

CHAPTER 9

Panchayat Finances : Expenditure

9.1 In Chapter 5 of this report we have described in brief the functions of the three-tier Panchayats as mandated under the Panchayat Act. Most of these statutory functions have financial implications. The Panchayats- mainly the GPs- funds such functions through their own revenues, the revenues assigned by the State Govt. and devolution by the State Govt. on the recommendations of the SFC. Apart from these, the Panchayats have to perform a whole lot of other functions pertaining to the subjects contained in Schedule XI of the Constitution, as per the functional devolution made by the State Govt. These functions should not have financial implication because the concerned departments of the Govt. should transfer along with the functions, the funds and the functionaries. The expenditure incurred on these functions by the Panchayats is out of the funds transferred by the Deptt. Thirdly, the Panchayats also perform 'agency functions' and are required to implement various Central Govt. and State Govt. schemes for rural development, rural employment and poverty aviation. The expenditure by Panchayats on all these three functions is distinct and the accounting of such expenditure is also distinct.

9.2 For a view of the expenditure incurred by the Panchayats on these functions, the Commission had sought detailed data on the basis of questionnaires from the Panchayats directly. As we have already mentioned in the report, the information and data received were far from adequate and reliable. Some statistical support in the form of disaggregate data on Panchayat expenditure for the period 2006-07 to 2010-11 was provided to the Commission by 5,427 GPs, out of which we selected 1945 sample GPs, (SGPs) for analysis. Unfortunately, the primary data submitted by the JPs and ZPs, were inadequate, unreliable and unsatisfactory. Therefore we had to fall back upon secondary data. Here again the Department could only provide figures of 'releases' of their grants but could not provide corresponding expenditure figures. We have therefore treated release as deemed expenditure on the item or head concerned. We have made some analysis of the expenditure of Panchayats within the service limitations described above.

9.3 The composition of the annual average of the total expenditure of the SGP, district-wise during 2006-07 to 2010-11 is given in Annexure 9.1. The average annual expenditure of the SGP for the same period has been given in Annexure 9.2 and total expenditure in

Annexure 9.3. The aggregate expenditure of all PRIs for 2008-09 to 2010-11 is given in Annexure 9.4.

Composition of Gram Panchayat Expenditure

9.4 From Annexure 9.1, the following features stand out:

(i) Among the different components of GP expenditure, the lion's share is claimed by expenditure on civic services (29.07%) on an annual average basis, during our reference period. Among the districts in the State, this share however varied between 2.35% in Korba and 85.59% in Dhamtari.

(ii) Expenditure on Centrally-sponsored Schemes claimed the second place in terms of its share in the annual average total expenditure of the SGPs (18.60%).

(iii) Expenditure on Social Welfare schemes like old age pensions, etc., constituted 13.52%. Inter-district distribution of this figure however varied between 0.90% in Sukma and 54.30% in Kanker.

(iv) 10.76% was devoted to State-sponsored schemes, and its corresponding district-wise figures ranged from 0.36% in Korba to 45.37% in Kondagaon.

(v) Asset Maintenance expenditure accounted for 6.83% of the SGPs, with district figures rising from 0.52% in Dhamtari to 40% in Sarguja;

(vi) Expenditure on Establishment and administration of GPs claimed a share of 4.65%. However, across the districts in the State, it ranged from 0.66% in Dhamtari to 21.07% in Balrampur.

(vii) Altogether the annual average total expenditure of a sample GP worked out to Rs.6.88 lakh in the State during the reference period of 2006-07 to 2010-11, although the expenditure varied across districts between Rs. 0.85 lakh in Sukma and Rs. 28.86 lakh in Dhamtari.

Expenditure on Civic Services

9.5 The annual average expenditure incurred by our SGPs on five civic services, viz., drinking water supply; street lighting, including lighting of public places; sanitation and drainage; solid waste disposal; and village roads in each of the 27 districts may be observed from Annexure 9.2. From the said Table, the following features can be observed:

(i) On an annual average basis, a sample GP spent Rs.2.00 lakh on capital and O&M of the five chosen civic services. Of this, the percentage share of capital expenditure accounted for a little over 76 percent.

