

# Analysis of the Gram Panchayat Finances in the State of Chhattisgarh

Final Draft Report Submitted to

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and Policy Studies**

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## 1. Introduction

The 73<sup>rd</sup> Constitutional Amendment ushered the era of third tier governance in India during the year 1992. All States subsequently passed the Act to provide the legal backing to the three-tiered rural local governments which are referred to as Panchayat Raj Institutions (PRIs). The Constitutional Amendment provided the much-needed impetus to the functioning of rural local governments. Apart from specifying the 29 functions, the Act also provided the required fiscal backing for the functioning of Panchayat Raj Institutions by prescribing the constitution of State Finance Commission every five years on the lines of the Union Finance Commission to look into the finances of the state, review the finances of the PRIs and make recommendations to governor for sharing of taxes/revenues of the state with PRIs, assignment of certain taxes/revenues and Grant-in Aid to the PRIs.

The State of Chhattisgarh formed in the year 2000 adopted the existed Panchayat Raj Act of Madhya Pradesh. Later this was amended in the year 2004 as Chhattisgarh Panchayati Raj (Amendment) Adhiniyam (Act) 2004 which is now applicable to PRIs in the State. The state had constituted the State Finance Commission (SFC) since then to recommend the sharing of resources with the PRIs and Urban Local Bodies (ULBs). The Fourth SFC is constituted to review the finances of PRIs and ULBs and to recommend the sharing of revenues with the third-tier governments for the period starting from 1<sup>st</sup> April 2025<sup>1</sup>. The State Panchayati Raj Act has enabled to devolve resources to the PRIs. The Act clearly indicates the assignment of taxers, duties, tolls and fees as well as Grant-in-Aid to be given to PRIs from the consolidated fund of the State. The Third State Finance Commission emphasised the need for augmentation of resources to the PRIs along with the need for activity mapping to clearly devolve the functions, functionaries and funds to them.

The Gram Panchayats (GPs) have three standing committees, namely General Administration Committee, Construction and Development Committee and Education, Health and Social Welfare Committee.

**The General Administration Committee** which looks after the works in the GP area, monitoring finances of GP, formulation and presentation of budget, annual accounts and is headed by the Sarpanch.

**The construction and Development Committee** which is again headed by sarpanch with four ward members monitors the implementation of development works such as electrification, communication, public health, development of small and cottage industries as well as protection of forests.

**The Education, Health and Social Welfare Committee** is responsible for monitoring school, anganwadis and primary health centres. This Committee is also responsible for monitoring development programmes for the SC/ST, minorities and women. Sarpanch heads this committee while other 4 ward members are also part of the committee. The Gram panchayats

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<sup>1</sup> [https://finance.cg.gov.in/state\\_finance\\_commission/FourthSFC/Gthan-Eng.pdf](https://finance.cg.gov.in/state_finance_commission/FourthSFC/Gthan-Eng.pdf)

are also expected to supervise the functioning of the Samagra Shiksha, PM Poshan, disbursement of Social Security Pensions and food grains under Public Distribution System.

The finances of the GP include both the own revenues and the transfers from the state and GOI. The own revenues include obligatory taxation and optional levies. The obligatory taxes of the GP include the Property tax on land and buildings, Tax on Private latrines, Light tax and tax on profession. The GP can also levy fees for the entry of goods/cattle into the local market. The Optional levies include water rate, tax for public utilities, tax for maintenance of public latrines and other scavenging purposes.

The GPs are also assigned the share of land revenue, infrastructure and development fund, entertainment tax and royalty on minor minerals. The GPs get grants for basic infrastructure (Mulbhut karyon hetu anudan), Mukhyamantri samagra Gramin Vikas yojana, Aadarsh gram yojana, funds from MP Local Area Development Scheme and MLA Local Area Development Schemes.

One of the important features of the PRIs in the state of Chhattisgarh is the Panchayat Extension to Scheduled Areas (PESA). The State government has recently implemented the PESA-Rule 2022<sup>2</sup>. With this the tribals who constitute significant portion of population are able to take decisions related to water, land and forest. This will also help improve the efficacy of the institutions like Grama Sabha and Gram Panchayat by deepening decentralisation, provide opportunities to safeguard the interests of the local people, improve their livelihoods, incomes as well as to make local governance more responsive to the needs of the tribal people. The Grama Sabha is now mandated with 50% of people from tribal communities the PESA panchayats. This has added a new and critical dimension into the finances of the Gram Panchayats. Of the total 11664 GPs, the PESA GPs are 5632 in number accounting for 48.28% . the PESA villages which are 9977 in number account for 49.5% of the villages in the state (total 20216 villages)

A recent study by the Centre for Economic and Social Studies, Hyderabad (2020) on the state of finances of PRIs revealed that the average obligatory taxes collected by all the GPs of the state for the period to 2014-15 to 2016-17 was found to be Rs. 25.77 crore while the optional tax and other fees stood at Rs. 11.05 crore and 20.85 crores respectively. The average own revenue per GP for the period 2014-15 to 2016-17 was found to be Rs. 52572 only while it ranged from Rs. 7094 in Dantewada district to Rs. 610238 in Balood district for the same period.

