

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

MADHYA PRADESH STATE REPORT

C. Bhujanga Rao

March 2007



**NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY
NEW DELHI**

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Under the terms of UNDP project No. IND/03/020 titled “Rural Decentralisation and Participatory Planning for Poverty Reduction”, executed through the Planning Commission over the period 1 March, 2004 to 31 December, 2007, a study was assigned to NIPFP. Under the terms of reference, enclosed as annex 2 in the overall report, NIPFP undertakes to present one overall report and four state reports covering the states Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan.

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

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

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

Overall Report of Four States	Prof. Indira Rajaraman
Chhattisgarh	Dr. Manish Gupta
Madhya Pradesh	Dr. C. Bhujanga Rao
Orissa	Dr. Pratap Ranjan Jena
Rajasthan	Dr. O.P. Bohra.

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C. Bhujanga Rao

RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION

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RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION

FINAL REPORT: MADHYA PRADESH

1. INTRODUCTORY

1.1 OBJECTIVES AND METHODOLOGY

This study is part of a larger UNDP project no IND/03/020 signed with the Planning Commission of the Government of India. The larger project is operational in character, with a largely capacity building focus, and pilot participatory approaches focused at the village level. It is expected to converge with other UNDP supported programmes for the capacity building of elected women functionaries and the District Governance programme. The study executed at NIPFP and reported here is part of that larger project, but has a research rather than operational character. The geographical coverage of the larger project, and hence of the NIPFP component as well, is confined to four states: Chhattisgarh,¹ Madhya Pradesh, Orissa and Rajasthan.

The present study is confined to Madhya Pradesh. Similar reports for the other states are carried out separately. The coverage of Madhya Pradesh study is confined to the backward districts within the state receiving RSVY support (Backward District Initiative of the Planning Commission). The two pre-selected districts are Mandla and Khargone in Madhya Pradesh.

This set of two district was subsequently expanded, for the purposes of the NIPFP study alone, to include districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. A further set of two districts viz., Bhind and Vidisha was added on through principal component analysis, rather than random selection, since the intent of the

¹ The state came into existence in November 2000, before which it was a constituent of Madhya Pradesh.

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

The terms of reference (TOR) as agreed to between UNDP and the National Institute of Public Finance and Policy has been listed in the overall report (annex 1), for convenience it has been reproduced. Five project objectives are enunciated in the TOR. They are:

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

The following sources and approaches together define the methodological approach:

- a. Budget of the state for FY 2006-07 (BE) to quantify the functional devolution in place.
- b. The Central Budget, also for FY 2006-07 (BE), will be used to quantify the share of Central flows to the rural sector actually going directly to panchayats.
- c. Data from field survey for covering 262 sample gram panchayats, 16 janpad panchayats, and 4 district panchayats in Madhya Pradesh. An initial set of two backward districts were pre-selected by UNDP. An additional set of districts

were required by the terms of the project, with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. Two such were accordingly selected from a ranking of districts in Madhya Pradesh using principal component analysis. Within the selected districts, the sample panchayats were selected in accordance with standard sampling procedures. Details on the sample selection procedure are in Chapter 2 of this report.

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

The field survey itself has two components:

1. There is a questionnaire on the panchayat as an institution, where the targeted respondent was either a panchayat elected official, or the panchayat secretary. Three questionnaires, one for each of the three tiers in the panchayat structure, are appended to the overall report as annexes 3, 4 and 5 for the gram panchayat (GP), janpad or block panchayat (JP), and zilla panchayat (ZP) respectively. This questionnaire ascertains the composition of the elected body, institutional aspects of their functioning such as frequency of meetings and interaction with gram sabhas, the quantum and seasonal timing of fund flows received from the Central and state schemes, performance of agency functions with respect to these schemes from data on fund utilisation, awareness of the extent of their fiscal domain, own revenues actually raised, and finally, willingness to raise further revenues through the contingent valuation method. The focus in terms of detail of information collected as well as sample size is at gram panchayat level, where executive authority is vested, but there is a smaller sample covering panchayats at the middle and district tiers.
2. There is a questionnaire on the main village of every sample GP, which is Part B of the GP questionnaire (see annex 3 of the overall report). The information includes information on the degree of ethnofractionalisation, number of households below the poverty line, number of *kutcha* and *pucca* structures, type/s of water sources and distance/s to them, distance to fuel wood source, sanitation and solid waste disposal status, water conservation practices, street

lighting, distance to primary and secondary education facilities, and details on the functioning of these facilities, distance to primary health centre and the functioning of these, and law and order.

