

ANALYSIS OF FUND FLOWS TO RURAL LOCAL BODIES

A study for the Fifteenth Finance Commission

Centre for Policy Research, New Delhi

SECOND REPORT

ACCOUNTABILITY
INITIATIVE



TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	2
1.1 Objectives and terms of reference	2
CHAPTER 2: METHODOLOGY AND SAMPLING	2
CHAPTER 3: REGULARITY OF FUND FLOWS TO RLBS	4
3.1 Horizontal Distribution of FoFC grants to GPs	4
3.2 Release of Performance Grants in the Sample GPs	6
3.3 Timeliness of Transfer of Funds to GPs	8
CHAPTER 4: ANALYSIS OF PANCHAYAT REVENUES	15
4.1 Gram Panchayat Revenues	15
4.2 Intermediate Panchayats	25
4.3 District Panchayats Revenues	33
CHAPTER 5: EXPENDITURE ANALYSIS	40
5.1 Expenditure at the Panchayat levels	40
5.2 Difficulties in utilisation of funds: Voices from the Field	55
CHAPTER 6: CONCLUSIONS	58

List of Tables

Table 1: List of districts chosen in the Sample States	3
Table 2: Horizontal formula recommended by the State	4
Table 3: Release of Basic Grant to Sample States (Rs. Crore)	5
Table 4: Release of Performance Grant to Sample States (Rs. Crore)	5
Table 5: Receipt of Performance Grant by GPs in FoFC period (in Rs. lakhs)	6
Table 6: Details of OSR collected in the sample Gram Panchayats (Rs. 1000s)	7
Table 7: Date of last audit at GP level	7
Table 8: Details of receipts of TFC and FoFC grants by sample GPs in Karnataka	9
Table 9: CFC grants received quarter-wise in sample GPs from 2013-14 to 2018-19 (Rs. Lakhs)	11
Table 10: Number of receipts of CFC grants by Sample GPs during the period from 2013-14 to 2018-19	12
Table 11: Yearwise number of releases made to sample GPs	13
Table 12: Details of TFC releases after the expiry of the TFC period	13
Table 13: TFC grants released from 2013-14 onwards, but received by GPs in FoFC period (Rs. Lakhs) ..	14
Table 14: Delays in receipt of TFC funds to sample DPs of Bihar (Rs. Lakhs)	14
Table 15: Details of Gram Panchayat revenues in Sample States (Rs. Lakhs)	20
Table 16: State wise per capita receipts of Union government grants and schemes in the sample GPs (in Rs.)	21
Table 17: Percentage of Union government fund sources to the revenue basket of GPs	22
Table 18: State wise per capita receipts of State government grants and schemes in sample GPs (in Rs.)	23
Table 19: Dependency of GP revenues on State funding sources, in terms of percentage:	24
Table 20: Trends in per-capita own revenues of sample GPs and percentage contribution (Rs.)	24
Table 21: Details of Intermediate Panchayat revenues in Sample States	28
Table 22: Union government transfers/grants per-capita to Intermediate panchayats (Rs.)	29
Table 23: State government per-capita transfers/grants to Intermediate panchayats (Rs.)	30
Table 24: State wise, category wise details of per-capita Own revenues of Intermediate panchayats ..	31
Table 25: Proportion of Union Government sources in the revenue basket of IPs (% age)	31
Table 26: Proportion of State Government sources in the revenue basket of IPs (% age)	32
Table 27: Proportion of Own revenue sources in the revenue basket of IPs (% age)	32
Table 28: Details of District Panchayat revenues in Sample States (Rs. Lakhs)	35
Table 29: Union government transfers/grants per-capita to District panchayats (Rs.)	36
Table 30: State government transfers/grants per-capita to District panchayats (Rs.)	37
Table 31: Own sources of Revenue, per-capita, of District Panchayats (Rs.)	38
Table 32: Proportion of Union, State Government and Own Source revenues in the revenue basket of DPs	39
Table 33: Data Gaps in PriaSoft	40
Table 34: Comparison of five year cumulative revenues against expenditures (Rs. Lakhs)	41
Table 35: Utilisation of CFC Funds	42
Table 36: Categorisation of expenditure by GPs and granularity of reporting by States:	43

Table 37: Category-wise Expenditure of GPs.....	45
Table 38: Yearly per capita expenditure in sample GPs (Rs.)	51
Table 39: Yearly per capita expenditure in sample GPs on Community Assets (Rs.).....	52
Table 40: Yearly per capita expenditure in sample GPs on Roads Bridges and Connectivity (Rs.).....	53
Table 41: Yearly per capita expenditure in sample GPs on water supply and sanitation (Rs.)	54
Table 42: Yearly per capita expenditure in sample GPs on Street lighting (Rs.)	55

List of Figures

Figure 1: GP Revenues (Overall) in Rs. lakhs	16
Figure 2: IP Revenues (Overall) in Rs lakhs	25
Figure 3: Trends in the overall revenues of DPs, in Rs. Lakhs	33

LIST OF ABBREVIATIONS

AG	Accountant General
ATR	Action Taken Report
BG	Basic Grant
C&AG	Comptroller and Auditor General
CEO	Chief Executive Officer
CBO	Community Based Organisation
CPR	Centre for Policy Research, New Delhi
CSS	Centrally Sponsored Schemes
DC	Deputy Commissioner/District Collector
DLFA	Director of Local Fund Audit
DPC	District Planning Committee
DRDA	District Rural Development Agency
FC	Finance Commission
FFC	Fifteenth Finance Commission
FoFC	Fourteenth Finance Commission
FY	Financial Year
GO	Government Order
GP	Gram Panchayat
LG	Local Government
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MoF	Ministry of Finance
MoPR	Ministry of Panchayati Raj, Government of India
MoRD	Ministry of Rural Development, Government of India
MPLADS	Member of Parliament Local Area Development Scheme
NIC	National Informatics Centre
ODF	Open Defecation Free
O&M	Operations and Management
OSR	Own Sources of Revenue
PESA	Panchayats (Extension to the Scheduled Areas) Act, 1996
PG	Performance Grant
PRI	Panchayat Raj Institutions
RLB	Rural Local Body
Schedule V	The Fifth Schedule of the Constitution
Schedule VI	The Sixth Schedule of the Constitution
SHG	Self-Help Group
TFC	Thirteenth Finance Commission
TG&S	Technical Guidance and Supervision
ToR	Terms of Reference
TSP	Tribal sub-Plan
ULB	Urban Local Body
VP	Village Panchayat
ZP	Zila Panchayat, Zila Parishad

Chapter 1: Introduction

1.1 Objectives and terms of reference

This report presents the findings of a small sample study of 30 Gram Panchayats across eight states namely, Assam, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Odisha and Rajasthan.

The first report, submitted to the FFC in January 2019, presented findings from a study undertaken on the implementation of Fourteenth Finance Commission (FoFC) grants by the Union and State governments. In this regard, the orders issued by the Union Ministry of Finance (MoF) and relevant State Departments to operationalise the process and conditions for the release of Rural Local Body (RLB) grants to the States, were studied. Specifically, we looked at whether there were state-wise variations in the manner of release of funds to Gram Panchayats (GPs), whether the purpose of the grant was changed, and whether they were subsumed into and used for substitution of State grants to GPs.

In this second report we present the findings regarding the second part of the money trail from the Union through the States to RLBs, focusing on the questions of whether money reached Panchayats, what were the implications of these grants on their finances, and how they were spent.

Chapter 2: Methodology and Sampling

The sample size determined in consultation with the FFC was small. The objective was to develop an understanding of trends in the flow of funds. Special care was taken to ensure that the sample represented a fair cross section of Panchayats across the agreed focus States. The states themselves had different terrains, resource raising capabilities and degrees of devolution. Within states too, the emphasis was on the diversity of GPs selected in each State, so that they represent different populations, land use and economic features of the State in question.

The first step was to choose one GP and Intermediate Panchayat from each district, in order to ensure a reasonable spread of RLBs, chosen from a State. Along with the DP, these represent 30 districts from the eight sample States. Furthermore, in order to ensure that the districts chosen were diverse, regard was had to the agro-climatic zones within States, as that characteristic is a determinant of the agricultural economy of each district. The nature of agriculture in a district, which is dependent on factors such as rainfall, terrain, availability of irrigation, choice of crop and land holding size has a bearing on agricultural production characteristics, which in turn has a close bearing on agricultural land values. Habitation patterns are based on availability of water and appropriate terrain available for settlements, both of which vary widely across different agro-climatic zones. That in turn affects not only tax capacities, but also the cost of delivering public services such as roads, water supply, sanitation and electricity supply. Not more than one district was chosen from each agro-climatic zone, through a random selection process. The list of districts is given in Table 1 below.

Table 1: List of districts chosen in the Sample States

State	Districts			
Assam	Barpetta	Sonitpat	Gologhat	
Bihar	Sitamarhi	Munger	Khagaria	Rohtas
Himachal Pradesh	Kangra	Kullu	Sirmaur	
Madhya Pradesh	Datiya	Katni	Khandwa	Anupur
Maharashtra	Kohlapur	Ahmednagar	Thane	Parbhani
Odisha	Koenjhar	Kendrapara	Koraput	Kalahandi
Rajasthan	Tonk	Churu	Hanumangarh	Sirohi
Karnataka	Gulbarga	Mysore	Haveri	Chitradurga

From within each district, GPs & Panchayat Samitis were selected based on the following parameters:

- In each State except for Assam and Himachal Pradesh, it was ensured that at least 2 Panchayats surveyed has a woman President/Adhyaksha/Sarpanch/Mukhiya.
- In Assam and Himachal Pradesh, it was ensured that at least 1 Panchayat has a woman President/Adhyaksha/Sarpanch/Mukhiya.
- In those chosen districts in each State that are wholly or partially covered by PESA, the GP chosen should be a PESA GP.

This ensured a diverse coverage of 30 sample Gram Panchayats that represented different population and other characteristics. The scope of the analysis comprised of studying the incomes and expenditures of the sample Panchayats over the last two years of the currency of the Thirteenth Finance Commission (TFC) report (i.e. 2013-14 and 2014-15) and three years of the FoFC i.e. 2015-16 to 2017-18.

For comparability, per capita incomes and expenditures were also calculated. The population figures have been based on Census 2011. In order to map the village or habitation data available in the Census with DPs or GPs, the LG directly available at lgdirectory.gov.in was used. This mapping has been extended across the Panchayat enterprise suite and the details of population by ZP, Intermediate Panchayat (IP) and GPs could be obtained from <https://areaprofiler.gov.in>. The team obtained population details of all panchayats under the scope of study from the above websites.

Chapter 3: Regularity of Fund Flows to RLBs

3.1 Horizontal Distribution of FoFC grants to GPs

The FoFC recommended that grants ought to be distributed to GPs alone. States were mandated to use the horizontal sharing formula as prescribed by the most recent SFC for which the recommendations have been accepted. In case the SFC formula is not available, the FoFC recommended that the share of each GP should be distributed based on the 2011 population and area of the Panchayat, with weight of 90% and 10% attached to each criterion, respectively. An examination of the approach of the Sample States reveals the following position. Three states, namely Madhya Pradesh, Himachal Pradesh and Maharashtra followed the FoFC formula due to non-acceptance of the state SFC recommendation or the lack of a devolution formula in their recommendations. Bihar on the other hand, continued with the TFC approach based on population and an under-development index. The remaining states devolved funds based on a weightage average of select indicators. (Table 2).

Table 2: Horizontal formula recommended by the State

Assam	Population: 50%; Area: 25% and Per capita income :25% weightage
Odisha	Four slabs of population identified; grants released accordingly to GPs of different slabs. Additionally, 20% extra funds provided under TSP to Schedule V GPs.
Rajasthan	Population (40%), geographical area (15%), child sex ratio (10%), SC. Population (5%), S.T. Population (5%), Infant Mortality Rate (5%), Girls' Education (5%), Decline in population growth (5%), Deprivation as per criteria 7 of 2011 SECC (10%)
Bihar	Continues the same approach adopted during the currency of the 13 th FC, which was based on each Block's Under Development Index and weighted population.
Karnataka	Based on SFC recommendation of Population: 90%, 10% Geographical Area
Madhya Pradesh	Follows the FoFC formula.
Himachal Pradesh	Follows the FoFC formula (<i>SFC had not provided a devolution formula</i>)
Maharashtra	Follows the FoFC formula as <i>SFC recommendations not accepted</i>

Source: Data collected from State Governments.

Tables 3 and 4 show the total releases of FoFC Basic and Performance Grant in sample States.

As per the latest data on 10th July 2019, all sample states barring Assam have drawn 100 % of Basic Grants during the first three years of the FoFC period.

It is important to note, however, there are delays in the release of funds. The same data as on 22nd March 2018, had found that release of funds to Assam was less than 60% for 2016-17 and no funds had been released for Assam for 2017-18 even till the last month of the financial year 2017-18,

Table 3: Release of Basic Grant to Sample States (Rs. Crore)

States	2015-16			2016-17			2017-18			2018-19		
	Allocation	Release	% released	Allocation	Release	% released	Allocation	Release	% released	Allocation	Release	% released
Assam	585	585	100%	810	810	100%	936	468	50%	1082	0	0%
Bihar	2269	2269	100%	3142	3142	100%	3630	3630	100%	4200	4200	100%
Himachal Pradesh	195	195	100%	271	271	100%	313	313	100%	362	362	100%
Karnataka	1003	972	97%	1389	1368	99%	1604	1580	98%	1856	1842	99%
Madhya Pradesh	1464	1464	100%	2027	2027	100%	2342	2342	100%	2709	2709	100%
Maharashtra	1623	1623	100%	2248	2248	100%	2597	2597	100%	3004	3004	100%
Odisha	956	956	100%	1323	1323	100%	1529	1529	100%	1768	1768	100%
Rajasthan	1472	1472	100%	2038	2038	100%	2355	2355	100%	2724	2724	100%

Source: Ministry of Panchayati Raj, [Status of FFC Releases as on 10-07-2019](https://www.panchayat.gov.in/documents/20126/o/FFC+Releases+as+on+10-7-2019.pdf/bce197ae-eef1-6c9f-4c9a-54b27bc33d49?t=1562830218081), <https://www.panchayat.gov.in/documents/20126/o/FFC+Releases+as+on+10-7-2019.pdf/bce197ae-eef1-6c9f-4c9a-54b27bc33d49?t=1562830218081>. Last accessed on 20 July 2019.

The disbursement of performance grant was even slower from the Union to State levels. Only Rajasthan and Karnataka from the sample States showing a near complete release till 2017-18. As per data available in April 2017, Bihar has not received any performance grants during the FoFC period. The latest data, however, shows Bihar receiving performance grant for 2016-17, which was probably received late. Himachal Pradesh, Madhya Pradesh, Assam, Odisha and Maharashtra has drawn less than 50 per cent of their eligible performance grants between 2016-17 and 2017-18.

Table 4: Release of Performance Grant to Sample States (Rs. Crore)

State	2016-17			2017-18			Cumulative		
	Allo cn	Relea se	% ag e	Allo cn	Relea se	% ag e	Allo cn	Relea se	% ag e
Rajasthan	267	267.4	100	302.55	302.6	100	569.9	569.9	100
Karnataka	182	179.5	99	206.13	204.1	99	388.28	383.5	99
Bihar	412	412.2	100	466.41	0	0	878.56	0	47
Himachal Pradesh	35.5	35.49	100	40.16	0	0	75.65	35.49	47
Assam	106	106.2	100	120.2	0	0	226.42	106.2	47
Madhya Pradesh	266	265.8	100	300.83	0	0	566.67	265.8	47
Odisha	174	173.6	100	196.4	0	0	369.95	173.6	47
Maharashtra	295	294.8	100	333.66	0	0	628.5	294.8	47

Source: Ministry of Panchayati Raj, [Status of FFC Releases as on 10-07-2019](https://www.panchayat.gov.in/documents/20126/o/FFC+Releases+as+on+10-7-2019.pdf/bce197ae-eef1-6c9f-4c9a-54b27bc33d49?t=1562830218081), <https://www.panchayat.gov.in/documents/20126/o/FFC+Releases+as+on+10-7-2019.pdf/bce197ae-eef1-6c9f-4c9a-54b27bc33d49?t=1562830218081>. Last accessed on 20 July 2019.

It is clear from the data that there have been delays in the receipt of grants to RLBs, particularly the Performance Grant.

From that basic position onward, an analysis was undertaken of the transfers during the FoFC period to District Panchayats (DPs), Intermediate Panchayats (IPs) and Gram Panchayats (GPs) in the sample districts. The analysis aimed to answer the following questions: -

- First, whether the failure to meet the conditionalities set for the release of the Performance Grant was the reason its non-receipt.
- Second, whether the receipt of the CFC funds to GPs were received in a timely manner.

3.2 Release of Performance Grants in the Sample GPs

In 2016-17 all sample states barring Assam drew 100% of performance grants from the Union Government. However, in 2017-18, releases were low (please see the first report for details). Unfortunately, tracking the receipt of performance grants in the sample GPs was difficult due to the lack of separate information on date-wise releases. Moreover, many GPs, particularly in Madhya Pradesh and Karnataka did not clearly demarcate the FoFC grants by Basic Grant and Performance Grant (PG) making it difficult to ascertain the nature of grant.