Given the enhanced importance of the role of third tier governments especially the Gram Panchayats, the Gram Panchayat Development Plan (GPDP) emphasises the need for the planning at GP level for the comprehensive development. With the PESA rules being notified, the GP level planning and budgeting has become all the more important. The successive State Finance Commissions have looked into the finances of PRIs as a whole and few sample PRIs in particular to understand and review their financial status.

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<sup>2</sup> <https://panchayat.gov.in/document/presentation-of-chhattisgarh-on-pesa/>

## **2. Objectives of the Study**

The understanding of finances of Gram Panchayats is critical to influence the planning, budgeting and developmental activities in their area. The study focused to look into the finances of Gram Panchayats to understand

- a) Sources of revenues to the Gram Panchayat
- b) Scale and types of expenditure in Gram Panchayat
- c) Processes and activities around the finances and planning in the Gram Panchayat
- d) Challenges faced by Gram Panchayat with respect to raising and utilisation of funds

Along with this the study also tried to look into the ways of enhancing the efficacy of the Gram Panchayat planning and budgeting activities.

## **3. Methodology of the Study**

The flow of funds to PRIs as a whole was also looked into for the years 2019-20 to 2023-24 and its relation to the state revenues.

A small sample of 5 Gram Panchayat was selected for the study to serve as a dip stick for a larger study at a later stage. The study focused on the understanding the GP finances through looking into the records of the sample GPs such as budget, audit report and annual plans. The GPs were visited to see the records and also interact with Sarpanch and GP secretary on the matters related to planning and finances. The Local Audit (State Accounts) office was also visited to understand the processes of Audit and accounting in the GPs

The e gram swaraj portal (<https://egramswaraj.gov.in/AnnualReceiptsReport.do> ) which provided the annual accounts of the GPs were used to understand the finances. The data from the year 2019-20 to 2023-24 was used to understand the finances of GPs.

## **4. Limitations of the Study**

We could not access the GP budget and audit reports during our visit to GPs<sup>3</sup>. The audit reports were sought from the Local Audit Office 2 (Raipur city) and they provided the audit reports for only one year. However, the 5 GPs was whichever they could pick among the latest audit cycle. Though it was useful to understand the issues related to finances and audit, very less information was available in terms of the sources of funds and its utilisation.

The audit reports and data from the e-gramswaraj 3 portal were used together to arrive at an understanding on the finances.

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<sup>3</sup> Only 2 of the selected 5 GPs were visited owing to the non-availability of the secretaries who were in training. However, we managed to visit three GP other than the scheduled ones and also a Janapad Panchayat.

## **5.Results of the Study**

The results are presented in two parts

1. Analysis of Funds to Panchayat Raj Institutions (PRIs) through state budget analysis
2. Analysis of Funds to Gram Panchayats (five) in greater detail

### **5A Analysis of Funds to Panchayat Raj Institutions (PRIs) through state budget analysis**

The flow of funds to the PRIs was analysed for the five-year period of 2019-20 to 2023-24 which is available through the budget supplement<sup>4</sup>. The flow of funds during the five-year period is presented in the Table 1.

**Table1: Flow of Funds to different tiers of Panchayat (Rs. In lakhs)**

PRI	2019-20 AC	2020-21 AC	2021-22 AC	2022-23 RE	2023-24 BE
Zilla Panchayat	145724	157987	220277	252938	261941
Janapad Panchayat	85878	76155	61612	61713	68200
Gram Panchayat	417286	318918	299482	386570	379162
<b>Total</b>	<b>648888</b>	<b>553059</b>	<b>581371</b>	<b>701221</b>	<b>709302</b>
Zilla Panchayat	22%	29%	38%	36%	37%
Janapad Panchayat	13%	14%	11%	9%	10%
Gram Panchayat	64%	58%	52%	55%	53%

Source: Budget documents, Finance Department, Government of Chhattisgarh

The flow of funds to PRIs has declined from the year 2019-20 to 2020-21 while it has increased during the years 2022-23 and 2023-24. However, the latest two years are Revised estimates and Budget estimates and has potential to change. The decrease from 2019-20 to 2020-21 is a matter of concern. The share of the funds to Zilla Panchayat has increased from 22% in 2019-20 to 37% in 2023-24. However, the share of Janapad Panchayat and Gram Panchayat has decreased during the same period. The share of Janapad Panchayat has decreased from 14% to 10% while the share of Gram Panchayat has decreased from 64% to 53%. The devolution to Gram Panchayat which was about Rs. 4200 crore in 2019-20 has declined to about Rs. 3800 crores in 2023-24 recording an absolute decline of about 9 percent which would be more if one counts it in real terms (adjusted to inflation).

