

**Final Report**  
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**RURAL DECENTRALIZATION AND PARTICIPATORY  
PLANNING FOR POVERTY REDUCTION**

***CHHATTISGARH STATE REPORT***

***Manish Gupta***

***December 2007***

**National Institute of Public Finance and Policy  
New Delhi**

## PREFACE

Under the terms of UNDP project No. IND/03/020 titled “Rural Decentralization and Participatory Planning for Poverty Reduction”, executed through the Planning Commission over the period 1 March, 2004 to 31 December, 2007, a study was assigned to NIPFP in January 2006. Under the terms of reference, enclosed as annex 1 in the overall report, NIPFP undertakes to present one overall report and four state reports covering the states Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan.

The inception report was presented before the members of the Steering Committee on 17 April 2006. The minutes of that meeting confirmed the list of deliverables due.

The study team was led by Professor Indira Rajaraman. The members of the team were: Dr. C. Bhujanga Rao, Dr. Manish Gupta, Dr. O.P. Bohra and Dr. Pratap Ranjan Jena.

The team worked as a whole on the entire project. Individual responsibility was assigned as follows:

Overall Report of Four States	Prof. Indira Rajaraman
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A presentation of findings at UNDP premises was held on 11 December 2006, organised by Mr. Pradeep Sharma, Assistant Resident Representative of the UNDP.

Subsequently the findings for each state were presented formally in the state capitals of these four states on the dates indicated below, by a two-member team in each case. Senior state government officials from the relevant departments attended these presentations.

Bhubaneswar	10 April 2007
Jaipur	18 May 2007
Raipur	25 May 2007
Bhopal	29 May 2007

Suggestions made by officials and non-governmental organisations attending at all these presentations have been incorporated in the final report.

The appendix to this preface lists those in Chhattisgarh who helped with discussions, suggestions, and the fieldwork. They are warmly thanked.

The members of the Governing Body of the National Institute of Public Finance and Policy are in no way responsible for the opinions expressed in these reports.

December 2007  
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# RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION

## Outline of Chhattisgarh State Report

### *Preface*

<b>1.</b>	<b><i>Introductory</i></b>	<b>1</b>
1.1	Objectives and methodology	1
1.2	Formal status of decentralisation to PRIs in Chhattisgarh	6
<b>2.</b>	<b><i>Sample Selection for the Field Survey</i></b>	<b>8</b>
2.1	The final sampling unit	8
2.2	Selection of districts	9
2.3	Sample selection within selected districts	12
2.4	Defining poverty	14
	2.4.1 Poverty estimates by Planning Commission	15
	2.4.2 Identification of BPL households	17
	2.4.3 BPL survey in Chhattisgarh	20
<b>3.</b>	<b><i>Status of State Finance Commission Recommendations</i></b>	<b>22</b>
3.1	Share of state revenue and other grants	22
	3.1.1 Tax sharing	22
	3.1.2 Distribution criteria	23
	3.1.3 Devolution of grants	24
3.2	Own revenue	26
3.3	Data, Auditing, Monitoring	26
3.4	Functional devolution	28
<b>4.</b>	<b><i>Own Revenue and State Flows</i></b>	<b>29</b>
4.1	Own revenues of the PRIs and state transfers - 2002-03	29
4.2	Own revenue in backward and comparator districts: Survey results - 2005-06	31
4.3	State transfers in backward and comparator districts: Survey results - 2005-06	40
4.4	Conclusions	44
<b>5.</b>	<b><i>Assessment of Intergovernmental Transfers from the Centre</i></b>	<b>46</b>
5.1	Central flow to PRIs 2006-07 (All States)	46
5.2	Major central scheme flows to PRIs: Chhattisgarh	47
5.3	Analysis of survey results	50
5.4	Conclusions	53
<b>6.</b>	<b><i>Fiscal Monitoring</i></b>	<b>55</b>
6.1	Auditing of funds at the three tiers	55

6.2	Utilisation of central funds: Backward and Comparator district	57
6.2.1	Utilisation of SGRY funds with gram panchayat/state government appointed record keeper	58
6.2.2	Nature of utilisation of SGRY funds by gender of sarpanch	59
6.2.3	Utilisation of Central Finance Commission funds	60
6.3	Utilisation of state funds: Backward and Comparator district	61
6.3.1	Utilisation of state scheme funds	61
6.4	Utilisation of NREGS funds in 2006-007	62
6.4.1	NREGS in the state of Chhattisgarh	62
6.4.2	Progress of utilization	62
6.5	Conclusions	64
<b>7.</b>	<b><i>Conclusions</i></b>	<b>67</b>
7.1	The formal status of rural decentralization	67
7.2	Summary of flows to PRIs from Centre, States and own revenues	68
7.3	Fund flows from the Centre	69
7.4	Fund flows from the State government	70
7.5	Own revenues	71
7.6	Monitoring and utilization	72
	<b><i>Annexes</i></b>	<b>75</b>

## *List of Tables*

1.1	Summary of contents in overall and state reports	4
1.2	Panchayati Raj Institutions at the three tiers	6
1.3	Elections to Panchayati Raj Institutions	6
1.4	State Finance Commissions: PRI shares in state revenues	7
2.1	List of indicators used for district selection	10
2.2	Test for Ranks	11
2.3	Selected districts in Chhattisgarh	12
2.4	Selection of blocks (i.e., Janpad panchayats)	13
2.5	Selection of Gram panchayats	13
2.6	Rural poverty ration and poverty line	17
2.7	Chhattisgarh: District wise percentage of BPL household in total rural household, 1997	21
3.1	State Finance Commissions' devolution (divisible pool) to PRIs	23
3.2	Criteria for inter-district distribution	24
3.3	Other recommended grants by First and Second SFC and action taken	25
3.4	Release of grants as per EFC recommendation and utilization	27
3.5	Provision and utilization of grants for maintenance of Accounts & Audit and creation of data base	28
4.1	Own revenues of PRIs in Chhattisgarh	30
4.2	Per capita own revenues of PRIs in Chhattisgarh	30
4.3	Composition of total revenue of PRIs in 2002-03	31
4.4	Tax and non-tax powers of the PRIs – Chhattisgarh	33
4.5	Matrix of GPs by number and type of own taxes	34
4.6	Matrix of GPs by number and type of own non-tax revenues	35
4.7	Matrix of JPs by number and type of own non-tax revenues	36
4.8	Matrix of ZPs by number and type of own non-tax revenues	36
4.9	Composition of own revenue sources of GPs by district	37
4.10	Composition of own revenue sources of JPs by district	38
4.11	Composition of own revenue sources of ZPs by district	38
4.12	Mean per capita own revenue receipts of the GPs	38
4.13	Mean per capita own revenue receipts of all the tiers	39
4.14	Own tax and non-tax percent to total own revenues	39
4.15	Share of own revenues of the PRIs in total funds received	40
4.16	Matrix of GPs by number and type of state schemes	41
4.17	Matrix of JPs by number and type of state schemes	42
4.18	Matrix of ZPs by number and type of state schemes	42
4.19	Mean per capita state scheme and revenue transfers to GPs	42
4.20	Mean per capita state scheme and revenue transfers to all tiers	43
4.21	Share of state schemes and assigned revenue funds to total funds received by the PRIs	43
5.1	Centrally sponsored schemes reaching the PRIs: 2006-07	47
5.2	Per capita budget estimates for 2006-07 (eight CSS and MPLADS)	50
5.3	Major centrally sponsored schemes in operation in the PRIs: Chhattisgarh	50

5.4	Mean funds received by PRIs per capita by district	51
5.5	Share of centrally sponsored schemes in total funds received	52
5.6	Frequency distribution of GPs by percent of SGRY to total funds received	53
6.1	Provision of utilization of grants for maintenance of accounts and audits	56
6.2	Frequency distribution of PRIs by year accounts last audited	56
6.3	Frequency distribution of ZPs and JPs by percent utilization of major CSS funds received during the year	57
6.4	Matrix of GPs by type of record keeper and percent utilization of SGRY funds received during the year	58
6.5	Matrix of GPs by total constituents of nature of utilization of SGRY funds by gender of sarpanch	59
6.6	Test for differences in preferences between female and male sarpanch in utilization of SGRY funds	60
6.7	Frequency distribution of GPs by percent utilization of Central FC funds received during the year	61
6.8	Frequency distribution of ZPs by percent utilization of state scheme funds received during the year	62
6.9	Coverage of NREGS districts in Chhattisgarh	62
6.10	Progress of NREGS: Funds released and expenditure on works undertaken (as on 21.08-06)	63
7.1	Per capita flows to PRIs from Centre, state and own revenues	68

#### *List of Charts*

3.1	Pattern of release of EFC grants – Chhattisgarh	27
5.1	Per capita flows under eight CSS	48
5.2	Per capita flows of eight CSS in 2005-06	49
6.1	Utilisation pattern of fund released and expenditure incurred under NREGS	63
6.2	Percent share of fund released and expenditure incurred under NREGS	64

#### *List of Annexes*

1.	Principal component analysis (PCA)	75
2.	Ranking of districts	76
3.	Selected ZPs, JPs, and GPs in Chhattisgarh	77
4.	Rural poverty head count ratio	80
5.	Indicators and scoring schemes used in 2002 BPL Census	81
6.	SFC recommendations and action taken report	83
7.	Functional devolution in Chhattisgarh by different departments	87
8.	Fund flows to PRIs through eight CSS: Chhattisgarh and all India	107
9.	Frequency distribution of ZPs, JPs, and GPs in Chhattisgarh by number and type of central schemes received	109

## *Abbreviations*

ATR	:	Action Taken Report
B	:	Backward
BE	:	Budget Estimates
BPL	:	Below Poverty Line
C	:	Comparator
C&AG	:	Comptroller and Auditor General
CAA	:	Constitutional Amendment Act
CFC	:	Central Finance Commission
CPIAL	:	Consumer Price Index for Agricultural Labourers
CPIIW	:	Consumer Price Index for Industrial Workers
CRSP	:	Central Rural Sanitation Programme
CSS	:	Centrally Sponsored Schemes
DDP	:	Desert Development Programme
DPAP	:	Drought Prone Areas Programme
EFC	:	Eleventh Finance Commission
FY	:	Financial Year
GOI	:	Government of India
GP	:	Gram Panchayat
GS	:	Gram Sabha
HCR	:	Head Count Ratio
HDI	:	Human Development Index
IAY	:	Indira Awaas Yojana
IWDP	:	Integrated Wastelands Development Programme
JP	:	Janpad Panchayat
MLA	:	Member of Legislative Assembly
MP	:	Madhya Pradesh
MPLADS	:	Member of Parliament Local Area Development Scheme
NAS	:	National Account Statistics
NFFWP	:	National Food for Work Programme
NIPFP	:	National Institute of Public Finance and Policy
NIRD	:	National Institute of Rural Development
NREGS	:	National Rural Employment Guarantee Scheme
NSSO	:	National Sample Survey Organisation
PCA	:	Principal Component Analysis
PCY	:	Per capita Income
PRI	:	Panchayati Raj Institutions
PUCL	:	People's Union for Civil Liberties
RSVY	:	Rastriya Sam Vikas Yojana
SC	:	Scheduled Caste
SFC	:	State Finance Commission
SGRY	:	Sampoorna Grameen Rozgar Yojana
SGSY	:	Swarnjayanti Gram Swarozgar Yojana
SRSWR	:	Simple Random Sampling with Replacement
ST	:	Scheduled Tribe



TFC : Twelfth Finance Commission  
TOR : Terms of Reference  
ULBs : Urban Local Bodies  
UNDP : United Nations Development Programme  
ZP : Zilla Panchayat

# **RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION**

## **FINAL REPORT: CHHATTISGARH**

### **1. INTRODUCTORY**

#### **1.1 OBJECTIVES AND METHODOLOGY**

This study is embedded in a larger United Nations Development Programme (UNDP) project<sup>1</sup> with the Planning Commission of the Government of India. The larger project is operational in character, with a largely capacity building focus, and pilot participatory approaches focused at the village level. It is expected to converge with other UNDP supported programmes for the capacity building of elected women functionaries and the District Governance programme.

The study executed at the National Institute of Public Finance and Policy (NIPFP) and reported here is part of that larger project, but has a research rather than operational character. The geographical coverage of the larger project, and hence of the NIPFP component as well, is confined to four states: Chhattisgarh,<sup>2</sup> Madhya Pradesh, Orissa and Rajasthan. Coverage is further confined to the poorer districts within these states receiving RSVY support (Backward Area Development Fund with effect from 2006-07). The nine pre-selected districts are: Mandla and Khargone in Madhya Pradesh, Bastar and Rajnandgaon in Chhattisgarh, Jhalawar, Dungarpur and Banswara in Rajasthan, and Mayurbhanj and Kandhamal in Orissa.

This set of nine district was subsequently expanded, for the purposes of the NIPFP study alone, to include an additional set of districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. A further set of eight districts was added on through principal component analysis (PCA), rather than random selection,

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<sup>1</sup> No. IND/03/020

<sup>2</sup> The state came into existence in November 2000, before which it was a constituent of Madhya Pradesh.

since the intent of the expansion was purposively addressed towards including less deprived districts. We call this new set the comparator districts. Since the selection of district coverage within each state was, by the very terms of the project, through non-random procedures, the results from the sample survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest. The results cannot be aggregated across the two sets of districts to obtain state-level estimates because the mode of sample selection was purposive, not random.

Annex 1 of the overall report lists the terms of reference (TOR) as agreed to between UNDP and NIPFP. Five project objectives are enunciated in the TOR. They are:

- i. To quantify the present state of expenditure assignment in the four states, so as to define the boundaries of functional responsibilities assigned to panchayati raj institutions (PRIs), and assess this against the functional devolution visualized in the Constitutional Amendments
- ii. To assess the present state of implementation of State Finance Commission (SFC) recommendations
- iii. To assess the present state of revenue assignment
- iv. To assess the present composition of revenue receipts by source (Centre/State/Own) and thereby the present state of intergovernmental transfers
- v. To assess the utilization of receipts by PRIs, and thereby the state of fiscal monitoring in each state.

The following sources and approaches together define the methodological approach:

- a. Budgets of the respective states for financial year (FY) 2006-07 (BE) (Budget estimates) to quantify the functional devolution in place.
- b. The Central Budget, also for FY 2006-07 (BE), will be used to quantify the share of Central flows to the rural sector actually going directly to panchayats.
- c. Data from field survey covering 780 sample gram panchayats, 78 janpad panchayats, and 17 district panchayats in the four states. An initial set of

nine backward districts were pre-selected by UNDP. An additional set of districts were required by the terms of the project, with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. Eight such were accordingly selected from a ranking of districts in each of the four states using principal component analysis. Within the selected districts, the sample panchayats were selected in accordance with standard sampling procedures. Details on the sample selection procedure are in chapter 2 of this report.

- d. SFC Reports together with Action Taken Reports (ATR), and functional devolution circulars issued by the respective states.

This report for Chhattisgarh supplements the summary of findings in the overall report.

The field survey itself has two components:

1. There is a questionnaire on the panchayat as an institution, where the targeted respondent was either a panchayat elected official, or the panchayat secretary. Three questionnaires, one for each of the three tiers in the panchayat structure, are appended to the overall report as annexes 3, 4 and 5 for the gram panchayat (GP), janpad or block panchayat (JP), and zilla panchayat (ZP) respectively. These questionnaires ascertain the composition of the elected body, institutional aspects of their functioning such as frequency of meetings and interaction with gram sabhas, the quantum and seasonal timing of fund flows received from the Central and state schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, own revenues actually raised, and finally, willingness to raise further revenues through the contingent valuation method. The focus in terms of detail of information collected as well as sample size is at gram panchayat level, where executive authority is vested, but there is a smaller sample covering panchayats at the middle and district tiers.
2. There is a questionnaire on the main village of every sample GP, which is Part II of the GP questionnaire (annex 3 of the overall report). The information includes information on the degree of ethnofractionalisation, number of

households below the poverty line, number of kutcha and pucca structures, type/s of water sources and distance/s to them, sanitation and solid waste disposal status, water conservation practices, street lighting, distance to primary and secondary education facilities, and details on the functioning of these facilities, distance to primary health centre and the functioning of these, and law and order.

The table below summarises the chapter structure of the overall report and the four state reports, and maps into each the TOR objectives covered, and the methodology used to serve that objective.

**Table 1.1: Summary of Contents in Overall and State Reports**

<b>Overall Report</b>	<b>Four State Reports</b>	<b>Objectives</b>	<b>Methodology</b>
Chapter 1	Chapter 1	Introductory	
Chapter 2	Chapter 2	TOR (i) Sample selection procedure for field survey	a
Chapter 3	Chapter 3	TOR (i), (ii), (iii)	d
Chapter 4	Chapter 4	TOR (iii)	c,d
Chapter 5	Chapter 5	TOR (iv)	b,c
Chapter 6	Chapter 6	TOR (v)	c
Chapter 6	Chapter 7	Concluding	

The two basic sources of intergovernmental fund flow to panchayats are the respective state governments, and the Centre. Although the Constitutional Amendments were enacted at the Centre, it is at the level of the state where authority for expenditure assignment and devolution of functions to panchayats is fundamentally vested. No devolution of functions is expected from Centre to states. A list of 29 functions is listed in a schedule attached to the Constitutional Amendment, defining the universe of State functions for which devolution to PRIs is suggested; these are listed in Chapter 2 table 2.1 of the overall report.

Chapter 2 of this report for Chhattisgarh provides details on the principal component analysis through which the set of comparator districts were selected for the state, along with the sampling design used for the field survey. Tests for consistency of this generated ranking with respect to two other rankings, one by per

capita income, and the other by the Human Development Index (HDI) show that the PCA ranking is statistically different from those other rankings. The chapter also has a section on the mode of identification of Below Poverty Line (BPL) households in Chhattisgarh.

Chapter 3 sets out the present status with respect to implementation of the recommendations of State Finance Commissions, the setting up of which at five-yearly intervals is among the mandated requirements of the constitutional amendments.

Chapter 4 collates such information as is available from secondary sources on own revenues collected by PRIs for the period 1991-2003. The chapter also presents a comparative picture of sources of own revenues and state transfers to PRIs for the year 2002-03 from the report of the TFC, as a basis of comparison for data from the field survey for the year 2005-06. The chapter also analyses the state transfers comprising funds under state schemes and revenue assignments for the year 2002-03 drawn from TFC report and field survey results for the year 2005-06.

Chapter 5 covers fund flows to PRIs from the Centre, which have two components. One component consists of flows to state governments. This includes flows mandated by the Twelfth Finance Commission for the period 2005-10, and by the Eleventh and Tenth Finance Commissions, for the preceding quinquennia. These get incorporated within the consolidated fund of the states, the share of which going directly to panchayats already stands identified in chapter 2 of the overall report. The second component of the Central flows to rural areas bypasses state government and is in two categories. One sub-component goes directly to the PRIs. The second sub-component bypasses PRIs and is spent through other implementing agencies specific to Central schemes. The sources used for this chapter will be the Budget of the Centre for the fiscal year 2006-07, supplemented by field survey data from the recipient end, which will pertain to the fiscal year 2005-06.

Chapter 6 will assess the utilization of receipts by PRIs, and thereby the state of fiscal monitoring in Chhattisgarh. This chapter has necessarily to be based entirely on the results of the field surveys.

Chapter 7 concludes the report.

The next sub-section of this introductory chapter provides a brief overview of the status of PRI legislation in Chhattisgarh, and of the recommendations of the State Finance Commissions.

## 1.2 FORMAL STATUS OF DECENTRALISATION TO PRIS IN CHHATTISGARH

The state of Chhattisgarh has introduced the Chhattisgarh Panchayati Raj (Amended) *Adhiniyam*, 2004, now applicable to all the three tiers of PRIs in the state. Prior to this it adopted the Madhya Pradesh (MP) Panchayati Raj Acts of 1994 (which was amended by MP to conform to the seventy-third Constitutional Amendment).

The number of panchayats at the village, block and district levels are as shown in table 1.2, and the electoral history in table 1.3. The state of Chhattisgarh came into existence in November 2000 and the first elections of the PRIs in this new state were held in January 2005. Prior to this elections were conducted in January 2000 for the combined state of Madhya Pradesh.

**Table 1.2: Panchayati Raj Institutions at the Three Tiers**

State	Gram panchayats	Janpad panchayats	Zilla panchayats	Total
Chhattisgarh	9139 (63)	146 (9)	16	9301

**Source:** Office of the Chhattisgarh State Finance Commission.

**Note:** The figures are most recent available. Those in parentheses indicate the number of GPs per JP, and the number of JPs per ZP.

**Table 1.3: Elections to Panchayati Raj Institutions**

State	First elections
Chhattisgarh	January 2005

**Source:** Government of India, 2004.

State Finance Commissions at quinquennial intervals are among the mandated requirements. The state of Chhattisgarh has constituted its first SFC on August 2003 and the Commission has submitted its report in May 2007. Until the period its recommendations become applicable the recommendations of first and second SFC of

Madhya Pradesh for the relevant years are applicable to the newly created state. The principal task addressed by SFCs has been setting the share of PRIs in the state revenues. A summary in respect of accepted prescriptions on the divisible pool and PRI shares thereof in table 1.4 show little change between the first and second SFCs of MP, applicable to Chhattisgarh as well. The SFCs of MP has also made recommendations on a wide range of other issues which are discussed in chapter 3.

**Table 1.4: State Finance Commissions: PRI Shares in State Revenues**

	<b>Madhya Pradesh (undivided)</b>	<b>Chhattisgarh</b>
<b>First SFC</b>		Constituted on 22 August 2003 Report submitted in May 2007.
Award Period	(1996-2001)	
Divisible pool	Gross tax and non-tax revenue	
PRI's share (%) per annum	2.91 % *	
<b>Second SFC</b>		
Award period	(2001-06)	
Divisible pool	Net own tax revenue	
PRI's share (%) per annum	2.93	

**Source:** Reports of the SFC of Madhya Pradesh.

**Note:** \* The divisible pool excludes the cess on land revenue and additional stamp duties, the whole of which goes as a separate grant-in-aid.

There is no standing database on panchayats, notwithstanding the allocation by the Eleventh Finance Commission (EFC) of Rs 197.06 crore for this purpose. Chapter 3 of the state report has attempted to assess the extent to which this provision been has utilized. The only secondary source therefore is the Report of the Twelfth Finance Commission, which compiled data submitted in the state memoranda to the Commission. These data are shown in chapter 3. Finally, it goes without saying that the pressure to devolve ever more funds to PRIs, without monitoring and auditing, is a recipe for corruption. The monitoring purpose is sought to be achieved through caps on expenditures that can be incurred without approval from higher levels of government, but this robs autonomy without necessarily controlling corruption. The EFC provided an amount Rs 98.61 crore at GP and PS level for this purpose. Once again, the effectiveness of use of this is dealt with in chapter 3.



## **2. SAMPLE SELECTION FOR THE FIELD SURVEY**

### **2.1 THE FINAL SAMPLING UNIT**

The main focus of the study is on Panchayati Raj Institutions (PRIs), which following the 73<sup>rd</sup> Constitutional Amendment in 1993 are expected to carry the burden of effective delivery of anti-poverty programmes in the rural areas of the country, where the majority of the poor reside. In order to examine the functioning of the decentralized government in the rural areas and the effectiveness of its service delivery, the focus of the study is mainly on the gram panchayats where the executive authority is vested. It is, therefore, the panchayats and not the household which forms our final sampling unit. By excluding/ignoring the households' perception on the functioning of local governments we are no doubt losing out on some important information from the beneficiaries' point of view, but due to limited time and finances the study limits itself only to the survey of panchayats as an institution which forms our final sampling unit. Within the three tiers of panchayats the major focus is at the functioning of the lower most tier, the gram panchayat. In addition to the gram panchayat there is a smaller sample covering the panchayats at the middle (janpad panchayat/panchayat samity) and district (zilla panchayat) tiers.

The instrument of survey is a questionnaire on the panchayat as an institution. Three questionnaires, one for each of the three tiers in the panchayat structure i.e., for the gram panchayat (GP), janpad panchayat (JP), and zilla panchayat (ZP) are prepared. These questionnaires ascertain the composition of the elected body, institutional aspects of their functioning such as the quantum and seasonal timing of fund flows received from the Central and state schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, and own revenues actually raised.