The questionnaire for Madhya Pradesh has to accommodate the delegation of authority for execution to the Gram Sabha. Since this is a general body which meets only infrequently, executive responsibility has been vested with eight committees of the gram sabha, thus creating a parallel structure of authority. Notwithstanding this complication, the survey in Madhya Pradesh will be confined to elected PRI officials, as in other states, but will have an additional section on the impact of executive involvement by Gram Sabha committees.

Table 1.1 summarises the chapter structure of this report and maps into each the TOR objective covered, and the methodology used to serve that objective.

Table 1.1: Summary of Contents

Overall report	Four state reports	Objectives	Methodology
Chapter 1	Chapter 1	Introductory	
Chapter 2	Chapter 2	TOR (i) Sample selection procedure for field survey	a
	Chapter 3	TOR (i), (ii), (iii)	d
Chapter 3	Chapter 4	TOR (iii)	c,d
Chapter 4	Chapter 5	TOR (iv)	b,c
Chapter 5	Chapter 6	TOR (v)	c
Chapter 6	Chapter 7	Concluding	

The two basic sources of intergovernmental fund flow to panchayats are the state government, and the Centre. Although the Constitutional Amendments were enacted at the Centre, it is at the level of the state where authority for expenditure assignment and devolution of functions to panchayats is fundamentally vested. No devolution of functions is expected from Centre to states. A list of 29 functions is listed in a schedule

attached to the Constitutional Amendment, defining the universe of state functions for which devolution to PRIs is suggested, these are listed in annex 2 of the overall report.

Chapter 2 of this report for Madhya Pradesh provides details on the principal component analysis through which the comparator set of two districts were selected, along with the sampling design used for the field survey. Tests for consistency of this generated ranking with respect to two other rankings, one by per capita income, and the other by the Human Development Index show that the PCA ranking is statistically different from those other rankings. The chapter also has a section on the mode of identification of Below Poverty Line (BPL) households in Madhya Pradesh.

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

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

Chapter 5 covers fund flows to PRIs from the Centre, which have two components. One component consists of flows to State government as a part of Centrally Sponsored Schemes, augmented by the state governments in prescribed percentages. These are incorporated within the consolidated fund of the states, the share of which going directly to panchayats already stands identified in chapter 2. Central flows bypassing state government to rural areas is divided into two categories. One component goes directly to PRIs. This in turn has two components, one that is scheme-specific, and the other consisting of flows mandated by the Twelfth Finance Commission for the

period 2005-10, and by the Eleventh and Tenth Commissions, for the preceding quinquennia. The second component bypasses PRIs, and is spent through scheme-specific or other agencies of the Centre. The sources used for this chapter are the Budget of the Centre for fiscal year 2006-07, supplemented by field survey data from the recipient end, which pertains to the year 2005-06.

The utilisation of receipts by PRIs, and thereby the state of fiscal monitoring in Madhya Pradesh is assessed in chapter 6.

Chapter 7 concludes the report.

The following section of this introductory chapter provides a brief overview of the status of PRI legislation in Madhya Pradesh.

1.2 FORMAL STATUS OF DECENTRALISATION TO PRIS IN MADHYA PRADESH

Madhya Pradesh (MP) has amended its Panchayati Raj Acts in 1994 to conform to the seventy-third Constitutional Amendment. A further amendment in Madhya Pradesh in 2005 empowered Gram Sabhas (GS) under the re-named *Madhya Pradesh Panchayati Raj and Gram Swaraj Adhiniyam*. This empowered the GS with the functional responsibilities of the GP, to be executed through an assortment of committees. MP further de-centralised decision making power at the district level in the form of “Zilla Sarkar” (District Government), which is the district level arm of the state government, and is quite distinct from the zilla panchayat, but this has now been repealed. A segment of the questionnaire for MP attempts to assess the operational impact of these amendments.