Table 5: Receipt of Performance Grant by GPs in FoFC period (in Rs. lakhs)

	2015-16	2016-17	2017-18
Assam	0.00	0.00	13.32
Bihar	0.00	0.00	0.00
Himachal Pradesh	0.00	2.80	1.81
Karnataka	Not available		
Madhya Pradesh	Not available		
Maharashtra	14.96	25.04	29.58
Odisha	0.00	1.80	0.00
Rajasthan	0.00	11.79	10.45

Source: Data collected from sample panchayats.

It is important to remember that release of performance grant was based on two main conditionalities. First, GPs had to submit audited accounts that relate to the year not earlier than two years preceding the year in which the GP seeks to claim the Performance Grant. Second, GPs had to show an increase in their revenues over the preceding year as reflected in the audited accounts

As can be seen in Table 6 below, while most GPs met the stipulation of updated audits, a significant number of GPs indicated a negative growth in OSR, thus rendering themselves ineligible to receive performance grants.

Moreover, it must be recalled that this shortfall, at least in the case of some States, could be due to MoPR's notification which mandated that States draft PG scheme guidelines (which contained conditionalities not imposed by the FoFC, such as immunization status, & ODF declaration) and declare a standardized evaluation of parameters on the basis of which PGs are to be drawn. This decision was later modified in January 2019, due to the fact that release of PG grants for 2017-18 were pending due to "implementation difficulties faced by some States to comply with all the additional conditions/evaluation criteria and the resultant situation of very less number of Gram Panchayats becoming eligible for PG for 2017-18."

Even though the sample size is small, there are inconsistencies between the practice of collecting OSRs between the GPs in different districts of the same State. Maharashtra reports an increase in OSRs in all sample GPs. Karnataka shows increase in all sample GPs (except for the lack of data in respect of one, for 15-16). In Himachal Pradesh, increase has been seen in GP samples from two districts. In Assam one sample GP has shown an increase in OSR over the previous year. Another GP shows a decline. In the third sample in Assam, no OSR is collected at all. Rajasthan shows an increase in two GPs and a decline in two. Madhya Pradesh reports no collection of OSRs in two districts and stagnancy in two others. Odisha shows an increase in two out of four districts, a decrease in one and no data available on the fourth. Bihar is at the other end of the spectrum, reporting that it does not collect any OSRs.

Table 6: Details of OSR collected in the sample Gram Panchayats (Rs. 1000s)

	GPs in District			GPs in District			GPs in District			GPs in District		
	15-16	16-17	% change	15-16	16-17	% change	15-16	16-17	% change	15-16	16-17	% change
Assam	12	60.6	405%	37.4	19.9	-47%	Does not collect					
Himachal Pradesh	17	4	-76%	55.3	96.1	74%	103	164.2	60%			
Karnataka	565.5	712.5	26%	846.1	858	1%	NA	1377.4	NA	409.9	518.3	26%
Maharashtra	552.2	646.6	17%	717.4	882.4	23%	83.5	152.9	83%	485.1	675.9	39%
Odisha	254.4	69.2	-73%	26.1	118.9	356%	1990	2541	28%	NA		
Rajasthan	62	42	-32%	463	340	-27%	59	60	2%	147	167	14%
Madhya Pradesh	111.3	112.4	1%	251	243.7	-3%	Does not collect					
Bihar	Does not collect OSR											

Source: Data collected from sample panchayats.

Table 7: Date of last audit at GP level

State	District 1	District 2	District 3	District 4
Assam	2017-18	2017-18	2017-18	
Bihar	2017-18	NA	2017-18	2017-18
Himachal Pradesh	2017-18	2017-18	2014-15	
Madhya Pradesh	2017-18	2017-18	2017-18	2017-18

Maharashtra	2016-17	2016-17	2016-17	2016-17
Rajasthan	2015-16	2017-18	2017-18	2015-16
Karnataka	2016-17	2017-18	2017-18*	2017-18*
Odisha	2017-18	2017-18	2017-18	2017-18

Source: Data collected from sample panchayats.

Note: * where information on audited accounts was not available but accounts were maintained till 2018-19.

3.3 Timeliness of Transfer of Funds to GPs

The data for releases of TFC and FoFC grants from the Union government to the States, which is detailed in our first report from Tables 18 to 25, was used as the starting point to assess whether sample GPs had received their entitled amounts without delay. There were two key issues identified with respect to traceability of fund flows to GPs.

Merging of FC grants with State Grants

The first key finding was that the subsuming of the FoFC grants into State specific programmes resulted in these allocations losing their identity as FoFC grants making it impossible to track the periodicity of flow of FoFC funds as a separate and distinctly identifiable stream of funding to GPs. In Madhya Pradesh and Bihar, for instance, FoFC grants were classified with respective schemes designed by the States. For example, in Madhya Pradesh, the GPs classified FoFC grants under the ‘Panch Parameshwar’ yojana, which is a nomenclature given by the State to a blended allocation comprising of inter alia, FoFC grants and SFC grants.

Since, no meaningful exercise of following the money trail could be conducted in the absence of information matching state release orders, with receipts of FoFC (or receipts in which FoFC funds were subsumed) at the GP level. Therefore, that line of enquiry has been dropped.

Poor Quality of Data

The second key challenge was with respect to data quality. Even the State that finally provided the most detail, i.e. Karnataka, was found wanting, as the data contained several contradictions and omissions. Table 8, pertaining to Karnataka below illustrates the type of inconsistencies and inexplicable detail in the data given by States:

Table 8: Details of receipts of TFC and FoFC grants by sample GPs in Karnataka

SI	Year	Details of Government sanction order			Details of Amount received by sample GPs (Rs. Lakhs)							
		Number	Date	Category	GP1		GP2		GP3		GP4	
					Amt	Date	Amt	Date	Amt	Date	Amt	Date
1	13-14			Basic			3.79	5.7.13				
2	13-14	RDP 49 GPS 2013	19-07-2013	Basic			0.23	22.7.13	11.5	25.7.13	2.42	06.07.13
3	13-14			Basic			6.51	25.7.13				
4	13-14			Basic			0.15	30.10.13				
5	13-14	RDP 212 GPS 2013	26-12-2013	Performance			4.49	6.1.14	7.96	3.1.14		25.07.13
6	13-14			Performance			0.56	28.01.14				
7	13-14	RDP 121 GPS 2013	03-04-2014	Performance			0.04	20.03.14				16.01.14
8	13-14			Performance			0.82	25.03.14				25.03.14
9	13-14		19-04-2014	Basic	9.1							
10	13-14		19-04-2014	Performance								
11	14-15			Basic			7.85	21.4.14				
12	14-15			Basic			6.3	20.5.14				
13	14-15			Basic			0.03	22.5.14				
14	14-15			Basic			0.1	4.6.14				
15	14-15			Basic			0.23	17.7.14				
16	14-15	RDP 54 GPS 2014	04-08-2014	Basic			6.44	14.8.14	13.92	19.4.14	27.32	19.4.14
17	14-15			Basic			0.02	19.1.15				
18	14-15	RDP 14 GPS 2015	27-03-2015	Basic			0.63	28.1.15	11.17	21.5.14		20.5.14
19	14-15	RDP 20 GPS 2015	27-04-2015	Performance			-		7.3	17.4.15		
20	14-15		21-05-2014	Basic	7.31							
21	14-15		18-08-2014	Basic	7.47							
22	14-15		03-09-2015	Performance								
23	14-15	RDP 20 GPS 2015	27-04-2015	Performance								19.8.14
24	15-16			Basic			4.12	20.4.15				
25	15-16			Basic			0.13	4.5.15				

26	15-16			Basic			3.13	9.7.15				
27	15-16	RDP 44 GPS 2015	19-08-2015	Basic			0.18	2.9.15	9.93	9.3.15	7.54	3.9.15
28	15-16	RDP 44 GPS 2015	06-10-2015	Basic			5.61	3.9.15	9.31	5.6.16		
29	15-16	RDP 44 GPS 2015	29-02-2016	Basic			0.16	10.3.16				
30	15-16	RDP 44 GPS 2015	31-03-2016	Performance			-					
31	15-16		07-07-2015	Basic	6.4							
32	15-16		20-09-2016	Performance	3.6							
33	15-16		26-10-2016	Basic	6							
34	16-17			Basic			5.26	6.5.16				
35	16-17	RDP 35 GPS 2016	29-07-2016	Basic			0.04	8.6.16	13.53	8.5.16	31.82	6.5.16
36	16-17	RDP 35 GPS 2016(P-1)	15-11-2016	Basic			7.64	4.8.16	13.53	21.11.16		5.8.16
37	16-17	RDP 03 GPS 2017	24-01-2017	Performance			3.11	2.2.17	5.5	2.2.17		21.11.16
38	16-17	RDP 03 GPS 2017	24-01-2017	Performance								2.12.17
39	16-17		21-11-2016	Basic	8.72							
40	16-17			Basic	8.72							
41	17-18	RDP 08 GPS 2017	01-07-2017	Basic			8.55	11.7.17	15.13	7.10.17	23.36	10.7.17
42	17-18	RDP 13 GPS 2017	28-10-2017	Basic			8.82	10.11.17	15.61	11.10.17		10.11.17
43	17-18			Basic			2.05	13.3.18				
44	17-18	RDP 04 GPS 2018	23-06-2018	Performance			-		13.07	5.7.18		
45	17-18		10-11-2017	Basic	9.75							
46	17-18			Basic	10.06							
47	17-18		28-09-2018	Performance								
48	18-19	RDP 342 ZPS 2018	14-09-2018	Basic			10.29	28.9.18	18.2	28.9.18	32.2	28.9.18
49	18-19	RDP 01 GPS 2019	19-01-2019	Basic			13.65	1.2.19				29.1.19
50	18-19			Performance								
51	18-19		29-01-2019	Basic	11.74				24.16	29.1.19		
52	18-19			Basic	15.57							

The highlights in the above table (in yellow) indicate the following inconsistencies:

- Receipt of funds into GP accounts even before the date of the government order sanctioning the release to GPs. (Sample GP-4 in Sl nos 2, 5, 7, 11, 16, 18,23,35,36 and 37)
- Inordinate delays between the issue of the sanction order and the credit of funds into GPs. (Sl no 28, Sample GP-3; sl no 38, Sample GP-4).
- No money trail for certain reported releases at State level (Sl no 10, 22 and 30).

Since the line of enquiry on tracking the money trail could not proceed further due to serious data gaps, we tracked three matters, namely,

- The quarter wise releases of CFC funds in sample GPs to ascertain if there is any bunching of releases to them in any specific quarter
- The extent of spillover of TFC funds released into the FoFC period, and
- Whether there is a significant variance between the dates on which GPs within the Same State received CFC funds.

Quarterly Receipt of CFC funds

The inter-se proportions of the release of CFC grants in each quarter of the year for the Sample GPs during the years from 13-14 to 18-19, is given in Table 9.

Table 9: CFC grants received quarter-wise in sample GPs from 2013-14 to 2018-19 (Rs. Lakhs)

State	Q1, Apr-Jun		Q2, Jul-Sep		Q3, Oct-Dec		Q4, Jan-Mar		Total amt released
	Amt	%	Amt	%	Amt	%	Amt	%	
Assam	4.91	3.02	37.87	23.31	18.63	11.47	101.08	62.21	162.49
Bihar	54.22	35.41	29.98	19.58	44.32	28.94	24.60	16.07	153.12
Himachal Pradesh	18.28	16.83	32.32	29.75	29.91	27.53	28.13	25.89	108.64
Maharashtra	25.28	12.60	17.65	8.80	58.81	29.32	98.84	49.28	200.58
Madhya Pradesh	23.19	8.21	51.65	18.30	66.44	23.54	141.01	49.95	282.29
Odisha	16.57	13.39	42.26	34.16	39.4	31.85	25.49	20.60	123.72
Rajasthan	37.27	9.72	92.98	24.24	84.75	22.10	168.52	43.94	383.52
Karnataka	147.32	32.29	182.6	40.02	53.24	11.67	73.08	16.02	456.24
Total	327.04	17.48	487.31	26.05	395.5	21.14	660.75	35.32	1870.6

Source: Calculations by author from data collected from sample panchayats.

There are variations between States in the proportion of funds that they release to the GPs in each quarter. Assam shows the greatest skewedness, with 62 per cent of all releases in the period under review being released during Q4. Maharashtra and Madhya Pradesh show similar patterns, with sluggish releases in Q1 and Q2 and nearly fifty per cent of the releases happening in Q4. Rajasthan has released about 43 per cent of its grants during the last quarter.

Karnataka, in contrast, has released over 72 per cent of the grants during Q1 and Q2. In the remaining States of Odisha, Bihar and Himachal Pradesh, the releases are comparatively more evenly spread across all quarters.

When it comes to the number of releases made during each quarter, Bihar shows the lowest number of just 18 receipts of funds in the period under review. However, that could be because Bihar has subsumed its CFC grants into a blended grant, which could be leading to many more releases not being reckoned as CFC releases. We also observed that there were comparatively more orders of releases of grants during the TFC period as compared to the FoFC period. This could be attributed to the more complex recommendations of the TFC, subdividing the grants into various categories such as the Basic grant, performance grants, and a similar structure for special areas.

In addition, there were a number of releases of TFC grant interest, due to delayed flows of sanctioned amounts. Intriguingly, GPs in Maharashtra have received their grants through more than 102 release, about 40 more than the nearest States. There seems to be a tendency in Maharashtra to release grants to GPs in smaller increments spread out over time. However, apart from the fact that such releases make it difficult for allocations to be tracked, it has not prevented bunching of 30 per cent the releases to GPs in Q4 of the year.

Table 10: Number of receipts of CFC grants by Sample GPs during the period from 2013-14 to 2018-19

State	Q1, Apr-Jun	Q2, Jul-Sep	Q3, Oct-Dec	Q4, Jan-Mar	Grand Total
Assam	3	6	4	13	26
Bihar	8	3	2	5	18
Himachal Pradesh	13	18	14	20	65
Karnataka	16	21	8	17	62
Madhya Pradesh	8	17	14	22	61
Maharashtra	34	15	21	32	102
Odisha	3	4	4	2	13
Rajasthan	9	15	15	28	67
Total	94	99	82	139	414

Source: Calculations by author from data collected from sample panchayats.

Analysis of the releases made of TFC and FoFC funds show that there were at least 28 instances of TFC funds being released during the FoFC period, in the sample Panchayats. This excludes the sample State of Madhya Pradesh, where the CFC funds are subsumed into the Panch Parameshwar framework of a

blended grant, which makes it impossible to ascertain at the GP level to which CFC the grants pertain. While the release of residual funds (including interest on delayed transfers) during 2015-16 is understandable, 6 releases were made during 2016-17, nearly two years after the expiry of the TFC period (Table 11).

Receipt of delayed TFC funds

Table 11: Yearwise number of releases made to sample GPs

Year	TFC	FoFC
2013-14	71	
2014-15	101	
2015-16	22	36
2016-17	6	52
2017-18		55
2018-19		9
Total	200	152

Source: Calculations by author from data collected from sample panchayats.

A State wise analysis (excluding Madhya Pradesh) of the year wise releases reveals that there were no instances of TFC grant releases spilling over into the FoFC period in Karnataka. In the case of the remaining States, the details of the spillover are as follows (Table 12):

Table 12: Details of TFC releases after the expiry of the TFC period

States	No of TFC releases in 2015-16	No of TFC releases in 2016-17
Assam	5	5
Bihar	2	
Himachal Pradesh	1	1
Maharashtra	11	0
Odisha	2	0
Rajasthan	1	0
Total	22	6

Source: Calculations by author from data collected from sample panchayats.

The bulk of the instances of spillover releases of TFC funds in the FoFC period happened in Maharashtra. However, these were not significant delays as were made during 2015-16 in the first quarter or Q1.

As far as releases of TFC grants after more than a year of the commencement of the period of the FoFC, Assam is the main transgressor, with 5 out of the 6 such instances happening there. Therefore, of the

cumulative TFC grants received by sample GPs in Assam from 2013-14 to 2016-17, about 68 per cent of the funds were released after the end of the TFC period, and during the FoFC period (Table 13).

Table 13: TFC grants released from 2013-14 onwards, but received by GPs in FoFC period (Rs. Lakhs)

	2013-14	2014-15	2015-16	2016-17	Total	% of TFC grant received in FoFC period
Assam	1.46	1.2	2.49	3.19	8.34	68%
Bihar	12.83	12.8	16.76		42.39	40%
HP	3.14	5.59	0.47	6.77	15.97	45%
Maharashtra	6.11	8.11	5.68		19.9	29%
Odisha	2.97	1.71	3.05		7.73	39%
Rajasthan	20.83	59.92	2.5		83.25	3%

Source: Calculations by author from data collected from sample panchayats.

These delays in transfers are also seen in the case of transfer of CFC funds to DPs and IPs.

In Bihar, we discovered sanction orders approving the transfer of CFC grants to DPs and IPs. These funds were recorded as TFC funds dispersed during the FoFC period. The data from the sample districts, presented in Table 14 below, reveals that some of this is due to delays in transfers of TFC funds, which were passed on to DPs during the FoFC period.