In order to obtain a better comparison, the flow of funds to PRIs is compared with the growth of Revenue Receipts, Total Expenditure and Gross State Domestic Product (GSDP) in the Table 2.

**Table 2: Growth of Revenue Receipts, Total Expenditure, GSDP and funds to PRIs over years**

	2019-20 AC	2020-21 AC	2021-22 AC	2022-23 RE	2023-24BE	AAGR (%)
<b>PRIs</b>	<b>648888</b>	<b>553059</b>	<b>581371</b>	<b>701221</b>	<b>709302</b>	<b>3%</b>
Revenue Receipts	6386900	6317575	7965224	9790826	10600073	14%
Total Expenditure	8209979	7910702	8584000	11270804	12150025	11%
GSDP	32928500	35216100	40641600	45760800	50904300	12%

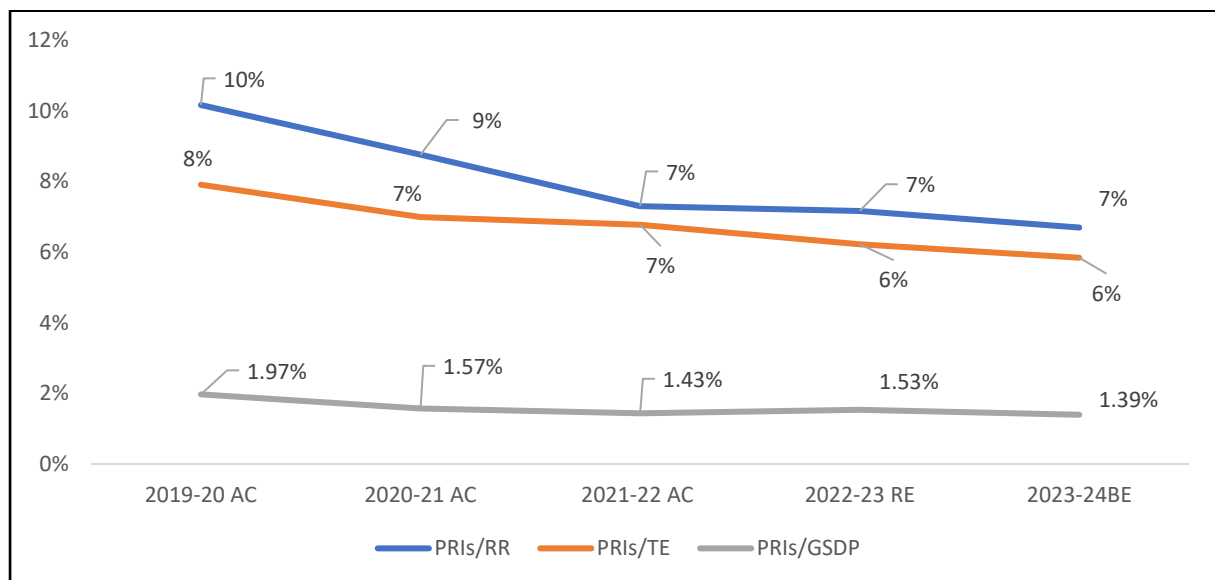
Source: Budget documents, Finance Department, Government of Chhattisgarh

<sup>4</sup> [https://finance.cg.gov.in/budget\\_doc/2023-2024/Devolution%20to%20Local%20Bodies/volume-6.pdf](https://finance.cg.gov.in/budget_doc/2023-2024/Devolution%20to%20Local%20Bodies/volume-6.pdf)

The Average Annual Growth Rate (AAGR) of the funds to PRIs for the period 2019-20 to 2023-24 was found to be 3 percent while the growth of Revenue Receipts of the State was at a much higher rate of 14%. The Average Annual Growth Rate (AAGR) of Total Expenditure and GSDP also have been at a higher rate of 11% and 12% respectively. The growth of funds to PRIs seems to be very low compared to that of the growth of Revenue Receipts which essentially indicate the buoyant revenue growth for the state. The funds to PRIs should have been enhanced owing to a higher growth of revenues of the state. The growth rates are higher even for Total Expenditure and GSDP compared to growth of funds to PRIs. Given that the growth rates are nominal, the growth of funds to PRIs which is three percent may become actual less than one percent or even negative in real terms.