As the focus in terms of detail of information collected as well as sample size is at gram panchayat level a more detailed questionnaire is prepared for the GPs. The gram panchayat questionnaire has two components. Part I of the questionnaire deals with the institutional aspects of the functioning of the gram panchayat such as frequency of meetings, interaction and participation in the gram sabhas, the quantum

and seasonal timing of fund flows received from the Centre and the state under different schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, and own revenues actually raised. This section also collects information on the willingness of the panchayats to address local needs by raising resources from the people. Part II of the GP questionnaire focuses on the main village of every sample GP. Here by main village we mean the village where the GP office is located. In this section of the questionnaire the information sought includes information on the number of households below the poverty line, number of kutchha and pucca structures, type/s of water sources and distances to them, sanitation & solid waste disposal status, water conservation practices, street lighting, distance to primary & secondary education facilities and details on the functioning of these facilities, distance to nearest health facility and functioning of these, and law & order situation in the village. The GP, JP and ZP questionnaires are given in annexes 3, 4, and 5 of the overall report respectively.

## **2.2 SELECTION OF DISTRICTS**

The selection of districts forms an important component of the present study. The geographical coverage of the larger project, and hence the NIPFP component as well, is confined to the four states of Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan and within these states the coverage was further confined to the pre-assigned nine backward districts. In Chhattisgarh the coverage of the project is confined to the districts of Bastar and Rajnandgaon. These are the poorest districts in the state receiving RSVY support (Backward Area Development Fund). The set (of districts) was subsequently expanded, for the purposes of the NIPFP study alone, to include districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. In response to this requirement an additional district was added in Chhattisgarh. We call this new set the comparator districts. It is important to note here that since the selection of districts in the state was, by the very terms of the project, through non-random procedures, the results from the sample survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will

be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest. The results cannot be aggregated across the two sets of districts to obtain state level estimates because the mode of sample selection was purposive, not random.

**Table 2.1: List of Indicators Used for District Selection**

<b>Name of the indicator</b>	<b>Unit of measurement</b>	<b>Name of the indicator</b>	<b>Unit of measurement</b>
Per capita income	Rupees	Density of population	Person per sq km
Infant mortality rate	Per thousand live births	Crude birth rate	Births per thousand population per annum
Rural female sex ratio (0-6 yrs)	Females per 1000 males	SC & ST population as percent to total population	Percent
Households having electricity, water and toilet facilities	Percent	Households without electricity, water and toilet facilities	Percent
Rural work force participation rate	Percent	Female work participation rate	Percent
Agricultural labour	Percent	Rural literacy	Percent
Enrolment ratio in the age group 5-14 yrs	Percent	Rural households below the poverty line	Percent

The selection of the additional districts was based on a number of indicators. Table 2.1 gives a list of indicators used. As the number of indicators involved is large and diverse it would be useful to represent them in the form of some sort of index. For this the method of Principal Components is used (annex 1 briefly sets out the technique).<sup>1</sup> Having derived the principal components the next step would involve constructing an index (a weighted index) from them using the proportion of total variations absorbed or accounted for by these principal components as weights. The index thus derived would be a composite of all the indicators and is clearly a better measure to rank the districts or comparatively evaluate their performances. The districts are then ranked on the basis of this newly constructed index (the complete ranking of the districts in Chhattisgarh is in annex 2). The selection of the comparator districts based on ranking by Principal Component analysis yields a benchmark set with lower deprivation characteristics although, their location with respect to the backward districts set by per capita income (PCY) alone, or human development index (HDI) alone, may not necessarily mark them as less deprived.

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<sup>1</sup> Using SPSS ver. 11.0.0 software.

The district wise ranking thus obtained is now compared with the ranking based on per capita income to see if there exists any relation between the two. A separate exercise is also carried out to compare PCA based district ranking with those obtained using the human development index. The Spearman's rank correlation coefficient ( $\rho$ ) tests for the null hypothesis  $H_0: (\rho = 0)$  i.e., there is no relation between the two rankings against the alternative hypothesis  $H_1: (\rho > 0)$  or  $H_1: (\rho < 0)$  i.e., there is a positive (or negative) relation between the two rankings. The results are tabulated in table 2.2. From table 2.2 one can infer for Chhattisgarh the null hypothesis of no correlation between our ranking and the rankings on the basis of per capita income and human development index cannot be rejected.<sup>2</sup>

**Table 2.2: Test for Ranks**

<b>Chhattisgarh<sup>@</sup></b>		
	<b>PCA Vs PCY rank</b>	<b>PCA Vs HDI rank</b>
Rank Correlation Coefficient	-0.1265	0.4882
t-value (estimated)	-	-
t-value (observed) ( $\alpha=0.01$ )	-0.623	0.623
Degrees of freedom	14	14
<b>Outcome</b>	Null Hyp not rejected	Null Hyp not rejected

**Source:** Author's calculation

**Notes:** @: For Chhattisgarh small sample test has been used.

PCY: Per capita income

On the basis of principal component analysis the district of Dhamtari was added to the existing list of pre-assigned backward districts in Chhattisgarh. In Chhattisgarh, therefore, the selected districts are Bastar, Rajnandgaon and Dhamtari. Table 2.3 below shows the entire set of selected districts in the state.

<sup>2</sup> For the other three states of Madhya Pradesh, Orissa and Rajasthan also the null hypothesis of no correlation between our ranking and the rankings on the basis of per capita income and human development index, cannot be rejected, with a single exception. Those interested could refer to the relevant section of the respective state reports.

**Table 2.3: Selected Districts in Chhattisgarh**

States	Total districts	Sample districts		PCA ranks
		Backward	Comparator	
Chhattisgarh	16	Rajnandgaon		11
		Bastar		14
			Dhamtari	5

**Source:** *Ibid*

**Notes:** The backward districts are the initial pre-assigned districts while the comparator districts are the districts which were later added on using PCA rankings.

### 2.3 SAMPLE SELECTION WITHIN SELECTED DISTRICTS

Having selected the districts in the state the next step is to select from these the lower tiers namely the block panchayats (i.e., the janpad panchayats) and gram panchayats. The sample target was 50 percent of the blocks in each of the selected districts. A total of 78 blocks were selected in the four states of Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan. While arriving at a figure for the number of gram panchayats to be selected it was decided to select on an average 10 gram panchayats per block. The total numbers of GPs in the selected blocks are 6301 (see annex 6 of the overall report). Thus a total of 780 GPs are selected from 6301 GPs. This yields a sample selection percentage of 12.38 for the GPs.

In Chhattisgarh there are 25 blocks in the selected districts in all, of which 21 are in the two backward districts, while the remaining 4 are in the comparator district. Table 2.4 provides information on the number of blocks in the selected districts for the state. The sample target was 50 percent of the blocks in each of the selected districts. So out of the total of 25 blocks in the state 12 were selected, 10 from the backward districts and 2 from the comparator district. In Chhattisgarh the proportion of blocks to be selected from the total works out to 0.480. The number of sample blocks in each of the selected districts in Chhattisgarh is given in table 2.4.

Once the number of blocks to be selected in each of the districts is decided, these are then selected within the district circular systematically after arranging the blocks in the district in ascending order by number of gram panchayats in each block. Annex 3 gives the names of the selected blocks in the three selected districts in Chhattisgarh.

**Table 2.4: Selection of Blocks (i.e., Janpad Panchayats)**

State	Total blocks in selected districts			Selected blocks			Percent (7)/(4)
	Backward	Comparator	All	Backward	Comparator	All	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Chhattisgarh</b>	<b>21</b>	<b>4</b>	<b>25</b>	<b>10</b>	<b>2</b>	<b>12</b>	<b>48.00</b>
Bastar (B)	12	-	12@	6	-	6	50.00
Rajnandgaon (B)	9	-	9	4	-	4	44.44
Dhamtari (C)	-	4	4	-	2	2	50.00

**Source:** *Ibid*

**Notes:** B : Backward districts and C: Comparator districts.

@: In Bastar there are 14 blocks but the two blocks of Orchcha and Narayanpur are naxal infested. Hence we have included only 12 blocks in the analysis.

Taking 12.38 percent of the total number of GPs from the selected backward and comparator blocks in Chhattisgarh yields the GP sample size of 201 in the state as shown in table 2.5. Thus, in Chhattisgarh the GP sample size is 201 of which 159 are from the backward blocks and 42 from comparator blocks.

**Table 2.5: Selection of Gram Panchayats**

State	Total Gram Panchayats in selected districts			Sample Gram Panchayats			Percent (7)/(4)
	Backward	Comparator	All	Backward	Comparator	All	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Chhattisgarh	1282	336	1618	159	42	201	12.42

**Source:** *Ibid*

Having identified the number of blocks to be selected both in the backward and comparator districts the next step is to identify the GPs in each of these blocks. Taking the proportion of GPs to be selected to the total number of GPs in the selected blocks and applying this proportion to each block would yield the number of GPs to be selected in each of the selected blocks. Given the listing of GPs in each of the block, the requisite number is then selected using the procedure of simple random sampling with replacement (SRSWR). The names of the selected GPs in each of the selected blocks in the three selected districts of Chhattisgarh are given in annex 3.

As the selection of the district was through non-random procedures the results from the survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest.

## 2.4 DEFINING POVERTY

The conceptual approach to measurement of poverty in India is based on the level of personal expenditure that enables the individual to satisfy a certain minimum consumption level. People who are unable to attain the specified level of expenditure are considered to be poor. While estimating the incidence of poverty the procedure followed is to first define a poverty line that separates poor from non-poor. The poverty line is quantified by taking a monetary equivalent of the minimum required consumption levels. The population having per capita consumption expenditure levels below the level defined by the poverty line is counted as poor. The poverty line is applied to the National sample Survey Organisation (NSSO) household consumer expenditure distributions as available from different rounds to estimate the incidence of poverty. The poverty ratio, also known as head count ratio (HCR) is estimated separately for rural and urban areas by taking the ratio of people living below the poverty line and the total population.

Poverty line was first defined by a Working Group set up in a seminar on 'Some Aspects of Poverty' in 1962. Since then the methodology for poverty estimation in India has undergone changes. The present poverty estimation is based on the methodology specified by the expert group constituted by the Planning Commission in 1989.

The HCR estimated by the Planning Commission gives the number (and proportion) of poor in the country, but does not identify them. It serves the purpose of examining the issue of poverty reduction as plan objectives in an overall macroeconomic context and is being used for evaluating development programmes and allocation of funds for poverty alleviation programmes. To identify households living below the poverty line a 'Below Poverty Line' (BPL) census is carried out in rural areas by the Ministry of Rural Development. The reason for conducting such a survey that covers all the rural households is to identify poor households so as to directly assist them through specially designed anti poverty programmes by providing productive assets, credit, skill improvement training and employment. While poverty estimates through HCR simply gives the number of the poor, the BPL survey

identifies the poor households in each village in the country so that the benefits of various schemes could be passed over to them.

The incidence of poverty in rural areas as estimated based on NSSO household consumer expenditure survey and BPL census based on a comprehensive household survey is not comparable. The two independent approaches of poverty estimates following different methodologies have resulted in two dissimilar series of poverty data for rural areas.

#### **2.4.1 Poverty Estimates by the Planning Commission**

The methodology to estimate poverty in India has undergone changes following the recommendations of various expert groups set up from time to time by the Planning Commission. The first attempt in this direction was taken by a Working Group set up in a seminar on 'Some Aspects of Poverty' in 1962 that estimated the poverty line at Rs.20 and Rs.25 per capita per month for rural and urban areas respectively at 1960-61 prices based on minimum normative food basket. There were other independent studies related to poverty line during 1970s.<sup>3</sup> The Task Force (1979) set up by the Planning Commission using calorific norms recommended by the Nutritional Expert Group (1968) estimated poverty lines at Rs.49.09 per capita per month for rural areas and Rs.56.64 per capita per month for urban areas at 1973-74 prices. The Planning Commission following the Task Force methodology had estimated the proportion and number of poor for rural and urban areas at national and state level using the NSSO consumption expenditure survey at an interval of five years. The estimates are available for the years 1972-73, 1977-78, 1983-84 and 1987-88.

The Planning Commission set up another expert group in 1989 to consider the methodological and computational aspects of estimation of poverty, which have outlined an alternative estimation methodology. The expert group retained the 1973-74 poverty line estimated by the Task Force - Rs.49.09 (rural) and Rs.56.64 (urban) at

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<sup>3</sup> Dandekar and Rath (1971) estimated poverty line at Rs.15 and Rs.22.50 per capita per month in rural and urban areas respectively at 1960-61 prices taking average calorie norm of 2250 calories per capita per day for both rural and urban areas.



all India level anchored in the recommended per capita daily intake of 2400 calories and 2100 calories for rural and urban areas respectively as base year estimates. The base year state-specific poverty lines were derived using adjusted consumer price indices for 1973-74 corresponding to the all India poverty line to reflect the observed differences in the cost of living index. The state-specific poverty lines were then moved with the state-specific price indices obtained for the latter years. The expert group prepared poverty estimates for the years 1973-74, 1977-78, 1983, 1987-88, and 1993-94 using different rounds of NSSO consumer expenditure survey data. These estimates were released in March 1997 and replaced the earlier released series.

Major differences in the methodology set out by the expert group from the 1979 task force are:

- Discontinued the practice of adjustment of NSSO data on aggregate private consumer expenditure, which was the practice earlier to make it compatible with that of National Accounts Statistics (NAS) data.
- Use of state specific poverty line instead of one all India poverty line.
- Use of state specific cost-of-living indices for updating poverty line for rural and urban areas separately. The expert group used consumer price index for agricultural labourers (CPIAL) for rural households and the consumer price index for industrial workers (CPIIW) for urban households.

The Planning Commission, subsequently, estimated the incidence of poverty for the year 1999-00 using the methodology of the expert group. The 1999-00 poverty estimates are based on the 55 round quinquennial sample survey on household consumer expenditure by the NSSO. The national poverty lines in terms of per capita per month were estimated as Rs.327.58 and Rs.454.11 for rural and urban areas respectively in 1999-00.

The poverty ratios estimated for 2004-05 are 21.8 percent for rural areas, 21.7 percent for the urban areas and 21.8 percent for the country as a whole based on the mixed recall period. The rural poverty ratio and rural poverty line for the four states for the year 2004-05 are given in Table 2.6 along with the rural poverty ratio of 1999-00, based for both on the mixed recall period (MRP; see notes to table). Comparing

the rural poverty ratio from 1999-00 to 2004-05 based on mixed recall period we see a sharp decline in case of both Madhya Pradesh and Chhattisgarh.

**Table 2.6: Rural Poverty Ratio and Rural Poverty Line**

	HCR (%) MRP (1999-00)	HCR (%) MRP (2004-05)	HCR (%) URP (2004-05)	Rural Poverty Line (Rs. Per cap/month) (2004-05)
Madhya Pradesh	37.06	29.8	36.9	327.78
Chhattisgarh*		31.2	40.8	322.41
Rajasthan	13.74	14.3	18.7	374.57
Orissa	48.01	39.8	46.8	325.79
<b>All India</b>	<b>27.09</b>	<b>21.8</b>	<b>28.3</b>	<b>356.30</b>

Source: Government of India, 2007. Estimates based on the 61<sup>st</sup> round of the NSS.

Note: \* Chhattisgarh until 1999-2000 was a part of Madhya Pradesh. Poverty estimates therefore in 1999-2000 for Madhya Pradesh also hold good for Chhattisgarh.

HCR: Head Count Ratio.

MRP stands for poverty estimates using a mixed recall period, varying by type of consumable, used exclusively in the 1999-00 survey, and alongside an alternative uniform recall period (URP) for all consumables in the 2004-05 survey. The URP estimates for 2004-05 are comparable only with those from the 1993-94 (and prior) surveys, which used only the URP. Annex 4 provides details on poverty estimates from previous surveys.

#### **2.4.2 Identification of BPL Households**

The Ministry of Rural Development has been conducting BPL surveys periodically at interval of five years typically at the beginning of the five year plan periods. The BPL surveys were carried out in 1992, 1997 and the latest BPL relates to the year 2002. However, due to Supreme Court's intervention in response to a writ petition, there is a delay in finalization of 2002 BPL list. The 1997 BPL survey results are still being used for various poverty alleviation programmes.

The Supreme Court gave a ruling in 2003 on a writ petition by People's Union for Civil Liberties (PUCL) not to remove any person from the existing BPL list till the Court's next hearing. The PUCL petition was on effective implementation of the Central and Centrally Sponsored Schemes to prevent starvation deaths and malnutrition in the calamity affected rural areas and other backward areas and not excluding the existing BPL families from the new list so that they continue to avail benefits from various schemes. In accordance to the Court's ruling the Government of India has advised the state governments not to finalise the BPL list till the next

hearing. The BPL list requires inclusion and exclusion based on the guidelines and criteria fixed for the census by the Government. The government has already approached the Supreme Court for clarification on its order. Subsequently, the Solicitor General of India has advised to complete all the spade work for the preparation of BPL list pending the final orders from the Supreme Court. However, no further orders have been obtained from the court as yet. On further advice from the Solicitor General, the Ministry of Rural Development has asked the state governments to finalise the BPL list based on 2002 census and along with the new list provide the details of the families who were in BPL list of 1997 but are getting excluded in the new census.

The first BPL survey was carried out in 1992 in which a simple schedule was used to collect data on household income and using all India poverty line households living below poverty line were identified. The survey resulted in rather uncomfortably high estimate of rural poverty of 52.59 percent at the national level and in some states it yielded estimates that crossed 60 to 70 percent. The Ministry of Rural Development set up an expert group to recommend modified methodology for the next BPL survey.

The 1997 BPL survey moved to a two-stage methodology. The survey schedule had two parts, part-A of the schedule was designed to exclude the visibly non-poor on the basis of information on households possessing selected assets and consumer durables. After excluding the visibly non-poor, Part B of the schedule was employed for all other households to identify those living below the poverty line. Part B of the schedule collected information on household expenditures (previous 30 days), sex, educational status, social group affiliation, housing, and skill training to identify BPL households. Household having per capita consumption expenditure less than the poverty line (Planning Commission) are categorized as BPL households. This survey also resulted in a high rural poverty incidence of 41.05 percent as against the Planning Commission HCR estimates of 26.10 percent in 1999-00.

Major criticisms raised against the 1997 BPL survey were (a) very rigid exclusion criterion (possession of a single ceiling fan would leave the household out of BPL list), (b) use of poverty line of nearest state in the case of absence of state poverty line, and (c) adoption of uniform criteria that disregarded regional variations.

To improve the methodology of BPL Census for the Tenth Plan, the Ministry of Rural Development constituted an Expert Group in 2001 comprising administrators, academics, planners and representatives of Assam, Kerala, Orissa, Rajasthan and Uttar Pradesh. The expert group after having deliberations with other state governments/U.T. Administrations as well as the stakeholder Central ministries made a number of recommendations to improve the design and content of the BPL Census. Unlike the two previous surveys where income and expenditure approaches were taken, a 'score based ranking' of households indicating their quality of life was adopted for the 2002 survey. Both social and economic indicators were included in the process of ranking.

The BPL survey schedule of 2002 had 13 indicators that include wide range of areas like landholding, housing, food security, water supply and sanitation, literacy and migration (annex 5). These indicators are to be assigned with scores in a scale of 0-4 for each household and aggregated to give the relative position of the particular household in the village. The freedom was given to the state to determine the cut off score for identifying poor households that could be uniform or vary across districts, blocks and villages within the state. However, the states were directed to limit the number of persons living below poverty line to 10 percent higher than the Planning Commission estimates of 1999-00.

Given the differences in the methodologies adopted under the NSSO survey based poverty estimates and the BPL survey, the results would not match and the directive to limit the BPL survey results to align with the Planning Commission estimates raises questions. The efforts to generate incidence of poverty with multiple dimensions through large number of indicators, it was contended, would result in measuring the same theme in different ways (Hirway, 2003). It was also pointed out that the actual operationalisation of BPL survey 2002 would be difficult at village level due to village level power politics and lot of subjectivity would creep into the information set. "The complexities of aggregating multiple facets of deprivation" through scoring of large number of indicators into a single index may throw up improper results (Sundaram, 2003).

From the above scrutiny of poverty estimation in India some specific conclusions can be drawn. The latest available poverty estimates by the Planning Commission continues to be that relating to the year 2004-05 that used 61<sup>st</sup> round NSSO consumer expenditure survey. The estimates indicate a reduction in the incidence of rural poverty from 27.1 percent in 1999-2000 to 21.8 percent in 2004-05 based on mixed recall period.

The Ministry of Rural Development has still been using a ten year old census on BPL (1997 census) population as the basis for assisting the rural poor under various poverty alleviation programmes. Pending the final verdict from the Supreme Court the finalization of latest 2002 BPL list using a modified methodology remains to be implemented.

The difference between the two approaches of estimating rural poverty has been quite large that is attributed to adoption of two different methodologies. The BPL household surveys in 1992 and 1997 have reported higher rural poverty as compared to the Planning Commission figures. A fresh list of BPL households surveyed without any subjectivity would improve the actual implementation of poverty alleviation programmes targeting really deserving poor.

### **2.4.3 BPL Survey in Chhattishgarh**

The state of Chhattisgarh was formed in 2000 comprising 16 districts of the parent state of Madhya Pradesh. The latest poverty estimates for the state relate to the year 2004-05 (refer to table 2.6 for rural poverty estimates).

The 1997-98 BPL survey carried out in districts of undivided Madhya Pradesh are still being used in Chhattisgarh and the finalization of 2002 survey is awaited. District wise incidence of rural poverty in terms of percentage of BPL households is given in table 2.7. The percentage of total rural household living below the poverty line according to 1997 survey is 44 in the state. The southern districts of Dantewada and Bastar have highest rural poverty incidence as compared to the northern region and mainland. Among the northern districts Sarguja, and in mainland Kabirdham and Mahasamund have high rural poverty incidence. The percentage of rural poor in

terms of BPL households seems to be higher than that of the rural poverty in 1999-00 HCR for the undivided Madhya Pradesh. However, it is difficult to compare these statistics as the methodologies adopted in both the surveys are different.

**Table 2.7: Chhattishgarh: District wise Percentage of BPL Household in Total Rural Household, 1997**

<b>Sl. No.</b>	<b>Districts</b>	<b>Percentage of BPL households</b>
1	Dantewada	60
<b>2</b>	<b>Bastar</b>	<b>58</b>
3	Kabirdham	51
4	Surguja	51
5	Mahasamud	50
6	Raigarh	48
7	Korba	44
8	Bilaspur	42
9	Koriya	42
10	Janjgeer-Champa	41
11	Kanker	41
<b>12</b>	<b>Rajnandgaon</b>	<b>41</b>
13	Jashpur	40
14	Raipur	36
15	Durg	33
<b>16</b>	<b>Dhamtari</b>	<b>32</b>
	<b>Chhattishgarh</b>	<b>44</b>

**Source:** Srivastava, D.K et al.(2004), India: Fiscal Reform for Poverty Reduction: Paper 4 Case Study of Chhattishgarh, pp. 8.

### **3. STATUS OF STATE FINANCE COMMISSION RECOMMENDATIONS**

#### **3.1 SHARE OF STATE REVENUE AND OTHER GRANTS**

##### **3.1.1 Tax Sharing**

Under the provision of article 243I and 243Y of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, it is mandatory for each state to constitute the SFC within one year from the introduction of Panchayati Raj Act and then at the expiry of every fifth year. Since the state of Chhattisgarh was created on November 2000 as reorganization of Madhya Pradesh its first SFC as a new state was constituted in August 2003. It has submitted its report in May 2007. Until the recommendations of its first SFC become applicable the recommendations of first and second SFC of Madhya Pradesh are applicable to the local bodies in Chhattisgarh (PRIs and ULBs). The devolution of resources as recommended by first and second SFC of Madhya Pradesh which is also applicable for the state of Chhattisgarh is being reproduced in the section below.

Under the constitutional provision, the vertical fiscal imbalances between the centre and the states are corrected by way of the transfer of resources from centre to states through the instrument of Central Finance Commission (CFC). Similarly, at the state level, the constitutional provision (article 243I (a) (i) of 73<sup>rd</sup> Constitutional Amendment) provides for the distribution of the “net proceeds of the taxes, duties, tolls and fees” between the states and the panchayats.<sup>1</sup> In other words, there is provision to share the revenue from both taxes and non-taxes.<sup>2</sup> The first SFC of Madhya Pradesh has recommended sharing of gross revenue from taxes and non-taxes, whereas second SFC has recommended a divisible pool comprising of net own tax revenues only. The first SFC has recommended a share of 2.91 percent (excluding the cess on land revenue and additional stamp duties, the whole of which goes as a

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<sup>1</sup> Article 243I (a) (i) of 73<sup>rd</sup> Constitutional Amendment indicates the principles of distribution of proceeds between state and PRIs.

<sup>2</sup> The Tenth Finance Commission in its report discussed about the concept of “Global sharing” of all sharable union taxes between centre and the states. The Eleventh Finance Commission (EFC) recommended a share of 29.5 per cent of the gross revenue from all the shareable taxes put together. The Twelfth Finance Commission recommended 30.5 per cent of net proceeds of all shareable union taxes

separate grant-in-aid) to PRIs. The second SFC, on the other hand, recommended a share of 2.93 percent from net own tax revenue.