The number of panchayats at village, block and the districts levels are as shown in table 1.2, and the electoral history in table 1.3.

Table 1.2: Panchayati Raj Institutions at the Three Tiers

Gram panchayats	Intermediate panchayats	District panchayats	Total
22029 (70)	313 (7)	45	22387

Source: Ministry of Panchayati Raj, Government of India, 2004. <http://www.panchayat.gov.in>

Note: The figures are with reference to 1 April 2004. Those in parentheses indicate the number of GPs per intermediate panchayat, and the number of intermediate panchayats per ZP.

Table 1.3: Elections to Panchayati Raj Institutions

First	Second	Third
1994	January 2000	January 2005

Source: *Ibid.*

The number of elected representatives at village level was 9 per GP in the state of MP. At the block level, there were 14 elected representatives whereas district level, it was 11 representatives per ZP in the state of MP. One-third of all seats are reserved for women.

State Finance Commissions at quinquennial intervals are among the mandated requirements. Madhya Pradesh has constituted its third SFC, whose report is awaited. The principal task addressed by SFCs has been setting the share of PRIs in the state revenues. The prescriptions on the divisible pool and PRI shares show little change between the first and second SFCs in the state of MP. In addition to tax shares, there are also grants prescribed by the SFCs (general purpose, specific purpose, and establishment). The total amount received under SFC provisions therefore has to be pieced together from its components. The SFCs also make recommendations on a wide range of other issues. These issues have been discussed later in chapter 3.

2. SAMPLE SELECTION FOR THE FIELD SURVEY

2.1 THE FINAL SAMPLING UNIT

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

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

As the focus in terms of detail of information collected as well as sample size is at gram panchayat level a more detailed questionnaire is prepared for the GPs. The gram panchayat questionnaire has two components. Part I of the GP questionnaire deals with the institutional aspects of the functioning of the gram panchayat such as frequency of meetings, interaction and participation in the gram sabhas, the quantum and seasonal timing of fund flows received from the Centre and the state under different schemes, performance of agency functions with respect to these schemes from data on fund utilisation, awareness of the extent of their fiscal domain, and own revenues actually raised. This section also collects information on the willingness of the panchayats to address local needs by raising resources from the people. Part II of the GP questionnaire focuses on the main village of every sample GP. Here by main village we mean the village where the GP office is located. In this section of the questionnaire the information sought includes information on the number of households below the poverty line, number of kutchha and pucca structures, type/s of water sources and distances to them, sanitation & solid waste disposal status, water conservation practices, street lighting, distance to primary & secondary education facilities and details on the functioning of these facilities, distance to nearest health facility and functioning of these, and law & order situation in the village. The GP, JP and ZP questionnaires are given in annexes 3, 4, and 5 of the overall report respectively.

In 2001 the Madhya Pradesh Panchayat Raj Act was amended ostensibly to empower the gram sabhas. Under the new dispensation, the gram sabha was made the major instrument of Panchayati Raj at rural level. Since this is a general body which meets only infrequently, executive responsibility has been vested with eight committees of the gram sabha, thus, creating a parallel structure of authority. The questionnaire for Madhya Pradesh has to accommodate the delegation of authority for execution to the gram sabha. Notwithstanding this complication, the survey in Madhya Pradesh will be confined to elected PRI officials, as in other states, but will have an additional section on the impact of executive involvement by the Gram Sabha Committees.

2.2 SELECTION OF DISTRICTS

The selection of districts forms an important component of the present study. The geographical coverage of the larger project, and hence the NIPFP component as well, is confined to the four states of Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan and within these states the coverage was further confined to the pre-assigned nine backward districts. In Madhya Pradesh the pre-assigned districts are Khargone and Mandla. These are the poorest districts in the state receiving RSVY support (Backward District Initiative of the Planning Commission). The set (of districts) was subsequently expanded, for the purposes of the NIPFP study alone, to include districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. In response to this requirement two additional districts were added in Madhya Pradesh. This new set is called as the comparator districts. It is important to note here that since the selection of districts in the state was, by the very terms of the project, through non-random procedures, the results from the sample survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of comparator districts, to provide a range for each variable of interest. The results cannot be aggregated across the two sets of districts to obtain state level estimates because the mode of sample selection was purposive, not random.