Table 14: Delays in receipt of TFC funds to sample DPs of Bihar (Rs. Lakhs)

DP name	FC transfers	Year				
		13-14	14-15	15-16	16-17	17-18
Sitamarhi	TFC	3543.90	5201.15	561.27	0.00	0.00
Sitamarhi	FoFC	0.00	0.00	3688.30	0.00	3688.30
Khagariya	TFC	1678.50	6507.12	266.36	0.00	0.00
Khagariya	FoFC	0.00	0.00	1742.82	2266.42	0.00
Munger	TFC	851.19	1811.39	195.47	0.00	0.00
Munger	FoFC	0.00	0.00	1364.53	0.00	0.00
Rohtas	Separate details for TFC and FoFC not available					

Source: Data collected directly from sample states.

Chapter 4: Analysis of Panchayat Revenues

This Chapter looks at the quantum and composition of receipts to sample panchayats in order to ascertain whether there have been changes between the TFC period and the FoFC period.

The data collected from the sample Panchayats in last two years of the TFC period and the first three years in the 8 sample States was collated and analysed separately for GPs, IPs and DPs. In order to streamline our line of analysis, we have adopted a broad methodology that goes as follows:

First, the analysis is presented separately for the three levels of RLBs, namely, the GPs, IPs and DPs. This is being done because these bodies are independent levels of government and a better understanding of their funding is arrived at in considering these levels of local governments as independent and autonomous units. This chapter comprises largely of three sections, dealing with GPs, IPs and DPs separately.

Second, for each data set across levels of government, we began with collating and calculating three data parameters, namely, the overall total figures (usually in Rs. Lakhs), the amounts per capita, of these total amounts (in Rs.) and the inter-se percentages of these figures within each category. In order to better understand trends across years, we have calculated the average annual amounts concerned separately for the TFC period (where we averaged the data for the last two years of the TFC, namely, 2013-14 and 2014-15) and the FoFC, (where we took the data for the first three years of the FoFC; 2015-16, 16-17 and 17-18). We finally calculated the variation between these average year wise details, to contrast the trend seen during the TFC period with that seen during the FoFC period.

Third, within each category of local government, we examined the per-capita variations between States for each source of revenue separately, whilst broadly categorising them into three categories, namely, union grants and transfers, state grants and transfers and own revenues. In the interests of brevity, we have left out an analysis of 'other grants', because they are relatively minor in nature. We now proceed to detail the results, commencing with Section 1, which deals with the Gram Panchayats.

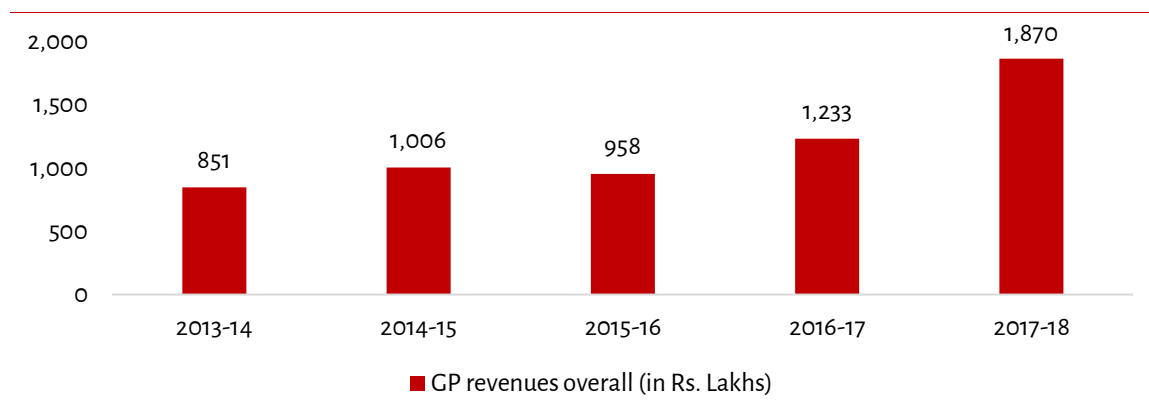
4.1 Gram Panchayat Revenues

There has been a 46 per cent increase in overall GP revenues during the FoFC period, over the TFC period

- The annual revenues of the sample GPs steadily increased from Rs. 8.51 crore in 2013-14 to Rs. 18.69 crore in 2017-18, over the five-year period under review. Consequently, the per capita revenues increased from Rs. 459 in 2013-14 to Rs. 1,008 in 17-18. A comparison of the TFC period with the FoFC period reveals that the average annual allocation for three years of the FoFC

period studied was Rs. 13.54 crore (Per capita Rs. 730), as compared to the average of Rs. 9.28 crore per year (Per capita Rs. 501), during the two years of the TFC studied.

Figure 1: GP Revenues (Overall) in Rs. lakhs



Source: Authors calculations based on data collected directly from sample states.

CFC grants increased by 86 per cent in the FoFC period, compared to the TFC period

- A significant portion of this increase in total GP revenues has been driven by a year-on-year increase in CFC grants from Rs. 2.29 crore in 2013-14 to Rs. 6.25 crore in 2017-18. In per capita terms, this represents an increase from Rs. 123.54 to Rs. 336.89. As a result, the proportion of total revenues coming from CFC grants increased from 27 per cent to 33 per cent, during the same period.
- A look at the state-wise picture indicates that sample GPs in all states saw an increase in per-capita transfers of CFC grants in the FoFC period, as compared to the TFC period, except in Karnataka. The largest increase is seen in Assam, which has increased its allocation of CFC grants to GPs from a per annum average of Rs. 14 in the TFC period to Rs. 167 in the FoFC period. Rajasthan, Maharashtra and Odisha give the largest annual average CFC transfer; between Rs. 400 to Rs. 450 per capita. Karnataka reports a diminution of CFC grants from an average of nearly Rs. 300 per capita in the TFC period, to just below Rs. 200 per capitain the FoFC period.

Union government schematic transfers to GPs declined by about 9.5 per cent

- While CFC grants increased, a focus on Direct Benefit Transfers to beneficiaries has meant that Union government schematic transfers to the GPs has stagnated. In 2013-14, Rs. 2.89 crore was received through Union government schematic transfer. This declined to Rs. 1.98 crore in 2015-16. There has, however, been an increase again in 2016-17 and 2017-18 with Rs. 2.50 crore and Rs. 3.41 crore coming to GPs as Union Government schematic transfers. Despite this year-on-

year change, the share of Union government schematic transfers, however, has fallen from 31 per cent during the TFC period to 19 per cent in the FoFC period.

- In terms of the states, Maharashtra and Odisha report no Union government schematic transfers going to the GPs; Bihar Rajasthan and Assam show negligible per capita grants, of less than Rs. 20 each. Himachal Pradesh also shows a decline from the TFC period to the FoFC period. The only State that shows a significant increase of Union government Schematic transfers in the FoFC period over the TFC period is Madhya Pradesh. Average per capita Union Schematic Transfers doubled from Rs. 166 per capita to Rs. 332 per capita in the FoFC period.

Sharp increase in the State Schemes

- The increase of CFC grants and Union government transfers have had a distinct effect on the movement of State transfers through schemes. There has been a sharp increase in transfers for State Schemes to GPs from Rs. 57 lakhs in 2013-14, they went up to Rs. 5.12 crore in 2017-18. The average annual transfers through State schemes during the TFC period was Rs. 71 lakhs, which went up to Rs. 2.71 crore during the FoFC period, a percentage increase of 280 per cent. This could be because some States subsumed at least a part of their CFC grants into their State schemes to create a form of 'blended grants'.

Modest increase in SFC grants

- SFC grants to the GPs also showed an increase, though a more modest one than as compared to State schematic transfers from Rs. 1.08 crore in 2013-14, to Rs. 1.72 crore in 2017-18. The average annual SFC transfers during the TFC period was Rs. 1.31 crore, which went up to Rs. 1.54 crore during the FoFC period, a percentage increase of 17 per cent.
- State-wise details of State transfers shows that there have been steady increases in the overall state transfers going to GPs during the FoFC period as contrasted with the TFC period, except in Maharashtra, Karnataka and Assam. Having said that, these details must be considered in the light of the caveat that there is no standard system of classifying State grants into one or the other category, which is complied with by all States. We have also reported the practice of some States subsuming their CFC grants into the State grants, thus erasing the possibility of tracking these transfers across categories of transfers. It is thus possible that some of the high per-capita grants in some States are actually due to CFC grants being subsumed into State grants. The salient trends in the movement of State government transfers and grants are in Table 19. Details are as follows:
- Rajasthan maintains its track record of giving a comparatively high per-capita State grant to the GPs – it does so by giving a generous SFC grant to the GPs.
- Bihar, Madhya Pradesh, Himachal Pradesh and Odisha show a significant increase between the TFC and FoFC periods. In Bihar, this increase is fueled through a generous transfer of Rs. 784 per capita as State government schematic transfers, in 2017-18, which offsets the meagre levels of transfers given in previous years. There is evidence emerging in Bihar that CFC funds have

been rerouted through a State Scheme, the Saath Nishchay programme. In fact, as per Government of Bihar, Circular/LT.NO-5751 30-06-2017, page 17, it is clearly stated that Proportion of the allocation under Basic Grant and the devolution by the SFC has been earmarked for Mukhya Mantri Nal-Jal and Nali-Gali Yojana thus converting it into a scheme.

- A similar phenomenon as in Bihar is also seen in Madhya Pradesh. Overall, Madhya Pradesh shows a significant spurt in State government grants going to GPs, with an average of Rs. 677 per capita annually during the FoFC period, contrasted with Rs. 185 during the TFC period. This is primarily due to a significant increase in per capita transfers for Grants in aid from the State government which increased from nothing at all, or negligible amounts in previous years, to Rs. 859 per capita in 2017-18, as well as a doubling of state government schematic transfers. As with Bihar, in Madhya Pradesh too, the Pancha Parameshwar yojana is a convergence framework under which different Union and State grants have been channelised to the GPs, losing their identities in this blended grant approach.
- Bihar therefore shows the highest percentage of dependency on State sources of funding (61 per cent), followed by Madhya Pradesh (55 per cent), largely due to subsuming of CFC grants into their State schemes. Maharashtra, Assam and Karnataka show the least dependency on State grants.

Decreasing Dependence on Union Government Contribution to Revenue Basket of GPs

- Even as overall revenues increased, the rise of a state transfers has meant that the Union government contribution to the revenue baskets of GPs declined from about 61 per cent per annum to about 58 per cent. This was compensated by an increase of State government contribution from 26 per cent to 34 per cent.
- Himachal Pradesh and Karnataka report per capita an average per capita receipt of Union government transfers and grants in aid amounting to Rs. 934 and 739 respectively during the FoFC period. Incidentally, this high receipt is a continuation of the trend seen during the TFC period. While no Union schematic transfers are reported in Maharashtra and Odisha, both states along with Rajasthan report over Rs. 400 per capita going to the GPs in the form of CFC grants, resulting in a significant portion of the GP revenues coming from the Union Government. Thus while 60 per cent of total GP revenues are from the Union in Maharashtra, the corresponding figures for Odisha and Rajasthan are 54 per cent and 48 per cent, respectively.
- In contrast, Bihar and Assam show relatively low per-capita allocations, largely because of the near absence of Union government schematic transfers, and that shortfall is not being compensated by higher CFC grants.

Only a 9 per cent increase in Own Revenues of GPs

- Increase in own revenues has been the focus of the FoFC, which also makes yearly increases in them a criterion for the release of performance grants to RLBs. There has, however, only been

a modest increase in GPs own revenues from Rs. 82 lakhs in 2013-14 to Rs. 1.11 crore in 2017-18. This represents a 9 per cent average increase from Rs. 85.8 lakhs in the TFC, to Rs. 94 lakhs in the FoFC. However, own revenues declined in terms of a proportion of the overall revenue basket of the GPs, from 9.2 per cent in the TFC period, to 6.9 per cent in the FoFC period. Per capita, GPs collected own revenues of Rs. 51 per annum during the FoFC period, as compared to Rs. 46 during the TFC period.

- Maharashtra and Odisha show high per capita efforts, with a steady 13 to 14 per cent increase in OSR collections in the FoFC period over the TFC period. One of the sample GPs of Odisha, Mukundapur Patna from Keonjhar District, selected because of our criterion of selecting at least one GP with a woman sarpanch has an impressive track record of collecting nearly Rs. 25 to Rs. 35 lakhs annually as own taxes and user charges. This has contributed to increasing the per-capita OSR for Odisha. Karnataka maintains a steady pace in the increase of OSRs, while Madhya Pradesh shows the most impressive percentage of increase (93 per cent) of revenues in the FoFC period over the TFC period.
- Himachal Pradesh and Rajasthan show decline in the average annual per-capita OSRs from the TFC to the FoFC period.
- Assam has a negligible OSR track record and Bihar reports not collecting any OSRs at all. That has led to Bihar not obtaining their performance grants too.
- Overall, in all GPs, OSRs comprise a negligible percentage of their respective overall revenue baskets, except for Maharashtra, Odisha and to some extent, Karnataka. The contribution of OSRs to the overall revenue basket of GPs has been declining in most states, as Union and State contributions have grown at a faster pace.

The overall collated tables and state-wise tables are given below:-

Table 15: Details of Gram Panchayat revenues in Sample States (Rs. Lakhs)

Revenue category	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Total Revenues (Rs. Lakhs)								
CFC transfer	229.10	327.27	278.19	445.50	481.97	624.75	517.41	85.99
Union Govt. Transfers (Schemes)	289.09	292.27	290.68	198.54	249.66	341.03	263.08	-9.50
SFC transfer	107.99	154.66	131.33	119.85	171.16	171.79	154.27	17.47
Grant-in-Aid from State Government	35.15	46.19	40.67	18.16	9.22	89.94	39.11	-3.84
State Govt Transfers (Schemes)	56.88	86.01	71.45	84.00	217.40	512.82	271.40	279.88
Own Revenue	81.99	89.60	85.79	72.47	98.63	110.54	93.88	9.43
Other grants	50.61	9.98	30.30	19.93	5.45	18.67	14.68	-51.53
Grand Total	850.82	1005.97	928.40	958.44	1233.49	1869.54	1353.83	45.82
Per Capita (Rs)								
CFC transfer	123.54	176.48	150.01	240.24	259.90	336.89	279.01	
Union Govt. Transfers (Schemes)	155.89	157.60	156.75	107.06	134.63	183.90	141.86	
SFC transfer	58.24	83.40	70.82	64.63	92.30	92.64	83.19	
Grant-in-Aid from State Government	18.96	24.91	21.93	9.79	4.97	48.50	21.09	
State Govt Transfers (Schemes)	30.67	46.38	38.53	45.29	117.23	276.54	146.35	
Own Revenue	44.21	48.31	46.26	39.08	53.19	59.61	50.63	
Other grants	27.29	5.38	16.34	10.75	2.94	10.07	7.92	
Grand Total	458.80	542.47	500.64	516.84	665.16	1008.15	730.05	
Percentage of Various Categories of Revenue								
CFC transfer	26.9	32.5	30.0	46.5	39.1	33.4	38.2	8.3
Union Govt. Transfers (Schemes)	34.0	29.1	31.3	20.7	20.2	18.2	19.4	-11.9
SFC transfer	12.7	15.4	14.1	12.5	13.9	9.2	11.4	-2.8
Grant-in-Aid from State Government	4.1	4.6	4.4	1.9	0.7	4.8	2.9	-1.5
State Govt Transfers (Schemes)	6.7	8.6	7.7	8.8	17.6	27.4	20.0	12.4
Own Revenue	9.6	8.9	9.2	7.6	8.0	5.9	6.9	-2.3
Other grants	5.9	1.0	3.3	2.1	0.4	1.0	1.1	-2.2
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	8.3
Absolute Percentages								
Union Government devolution/grants	60.9	61.6	61.3	67.2	59.3	51.7	57.6	-3.6
State Government devolution/grants	23.5	28.5	26.2	23.2	32.2	41.4	34.3	8.1
Own Revenue	9.6	8.9	9.2	7.6	8.0	5.9	6.9	-2.3
Other grants	5.9	1.0	3.3	2.1	0.4	1.0	1.1	-2.2

Source: Authors calculations based on data collected directly from sample states. Note: For Percentage share, the change is in percentage points.

Table 16: State wise per capita receipts of Union government grants and schemes in the sample GPs (in Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC first 3 years	
CFC transfer								
Rajasthan	228.82	204.68	216.75	321.22	482.11	542.49	448.61	107.0
Maharashtra	73.09	124.46	98.77	461.79	402.05	468.40	444.08	349.6
Odisha	83.42	68.33	75.88	247.72	514.49	454.62	405.61	434.6
Himachal Pradesh	51.68	183.02	117.35	285.69	361.71	442.63	363.34	209.6
Bihar	150.76	218.68	184.72	272.47	198.02	197.58	222.69	20.6
Karnataka	208.31	389.13	298.72	96.39	180.88	319.70	198.99	-33.4
Assam	18.59	10.15	14.37	164.68	29.13	308.38	167.40	1065.1
Madhya Pradesh	11.43	22.75	17.09	267.76	145.49	84.60	165.95	870.9
Transfers from Union Government (Schemes)								
Himachal Pradesh	1164.59	654.14	909.36	532.69	685.94	491.81	570.15	-37.3
Karnataka	426.65	443.25	434.95	359.87	510.18	751.24	540.43	24.3
Madhya Pradesh	87.38	244.63	166.00	222.09	259.63	515.37	332.36	100.2
Bihar	80.86	42.36	61.61	35.86	14.57	4.02	18.15	-70.5
Rajasthan	70.87	244.22	157.54	9.07	0.55	22.31	10.64	-93.2
Assam	17.74	10.48	14.11	7.62	0.00	0.00	2.54	-82.0
Maharashtra	No transfers reported			No transfers reported				
Odisha								
Total Union Government Transfers								
Himachal Pradesh	1216.27	837.16	1026.72	818.39	1047.65	934.44	933.49	-9.08
Karnataka	634.96	832.38	733.67	456.26	691.06	1070.94	739.42	0.78
Madhya Pradesh	98.81	267.38	183.09	489.85	405.12	599.97	498.31	172.16
Rajasthan	299.69	448.90	374.30	330.29	482.66	564.80	459.25	22.70
Maharashtra	73.09	124.46	98.77	461.79	402.05	468.40	444.08	349.60
Odisha	83.42	68.33	75.88	247.72	514.49	454.62	405.61	434.57
Bihar	231.61	261.04	246.33	308.34	212.58	201.60	240.84	-2.23
Assam	36.33	20.63	28.48	172.30	29.13	308.38	169.94	496.75

Source: Authors calculations based on data collected directly from sample states.