From table 3.1 one can observe that there is heterogeneity with respect to the divisible pool between the first and second SFC of the state, to be shared between state and the panchayats. Keeping in view the heterogeneity in the divisible pool it is difficult to assess the improvement with regard to devolution of resources over the period. In addition to tax shares, there are also grants prescribed by the SFCs. Therefore, the only possible way by which the two divisible pools are comparable is by looking at amounts actually transferred to panchayats as a result of SFC recommendations. The details of devolution recommended by first and second SFC and the criteria adopted for the distribution are presented in the tables 3.1 and 3.2.

**Table 3.1: State Finance Commissions' Devolution  
(Divisible pool) to PRIs**

	<b>Madhya Pradesh (undivided) (applicable for Chhattisgarh)</b>
<b>First SFC</b>	
Award Period	(1996-2001)
Divisible pool	Gross tax and non-tax revenue
PRIs share (%) per annum	2.91 % *
<b>Second SFC</b>	
Award period	(2001-06)
Divisible pool	Net own tax revenue
PRIs share (%) per annum	2.93

**Source:** SFC Reports of Madhya Pradesh.

**Note:** \* The divisible pool excludes the cess on land revenue and additional stamp duties, the whole of which goes as a separate grant-in-aid.

### **3.1.2 Distribution Criteria**

The criteria used by the first SFC for *inter-se* distribution and for further distribution amongst the gram panchayats can be grouped into equity neutral indicators, backwardness and poverty indicators and indicators of revenue effort. The neutral criteria were assigned weight of around 32 percent, while for backwardness and equity criteria the weight assigned was about 68 percent. In other words, more importance was given to the redistributive aspect. The distribution amongst the GPs was based on population (75 percent) and area (25 percent) criteria, both equity-



neutral. The major distribution criteria adopted by first and second SFC of the state are shown in table 3.2.

**Table 3.2: Criteria for Inter-District Distribution**

State	Madhya Pradesh (as applicable for Chhattisgarh)	
Criteria	Weightage	(%)
<b>1. Neutral criteria</b>	31.875	
(a) Population		21.250
(b) Area		10.625
<b>2. Equity criteria</b>	36.250	
(a) Poverty		
(b) Rural SC &ST pop.		15.000
(c) No. of Agricultural labourers		10.625
(d) Inverse of average gross value of output of agriculture per hectare		10.625
<b>3. Indicators of backwardness</b>	31.250	
(a) No. of workers in registered factories (per lakh of population)		10.625
(b) per capita consumption of power		10.625
(c) Literacy rate		10.625
<b>Distribution among GPs</b>		
(a) Population	75	
(b) Area	25	

**Source:** SFC Reports of Madhya Pradesh

### 3.1.3 Devolution of Grants

In addition to tax devolution, the first SFC of Madhya Pradesh has also recommended devolution of resources in the form of grants to PRIs. Amongst the grants, the prominent ones are the general purpose grants, specific purpose grants, incentive grants, lump sum grants and establishment grants. Most of these grants are distributed on the basis of population.

Similarly, the second SFC has also recommended grants to panchayats. These are: (a) general purpose grants, (b).establishment grants, and (c) specific grants. It has also recommended devolution of net proceeds of land revenue, surcharge on stamp duty and cess on sales tax in the form of assigned tax revenue. The transfers of grants recommended by first and second SFC are detailed in table 3.3.

**Table 3.3: Other Recommended Grants by First and Second SFC and Action Taken**

Other grants	Recommendations	Action taken
<p><b>First SFC</b></p> <p>1. Special grants</p> <p>2. Incentive grants to local bodies</p> <p>3. Establishment grant</p> <p>4. Lump sum grants</p>	<p>1. Grants for special works done through the three-tier Panchayati Raj institutions.</p> <p>2.(a) 2.5 percent of expenditure on delegated programmes to the Panchayats working as agents of the state governments</p> <p>b) Incentives for raising own revenue collection.</p> <p>3. For 1995-96 Rs. 67.76 crore was recommended. From the next year it will be based on actual estimates.</p> <p>4. A lump sum amount to be paid in the form of grant-in-aid by state government at its discretion for furnishing the offices and their maintenance.</p>	<p>1. Accepted</p> <p>2. (a) Accepted for works that are specially assigned in addition to their duties.</p> <p>(b) Initially it was accepted but subsequently in 1997, the state government decided that it will be one of the indicators of best panchayat award scheme.</p> <p>3. Accepted</p> <p>4. Not Accepted</p>
<p><b>Second SFC</b></p> <p>1. General purpose grants</p> <p>2. Establishment grant</p> <p>3. Specific grant</p> <p>4. Devolution of net proceeds</p>	<p>1. General purpose grant of Rs. 50 crore for village panchayat</p> <p>2. A grant (specific grant) of Rs.28.40 to PRIs for the payment of honorarium and other payments to the staff working in the 3-tier PRIs, with a provision of 10% increase in the amount of grant every year may be given.</p> <p>3. Rs.5 crore to the Zila Panchayats for organizing training programmes for elected representatives.</p> <p>4. The Commission has also recommended the devolution of net proceeds of land revenue, surcharge on stamp duty and cess on sales tax in the form of assigned tax revenue which is in existence may be allowed to continue.</p>	<p>1. Not accepted</p> <p>2. Accepted at 5% increase every year.</p> <p>3. Accepted</p> <p>4. Accepted.</p>

**Source:** SFC Reports of Madhya Pradesh

## **3.2 OWN REVENUE**

The first and second SFC of Madhya Pradesh has not made any specific recommendation about the raising of own revenue. However, the first SFC has discussed about the incentives for raising of own revenue. In the ATR, it was mentioned that the own revenue will be used as one of the indicators for best panchayat award scheme.

## **3.3 DATA, AUDITING, MONITORING**

Under the constitutional provision, the vertical fiscal imbalance between the centre and the states are corrected through the transfer of resources from the Centre to the states. This is done through the instrument of Central Finance Commission (CFC). The TOR<sup>3</sup> of Eleventh Finance Commission (EFC) required the EFC to make recommendations with respect to the measures needed for the augmentation of Consolidated Fund of the states to supplement the resources of the panchayats. Accordingly, the EFC has recommended the devolution of resources for the maintenance of core civic services, to the panchayats through the states. The table 3.4 indicates the allocation and release of grants as per the EFC recommendations and the matching contribution given by the state (as per the EFC guidelines, each state has to give matching contribution).

The PRIs in the state of Chhattisgarh has shown utilization of about 85.03 percent of the total release, which was higher than the average utilization of 81 percent for all states but lower than the average of 91 percent of four states under consideration.

The annual release of grants indicates that the panchayats in Chhattisgarh, similar to other states, have shown no pattern of utilization. Since the release was based on the utilization of the previous installment, hence there was no pattern

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<sup>3</sup> Paragraph 3(c) and 3(d) of the President's Order required EFC to make recommendations on the measures needed to augment the Consolidated Fund of the States to supplement the resources of the panchayats.

observed in annual release of grants. The graphical presentation of pattern of release of grants is shown in chart 3.1.

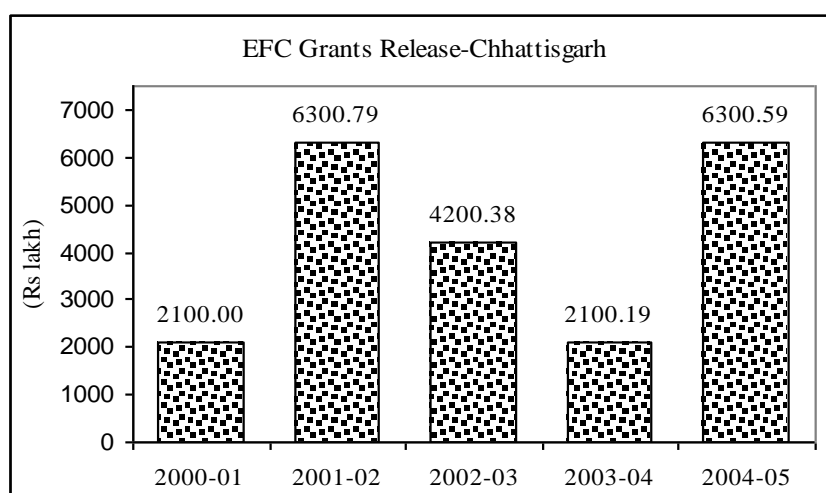
**Table 3.4: Release of Grants as per EFC Recommendation and its Utilization**

(Rs. Lakh)

Allocation (2000-05)	PRIs - Desired utilization from state govt.			PRIs - As reported by state govt.			Percent utilized (col. 8 as % of col.5)	
	Annual Allocation	Grant released so far	Desired matching contribution (25% of grants released)	Total (grants+ contribu- tions)	Matching contribution by State / PRIs	Released to PRI's by State		Utilization of funds by PRIs
1	2	3	4	5	6	7	8	9
21001.95	4200.39	21001.95	5250.49	26252.44	5600.00	22400.20	22321.40	85.03

Source: Finance Commission Division, Ministry of Finance, Government of India.

**Chart 3.1 Pattern of Release of EFC Grants-Chhattisgarh**



The EFC has also expressed its concern about the poor state of maintenance of accounts and their audit at the panchayats level. It has observed that at the GP and/or JP level, there is no exclusive staff for the maintenance of accounts. Considering this in view, it has earmarked some amount (Rs 4000 per panchayat per annum) for the maintenance of accounts and their audit.

Another problem faced by the EFC was the non-availability of data in general and on finances of local bodies in particular. The complete absence of good database

at the local level made the task of EFC more tedious, specially, while assessing the requirement of resources for the panchayats. Keeping in view the need of good database at the local level, it has recommended Rs 200 crore for all the states. The details regarding grants for the provision of maintenance of accounts and the creation database for the state of Chhattisgarh is presented in table 3.5.

**Table 3.5: Provision and Utilization of Grants for Maintenance of Accounts & Audit and Creation of Data Base**

						(Rs.lakhs)
Creation of data base			Maintenance of accounts & auditing			Auditing response- bilities entrusted to C&AG
Allocation 2000-05	Utilization reported	% Utilization	Annual allocation by EFC	Utilization reported	% Utilization	
1	2	3	4	5	7	8
740.60	740.60	100.00	370.83	370.83	100.00	Yes

**Source:** Author's calculations.

As observed from the above table, the utilization of grants with respect to creation of database was 100 percent. Similarly, the utilization of grants provided for maintenance of accounts and their auditing was also found 100 percent. The auditing responsibilities were assigned to the Comptroller and Auditor General (C&AG). However, during the field survey, it was observed that the maintenance of database at the GP level was not very good. Also there was no indication of computerization of database. However, the accounts were found audited.

### **3.4 FUNCTIONAL DEVOLUTION**

The details regarding the functional devolution as per the state government rules and notifications are shown in annex 7.

## **4. OWN REVENUES AND STATE FLOWS**

### **4.1 OWN REVENUES OF THE PRIS AND STATE TRANSFERS - 2002-03**

Due to lack of any comprehensive national data base on panchayat finances, reports of the National Finance Commissions serve as the only source of information. The Eleventh Finance Commission had reported data on revenue receipts of the PRIs collected from the respective state governments for the period 1990-91 to 1997-98, which was further extended by the Twelfth Finance Commission up to 2002-03.

Panchayati Raj Institutions are marked by their poor internal revenue effort and high dependence on grants-in-aid and assigned revenues and other specific grants from both central and state governments<sup>1</sup>. The per capita own revenues of the PRIs during 1990-91 and 2002-03 drawn from TFC report given in this section and the survey results for 2005-06 in selected districts of the State reported latter show very low level of own revenue collection. Higher internal revenue mobilization by PRIs is essential to enable them to function as effective institutions of self-government at local level by improving their autonomy in the decision making and the ability to plan and implement various schemes under functions assigned to them.

The own tax and non-tax revenues of the PRIs in Chhattisgarh from 1998-99 to 2002-03 as reported by the Twelfth Finance Commission are given in table 4.1. The share of own revenues consisting of own tax and own non-tax revenues in total revenues has increased from 16.02 percent in 1998-99 to 20.61 percent in 2002-03. During this period, however, there was no change in relative share of own tax and non-taxes raised by the PRIs. The own non-tax revenues remained the major source of own revenues accounting for 94 percent of the own revenues.

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<sup>1</sup> Memorandum to the TFC by the Ministry of Rural Development puts the internal revenue mobilization by the PRI at 4.17 percent of their total revenues (TFC, 2004). NIRD (2002) estimated the annual average internal revenue receipts of the PRIs for the period 1992-93 to 1997-98 at 6.34 per cent of their total receipts excluding central grants.

**Table 4.1: Own Revenue of PRIs in Chhattisgarh**

Year	Own tax revenue	Own non-tax revenue	Total internal revenue	(Rs. Crores)	
				Share of tax revenue in internal revenue (%)	Share of internal to total revenue (%)
1998-99	3.12	50.31	53.43	5.84	16.02
1999-00	3.18	51.33	54.51	5.83	15.73
2000-01	3.23	54.17	57.40	5.63	17.29
2001-02	3.31	53.41	56.72	5.84	20.60
2002-03	3.40	54.47	57.87	5.88	20.61

**Source:** Report of the Twelfth Finance Commission.

**Note:** Total revenue consists of total internal revenue, grants-in-aid and devolution and assignment from the state government.

The per capita total revenues of the PRIs in Chhattisgarh between 1998-99 and 2002-03 are shown in table 4.2. From the table we see that while the total revenues of the panchayats declined from Rs.207.34 in 1998-99 to Rs.164.92 in 2002-03, their total internal revenues comprising of own-tax and own non-tax revenues registered a marginal rise from Rs.33.23 to Rs.33.98 during this period. The own tax revenues of the PRIs varied between Rs.1.94 to Rs.2.00 during 1998-99 and 2002-03 and was Rs.2.00 in 2002-03. Their per capita own non-tax revenue was Rs.31.99 in 2002-03.

**Table 4.2: Per capita Own Revenues of PRIs in Chhattisgarh**

Year	(Rs.)			
	Own tax revenue	Own non-tax revenue	Total internal revenue	Total revenue
1998-99	1.94	31.29	33.23	207.34
1999-00	1.95	31.49	33.44	212.58
2000-01	1.95	32.63	34.58	199.94
2001-02	1.97	31.79	33.76	163.89
2002-03	2.00	31.99	33.98	164.92

**Source:** Derived from data from the Report of the Twelfth Finance Commission

**Note:** Mid year projected rural population were used to derive the per capita figures

The revenue transfers from the states to the PRIs take the form of assigned revenues and grants-in-aid. The assigned revenues primarily comprise assignment of a specific or a predetermined proportion of the principal state tax or the proceeds of a surcharge or cess levied by the state government on its principal tax for the exclusive use of the PRIs. The assigned revenues are allocated to one or more tiers of panchayats. The SFCs recommend the percentage of state taxes to be shared with the PRIs and the criteria

for *inter se* distribution among various tiers of PRIs. Acceptance of SFC recommendations, however, is the prerogative of state governments. The grants-in-aid broadly cover establishment costs, honorariums of the elected members, some construction and repairing of panchayat establishments, compensation grants in respect of taxes/non-taxes withdrawn from PRIs, incentive grants, and grants for specific schemes.

**Table 4.3: Composition of Total Revenue of PRIs in 2002-03**

		<b>Total (Rs. crores)</b>	<b>Per capita (Rs.)</b>
<b>A</b>	<b>Total internal revenue (i + ii)</b>	<b>57.87</b>	<b>33.98</b>
	i Own tax revenue	3.40	2.00
	ii Own non-tax revenue	54.47	31.98
<b>B</b>	<b>State transfers (i + ii + iii)</b>	<b>222.95</b>	<b>130.92</b>
	i Assignment + devolution	14.68	8.62
	ii Grants-in-aid	69.71	40.93
	iii Others	138.56	81.36
	<b>Total</b>	<b>280.82</b>	<b>164.90</b>

**Sources:** Report of the Twelfth Finance Commission, Government of India.  
Annual Report of Ministry of Rural Development, Government of India.

The composition of revenue receipts of PRIs in Chhattisgarh in the year 2002-03, for which the latest data is available, is given in Table 4.3. The revenues generated by the PRIs from internal sources comprising of own tax and own non-tax revenues was Rs.57.87 crores and they have received Rs.222.95 crores as assigned revenues and grants from the state government in 2002-03. This amount includes assigned revenue from individual tax sources and grants for establishment costs and developmental works. The total revenue receipts from internal sources and assigned revenues amounted to Rs.280.82 crores in the year 2002-03. The corresponding per capita revenue receipts of the PRIs works out to Rs.164.90 of which Rs.33.98 was mobilized internally while Rs.130.92 was the state transfers.

## **4.2 OWN REVENUE IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS - 2005-06**

Though the state of Chhattisgarh was created in 2000, the Panchayat acts of the parent state Madhya Pradesh were adopted. In the statutes, it is the Gram Panchayats which are endowed with revenue raising tax and non-tax powers while the intermediate



tier – janapad panchayat has been assigned with very limited tax powers. The district tier or the zilla panchayat however, has not been assigned with any revenue raising powers. The tax and non-tax powers assigned to the PRIs in Chhattisgarh are shown in table 4.4. The state statute designates some of the taxes as obligatory thus making it mandatory to levy and leaves other taxes as optional or discretionary. The GPs are assigned with obligatory taxes like property taxes on land and buildings, private latrines, light tax, cattle registration and sale in market, market fees and use of land and buildings in public markets and profession taxes. The revenue raising powers of the janapad panchayat is limited to levying only one obligatory tax - a tax on theatrical performances and other performances of public entertainments.

The PRIs have limited autonomy in choosing the type of taxes as the assignment of taxing powers are enshrined in the Panchayat Acts. In case of both obligatory and optional taxes, the tax rate and the base are decided by the state government, either in the relevant statute, or by executive order. The statute prescribes the maximum rate at which the panchayats can levy the tax, and in some cases a range (minimum and maximum tax rates) within which the PRIs can fix their own tax rates. For example the Chhattisgarh Acts, prescribe minimum and maximum rates for the tax on land and buildings, profession tax, and entertainment tax. The building tax is specified as a specific absolute levy, slabbed with respect to floor area.

In addition to tax sources, the PRIs are also empowered to collect non-tax revenues in the form of fees, fines, and user charges. The panchayats are vested with public properties like irrigation sources, ferry ghats, waste lands and communal lands, orchards, tanks, markets and fairs. Income from these properties forms part of the non-tax revenue of panchayats, although where these are still owned and controlled by the line departments of the state governments the non-tax revenue accrues to the state. The properties built by the panchayats such as sewerage, drains, public roads, and buildings are also panchayat properties and some of these do generate non-tax revenues.

**Table 4.4: Tax and Non-tax Powers of the PRIs – Chhattisgarh**

	<b>Taxes</b>	<b>Non-taxes</b>
Gram panchayat	<p><b>Chhattisgarh Panchayati Raj Adhiniyam 1996</b></p> <p><b>Obligatory tax:</b></p> <ol style="list-style-type: none"> <li>1. A property tax on the lands or buildings or both, the capital value of which including the value of the land is more than six thousand rupees other than-</li> <li>2. Market fees on persons exposing goods for sale in any market or at any place or any building or structure therein belonging to or under the control of the GP.</li> <li>3. A fee on the registration of cattle sold in any market or in any place belonging to or under the control of the GP.</li> <li>4. A tax on private latrines payable by the occupier or owner of the buildings to which such latrines are attached when cleaned by GP agency.</li> <li>5. A light tax, if light arrangements have been made by the GP.</li> <li>6. A tax on person, exercising any profession or carrying on any trade or calling within the limits of GP area.</li> </ol> <p><b>Optional tax:</b></p> <ol style="list-style-type: none"> <li>1. A tax on the bullock-carts, bicycles, rickshaws used for hire within the limits of Gram Panchayat area.</li> <li>2. A tax on animals used for riding, driving or burden or on dogs or pigs payable by the owners thereof.</li> <li>3. A tax on persons carrying on the profession of purchaser, agent, commission agent, weighman, or a measure within the meaning of Madhya Pradesh Krishi Upaj Mandi Adhiniyam, 1972 (No. 24 of 1973), in the area of Gram Panchayat excluding the area of a mandi.</li> <li>4. A temporary tax for special works of public utility.</li> <li>5. A tax for the construction or maintenance of public latrines and a general scavenging tax for removal and disposal of refuse.</li> <li>6. Any other tax, which the State Legislature has power to impose under the Constitution of India.</li> <li>7. A water rate where arrangements are made by the Gram Panchayat for regular supply of water.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fees for drainage where system of drainage has been introduced by the Gram Panchayat.</li> <li>2. A fees payable by the owners of the vehicles other than motor vehicle, where such vehicles other than the motor vehicles enter the Gram Panchayat area.</li> <li>3. Fees for the use of sarais, dharmshalas, rest houses, slaughter houses and encamping grounds.</li> <li>4. Fees for bullock-cart stand and tonga stand.</li> <li>5. Fees for temporary structure or any projection over any public place or temporary occupation thereof.</li> <li>6. Fees for grazing cattle over the grazing grounds vested in the Gram Panchayat.</li> <li>7. Lease and auction of public properties vested with the GPs</li> </ol>
Janpad panchayat	<p><b>Obligatory tax:</b></p> <p>A tax on theatrical performances and other performances of public entertainments.</p>	<p>Fees for any license or permission granted by the JP under the act or for use and occupation of lands or other properties vested in or maintained by the JP.</p>

**Source:** Chhattisgarh Panchayat Raj Adhiniyam.

The number and type of own taxes collected by the GPs in the pre-assigned backward districts and the comparator districts in table 4.5 show that in backward districts, 71.70 percent of GPs do not levy any taxes. In the selected comparator districts the percentage is less at 40.48. Around 22.64 percent of the GPs in backward districts and 35.71 percent in comparator districts, collect only one source of revenue. That leaves very few GPs collecting more than one source of tax revenue. Among the taxes collected by the GPs the house tax and lighting tax, animal taxes and water rates are most usually levied. The profession tax is not levied in the selected districts, even though it is obligatory. The miscellaneous category includes taxes on market, commercial taxes and ferry service. More GPs from the comparator districts as compared to the backward districts seem to be exploiting their tax powers.

**Table 4.5: Matrix of GPs by Number and Type of Own Taxes**

	House tax	Lighting tax	Animal tax	Water tax	Other misc.	Total no. of GPs by source	Percent
<b>Comparator districts</b>							
0 source	0	0	0	0	0	17	40.48
1 source	1	3	6	0	5	15	35.71
2 source	1	3	2	2	4	6	14.29
3 source	0	2	3	1	3	3	7.14
4 source	1	1	1	0	1	1	2.38
<b>Total</b>	<b>3</b>	<b>9</b>	<b>12</b>	<b>3</b>	<b>13</b>	<b>42</b>	
	(7.14)	(21.43)	(28.57)	(7.14)	(30.95)		
<b>Backward districts</b>							
0 source	0	0	0	0	0	114	71.70
1 source	1	0	22	2	11	36	22.64
2 source	3	3	5	2	3	8	5.03
3 source	1	1	0	1	0	1	0.63
4 source	0	0	0	0	0	0	0.00
<b>Total</b>	<b>5</b>	<b>4</b>	<b>27</b>	<b>5</b>	<b>14</b>	<b>159</b>	
	(3.14)	(2.52)	(16.98)	(3.14)	(8.81)		

**Source:** Author's calculations

**Notes:** 1. Figures in parenthesis refer to percent of GPs to total number of GPs.

2. Percentages in the bottom row do not add up to 100.

At the middle tier, the selected JPs in both backward and comparator districts in Chhattisgarh do not collect any tax, though they are assigned with limited tax powers. The ZPs in the state do not have any tax powers and the survey is indicative of this.

Table 4.6 provides information on the number and type of non-tax revenue sources of the GPs in Chhattisgarh. The table shows that a larger percentage of GPs in the

comparator districts exploit various sources of non-tax revenues vis-à-vis the backward districts. A sizable percent of GPs (35.22 percent) in the backward districts do not collect any non-tax revenues. Both in the comparator and backward districts around 28 percent of GPs exploit one source of non-tax revenue. However, the percentage of GPs exploiting 2 source of revenue is much higher in comparator districts at 52.63 percent as against 27.67 percent in backward districts. The cumulative total of parentage of GPs exploiting more than 2 sources of non-tax revenue for comparator districts at 15.79 is also higher as compared to 8.18 percent for backward districts.