The share of flow of funds to PRIs with respect to Revenue Receipts, Total Expenditure and GSDP provides a better measure of the funds to PRIs. The details are presented in the Figure 1. The fund transfers to PRIs as a proportion of Revenue Receipts has decreased from 10% in 2019-20 to 7% in 2023-24. Similarly, the fund transfers to PRIs as a proportion of Total Expenditure has also declined from 8 percent in 2019-20 to 6 percent in 2023-24. The fund transfers to PRIs as a proportion of GSDP has also seen a decline from 1.97% in 2019-20 to 1.39% in 2023-24.

**Figure 1: Transfers to PRIs as a proportion of Revenue Receipts (RR), Total Expenditure (TE) and GSDP**



The other important aspect of the PRI transfers is to understand the purposes for which it is being spent. The purposes for which the transfers are meant as provided in the Detailed Demand for Grants was analysed. The purpose wise transfer of funds to the three tiers of Panchayat Raj Institutions (PRIs ) together is presented in the Table 3. Highest proportion of funds are spent on the Rural Development Programmes accounting for 33% followed by Rural employment programmes (MGNREGA- Mahatma Gandhi National Rural Employment Guarantee Act included) and Health and Family welfare accounting for 22% each. The expenses on social security and welfare which accounted for 12% included pensions, relief and special assistance from Chief Ministers fund. Creation of capital assets under rural

development accounted for 5 percent while the expenditures on water supply and sanitation and education accounted for 1 percent and 3 percent respectively.

**Table 3: Purposes Major Heads) of transfers to PRIs over years (Rs. In Lakhs) along with their share (%)**

Major Head	Purpose	2019-20	2020-21	2021-22	2022-23	2023-24	Average	Share
2202	Education	61884	17647	1728	2040	478	16755	3%
2210	Health and Family Welfare	116369	121655	141019	155405	161722	139234	22%
2215	Water Supply and Sanitation	3144	2927	3549	3655	3710	3397	1%
2235	Social Security and Welfare	74104	81443	77189	78157	83405	78860	12%
2501	Special Programs for Rural Development	1562	1356	339	1710	3300	1654	0%
2505	Rural Employment	98098	97079	160003	169501	190007	142938	22%
2515	Rural Development Programmes	251494	205836	177000	213088	211615	211807	33%
3604	Compensation and Assignments to PRIs	5544	6057	6500	7000	7000	6420	1%
4210	Health and Family Welfare	9550	8699	6366	5415	5465	7099	1%
4515	Rural Development Programmes	27137	10360	7678	65249	42600	30605	5%
	<b>Grand Total</b>	<b>648888</b>	<b>553059</b>	<b>581371</b>	<b>701221</b>	<b>709302</b>	<b>638768</b>	<b>100%</b>

The flow of funds to PRIs for different purposes was also analysed by different tiers of PRIs. The results are presented in Table 4. In Zilla Panchayat, Rural employment programmes accounted for the highest proportion of transfers at 69% followed by Health and Family welfare programmes at 23% while the rural development programmes and education accounted for the other 7 percent and 2 percent respectively. Under rural employment programmes, Mahatma Gandhi National Rural Employment Guarantee programme was prominent one.

At the level of Janapad panchayat, Health and Family welfare expenditures accounted for 45% followed by rural development programmes and education at 28% and 18% respectively. The compensation and Assignments which are largely the funds under District Mineral Fund accounted for 9%.

The Gram Panchayat transfers which formed significant portion of the transfers to PRIs, largely focused on the rural development programmes. Basic infrastructure (Mulbhut karyon hetu anudan), Mukhyamantri samagra Gramin Vikas yojana, Aadarsh gram yojana, all focusing on the creation of basic infrastructure relating to water supply, sanitation, roads, streetlighting formed major part of the transfers accounting for 58%. The social security pensions and other assistance from Chief Minister's Welfare Fund for hospital, cremation etc together accounted for 28% while the expenditure on Health and Family Welfare (primary health centre/sub centre) accounted for 19% and water supply and sanitation accounted for mere one percent.

Overall, the rural employment (largely MGNREGA) and rural development programmes, expenses of Primary Health Centres and social security pensions form the important components of transfers to PRIs. The detailed transfers by purposes for Gram Panchayat is presented in the **Annexure 1**.