(ii) Of the five civic services covered in the review, the annual average expenditure of Rs.0.91 lakh incurred by a GP on *drinking water supply* claimed the first place in terms of its share in the total civic expenditure. For instance, 57% of the total civic expenditure was incurred on provision of drinking water supply alone.

(iii) *Village roads* claimed a total annual average expenditure of Rs.0.35 lakh and it constituted 17.5% of the total expenditure of a GP. Interestingly, the entire amount was spent on formation of new roads and no funds were spent on maintenance of village roads.

(iv) An annual average expenditure of Rs.0.30 lakh was spent by a GP on *sanitation and drainage* which accounted for 15% of the annual average total expenditure of the SGPs.

(v) In absolute and percentage terms, a sample GP had incurred relatively smaller amounts on *street lighting* (Rs.0.15 lakh), and *solid waste disposal* (Rs.0.06 lakh). Their combined share in the total expenditure in total civic expenditure of a GP is thus Rs.0.21 lakh per annum.

9.6 Though the 2011 Census data had provided some useful information on the degree of coverage of households by water supply, housing, latrines etc., each State Govt. has to work out the physical and financial requirements of identified basic civic services required in the rural areas on some rational normative basis. *The Commission recommends appointment of an Committee Group to determine the norms/standards of service levels expected of GP in respect of each civic service rendered, work out their unit costs, the time-frame for cent percent coverage of all areas, the number of physical units required, and their provision in a phased manner during a given time period, their estimated O&M and capital requirements, etc., to enable the future SFCs to consider their financial implications.*

Revenue, Capital and Welfare Expenditure & Per Capital Expenditure of SGPs

9.7 From Annexure 9.3, the composition of GP expenditure in the State, in terms of its Revenue, Capital and Welfare expenditure may be observed. The Table reveals the following features:

(i) Of the total annual average expenditure of Rs.7.78 lakh of a sample GP, the respective percentage shares of revenue, capital and welfare expenditures were 56, 32, and 12.

(ii) The Table also shows that the annual average per capita expenditure of a SGP in the State during the reference period of 2006-07 to 2010-11 was Rs.386. The highest per capita expenditure of a SGP was recorded in Dhamtari (Rs. 1788), and the lowest in Sarguja (Rs.42). However, the per capita expenditure of SGPs in 18 of the 27 districts is less than the all-district average of Rs.386 in the State.

Aggregate Expenditure of PRIs in Chhattisgarh

9.8 As already mentioned, the Commission had made every attempt to elicit the quantitative time-series data relating to different facets of expenditure of each level of Panchayats in the State directly from the Panchayats but failed. Nonetheless, the Commission had made an attempt to arrive at an approximation of the 'aggregate expenditure of all Panchayats in the State' from the secondary data. Annexure 9.4 shows the elements of aggregate expenditure of the Panchayats at all levels in the State. The Table shows that during 2008-09 to 2010-11, the position was the following:

(i) The aggregate numerical size of expenditure met from resources, both tax and non-tax, mobilized primarily by GPs and JPs in the State, was a mere Rs.26.73 crore which constituted less than one percent of the annual average aggregate expenditure of all the PRIs in the State. If this figure is compared to the situation prevailing in 2003-04, the IRM efforts of PRIs seem to have been slackened during the last ten years.

(ii) Panchayats at all levels in the State are dependent on State assistance in different forms to the extent of 99 per cent of their aggregate expenditure needs.

(iii) The annual average per capita expenditure of Panchayats at all levels in the State works out to around Rs.1960 during 2009-2010-11.

A Balance Sheet of Panchayat Receipts and Expenditure

9.9 Annexure 9.5 shows the aggregate receipts of PRIs as against their aggregate expenditure for the recent years of 2008-09 to 2010-11. The Annexure shows that on an average basis, the aggregate expenditure of the PRIs in the State which stood at Rs. 3843.56 crore per annum exceeded their aggregate receipts by Rs. 177.38 crore per annum during the reference period. The deficit might have been met from the accumulated unspent balances of the previous years. The Commission would, however, like it to be noted that the data available to us was neither complete nor totally reliable. Hence the analysis as above can only be termed indicative.