**Table 4.6: Matrix of GPs by Number and Type of Own Non-tax Revenues**

	Property rental & lease income	Interest receipt	Royalty from minor minerals	Income from forest products	Others	Total no. of GPs	Percent
<b>Comparator districts</b>							
0 source	0	0	0	0	0	2	3.51
1 source	15	1	0	0	0	16	28.07
2 source	14	7	0	0	9	30	52.63
3 source	8	8	0	0	8	8	14.04
4 source	1	1	1	0	1	1	1.75
<b>Total</b>	<b>38</b>	<b>17</b>	<b>1</b>	<b>0</b>	<b>18</b>	<b>57</b>	
	(66.67)	(29.82)	(1.75)	(0.00)	(31.58)		
<b>Backward districts</b>							
0 source	0	0	0	0	0	56	35.22
1 source	26	12	0	1	7	46	28.93
2 source	42	21	3	0	22	44	27.67
3 source	12	10	2	0	12	12	7.55
4 source	1	1	1	0	1	1	0.63
<b>Total</b>	<b>81</b>	<b>44</b>	<b>6</b>	<b>1</b>	<b>42</b>	<b>159</b>	
	(50.94)	(27.67)	(3.77)	(0.63)	(26.42)		

**Source:** *Ibid.*

**Notes:** Figures in parenthesis refer to percent of GPs to total number of GPs.

Percentages in the bottom rows do not add up to 100.

The major source of non-tax revenue in both the clusters is property rental and lease income. This includes renting out panchayat properties, auctioning of ferry ghats, ponds, orchards, trees and leasing out properties for public use. The percentage is higher in the comparator district with 66.67 percent of the GPs having property rental and lease income as compared to 50.94 percent in the backward districts. A large number, 29.82 percent in the comparator and 27.67 percent in backward districts, also receive interest receipts from bank deposits of funds received by them under various central and state

schemes. However, this source of income depends upon unspent funds under different schemes remaining with the banks and is not based on any revenue effort of the GPs. Royalty from minor minerals and income from forest products accrue to relatively fewer GPs, depending upon the endowment of such properties. Other sources mainly include fees on issuing various certificates and for use of shops and buildings in markets and fairs, user fees on services provided by the GPs, sale of scrap, kanji house and fines.

**Table 4.7: Matrix of JPs by Number and Type of Own Non-Taxes Revenues**

	Property rental & lease income	Interest received	Others	Total	Percent
<b>Comparator districts</b>					
0 source	0	0	0	<b>0</b>	<i>0.00</i>
1 source	0	0	0	<b>0</b>	<i>0.00</i>
2 source	1	1	0	<b>1</b>	<i>50.00</i>
3 source	1	1	1	<b>1</b>	<i>50.00</i>
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	
	<i>(100.00)</i>	<i>(100.00)</i>	<i>(50.00)</i>		
<b>Backward districts</b>					
0 source	0	0	0	<b>1</b>	<i>10.00</i>
1 source	4	2	0	<b>6</b>	<i>60.00</i>
2 source	2	1	1	<b>2</b>	<i>20.00</i>
3 source	1	1	1	<b>1</b>	<i>10.00</i>
<b>Total</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>10</b>	
	<i>(70.00)</i>	<i>(40.00)</i>	<i>(20.00)</i>		

**Source:** *Ibid*

**Notes:** Figures in parenthesis refer to percent of JPs to total number of JPs.  
Percentages in the bottom row do not add up to 100.

**Table 4.8: Matrix of ZPs by Number and Type of Own Non-Tax Revenues**

	Property rental & lease income	Interest received	Others	Total	Percent
<b>Comparator districts</b>					
0 source	0	0	0	<b>1</b>	<i>100.00</i>
1 source	0	0	0	<b>0</b>	<i>0.00</i>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	
	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(100.00)</i>	
<b>Backward districts</b>					
0 source	0	0	0	<b>0</b>	<i>0.00</i>
1 source	1	1	0	<b>2</b>	<i>100.00</i>
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	
	<i>(50.00)</i>	<i>(50.00)</i>	<i>(0.00)</i>	<i>(100.00)</i>	

**Source:** *Ibid*

**Notes:** Figures in parenthesis refer to percent of ZPs to total number of ZPs.  
Percentages in the bottom row do not add up to 100.

For the JPs in the surveyed districts property rental and lease income and interest receipts on the bank deposits are the major sources of non-tax revenue as is evident from table 4.7. The ‘other’ category shown in the tables consists of non-tax revenue sources such as sale of scrap, audit recovery, and fees for issuing certificates. The survey results show that the ZPs in the backward districts receive non-tax revenue from property rental and interest receipts while those in the comparator district have no source of own non-tax revenue (see table 4.8).

The preceding tables show the number of PRIs collecting own revenues by type of source. Table 4.9 shows the shares in own revenue collected by gram panchayats, by source and by district. The composition of own revenues vary across districts in the state, but the following patterns emerge.

**Table 4.9: Composition of Own Revenue Sources of GPs by District (%)**

	Comparator district	Backward districts	
	Dhamtari	Bastar	Rajnandgaon
Taxes	38.24	21.26	20.21
Fees & fines	2.06	0.64	1.25
Rent	7.44	17.31	33.92
Lease & auction	42.70	26.42	37.50
Interest	2.82	4.71	2.89
Other sources	6.74	29.66	4.23
Total	100.00	100.00	100.00

**Source:** *Ibid*

Non-tax revenues are the dominant source of own revenues of GPs across the districts. Among the various non-tax sources the important ones are the income from lease and auctions of ponds, markets, and orchards, and rent from panchayat properties. Taxes contribute 38 percent of own revenues in the comparator district of Dhamtari and 21 and 20 percent in the backward districts of Bastar and Rajnandgaon respectively.

The composition of own revenue sources of the middle and district tier panchayats is given in tables 4.10 and 4.11 respectively. The entire own revenues of JPs constitutes of non-taxes only. The JPs do not exploit the limited tax powers assigned to them. Among the various non-tax sources exploited by the JPs the important ones are income from interest receipts, lease and auction, and rent. The only source of non-tax revenue for ZPs is

lease and auction in Rajnandgaon and interest receipts in Bastar, the two backward districts in the state.

**Table 4.10 Composition of Own Revenue Sources of JPs by District** (%)

	Comparator district		Backward districts	
	Dhamtari	Bastar	Rajnandgaon	
Taxes	0.00	0.00	0.00	
Rent	39.23	1.47	3.50	
Lease & auction	19.66	51.55	18.61	
Interest	41.08	46.98	77.89	
Other sources	0.03	0.00	0.00	
Total	100.00	100.00	100.00	

Source: *Ibid*

**Table 4.11 Composition of Own Revenue Sources of ZPs by District** (%)

	Comparator district		Backward districts	
	Dhamtari	Bastar	Rajnandgaon	
Taxes	0.00	0.00	0.00	
Lease & auction	0.00	0.00	100.00	
Interest	0.00	100.00	0.00	
Total	0.00	100.00	100.00	

Source: *Ibid*

**Table 4.12 Mean Per Capita Own Revenue Receipts of the GPs** (Rs.)

	Comparator districts		Backward districts		
	Dhamtari	Average	Bastar	Rajnandgaon	Average
Own tax	4.10	4.10	0.17	1.72	0.98
Own non-tax	6.89	6.89	2.03	6.07	4.14
Own revenue	10.99	10.99	2.20	7.78	5.11

Source: *Ibid*

Per capita own revenues raised by the GPs in surveyed districts of Chhattisgarh for the year 2005-06 are presented in table 4.12. From the table we see that the mean per capita own tax revenue raised by the GPs in the comparator district of Dhamtari at Rs.4.10 is higher than that of the backward districts of Bastar and Rajnandgaon at Rs.0.17 and Rs.1.72 respectively. As regards own non-tax revenue the mean per capita figure is also higher in the comparator district of Dhamtari as compared to the two backward districts in the state.

**Table 4.13 Mean Per Capita Own Revenue Receipts of all the Tiers**  
(Rs.)

	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
Own tax	4.10	0.00	0.00	0.98	0.00	0.00
Own non-tax	6.89	0.52	0.00	4.14	1.48	0.20
Own revenue	10.99	0.52	0.00	5.11	1.48	0.20

**Source:** *Ibid*

The per capita own revenue raised at the three tiers averaged over comparator and backward districts are given in table 4.13.

A comparison across the three tiers of panchayats from table 4.13 reveals that the GPs collect more per capita own revenue as compared to the middle and district tier panchayats. These figures represent only the districts sampled, and do not yield state-level averages. However, the per capita own revenues figures derived from the TFC reports do not fall in the in the range reported by the survey of the sampled districts. The share of own tax and non-tax in total own revenues across the three tiers as given in table 4.14 shows that the GPs collect taxes to the extent of 38.24 percent in comparator district and 20.62 percent in backward district, while in case of JPs and ZPs the own revenues consists only of non-taxes.

**Table 4.14 Own Tax and Non-tax Percent to Total Own Revenues**

	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
Own tax	38.24	0.00	0.00	20.62	0.00	0.00
Own non-tax	61.76	100.00	0.00	79.38	100.00	100.00

**Source:** *Ibid*

Comparing the share of own revenues - both tax and non-tax in total receipts consisting of CSS funds, Central Finance Commission funds, State scheme funds and funds from the State Finance Commissions of the GPs in both the comparator and backward districts as shown in table 4.15 we see that, it is higher in the comparator districts vis-à-vis that in the backward districts. However, at the JP and ZP level the share of own revenue in total receipts is higher in backward districts.



**Table 4.15 Share of Own Revenues of the PRIs in  
Total Funds Received**

Comparator districts			Backward districts		
GP	JP	ZP	GP	JP	ZP
4.16	0.21	0.00	1.64	0.33	0.03

**Source:** *Ibid*

### **4.3 STATE TRANSFERS IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS - 2005-06**

There are certain taxes which are levied and collected by the state governments but their net proceeds are passed on to the PRIs. These are the assigned taxes. The decision as to which taxes, duties and tolls should be assigned to the local bodies lies with the state legislature, although the SFCs can recommend transfer of any tax from the state list to local bodies. The assigned revenues are allocated to one or more tiers of panchayats and the criteria used for such allocations are population/collection/formula based. Although Chhattisgarh has constituted in first SFC in August 2003 its report is awaited. The assigned tax revenue to PRIs in Chhattisgarh consists of land revenue, cess on land revenue and surcharge on stamp duty. This pattern of assignment of state taxes to PRIs in Chhattisgarh follows the Madhya Pradesh scheme pending the report of the first SFC of Chhattisgarh

In Chhattisgarh the state government gives grants to PRIs both from plan and non-plan accounts. The plan transfer from the state to the PRIs consists of specific grants under various state schemes for improvement and development of basic services and rural infrastructure. Additionally the ZPs and JPs receive lump sum grants from the state as part of plan transfers. On the non-plan account the PRIs in Chhattisgarh receive grants to cover their establishment costs and for training of their elected representatives.

**Table 4.16 Matrix of GPs by Number and Type of State Schemes**

	Pension scheme	Nal jal yojana	MLA funds	Other misc.	Total no. of GPs	Percent
<b>Comparator districts</b>						
0 scheme	0	0	0	0	<b>0</b>	<i>0.00</i>
1 scheme	1	0	0	7	<b>8</b>	<i>19.05</i>
2 scheme	32	0	0	32	<b>32</b>	<i>76.19</i>
3 scheme	2	0	2	2	<b>2</b>	<i>4.76</i>
<b>Total</b>	<b>35</b>	<b>0</b>	<b>2</b>	<b>41</b>	<b>42</b>	
	<i>(83.33)</i>	<i>(0.00)</i>	<i>(4.76)</i>	<i>(97.62)</i>		
<b>Backward districts</b>						
0 scheme	0	0	0	0	<b>5</b>	<i>3.14</i>
1 scheme	59	0	0	5	<b>64</b>	<i>40.25</i>
2 scheme	87	12	1	76	<b>88</b>	<i>55.35</i>
3 scheme	2	1	1	2	<b>2</b>	<i>1.26</i>
<b>Total</b>	<b>148</b>	<b>13</b>	<b>2</b>	<b>83</b>	<b>159</b>	
	<i>(93.08)</i>	<i>(8.18)</i>	<i>(1.26)</i>	<i>(52.20)</i>		

**Source:** *Ibid*

**Notes:** Figures in parenthesis refer to percent of GPs to total number of GPs  
Percentages in the bottom row do not add up to 100.

The survey of selected gram panchayats in Chhattisgarh reveals that in the year 2005-06 most of the GPs leaving a small percentage – 3.14 in backward district receive funds under state schemes (see table 4.16). Pension schemes are the major state scheme reaching large number of GPs both in the backward and comparator districts. The ‘Nal Jal Yojana’, the state scheme to provide piped water is another important scheme in backward districts. There are large number miscellaneous state schemes that include schemes for schedule casts, Aakal Rahat, Tribal Area Development programme and Mahila Ghat under which large number of GPs receive funds. Looking at the number of schemes received by the GPs, 19 percent in the comparator and 40 percent in backward receive at least one scheme. However, 76 per cent GPs in comparator districts receive 2 schemes as compared to 55 percent in backward districts.

The matrix of JPs and ZPs by number and type of state schemes is illustrated in Tables 4.17 and 4.18 respectively. The JPs and ZPs both in the comparator and backward districts have received funds under state schemes such as pension schemes, Nava Anjore, and Sukhad Sahara Yojana. The other miscellaneous category given in the table includes draught relief, maternity benefit and welfare of SC/STs.

**Table 4.17 Matrix of JPs by Number and Type of State Schemes**

	Pension scheme	Nava anjore	Sukhad sahara yojana	Samgara swachhata abhiyan	Other misc.	Total no. of JPs	Percent
<b>Comparator districts</b>							
2 Schemes	1	0	1	0	0	1	50.00
3 Schemes	1	1	1	0	0	1	50.00
<b>Total</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	
	(100.00)	(50.00)	(100.00)	(0.00)	(0.00)		
<b>Backward districts</b>							
2 Schemes	4	0	4	0	0	4	40.00
3 Schemes	6	0	6	1	5	6	60.00
<b>Total</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>5</b>	<b>10</b>	
	(100.00)	(0.00)	(100.00)	(10.00)	(50.00)		

Source: *Ibid*

Notes: Figures in parenthesis refer to percent of JPs to total number of JPs  
Percentages in the bottom row do not add up to 100.

**Table 4.18 Matrix of ZPs by Number and Type of State Schemes**

	Pension scheme	Nava anjore	Sukhad sahara yojana	Other misc.	Total no. of ZPs	Percent
<b>Comparator districts</b>						
3 Schemes	1	1	1	0	1	100.00
4 Schemes	0	0	0	0	0	0.00
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>100.00</b>
	(100.00)	(100.00)	(100.00)	(0.00)		
<b>Backward districts</b>						
3 Schemes	1	0	1	1	1	50.00
4 Schemes	1	1	1	1	1	50.00
<b>Total</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>100.00</b>
	(100.00)	(50.00)	(100.00)	(100.00)		

Source: *Ibid*

Notes: Figures in parenthesis refer to percent of ZPs to total number of ZPs  
Percentages in the bottom row do not add up to 100.

**Table 4.19 Mean Per Capita State Scheme and Revenue Transfers to GPs**

(Rs.)

	Comparator Districts		Backward Districts		
	Dhamtari	Average	Bastar	Rajnandgaon	Average
State schemes	23.33	23.33	26.41	45.47	36.36
Devolutions & Grants	56.52	56.52	51.94	49.64	50.74
State funds	79.84	79.84	78.35	95.11	87.10

Source: *Ibid*

The mean per capita state transfers that include transfers under different state schemes and devolutions and grants to the GPs is given in table 4.19. The per capita state scheme transfers to GPs for the year 2005-06 in backward districts are higher than that of the comparator district of Dhamtari. The per capita devolutions and grants that include assigned taxes, transfers based on SFC recommendations and other grants are higher in Dhamtari as compared to the two backward districts of Bastar and Rajnandgaon. The survey reveals that on an average the overall state funds transferred under different schemes and devolutions and grants in the state is higher in backward districts.

**Table 4.20: Mean Per Capita State Scheme and Revenue Transfers of all Tiers**

	(Rs.)					
	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
State scheme	23.33	27.38	110.51	36.36	42.79	93.20
Devolutions & grants	56.52	23.48	0.00	50.74	6.16	25.52
State funds	79.84	50.86	110.51	87.10	48.95	118.73

**Source:** *Ibid*

**Table 4.21: Share of State Schemes and Assigned Revenue Funds to Total Funds Received by the PRIs**

	(%)					
	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
	32.25	20.77	16.71	27.10	13.37	19.19

**Source:** *Ibid*

The mean per capita state transfers across the three tiers averaged over the comparator and backward districts clusters given in table 4.20 reveal that per capita state scheme transfers are highest for ZPs followed by GPs and JPs. However, in the case of devolution and grants GP receive more than that of JPs and ZPs in both the district clusters. The share of state transfers in the total funds received by the three tiers as illustrated in table 4.21 show that the share is higher for GPs as compared to the other two tiers.

## 4.4 CONCLUSION

1. Revenue raising powers by the state PRI statutes are assigned mainly to GPs and to a limited extent to JPs in Chhattisgarh. Some of the taxes assigned are designated as obligatory where the levy is mandatory and others as optional.
2. Assignment of tax rights to GPs and designating some of them as obligatory has not resulted in all of them levying some form of taxes. A large number, 72 percent of GPs in backward and 40 percent GPs in comparator district do not exercise their tax rights. Among the taxes collected by the GPs the house tax and lighting tax, animal taxes and water rates are most usually levied. The profession tax is not levied in the selected districts, even though it is obligatory.
3. The tax performance of the comparator district of Dhamtari in terms of both percent of GPs exploiting their tax sources and its share in own revenues is higher than that of the backward districts. The per capita own tax collection confirms this pattern.
4. Non-tax revenues are the dominant source of own revenues of GPs across the districts. This source accounts for nearly 80 percent of own revenues in the backward districts and 62 percent in the comparator district. Non-tax revenues are derived principally from lease and auction and property rental. The mean per capita own non-tax revenue on an average is higher in the comparator district vis-à-vis the backward districts.
5. At the JP and ZP level, the own revenues of JPs and ZPs comprise income from non-tax sources only, the important ones being lease and auction, property rental and interest receipts. The last source depends upon the mount of unspent funds under different schemes remaining with the banks and is not based on any revenue effort the PRIs. The JPs, despite having tax rights, do not exploit them.
6. The own tax performance of GPs in terms of its share in own revenues and in terms of per capita collections in both the backward and comparator districts is higher than that of the middle and district tiers Panchayats. These figures represent only the districts sampled, and do not yield state-level averages. The per capita own tax revenues figures for

2002-03 from the TFC reports falls in the range reported by the survey of the sampled districts. However, the per capita non-tax revenue figures from the TFC reports for Chhattisgarh, which is at Rs.32 is higher than the survey figures which fall in the range of Rs. 0.2 to Rs.6.89.

7. Most of the GPs in both backward and comparator districts receive funds under state schemes, though the number of schemes varies. Pension schemes are the major state scheme reaching large number of GPs.

8. The survey reveals that on an average the overall state funds transferred per capita under different state schemes and devolutions and grants in the state is higher in backward districts. While the GPs in the backward districts receive higher per capita state scheme transfers, the per capita devolutions and grants are higher in the comparator district.

9. A comparison of the mean per capita state transfers across the three tiers of panchayats reveal that per capita state transfers are highest for ZPs followed by GPs and JPs. The share of state transfers in the total funds received by the three tiers show that the share is higher for GPs as compared to the other two tiers.

## **5. ASSESSMENT OF INTERGOVERNMENTAL TRANSFERS FROM THE CENTRE**

### **5.1 CENTRAL FLOWS TO PRIS 2006-07 (ALL STATES)**

The number of CSS directed to the rural areas as identified from the Budget documents in 2006-07 is 165 of which 41 bypass the state budget and the remaining 124 are routed through the state budgets. The total flow of funds from the centre to rural areas (including the TFC grants but excluding Central assistance to State Plans) amounted to Rs. 63236 crore, around 1.62 percent of GDP.

The 41 schemes amounting to Rs. 36516 crore across all states that bypass the state budget in 2006-07 have been classified into those that flow directly to the PRIs and those that flow to other agencies, missions, corporations and district authorities categorised as 'Others' (for details see annexes 8 and 9 of the overall report of the four states). Of these, 10 schemes amounting to Rs 21408 crores go directly to the PRIs. They are the Sampoorna Grameen Rozgar Yojana (SGRY), National Food for Work Programme (NFFWP), Swarnjayanti Gram Swarozgar Yojana (SGSY), Indira Awaas Yojana (IAY), National Rural Employment Guarantee Scheme (NREGS),<sup>1</sup> Integrated Wastelands Development Programme (IWDP), Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP), Central Rural Sanitation Programme (CRSP) and Member of Parliament Local Area Development Scheme (MPLADS).<sup>2</sup> The remaining 31 schemes go to destinations other than PRIs. Table 5.1 lists the ten CSS reaching the PRIs for the years 2005-06 and 2006-07.

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<sup>1</sup> Under NREGS the program officer or the district programme officer will allot at least 50 percent of the works in terms of the costs to the gram panchayat for execution. This is the statutory minimum but the concerned officer can allot more if deemed feasible. The intermediate and district panchayats can also be given the responsibility of executing works from among the 50 percent that are not to be executed by the gram panchayat. Additionally line departments of the government, public sector undertakings of the central and state governments, cooperative societies, NGOs, Self-Help-Groups can also be the implementing agencies. Here we have assumed that the entire fund under NREGS go to PRIs.

<sup>2</sup> MPLADS is not a designated CSS, but is similar because it is a Central provision for constituency development expenditure by Members of Parliament. We have assumed that 75 percent of the funds under MPLADS go to the rural areas and PRIs as they are the preferred implementing agencies.

**Table 5.1: Centrally Sponsored Schemes Reaching the PRIs: 2006-07**

(Rs. Crore)

Scheme	Bypassing state budgets		
	2005-06 BE	2005-06 RE	2006-07 BE
Sampoorna Grameen Rozgar Yojana (SGRY)	4000.00	8500.00	3000.00
National Food for Work Programme (NFFWP)	6000.00	4095.00	0.00
Swarnjayanti Gram Swarozgar Yojana (SGSY)	960.00	1000.00	1200.00
Indira Awaas Yojana (IAY)	2775.00	2750.00	2920.00
National Rural Employment Guarantee Scheme (NREGS)#			11300.00
Integrated Wastelands Development Programme (IWDP)	445.00	453.00	452.90
Drought Prone Areas Programme (DPAP)	353.00	353.00	360.00
Desert Development Programme (DDP)	268.00	268.00	270.00
Central Rural Sanitation Programme (CRSP)	630.00	630.00	720.00
Member of Parliament Local Development Scheme (MPLADS)*	1185.00	1185.00	1185.00
<b>Central Fund Flows Assigned to PRIs</b>	<b>16616.00</b>	<b>19234.00</b>	<b>21407.90</b>

**Sources:** 1. Expenditure Budget: 2006-07, Vols. 1&2, Ministry of Finance, 2006, GOI.

2. Detailed Demand for Grants: 2006-07, Various Ministries, Government of India.

3. Garg, State Sector Plan Grants by Centre, (mimeo), 2006.

**Notes:** # We have assumed that the entire funds under NREGS go to PRIs.

\* MPLADS is not a designated CSS, but is similar because it is a Central provision for constituency development expenditure by Members of Parliament. We have assumed that 75 percent of the funds under MPLADS go to the rural areas and PRIs as they are the preferred implementing agencies.

## 5.2 MAJOR CENTRAL SCHEME FLOWS TO PRIs: CHHATTISGARH

The CSS funds discussed in the earlier section capture the total amount going to all the states. There is no formula whereby each state's share in this total can be derived. However, in the case of the eight CSS of the Ministry of Rural Development, a state-wise break up is possible.<sup>3</sup>

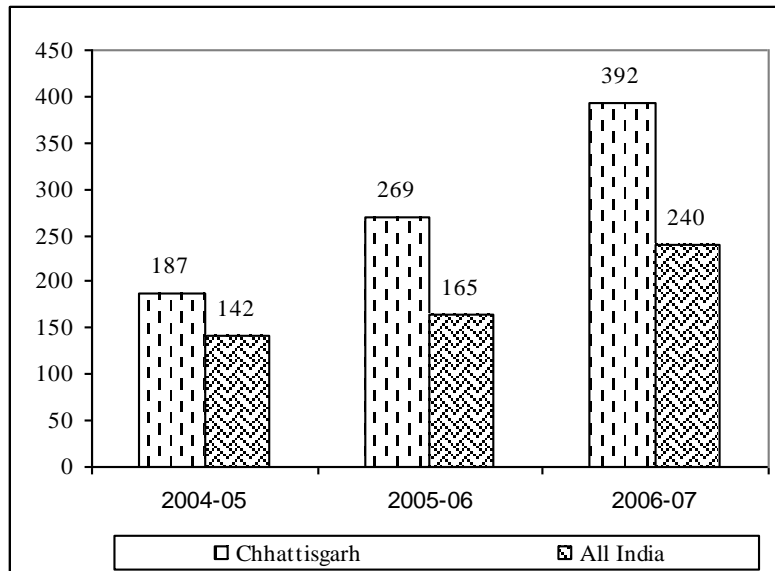
The scheme-wise details of these eight CSS (only central transfers) for Chhattisgarh for the years 2004-05 and 2005-06 are given in annex 8. In 2005-06 the central releases under these schemes for Chhattisgarh accounted for 3.6 percent of the all India central releases under these eight CSS.