The selection of the additional districts was based on a number of indicators. Table 2.1 gives a list of indicators used. As the number of indicators involved is large and diverse it would be useful to represent them in the form of some sort of index. For this the method of Principal Components is used (annex 1 briefly sets out the technique).¹ Having derived the principal components the next step would involve constructing an index (a weighted index) from them using the proportion of total variations absorbed or accounted for by these principal components as weights. The index thus derived would be a composite of all the indicators and is clearly a better measure to rank the districts or comparatively evaluate their performances. The districts are then ranked on the basis of

¹ Using SPSS ver. 11.0.0 software.

this newly constructed index (the complete ranking of the districts in Madhya Pradesh is in annex 2). The selection of the comparator districts based on ranking by Principal Component Analysis yields a benchmark set with lower deprivation characteristics although, their location with respect to the backward districts set by per capita income alone, or HDI alone, may not necessarily mark them as less deprived.

Table 2.1: List of Indicators Used for District Selection

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

The district wise ranking thus obtained is now compared with the ranking based on per capita income to see if there exists is any relation between the two. A separate exercise is also carried out to compare PCA based district ranking with those obtained using the human development index. The Spearman's rank correlation coefficient (ρ) tests for the null hypothesis $H_0: (\rho = 0)$ i.e., there is no relation between the two rankings against the alternative hypothesis $H_1: (\rho > 0)$ or $H_1: (\rho < 0)$ i.e., there is a positive (or negative) relation between the two rankings. The results are tabulated in table 2.2. From table 2.2 one can infer for Madhya Pradesh the null hypothesis of no correlation between

our ranking and the rankings on the basis of per capita income and human development index cannot be rejected.²

Table 2.2: Test for Spearman's Rank Correlation

	Madhya Pradesh	
	PCA Vs PCY rank	PCA Vs HDI rank
Rank Correlation Coefficient	0.1869	0.2461
t-value (estimated)	1.2479	1.6651
t-value (observed) ($\alpha=0.01$)	2.419	2.419
Degrees of freedom	43	43
Outcome	Null Hyp not rejected	Null Hyp not rejected

Source: Authors' calculation.

On the basis of principal component analysis the districts of Bhind and Vidisha were added to the existing list of pre-assigned backward districts in Madhya Pradesh. In Madhya Pradesh, therefore, the selected districts are Khargone, Mandla, Bhind, and Vidisha. Table 2.3 shows the entire set of selected districts in the state.

Table 2.3: Selected Districts in Madhya Pradesh

Total districts	Sample districts		PCA ranks
	Backward	Comparator	
45	Khargone		25
	Mandla		44
		Bhind	9
		Vidisha	20

Source: *Ibid.*

Notes: 1. The backward districts are the initial pre-assigned districts while the comparator districts are the districts which were later added on using PCA rankings.

2. Presently Madhya Pradesh has 48 districts. As 3 new districts were carved out recently in 2003 relevant data for them is not available. Our analysis is based on the earlier set of 45 districts.

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

2.3 SAMPLE SELECTION WITHIN SELECTED DISTRICTS

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

In Madhya Pradesh there are 31 blocks in the selected districts in all, of which 18 are in the two backward districts, while the remaining 13 are in the comparator districts. Table 2.4 provides information on the number of blocks in the selected districts for the state. The sample target was 50 percent of the blocks in each of the selected districts. So out of the total of 31 blocks in the state 16 were selected, 9 from the backward districts and 7 from the comparator district. In Madhya Pradesh the proportion of blocks to be selected from the total works out to be 0.516. The number of sample blocks in each of the selected districts in Madhya Pradesh is given in table 2.4.

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

State	Total blocks in selected districts			Selected blocks			Percent (6)/(3)
	Backward	Comparator	All	Backward	Comparator	All	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Madhya Pradesh	18	13	31	9	7	16	51.61
Mandla (B)	9	-	9	5	-	5	55.56
Khargone (B)	9	-	9	4	-	4	44.44
Bhind (C)	-	6	6	-	3	3	50.00
Vidisha (C)	-	7	7	-	4	4	57.14

Source: *Ibid.*

Note: **B:** Backward districts.