Table 17: Percentage of Union government fund sources to the revenue basket of GPs

State	TFC period			FoFC period				Percentage point change FoFC over TFC	
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Avg for FoFC, first 3 years		
CFC transfer									
Assam	29.9	14.6	21.8	66.4	74.3	97.3	83.1	61.3	
Maharashtra	25.8	28.1	27.2	65.2	70.0	49.5	59.8	32.6	
Odisha	30.6	26.1	28.4	46.3	56.6	55.4	53.7	25.3	
Rajasthan	37.6	19.4	26.0	52.2	48.5	43.5	47.1	21.0	
Bihar	42.7	61.6	52.2	78.2	41.5	19.0	35.8	-16.4	
Himachal Pradesh	3.9	17.1	9.8	24.4	24.7	35.2	28.0	18.2	
Karnataka	23.0	36.4	30.3	15.5	19.9	24.4	21.0	-9.3	
Madhya Pradesh	2.7	6.3	4.4	33.8	15.2	4.4	13.6	9.2	
Transfers from Union Government (Schemes)									
Karnataka	47.2	41.5	44.1	57.9	56.3	57.4	57.1	13.0	
Himachal Pradesh	87.7	61.0	75.8	45.4	46.8	39.1	43.9	-31.9	
Madhya Pradesh	20.9	68.0	42.7	28.0	27.1	26.8	27.1	-15.6	
Bihar	22.9	11.9	17.4	10.3	3.0	0.4	2.9	-14.5	
Assam	28.5	15.1	21.4	3.1	0.0	0.0	1.3	-20.2	
Rajasthan	11.6	23.1	18.9	1.5	0.1	1.8	1.1	-17.8	
Maharashtra	No transfers reported								
Odisha	No transfers reported								
Total Union Transfers and Scheme Proportions									
Assam	58.4	29.6	43.2	69.5	74.3	97.3	84.4	41.2	
Karnataka	70.2	78.0	74.4	73.4	76.2	81.8	78.2	3.7	
Himachal Pradesh	91.6	78.1	85.6	69.8	71.5	74.4	71.9	-13.7	
Maharashtra	25.8	28.1	27.2	65.2	70.0	49.5	59.8	32.6	
Odisha	30.6	26.1	28.4	46.3	56.6	55.4	53.7	25.3	
Rajasthan	49.2	42.5	45.0	53.7	48.5	45.2	48.2	3.2	
Madhya Pradesh	23.7	74.4	47.1	61.8	42.3	31.2	40.7	-6.5	
Bihar	65.6	73.6	69.6	88.5	44.5	19.3	38.7	-30.9	

Source: Authors calculations based on data collected directly from sample states.

Table 18: State wise per capita receipts of State government grants and schemes in sample GPs (in Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
SFC transfer								
Rajasthan	152.73	354.16	253.45	196.16	408.13	526.23	376.84	48.7
Odisha	42.23	35.85	39.04	139.21	192.27	47.89	126.46	223.9
Himachal Pradesh	23.30	35.35	29.33	51.35	50.25	44.64	48.74	66.2
Bihar	120.07	93.19	106.63	37.23	40.72	55.37	44.44	-58.3
Karnataka	27.66	56.77	42.22	15.15	39.06	46.85	33.69	-20.2
Assam	0.00	17.73	8.87	62.01	7.12	6.28	25.13	183.5
Madhya Pradesh	No transfers reported			No transfers reported				
Maharashtra								
Grant-in-Aid from State Government								
Madhya Pradesh	0.00	0.00	0.00	0.00	1.14	859.15	286.76	
Himachal Pradesh	18.01	17.12	17.56	20.66	20.66	47.08	29.47	67.8
Karnataka	23.75	17.93	20.84	15.61	15.58	16.14	15.78	-24.3
Maharashtra	4.93	6.47	5.70	35.10	5.02	0.49	13.54	137.5
Rajasthan	87.04	140.50	113.77	6.73	4.58	19.01	10.11	-91.1
Assam	17.76	22.92	20.34	11.95	0.35	0.34	4.21	-79.3
Odisha	2.60	0.80	1.70	4.43	2.38	7.60	4.81	183.1
Bihar	No transfers reported			No transfers reported				
Transfers from State Government (Schemes)								
Madhya Pradesh	300.71	69.03	184.87	261.54	482.40	428.03	390.66	111.3
Bihar	0.84	0.33	0.58	2.31	224.01	784.30	336.87	57715.5
Himachal Pradesh	25.98	150.26	88.12	256.97	307.16	208.12	257.42	192.1
Maharashtra	77.55	148.40	112.98	88.36	9.18	197.29	98.28	-13.0
Odisha	31.93	48.30	40.11	46.28	83.82	158.98	96.36	140.2
Rajasthan	0.00	44.53	22.26	18.32	58.91	95.42	57.55	158.5
Karnataka	21.57	71.03	46.30	43.06	59.39	66.22	56.22	21.4
Assam	6.68	7.46	7.07	0.04	0.03	0.00	0.03	-99.6
Total of State Transfers								
Madhya Pradesh	300.71	69.03	184.87	261.54	483.54	1287.19	677.42	266.42
Rajasthan	239.77	539.19	389.48	221.22	471.62	640.66	444.50	14.13
Bihar	120.91	93.52	107.22	39.54	264.73	839.67	381.31	255.65
Himachal Pradesh	67.28	202.73	135.01	328.98	378.07	299.84	335.63	148.60
Odisha	76.76	84.95	80.85	189.92	278.47	214.48	227.62	181.53
Maharashtra	82.48	154.87	118.67	123.46	14.20	197.78	111.81	-5.78
Karnataka	72.99	145.73	109.36	73.83	114.04	129.21	105.69	-3.35
Assam	24.44	48.12	36.28	74.00	7.50	6.62	29.37	-19.04

Source: Authors calculations based on data collected directly from sample states.

Table 19: Dependency of GP revenues on State funding sources, in terms of percentage:

State	TFC period			FoFC period				Percentage point change FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Bihar	34.2	26.4	30.3	11.3	55.4	80.6	61.2	30.9
Madhya Pradesh	72.1	19.2	47.6	33.0	50.5	66.9	55.3	7.7
Rajasthan	39.4	51.1	46.8	36.0	47.4	51.3	46.7	-0.1
Odisha	28.1	32.5	30.3	35.5	30.6	26.2	30.2	-0.1
Himachal Pradesh	5.1	18.9	11.3	28.0	25.8	23.9	25.9	14.6
Maharashtra	29.1	35.0	32.7	17.4	2.5	20.9	15.0	-17.6
Assam	39.3	69.1	55.1	29.9	19.1	2.1	14.6	-40.5
Karnataka	8.1	13.6	11.1	11.9	12.6	9.9	11.2	0.1

Source: Authors calculations based on data collected directly from sample states.

Table 20: Trends in per-capita own revenues of sample GPs and percentage contribution (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Per capita OSRs								
Maharashtra	127.61	163.77	145.69	123.24	158.08	213.27	164.87	13.2
Odisha	105.48	107.48	106.48	97.18	116.83	149.89	121.30	13.9
Karnataka	68.75	89.54	79.15	53.46	101.73	100.88	85.36	7.8
Madhya Pradesh	17.59	23.19	20.39	41.40	40.70	35.88	39.33	92.9
Himachal Pradesh	29.65	31.79	30.72	25.85	39.01	22.22	29.03	-5.5
Rajasthan	49.98	23.41	36.69	33.49	27.90	18.87	26.75	-27.1
Assam	1.40	0.84	1.12	1.60	2.60	1.88	2.02	80.5
Bihar	Does not collect							
Percentage contribution of OSRs to total revenues								
Maharashtra	45.1	37.0	40.1	17.4	27.5	22.5	22.2	17.9
Odisha	38.7	41.1	39.9	18.2	12.8	18.3	16.1	23.8
Karnataka	7.6	8.4	8.0	8.6	11.2	7.7	9.0	-1
Madhya Pradesh	4.2	6.4	5.3	5.2	4.2	1.9	3.2	2.1
Rajasthan	8.2	2.2	4.4	5.4	2.8	1.5	2.8	1.6
Himachal Pradesh	2.2	3.0	2.6	2.2	2.7	1.8	2.2	0.4
Assam	2.3	1.2	1.7	0.6	6.6	0.6	1.0	0.7
Bihar	Does not collect							

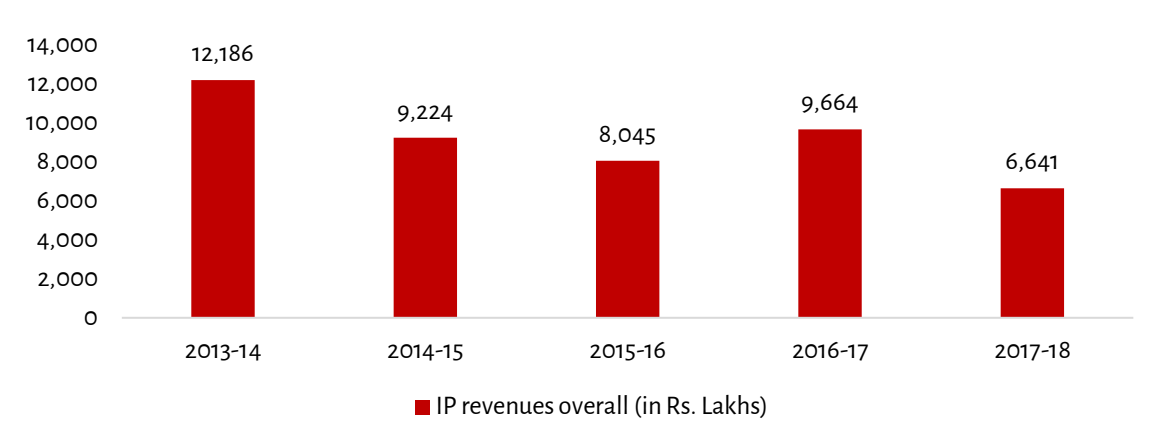
Source: Authors calculations based on data collected directly from sample states.

4.2 Intermediate Panchayats

24 per cent decrease in IP revenues during the FoFC period over the TFC period

- Funds going to the IPs have stagnated and declined over time, from the TFC to the FoFC period. The annual revenues of the sample IPs decreased from Rs. 122 crore in 2013-14 to Rs. 66 crore in 2017-18. Consequently, the per capita revenues decreased from Rs. 248 in 2013-14 to Rs. 132 in 17-18. A comparison of the two FC time periods shows that the average allocation for three years of the FoFC period studied was Rs. 81.17 crore (Per capita Rs. 161), as compared to the average of Rs. 107 crore per year (Per capita Rs. 212), during the two years of the TFC studied.

Figure 2: IP Revenues (Overall) in Rs lakhs



Source: Authors calculations based on data collected directly from sample states.

80 per cent decrease in CFC funds going to IPs

- The FoFC, had recommended that grants to go directly to GPs. Thus section 9.72 of the report states “The grants that we recommend should go to gram panchayats, which are directly responsible for the delivery of basic services, without any share for other levels. We expect that the State Governments will take care of the needs of the other levels”.
- Following the stipulation that FoFC funds ought to go only to GPs, there has been a steep decline in the CFC funds that are being transferred to the IPs. However, this figure has not declined to a zero level, which implies that that delayed amounts pertaining to the TFC, including interest on delayed payments may be still being transferred to the IPs, and that there may even be transfers pertaining to the FoFC that are going to the IPs in some States.
- All States have at the very least, continued to provide CFC transfers to IPs in the first year of the FoFC period. This is in all probability spillover releases from the TFC period. However, Madhya

Pradesh and Odisha are exceptions which provide CFC grants to IPs throughout the FoFC period. This is contrary to the stipulation that these funds ought to go only to the GPs.

- It is also important to note that Madhya Pradesh presents a special case here. As stated earlier, it has created a State government programme, which acts more like a framework of convergence. Named the 'Panch Parameshwar yojana, it aims to facilitate Panchayats to build an integrated plan by converging funding from important schemes and devolution streams, which include CFC grants. It seems that in Madhya Pradesh, they have disregarded the stipulations of the CFC and continued to provide generous funding to the IPs, even more than what was given in the TFC, under the guise of a blended grants.

Marginal Decline in Schematic Transfers from the Union Government

- Schematic transfers from the Union Government going to the IPs has declined by 3 per cent from Rs. 28.3 crore per annum on an average during the TFC period to Rs. 27.6 crore average during the FoFC period. Most states with the exception of Rajasthan see a decline in the funds through Union Government schemes. It is however important to note that in Rajasthan, with devolution of funds, this might be an accounting strategy, with the IPs acting as fund channelizing agencies for funding that eventually is spent at the GP level. Despite declines, in Himachal Pradesh and Assam, these transfers comprise a substantial proportion of Union government grants going to the IPs.

SFC Grants have more than doubled between the FoFC period and TFC period

- With FoFC funds not meant to go to IPs or DPs, the FoFC had expected that States through the SFC funds would "take care of the needs of the other levels". (FoFC, 2014). The data from the sample states suggests that there has been an increase in SFC funds transferred to IPs. In 2013-14, SFC transfers were Rs. 2.7 crore. This increased to 5.78 crore in 2017-18, representing a 114 per cent increase. Similarly, the average annual State grants-in-aid to IPs increased from Rs. 23.6 crore in 2013-14, to Rs. 34 crore in 2017-18, a percentage increase of nearly 44 per cent.
- As seen in Table 23, States have not stepped into the breach to fund IPs to a similar extent after the stipulation that Union government CFC grants ought to go only to the GPs, except in Odisha, Rajasthan, Himachal Pradesh and Bihar.
- Rajasthan has the highest per capita transfers from states, and it is primarily driven by an increase in grants in aid from State government. In Odisha, SFC grants have increased significantly. In the remaining States, such as Himachal Pradesh and Bihar this transfer from states has happened largely in the form of schemes.

The net effect of these trends is that the predominant contribution of Union Government transfers (both through CFC grants and schematic transfers), which stood at 64 per cent of the overall revenue basket, has declined to 43.6 per cent. Overall, in Bihar, Rajasthan and Maharashtra, the funds going to the IPs from Union government sources is relatively smaller, even negligible, as compared to other States.

Own Revenues Remain Low

- Own revenues of IPs have remained stagnant and low. Between the FoFC period and the TFC period, there has been a decline of 20 per cent in average own revenues from Rs. 1.75 crore during the last two years TFC to Rs. 1.40 crore in the first three years of the FoFC period. They also comprise only a minuscule percentage of the revenue basket of IPs.
- Assam Bihar, Odisha and Karnataka show negligible collections of own revenue, or none at all, Rajasthan and Himachal Pradesh are two states showing some level of collection and it has increased in the FoFC period. To conclude, Assam, Karnataka and Himachal Pradesh have a high dependency on the Union government for revenues of the IPs. In contrast, IPs in Rajasthan and Bihar have a high dependency on State grants and transfers to meet their revenue basket requirements. Madhya Pradesh and Odisha depend roughly in equal measure on the Union and State sources to fund their IPs. Maharashtra stands apart, as according to their reports, at least the sample IP is entirely dependent upon its own revenues for their meagre revenue basket. Whether this is an outlier or a pattern across Maharashtra, is beyond the scope of investigation of this team.

Trends in the overall revenues of IPs can be seen in Table 21 and State-wise trends in Tables 22-26.