**Table 4: Transfers of Funds to three tiers of PRIs by purposes over years ( Rs. In Lakhs) along with its average share (%)**

Purpose	2019-20	2020-21	2021-22	2022-23	2023-24	Average	Share %
Education	11897	4966	674	1040	80	3731	2%
Health and Family Welfare	33434	37346	45553	65958	53736	47205	23%
Rural Development Programmes	732	17239	13709	14728	14818	12245	6%
Rural Employment	98098	97079	160003	169501	190007	142938	69%
Special Programs for Rural Development	1562	1356	339	1710	3300	1654	1%
<b>Zilla Panchayat</b>	<b>145724</b>	<b>157987</b>	<b>220277</b>	<b>252938</b>	<b>261940</b>	<b>207773</b>	<b>100%</b>
Compensation and Assignments to PRIs	5544	6057	6500	7000	7000	6420	9%
Education	49987	12680	1054	1000	398	13024	18%
Health and Family Welfare	29560	32214	34242	27798	34743	31711	45%
Rural Development Programmes	787	25204	19816	25914	26059	19556	28%
<b>Janapad Panchayat</b>	<b>85878</b>	<b>76155</b>	<b>61612</b>	<b>61713</b>	<b>68200</b>	<b>70711</b>	<b>100%</b>
Health and Family Welfare	62926	60794	67590	67064	78709	67416	19%
Rural Development Programmes	277112	173753	151154	237695	213338	210610	58%
Social Security and Welfare	74104	81443	77189	78157	83405	78860	22%
Water Supply and Sanitation	3144	2927	3549	3655	3710	3397	1%
<b>Gram Panchayat</b>	<b>417286</b>	<b>318918</b>	<b>299482</b>	<b>386570</b>	<b>379162</b>	<b>360284</b>	<b>100%</b>
<b>Total PRIs</b>	<b>648888</b>	<b>553059</b>	<b>581371</b>	<b>701221</b>	<b>709302</b>	<b>638768</b>	

The transfer of funds to Gram Panchayat was further analysed for its sources i.e., Centre (Government of India), Centrally Sponsored Schemes (centre +state) and State. The funds from centre included Additional Central Assistance (ACA), and Central Finance Commission grants (14<sup>th</sup> and 15<sup>th</sup> CFC) which accounted for 44% in 2019-20 had reduced to 22% in 2023-24 (Table 5). The Centrally sponsored schemes share increased from 5% to 12% during the same period. The grants from the state in the form of funds under Tribal Sub Plan, Scheduled Caste Sub Plan as well as the State Finance Commission Grants formed significant portion of transfers which increased from 46% in 2019-20 to 66% in 2023-24 indicating that the state spending share has increased over years. This is also due to the fact that the funds under MGNREGA meant for works at Gram Panchayat Level is transferred/accounted at the Zilla Panchayat level and not Gram Panchayat. The details are provided in **Annexure 2**.

**Table 5: Share of GoI (Centre) and State funds in transfers to Gram Panchayats (Rs in lakhs)**

Row Labels	2019-20 AC	2020-21 AC	2021-22 AC	2022-23 RE	2023- 24BE
CENTRE	203666	138248	103943	107295	84375
CSS	20270	8260	9337	19707	44079
STATE	193350	172409	186201	259569	250707
<b>Grand Total</b>	<b>417286</b>	<b>318918</b>	<b>299482</b>	<b>386570</b>	<b>379162</b>
CENTRE	49%	43%	35%	28%	22%
CSS	5%	3%	3%	5%	12%
STATE	46%	54%	62%	67%	66%



## **5B Analysis of Funds of Five Gram Panchayats**

As indicated earlier, the audit report of the Gram Panchayats obtained from the Office of the Chhattisgarh State Audit Raipur II formed the basis for understanding of the details of finances of GP. The five GPs and their details of Receipts and Expenditure as per books and PRIASOFT as indicated in the report is compared with the e gram swaraj portal and is presented in the Table 6. For 3 GPs, the receipts and expenditures as indicated in the report (priasoft) was available under e-gram swaraj portal while it did not match for one GP and was not available for the other.

**Table 6: Comparison of GP Receipts and Expenditure (INR)through different sources**

GP	Year	Receipts (INR)			Expenditure (INR)		
		Books	PRIA SOFT	e Gram Swaraj	Books	PRIA SOFT	e Gram Swaraj
ARJUNI	2017-18	3491391	3719436	NA	3039065	5538324	NA
RAJPUR	2018-19	702349	700413	700413	589644	672387	672387
KHAIRI K	2018-19	2151575	2112951	2112951	2025887	1799073	1799073
NAYAPARA	2018-19	3130043	2580797	2555797	3288216	2332489	2320933
BENDRI	2018-19	2434805	2449059	2449059	2456745	2959091	2790786

One of the important aspects was the difference between the books of the GP and the PRIASOFT. Under Receipts it ranged from 0.6 percent to 17% while it was 11% to 82% under expenditure heads. Expenditures were higher than receipts. The higher receipts and expenditure shown in GP books may be due to own revenues. However, the higher receipts and expenditure under PRIASOFT (coloured) indicate the need to look deep into the GP accounts and audit in a more comprehensive manner across GPs.