C: Comparator districts.

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

Taking 12.38 percent of the total of GPs from the selected backward and comparator blocks in Madhya Pradesh yields the GP sample size of 262 in the state as shown in table 2.5. Thus, in Madhya Pradesh the GP sample size is 262 of which 135 are from the backward blocks and 127 from comparator blocks.

Table 2.5: Selection of Gram Panchayats in Madhya Pradesh

Total gram panchayats in selected districts			Sample gram panchayats			Percent (6)/(3)
Backward	Comparator	All	Backward	Comparator	All	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1093	1028	2121	135	127	262	12.35

Source: *Ibid.*

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

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

2.4 DEFINING POVERTY

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

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

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

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

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

2.4.1 Poverty Estimates by the Planning Commission

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

The Planning Commission set up another expert group in 1989 to consider the methodological and computational aspects of estimation of poverty, which have outlined an alternative estimation methodology. The expert group retained the 1973-74 poverty

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

line estimated by the Task Force - Rs.49.09 (rural) and Rs.56.64 (urban) at all India level anchored in the recommended per capita daily intake of 2400 calories and 2100 calories for rural and urban areas respectively as base year estimates. The base year state-specific poverty lines were derived using adjusted consumer price indices for 1973-74 corresponding to the all India poverty line to reflect the observed differences in the cost of living index. The state-specific poverty lines were then moved with the state-specific price indices obtained for the latter years. The expert group prepared poverty estimates for the years 1973-74, 1977-78, 1983, 1987-88, and 1993-94 using different rounds of NSSO consumer expenditure survey data. These estimates were released in March 1997 and replaced the earlier released series.

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

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

The Planning Commission, subsequently, estimated the incidence of poverty for the year 1999-00 using the methodology of the expert group. The 1999-00 poverty estimates are based on the 55 round quinquennial sample survey on household consumer expenditure by the NSSO.

Some features of the 55 round consumer expenditure survey and the poverty estimates based on these survey needs mention as questions were raised on these estimates (Deaton and Dreze, 2002, Deaton, 2003, and Sundaram and Tendulkar, 2003). The 55 round of sample survey reported two sets of different distributions of consumer

expenditures. Consumption expenditure on certain non-food items (clothing, footwear, and medical) and durable goods were collected by using a 365-day recall period and for all other non-food items a 30-day recall period was used. The data regarding consumption of food items were collected using two recall periods of 7 days and 30 days. Two sets of data were used to estimate the corresponding distribution of persons by monthly per capita consumption expenditures.

The Planning Commission has estimated poverty line using both the consumer expenditure distributions reported by NSSO. State specific poverty lines have been estimated by updating the state specific poverty line constructed by the 1989 Lakadawala Committee to 1999-00 prices by using the price deflators (CPIAL, CPIIW). The national poverty lines in terms of per capita per month were estimated as Rs.327.58 and Rs.454.11 for rural and urban areas respectively in 1999-00. The percentage of people living below poverty line (poverty ratio) for each state was estimated using the state specific poverty lines in conjunction with the consumption distribution.

The poverty ratios estimated for 1999-00 are 27.09 percent for rural areas, 23.62 percent for the urban areas and 26.10 percent for the country as a whole based on the 30-day recall period.⁴ The poverty line and poverty ratio for the selected states of Madhya Pradesh, Orissa and Rajasthan and all India poverty figures based on 30-day recall period are given in table 2.6. It should be noted that the poverty estimation carried out in 1999-00 for Madhya Pradesh pertains to the undivided state and the figures for Madhya Pradesh should also stand good for the state of Chhattisgarh. A poverty index derived on the basis of HCR of all the 25 states normalized with the all India estimates and the relative rankings of the selected states for 1999-00 are reported in table 2.6. Among all the states Rajasthan occupies eighth rank with a poverty index of 0.585, Madhya Pradesh at 23 rank with poverty index of 1.434 and Orissa at the bottom of 25 states with a poverty index of 1.807.