<sup>3</sup> The other two of the ten identified as directly reaching the PRIs, are MPLADS (Member of Parliament Local Area Development Scheme), which is problematic because the ultimate recipients could well be urban or non-PRI rural, and the Central Rural Sanitation Programme for which state-specific figure were not available.



The per capita receipts from these eight schemes for the two years 2004-05 to 2005-06 and budget estimates of 2006-07<sup>4</sup> are shown in chart 5.1. The budget estimates for 2006-07 are derived by using respective state shares of Central releases of these eight CSS from the aggregate of 2005-06 estimates.<sup>5</sup> In 2005-06 and 2006-07 the per capita provision of the eight Centrally Sponsored Schemes in Chhattisgarh is higher than the all India per capita figure.

**Chart 5.1: Per Capita Flows under Eight CSS**

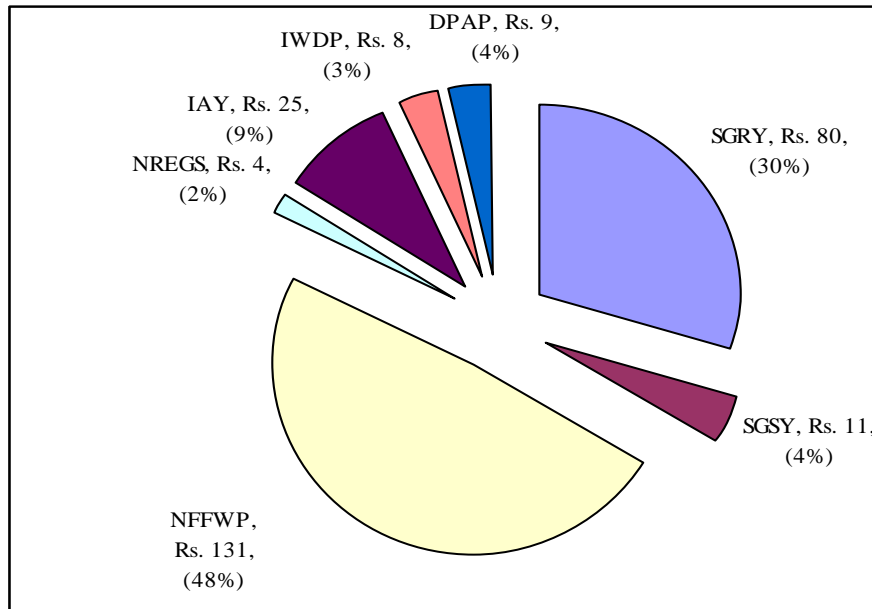


The details of the individual schemes (only central transfers) are available for the year 2005-06 (for details see annex 8). The per capita receipts for these eight schemes and their percentages are shown in chart 5.2. In 2005-06, SGRY and NFFWP together account for more than 78 percent of the total receipts under CSS in Chhattisgarh while in 2004-05 their share was around 71 percent.

<sup>4</sup> Mid year projected rural population were used to fiscal year data (e.g. for 2005-06, population of 2005).

<sup>5</sup> Budgetary allocations are not provided by destination for an ongoing fiscal year. These figures so derived could overestimate the actual releases as schemes like NREGS are demand driven and the fund flow would depend upon utilisation by the state government.

**Chart 5.2: Per Capita Flows of Eight Centrally Sponsored Schemes in 2005-06**



**Note:** Of the eight CSS that we have considered DDP is not operational in CSS

The per capita budget estimates for eight CSS and MPLADS in Chhattisgarh for the year 2006-07 are given in table 5.2. The state specific budget estimates are derived by multiplying respective state shares in total central releases for the year 2005-06 (all India) with total budget estimates of 8 CSS for 2006-07. The fund flows to MPLADS are estimated by taking the number of MPs (both Lok Sabha and Rajya Sabha) in the respective states and assuming that 75 percent of the allocations are directed to PRIs. The budgeted per capita fund flows so obtained for Chhattisgarh at Rs. 404.95 is higher than the estimated all India per capita figure of Rs. 254.59.

**Table 5.2: Per Capita Budget Estimates for 2006-07 (Eight CSS and MPLADS)**

	Central releases (2005-06)		2006-07(BE)			
	8 CSS (Rs. Crore)	Share (%)	8 CSS	MPLADS (Rs. Crore)	Total (9 schemes)	Per capita (Rs.)
Chhattisgarh	477.56	3.61	704.91	24.00	728.91	404.95
<b>All India</b>	<b>13212.74</b>	<b>100.00</b>	<b>19502.90</b>	<b>1185.00</b>	<b>20687.90</b>	<b>254.59</b>

**Source:** Annual Report: 2005-06, Ministry of Rural Development, and Expenditure Budget: 2006-07, Ministry of Finance, Government of India.

**Notes:** The state-wise budget estimates for 2006-07 are derived by multiplying respective state shares in total central releases for the year 2005-06 with total budget estimates of 8 CSS for 2006-07. The MPLADS figures are estimated by taking the number of MPs (both Lok Sabha and Rajya Sabha) in the respective states and assuming that 75 percent of the allocations are directed to PRIs

### 5.3 ANALYSIS OF SURVEY RESULTS

The results of the survey in the selected districts in Chhattisgarh are analysed in this section for the three tiers of panchayats.

Table 5.3 shows the distribution of the 3 sample ZPs, 12 JPs and 201 GPs by number and type of the central schemes received by Chhattisgarh (see annex 9).

**Table 5.3: Major Centrally Sponsored Schemes in Operation in the PRIs: Chhattisgarh**

Schemes	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
DPAP		2		2		
IAY	1	2	1	10	35	156
MP Funds					1	3
NFFWP	1	2	2	10	14	44
NREGS						2
Pension Scheme					41	149
RSVY				10		9
SGRY	1	2	2	10	42	159
SGSY	1	2	2	7		

**Source:** Authors' calculation.

The survey in Chhattisgarh shows that SGRY (rural employment) is the most important scheme in terms of its presence. It is universally operational at all tiers in both the districts clusters in the state. Other programmes with a significant presence at all three tiers are the IAY (rural housing) and the NFFWP (food for work). The MP funds and pension scheme is received only in GPs while the SGSY funds do not flow to the GPs. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

Table 5.4 shows the per capita distribution of funds by district for the centrally sponsored schemes and the Central Finance Commission funds separately, for ZPs, JPs and GPs respectively. For JPs and GPs the survey results show that the mean per capita CSS funds received is higher for the backward districts as compared to the comparator districts in the state for the year 2005-06 while the reverse is true for ZPs. Thus there is evidence of CSS funds being distributed within the state in inverse proportion to the economic status in terms of quantum of funds received, with an exception of ZPs.

**Table 5.4: Mean Funds Received by PRIs Per Capita by District**

PRIs Chhattisgarh	Comparator districts		Backward districts		
	Dhamtari	Average	Bastar	Rajnandgaon	Average
<b>No. of ZPs</b>	<b>1</b>		<b>1</b>	<b>1</b>	
Centrally Sponsored Scheme	511.86	511.86	244.48	628.27	436.37
Central Finance Commission	39.15	39.15	85.37	73.56	79.47
<b>Total</b>	<b>551.01</b>	<b>551.01</b>	<b>329.85</b>	<b>701.83</b>	<b>515.84</b>
<b>No. of JPs</b>	<b>2</b>		<b>6</b>	<b>4</b>	
Centrally Sponsored Scheme	142.05	142.05	278.23	278.94	278.52
Central Finance Commission	23.63	23.63	32.49	50.31	39.62
<b>Total</b>	<b>165.68</b>	<b>165.68</b>	<b>310.72</b>	<b>329.25</b>	<b>318.13</b>
<b>No. of GPs</b>	<b>42</b>		<b>76</b>	<b>83</b>	
Centrally Sponsored Scheme	166.70	166.70	192.27	210.08	201.57
Central Finance Commission	12.45	12.45	28.45	21.15	24.64
<b>Total</b>	<b>179.15</b>	<b>179.15</b>	<b>220.71</b>	<b>231.23</b>	<b>226.20</b>

**Source:** *Ibid.*

The distribution of the per capita Central FC fund flows for the three tiers exhibit a systematic pattern for the two sets of districts. The per capita flow at the ZPs is the highest among both the clusters and comes down systematically in JPs and GPs. Across the three

tiers the mean per capita fund flows is more for the backward districts vis-à-vis the comparator districts.

Table 5.5 shows the district wise share of CSS in the total funds received by Chhattisgarh for the year 2005-06. After the merger of the contributory shares of Centre and state, the CSS schemes are the dominant source of funding at PRI level.

**Table 5.5: Share of Centrally Sponsored Schemes in Total Funds Received**

PRIs	Comparator districts		Backward districts		
	Dhamtari	Average	Bastar	Rajnandgaon	Average
<b>ZP</b>	76.75	76.75	51.57	78.86	67.95
<b>JP</b>	59.64	59.64	70.26	71.88	70.99
<b>GP</b>	59.57	59.57	65.17	62.99	64.13

**Source:** *Ibid.*

The share of CSS in total funds received is higher in the backward districts as compared to the comparator set at the JP and GP level while for the ZPs the reverse is true. Across the three tiers in the comparator districts the share is highest for ZPs followed by JPs and GPs in both the district clusters while in the backward districts the share is highest for JPs followed by ZPs and GPs. A comparison across the three tiers of panchayats in both the district clusters in Chhattisgarh reveal that the share of CSS funds in total funds received is the least for GPs.

SGRY is the most important scheme among the GPs. The frequency distribution of GPs by percent of SGRY to total funds received is shown in table 5.6. From the table we see that in both the district clusters for the year 2005-06 in Chhattisgarh for about 5 percent of the GPs the SGRY funds account for about 60-80 percent of the total funds received. For none of the GPs in the state the SGRY receipts account for more than 80 percent of the total receipts. In the comparator districts for about 48 percent of the GPs the SGRY funds account for 40-60 percent of the total funds. The corresponding figure for the GPs in the backward districts is 33 percent.

**Table 5.6: Frequency Distribution of GPs by percent of SGRY to Total Funds Received**

Percent	Economic status of GP		Percentage	
	Comparator	Backward	Comparator	Backward
000 ... <=020	3	22	7.14	13.84
020 ... <=040	17	75	40.48	47.17
040 ... <=060	20	53	47.62	33.33
060 ... <=080	2	9	4.76	5.66
<b>Total</b>	<b>42</b>	<b>159</b>	100.00	100.00

Source: *Ibid.*

## 5.4 CONCLUSIONS

1. The number of CSS directed to the rural areas as identified from the Budget documents in 2006-07 is 165 of which 41 bypass the state budget and the remaining 124 are routed through the state budgets. The total flow of funds from the centre to rural areas (including the TFC grants) amounted to Rs. 63236 crore. Of the 41 schemes bypassing the state budget, 10 schemes go directly to the PRIs while the remaining 31 schemes go to destinations other than PRIs.
2. The per capita budget estimates for eight CSS and MPLADS for Chhattisgarh for the year 2006-07 is Rs 404.95 which is higher than the all India per capita budget estimates of Rs. 254.59.
3. The survey results for Chhattisgarh show that in general across the three tiers of the PRI structure, the CSS have a higher incidence of operation in the backward districts than in the comparator set
4. Across the three tiers of panchayat the CSS funds are the dominant source of funds. The share of CSS in total funds received is higher in the backward districts as compared to the comparator set at the JP and GP level while for the ZPs the reverse is true. A comparison across the three tiers in both the district clusters in Chhattisgarh reveal that the share of CSS funds in total funds received is the least for GPs.

5. Across the three tiers of panchayats for the two district clusters there is evidence of CSS funds being distributed within the state in inverse proportion to the economic status with an exception of ZPs. For JPs and GPs the survey results show that the mean per capita CSS funds received is higher for the backward districts as compared to the comparator districts in the state for the year 2005-06

6. The per capita Central FC fund flows in Chhattisgarh is highest for ZPs followed by JPs and GPs. Across the three tiers the mean per capita fund flows is more for the backward districts vis-à-vis the comparator districts.

7. In Chhattisgarh for only 5 percent of the GPs in both the district clusters the SGRY funds account for more than 60 percent of the total funds received during the year 2005-06 and for none of the GPs in the state the share of SGRY funds in total funds is more than 80 percent.

## 6. FISCAL MONITORING

### 6.1 AUDITING OF FUNDS AT THE THREE TIERS

The 73<sup>rd</sup> Constitutional amendment provides that the State Legislature may make provisions with respect to the audit of the panchayat accounts. Accordingly, all the states have incorporated this provision in their respective PRIs Acts. Chhattisgarh<sup>1</sup> has also incorporated such provisions in its conformity Act (State Panchayati Raj Act).

The state of Chhattisgarh has clearly stated in its Act that the accounts of the panchayats (all three tiers) will be audited by an independent audit organization under the control of the state government. Such audit will not be affected by any other audit ordered by the Accountant General of the state. At the centre, Comptroller and Auditor General, as per their Act, 1971, has the power to audit all expenditure from the Consolidated Fund of India and of each state,<sup>2</sup> through the state officers of the Accountant General.

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<sup>1</sup> Section 129 of Chhattisgarh Panchayati Raj (Amended) *Adhiniyam*, 2004, provides for a separate and independent Audit Organization under the control of the State Government to perform audit of accounts of panchayats. The state has made Chhattisgarh Panchayat Audit Rules, 1997, for the purpose. The Audit Rules provides that the accounts of a Panchayat shall be audited annually and as far as possible, before the close of the succeeding financial year. This requirement of annual audit shall be independent and not affected by any other audit ordered by Accountant General of Chhattisgarh.

<sup>2</sup> Section 13 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 (56 of 1971) states that it shall be the duty of the C&AG to audit all expenditure from the Consolidated Fund of India and of each state. Therefore, to the extent the local bodies are performing agency functions on behalf of the Central or state governments, the duty of C&AG would include the audit of expenditure incurred by the local bodies too. As per Section 14 (1), where any body or authority receives grant or loan from the Consolidated Fund of India or of any state amounting to not less than rupees twenty-five lakh and the amount of such grant or loan is not less than seventy-five per cent of the total expenditure of that body or authority, the C&AG shall, subject to the provision of any law for the time being in force, applicable to such body or authority, audit all receipts and expenditure of that body or authority and report on the receipts and expenditure so audited by him. Further, since Section 14 (2) waives the limit of 'seventy-five per cent', if the amount exceeds rupees one crore, most of the panchayats at district level will invariably fall in the purview of audit by C&AG. Section 15 states that when any grant or loan is given for a specific purpose from the Consolidated Fund of India or of any State to any body or authority, the C&AG shall scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillments of the conditions subject to which such grants were given.



With respect to audit of panchayats accounts, the Eleventh Finance Commission in its report<sup>3</sup> has recommended that the responsibility of exercising control and supervision over the maintenance of panchayats accounts and their audit should be entrusted to the C&AG who may get it done through C&AG's own staff or by engaging an outside agency. The Director of Local Fund Audit, or any other agency assigned the task of auditing of panchayats' accounts is to work under the technical and administrative supervision of the C&AG. For this purpose the EFC has also recommended on an average an amount of Rs 4000 per panchayat per annum. For Chhattisgarh the details of allocation by EFC and its utilisation are expressed in table 6.1. The table indicates that Chhattisgarh has fully utilized the fund allocated for the maintenance of accounts and auditing.

**Table 6.1: Provision and Utilisation of Grants for Maintenance of Accounts and Auditing**

(Rs. lakh)		
Annual allocation by EFC	Utilisation reported	Percent utilisation
370.83	370.83	100.00

**Source:** Finance Commission Division, 2006, Ministry of Finance, Government of India.

The details with respect to the status of process of audit at the ZP, JP and GP level based on the survey carried out in the selected ZPs, JPs, and GPs in the state are presented in table 6.2.

**Table 6.2: Frequency Distribution of PRIs by Year Accounts Last Audited**

Year	Cumulative Percentage					
	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
2006-07	100.00	50.00	0.00	0.00	11.90	15.72
2005-06		100.00	0.00	20.00	59.52	48.43
2004-05			0.00	70.00	69.05	62.89
2003-04			50.00	70.00	80.95	73.58
2002-03			100.00	70.00	85.71	85.53
2001-02				90.00	85.71	85.53
2000-01				100.00	85.71	85.53
NR/NA					100.00	100.00

**Source:** Authors' calculations.

**Note:** NR/NA: Information not available

<sup>3</sup> The Twelfth Finance Commission has not given any particular recommendation in this regard.

From the table we see that the process of audit of accounts at the ZP level is much better than JP level. In the inter-cluster comparison the comparator clusters performed far better than the backward set at both the levels of ZP and JP. Further, it is observed that at GP level audits are the most delayed of all the three tiers. At the GP level where most of the important schemes such as SGRY and NREGS are targeted and implemented, therefore, delayed audit at the GP level is more worrisome. It is also observed that across all tiers, process of auditing is more delayed in backward districts as compared to comparator set.

## 6.2 UTILISATION OF CENTRAL FUNDS: BACKWARD AND COMPARATOR DISTRICTS

The table 6.3 gives details about the utilisation of major Centrally Sponsored Scheme (CSS) funds at the upper two tiers (i.e., ZP and JP) of PRIs.

**Table 6.3: Frequency Distribution of ZPs and JPs by Percent Utilisation of Major CSS Funds Received During the Year**

Percentage	Cumulative Percentage			
	ZP		JP	
	Comparator	Backward	Comparator	Backward
100 +	40.00	30.00	33.33	38.30
80 ... <=100	100.00	60.00	77.78	74.47
60 ... <=80		80.00	77.78	85.11
40 ... <=60		90.00	77.78	95.74
20 ... <=40		90.00	77.78	95.74
00 ... <=20		100.00	100.00	100.00

**Source:** *Ibid.*

**Note:** Major CSS in Chhattisgarh are SGRY, NFFWP, PMGSY, IAY and SGSY.

Between the two tiers the utilisation of major CSS funds reported a higher utilization at the ZP level. At the ZP level, between the two clusters, the comparator districts indicated a much higher utilisation than the backward set while at the JP level the comparator district show a slightly higher utilization than those in the backward district cluster.

### 6.2.1 Utilisation of SGRY Funds with Gram Panchayat/State Government Appointed Record Keeper

At the GP level amongst the major CSS, the SGRY is one of the most important schemes implemented at this level. The utilisation of SGRY funds separately by type of record keeper (GP/state appointed) is presented in table 6.4. It is observed from the table, between two clusters, the GPs in the comparator district cluster reported higher utilisation than those in the backward cluster irrespective of the type of record keeper. More than 80 percent rate of utilisation is achieved by 64 percent of comparator GPs while in backward cluster it is less than 60 percent. In the comparator set the utilisation by type of record keeper show a higher rate of utilisation in GPs with GP appointed record keepers, while for GPs in the backward district cluster about the same rate of utilisation is reported by both the types of record keepers. In general the utilisation is somewhat higher in comparator districts as compared to the backward set. In particular, it is more in those GPs which have GP appointed record-keeper.

**Table 6.4: Matrix of GPs by type of Record Keeper and Percent Utilisation of SGRY Funds Received During the Year**

Percentage	Cumulative percentage of GP					
	Comparator			Backward		
	Appointed by					
	GP	State govt.	Total	GP	State govt.	Total
100 +	14.29	25.71	23.81	27.27	33.04	31.45
80 ... <=100	71.43	62.86	64.29	54.55	60.87	59.12
60 ... <=80	100.00	82.86	85.71	86.36	86.09	86.16
40 ... <=60		94.29	95.24	97.73	93.91	94.97
20 ... <=40		94.29	95.24	100.00	99.13	99.37
00 ... <=20		100.00	100.00		100.00	100.00
<b>Type of record keeper ( in %)</b>	<b>16.67</b>	<b>83.33</b>	<b>100.00</b>	<b>27.67</b>	<b>72.33</b>	<b>100.00</b>

Source: *Ibid.*

With respect to the appointment of record keeper, from the table we see that in Chhattisgarh record keepers are largely state-appointed. In the comparator districts around 83 percent of record-keepers are state-appointed whereas in backward districts it is about 72 percent.

## 6.2.2 Nature of Utilisation of SGRY Funds by Gender of Sarpanch

The details of utilisation of SGRY funds under different activities by gender of sarpanch is expressed in table 6.5. As shown in table, in aggregate, construction and maintenance of roads and culverts are the dominant choice, followed by the construction and maintenance of water works and construction and maintenance of buildings, with the exception of male headed GPs in the backward district in the state where the second choice of work is the construction and maintenance of buildings in place of construction and maintenance of water works. Between the clusters, in comparator districts there is not much difference in choice for roads and culverts and construction and maintenance of buildings, however, in case of construction and maintenance of water works female preferred more than their male counter parts. In backward cluster female sarpanchs prefer construction and maintenance of roads and culverts whereas construction and maintenance of water works and building are preferred by male sarpanchs.

**Table 6.5: Matrix of GPs by Total Constituents of Nature of Utilisation of SGRY Funds by Gender of Sarpanch**

Percent Constituent	Gender of sarpanch								
	Comparator			Backward			Aggregate		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Construction and maintenance of roads & culverts	47.71	48.32	48.10	64.87	50.54	56.16	62.01	50.12	54.71
Construction and maintenance of buildings	9.83	10.00	9.94	9.41	22.69	17.48	9.48	20.30	16.13
Construction and maintenance of water works	35.48	26.70	29.85	13.35	16.08	15.01	17.03	18.08	17.68
Plantation	0.52	4.20	2.88	1.07	0.70	0.85	0.98	1.36	1.21
Administrative	0.21	0.31	0.28	0.40	0.44	0.42	0.37	0.41	0.40
Others	6.25	10.46	8.95	10.90	9.55	10.08	10.13	9.72	9.88
<b>Total</b>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

**Source:** *Ibid.*

The gender wise preference for work done through SGRY funds thus obtained for both the district clusters in Chhattisgarh is now statistically tested for statistical

significance. We test for the null hypothesis  $H_0: (\rho_1 = \rho_2)$  i.e., there is no gender difference in preferences for the type of work done against the alternative hypothesis  $H_0: (\rho_1 \neq \rho_2)$  i.e., there exist gender differences in preferences. Here  $\rho_1$  is the proportion of total funds utilised by female-headed GP for a particular type of work and  $\rho_2$  represents the funds utilised by the male-headed GP for the same type of work. The type of work considered are a) construction and maintenance of roads and culverts, b) construction and maintenance of buildings and c) construction and maintenance of water works in the GP. The results are tabulated in table 6.6. From the table it can be observed that the null hypothesis of no gender difference in preferences cannot be rejected in the comparator district of Dhamtari in Chhattisgarh. In the backward district cluster, however, the results indicate that there exists a statistically significant male preference for the construction and maintenance of buildings.

**Table 6.6: Test for Differences in Preferences Between Female and Male Sarpanch in Utilization of SGRY Funds**

Type of SGRY works	Comparator districts	Backward districts
Construction & maintenance of roads & culverts	-0.0378	1.8017
Construction & maintenance of buildings	-0.0178	<b>-2.3495</b> #
Construction & maintenance of water works	0.5852	-0.4772

**Source:** Authors' calculations based on data in table 6.5

**Note:** # Null hypothesis is rejected at 5% level of significance

### 6.2.3 Utilisation of Central Finance Commission Funds

The utilisation of central finance commission funds at the GP level is presented in table 6.7. Comparatively, between two the clusters, comparator set reported a higher utilisation than the backward cluster. More than 57 percent comparator GPs showed 80 per cent or more utilisation, whereas only 40 percent backward GPs could achieve this utilisation rate. The data show non-receipt of FC funds to the extent of 42.86 percent in comparator district GPs and 6.92 percent in GPs in the backward districts.