The e-gram swaraj portal data for the 5 sample GPs was analysed to understand the utilisation of funds over the latest 5 years period of 2018-19 to 2022-23 (Table 7 and 8)

**Table 7: Receipts and expenditure of Gram Panchayats over years (Rs. In Lakhs) with utilisation %**

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
ARJUNI (Receipts)	51.68	62.31	34.26	20.09	8.38	176.72
ARJUNI (Expenditure)	45.91	41.82	41.75	31.70	27.31	188.49
Utilisation (%)	89%	67%	122%	158%	326%	107%
BENDRI (Receipts)	24.49	18.55	30.67	4.64	25.32	103.68
BENDRI (Expenditure)	27.91	10.80	31.79	10.86	29.84	111.20
Utilisation (%)	114%	58%	104%	234%	118%	107%
KHAIRI K(Receipts)	21.13	29.36	23.13	2.46	1.68	77.75
KHAIRI K (Expenditure)	17.99	25.80	20.77	10.43	5.97	80.96
Utilisation (%)	85%	88%	90%	424%	356%	104%
NAYAPARA (Receipts)	25.56	26.81	13.38	23.89	12.13	101.77
NAYAPARA (Expenditure)	23.21	14.79	22.82	25.58	23.08	109.48
Utilisation (%)	91%	55%	171%	107%	190%	108%
RAJPUR(Receipts)	7.00	9.43	12.65	13.19	1.06	43.34
RAJPUR (Expenditure)	6.72	3.73	15.23	5.70	6.56	37.94
Utilisation (%)	96%	40%	120%	43%	616%	88%

**Table 8: Receipts and expenditure of Gram Panchayats over years (Rs. In Lakhs) with utilisation %**

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
TOTAL RECEIPTS (5 GPs)	129.86	146.47	114.09	64.27	48.58	503.26
TOTAL EXPENDITURE (5 GPs)	121.74	96.94	132.36	84.26	92.77	528.07
<b>Utilisation (%)</b>	<b>94%</b>	<b>66%</b>	<b>116%</b>	<b>131%</b>	<b>191%</b>	<b>105%</b>

All of the five GPs utilised almost all of the available funds available for development while the part of the funds meant for social security pensions were carried forward for the ensuing year in some cases. The receipts and expenditure of the GPs together have declined from 2018-19 to 2022-23 similar to the trend available at macro (state) level which is a worrisome trend.

The revenue sources of the sample GPs were also analysed. The average of funds for the five years 2018-19 to 2022-23 was analysed for its sources (Table 9) and it was found that the 14<sup>th</sup>/15<sup>th</sup> FC grants accounted for the highest share in the GPs of Arjuni, Nayapara and Rajpur while Social Security Pensions formed the highest share in the GPs of Bendri and Khairi K. The share of state schemes largely focusing on basic infrastructure at GP level accounted for 10% to 32% of the funds. The funds from MP Local Area Development Scheme (LADS) were significant in Arjuni and Nayapara GPs while MLA LADS funds were available for Arjuni and Rajpur GPs.

**Table 9: Sources of Funds for GPs ( Avg for the period 2018-19 to 2022-23) Rs. In Lakhs along with share (%)**

	ARJUNI	BENDRI	KHAIRI K	NAYAPARA	RAJPUR
14/15 FC GRANTS	27.04	4.38	4.26	16.76	3.76
Pension	0.42	11.96	7.86	1.23	1.25
MP LADS	0.55	0.00	0.00	0.32	0.00
MLA LADS	0.90	0.00	0.00	0.00	0.92
State Schemes	6.43	4.40	3.43	2.04	2.74
<b>TOTAL</b>	<b>35.34</b>	<b>20.74</b>	<b>15.55</b>	<b>20.35</b>	<b>8.67</b>
14/15 FC GRANTS	76%	21%	27%	82%	43%
Pension	1%	58%	51%	6%	14%
MP LADS	2%	0%	0%	2%	0%
MLA LADS	3%	0%	0%	0%	11%
State Schemes	18%	21%	22%	10%	32%

The expenditures of the sample GPs were also analysed for the period 2018-19 to 2022-23 for different purposes and the average expenditures along with its share is presented in the Table 10. The expenditure was highest for GP basic infrastructure development in the GPs of Arjuni and Rajput at 69% and 71% of the total expenditure respectively while it was for water supply and sanitation in Nayapara GP at 47%. However, the share of expenditure was highest for pensions in the GPs of Bendri and Khairi K at 45% and 48% respectively. Water supply and sanitation formed significant expenditure across all GPs while road and electrification had marked expenditure in the GPs of Arjuni, Nayapara and Rajpur. A significant 10% of the expenditure was incurred in the Nayapara GP for Health, education, housing and social

welfare unlike other GPs which had a mere 1-3 percent of the total expenditure under this head.