Table 21: Details of Intermediate Panchayat revenues in Sample States

Revenue Category	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Total Revenues (in Rs. Lakhs)								
CFC transfer	4745.42	3299.51	4022.46	1394.76	468.79	487.52	783.69	-80.52
Union Govt. Transfers (Schemes)	2870.37	2794.38	2832.37	2695.57	3558.85	2012.07	2755.50	-2.71
SFC transfer	280.13	260.31	270.22	492.32	475.90	765.61	577.95	113.88
Grant-in-Aid from State Govt.	2558.57	2168.54	2363.56	2959.48	4520.82	2724.10	3401.46	43.91
State Govt. Transfers (Schemes)	1408.13	379.40	893.76	325.17	427.02	455.16	402.45	-54.97
Own Revenue	127.86	221.70	174.78	127.04	144.91	147.55	139.83	-20.00
Other grants	195.38	100.10	147.74	50.43	67.65	49.32	55.80	-62.23
Grand Total	12185.85	9223.94	10704.90	8044.76	9663.94	6641.34	8116.68	-24.18
Per Capita (Rs.)								
CFC transfer	96.72	67.25	79.75	27.65	9.29	9.67	15.54	
Union Govt. Transfers (Schemes)	52.15	44.20	56.16	53.44	70.56	39.89	54.63	
SFC transfer	3.98	2.04	5.36	9.76	9.44	15.18	11.46	
Grant-in-Aid from State Govt.	2.61	4.52	46.86	58.67	89.63	54.01	67.44	
State Govt. Transfers (Schemes)	5.71	5.31	17.72	6.45	8.47	9.02	7.98	
Own Revenue	58.50	56.96	3.47	2.52	2.87	2.93	2.77	
Other grants	28.70	7.73	2.93	1.00	1.34	0.98	1.11	
Grand Total	248.37	188.00	212.24	159.50	191.60	131.67	160.92	
Percentage Share (%)								
CFC transfer	38.9	35.8	37.6	17.3	4.9	7.3	9.7	-27.9
Union Govt. Transfers (Schemes)	23.6	30.3	26.5	33.5	36.8	30.3	33.9	7.5
SFC transfer	2.3	2.8	2.5	6.1	4.9	11.5	7.1	4.6
Grant-in-Aid from State Govt	21.0	23.5	22.1	36.8	46.8	41.0	41.9	19.8
State Govt. Transfers (Schemes))	11.6	4.1	8.3	4.0	4.4	6.9	5.0	-3.4
Own Revenue	1.0	2.4	1.6	1.6	1.5	2.2	1.7	0.1
Other grants	1.6	1.1	1.4	0.6	0.7	0.7	0.7	-0.7
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Absolute Share (%)								
Union Government devolution/grants	62.5	66.1	64.0	50.8	41.7	37.6	43.6	-20.4
State Government devolution/grants	34.9	30.4	33.0	46.9	56.1	59.4	54.0	21.0
Own Revenue	1.0	2.4	1.6	1.6	1.5	2.2	1.7	0.1
Other grants	1.6	1.1	1.4	0.6	0.7	0.7	0.7	

Source: Authors calculations based on data collected directly from sample states.

Table 22: Union government transfers/grants per-capita to Intermediate panchayats (Rs.)

State	TFC period			FoFC period				Percentage change FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
CFC transfer								
Odisha	708.31	204.53	456.42	70.12	59.44	36.09	55.22	-87.90
Madhya Pradesh	18.39	38.00	28.20	69.08	13.69	50.60	44.46	57.68
Himachal Pradesh	81.34	124.67	103.01	105.47	4.23	0.59	36.77	-64.31
Karnataka	39.97	120.75	80.36	31.70	1.28	0.00	11.00	-86.32
Assam	6.50	5.48	5.99	9.09	11.26	0.20	6.85	14.42
Bihar	10.94	37.44	24.19	14.73	2.70	2.75	6.73	-72.18
Maharashtra	29.55	55.35	42.45	2.23	0.00	0.00	0.74	-98.25
Rajasthan	23.64	26.59	25.12	0.72	0.00	0.00	0.24	-99.05
Transfers from Union Government (Schemes)								
Himachal Pradesh	482.69	324.02	403.36	297.02	419.91	353.32	356.75	-11.55
Assam	253.72	328.66	291.19	225.19	454.23	210.06	296.49	1.82
Rajasthan	21.28	25.64	23.46	84.55	34.28	6.45	41.76	77.99
Karnataka	15.63	18.15	16.89	5.04	21.77	4.56	10.46	-38.09
Bihar	17.79	17.13	17.46	8.88	2.75	6.18	5.94	-66.00
Madhya Pradesh	2.49	1.47	1.98	0.00	0.00	0.28	0.09	-95.38
Maharashtra	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Odisha	Not reported							
Total for Union Government transfers/grants								
Himachal Pradesh	564.03	448.69	506.36	402.50	424.15	353.91	393.52	-75.86
Assam	260.22	334.13	297.17	234.28	465.48	210.26	303.34	16.25
Odisha	708.31	204.53	456.42	70.12	59.44	36.09	55.22	-87.90
Madhya Pradesh	20.88	39.47	30.18	69.08	13.69	50.88	44.55	47.6
Rajasthan	44.92	52.24	48.58	85.26	34.28	6.45	42.00	-21.06
Karnataka	55.60	138.89	97.25	36.75	23.05	4.56	21.45	-124.41
Bihar	28.73	54.56	41.65	23.61	5.46	8.93	12.67	-138.18
Maharashtra	29.55	55.35	42.45	2.23	0.00	0.00	0.74	-98.25

Source: Authors calculations based on data collected directly from sample states. Note: One IP of Madhya Pradesh has been excluded from per-capita calculations due to unavailability of data in the TFC period.

Table 23: State government per-capita transfers/grants to Intermediate panchayats (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
SFC transfer								
Odisha	19.93	22.81	21.37	69.17	63.17	92.15	74.83	250.18
Himachal Pradesh	8.96	7.13	8.04	9.54	14.45	21.65	15.21	89.15
Bihar	17.02	11.11	14.07	4.55	11.73	25.78	14.02	-0.34
Assam	0.00	5.62	2.81	16.93	1.79	0.63	6.45	129.53
Karnataka	None reported			None reported				
Madhya Pradesh								
Maharashtra								
Rajasthan								
Grant-in-Aid from State Government								
Rajasthan	235.80	194.22	215.01	220.59	406.26	222.85	283.23	31.73
Himachal Pradesh	40.22	43.69	41.95	35.45	55.47	90.53	60.48	44.17
Bihar	17.48	14.85	16.17	71.16	40.20	37.04	49.47	205.98
Madhya Pradesh	0.00	0.00	0.00	17.22	18.20	0.00	11.81	
Assam	6.12	10.96	8.54	1.81	0.92	0.02	0.92	-89.26
Karnataka	0.00	0.50	0.25	0.00	0.28	0.00	0.09	-63.22
Maharashtra	None reported			None reported				
Odisha								
Transfers from State Government (Schemes)								
Madhya Pradesh	313.43	60.88	187.16	36.24	39.58	37.23	37.68	-79.87
Himachal Pradesh	5.59	4.93	5.26	8.01	27.66	40.19	25.29	380.97
Bihar	4.54	6.61	5.58	6.83	9.90	14.99	10.57	89.63
Assam	7.79	7.79	7.79	5.47	2.34	0.01	2.61	-66.52
Odisha	7.36	0.00	3.68	1.49	4.24	0.91	2.21	-39.92
Karnataka	0.51	4.61	2.56	2.41	2.55	0.18	1.71	-33.13
Rajasthan	None reported			None reported				
Maharashtra								
Total State Government transfers/schemes								
Rajasthan	235.80	194.22	215.01	220.59	406.26	222.85	283.23	31.73
Himachal Pradesh	54.76	55.75	55.26	53.00	97.58	152.37	100.98	82.76
Odisha	27.29	22.81	25.05	70.66	67.41	93.06	77.04	207.57
Bihar	39.04	32.58	35.81	82.54	61.84	77.82	74.06	106.81
Madhya Pradesh	313.43	60.88	187.16	53.46	57.79	37.23	49.49	-73.6
Assam	13.91	24.36	19.14	24.21	5.05	0.66	9.98	-47.87
Karnataka	0.51	5.11	2.81	2.41	2.83	0.18	1.81	-35.80
Maharashtra	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Source: Authors calculations based on data collected directly from sample states. Note: One IP of Madhya Pradesh has been excluded from per-capita calculations due to unavailability of data in the TFC period.

Table 24: State wise, category wise details of per-capita Own revenues of Intermediate panchayats

State	TFC period			FoFC period				Percentage change in FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Own Revenue								
Rajasthan	5.14	8.02	6.58	5.78	7.38	8.70	7.29	10.78
Maharashtra	7.51	15.13	11.32	6.80	6.93	5.44	6.39	-43.54
Himachal Pradesh	1.15	1.16	1.15	1.42	1.27	2.88	1.86	61.38
Madhya Pradesh	1.45	1.05	1.25	0.99	1.19	0.86	1.01	-19.24
Assam	0.60	0.62	0.61	0.39	0.55	0.66	0.53	-12.66
Odisha	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.00
Bihar	Does not collect			Does not collect				
Karnataka	Not Reported			Not Reported				

Source: Authors calculations based on data collected directly from sample states. Note: One IP of Madhya Pradesh has been excluded from per-capita calculations due to unavailability of data in the TFC period.

Table 25: Proportion of Union Government sources in the revenue basket of IPs (% age)

State	TFC period			FoFC period				Percentage point change FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
CFC transfer								
Karnataka	58.8	83.8	75.8	81.0	4.9	0.0	47.3	-28.6
Madhya Pradesh	5.5	37.5	12.9	54.0	17.3	56.9	45.1	32.2
Odisha	96.3	90.0	94.8	49.8	46.8	27.9	41.7	-53.1
Maharashtra	79.7	78.5	78.9	24.7	0.0	0.0	10.4	-68.5
Bihar	15.9	42.7	30.9	13.5	3.9	3.0	7.5	-23.4
Himachal Pradesh	13.1	24.7	18.3	23.1	0.8	0.1	7.4	-10.9
Assam	2.4	1.5	1.9	3.5	2.4	0.1	2.2	0.3
Rajasthan	7.9	10.1	8.9	0.2	0.0	0.0	0.1	-8.8
Transfers from Union Government (Schemes)								
Assam	92.4	91.5	91.9	87.0	96.4	99.3	94.5	2.6
Himachal Pradesh	77.9	64.1	71.7	65.0	80.3	69.4	71.9	0.2
Karnataka	23.0	12.6	15.9	12.9	84.1	96.1	45.0	29.1
Rajasthan	7.1	9.7	8.3	27.1	7.6	2.7	12.5	4.2
Bihar	25.9	19.5	22.3	8.1	4.0	6.9	6.7	-15.6
Madhya Pradesh	0.7	1.5	0.9	0.0	0.0	0.3	0.1	-0.8
Maharashtra	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Odisha								0

	Total Union government transfers/grants							
Assam	94.7	93.0	93.8	90.5	98.8	99.4	96.7	2.9
Karnataka	81.9	96.4	91.8	93.9	89.1	96.1	92.2	0.4
Himachal Pradesh	91.0	88.7	90.0	88.1	81.1	69.5	79.3	-10.7
Madhya Pradesh	6.2	38.9	13.8	54.0	17.3	57.2	45.1	31.3
Odisha	96.3	90.0	94.8	49.8	46.8	27.9	41.7	-53.1
Bihar	41.8	62.2	53.3	21.6	8.0	9.9	14.2	-39.1
Rajasthan	15.0	19.8	17.3	27.4	7.6	2.7	12.6	-4.7
Maharashtra	79.7	78.5	78.9	24.7	0.0	0.0	10.4	-68.5

Source: Authors calculations based on data collected directly from sample states.

Table 26: Proportion of State Government sources in the revenue basket of IPs (% age)

State	TFC period			FoFC period				Percentage point change in FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Rajasthan	80.6	76.5	78.7	72.6	91.9	96.5	87.0	8.3
Bihar	56.9	37.2	45.8	75.7	90.1	86.3	83.0	37.2
Odisha	3.7	10.0	5.2	50.2	53.2	72.1	58.3	53.1
Madhya Pradesh	93.3	60.0	85.6	41.8	73.0	41.8	50.2	-35.4
Himachal Pradesh	8.8	11.0	9.8	11.6	18.7	29.9	20.3	10.5
Assam	5.1	6.8	6.0	9.4	1.1	0.3	3.2	-2.8
Karnataka	0.8	3.6	2.7	6.1	10.92	3.9	7.8	5.1
Maharashtra	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0

Source: Authors calculations based on data collected directly from sample states.

Table 27: Proportion of Own revenue sources in the revenue basket of IPs (% age)

State	TFC period			FoFC period				Percentage point change in FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Maharashtra	20.3	21.5	21.1	75.3	100.0	100.0	89.6	68.5
Rajasthan	1.7	3.0	2.3	1.9	1.6	3.6	2.2	-0.1
Madhya Pradesh	0.4	1.0	0.6	0.8	1.5	1.0	1.1	0.5
Himachal Pradesh	0.2	0.2	0.2	0.3	0.2	0.6	0.4	0.2
Assam	0.2	0.2	0.2	0.2	0.1	0.3	0.2	0
Odisha	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Bihar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Karnataka	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0

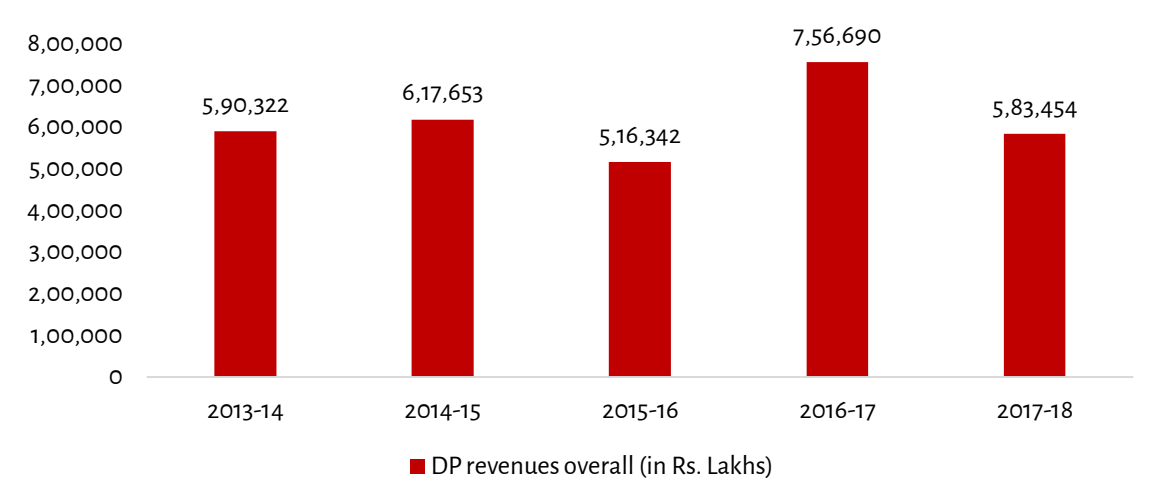
Source: Authors calculations based on data collected directly from sample states.

4.3 District Panchayats Revenues

Revenues for DPs in FoFC period remains similar to TFC period

- Overall, the average of the annual revenues in the TFC and FoFC periods have remained similar; Rs. 6,040 crore in the TFC period and Rs. 6,188 crore in the FoFC period. There are, however, differences in the annual trends. In 2013-14, revenues in sample DPs were Rs. 5,903 crore. This increased to Rs. 6,176 crore in 2014-15. In 2015-16, the first year of the FoFC, it declined to Rs. 5,163 crore, before spiking to Rs. 7,566 crore in 2016-17. In 2017-18, it once again declined to Rs. 5,834 crore. These spikes are clearly attributable to the data received from certain States, which is examined in greater detail in the section of this chapter that focuses on state wise variations.

Figure 3: Trends in the overall revenues of DPs, in Rs. Lakhs



Source: Authors calculations based on data collected directly from sample states.

CFC grants continue to be reported in DP Revenues

- As with IPs, DPs in Bihar Himachal Pradesh, and Assam have continued to receive CFC grants right up to 2017-18. In fact, Bihar continues to receive over 50 per cent of its revenue basket from the CFC grants.
- As illustrated in Chapter 3, these could either be the delayed amounts pertaining to the TFC, or grants given to the DPs in violation of the stipulation of the FoFC that these grants ought to go only to the GPs. However, in all other States, grants from the CFC going to the DPs have been stopped, after the first year of the FoFC period, i.e 2015-16. Karnataka, in spite of repeated requests, did not furnish any data pertaining to the DPs for 2016-17. Hence their average for the FoFC period has been calculated reckoning 2 years of the period, rather than 3 years.

The proportion of grants to the DPs going from the Union and the States have been largely unchanged from the TFC to the FoFC periods.

- The Union government share has been around the 22 to 17 per cent mark, with an uncharacteristic jump to 37 per cent in 2016-17 followed by a steep decline to 5 per cent, in 2017-18. This has also got to do with what States have reported as their grants, in the datasets that came from them.
- Madhya Pradesh and Rajasthan have compensated for the reduced inflows of CFC grants to the DPs with increases transfers of Union government schemes. Madhya Pradesh has amongst the highest per capita Union transfers and grants, followed by Karnataka. However, both states have seen similar trends in the TFC period. On the other hand, Maharashtra and Odisha have not reported any such grants.
- Coming to State grants, in Odisha, Maharashtra, Himachal Pradesh – bulk of the revenues of DPs are from State governments. Maharashtra has a very large per capita devolution of funds from the State coffers to the DPs in the form of State Grants in aid. During the FoFC period, the annual average per capita transfer on this account to the DPs in Maharashtra was Rs. 5,428. In all probability, the revenue account transfers that DPs in Maharashtra get by way of the salary payments of State staff deputed to it (the erstwhile ‘non-plan’ allocations), are included in the total grant package of the DPs in the State. Intriguingly, Karnataka, which also follows a pattern of large volumes of salary grants being transferred to the DPs, seems to have chosen not to include these grants within its overall state grant transfers, which may explain why the per-capita figure for Karnataka on account of State transfers is far more modest than Maharashtra. This also underscores the need to have a standardised accounting system so as to ensure that allocations and releases across States pertaining to the same category of income are reckoned across states in computing the revenue transfers to DPs.