**Table 6.7: Frequency Distribution of GPs by Percent Utilisation of Central FC Funds Received During the Year**

Percentage	Cumulative percentage	
	Comparator	Backward
NR/NA*	42.86	6.92
100 and above	42.86	8.81
80 ... <=100	57.14	40.88
60 ... <=80	61.90	57.86
40 ... <=60	71.43	67.30
20 ... <=40	73.81	77.36
00 ... <=20	76.19	81.13
00 <sup>@</sup>	100.00	100.00

**Source:** *Ibid.*

**Note:** \* No funds received;

<sup>@</sup> Funds received but not utilized at all

### **6.3 UTILISATION OF STATE FUNDS: BACKWARD AND COMPARATOR DISTRICTS**

#### **6.3.1 Utilisation of State Scheme Funds**

The utilisation of state scheme funds at the three tiers of PRIs is discussed in table 6.8. The state schemes applies to funds entirely originating in state-level schemes. As shown in table the utilisation of state scheme funds in Chhattisgarh is in general higher at the ZP and JP level and lowest at the GP level. Between classes of districts at ZP and JP level, it is for the most part better in comparator districts than the backward set. However, at the GP level backward cluster showed higher utilisation than comparator set. More than 90 per cent backward GP showed 80 per cent or more utilisation whereas comparator cluster indicated lower number of GPs achieved this rate of utilisation. About 3 per cent of backward cluster GPs showed non-receipt of funds under this head.

**Table 6.8: Frequency Distribution of ZPs by Percent Utilisation of State Scheme Funds Received During the Year**

Percentage	Cumulative Percentage					
	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
NR/NA*	0.00	0.00	0.00	0.00	0.00	3.14
100 and above	100.00	0.00	0.00	50.00	11.90	9.43
80 ... <=100		50.00	100.00	90.00	78.57	93.08
60 ... <=80		50.00		100.00	85.71	94.97
40 ... <=60		50.00			90.48	96.86
20 ... <=40		100.00			95.24	98.74
00 ... <=20					97.62	99.37
00 <sup>@</sup>					100.00	100.00

Source: *Ibid.*

Note: \* No Funds Received.

<sup>@</sup> Funds received but not utilized at all

## 6.4 UTILISATION OF NREGS FUNDS IN 2006-07

### 6.4.1 NREGS in the State of Chhattisgarh

The number of NREGS districts covered in Chhattisgarh is listed in table 6.9. In Chhattisgarh about 11 districts are covered under NREGS. Of this, three NREGS districts of Bastar, Dhamtari and Rajnandgaon are covered in this study.

**Table 6.9: Coverage of NREGS Districts in Chhattisgarh**

S. No.	District	S. No	District
1	<b>Bastar</b>	7	Kabirdham
2	Bilaspur	8	Koriya
3	Dantewada	9	Raigarh
4	<b>Dhamtari</b>	10	<b>Rajnandgaon</b>
5	Jashpur	11	Surguja
6	Kanker		

Source: Government of India, Ministry of Rural Development, 2006.

Note: Highlighted districts in the states are covered in this study.

### 6.4.2 Progress of Utilisation

The state-wise details regarding the issue of job cards, employment demanded and provided, fund released and the expenditure incurred on the works under taken is presented in table 6.10. The percent expenditure incurred on these works from the total release is indicated in the last column of the table 6.10. Chhattisgarh has shown 56.8

percent utilisation rate which is above both, four state average utilisation of 41.50 percent and also above 23 states average of 34.1 percent.

**Table 6.10: Progress of NREGS: Funds Released and Expenditure on Works Undertaken (as on 21.8.06)**

(Rs. lakh)						
State	No of districts	Total rural house-holds	Job cards	Employment demanded	Employment provided	No. of works
1	2	3	4	5	6	7
<b>More than 5 percent of total exp.</b>						
Chhattisgarh	11	1792584	1534636	165245	162480	9671
Total (4 states)	54	10647831	9197020	3644990	3377377	119949
<b>Total ( 27 states)</b>	<b>200</b>	<b>57541426</b>	<b>24230592</b>	<b>9558234</b>	<b>8824994</b>	<b>242438</b>

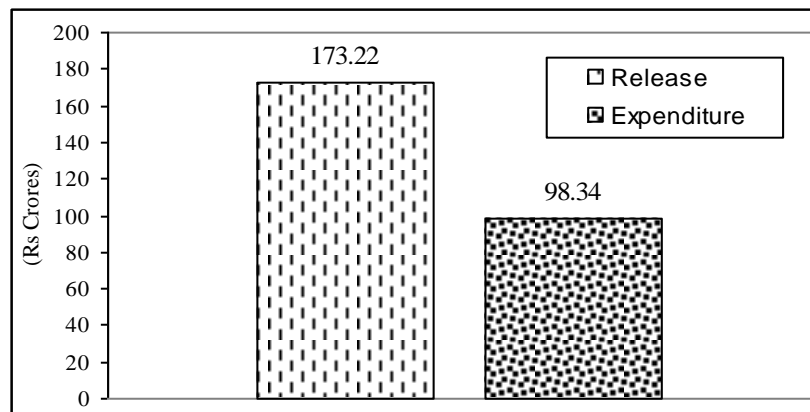
State	Funds released	Exp.	Release per dist.	Exp. per dist.	Exp. (col. 9) as % of total exp.	Rank-based on % exp.	Exp as % of release per dist.
1	8	9	10	11	12	13	14
<b>More than 5 percent of total exp.</b>							
Chhattisgarh	17322	9834	1575	894	7.24	5	56.8
Total (4 states)	222322	92259	4117	1709	67.9		41.5
<b>Total ( 27 states)</b>	<b>438642</b>	<b>135799</b>	<b>1990</b>	<b>679</b>	<b>100</b>		
<b>Total (23 states)</b>	<b>397936</b>	<b>135799*</b>					<b>34.1</b>

Source: *Ibid.*

Notes: NREGS does not extend to Goa. Funds released pertain to April-August 2006-07.

\* Only 23 states including 4 states considered in the present study report figures for expenditure.

**Chart 6.1: Utilisation Pattern of Fund Released and Expenditure Incurred Under NREGS**

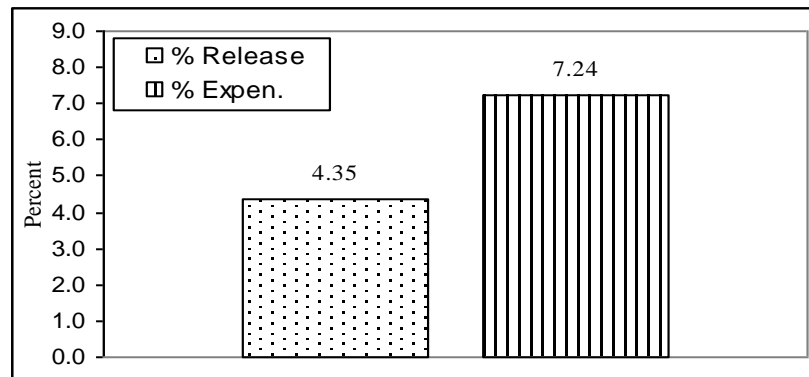




The pattern of funds released and the expenditure incurred on the works undertaken in Chhattisgarh under the NREGS is shown in chart 6.1.

Chart 6.2 indicates the percent share of Chhattisgarh in the total release and expenditure of NREGS funds.

**Chart 6.2: Percent Share of Fund Released and Expenditure incurred under NREGS**



A look at the total expenditure incurred under NREGS shown in table 6.10 for Chhattisgarh reveal that till august 2006 the share of the state alone in total expenditure was only 7.24 percent.

## 6.5 CONCLUSIONS

1. As per the State PRI Act, the primary responsibilities of auditing of panchayats accounts are assigned to independent audit organizations under the control of the state government. Such audit, however, will not be affected by any other audit ordered by the Accountant General of the state. Simultaneous test audits are also permissible, under the over-riding powers of the C&AG.
2. With respect to the process of auditing of accounts, the survey results show that among the three tiers the auditing is most delayed at the GP level. Delayed audit at the GP level is a matter of serious concern because most of the important schemes such as

SGRY and NREGS are largely targeted and implemented at this level. Further, between two district clusters, auditing is somewhat more delayed in the backward district cluster.

3. As regards utilisation of funds at the middle and district tiers of panchayat, the utilisation rates are much higher at the district tier. Utilisation of CSS funds is higher in comparator districts in the state vis-à-vis the backward districts for both ZPs and JPs.

4. In aggregate between the district clusters there is no systematic difference in the utilisation rate of SGRY funds. However, in the comparator districts the rate of utilisation of SGRY funds was higher in GPs having GP appointed record keeper vis-à-vis those having state appointed record keeper. Whereas in the backward district cluster the GPs with state appointed record keeper GPs showed a higher utilisation of SGRY funds.

5. In Chhattisgarh the GP record-keepers are largely state-appointed. In the comparator districts more than 80 percent of the record keepers are state appointed while in the backward districts around 72 percent are appointed by the state government.

6. The nature of utilisation of SGRY funds by gender of sarpanch shows that construction and maintenance of roads and culverts are the dominant choice in Chhattisgarh, followed by construction and maintenance of water works and building construction. Tests for gender wise preferences of works done through SGRY funds reveal that the null hypothesis of no gender difference in preferences cannot be rejected in the comparator district set in Chhattisgarh. In the backward district cluster, however, the results indicate existence of a statistically significant male preference for the construction and maintenance of buildings.

7. Utilisation of the Central Finance Commission funds at GP level indicates higher utilisation by comparator set than backward cluster. The survey results reveal non-receipt of FC funds to the extent of 43 percent in comparator district GPs and around 7 percent in the backward district in the state.

8. A Comparison of the rate of utilisation of state scheme funds across the three tiers of panchayats in the state reveal higher utilisation by the ZPs followed by the JP and GPs. Between district clusters, it is for the most part better in comparator districts except at GP level where backward district cluster showed higher utilisation.

9. As regards utilisation of NREGS funds released up to August 2006, Chhattisgarh show a higher utilisation as against the average across all reporting states.

## **7. CONCLUSION**

### **7.1 THE FORMAL STATUS OF RURAL DECENTRALIZATION**

The state governments are assigned exclusive legislative domain over local governments following the 73<sup>rd</sup> amendments to the Constitution and are required to pass conformity acts either through introduction of new legislation or amending the existing acts. The state of Chhattisgarh, which came into existence as a separate state in November 2000 was earlier part of undivided Madhya Pradesh, and is fully in conformity with the provisions of 73<sup>rd</sup> amendment to the Constitution. There are 9139 Gram Panchayats, 146 middle-level panchayats i.e., the Janpad Panchayats, and 16 Zilla Panchayats in the state.

Post amendment, the first elections of PRIs in the state were held in January 2005. Prior to this, elections were conducted in January 2000 for the combined state of Madhya Pradesh. State Finance Commissions at quinquennial intervals are among the mandated requirements to review the finances of local bodies and recommend the principles that should govern the allocation of funds and taxation authority to local bodies. The state of Chhattisgarh constituted its first SFC on August 2003. The Commission has submitted its report in May 2007. Till the period the recommendations of its first SFC become application the state has adopted the recommendations of the first and second SFCs of Madhya Pradesh for the relevant years.

The second SFC of Madhya Pradesh recommended assigning 2.93 percent of the net own tax revenues. The PRIs, in addition to tax assignments, receive establishment grants and plan grants for various development schemes. The PRIs are also empowered to raise own revenues comprising of own taxes and own non taxes. In Chhattisgarh the revenue raising powers by the state PRI statutes are assigned mainly to GPs and to a limited extent to JPs in Chhattisgarh. Some of the taxes assigned are designated as obligatory where the levy is mandatory and others as optional. The evidence from the field survey on revenues collected is summarized in section 7.5.

The state governments have the authority to devolve functional and financial power to rural local bodies to enable them to function as institutions of self government.

The eleventh schedule of the Constitution provides a comprehensive list of functional heads that the states are expected to devolve along with funds and functionaries. A quantitative estimate of functional devolution through budgetary expenditure assignment is available in chapter 2 of the overall report.

## 7.2 SUMMARY OF FLOWS TO PRIs FROM CENTRE, STATES AND OWN REVENUES

The mean per capita fund flows to the three tiers of panchayats from the Centre, the state government of Chhattisgarh and the own tax and own non-tax revenues i.e., own revenues of the PRIs based on the field survey in the selected backward and comparator districts in Chhattisgarh for the fiscal year 2005-06, are summarized in table 7.1.

**Table 7.1: Per capita flows to PRIs from Centre, States and own revenues (Rs.)**

	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
Central transfers	179.15 (66.36)	165.68 (76.33)	551.01 (83.29)	226.20 (71.04)	318.13 (86.32)	515.84 (81.26)
State transfers	79.84 (29.57)	50.86 (23.43)	110.51 (16.71)	87.10 (27.35)	48.95 (13.28)	118.73 (18.70)
Own revenue	10.99 (4.07)	0.52 (0.24)	0.00 (0.00)	5.11 (1.60)	1.48 (0.40)	0.20 (0.03)
Own tax	4.10	0.00	0.00	0.98	0.00	0.00
Own non-tax	6.89	0.52	0.00	4.14	1.48	0.20
<b>Total</b>	<b>269.98</b>	<b>217.06</b>	<b>661.52</b>	<b>318.41</b>	<b>368.56</b>	<b>634.77</b>

**Source:** Author's calculations

**Note:** Figures in parenthesis refer to percentage of the total.

Central flows are the sum of flows under the various CSS and TFC transfers. The fund flows from the state government consists of flows under the various state schemes and transfers based on the recommendations of the SFC. Because of the manner in which these flows are defined, Central flows would include all receipts from Central schemes including the funding from the state government flows into these schemes. So defined, Central transfers are the dominant source of fund flows to the PRIs in the state followed by state transfers and own revenues. In general, the mean per capita receipt is more in the backward districts, with two exceptions: ZPs for Central flows, JPs for state flows.

### **7.3 FUND FLOWS FROM THE CENTRE**

The number of CSS directed to the rural areas as identified from the Budget documents in 2006-07 is 165 of which 41 bypass the state budget and the remaining 124 are routed through the state budgets. The total flow of funds from the centre to rural areas (including the TFC grants but excluding Central assistance to State Plans) amounted to Rs. 63236 crore, around 1.62 percent of GDP. Of the 41 schemes bypassing the state budget, 10 schemes go directly to the PRIs while the remaining 31 schemes go to destinations other than PRIs. Of the ten schemes identified as flowing directly to the PRIs, the per capita budget estimates for eight CSS administered by the Ministry of Rural Development for which a state-wise break-up is possible, and MPLADS for Chhattisgarh for the year 2006-07 is Rs 404.95 which is higher than the all India per capita budget average of Rs. 254.59.

The field survey, which collected figures for PRI receipts from all sources for the fiscal year 2005-06, does not yield state-level estimates. As already stated in Chapter 2 of the report the limitations imposed by the design of the UNDP study meant that the field survey results could only be presented in the form of separate findings for the set of pre-selected backward districts in the states, juxtaposed against those for a comparator set, purposively chosen through principal component analysis so as to represent areas with higher developmental indicators.

It should be reiterated once again that the field survey records scheme specific data after merger of the contributory share of the Centre and states while the budget estimates for eight CSS and MPLADS for Chhattisgarh only includes Centre's share. Keeping this limitation in mind the per capita estimates of central flows of Rs.895.84 for the comparator set and Rs.1060.17 for the backward districts given in table 7.1 cannot be compared with the per capita budget estimates of Rs.404.95 for eight CSS and MPLADS for Chhattisgarh.

SGRY (rural employment) is the dominant scheme among the GPs in the state and is also operational at the other two tiers in both the districts clusters. Other programmes

with a significant presence at all three tiers are the IAY (rural housing) and the NFFWP (food for work). In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

A comparison across the three tiers in both the district clusters in Chhattisgarh reveal that the share of CSS funds in total funds received is the least for GPs.

The per capita Central Finance Commission fund flows in Chhattisgarh is highest for ZPs followed by JPs and GPs. Across the three tiers the mean per capita fund flows is more for the backward districts vis-à-vis the comparator set.

#### **7.4 FUND FLOWS FROM THE STATE GOVERNMENT**

The fund flows from the state government to PRIs consists of flows under the various state schemes, assigned revenues and grants-in-aid. The assigned revenues primarily comprise assignment of a specific or a predetermined proportion of the principal state tax or the proceeds of a surcharge or cess levied by the state government on its principal tax for the exclusive use of the PRIs on the basis of recommendations of SFC. The grants-in-aid broadly cover establishment costs, honorariums of the elected members, some construction and repairing of panchayat establishments, compensation grants in respect of taxes/non-taxes withdrawn from PRIs, incentive grants, and grants for specific schemes.

The survey results reveal that across the three tiers on an average the overall state funds transferred per capita under different state schemes and devolutions and grants in the state is higher in backward districts with a single exception of JPs. While the GPs and JPs in the backward districts receive higher per capita state scheme transfers, the per capita devolutions and grants are higher in the comparator district.

A comparison of the mean per capita state transfers across the three tiers of panchayats in the state reveal that per capita state transfers are the highest for ZPs followed by GPs and JPs. The share of state transfers in the total funds received by the

three tiers of panchayats, however, show a higher share for GPs as compared to the upper two tiers.

## **7.5 OWN REVENUES**

Revenue raising powers by the state PRI statutes are assigned mainly to GPs and to a limited extent to JPs in Chhattisgarh. The ZPs have not been assigned any revenue raising powers. Some of the taxes assigned are designated as obligatory where the levy is mandatory and others as optional.

The stylized facts of policy consequence emerging from the field survey evidence on the own revenues collected by the three tiers of panchayats in the state are as follows.

Non-tax revenues are the dominant source of own revenues of GPs across the districts. This source accounts for nearly 80 percent of own revenues in the backward districts and 62 percent in the comparator set. Non-tax revenues are derived principally from lease and auction and property rental. The mean per capita own non-tax revenue on an average is higher in the comparator set vis-à-vis the backward districts.

Assignment of tax rights to GPs and designating some of the taxes as obligatory has not resulted in all of them levying some form of taxes. A large number, 72 percent of GPs in backward and 40 percent in the comparator set do not exercise their tax rights. Among the taxes collected by the GPs the house tax, lighting tax, animal taxes and water rates are most usually levied. The profession tax is not levied in the selected districts, even though it is obligatory.

The tax performance in terms of both the percent of GPs exploiting their tax sources and its share in own revenues is higher for the comparator district of Dhamtari as compared to that of the backward districts in the state. The per capita own tax collection confirms this pattern.

Across the three tiers the own tax performance of the GPs in terms of its share in own revenues and in terms of per capita collections is higher than that of the middle and district tiers panchayats.



The own revenues of the JPs and ZPs comprise income from non-tax sources only despite JPs being assigned tax rights. The important non-tax sources are lease and auction, property rental and interest receipts. The last source depends upon the amount of unspent funds under different schemes remaining with the banks and is not based on any revenue effort the PRIs. Interest income from low utilization of CSS funds at the upper two tiers is a matter of concern. This is a result of non-lapsability of these funds and carries an implicit incentive for not spending. Introducing the lapsability clause would act as incentive to encourage higher utilization of these CSS funds meant for developmental activities and poverty alleviation.

The per capita own tax revenues figures for 2002-03 from the TFC reports falls in the range reported by the survey of the sampled districts. However, the per capita non-tax revenue figures from the TFC reports for Chhattisgarh, which is at Rs.32 is higher than the survey figures which fall in the range of Rs. 0.2 to Rs.6.89.

## **7.6 MONITORING AND UTILIZATION**

Under the 73<sup>rd</sup> Constitutional amendment, the responsibility of providing for audit of panchayat accounts is assigned squarely to the respective State Legislatures. Accordingly, the conformity Acts in the state of Chhattisgarh which is fully compliant with the Constitutional amendment, provide for annual audits by an independent audit organization under the control of the state government. Such audit, however, will not be affected by any other audit ordered by the Accountant General of the state. Simultaneous test audits are also permissible, under the over-riding powers of the C&AG.

The survey results show that auditing is most delayed at GP level, relative to the higher two tiers. Since the GP is the level at which major schemes like SGRY and NREGS are largely (though not exclusively) targeted and implemented, delayed audit at GP level is a matter of serious concern. Across all tiers, auditing is somewhat more tardy in backward districts.

There is higher utilisation of funds at the district tier than at the middle tier, and in the comparator set in the state vis-à-vis the backward districts.

Utilisation of CSS funds is confined to the SGRY scheme alone because of its universal coverage. Utilisation of SGRY funds is higher for GPs in the backward district in the state than in the comparator districts.

In Chhattisgarh the GP record-keepers are largely state-appointed. In the comparator districts around 83 percent of record-keepers are state-appointed whereas in backward districts it is about 72 percent. There is no systematic difference between GPs with state appointed record keepers and those where the record keepers are GP appointed.

Construction and maintenance of roads and culverts are the dominant choice in Chhattisgarh, followed by construction and maintenance of water works and building construction. Tests for gender wise preferences of works done through SGRY funds reveal that the null hypothesis of no gender difference in preferences cannot be rejected in the comparator district of Dhamtari in Chhattisgarh. In the backward district cluster, however, the results indicate existence of a statistically significant male preference for the construction and maintenance of buildings.

As regards utilisation of NREGS funds released up to August 2006, Chhattisgarh show a higher utilization of 56.8 percent as against the average across all reporting states of 34.1 percent.

Utilisation of the Central Finance Commission funds at GP level indicates higher utilisation by comparator set than backward cluster. The survey results reveal non-receipt of FC funds to the extent of 43 percent in comparator district GPs and around 7 percent in the backward district in the state.

A comparison of the rate of utilisation of state scheme funds across the three tiers of panchayats in the state reveal higher utilisation by the ZPs followed by the JP and GPs. Between district clusters, it is for the most part better in comparator districts except at GP level where backward district cluster showed higher utilization. At the GP level the higher

utilization in the backward districts is an encouraging result which comes out from the survey in the state. Effective utilisation of funds devolved to the PRIs in general and GPs in particular is of paramount importance from the point of alleviating rural poverty.

## *ANNEXES*

### Principal Components Analysis (PCA)

The aim of the method of Principal Components is the construction out of a set of variables,  $X_j$ 's ( $j = 1, 2, \dots, k$ ) of new variables ( $P_i$ ) called the *principal components*, which are linear combination of the  $X$ 's.

$$P_1 = a_{11}X_1 + a_{12}X_2 + \dots + a_{1k}X_k$$

$$P_2 = a_{21}X_1 + a_{22}X_2 + \dots + a_{2k}X_k$$

$$\cdot \quad \cdot \quad \cdot \quad \cdot \quad \cdot$$

$$P_k = a_{k1}X_1 + a_{k2}X_2 + \dots + a_{kk}X_k$$

The  $a$ 's, called the *loadings*, are chosen so that the constructed principal components satisfy the following two conditions:

- i. the principal components are uncorrelated (i.e., orthogonal), and
- ii. the first principal component  $P_1$  absorbs and accounts for the maximum possible proportion of the total variation in the set of all  $X$ 's, the second principal component absorbs the maximum of the remaining variation in the  $X$ 's (after allowing for the variation accounted for by the first principal component), and so on.

The first step is to get the estimates of the loadings (i.e., the  $a$ 's) which will help transform the  $X$ 's into orthogonal artificial variables called the principal components (for details relating to the estimation of the  $a$ 's and testing of its significance refer to Koutsoyiannis, 1977). Having estimated the  $a$ 's we must finally decide upon some rule of decision, some criterion, on the basis of which to decide how many of the principal components to retain in the analysis.

The maximum number of principal components is equal to the number of  $X$ 's. However, only a small number of  $P$ 's is usually retained in the analysis. There are various criteria which have been suggested while deciding how many principal components to retain in any particular study. The most common are the *Kaiser's criterion*, *Cattell's 'Scree test'*, and the *Bartlett's criterion*. We have, in our analysis, used the *Kaiser's criterion* which suggests that only those principal components having latent root<sup>1</sup> greater than one are considered essential and should be retained for the analysis.

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<sup>1</sup> Also known as the Eigen value. The Eigen vector of a transformation is a vector whose direction is unchanged by that transformation. The factor by which the magnitude is scaled is called the Eigen value (or latent root) of the vector.