**Table 10: Purposes of expenditure across GPs (for the period 2018-19 to 2022-23) along with share (%)**

Purposes	ARJUNI	BENDRI	KHAIRI K	NAYAPARA	RAJPUR
Health, Education, Housing and social welfare	0.43	0.27	0.02	2.21	0.19
Water supply and sanitation	9.97	2.48	1.86	10.40	1.33
GP Development (basic infra, development)	25.91	9.36	6.41	8.41	5.41
Roads and Electrification	1.17	0.05	0.07	0.16	0.26
Pension	0.22	10.08	7.83	0.71	0.40
	<b>37.70</b>	<b>22.24</b>	<b>16.19</b>	<b>21.90</b>	<b>7.59</b>
Health, Education, Housing and social welfare	1%	1%	0%	10%	3%
Water supply and sanitation	26%	11%	11%	47%	18%
GP Development (basic infra, development)	69%	42%	40%	38%	71%
Roads and Electrification	3%	0%	0%	1%	3%
Pension	1%	45%	48%	3%	5%

It is important to notice that the GPs have different expenditure levels across different purposes which again is a reflection of priorities of the GP. While the basic infrastructure, water supply and sanitation along with pensions are common across the share of the expenditure reflects the prioritization indicating need to look into the requirements of the GP in a more comprehensive manner.

## **6. Insights from the field visit to Gram Panchayats**

The GP sarpanch (other members as well) and the secretary were very much aware of the GPDP processes including community consultations and prioritisation of projects to be undertaken and interactions with the Janapad Panchayat.

One of the big impediments for a comprehensive planning was the lack of information to GPs regarding the funds available under different programmes. More often the planning happens as and when the information regarding the availability of funds and programmes as informed by the Janapad Panchayat.

The Gram Panchayat had not prepared the budget and did not have clarity on the funds available for planning under Gram Panchayat Development Plan (GPDP). The budget without the accurate information on the resources available to the GP becomes very much impractical/ redundant. The GPDP planning also tend to lose its importance as planning activity gets conducted multiple times instead of once in a comprehensive manner.

The maintenance and updation of registers as well as the accounts varies across GPs and depends upon the panchayat secretary and Sarpanch active involvement.

Janapad Panchayat (Gram Panchayat section) plays a major role in providing information about the availability of funds and programmes and often the delays in information and non-availability of information hampers the developmental planning and utilisation of funds.

Active Sarpanch taking initiative and interacting with the Janapad Panchayat (GP section) would have a better understanding of the funds and programmes and also the possibility of mobilising the own source revenues in an optimal manner. This also speaks about the need to build capacities of sarpanch and the panchayat secretary along with providing information on the fund flow calendar for a year.

## **7. Insights from the analysis of audit reports of Gram Panchayats**

1. Budget not prepared and approved in time as specified under Rule 45 of Chhattisgarh Gram Panchayat (Budget Estimate) rules 1997. This becomes a huge impediment as the budget exercise would enable an exhaustive detailing of the different sources of own revenues as well as the grants/funds available under different programmes. In the absence of this critical exercise, the GPDP planning can largely remain ad hoc subject to information available at the time of planning/ Grama Sabha dates.
2. There is difference between the funds available as depicted in the books of GP and the PRIASOFT software. This also speaks about the need to look into the audit as a comprehensive exercise and not of just funds.
3. The audit observations about the deviations in the accounting and other procedures indicate the need to strengthen the accounting and audit from an institutional perspective rather than fund utilisation perspective.

## **8. Policy Implications**

The efficacy of planning and development at GP level is directly linked to the efficient process of accounting and budgeting.

The accounting and audit processes have to be seen from the institutional (Gram Panchayat as an institution of self-governance) perspective than mere fund utilisation perspective.

The need for complete understanding of the funds available to the GP in a calendar year becomes imperative for both efficient planning or GPDP as well as efficient resource deployment and community engagement.

Audit report can be made more comprehensive by providing the accounts in detail as annexure with previous 2/3 year data so that the audit report can become a basic document to start planning in a comprehensive manner.