Dependency of the DPs on the Union and State governments

- Karnataka and Madhya Pradesh show a high proportion of dependency on Union government schemes within the revenue basket of the DPs. Of course, it must be remembered that unlike Maharashtra, Karnataka has chosen not to report the considerable transfers it receives from the State coffers towards salaries of staff deputed to the DPs, as its revenues.
- At the other end of the spectrum, DPs in Odisha, Maharashtra and Himachal Pradesh depend to a large extent on State government transfers to their revenue basket.

Negligible Own Revenues

- As is the case with IPs, the DPs have negligible own revenues, barely 2 per cent at the very best in the FoFC period. They are largely dependent upon State government and Union government grants for their revenues. Maharashtra is one of the few states with higher own revenues of DPs. Own revenues in the case of Assam, have seen a gradual increase in the own revenues of the sample DPs over the period of the FoFC.

Table 28: Details of District Panchayat revenues in Sample States (Rs. Lakhs)

Revenue category	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Total Revenues (Rs. Lakhs)								
CFC transfer	23877.23	34923.53	29400.38	11218.35	228753.88	3912.48	81294.90	176.51
Transfers from Union Govt. (Schemes)	109659.61	73028.79	91344.20	75460.37	54718.58	25129.04	51769.33	-43.32
SFC transfer	7295.59	10891.24	9093.41	4993.19	6386.20	7570.05	6316.48	-30.54
Grant-in-Aid from State Government	420110.15	463877.04	441993.59	401767.92	444488.05	516967.31	454407.76	2.81
Transfers from State Government (Schemes)	10777.60	6910.13	8843.87	7903.46	7807.79	3783.49	6498.25	-26.52
Own Revenue	12427.07	20781.53	16604.30	12643.07	11944.91	9062.02	11216.66	-32.45
Other grants	6174.37	7240.39	6707.38	2355.54	2590.92	17029.45	7325.30	9.21
Grand Total	590321.62	617652.65	603987.14	516341.90	756690.34	583453.84	618828.69	2.46
Per Capita (Rs.)								
CFC transfer	54.37	79.53	66.95	25.55	520.90	8.91	185.12	
Transfers from Union Govt. (Schemes)	249.71	166.30	208.00	171.83	124.60	57.22	117.89	
SFC transfer	16.61	24.80	20.71	11.37	14.54	17.24	14.38	
Grant-in-Aid from State Government	956.64	1056.31	1006.48	914.88	1012.16	1177.20	1034.74	
Transfers from State Government (Schemes)	24.54	15.74	20.14	18.00	17.78	8.62	14.80	
Own Revenue	28.30	47.32	37.81	28.79	27.20	20.64	25.54	
Other grants	14.06	16.49	15.27	5.36	5.90	38.78	16.68	
Grand Total	1344.24	1406.47	1375.36	1175.78	1723.08	1328.60	1409.15	
Percentage of Various Categories of Revenue								
CFC transfer	4.0	5.7	4.9	2.2	30.2	0.7	13.1	8.27
Transfers from Union Govt. (Schemes)	18.6	11.8	15.1	14.6	7.2	4.3	8.4	-6.76
SFC transfer	1.2	1.8	1.5	1.0	0.8	1.3	1.0	-0.48
Grant-in-Aid from State Government	71.2	75.1	73.2	77.8	58.7	88.6	73.4	0.25

Transfers from State Government (Schemes)	1.8	1.1	1.5	1.5	1.0	0.6	1.1	-0.41
Own Revenue	2.1	3.4	2.7	2.4	1.6	1.6	1.8	-0.94
Other grants	1.0	1.2	1.1	0.5	0.3	2.9	1.2	0.07
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Abstract Percentage								
Union Government devolution/grants	22.6	17.5	20.0	16.8	37.5	5.0	21.5	1.51
State Government devolution/grants	74.2	78.0	76.1	80.3	60.6	90.6	75.5	-0.65
Own Revenue	2.1	3.4	2.7	2.4	1.6	1.6	1.8	-0.94
Other grants	1.0	1.2	1.1	0.5	0.3	2.9	1.2	0.07

Source: Authors calculations based on data collected directly from sample states. Note: The change in shares is in percentage points.

State wise variations in the revenues of the District Panchayats is detailed in Tables 29 (Union sources), 30 (State sources) and 31 (Own sources of revenue).

Table 29: Union government transfers/grants per-capita to District panchayats (Rs.)

State	TFC period			FoFC period				Percentage change FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
CFC transfer								
Bihar	97.89	192.92	145.40	89.11	24.34	39.60	51.02	-65%
Himachal Pradesh	107.44	108.56	108.00	21.07	58.98	0.00	26.68	-75%
Madhya Pradesh	52.50	52.31	52.41	29.27	10.19	6.02	15.16	-71%
Assam	59.87	74.94	67.40	19.28	6.39	0.70	8.79	-87%
Karnataka	15.18	7.26	11.22	7.89	0.00	NA	3.94	-65%
Maharashtra	14.80	31.29	23.05	0.00	0.00	0.00	0.00	-100%
Odisha	97.03	108.72	102.88	2.47	0.00	0.00	0.82	-99%
Rajasthan	6.19	6.34	6.27	0.00	0.00	0.00	0.00	-100%
Transfers from Union Government (Schemes)								
Madhya Pradesh	944.12	1189.76	1066.94	1345.35	1415.37	557.27	1106.00	4%
Karnataka	842.44	364.22	603.33	381.15	NA	113.11	164.75	-73%
Rajasthan	9.84	72.00	40.92	116.40	93.85	0.00	70.08	71%
Assam	103.35	73.29	88.32	44.81	83.50	1.41	43.24	-51%

Bihar	253.20	65.26	159.23	16.65	9.64	2.72	9.67	-94%
Maharashtra	None reported			None reported				
Himachal Pradesh								
Odisha								
Total Union Government transfers/grants								
Madhya Pradesh	996.62	1242.07	1119.35	1374.61	1425.57	563.29	1121.16	0%
Karnataka	857.62	371.47	614.55	389.04	NA	113.11	167.38	-73%
Rajasthan	16.03	78.34	47.18	116.40	93.85	0.00	70.08	49%
Assam	163.22	148.23	155.72	64.09	89.90	2.11	52.03	-67%
Bihar	351.10	258.18	304.64	105.75	33.97	42.32	60.68	-80%
Himachal Pradesh	107.44	108.56	108.00	21.07	58.98	0.00	26.68	-75%
Maharashtra	14.80	31.29	23.05	0.00	0.00	0.00	0.00	-100%
Odisha	97.03	108.72	102.88	2.47	0.00	0.00	0.82	-99%

Source: Authors calculations based on data collected directly from sample states.

Table 30: State government transfers/grants per-capita to District panchayats (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
SFC transfer								
Himachal Pradesh	8.16	8.33	8.25	112.72	75.58	176.74	121.68	1376%
Bihar	49.37	51.16	50.27	0.45	22.48	21.83	14.92	-70%
Assam	1.76	91.95	46.86	28.71	35.61	4.64	22.99	-51%
Odisha	43.97	36.09	40.03	15.29	15.23	14.88	15.13	-62%
Karnataka	None reported			None reported				
Madhya Pradesh								
Maharashtra								
Rajasthan								
Grant-in-Aid from State Government								
Maharashtra	5049.28	5570.76	5310.02	4797.81	5313.54	6174.46	5428.60	2%
Himachal Pradesh	2.51	2.71	2.61	25.79	22.49	24.83	24.37	834%
Assam	34.47	53.97	44.22	0.09	20.78	22.65	14.50	-67%
Bihar	10.49	6.06	8.28	25.16	8.75	12.15	15.36	86%
Madhya Pradesh	0.00	38.31	19.15	14.88	7.26	7.11	9.75	-49%
Karnataka	1.35	0.00	0.67	0.52	0.00	0.00	0.17	-74%

Rajasthan	37.64	22.00	29.82	67.62	93.98	117.93	93.18	212.45
Odisha	None reported			None reported				
Transfers from State Government (Schemes)								
Madhya Pradesh	147.30	108.34	127.82	154.83	161.88	56.50	109.19	-14.58
Odisha	54.62	24.00	39.31	12.04	10.67	21.96	16.31	-58.50
Bihar	14.14	5.02	9.58	2.74	21.19	7.98	14.58	52.18
Rajasthan	1.50	0.92	1.21	0.00	0.00	0.00	0.00	-100
Assam	36.41	36.93	36.67	0.81	0.39	0.23	0.48	-99%
Karnataka	1.21	0.00	0.60	32.40	0.00	NA	10.80	1688%
Maharashtra	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Himachal Pradesh	None reported			None reported				
Total State Government Transfers/Grants								
Maharashtra	5049.28	5570.76	5310.02	4797.81	5313.54	6174.46	5428.60	2%
Himachal Pradesh	10.67	11.04	10.86	138.51	98.07	201.57	146.05	1245%
Madhya Pradesh	147.30	146.65	146.98	169.71	169.14	63.61	134.15	-9%
Bihar	74.01	62.24	68.13	28.35	52.42	41.95	40.91	-40%
Assam	72.64	182.85	127.74	29.61	56.79	27.52	37.97	-70%
Rajasthan	39.14	22.93	31.03	67.62	93.98	117.93	93.18	200%
Odisha	54.62	24.00	39.31	12.04	10.67	21.96	14.89	-62%
Karnataka	2.55	0.00	1.28	32.91	0.00	NA	10.97	759%

Source: Authors calculations based on data collected directly from sample states

Table 31: Own sources of Revenue, per-capita, of District Panchayats (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Own Revenue								
Maharashtra	147.32	248.97	198.14	149.25	140.81	105.25	131.77	-33%
Himachal Pradesh	1.96	2.04	2.00	2.63	2.71	4.23	3.19	60%
Assam	1.71	1.74	1.72	1.93	2.13	2.51	2.19	27%
Bihar	0.28	0.25	0.26	0.35	0.53	0.45	0.44	69%
Madhya Pradesh	0.25	0.17	0.21	0.13	0.12	0.13	0.13	-38%
Karnataka	0.00	0.00	0.00	0.00	0.00	NA	0.00	
Odisha	0.21	0.21	0.21	0.00	0.00	0.00	0.00	-100%
Rajasthan	2.69	2.44	2.57	3.50	2.88	2.82	3.07	19.32

Source: Authors calculations based on data collected directly from sample states.

Table 32: Proportion of Union, State Government and Own Source revenues in the revenue basket of DPs

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
CFC transfer								
Bihar	23.0	60.2	39.0	66.3	28.0	46.7	51.0	12.0
Himachal Pradesh	89.5	89.2	89.4	13.0	36.9	0.0	15.2	-74.2
Assam	25.2	22.5	23.6	20.2	4.3	2.2	9.5	-14.1
Karnataka	1.8	1.9	1.8	1.9	NA	0.0	0.9	-0.9
Madhya Pradesh	4.6	3.8	4.1	1.9	0.6	1.0	1.2	-2.9
Maharashtra	0.3	0.5	0.4	0.0	0.0	0.0	0.0	-0.4
Odisha	49.5	64.3	56.4	8.3	0.0	0.0	0.0	-56.4
Rajasthan	9.9	6.1	7.5	0.0	0.0	0.0	0.0	-7.5
Transfers from Union Government (Schemes)								
Karnataka	97.4	97.8	97.5	90.3	NA	99.9	95.1	-2.4
Madhya Pradesh	82.5	85.7	84.2	87.1	88.7	88.9	88.8	4.5
Assam	43.5	22.0	31.0	46.9	56.1	4.4	46.9	16.0
Rajasthan	15.7	69.4	49.1	62.1	49.2	0.0	42.1	-7.0
Bihar	59.5	20.4	42.7	12.4	11.1	3.2	9.5	-33.2
Maharashtra	Not Reported			Not Reported				Not Reported
Himachal Pradesh								
Odisha								
State Govt								
Odisha	50.3	35.6	43.5	91.7	100.0	100.0	97.3	53.8
Maharashtra	95.6	93.8	94.7	96.4	96.9	95.2	96.1	1.4
Himachal Pradesh	8.9	9.1	9.0	85.4	61.4	97.9	83.0	74.0
Bihar	17.4	19.4	18.3	21.1	60.3	49.5	40.1	21.8
Assam	30.6	54.9	44.8	31.0	38.2	85.6	41.2	-3.6
Madhya Pradesh	12.9	10.6	11.6	11.0	10.6	10.1	10.7	-0.9
Karnataka	0.3	0.0	0.2	7.8	NA	0.0	3.9	3.7
Rajasthan	62.3	22.1	37.3	36.1	49.3	97.7	36.1	18.7
Own Revenue								
Assam	0.7	0.5	0.6	2.0	1.4	7.8	2.4	1.8
Maharashtra	2.8	4.2	3.5	3.0	2.6	1.6	2.3	-1.2
Himachal Pradesh	1.6	1.7	1.7	1.6	1.7	2.1	1.8	0.2
Bihar	0.1	0.1	0.1	0.3	0.6	0.5	0.4	0.4
Madhya Pradesh	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Karnataka	0.0	0.0	0.0	0.0	NA	0.0	0.0	0.0
Odisha	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-0.1
Rajasthan	4.3	2.4	3.1	0.0	0.0	0.0	0.0	-3.1

Source: Authors calculations based on data collected directly from sample states.

Chapter 5: Expenditure Analysis

5.1 Expenditure at the Panchayat levels

In this chapter, we examine the expenditure undertaken at the Panchayat level. The focus is on the GPs alone, for two reasons. First, the District and Intermediate Panchayats are not the intended recipients of the FoFC funds, even though, as described in the previous chapter, some CFC funding, largely of TFC grants, have indeed been transferred to them. The FoFC has stipulated that GPs should be the direct beneficiaries of the CFC funds and these funds are to be used for the provision of core services at that level. Second, the data emerging from the District and Intermediate levels have shown several gaps in spite of our efforts to secure all data points we intended to collect.

Data Deficiencies

At the sample GP level, most GPs were not able to distinguish expenditure from CFC funds specifically. Data was thus collated for the sample districts from the NIC's PriaSoft accounting suite, which is used in most States for the maintenance of GP accounts.

It is, however, important to note that there are significant deficiencies in the PriaSoft data. No data was available for Madhya Pradesh, Bihar and Karnataka. Data for Odisha was incomplete. There are also differences in the data collected from the PriaSoft portal and data collected directly from sample GPs. For example, a comparison between PriaSoft data and field data collected from a GP in Maharashtra shows that while the latter reports no expenditure in 2016-17, field data shows an expenditure of Rs. 36,053 in the sample GP (Table 33).

Table 33: Data Gaps in PriaSoft

Example from 1 GP in Maharashtra (Rs.)		Field data from sample GP	As per PRIA Soft	Difference
2015-16	Receipt	1410820	0	1410820
	Expenditure	0	0	0
2016-17	Receipt	3842185	13,18,157	25,24,028
	Expenditure	36053	0	36,053
2017-18	Receipt	6784344	54,66,188	13,18,156
	Expenditure	201830	2,01,831	-1

Source: Data obtained from PriaSoft and sample GPs.

We also noted a significant gap between reported revenue receipts and reported expenditure in many States. In all States except Rajasthan, there was a revenue surplus over expenditure. In Bihar this was close to 90 percent and in Karnataka, around 80 percent. The details of these gaps is elaborated in Table 34.

Table 34: Comparison of five year cumulative revenues against expenditures (Rs. Lakhs)

State	Cumulative figures; Rs. Lakhs (2013-14 to 17-18; 5 years)			Remarks
	Revenue	Expenditure	Revenue minus Expenditure	
Assam	227.72	224.51	3.21	12 of 14 expenditure attributes reported (please see table 36)
Bihar	1154.10	121.63	1032.47	No expenditure data reported for 2013-14 & 14-15. and Only 4 categories of expenditure reported in 2015-16,16-17 and 17-18
Himachal Pradesh	426.40	320.58	105.81	10 expenditure categories reported. State scheme expenditure not reported. Large mismatch between revenue and expenditures on Central schemes.
Karnataka	1638.73	319.18	1319.55	Expenditure reported against CFC receipts alone for all years; for only 6 categories
Maharashtra	440.83	285.00	155.83	Expenditure reported on 12 out of 14 categories. State schemes and Grant in aid expenditure not reported
Madhya Pradesh	389.29	238.58	150.71	Expenditure reported on 13 out of 14 categories. Large mismatch between revenue from Central & State schemes and expenditures
Odisha	668.06	400.65	267.41	Expenditure reported on 12 out of 14 categories on average. However only 7 categories reported in 2013-14 and 9 each in 2014-15 and 2015-16 respectively. High own revenues of one GP also drives the revenue surplus over expenditure.
Rajasthan	987.38	1006.25	-18.87	Expenditure reported on 12 out of 14 categories. Community assets and roads accounts for 56.5% of expenses, Central Scheme and State scheme expenses not reported

Utilisation of CFC Funds

Despite the data gaps shown in Table 34, PriaSoft reports the utilization specifically for CFC funds. As can be seen in Table 35, all CFC funds allotted were not utilised in most districts, though utilisation was generally higher in 2017-18 compared to the previous year. There are however significant differences across states, years and even across districts within a state. For instance, while utilisation was over 81% in the sample GP of Thane district in Maharashtra in 2016-17, it was only 36% in Kolhapur district and 0% in Ahmednagar. Assam reported significantly higher utilisation in 2016-17. The quantum of expenditure however suggests that this could be possibly due to previous year's allotments and unspent balances being spent in 2016-17.