## Ranking of Districts

## Chhattisgarh

District	Ranking			District	Ranking		
	<i>PCA</i>	<i>PCY</i>	<i>HDI</i>		<i>PCA</i>	<i>PCY</i>	<i>HDI</i>
<b><i>Bastar</i></b>	<b><i>14</i></b>	<b><i>14</i></b>	<b><i>16</i></b>	Kanker	12	13	12
Bilaspur	4	9	8	Korba	13	1	1
Champa	1	11	5	Korea	15	4	13
Dantewada	16	2	9	Mahasumund	2	7	3
<b><i>Dhamtari</i></b>	<b><i>5</i></b>	<b><i>5</i></b>	<b><i>6</i></b>	Raigarh	6	10	10
Durg	7	3	2	Raipur	3	6	4
Jashpur	10	12	7	<b><i>Rajnandgaon</i></b>	<b><i>11</i></b>	<b><i>8</i></b>	<b><i>14</i></b>
Kabirdham	8	16	15	Surguja	9	15	11

## Selected ZPs, JPs and GPs in Chhattisgarh

ZP	JP	GP	
1	2	3	
Bastar (B)	1. Bastanar	1. Burgum	4. Turangur
		2. Mutanpal	5. Sadra Bodenar
		3. Lalaguda	
	2. Darbha	1. Lendra	6. Chindawada
		2. Chindbahar	7. Darbha
		3. Keshapur	8. Tahakwada
		4. Tirathgarh	9. Koleng
		5. Mamadpal	10. Edjepal
	3. Lohandiguda	1. Chandela	7. Badrenga
		2. Chindgaon	8. Aanjar
		3. Parapur	9. Michnar
		4. Badedharaur	10. Alnar
		5. Belar	11. Chitrakot
		6. Kuthar	
	4. Makdi	1. Otenda	8. Tamrawand (F.V.)
		2. Katagaon	9. Anatpur
		3. Budra	10. Chhinari (F.V.)
		4. Kurlubahar	11. Sonabeda
		5. Torandi	12. Ondargaon (F.V.)
		6. Babai	13. Badegodsoda
		7. Sampur	14. Chhatodi (F.V.)
5. Pharsgaon	1. Bokrabeda	9. Mainpur	
	2. Deogaon	10. Banchapai	
	3. Chichadi	11. Badeodagaon	
	4. Patoda	12. Godma	
	5. Mode	13. Kongud	
	6. Kotpad	14. Bhanpuri	
	7. Borgaon	15. Badedonagar	
	8. Bhumka		
6. Bastar	1. Bhanpuri	12. Baniyagaon	
	2. Bodanpal	13. Seoni	
	3. Cherakur	14. Sorgaon	
	4. Godiyapal	15. Kumhli	
	5. Kawadgaon	16. Salemeta-2	
	6. Chapka	17. Khorkhosa	
	7. Bagmohlai	18. Ratenga	
	8. Semalnar	19. Murkuchi	
	9. Dubeyumargaon	20. Bhainsgaon	
	10. Madhota	21. Bastar	
	11. Badechakwa		

<b>ZP</b>	<b>JP</b>	<b>GP</b>	
<b>1</b>	<b>2</b>	<b>3</b>	
Rajnandgaon (B)	1. Mohla	1. Mandavitola	9. Kaneri
		2. Pendakodo	10. Pandarawani
		3. Adamgondi	11. Kakaipur
		4. Gidhali	12. Vasdi
		5. Mungadih	13. Khulardhoh
		6. Bhojtola	14. Rengakathera
		7. Ghawadetola	15. Marakatola
		8. Madiyanwadvi	
	2. A. Chowki	1. Rengakathera	9. Devarsur
		2. Amatola	10. Taramtola
		3. Khursipur	11. Kudurghoda
		4. Joratarai	12. Tirpemeta
		5. Hitaguta	13. Tatekasa
		6. Khadkhadi	14. Semharbandha
		7. Bagnara	15. Mahud Machandur
		8. Parsatola	16. Chikhali
	3. Chhuikhadan	1. Sahaspur	13. Kanshitola
		2. Darbantola	14. Khouda
		3. Kritbans	15. Devincha
		4. Daniya	16. Kumharwada
		5. Udan	17. Devpuraghat
		6. Pandria	18. Nachaniya
		7. Gatapar	19. Khairanawapara
		8. Laxmanpur	20. Devpura
		9. Budhanbhat	21. Jhuranadi
		10. Suradabari	22. Nadiya
		11. Dhodha	23. Gerukhadan
		12. Ghirgholi	24. Thandar
	4. Chhuria	1. Bholapur	15. Joshilamati
		2. Ghupsal (Chhu)	16. Dharmutola
		3. Keshotola	17. Patekohara
		4. Nandiyakhurd	18. Sadak Chirchari
		5. Damabanjari	19. Chando
		6. Fafamar	20. Barbaspur
		7. Kumarda	21. Achholi
		8. Kesal	22. Halekosa
		9. Ghotia	23. Badgaon
		10. Umarwahi	24. Mahroom
		11. Pathandhodgi	25. Pinkapar
		12. Lammata	26. Masulkasa
		13. Kallubanjari	27. Gidri
		14. Nandiya (K)	28. Jondhra



<b>ZP 1</b>	<b>JP 2</b>		<b>GP 3</b>
Dhamtari (C)	1. Dhamtari	1. Bagtarai	11. Shankardah
		2. Riwagahan	12. Kurmatarai
		3. Gujra	13. Gangrel
		4. Donar	14. Kalartarai
		5. Gagra	15. Dhaurabhata
		6. Parastarai	16. Chikhali
		7. Bhothali	17. Dargahan
		8. Aroud (L)	18. Arjuni
		9. Mudpar	19. Semra (d)
		10. Barari	20. Dodaki
	2. Kurud	1. Korra	12. Chorbhatthi
		2. Charota	13. Bagdehi
		3. Kokdi	14. Gatapara
		4. Gadadih (R)	15. Parkhanda
		5. Navagaon (Thuha)	16. Kodebod
		6. Sihad	17. Erra
		7. Sirve	18. Kharra
		8. Seldeep	19. Sirri
		9. Goji	20. Jarwaydih
		10. Kotgaon	21. Siloti
		11. Pachpedi	22. Jugdehi

**Notes:** ZP = Zilla Panchayat, JP = Janpad Panchayat, and GP = Gram Panchayat  
C = Comparator B = Backward

## Rural Poverty Head Count Ratio

States	(In Percentage)				
	1973-74	1993-94	1999-00 (MRP)	2004-05 (MRP)	2004-05 (URP)
Madhya Pradesh	62.66	40.64	37.06	29.8	36.9
Chhattisgarh				31.2	40.8
Rajasthan	44.76	26.46	13.74	14.3	18.7
Orissa	67.28	49.72	48.01	39.8	46.8
<b>All India</b>	<b>56.44</b>	<b>37.27</b>	<b>27.09</b>	<b>21.8</b>	<b>28.3</b>

**Source:** Economic Survey, 2002, Ministry of Finance, Government of India; latest poverty figures from Government of India, 2007.

**Note:** See notes to table 2.6

Annex 5

Indicators and Scoring Scheme used in 2002 BPL Census

Characteristic	Scores				
	0	1	2	3	4
Size group of operational holding of land	Nil	Less than 1 ha of un-irrigated land (or less than 0.5 ha of irrigated land)	1 ha - 2 ha of un-irrigated land (or 0.5 - 1 ha of irrigated land)	2 ha - 5 ha of un-irrigated land (1.0-2.5 ha of irrigated land)	2.5 ha of irrigated land
Type of house	Houseless	Kutcha	Semi-pucca	Pucca	Urban type
Average availability of normal wear clothing (per person in prices)	Less than 2	2 or more, but less than 4	4 or more, but less than 6	6 or more, but less than 10	10 or more
Food security	Less than 1 square meal per day for major part of the year	Normally, 1 square meal per day, but less than 1 square meal occasionally	1 square meal per day throughout the year	2 square meal per day, with occasional shortage	Enough food throughout the year
Sanitation	Open defecation	Group latrine with irregular water supply	Group latrine with regular water supply	Clean group latrine with regular water supply and regular sweeper	Private latrine
Ownership of consumer durables: Do you own? -TV, electric fan, kitchen appliances like pressure cooker, radio etc.	Nil	Any one	Two items only	Any three or all items	All items and/or ownership of any one of the following: - computer, telephone, refrigerator, colour TV, electric kitchen appliances, expensive furniture, LMV/LCV, tractor, mechanized two wheeler/three wheeler, power tiller, combined thresher/harvester (4 wheeled mechanized vehicle)
Literacy status of the highest literate adult	Illiterate	Upto primary class (class V)	Completed secondary	Graduate/professional diploma	Post graduate/professional graduate
Status of household labour force	Bonded labour	Female and child labour	Only adult females and no child labour	Adult males only	Others
Means of livelihood	Casual labour	Subsistence cultivation	Artisan	Salary	Others
Status of children (5-14 years) [any child]	Not going to school and working @	Going to school and working @			Going to school and not working @

Type of indebtedness	For daily consumption purposes from informal sources	For production purpose from informal sources	For other purpose from informal sources	Borrowing only from institutional Agencies	No indebtedness and possess assets
Reason for migration from household	Casual work	Seasonal employment	Other forms of livelihood	Non-migrant	Other purposes
Preference of assistance	Wage employment/TPDS (Targeted public distribution system)	Self Employment	Training and skill upgradation	Housing	Loan/subsidy more than Rs one lakh or no assistance needed

**Source:** Ministry of Rural Development, Government of India.

**Note:** The total score of a household will vary between 0 and 52.

@ Indicates non-formal education.

## Annex 6

### SFC Recommendations and Action Taken Reports

Areas	Issues	Recommendations	Action Taken
<b>First SFC</b>  Additional resource to Panchayats*	1. Special grants  2. Incentive grants to local bodies          3. Establishment grant          4. Lump sum grants	1. Grants for special works done through the three-tier Panchayati Raj institutions.  2.(a) 2.5 percent of expenditure on delegated programmes to the Panchayats working as agents of the state governments      (b) Incentives for raising own revenue collection.          3. For 1995-96 Rs. 67.76 crore was recommended. From the next year it will be based on actual estimates.          4. A lump sum amount to be paid in the form of grant-in-aid by state government at its discretion for furnishing the offices and their maintenance.	1. Accepted  2. (a) Accepted for works that are specially assigned in addition to their duties.  (b) Initially it was accepted but subsequently in 1997, the state government decided that it will be one of the indicators of best panchayat award scheme.  3. Accepted          4. Not Accepted
Further classification of budget heads	States resources	The budget provisions of the three-tier Panchayati Raj institutions under the Demand Heads no: 80,82 and 84 should be further be classified into (a) State's share of resources (b) Grant-in-aid (c) Agent	Accepted
Tenth Finance Commission Recommendations	Distribution of TFC grant of Rs. 87.16 per year.	1. Rs. 43.28 crore to be distributed to village panchayat as general purpose grant. The remaining amount for Rural Development Fund (RDF) to be utilized especially for drinking water supply or by way of margin money.  2. For management of RDF a separate agency with an authorized capital of Rs. 500 crore should be considered.	1. Not Accepted as the TFC grants are governed by their recommendations.          2. Not Accepted

**Annex 6 (contd.)**

**SFC Recommendations and Action Taken Reports**

<b>Areas</b>	<b>Issues</b>	<b>Recommendations</b>	<b>Action Taken</b>
Other	1. Forest revenue	1. The revenues from forests to be given to panchayats within the geographical area.	1. Under consideration
	2. Agricultural produce mart (Mandi)	2. Share of <i>mandi</i> revenue to be raised to a sum of Rs. 50 to Rs. 60 crore.	2. Under consideration
	3. Data bank	3. Set up a data bank	3. Accepted and will be set up in the Directorate of Economics and Statistics
	4. Performance budget	4. Various departments of the government will frame separate performance budget	4. Accepted and to implemented from the financial year 1998-99
	5. Annual District Plan	5. For regulation at the district level an Annual Plan of Operation to be formulated	5. Accepted
	6. Internal Audit	6. Internal audit by the sample system and the present system of audit to be strengthened to ensure accountability	6. Accepted
	7. Monitoring Cell	7. The SFC I secretariat should continue to function after the expiry of the Commission to update records relating to activities, reports and other material, etc.	7. The existing cell in the Finance department would be entrusted with this work.
	8. Tapping of Additional resources	8.(a) Charging of fees from both buyers and sellers of animals in organized markets (b) to raise revenue by contracting quarries of sand, gitti, and murrum (c) tax on pacca houses (d) Impose fees on well to do farmers on the usage of modern implements (e) Revise rates of land revenue and education development tax (f) Revise rates on irrigation (g) Annual fees should be realised in proportion to their electricity consumption from small and tiny industries, like floor mill, rice mill, brick klin, stone quarries etc.	

**Note-** \* Additional to tax devolution as given in table

## SFC Recommendations and Action Taken Reports

Areas	Issues	Recommendations	ATR
<b>Second SFC</b>			
Additional resources to Panchayats*	1. General purpose grants	1.General purpose grant of Rs. 50 crore for village panchayat	1. Not accepted
	2.Establishment grant	2. A grant (specific grant) of Rs.28.40 to PRIs for the payment of honorarium and other payments to the staff working in the 3-tier PRIs, with a provision of 10% increase in the amount of grant every year may be given.	2. Accepted at 5% increase every year.
	3. Specific grant	3. Rs.5 crore to the Zilla Panchayats for organizing training programmes for elected representatives.	3. Accepted
	4.Devolution of net proceeds	4. The Commission has also recommended the devolution of net proceeds of land revenue, surcharge on stamp duty and cess on sales tax in the form of assigned tax revenue which is in existence may be allowed to continue.	4. Accepted.

**Annex 6 (contd.)**

**SFC Recommendations and Action Taken Reports**

<b>Recommendations of the Commission</b>	<b>Decisions of the Ministerial Council</b>
<p><b>Additional Decisions by Council of Ministers on the Second Finance Commission</b></p> <p>10 % of divisible pool for back districts having 10% or more rural SC/ST population</p> <p>Distribution should be done on the basis of percentage of rural SC/ST population in that district to total rural SC/ST population in these backward districts.</p> <p>And further, for distribution of this amount within a village panchayats in that district, should be done multiplying the rural SC/St population of the village by that districts per capita share.</p>	Rejected
General purpose grants (Rs 50 crore) to Gram Panchayats on the basis of the number of compulsory (essential) and voluntary taxes imposed by them.	Under consideration
General Purpose Grant to the Janpad Panchayats (14.65 crore) and Zilla Panchayats (2 crore) on the basis of their respective population.	Under consideration:
Establishment Grant: A grant (special grant) of Rs.28.40 crore to PRIs for the payment of honorarium and other payments to the staff working in the 3-tier PRIs, with a provision of 10% increase in the amount of grant every year.	5% increment every year based on prevailing inflation rate should be accepted.
Special grant of Rs. 5.00 crore to Zilla Panchayat for organising training of elected representatives at the district level.	Worth accepting
the Commission has recommended devolution of tax revenue (including Rs. 48.21 crore as land revenue, Rs. 22.28 crore as surcharge on stamp duties and Rs. 6.92 crore as cess on sales tax)	Worth accepting

**Source:** Ministry of Finance, Government of Madhya Pradesh, Bhopal



## Functional Devolution in Chhattisgarh by Different Departments

## Scheduled Tribe and Scheduled Caste Welfare Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Assessment of students' education level.</p> <p>Preparation of annual education calendar</p> <p>Approval of new subjects in schools.</p> <p>All divisional and state level extra-curricular activities.</p> <p>Educational Statistics: Compilation and all works pertaining to Assembly.</p> <p>Responsibility of training teachers and employees, institution of teachers training like DITE, BTI and control over its staff.</p> <p>Supervising and monitoring of the implementation of Central and Centrally Sponsored Schemes.</p> <p>As per the state government policy the District Standing Committee will be responsible for opening of new schools, construction of buildings or implementation of the decisions of state government, etc.</p> <p>Creation of new posts in schools or offices.</p>	<p>Management and Functioning of schools.</p> <p>Arrangement of school buildings.</p> <p>Holidays and period of study in schools.</p> <p>Purchase of education material.</p> <p>Distribution of free books, and Book Bank Scheme.</p> <p>Distribution of school uniform free of cost.</p> <p>Mid-day meals programme.</p> <p>BTI Operation Black Board Scheme.</p>			<p><b>1. Transfers of Staff</b> Assistant (Education) <b>Accountant</b> - 1 No. UDC - 1 No. LDC - 2 Nos. Peons - 2 Nos. All Development Block Education Officers in tribal Development Blocks and all staff in their offices</p> <p>Schools running under Karahal Development Block of Muraina district, Development Block Education Officer and complete staff of office has been transferred to administrative control of district panchayat.</p> <p><b>2. Educational Staff:</b> Education workshops will be conducted and they will be controlled by district panchayats. The appointment powers for education staff (category-I and II) in schools is given to Zilla panchayats and the appointment powers for category-III is given to Janpad panchayats.</p> <p><b>3. Control over Staff:</b> All administrative powers pertaining to the staff engaged in schools transferred to Zilla panchayats situated in rural areas will be with Zilla Janpad panchayats only.</p> <p><b>4. Transfer:</b> The transfer of staff within their jurisdiction will be done as per prescribed policy of Zilla panchayat.</p>	<p>Allocations to district/Janpad panchayat for honorarium of education staff and internal activities.</p>

## Agriculture Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Examination of seed, fertiliser, pesticides and soil, and other laboratories All agricultural area	Propagation of methods to increase agricultural production, including the methods of advanced agriculture.  Organization of agriculture fairs and exhibitions.	Promoting and development of agriculture.  Control over staff engaged in the extension of improved techniques of farming.	Development and promotion of agriculture.  Development of intensive farming.	Control over Deputy Director, Agriculture and its subordinate staff engaged in extension and land conservation, agriculture and horticulture areas, forestry.	Orders for the utilisation of allocated schemes as per the recommendation or decision of the panchayat by the Divisional Officer.
All nurseries	Administrative control over Agriculture Extension Programme and its related staff.	Estimating the demand for agricultural inputs for the kharif and rabi campaigns.	Framing rabi & kharif programmes and preparing the estimates of agricultural inputs.	Control of Zilla panchayat over subordinate staff of schemes and Assistant Director Horticulture at district-level under the Directorate.	
Maali Training Centres	Management and control of agricultural quality inputs like fertilizers, seeds, pesticides.	Publicity and training for the promotion of organic agriculture and application of compost as well as bio-gas.	Development of barren and fallow land.  Implementation and management of programmes of agricultural demonstration of mini-kit distribution.		
Training centres and other institutions	Approval of all schemes and beneficiaries.		Management of crop-cutting experiments under the Crop Insurance Scheme.		
All agriculture engineering	All crop campaigns Implementation of organic farming, bio-gas and compost programmes and training of farmers and skilled workers.	Distribution and quality control of chemical fertilizers, seeds, and organic manure, pesticides, bio-fertilisers and improved agricultural implements.			
All legal powers to state government	Development of fallow land and barren land and intensive farming.		Monitoring the quality of improved seeds, agricultural implements, pesticides, and chemical fertilizers sold within its jurisdiction.		
Agriculture University	Sanction of grant.	Construction of godowns for crops, fertilisers and seeds under rural development programmes.			
All agriculture produce markets	Construction, maintenance, supervision and management of minor irrigation schemes costing up to Rs. 10 lakh.	Control of demonstration on the fields of selected farmers and distribution of mini-kits.			
All schemes assisted by international agencies implemented by state departments.	Organization of training and conducting study tours of farmers. Monitoring of the implementation of Crop Insurance Scheme.  Construction of godowns, cold storages, infrastructure for storage of agricultural produce. Review and monitoring of physical and financial targets of schemes.	Construction, maintenance and management of micro-minor irrigation work costing up to Rs.5 lakh. Selection of beneficiaries under various government schemes and submitting their panel to the Zilla panchayat.	Maintenance of transferred assets.		

## Department of Horticulture

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Establishment of horticultural gardens and promotion to promote the same.</p> <p>Horticulture area extension.</p> <p>Establishment and arrangements for its nurseries and propagation and control over concerned staff.</p> <p>Conduct of horticulture fairs and melas.</p> <p>Farmers training and trekking.</p> <p>Approval of schemes and beneficiaries.</p> <p>Mutual provision and quality control. Sanction of grant.</p> <p>Review of physical and financial shortfalls and rationalisation of review schemes</p>	<p>Development and promotion of horticulture.</p> <p>Establishment of nurseries and their maintenance.</p> <p>Preparation and implementation of programmes of improved cultivation of fruits, flowers, spices and vegetables.</p> <p>Training of farmers and extension activities.</p> <p>Production, distribution and quality control and plants of seeds.</p> <p>Maintenance of transferred assets.</p> <p>Demonstration, distribution, and supply of mini-kits under various schemes and inspection of ongoing programmes.</p> <p>Selection of beneficiaries under various government schemes and its submission to Zilla panchayat.</p>	<p>Development of horticulture.</p> <p>Preparation of nurseries for the development of horticulture in panchayat areas.</p> <p>Administration, demonstration distribution of mini-kits.</p> <p>Maintenance of transferred assets.</p>			

## Rural Development Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Policy making, training, coordination between Govt. of India and various departments of state government.</p> <p>District-wise targets in various programmes and all assigned work except the works assigned to panchayats.</p>	<p><u>Jawahar Rozgar Yoiana:</u> Determining the priority and utilisation of 15 percent of the amount made available under the scheme.</p> <p><u>Employment Assurance Scheme:</u> Determining priorities and utilisation of 40% of the total amount made available under the Scheme.</p> <p><u>Jeevan Dhara Yoiana:</u> To fix the targets Janpad Panchayat-wise.</p> <p><u>Indira Awaas Yoiana:</u> To fix the targets Janpad Panchayat-wise.</p> <p><u>Integrated Development Programme:</u> Supervision of IRDP.</p> <p>To fix targets for Janpad panchayats.</p> <p>Supervision of TRYSEM Scheme.</p> <p>Supervision of distribution of improved tool-kits programme. Powers of administrative sanction for works upto Rs. 10 lakh.</p>	<p>Utilisation of 15 percent of the amount made available under the JRY as per their own discretion according to their priorities.</p> <p>Utilisation of 30 percent of the amount made available under the EAS as per their own discretion and according to their own priorities.</p> <p>To fix the targets gram panchayat-wise for Jeevan Dhara Yojana Scheme.</p> <p>To fix gram panchayat-wise targets under IAY.</p> <p>Under IRDP, to prepare the beneficiaries.</p> <p>To fix targets panchayat-wise implementation of IRDP.</p> <p>Implementation of TRYSEM Scheme.</p> <p>Implementation programme for the distribution Tool-kits.</p> <p>According sanction for works upto Rs. 10 lakh.</p>	<p>Power to spend 70 percent of the amount available under the JRY as per their own priority.</p> <p>Selecting beneficiaries for EAS with the approval of Gram Sabha.</p> <p>Selection of beneficiaries for the Jeevan Dhara Scheme with the approval of Gram Sabha.</p> <p>Selection of beneficiaries for IAY with the approval of Gram Sabha.</p> <p>Selection of beneficiaries of the IRDP with the approval cases of Gram Sabha.</p> <p>Selection of beneficiaries for TRYSEM with the approval of Gram Sabha.</p> <p>Sanction of works upto a value of Rs.3 lakh.</p>	<p>District-level officer including the complete staff in district development wing will be under the Zilla panchayat.</p> <p>Absorption of DRDA with staff in Zilla panchayat.</p> <p>Absorption of BDO at block level in Janpad panchayat.</p> <p>Asst. Development Extension Officer, Department Extension Officer, Development Block Officer will be under the Janpad panchayat.</p> <p>Village Assistant will be under the gram panchayat.</p>	<p>Contribution of Govt. of India and state government.</p> <p>90 percent by Central government and 10 percent by beneficiaries.</p>

**Finance Department**

<b>Activity of State Sector</b>	<b>Activities of Panchayat Sector</b>			<b>Department, State and Panchayat Transferred to</b>	<b>Budget Arrangement</b>
	<b>Zilla Panchayat</b>	<b>Janpad Panchayat</b>	<b>Gram Panchayat</b>		
All the activities except the activities entrusted to the panchayat sector.	<p>Holding from time to time meetings of District Advisory Committee with the help of Lead Bank of the District.</p> <p>Securing maximum cooperation of all commercial, rural and cooperative banks for the development of rural areas of the district.</p>	<p>Conducting Meetings of 'Block-level Coordination Committee' of branch managers of all commercial banks located in the Development Block.</p>	<p>Promotion of Small Savings Scheme and appointment of Small Savings Agents.</p>		

