630.3	32.9	525.6	24.4	608.6	32.3	578.6	33.1
III	Transfer from centre (Recommendation of 13 th , 14 th FC)	564.9	23.6	512.2	26.8	867.0	40.3	761.7	40.5	550.8	31.6
IV	Grant total	2397.2	100	1915.3	100	2150.0	100	1882.3	100	1745.8	100

Source – 4th SFC C.G.

8.53 The largest component of the expenditure of Zila Panchayats is the expenditure of amount received in schemes from the State Government, followed by transfer of funds to Gram Panchayats and revenue expenditure respectively. For the year 2017 to 2022, the total expenditure of Zila Panchayat has declined at the rate of -20.5% CAGR. During this period, maintenance expenditure and establishment expenditure of Zila panchayats has declined to -67.35 % CAGR and -12.58% CAGR respectively. It is noteworthy that between 2017-22, with an annual average of Rs. 223.45 crore was spent by each Zila Panchayat, out of which revenue expenditure per Zila Panchayat averaged Rs. 331.61 crore per year and Capital Expenditure averages Rs. 8.7 Cr. per year.

Table 8.16
Expenditure Structure of Sample Zila Panchayat

(Rs. In Crore)											
S.N.	Description	2017-2018		2018-2019		2019-2020		2020-2021		2021-2022	
		Exp.	% of total exp.	Exp.	% of total exp.	Exp.	% of total exp.	Exp.	% of total exp.	Exp.	% of total exp.
1	Revenue exp.	282.42	21.14	266.05	26.20	43.72	6.23	17.07	2.59	29.45	5.52
2	Capital exp.	56.46	4.23	40.48	3.99	28.12	4.01	22.10	3.35	17.74	3.33
3	Expenditure of amount received for state sponsored schemes	637.17	47.70	416.72	41.03	225.69	32.17	274.95	41.68	190.86	35.79
4	Expenditure of MP fund, MLA fund	7.37	0.55	6.53	0.64	11.28	1.61	8.15	1.24	7.43	1.39
5	Transfers to Gram Panchayats	352.39	26.38	285.80	28.14	392.67	55.98	337.36	51.14	287.73	53.96
Total		1335.81	100.00	1015.57	100.00	701.48	100.00	659.62	100.00	533.21	99.99

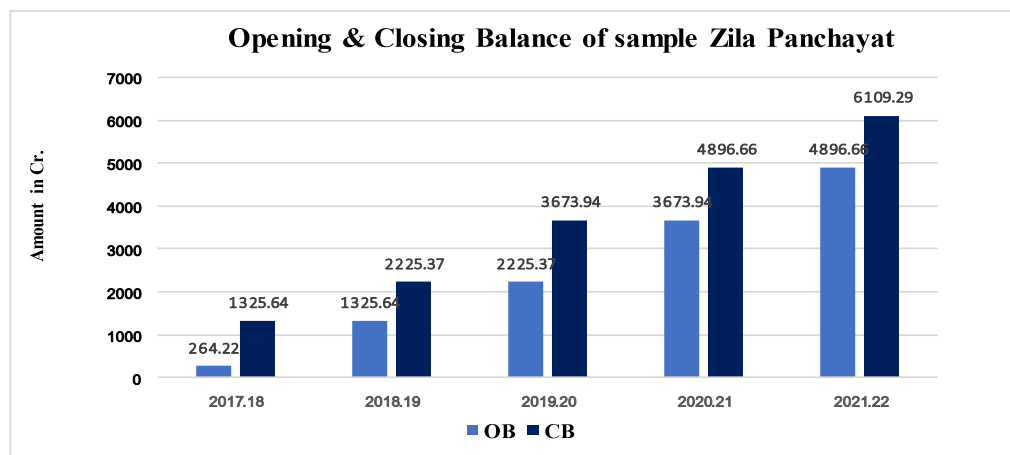
Opening balance and closing balance of Zila Panchayats

- 8.54** Based on the data compiled by 4th State Finance Commission the closing balance in 2021-22 after gradual increase in Rs 6,109.29 Cr. year-wise information of closing balance for the year 2017-18 to 2020-21 can be seen in Table 8.17.