Some states like Karnataka provide the information on the resource envelope<sup>5</sup> that is available to the GPs along with the budget supplement that clearly indicate the flow of funds to GP ( by each GP). This would enable the GPDP planning and budgeting to become more effective

A more concrete plan of action can be drawn up to enhance the planning, budgeting, accounting and audit undertaking the GP finances study in a more deeper manner ( better representative sample, government officials interaction at the GP, ZP, Janapad Panchayat, audit department and Panchayat Raj Commissionerate).

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<sup>5</sup> [GP Link Document - Rural Development and Panchayat Raj Department \(karnataka.gov.in\)](http://karnataka.gov.in)

**Annexure 1: Purpose wise fund transfer to PRIs for the period 2019-20 to 2023-24 ( Rs. In lakhs)**

Purpose	2019-20 AC	2020-21 AC	2021-22 AC	2022-23 RE	2023- 24BE
<b>Health and Family Welfare</b>					
Health Sub-Centre	19133	18041	20072	14982	19190
Primary Health Centre	43793	42753	47517	52082	59519
<b>Drinking water and Sanitation</b>					
Clean Drinking water scheme	0	27	0	40	40
Maintenance of waterbodies	3144	2763	3385	3400	3450
Rural water supply maintenance	0	137	165	215	220
<b>Social Security and Welfare</b>					
Indira Gandhi National disabled pension scheme	929	1173	933	954	973
Indira Gandhi National Widow pension scheme	5321	6913	5542	5652	6026
Mukhyamantri Pension Yojana	14994	16635	19841	19824	24171
National Family Assistance Scheme	981	1038	1298	1512	1512
National Old age pension scheme	15330	20506	15549	15627	16295
Social Security and Welfare	29248	28189	27309	27658	27498
Sukhad Sahara Yojna	7301	6989	6717	6930	6930
<b>Rural Development Programmes</b>					
14th/15 FC grants	192318	108619	80621	83550	84375
Chhattisgarh rural and backward area development corporation	200	357	680	1000	1000
GP Basic Amenities grant	20968	19239	20967	26000	23000
GP general purpose grants		281	703	423	0
GP members Honararium and other benefits	6319	6630	6613	15574	15574
GP members Training	8	0	0	10	0
Mukhyamantri panchayat Sashaktikaran yojana	0	0	0	289	289
Rashtriya Gram swaraj Abhiyaan	1754	673	1322	3000	3000
Secretarial services	25090	25093	29970	40000	40300
Shraddhanjali Yojana	491	500	500	500	500
Three tired PRI capacity building	1852	1326	1400	1400	2000
Vivekananda yuva Prothsahan Yojna	976	676	700	700	700
<b>Rural Development Programmes- Capital Works</b>					
Chhattisgarh rural and backward area development corporation	6137	5860	5805	7000	7000
Mukhyamantri Samagra Grameen Vikas yojana	20000	4000	873	20000	20000
Rural Industrial Park		0	0	37249	14600
Streetlighting in villages	1000	500	1000	1000	1000
<b>Grand Total</b>	<b>417286</b>	<b>318918</b>	<b>299482</b>	<b>386570</b>	<b>379162</b>

**Annexure 2: Sources of Funds to GPs over years ( INR)**

Row Labels	2019-20 AC	2020-21 AC	2021-22 AC	2022-23 RE	2023- 24BE
<b>CENTRE</b>					
Additional Central Assistance (General)		16167	11621	11697	0
Additional Central Assistance (SCP)	3739	4551	3911	4078	0
Additional Central Assistance-ST Sub Plan	7609	8911	7791	7970	0
<b>CFC grants</b>	<b>192318</b>	<b>108619</b>	<b>80621</b>	<b>83550</b>	<b>84375</b>
<b>Centrally Sponsored Schemes (CSS)</b>					
CSS general	19407	7842	8717	17391	29811
CSS- general-State Share	0	0	0	456	456
CSS SCP	207	81	256	216	4162
CSS SCP state share	0	0	0	144	144
CSS- ST sub Plan	656	337	364	900	8906
CSS- ST sub Plan-state share		0	0	600	600
<b>STATE</b>					
Scheduled Caste Sub plan	5792	5129	5778	6205	6796
Scheduled Tribe Sub-Plan	19007	17811	20460	19349	23072
SFC grant (ST sub plan)	10500	2250	936	24794	15292
SFC grants (General)	60347	52868	58705	99419	86020
SFC grants (SCP)	4200	900	375	8725	6877
State Plan ( General)	93505	93452	99948	101077	112651
<b>Grand Total</b>	<b>417286</b>	<b>318918</b>	<b>299482</b>	<b>386570</b>	<b>379162</b>