Table 35: Utilisation of CFC Funds

State	District in which sample GP is located	% of CFC funds utilised by sample GP in 2016-17	% of CFC funds utilised by sample GP in 2017-18
Himachal Pradesh	Kullu	14%	No receipt but expenditure
	Kangra	26%	110%
	Sirmaur	0%	15%
Maharashtra	Thane	81%	118%
	Kolhapur	36%	108%
	Parbhani	52%	92%
	Ahmednagar	0%	4%
Assam	Barpeta	1595%	42%
	Sonitpur	1208%	40%
	Golaghat	1272%	35%
Rajasthan	Hanumangarh	NA	15%
	Tonk	99%	9%
	Sirohi	57%	87%
	Churu	0%	78%

Source: Data obtained from PriaSoft. Accessed in March 2019.

Overcoming the 'classification of expenditure' challenge

We discovered that there were myriad ways in which GP expenditure was classified by different States. There are as many as 172 unique line items of expenditure reported by States. Some of these are unique to each State, such as the State specific schemes and programmes with their distinctive nomenclature and objectives. However, some of these variations arise out of the different ways in which the same expenditure is termed in different States. These variations posed significant challenges for classification of expenditure into standard categories applicable to all States, which in turn would enable comparison of data across states to detect cross cutting trends and patterns.

After examining all aspects of the data available, the following broad classification of expenditure items has been arrived at. This conforms to the extent possible to the stipulations of the FoFC on the focus of expenditure at the GP level. Wherever expenditure falls outside the scope of the 'core function', suggested by the FoFC, we have classified the expenditure into broad object categories, and finally, into a category that comprises of non-attributable items of expenditure. This 14 point listing of expenditure is used throughout the analysis undertaken in this chapter (Table 36). The extent to which the States have used, or omitted to provide data in the classification given is also detailed:

Table 36: Categorisation of expenditure by GPs and granularity of reporting by States:

		Assam	Bih	HP	Kar	MP	Maha	Odi	Raj
A	Community Assets								
1	Building/Community Assets								
2	Parks, Playgrounds, Burial And Cremation Grounds								
B	Roads, Bridges and other connectivity								
3	Construction Local Body Roads and Footpaths								
4	Maintenance of Local Body Roads and Footpaths								
C	Water Supply and Sanitation								
5	Water Supply								
6	Sanitation								
D-7	Street Lighting								
E-8	Productive Sector (Agriculture, Animal Husbandry, Forestry, Fisheries)								
F-9	Welfare								

G Establishment and Office									
10	Salaries & Wages & Pensions for Employees								
11	Office Expenses								
H Non attributable									
12	Scheme related expenditure - Central								
13	Scheme related expenditure - State								
14	Others								

Source: Authors calculations based on data collected from sample GPs.

When calculating per-capita allocations for all the samples, we have used the total population of all the sample GPs, regardless of whether the expenditure has been incurred in a particular head for any particular GP or otherwise. The per-capita calculation for each State has taken into account the population of the samples in that State, even if a particular sample GP in that State has not reported any expenditure under any particular head in the 14 point abstract classification of the 172 items of expenditure, as detailed in Table 35.

With these clarifications on how we approached the data analysis, we proceed below with describing it and elaborating on our findings.

Overall Expenditure at the GP level

The overall expenditure year-wise in terms of absolute numbers, per-capita and inter-se proportions is detailed in Table 36:

Table 37: Category-wise Expenditure of GPs

	Expenditure Category	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
		2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Item wise expenditure (Rs. Lakhs)									
1	Building/Community Assets	89.76	95.46	92.61	109.68	171.59	174.34	151.87	63.99
2	Parks, Playgrounds, Burial And Cremation Grounds	13.97	36.52	25.25	16.94	44.24	18.02	26.40	4.57
3	Construction Local Body Roads and Footpaths	129.85	149.99	139.92	73.79	162.76	115.72	117.42	-16.08
4	Maintenance of Local Body Roads and Footpaths	18.86	4.87	11.87	10.62	10.02	15.76	12.13	2.22
5	Water Supply	80.25	47.93	64.09	69.42	73.86	66.82	70.04	9.27
6	Sanitation	35.77	69.42	52.60	30.16	92.05	90.44	70.89	34.77
7	Street Lighting	64.54	15.22	39.88	67.83	69.70	45.63	61.05	53.09
8	Productive Sector	27.11	4.86	15.99	1.28	8.83	4.33	4.81	-69.89
9	Welfare	2.21	7.52	4.87	2.14	5.02	26.40	11.18	129.86
10	Salaries & Wages & Pensions for Employees	6.22	13.32	9.77	18.55	18.22	17.10	17.96	83.80
11	Office Expenses	12.33	14.04	13.18	11.52	20.01	17.43	16.32	23.81
12	Scheme related expenditure - Central	5.43	0.86	3.14	11.52	2.07	0.08	4.55	44.89
13	Scheme related expenditure - State	6.20	1.18	3.69	16.92	15.54	70.41	34.29	829.09
14	Others	51.71	31.25	41.48	9.25	29.92	43.77	27.65	-33.35
	Total Expenditures (Rs. Lakhs)	544.22	492.45	518.34	449.63	723.83	706.24	626.57	20.88
Abstract item wise expenditure (Rs. Lakhs)									
A	Community Assets (1 & 2)	103.74	131.98	117.86	126.63	215.83	192.36	178.27	51.26

B	Roads, Bridges and other connectivity (3 & 4)	148.71	154.87	151.79	84.41	172.78	131.47	129.55	-14.65
C	Water Supply and Sanitation (5 & 6)	116.02	117.35	116.69	99.59	165.92	157.26	140.92	20.77
D	Street-lighting (7)	64.54	15.22	39.88	67.83	69.70	45.63	61.05	53.09
E	Productive sector (8)	27.11	4.86	15.99	1.28	8.83	4.33	4.81	-69.89
F	Welfare sector (9)	2.21	7.52	4.87	2.14	5.02	26.40	11.18	129.86
G	Establishment and Office (10 & 11)	18.54	27.36	22.95	30.07	38.24	34.53	34.28	49.34
H	Non attributable (12, 13 & 14)	63.34	33.29	48.31	37.69	47.52	114.25	66.49	37.62
Per Capita (Rs)									
1	Building/Community Assets	48.40	51.48	49.94	59.15	92.53	94.01	81.90	63.99
2	Parks, Playgrounds, Burial And Cremation Grounds	7.54	19.69	13.61	9.14	23.86	9.72	14.24	4.57
3	Construction Local Body Roads and Footpaths	70.02	80.88	75.45	39.79	87.77	62.40	63.32	-16.08
4	Maintenance of Local Body Roads and Footpaths	10.17	2.63	6.40	5.73	5.40	8.50	6.54	2.22
5	Water Supply	43.28	25.85	34.56	37.44	39.83	36.03	37.77	9.27
6	Sanitation	19.29	37.44	28.36	16.27	49.64	48.77	38.22	34.77
7	Street Lighting	34.80	8.21	21.51	36.58	37.59	24.60	32.92	53.09
8	Productive Sector	14.62	2.62	8.62	0.69	4.76	2.34	2.60	-69.89
9	Welfare	1.19	4.06	2.62	1.15	2.71	14.23	6.03	129.86
10	Salaries & Wages & Pensions for Employees	3.35	7.18	5.27	10.00	9.83	9.22	9.68	83.80
11	Office Expenses	6.65	7.57	7.11	6.21	10.79	9.40	8.80	23.81
12	Scheme related expenditure - Central	2.93	0.46	1.69	6.21	1.12	0.04	2.46	44.89
13	Scheme related expenditure - State	3.35	0.63	1.99	9.13	8.38	37.97	18.49	829.09
14	Others	27.88	16.85	22.37	4.99	16.13	23.61	14.91	-33.35
	Total Expenditures (Rs. Lakhs)	293.47	265.55	279.51	242.46	390.33	380.84	337.88	20.88

Abstract per Capita (Rs)									
A	Community Assets (1 & 2)	55.94	71.17	63.55	68.28	116.39	103.73	96.13	51.26
B	Roads, Bridges and other connectivity (3 & 4)	80.19	83.51	81.85	45.52	93.17	70.90	69.86	-14.65
C	Water Supply and Sanitation (5 & 6)	62.57	63.28	62.92	53.70	89.47	84.80	75.99	20.77
D	Street-lighting (7)	34.80	8.21	21.51	36.58	37.59	24.60	32.92	53.09
E	Productive sector (8)	14.62	2.62	8.62	0.69	4.76	2.34	2.60	-69.89
F	Welfare sector (9)	1.19	4.06	2.62	1.15	2.71	14.23	6.03	129.86
G	Establishment and Office (10 & 11)	10.00	14.75	12.38	16.21	20.62	18.62	18.48	49.34
H	Non attributable (12, 13 & 14)	34.15	17.95	26.05	20.32	25.63	61.61	35.85	37.62
Percentage of Various Categories of Expenditure									
1	Building/Community Assets	16.5	19.4	17.9	24.4	23.7	24.7	24.26	35.80
2	Parks, Playgrounds, Burial And Cremation Grounds	2.6	7.4	4.9	3.8	6.1	2.6	4.14	-14.92
3	Construction Local Body Roads and Footpaths	23.9	30.5	27.0	16.4	22.5	16.4	18.43	-31.74
4	Maintenance of Local Body Roads and Footpaths	3.5	1.0	2.3	2.4	1.4	2.2	1.99	-12.98
5	Water Supply	14.7	9.7	12.4	15.4	10.2	9.5	11.70	-5.36
6	Sanitation	6.6	14.1	10.1	6.7	12.7	12.8	10.74	5.88
7	Street Lighting	11.9	3.1	7.7	15.1	9.6	6.5	10.39	35.07
8	Productive Sector	5.0	1.0	3.1	0.3	1.2	0.6	0.71	-77.11
9	Welfare	0.4	1.5	0.9	0.5	0.7	3.7	1.64	74.22
10	Salaries, Wages & Employee Pensions	1.1	2.7	1.9	4.1	2.5	2.4	3.02	60.29
11	Office Expenses	2.3	2.9	2.5	2.6	2.8	2.5	2.60	2.16
12	Scheme related expenditure - Central	1.0	0.2	0.6	2.6	0.3	0.0	0.95	57.11
13	Scheme related expenditure - State	1.1	0.2	0.7	3.8	2.1	10.0	5.29	643.42
14	Others	9.5	6.3	8.0	2.1	4.1	6.2	4.13	-48.40
	Total Expenditures (Rs. Lakhs)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Abstract percentage of Various Categories of Expenditure									

A	Community Assets (1 & 2)	19.1	26.8	22.9	28.2	29.8	27.2	28.4	23.9
B	Roads, Bridges and other connectivity (3 & 4)	27.3	31.4	29.4	18.8	23.9	18.6	20.4	-30.5
C	Water Supply and Sanitation (5 & 6)	21.3	23.8	22.6	22.1	22.9	22.3	22.4	-0.6
D	Street-lighting (7)	11.9	3.1	7.5	15.1	9.6	6.5	10.4	39.0
E	Productive sector (8)	5.0	1.0	3.0	0.3	1.2	0.6	0.7	-76.3
F	Welfare sector (9)	0.4	1.5	1.0	0.5	0.7	3.7	1.6	69.2
G	Establishment and Office (10 & 11)	3.4	5.6	4.5	6.7	5.3	4.9	5.6	25.4
H	Non attributable (12, 13 & 14)	11.6	6.8	9.2	8.4	6.6	16.2	10.4	12.8

Source: Authors calculations based on data collected from sample GPs.

The following insights emerge from an examination of the data in Table 36:

Prima facie evidence that expenditure growth has not kept pace with revenue increases:

As seen in Table 15 (Chapter 4), the total quantum of revenues from all sources, Union, State and own revenues, went up from an annual average of Rs. 9.28 crore (Rs. 501 per capita) in the TFC period to Rs. 13.54 crore (Rs. 730 per capita) in the FoFC period. However, the overall reported expenditure went up from to Rs. 5.18 crore (Rs. 280 per capita) to Rs. 6.27 crore (Rs. 338 per capita) in the same period. Year on year too, there was a consistent shortfall in reported expenditure over revenues in the sample Panchayats. However, as elaborated in Tables 34 and 35, there are significant variations between States in the manner and extent of reporting of revenues and expenditure. Some States may have omitted to report the details of expenditure more elaborately. PriarSoft, though it provides data, is also not a completely reliable source of up to date data.

From the data available, there is clear evidence on GP ability to spend revenues specifically in line with the relevant priorities and needs of the political jurisdictions they represent; on average a 20 per cent increase in expenditures in FoFC period compared to average TFC period, with distinct focus on 'core functions'

- There is an increase in the expenditure of sample GPs from Rs. 544 lakhs (Rs. 293 per capita) in 2013-14 to Rs. 706 lakhs (Rs. 381 per capita) in 2017-18. The average annual expenditure of Rs. 518 lakhs (Rs 271 per capita) during the TFC period went up to Rs. 627 lakhs for the FoFC period (Rs. 338 per capita), an increase of over 20 percent. The per capita increase and the rate of increase in percentage points is the maximum with respect to the core functions of the GPs.

Over 50 per cent increase in Expenditure on Community Assets and Water and Sanitation, but not so in Roads and Bridges

- Community assets accounted for 28.4 percent of this expenditure on an average during the FoFC period (Rs. 178 lakhs; Rs. 96 per capita) followed by Water and sanitation, which accounted for 22.5 percent (Rs. 141 lakhs; Rs. 76 per capita). Roads and bridges, accounting for 20.42 percent (Rs. 130 lakhs; Rs. 70 per capita) was the third highest category. There was a 51 percent increase in the expenditure on Community assets during the FoFC period and a 21 percent increase in Water and Sanitation expenditure over that in the TFC period. In the case of Roads and Bridges, there was a 15 percent drop in the expenditure proportion, from the TFC to the FoFC period.

Increasing expenditure on streetlights

- The provision of streetlights is emerging as an important core service. Expenditure on them has shown a healthy rise from the TFC to the FoFC period. The average annual expenditure on streetlights during the TFC period was Rs. 40 lakhs, (Rs 22 per capita), which increased to Rs. 61 lakhs in the FoFC period (Rs. 33 per capita). That meant a 53 percent increase in the FoFC period, over the TFC period.

Social Sector expenditure more than doubled

- Social sector expenditure showed the highest percentage increase (nearly 130 percent) in the FoFC period as compared to the TFC period. That being said, the base line was pretty modest; only Rs. 4.87 lakhs was spent on an average annual by the sample GPs on social sector services during the TFC period, which rose to Rs. 11 lakhs average for the FoFC period, due to a spurt in reported expenditure on this sector in 2017-18, of Rs. 26 lakhs.

The average per-capita revenues from State sources, namely (a) SFC grants, (b) State transfers and (c) State schemes during the TFC period was Rs. 131, which increased to Rs. 251 in the FoFC period. These funds could have been comprised of both general-purpose transfers and grants, and specific purpose grants under various schemes. However, it is not clear whether expenditure reported from State sources can be attributed distinctively to these three revenue sources. More observations on this matter is detailed in the following section.

Non standardisation in the classification of state scheme and establishment expenditure

State scheme expenditure seems to be a catch all category, which may contain expenditures on other sectors as well. Several States reported schemes that transfer money to the GPs and expenditure on these have been captured under the scheme head and not under any other overlapping objective head. For example, topping up untied grants given to the Panchayats may be spent for, say, streetlights, or water and sanitation, but may get accounted in the GPs under the scheme head. Given these possibilities, the dramatic increase of nearly 830 percent in the expenditure under State schemes

during the FoFC period, mainly due to a spurt of reported expenditure on this account during 2017-18, has to be seen with a tempered eye. Establishment and non-attributable expenditure constituted 16 percent of the expenditure basket during the FoFC period (Rs. 101 lakhs, average annual expenditure; amounting to Rs. 54 per capita) compared to 13.7 percent during the TFC period (Rs. 71 lakhs, average annual expenditure, amounting to Rs. 38 per capita). Of this, establishment expenditure, reported by all States except Bihar, Himachal Pradesh and Karnataka (who may possibly have classified such expenditure under the 'others' category) amounted to 5.6 percent.

State wise variations:

A study of state wise variations has to be approached with caution, because in spite of our best efforts, there have been omissions and inconsistencies in the data reported by the States. Such inconsistencies could be because of different modes of classification of expenditures in the respective accounting systems adopted in States. It is also possible (a likely possibility in Rajasthan, Assam and Karnataka, where the average annual per capita expenditure has dropped in the FoFC period as compared to the TFC period) that expenditure has not been fully entered into the books of the respective GPs, in spite of progress made in computerisation. In other cases, such as Bihar, data on expenditures had to be collected through individual cashbooks – which could go to as many as 32 in some GPs, resulting in lack of consistency and standardisation in recording.

With these caveats kept in mind, the overall per capita figures show a wide variation in total per capita expenditure by States (Table 38). Himachal Pradesh and Rajasthan show the highest per capita average expenditure during the FoFC period, of Rs. 957 and Rs. 870 respectively, followed by Madhya Pradesh, with an expenditure of Rs. 694 average per annum. Odisha and Maharashtra show expenditures of over Rs. 430 each, which is an increase of more than 114 percent in each State over the per capita average for the TFC period. Karnataka and Assam show much lower per capita expenditures, and both states also show a decline of 11 per cent and 9 percent, respectively in the average per capita expenditures for the FoFC period over the TFC period.