⁴ The corresponding figures using the 7-day recall period are 24.02 percent in rural areas, 21.59 percent in urban areas and 23.33 percent for the country as a whole. Though two sets of poverty estimates are reported based on the NSSO survey, the 30-day recall estimates are being used as official poverty estimates.

**Table 2.6: Poverty Line and Poverty Ratio: 1999-00
(Based on 30- Day Recall Period)**

States/union territories	Rural		Urban		Combined HCR (%)	Poverty index	Rank
	Poverty line (Rs.)	HCR (%)	Poverty line (Rs.)	HCR (%)			
Rajasthan	344.03	13.74	465.92	19.85	15.28	0.585	8
Madhya Pradesh*	311.34	37.06	481.65	38.44	37.43	1.434	23
Orissa	323.92	48.01	473.12	42.83	47.15	1.807	25
All India	327.56	27.09	454.11	23.62	26.10		

Source: Planning Commission, 2001.

Note: * Poverty estimates in 1999-00 refer to the undivided Madhya Pradesh.
HCR: Head Count Ratio.

The estimates of poverty ratio show an impressive decline from 37.27 percent to 27.09 percent in rural areas, from 32.38 percent to 23.62 percent in urban areas and an overall decline from 35.97 percent to 26.10 percent between 1993-94 and 1999-00 (annex 4). However, the extent of the actual decline has remained a subject of debate due to a change in the methodology of sample survey and possible non-comparability with earlier rounds of the consumer expenditure surveys.⁵

2.4.2 Identification of BPL Households

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

⁵ Deaton and Dreze (2002) and Deaton (2003) contested the official methodology on two counts; first, the two recall periods used in 55 round of NSSO survey schedule resulted in upward bias in 30-day recall period answers, thus understating the poverty level. Second, price deflators used for updating poverty line is beset by the fact that the weights are fixed and outdated. They have tried to make adjustments on both counts and arrived at adjusted poverty ratio for 1987-88, 1993-94 and 1999-00. The revisions carried out by

The Supreme Court gave a ruling in 2003 on a writ petition by People's Union for Civil Liberties (PUCL) not to remove any person from the existing BPL list till the Court's next hearing. The PUCL petition was on effective implementation of the Central and Centrally Sponsored Schemes to prevent starvation deaths and malnutrition in the calamity affected rural areas and other backward areas and not excluding the existing BPL families from the new list so that they continue to avail benefits from various schemes. In accordance to the Court's ruling the Government of India has advised the state governments not to finalise the BPL list till the next hearing. The BPL list requires inclusion and exclusion based on the guidelines and criteria fixed for the census by the government. The government has already approached the Supreme Court for clarification on its order. Subsequently, the Solicitor General of India has advised to complete all the spade work for the preparation of BPL list pending the final orders from the Supreme Court. However, no further orders have been obtained from the court as yet. On further advice from the Solicitor General, the Ministry of Rural Development has asked the State governments to finalise the BPL list based on 2002 census and along with the new list provide the details of the families who were in BPL list of 1997 but are getting excluded in the new census.

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

The 1997 BPL survey moved to a two-stage methodology. The survey schedule had two parts, part-A of the schedule was designed to exclude the visibly non-poor on the basis of information on households possessing selected assets and consumer durables. After excluding the visibly non-poor, Part B of the schedule was employed for all other

them resulted in all India rural HCR close to the official estimates in 1999-00. But in the case of urban HCR, the adjustments resulted in significantly lower estimates as compared to the official estimates.

households to identify those living below the poverty line. Part B of the schedule collected information on household expenditures (previous 30 days), sex, educational status, social group affiliation, housing, and skill training to identify BPL households. Household having per capita consumption expenditure less than the poverty line (Planning Commission) are categorized as BPL households. This survey also resulted in a high rural poverty incidence of 41.05 percent as against the Planning Commission HCR estimates of 26.10 percent in 1999-00.

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

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

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

living below poverty line to 10 percent higher than the Planning Commission estimates of 1999-00.