## School Education Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Recognition of schools. To prescribe the course and books. Conducting of exams. Assessment of educational status of the students. Preparation of annual education calendar. Permission to start new subjects in schools. All departmental and state level course activities. New system in the existing activities in schools. Collection of educational statistics, and all related works. Supervision and monitoring of implementation of central and Centrally-sponsored programmes. Responsibility of training of teachers and staff, number of training of teachers like DIET, BTI, etc. Right of taking decisions regarding opening of new schools and building construction from amount reviewed from state government or extension, etc. District Planning Committee will be totally incharge of above activities as per the policy shown by the state government.</p>	<p>Management and administration of schools. Management of school Building, etc. Determination of duration of study and vacation in schools. Purchase of teaching material. Distribution of free text books and Book-Bank Scheme. Free Uniforms. Non-formal education Programme. Mid-day Programme. Operation Black-Board Scheme. Distribution of Scholarships Stipends.</p>	<p>Inspection of all the schools within the panchayat areas. Conducting literacy campaigns. Construction and extension of primary school buildings. Distribution of school uniforms to the students. Book-Bank Scheme. Running of non-formal education programmes. Total literacy drive.</p>	<p>Establishment, management and running of primary, middle and high schools. Collection and distribution of text books and other educational material. Construction and maintenance of school buildings upto Rs.5 lakh. Distribution of scholarships. Book-Bank Scheme. Appointment of supervisors and instructors.</p>	<p><b><u>Transfer of Staff:</u></b> One Dy. Director, Accounts Officer, Planning Officer, Steno, Sr. Auditor, Typist, Assistant, Peon, Driver, two posts of LOC. One Block Development Education Officer, Head Clerk, Assistant, UDC, LDC, Accounts Officer, Typist and two posts of Peon. <b><u>Education Staff:</u></b> School education staff is meant for teaching only and they will be controlled by Zilla panchayats. <b><u>For control over staff:</u></b> (a) Zilla Panchayat will have all the administrative powers of the appointing authority regarding the staff in schools situated in rural areas and transferred Zilla panchayats. Deputy Director will implement the educational decisions according to the rules. (b) Zilla panchayat will have all the administrative powers regarding the staff appointed or will be appointed "by Zilla panchayat in future.</p>	<p>Provision of allocation of Zilla/Janpad panchayat for honorarium to the education staff and internal activities.</p>

## Social Service Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Governmental Social Security Institutions and Handicap Welfare Institutions, responsibilities related with Probation of Offenders Act. Dissemination of activities of the Department	<p>Holding of camps for the distribution of artificial body <b>equipment to the</b> handicapped. Survey for identification of the handicapped.</p> <p>Running of homes for the old.</p> <p>Prohibition Intoxication.</p> <p>Eradication of beggary.</p> <p>Supervision of rural libraries and reading rooms.</p> <p>Sanction of grants to voluntary organization upto specified limit.</p> <p>Inspection of government and non-governmental institutions.</p>	<p>Social Security Pension, National Old Age Pension.</p> <p>National Family Assistance Scheme.</p> <p>Supervision of rural libraries and reading rooms.</p> <p>Scholarships to the disabled.</p>	<p>Running of village libraries and reading rooms.</p> <p>Selection of beneficiaries and payment of grants.</p>	<p>Dy. Director, Panchayat and Social Welfare, Additional Chief Executive Officer, Zilla Panchayat.</p> <p>Dy. Director, Panchayat and Social Welfare and Class III and IV Staff of Social Welfare Department working under him transferred to the Zilla panchayats.</p> <p>Panchayat and Social Welfare Organizer working under janpad panchayat.</p>	<p>Budget transferred to the district panchayat for implementation of schemes.</p>

## Labour Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
All activities except the activities which are entrusted to the panchayat sector.	<p>Zilla panchayat is appointed as Inspector within its jurisdiction under Child Labour (Eradication and Exchange) Act, 1986.</p> <p>Accepting applications under Indira Krishi Shramik Durghatana Yojana.</p>	<p>The Janpad panchayats are appointed as Inspector under the Child Labour (Prevention and Regulation) Act, 1986.</p> <p>Forwarding applications received from gram panchayats under the Indira Krishi Shramik Durghatana Yojana to the Zilla Panchayats.</p> <p>Disbursement of amounts after sanctioned by Zilla panchayat under the Indira Krishi Shramik Durghatana Yojana.</p>	<p>Under the Minimum Wage Act, 1948 all gram panchayats are appointed as inspectors regarding following:</p> <p>Employment in tobacco factory including beedi manufacture.</p> <p>Employment in construction and maintenance of roads and buildings.</p> <p>Employment furnaces.</p> <p>Employment in cement tiles-making except Mangalore tiles, Allahabad tiles or other tiles.</p> <p>Employment in stone breaking or stone-crushing.</p> <p>Under the Equal Wages Act, 1976 gram panchayat have been appointed as Inspectors for filing claims in cases of payment of unequal wages before the competent authority.</p> <p>All village panchayats have been appointed as Inspectors under the Child Labour Act (Prevention and Regulation) Act, 1986.</p> <p>Accepting the application form under the Indira Krishi Shramik Durghatana Yojana.</p>		



## Rural Electrification and Energy Including Non-Conventional Energy

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
All activities except the activities which are entrusted to panchayat sector.	<p>Planning, allocation, implementation, supervision and control of Integrated Rural Energy Programme.</p> <p>Sanctioning of grants on energy-saving.</p> <p>Development and encouragement of non-conventional energy sources.</p> <p>Formulating schemes relating to energy policy and co-ordination with the Electricity Board and Energy Development Corporation.</p>	<p>Encouragement and development of non-conventional energy sources.</p> <p>Formulating and implementing block-level scheme of energy.</p> <p>Co-ordination for energisation with Electricity Board.</p>	<p>Providing lighting on public streets and other places and their maintenance.</p> <p>Encouragement and development of schemes of non-conventional energy.</p> <p>Maintenance of community non-conventional energy sources and bio-gas plants.</p> <p>Promotion and publicity of improved Chula and means of energy saving.</p> <p>Survey of single-point light connection and coordination with Electricity Board for their installation.</p>		

## 20-Point Programme Implementation Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
All activities except the Activities which are Entrusted to panchayat sector.	Implementation, monitoring and reporting on 20-point programme. Carrying out the directions, compliance of Instructions given from time to time by the state government for development programmes	Implementation, monitoring and reporting of the 20-point programme. Carrying out the directions given from time to time the development and progress by the state government.		<p>Clerical Staff appointed at district level for 20-point programme.</p> <p>Implementation will be under Zilla panchayat</p>	

### Forest Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Except the activities which are entrusted to panchayat sector.	Encouraging farm forestry and social forestry.  Encouraging and inculcating competition among farmers and institutions for forestry.	Promotion of farm forestry and social forestry.	Encouraging farm forestry and social forestry. Issuing of transport permits for various kinds of trees as determined by the state government from time to time.		Budget for plan grant will be given to Zilla panchayat. Zilla panchayat distributes the above amount to the Janpad panchayats, where necessary.

### Public Health and Engineering Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Selection of new bore wells, mines.  Construction of Piped Water Supply Schemes.  Concept of hand-pump water schemes.	Village Sanitation Programme.		Responsibility of running Piped Water Supply Schemes in rural areas.		Grant for Piped Water Supply Schemes under non-plan Demand Nos.80 and 82.

### Public Health and Family Welfare Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Management and administration of district hospitals, civil hospitals, dispensaries situated in urban areas and special hospitals.</p> <p>Purchase of equipment and construction of new buildings.</p> <p>Contracts of fixing the norms for purchase of medicines and other items will be done by State-level Purchase Committee.</p>	<p>Management and administration of Community Welfare Centres, Primary Health Centres and Subsidiary Health Centres.</p> <p>Prevention of diseases in the district.</p> <p>Responsibility for the National Health Programmes.</p> <p>Maintenance and upkeep of buildings and equipment of institutions entrusted to the panchayats.</p> <p>Purchase of medicines on rate contract entered into by the State Committee.</p>	<p>Responsibility of monitoring the activities of Primary Health Centres and Sub-Health Centres situated at Janpad/Gram Panchayats entrusted by Zilla panchayat.</p>		<p>District Chief Medical Officer and his staff will be under the Zilla panchayat.</p> <p>One clerk at Janpad Panchayat level.</p>	<p>Budget for purchase of medicines will be transferred to Zilla panchayats by the District Chief Medical Officer.</p> <p>Budget for maintenance of buildings will be given to the panchayats.</p>

## Revenue Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Except the activities which are entrusted to panchayat sector.	Supervision of Free Bonded Labour Act.	Management of public tanks (section 251)	<p>Undisputed mutation (Section 110)</p> <p>Supervision of village boundary and survey marks (Section 128).</p> <p>Specifying boundary and survey marks and imposition of punishment for removing or damaging them (Section 130).</p> <p>Where there is no provision for Patel, the Sarpanch and Secretary will jointly discharge the duties of Patel.</p> <p>(Section 142), and all powers of gram panchayats (Sections 222-229).</p> <p>Recommendation for appointment of Kotwaar (Sections 230-231).</p> <p>Management of public ponds (Section 251).</p> <p>Distribution of Loan Books.</p> <p>Making available for perusal by villagers and farmers, the Patwari records, specially panchshala khasra, record of rights, B-1, Nister Patrak, Wajibul Arz, etc.</p> <p>Allotment of house sites according to rules and norms to the houseless farmers, farm workers in accordance with the priorities fixed by the government and disposal of abadi according to rules (Section 234).</p> <p>Distribution of undisputed holdings (Section 178).</p>		

## Department of Fisheries

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Research work</p> <p>Training of staff</p> <p>All activities related to fish seed production.</p> <p>Administration and Management of Fisheries and Fisheries Science Centre.</p> <p>Implementation of Central Area and Centrally-sponsored programmes receiving aid from Govt. of India (except Fish Farmer Development Agency).</p>	<p>Development and management of water resources giving the pattas of fish development in ponds with an average area of more than 100 hectares to 200 hectare.</p> <p>Sanction of loans grants to Fishery Cooperative Societies as per rules.</p> <p>Granting financial assistance of Rs.50001 for the first three years to the fishery development SCs and STs.</p> <p>Development of fisheries in irrigation tanks.</p> <p>Training of fishermen.</p> <p>Making loans and grants to registered co-operative societies of fishermen for fishery including lease of tank, for purchase of fish seed, fishing equipment, etc.</p> <p>Giving grant-in-aid upto Rs.25,0001- to Fishery Co-operative Society of Fishermen belonging to the STs and SCs for the first three years for share capital, lease of tank, purchase of fish seed and nets.</p> <p>Powers of supervision of schemes and according administrative approval.</p> <p>Implementation of all programmes taken up by the Rajiv Gandhi Fishery Development Mission.</p>	<p>Granting leases for pisciculture in tanks with average water spread ranging from 10 to 100 hectare.</p> <p>Selection of beneficiaries of beneficiary-oriented schemes and forwarding the panel to Zilla panchayat.</p>	<p>Granting of lease for fisheries in tanks with average water spread of upto 10 hectares.</p> <p>Selection of beneficiaries for beneficiary-oriented schemes and forwarding their panel to Janpad panchayat.</p>	<p>Asst. Director, employees of Fisheries Depts. under the control of District Panchayat.</p> <p>Chairman of Fisheries Farmer Development Agency will be Chief Executive Officer of Zilla Panchayat.</p> <p>All staff will work under the control and direction of Zilla panchayat service conditions of transferred staff, payment of salaries and allowances, promotion and disciplinary action will remain unchanged. But staff transferred to Zilla panchayat will be accountable to Zilla panchayat only.</p> <p>Confidential reports of transferred employees will be sent through Chief Executive Officer of District Panchayat.</p> <p>Complete rights of transferring the employees of 'C' and 'D' group within the district.</p>	<p>Under the control and direction of ZP, withdrawal of amount for implementation of programmes and projects transferred to panchayats by Asst. Director, Fishing Industry, Chief Executive Officer, Fisheries and Farmer Development Agency.</p> <p>For programmes/projects transferred, the amount related to these programmes will be transferred to budget Head Nos.81, 82, 84.</p>

### Women and Child Development Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Branch Institute related to welfare of women and children being run by the department.  Aayashmati Yojana  Watsalya Yojana  Running of Integrated Child Development Service Project.	Providing family environment to orphaned children. Crèches for children.  Mobile crèches  Village Balwadis  Awareness Campaign. DWCRA Scheme  Guidance and Study Tours  Eradication of Prostitution  Mahila Samridhi Yojana  Indira Mahila Yojana  Dattak Putri Yojana.	Powers to appoint Anganwadi workers and Assistants.	Making arrangements locally for nutrition programmes.  Selection of villages for establishing Anganwadi.  Construction of buildings.  Implementation of National Maternity Scheme.	Assistant  Anganwadi worker.  Integrated Women and Child Extension Officer.  Powers of appointing Supervisor is with District/ Janpad Panchayat.	Allocation to panchayats for mobile crèches, women awareness campaigns, nutrition food programme in tribal areas, Cradle House Institute engaged in child welfare areas and facility of family environment scheme to the orphans.

### Manpower Planning Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Except the Schemes entrusted to panchayat sector all other remaining schemes.		Distribution of Unemployment Allowance.		Department Staff and Panchayat in which it is transferred.	Budget arrangement by departments for transferred schemes.

### Animal Husbandry Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
State Veterinary Hospital	Establishment administration and maintenance of veterinary hospitals.	Administration and maintenance of veterinary dispensaries and animal husbandry services.	Development programmes of poultry and livestock.	Asst. Veterinary Surgeon.	Provision is made.
Divisional Veterinary Hospitals					
District Veterinary Hospitals	Establishment, maintenance and management of mobile veterinary dispensaries.	Breed development poultry and livestock.	Engagement to diary and development of poultry and piggery.	Asst. Veterinary Area Officer.	Animal Attendant.
Mobile Veterinary Hospitals					
All Disease Research Laboratories	Improvement of the breed of bovine, poultry and livestock.	Prevention and control of epidemics and contagious diseases among livestock and poultry.	Development of grazing lands and its maintenance and prevention of encroachments and misuse of grazing land.	Shepherd.	Safaiwala
Prevention of chicken –pox, epidemic scheme, and its units and staff					
Asst. Veterinary officer, training Centre	Promotion of dairy, poultry and piggery development. Prevention of epidemic and infectious disease.	Establishment and maintenance of veterinary hospitals and dispensaries, primary treatment centres/rural veterinary dispensaries.	Co-operation in the control of epidemic and contagious diseases.	Vaccinator	Ox Guard
Artificial Insemination Training Centre					
Poultry Training Centre	Evergreen Fodder Project.	Livestock breeding Programmes.		Driver.	
Poultry Project/ Poultry livestock/ hatcheries					
Central Semen Laboratory		Co-operation in the control of epidemic and infectious diseases.			
Institute of Animal Health and Biological production					
Liquid Nitrogen Machine		Provision and Management of fodder as required.			
Muhkhuri, Broad Unit					
Animal Disease Survey Scheme					
Poultry Research Area					
All types of animal breeding/poultry/ piggery/goat/duck/area					
Projects receiving foreign-aid					
Centrally-sponsored Schemes					
Co-ordination with Veterinary Council					

## Department of Medical Education

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Drawing and disbursement of salaries of the staff working in dispensaries under the Zilla panchayat will be done by Divisional Ayurved Officer/Zilla Ayurved Officer.</p> <p>Management and functions of district-level urban dispensaries.</p> <p>Disciplinary action against Group 'A' and Group 'B' officers.</p> <p>Except the transferred 2079 rural dispensaries, administrative control over Zilla level/urban dispensaries.</p> <p>To open new dispensaries.</p> <p>Divisional Ayurved Officer/ District Ayurved Officer and Panchayat sector will be held responsible for duties, functioning, supervision of staff, monitoring, guidance and technical support.</p>	<p>Establishment, Administration and Management of 2079 dispensaries located in rural areas.</p> <p>Administrative control over class 'C' and 'D' employees of the dispensaries situated in rural areas.<sup>9</sup></p> <p>Construction, repair and maintenance of dispensary buildings located in rural areas.</p> <p>Payment of rent of dispensary buildings located in rented premises in rural areas.</p> <p>Disciplinary action against class 'C' and 'D' employees of the dispensaries located in rural areas.</p> <p>Development of Health Services, etc.:</p> <p>Manufacture of guand of local level for dispensaries located in rural areas.</p> <p>Production of Forest Medicines.</p> <p>Monitoring of the health education programmes of school-going children in rural areas, and prevention and remedies for plague.</p> <p>Promotion of drinking water and electricity in the dispensaries in rural areas.Except on the days of weekly market declaration of holiday for dispensaries situated in rural areas.</p> <p>Supervision of arrangements for the control and treatment of rabid dog bite, snake bites and scorpion bites in rural areas.</p>			<p>Group 'C' and 'D' staff of transferred dispensaries will be under the Zilla panchayat. Direct recruitment of vacant posts for group 'C' and 'D' staff located in rural areas.</p>	Unmarked.



**Department of Medical Education (Contd.)**

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
	<p>Implementation and full participation in immunization programmes conducted in rural areas.</p> <p>Constitution of Public Health Development committees in rural areas.</p> <p>Control and supervision of work, attendance, inspection of dispensaries in rural areas.</p> <p>Publicity and extension of <i>pancha karm</i> therapy, naturopathy, spread of yoga in rural areas.</p> <p>Participation in National Health Programmes in rural areas.</p> <p>To ensure health services during fairs and festivals in rural areas.</p> <p>Provision of life-saving drugs in the dispensaries located in rural areas.</p>				

## Department of Village Industries

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
<p>Different types of rural industries: Handloom, Silk, Leather development, Handicrafts and techniques related to khadi.</p> <p>Marketing and technical assistance to rural industries and units at Zilla level.</p>	<p>Responsibility for planning and all-round development of village industries in the district.</p> <p>Responsibility of preparing annual action plan, exploring and assessment of the scope of development of traditional and nontraditional village industries.</p> <p>Arrangement for financial assistance to village industries through various financial institutions.</p> <p>Provision of forward and backward linkages for village industries by establishing coordination with various technical institutions like Directorate of Sericulture, Directorate of Handlooms, Khadi and Village Industries Board. Handicrafts Development Corporation, Development Corporation, etc.</p> <p>Implementation of Kalpavruksha Scheme and other individual oriented schemes of development of village industries in the district.</p> <p>Establishment of village industry units under the self-employment schemes of IRDP, Pradhan Mantri Rozgar Yojana.</p>	<p>Responsibility for effective planning and development of block-wise and micro-water shed-wise village industries.</p>		<p>District Rural Industry Officer, and his clerk will be under Zilla panchayat, and Rural Industry Extension Officer will be under the Janpad panchayat.</p>	

### Mining Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
Discovery of Minerals	According sanction for extraction of minor minerals of a value of over Rs.5.00 lakh. (ordinary stone, sand, murrum and earth).  Recovery of Royalty.  Monitoring of illegal extraction/transport of minor minerals.	According sanction for lease of minor minerals costing over Rs.2.50 lakh to 5.00 Lakh (ordinary stone, sand, murrum and earth).  Recovery of Royalty.  Monitoring of illicit extraction/transport of minor minerals.	Power to sanction leases for minor minerals costing upto Rs.2.50 lakh (ordinary stone, sand, 2murrum and earth).  Recovery of Royalty.  Control of illicit minerals/ transport of minor minerals.		

### Food and Civil Supply Consumption Department

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
All other works except the activities entrusted to gram panchayats.			Preparation and distribution of ration cards and maintenance of related records.		

## Directorate of Sports and Youth Welfare

Activity of State Sector	Activities of Panchayat Sector			Department, State and Panchayat Transferred to	Budget Arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
To participate in Regional and State level sports competition and All India Sports competition.	To conduct district level sports and games, competitions, and to nominate in Regional competitions.	To conduct block-level sports and games, competitions and participation in district-level competitions.	To prepare maps and blue prints for formation of ground in gram panchayat and to submit the proposal for an amount of 50 percent grant.	The following staff of district Level is attached to district panchayat.  Junior Sport Organiser-1.  Assistant Grade three-1  Attendant - I.	The total budget at district-level is allocated to dist. Police Superintendent to make arrangements for distribution of amount to the concerned panchayat by Police Superintendent.
To participate in Regional and State level women Sports Competition and All- India level Sports competition.	To conduct block-level sports and games, competitions for women and participation in district-level competitions.				
Conduct of Regional and State level <i>Khel Pratibha Khoj</i> .	To nominate to district-level <i>Khel Pratiba Khoj</i> competition and Regional competitions.				
To coordinate the Regional and State Training Centres.	To co-ordinate district-level training centres.				
All other departmental activities belongs to State sector					

**Fund flows to PRIs through Eight Centrally  
Sponsored Schemes: Chhattisgarh and All India**

(Rs. Crore)

	<b>Chhattisgarh</b>	<b>All India</b>
<i>Sampoorna Grameen Rozgar Yojana (SGRY)</i>		
2004-05	129.32	4490.77
	(0.34)	(0.14)
2005-06	142.49	4391.24
	(0.37)	(0.11)
<i>Swarnjayanti Gram Swarozgar Yojana (SGSY)#</i>		
2004-05	26.76	898.73
	(0.07)	(0.03)
2005-06	19.48	710.12
	(0.05)	(0.02)
<i>National Food For Work Programme (NFFWP)</i>		
2004-05	104.10	2019.45
	(0.27)	(0.06)
2005-06	231.81	2158.28
	(0.60)	(0.06)
<i>National Rural Employment Guarantee Scheme (NREGS)*</i>		
2004-05	0.00	1.00
	(0.00)	(0.00)
2005-06	7.85	2292.57
	(0.02)	(0.06)
<i>Indira Awaas Yojana (IAY)</i>		
2004-05	31.36	2878.25
	(0.08)	(0.09)
2005-06	44.74	2737.64
	(0.12)	(0.07)

**Fund flows to PRIs in through Eight Centrally  
Sponsored Schemes: Chhattisgarh and All India**

(Rs. Crore)

	<b>Chhattisgarh</b>	<b>All India</b>
<i>Integrated Waste Land Development Programme (IWDP)</i>		
2004-05	17.24	334.42
	(0.04)	(0.01)
2005-06	14.44	381.40
	(0.04)	(0.01)
<i>Drought Prone Areas Programme (DPAP)</i>		
2004-05	17.94	300.18
	(0.05)	(0.01)
2005-06	16.75	310.93
	(0.04)	(0.01)
<i>Desert Development Programme (DPP)</i>		
2004-05	0.00	215.19
	(0.00)	(0.01)
2005-06	0.00	230.55
	(0.00)	(0.01)
<i>Total (Eight Schemes)</i>		
2004-05	326.72	11136.99
	(0.85)	(0.36)
2005-06	477.56	13212.74
	(1.24)	(0.34)

**Source:** Annual Report, various years, Ministry of Rural Development, Government of India.

GSDP as released by CSO on 21.07.2006

**Notes:** # SGSY- 2005-06 central releases are as on 5.01.2006.

\* Funds released for preparation of NREGA from 2<sup>nd</sup> February to March 2006. The total amount released for all the states was Rs. 2292.57 crore.

Figures in parenthesis refer to percent to GSDP.

**Frequency Distribution of ZPs, JPs and GPs in Chhattisgarh by Number and Type of Central Schemes Received**

No. of Schemes	Comparator														Cumulative %age
	Central schemes														
	ARWSP	CRSP	DPAP	IAY	NFFWP	NREGA	MP Funds	Pension Scheme	PMGSY	RSVY	SGRY	SGSY	Others	Total	
<b>ZPs</b>															
5				1	1						1	1	1	1	100.00
<b>Total</b>				<b>1</b>	<b>1</b>						<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	
<b>JPs</b>															
4				0	1						1	1	1	1	50.00
5				1	1						1	1	1	1	100.00
<b>Total</b>				<b>1</b>	<b>2</b>						<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	
<b>GPs</b>															
1				0	0		0	0			1		0	1	2.38
2				0	0		0	3			3		0	3	9.52
3				22	3		0	25			25		0	25	69.05
4				12	10		1	12			12		1	12	97.62
5				1	1		0	1			1		1	1	100.00
6				0	0		0	0			0		0	0	
<b>Total</b>				<b>35</b>	<b>14</b>		<b>1</b>	<b>41</b>			<b>42</b>		<b>2</b>	<b>42</b>	

**Frequency Distribution of ZPs, JPs and GPs in Chhattisgarh by Number and Type of Central Schemes Received**

No. of Schemes	Backward														Cumulative %age
	Central schemes														
	ARWSP	CRSP	DPAP	IAY	NFFWP	NREGA	MP Funds	Pension Scheme	PMGSY	RSVY	SGRY	SGSY	Others	Total	
<b>ZPs</b>															
7			2	2	2						2	2	2	2	100.00
<b>Total</b>			<b>2</b>	<b>2</b>	<b>2</b>						<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	
<b>JPs</b>															
5			0	2	2					2	2	0	2	2	20.00
6			1	7	7					7	7	6	7	7	90.00
7			1	1	1					1	1	1	1	1	100.00
<b>Total</b>			<b>2</b>	<b>10</b>	<b>10</b>					<b>10</b>	<b>10</b>	<b>7</b>	<b>10</b>	<b>10</b>	
<b>GPs</b>															
2				6	0	0	0	3		0	9		0	9	5.66
3				101	3	0	0	98		0	101		0	101	69.18
4				43	35	1	0	42		7	43		1	43	96.23
5				4	4	0	2	4		1	4		1	4	98.74
6				2	2	1	1	2		1	2		1	2	100.00
<b>Total</b>				<b>156</b>	<b>44</b>	<b>2</b>	<b>3</b>	<b>149</b>		<b>9</b>	<b>159</b>		<b>3</b>	<b>159</b>	

**Source:** Author's calculations