Table 8.17
Opening and closing balance of Sample Zila Panchayats

Description	2017-18	2018-19	2019-20	2020-21	2021-22
Opening balance	2,64.22	13,25.64	22,25.37	36,73.94	48,96.66
Closing balance	13,25.64	22,25.37	36,73.94	48,96.66	61,09.29

Source – 4th SFC C.G



- 8.55** According to the data received of the final balance of three tier Panchayats, the closing balance in Gram Panchayat in Rs 1784.77 Cr., in Janpad Panchayat, it is Rs 1,408.78 Cr. and in the Zila Panchayat, it is Rs. 6,109.29 Cr. In the accounts of three-tier Panchayati Raj Institution, as of march 2022, the balance amount of Rs. 3,500 Cr. in Gram Panchayat, Rs. 2,056 Cr. in Janpad Panchayats and Rs. 9,003 Cr. in Zila Panchayat is estimated to be available, which requires serious consideration.
- 8.56** As of march 2022, the closing balance in rural Panchayati Raj Institutions is estimated to be Rs. 14559 crore. According to the data received from the Gram Panchayats, the contribution of the amount received from interest in non-tax revenue income is approximately so percent. **Therefore, the commission recommends that "rules should be made for the expenditure of interest amount received by Panchayati Raj Institutions.**

Accounts and Audit of the Three-Tier Panchayati Raj Institution

- 8.57** According to the American Institute of Certified Public Accounts, **"Accounting is the art of recording, classifying and summarizing, in a significant manner which are in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results there of."** In this way, accounting is a process of identifying, measuring and communicating economic information on the basis of which its users are able to take rational decisions. It is in this context that the accounting of Panchayati Raj Institutions have been evaluated.
- 8.58** The "Panchayat Accounting Rules 1999" under Section 95 of the Chhattisgarh Panchayati Raj Act 1993 are applicable in three-tier Panchayati Raj institutions.
- 8.59** Accounting and accounting maintenance in Panchayati Ra Institutions are not at standard level due to which relevant data is not obtained. Therefore, the **Commission recommends that "rules should be made by the Government for the classification of budget and accounting in Panchayat institutions, in which the method of classification of accounting should be in accordance with the classification made for the Government."** For this an expert committee should be constituted by the government which should include the Accountant General, Director-state Audit and representatives of Panchayat and Finance Departments.
- 8.60** A software should also be developed for budget and accounting in Panchayats, so that uniformity quality, accuracy and transparency can be ensured in accounting and accounting maintenance and reliable data can be obtained for policy making.
- 8.61** At present, the accounting of the amount received from the Central Finance Commission is being done in the e-Gram Swaraj Portal created by the ministry of Panchayati Raj, Government of India. The accounting of the amount received from the State Finance Commission, the amount received from own revenue and the amount received under various schemes is being done manually.

- 8.62** In Panchayati Raj institutions the responsibility of accounting and maintenance of accounts is of the Panchayat secretary. Accounting and maintenance of accounts in the Rural local bodies is not being done in the prescribed format. Due to this, it is not possible to get relevant information about head-wise Income and Expenditure, Utilization of Grants received etc. In the data related to income and expenditure of panchayats collected by the commission, the Amounts/Data shown under “other receipts” and “other expenditure” is more than one-third, which confirms the aforesaid facts.
- 8.63** The quality of accounting in Panchayati Raj Institutions is not satisfactory. Due to lack of quality and transparency of accounting, the credibility of the data maintained by Panchayati Raj Institutions is not of Standard level.
- 8.64** Chhattisgarh State Audit is the statutory auditor of the local bodies and has the constitutional responsibility of auditing all the works assigned to the local bodies.
- 8.65** As per the recommendation of the 13th Finance Commission, technical guidance and supervision is being provided to Chhattisgarh state Audit by the Comptroller and Auditor General.
- 8.66** At present, the status of pendency of audits of Panchayati Raj institution in the period of financial year 2021-22 is as follows-