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

From the above scrutiny of poverty estimation in India some specific conclusions can be drawn. The latest available poverty estimates by the Planning Commission continues to be that relating to the year 1999-2000 that used 55 round NSSO consumer expenditure survey. The estimates indicate a reduction in the incidence of poverty from 36.0 percent in 1993-1994 to 26.1 percent in 1999-2000. As there was a change in methodology of sample survey, the actual decline remains a subject of debate due to possible non-comparability with earlier rounds of the consumer expenditure survey.

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

The difference between the two approaches of estimating rural poverty has been quite large that is attributed to adoption of two different methodologies. The BPL

household surveys in 1992 and 1997 have reported higher rural poverty as compared to the Planning Commission figures. A fresh list of BPL households surveyed without any subjectivity would improve the actual implementation of poverty alleviation programmes targeting really deserving poor.

2.4.3 BPL Survey in Madhya Pradesh

The incidence of poverty in terms of HCR according to the 1999-00 Planning Commission estimates is 37.43 percent for the state, the rural poverty being marginally less at 37.06 percent (table 2.6). The derived poverty index for the state is 1.434 and it has a relative ranking of 23 among 25 states.

Table 2.7: Madhya Pradesh: District wise Percentage of BPL Household in Total Rural Household, 1997

S. No.	Districts	Percentage of BPL households	S. No.	Districts	Percentage of BPL households
1	Balaghat	63.82	24	Chhatarpur	42.30
2	Mandla	58.32	25	Siwani	41.40
3	Dindori*	Included in Mandla	26	Dewas	39.79
4	Jabalpur	57.18	27	Vidisha	39.39
5	Katni*	Included in Jabalpur	28	Dhar	38.76
6	Rewa	56.86	29	Ratlaam	37.67
7	Sidhi	56.48	30	Rajapur	36.27
8	Narsinghpur	55.43	31	Hoshangabad	36.25
9	Jhabua	54.37	32	Harda*	Included in Hoshangabad
10	Damoh	51.88	33	Sihor	35.89
11	Sagar	51.79	34	Tikamgarh	35.69
12	Satna	51.37	35	Bhopal	35.48
13	Raysen	50.52	36	Gwalior	30.68
14	Patra	48.82	37	Mandsaur	30.58
15	Rajgarh	47.32	38	Nimach*	Included in Mandsaur
16	Khargone	45.37	39	Shivpuri	29.62
17	Badwani*	Included in Khargone	40	Gantak	29.41
18	Khandwa	44.83	41	Bhind	26.51
19	Baitul	44.48	42	Muraina	24.03
20	Chhindwara	44.00	43	Sayopur*	Included in Muraina
21	Guna	43.34	44	Indore	22.39
22	Sahdol	42.86	45	Datiya	17.02
23	Umria*	Included in Sahdol		Madhya Pradesh	44.10

Source: Department of Panchayati Raj and Rural Development, Government of Madhya Pradesh.

Note: * Some new districts are created after 1997 BPL survey. The BPL Survey results are available for undivided districts only.

As per the BPL survey carried out in the undivided state of Madhya Pradesh in 1997-98 44.1 percent of the total rural household in the state fall below the poverty line. District wise incidence of rural poverty in terms of percentage of BPL households is given in table 2.7. Incidence of rural poverty is highest in the districts of Balaghat, Mandla, and Jabalpur while Datiya, Indore and Morena has the least percentage of rural poor households in the state. The percentage of rural poor in terms of BPL households seems to be higher than that of the rural poverty in 1999-00 HCR. However, it is difficult to compare these statistics as the methodologies adopted in both the surveys are different.

3. STATUS OF STATE FINANCE COMMISSION RECOMMENDATIONS

3.1 SHARE OF STATE REVENUE AND OTHER GRANTS

3.1.1 Tax Sharing

Under the provision of article 243I and 243Y of the 73 and 74 Constitutional Amendments, it is mandatory for each state to constitute the SFC within one year from the introduction of PR Act and then at the expiry of every fifth year. Accordingly, the state of Madhya Pradesh has completed the mandate of first two rounds of SFCs (along with Action Taken Report). The state has also constituted third SFC. The devolution of resources as recommended by first and second SFC is discussed in detail in the section below.