Table 38: Yearly per capita expenditure in sample GPs (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Himachal Pradesh	1132	727	930	905	1039	928	957	3
Rajasthan	1037	961	999	738	1130	744	870	-13
Madhya Pradesh	324	323	323	472	678	931	694	114
Odisha	188	217	203	170	679	461	437	115
Maharashtra	260	351	305	305	395	600	433	42
Karnataka	167	235	201	84	215	235	178	-11
Assam	236	71	154	144	133	141	139	-9

Source: Authors calculations based on data collected from sample GPs. Note: Data for Bihar has been excluded due to data gaps. One GP of MP has also been excluded as no data was available for some of the years which would adversely affect the averages.

Given the wide variations in the way that different States might have approached the classification of expenditures, we saw no useful insights emerging from an exercise of comparing state wise expenditures under each one of the 14 expenditure categories (and the 8 abstracted categories). We have therefore focused on the State wise comparison of expenditures only with respect to 4 important 'core' services, namely, Community Assets Roads, Bridges and other connectivity Water Supply and Sanitation and Street-lighting, which together constitute nearly 82 percent of all reported expenditure in the sample GPs. This analysis is detailed in Tables 39 to 42.

Table 39: Yearly per capita expenditure in sample GPs on Community Assets (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Odisha	133.6	150.6	142.1	122.1	410.0	366.1	299.4	110.7
Madhya Pradesh	50.6	181.9	116.3	152.8	332.8	247.9	244.5	110.2
Rajasthan	129.6	203.7	166.7	200.6	169.1	150.3	173.3	4.0
Himachal Pradesh	185.8	144.8	165.3	159.6	173.3	93.8	142.2	-14.0
Maharashtra	68.9	81.5	75.2	66.8	82.5	127.6	92.3	22.7
Assam	54.7	30.2	42.5	64.4	96.3	86.6	82.5	94.2
Bihar	0.0	0.0	0.0	0.6	0.4	0.4	0.4	
Karnataka	0.0	15.0	7.5	0.0	0.0	0.0	0.0	-100.0

Source: Authors calculations based on data collected from sample GPs.

Most States other than Karnataka and Bihar report reasonable levels of expenditure on Community Assets. Odisha and Madhya Pradesh top the list with per capita average amounts of Rs. 299 and Rs. 245 for the FoFC period, representing more than 110 per cent each over the corresponding average for the TFC period. Assam also shows a 94 per cent increase (Rs. 82.5 being the FoFC average, over Rs. 42.5, the TFC average). While Bihar shows negligible expenditure on this account, Karnataka also shows no expenditure on this account during the FoFC period. This could be a misclassification issue or due to backlogs in the maintenance of accounts at the GP level, given that Karnataka provides substantial grants to the GPs under both State and Union government streams. Rajasthan, Himachal Pradesh and Maharashtra show stable and increasing levels of per capita expenditure during both the TFC and the FoFC periods.

Table 40: Yearly per capita expenditure in sample GPs on Roads Bridges and Connectivity (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Madhya Pradesh	142.6	97.3	119.9	253.5	205.6	600.9	353.3	194.6
Himachal Pradesh	65.4	96.9	81.2	236.1	312.8	382.3	310.4	282.4
Rajasthan	436.4	548.0	492.2	144.6	415.3	210.6	256.8	-47.8
Odisha	38.7	40.9	39.8	20.8	148.0	1.0	56.6	42.1
Assam	71.6	24.7	48.1	27.5	14.2	6.2	16.0	-66.8
Maharashtra	35.9	20.0	27.9	8.8	26.6	1.9	12.4	-55.5
Karnataka	0.0	0.0	0.0	0.0	0.0	13.5	4.5	

Source: Authors calculations based on data collected from sample GPs.

With respect to 'Roads and Bridges', Madhya Pradesh and Himachal Pradesh report the highest per capita levels amongst the sample GPs, of Rs. 353 and Rs. 310, respectively during the FoFC period. These represent a 195 per cent and 282 per cent increase over the average per capita levels for the TFC period. Rajasthan's per capita of Rs. 257 during the FoFC period, represents a 48 per cent drop over the average per capita during the TFC period. Assam and Maharashtra show a steep fall in the average per capita expenditure on 'Roads and Bridges' during the FoFC period and Karnataka reports meagre expenditures on this sector during the FoFC period, and none at all, during the TFC period.

Table 41: Yearly per capita expenditure in sample GPs on water supply and sanitation (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Himachal Pradesh	756.4	336.9	546.7	504.3	408.2	438.6	450.4	-17.6
Rajasthan	131.0	126.9	129.0	136.6	367.6	249.9	251.4	94.9
Karnataka	55.9	157.7	106.8	20.3	78.5	152.4	83.7	-21.6
Maharashtra	57.8	80.2	69.0	81.3	85.3	84.4	83.6	21.2
Madhya Pradesh	38.9	9.2	24.0	49.9	63.4	18.7	44.0	83.2
Odisha	2.1	1.4	1.8	6.1	42.3	25.4	24.6	1290.7
Assam	14.9	0.0	7.4	34.9	10.1	2.9	16.0	115.1

Source: Authors calculations based on data collected from sample GPs.

On Water and Sanitation, Himachal Pradesh reports the highest per capita expenditure average for the FoFC period of Rs. 450 per annum, even though that represents a 17.6 per cent drop over its average of Rs. 547 during the TFC period. Rajasthan's expenditure on the other hand has increased by nearly 95 per cent to an annual average of Rs. 251 during the FoFC period, as compared to Rs. 129 during the TFC period.

In contrast to the negligible expenditures reported by Karnataka on Community Assets and Roads, the State reports Rs 84 as the FoFC average per capita annual expenditure, even though this is 21.6 per cent lower than the average expenditure during the TFC period, of Rs. 107. Maharashtra reports a modest increase of 21 per cent, to 84 rupees, during the FoFC period, over the TFC period. In contrast to its higher per capita expenditure levels on Community Assets and Roads, Madhya Pradesh spends a more modest annual per capita average of Rs. 44 during the FoFC period. Odisha and Assam's expenditures are low on Water and Sanitation during the FoFC period, even though they represent an increase over the expenditures in the TFC period.

Table 42: Yearly per capita expenditure in sample GPs on Street lighting (Rs.)

State	TFC period			FoFC period				Percentage increase/decrease FoFC over TFC
	2013-14	2014-15	Average for TFC last 2 years	2015-16	2016-17	2017-18	Average for FoFC period, first 3 years	
Rajasthan	278.9	41.3	160.1	201.7	94.0	49.2	115.0	-28.2
Karnataka	0.2	0.0	0.1	62.6	106.0	59.6	76.1	86274.4
Himachal Pradesh	14.2	64.4	39.3	0.0	99.6	8.6	36.1	-8.2
Maharashtra	17.6	8.9	13.2	12.2	13.1	13.1	12.8	-3.6
Assam	0.0	1.1	0.5	0.0	0.0	30.8	10.3	1852.5
Odisha	0.0	0.9	0.4	1.5	18.4	9.2	9.7	2164.2
Madhya Pradesh	0.0	0.0	0.0	3.5	1.0	4.3	2.9	

Source: Authors calculations based on data collected from sample GPs.

Rajasthan and Karnataka are the top spenders per capita on streetlights. Karnataka has not reported any expenditure on this account in the TFC period, which accounts for its higher percentage increase in the FoFC period on this account. Assam, Odisha and Madhya Pradesh also report negligible expenditure in the TFC period. Assam shows a spurt of expenditure during 2017-18. Himachal Pradesh also reports expenditure is spurts, with two peaks of expenditure, in 2014-15 and 2016-17.

5.2 Difficulties in utilisation of funds: Voices from the Field

In order to understand the constraints in utilisation of funds at the GP level, semi-structured interviews were conducted in a few sample GPs. The inconsistency of data described above along with the difficulties described below has a role to play in GPs ability to utilise funds effectively. Broadly these can be categorized into 3 main difficulties:-

Rigid Guidelines and Inflexibility

The de facto tied nature of funding in the GP, including the tying down of FoFC funds to specific purposes under the guise of creating integrated plans through the GPDP approach, seems to have hampered GPs from exploiting the full potential of these grants. Several GPs stated that despite the

intensions of providing untied funds to GPs, the guidelines hampered the flexibility of GPs to apply the CFC grants in the way that they wished. For instance, a GP in Sirohi district of Rajasthan stated, “Don’t call 14th Finance Commission money untied. The release of funds is followed with clear instructions from the state on what we can spend it on and we can’t deviate from that” (Paraphrased from GP in Sirohi, Rajasthan).

Another GP stated, “We can only spend it on things as stated by the State. We had wanted to have an awareness mela for Adivasi women but were told no, you need to spend it on a kankar road. That makes spending difficult as it needs different types of sanctions”. (Rajasthan).

In Himachal Pradesh, the criteria for utilisation of 14th FC funds had clearly indicated that 30% was to be spent on road construction, 30% on sanitation, 20% on wells and drinking water facilities and 20% on cremation grounds.

Similarly, in Assam, a GP noted, “CFC grants come with guidelines- they are 100% tied funds-Guidelines mention the kind of projects to undertake. Often constructing market shed and community halls under these funds (which is what is mandated) is not necessary. Crores go into such projects without actual use.”

This was particularly visible for Bihar and Madhya Pradesh where the State government had subsumed CFC funds for state schemes and programmes implemented at the GP level. Thus in Bihar, a proportion of the allocation under Basic Grant and the devolution by the SFC has been earmarked for the Mukhya Mantri Nal-Jal and Nali-Gali Yojana. See Extract below:

Extract from Government of Bihar, Circular/LT.No-5751 30-06-2017, page 17

8. मुख्यमंत्री ग्रामीण पेयजल निश्चय योजना का वित्त पोषण एवं प्रबंधन: पंचायतों को चौदहवें वित्त आयोग की अनुशंसा से प्राप्त होनेवाली बुनियादी अनुदान (Basic Grant) की कम-से-कम 40 प्रतिशत राशि एवं पंचम राज्य वित्त आयोग की अनुशंसा से प्राप्त होनेवाली प्रतिनिधायन (Devolution) की राशि का कम-से-कम 45 प्रतिशत राशि को जोड़ने के उपरांत वार्ड हेतु स्वीकृत पेयजल निश्चय योजना को पूरा करने के लिए वांछित अवशेष राशि को राज्य योजना मद से पूरा किया जायेगा। इस योजना हेतु ग्राम पंचायत द्वारा एक अलग बैंक खाता एवं सहायक रोकड़ बही कैश बुक संचारित किया जायेगा।

Similarly, in Madhya Pradesh, with the the FoFC Basic Grant and SFC grants pooled together at the state level under the Panch Parmeshwar Yojana, also hampered GP autonomy and 90 per cent of the money was spent on road construction

Delay in Fund Flows

The second common reason for low utilisation was with respect to delay of funds. For instance, a few GPs in Rajasthan spoke about the difference between when the money says it has been released on the website and when it actually reaches. As they state, “currently it says that it was released on 11.01.2019 but see, we are already in middle of March but haven’t received it”. Money reaching GPs in February and March at the end of the fiscal year was also a common complaint in Himachal Pradesh and Assam.

Administrative Difficulties

The third reason is the one of administrative difficulties in obtaining sanctions and approvals to commence and continue works. In Himachal Pradesh, surveyors were informed that the shelf of works is sent to the ZP for approval. Since the ZP meetings happen quarterly, it takes time for the approval of GP level works and for these to be started. Similar complaints were heard in Assam where the tendering process often led to delays.

Finally, a common complaint was with respect to limited capacity and staff at different levels of the PRI system – from DPs down to GPs. For example, as stated in one state, with only one Junior Engineer at the block level for around 20-30 GPs, technical sanctions for construction are delayed.

Chapter 6: Conclusions

This two-part study has attempted to study the dynamics of fiscal transfers from the Union Government to RLBs, based on the recommendations of the Union Finance Commissions. In this regard, the TFC and the FoFC represent watersheds in the evolution of the CFC's approach to the augmentation of the finances of the States, in order to supplement the finances of RLBs. Both these finance commissions not only recommended a quantum jump relative to the recommendations of the CFC just before it, but also introduced the concept of performance grants, the release of which is dependent on the fulfilment of performance conditions.

Both the increased allocations and the conditionalities for the release of basic grants and performance grants, underscored the need for a careful analysis of whether the intended outcomes of grants were being met. In this regard, it may be remembered that both the TFC and the FoFC, while stipulating the quantum, conditions for the receipt of the grants, and the specific purposes for which they were to be utilised, also continued to reiterate the conditions stated out by previous FCs, such as the implementation of a standardised accounting and auditing system for RLBs.

Broadly, our analysis shows that while the channels of flow of money are relatively smooth, there are still some bottlenecks that need to be addressed. The flow of funds from the Union to the State levels has settled down to a steady cadence; at the end of the five-year currency of each CFC report, there are fewer lapses of funds than was the case previously. Despite persistent lumpiness in the release of funds to RLBs – Assam and Bihar, for example, from our sample States, still suffer from delays and stutters in the receipt of their entitled funds – there is a healthy growth in most sample states studied. There is also a broad compliance to the expenditure conditionalities imposed by the FoFC, with nearly 80 per cent of the releases made to the Panchayats being used for core services, as identified and stipulated by the FoFC.

However, we notice four main adverse tendencies.

First, there is a clear tendency of Union ministries to engage in 'mission creep'. The MoPR's stipulation that Panchayats must prepare GPDP plans has turned out to be a potent instrument in the hands of States for control and oversight over the GP level planning and implementation process. It led to significant delays in the movement of the Performance Grant to the GPs.

Second, uncertainty persists and casts a shadow over the intentions of fiscal transfers, as evidenced by the delay and losing of the trail in the supply chain of money from the State to the district and sub-district levels. While States report that money has indeed been released to RLBs and they have reached their destination, Chapter 4 of this report indicates that it might not be the case in every State. At least two States in the sample we studied, have subsumed the CFC grants into their own State schemes, and in the process, failing to meet the stipulation that these funds are meant for the RLBs, albeit to be used for specific purposes. The fact that we discovered that CFC funds continue to be released to the District

and the Intermediate Panchayats during the FoFC period, is a matter of disquiet, and flies in the face of the FoFC stipulation that these funds ought to only go to the GPs, to be spent on 'core services'.

Third, accounting of incomes and expenditures at the Panchayat level still is not good enough to provide us the details that we, indeed any reasonable person, seeks. While States claim to have adopted the TGS approach offered by the CAG to streamline GP level accounts, judging from the lack of precise data available, this endeavour is still, regrettably, a failure. It is not possible to obtain data, even at designated intervals, of the extent of money received under each head of revenue income and the outflow from these moneys towards various expenditures. Our study for the FoFC revealed that it was impossible to disentangle capital from revenue expenditure; it is frustrating that there has not been any progress in this regard till date. Both accounting systems and accounting capability vary considerably from State to State. In some, the flow of money from each revenue head towards expenditure is not reported at all, and certainly not reported in real-time. Thus, the same impediment of being unable to tease out the expenditure on different objectives from different heads of account without resorting to a detailed examination of all accounting vouchers, obstructs us today.

Fourth, even as the above shortcomings hamper the collection of comprehensive and reliable data from the GPs, these problems are magnified at the IP and DP levels. Over the years, the accounting capability of these levels of local government has not been streamlined, with a few notable exceptions. Funds that flow to these levels of local government may comprise of (a) core funding that comes to it in accordance with the SFC recommendations, (b) programmatic funds that may come from various implementing line departments, (c) pass through funds that flow through these levels onward to GPs or other LGs (d) own revenues and (e) funds that flow to implementing wings of these bodies, which are usually officers on deputation from their parent departments to the RLBs. However, in the absence of a robust, unified accounting system that is capable of, and indeed, captures these funds that criss-cross their way through these levels, there is no way of finding out the true levels of expenditure and the precise paths that these funding streams take to traverse their way through these RLBs.

For these reasons, one is not able to fully and precisely determine the funding pathways that link revenue inflows with expenditure objects. The only way to do this is to undertake a voucher level study in each Panchayat, because eventually, each expenditure voucher is meant to capture the precise details of the source of funds being spent and for what they are being spent. Such a study is time consuming, expensive and beyond the scope of this research effort.

The question is whether this blurring of the money trail can be cured in the near future. The only way to do that is to implement a voucher level accounting discipline in each panchayat, including the DP and the IP, with a link to the public domain. This will entail the provision of adequate staff at each Panchayat to use and implement a standardised accounting system. States are empowered under the Constitution to determine the mode of accounting systems, so the Union can do little more than attempting to persuade the State to accept standards of classification and data entry that enable interoperability between the sets of accounts of different States. However, neither the persuasion by the Union government, nor the imposition of conditionalities of compliance to prescribed patterns of

accounting have worked, if the extent to machine read data put out in the public domain is reckoned. In such circumstances, the FFC could stipulate that States must stabilise their RLB level accounting systems at a pace by which in the next five years, all data conforms to certain standards that enable inter-operability. In addition, the FFC could also stipulate that the Union government design systems by which State accounts, even if they vary from each other in their patterns, can be machine read and classified into a standard, pan-India set of formats that enables comparisons to be drawn between States on their revenues and expenditures. The objective ought to be that no future CFC is constrained by the need to send teams to the field to collect data manually or seek reports from States. At least by the next CFC, it must be made possible for data to be automatically extracted from the formats under preparation by the RLBs, for analysis and study.