Table 8.18
Status of Audit in Panchayati Raj Institution

S.N.	Local body	Number of local body	Number of pending financial year	Number of FYs of the audited body in FY 2021-22	Number of financial years remaining pending
1	Zila Panchayat	27	174	10	164
2	Janpad Panchayat	146	895	82	813
3	Gram Panchayat	11321	162792	446	162346
Total		11494	163861	538	163323

Source – Directorate, State Audit, C.G.Govt.

- 8.67** On the instructions of the ministry of Panchayati Raj, Government of India, the amount received by the Panchayati Raj Institutions from the Central Finance Commission is to be audited through online software. As of 01.03.2023, 10,361 Panchayati Raj Institutions have been audited.
- 8.68** The audit through online software is related to the works operated from the amount received from central Finance Commission which is 45 to 70% of the transactions of Panchayati raj institutions.
- 8.69** The objections received after the audit of local bodies are to be resolved under Section 10(2) of the Chhattisgarh State Audit Act 1973. The status of audit objections and disposal of the last 5 years is as follows –

Table 8.19
Number of Objections in PRI since last 5 years

Local body	Residual objection		Objection raised in the last 5 years		Resolved objection in last 5 years		Pending objections at present	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Zila Panchayat	21124	4975.55	1076	1243.61	316	757.86	21884	5461.31
Janpad Panchayat	36578	1988.55	12110	1978.77	2273	310.74	46415	3656.58
Gram Panchayat	127740	402.21	119708	686.12	36950	124.82	210498	963.51
Total	185442	7366.31	132894	3908.52	39539	1193.43	278797	10081.40

Source— Directorate, State Audit, C.G.Govt.

- 8.70** After audit of Panchayati Raj Institutions of the state, the total number of objections registered at present is 278797, in which an amount of approximately Rs. 1,00,841 Cr. is under-examination.

Human Resources

- 8.71** Gram Panchayats are not capable enough in appointing employees from their own resources although in comparison to the time of formation of the State, the number and percentage of appointment of employees from their own resources by Gram Panchayat is progressive from both the point of view.
- 8.72** There are huge regional disparities in the appointment of employees by Gram Panchayats from their own resources. The number and percentage of such appointments is higher in the districts that have been able to utilize their local resources and increase tax collection. Whereas in other districts which are suffering from development problems, this type of appointment is at minimum level.
- 8.73** Gram Panchayats of non-scheduled areas are marking meaningful efforts to appoint employees from their own resources. but Gram Panchayat of scheduled areas are not that capable of making such appointments. Lack of resources in the Gram Panchayats in the state, inability to properly exploit the available resources, low tax collection capacity low level of quality of required human resources and lack of ambition and motivation for innovative progress among the panchayat representatives slow down the pace of rural economic development. This study supports the view that Panchayati Raj Institution based rural development can lay the foundation for Sustainable and Permanent Development.
- 8.74** Panchayati Raj Institutions are also problematic in terms of availability of human resources for smooth execution of the functions of Panchayats. Most of the 11,664 Gram Panchayats in the state are not able to arrange human resources even with

their own resources. Therefore, **the commission recommends that "Consideration should be given to limiting the number of Gram Panchayats and restructuring of Gram Panchayats should be done on the basis of population and financial feasibility. For PESA and non- PESA Gram Panchayats it would be appropriate to set different limits for reorganization on the basis of population".** Commission. It is noteworthy here that there are 6798 Gram Panchayats in the state of Odisha and 22695 Gram Panchayats in Madhya Pradesh whereas Chhattisgarh has 11664 Gram Panchayats which is proportionately higher.

...