Under the constitutional provision, the vertical fiscal imbalances between the Centre and the states are corrected by way of the transfer of resources from Centre to states through the instrument of Central Finance Commission (CFC). Similarly, at the state level, the constitutional provision (article 243I (a) (i) of 73 CAA) provides for the distribution of the “net proceeds of the taxes, duties, tolls and fees” between the states and the panchayats.¹ In other words, there is provision to share both the revenues from taxes and non-taxes.² The first SFC of the state of Madhya Pradesh has recommended sharing of gross revenue from taxes and non-taxes, whereas second SFC has recommended divisible pool comprising of net own tax revenue only. The first SFC has recommended a share of 2.91 percent (excluding the cess on land revenue and additional stamp duties, the whole of which goes as a separate grant-in-aid) to PRIs. The second SFC, on the other hand, recommended a share of 2.93 percent from net own tax revenue only. The state has constituted its third SFC, report is yet to be submitted.

¹ Article 243I (a) (i) of 73 CAA indicates the principles of distribution of proceeds between state and PRIs.

² Tenth Finance Commission in its report discussed about the concept of “Global Sharing” of all sharable union taxes between Centre and the states. The EFC recommended a share of 29.5 percent of the gross revenue from all the shareable taxes put together. The Twelfth Finance Commission recommended 30.5 percent of net proceeds of all shareable union taxes

As shown in the table below, it can be observed that there is heterogeneity with respect to the divisible pool, to be shared between state and the panchayats. Keeping in view the heterogeneity in divisible pool between first and second SFC of the state, it is difficult to assess the improvement with regard to devolution of resources over the period. In addition to tax shares, there are also grants prescribed by the SFCs. Therefore, the only possible option is to assess the amounts actually transferred to panchayats as a result of SFC recommendations. The details of devolution recommended by first and second SFC and the criteria adopted for the distribution are presented in the tables 3.1 and 3.2 (for further details see annex 6).

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

Madhya Pradesh (undivided)	
First SFC	
Award period	(1996-2001)
Divisible pool	Gross tax and non-tax revenue
PRIs share (%) per annum	2.91 % *
Second SFC	
Award period	(2001-06)
Divisible pool	Net own tax revenue
PRIs share (%) per annum	2.93
Third SFC	Constituted (July 2005), Report yet to be submitted

Sources: 1. Report for Rural Local Bodies (April 1996 – March 2001), Finance Department, Government of Madhya Pradesh, June 1996.

2. Report of the Second State Finance Commission (April 2001 – March 2003) for Rural Local Bodies, Finance Department, Government of Madhya Pradesh, July 1996.

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

3.1.2 Distribution Criteria

The criteria used for *inter-se* distribution and further by the first SFC amongst gram panchayats can be grouped into equity neutral indicators, backwardness and poverty indicators and indicators of revenue effort. The neutral criteria was assigned weight of 31 percent, while for backwardness and equity criteria a little more than 68 percent weight was assigned. In other words, more importance was given to the redistributive aspect. The distribution amongst the GPs was based on population (75 percent) and areas (25

percent), both equity-neutral. The major distribution criteria adopted by first and second SFC of the state are presented in table 3.2.

Table 3.2: Criteria for Inter-District Distribution

State	Madhya Pradesh
Criteria	Weightage (Percent)
1. Neutral criteria	31.875
a. Population	21.25
b. Area	10.625
2. Equity criteria	36.250
a. Poverty	
b. Rural SC &ST population	15.00
c. No. of Agricultural labourers	10.625
d. Inverse of average gross value of output of agriculture per hectare	10.625
3. Indicators of Backwardness	31.875
a. No. of workers in registered factories (per lakh of population)	10.625
b. Per capita consumption of power	10.625
c. Literacy rate	10.625
Distribution among GPs	
a. Population	75
b. Area	25

Source: *Ibid.*

3.1.3 Devolution of Grants

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

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

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

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

Source: *Ibid.*

3.2 OWN REVENUE

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

3.3 DATA, AUDITING AND MONITORING

Under the constitutional provision, the vertical fiscal imbalance between the Centre and the states are corrected through the transfer of resources from Centre to states. This is done through the instrument of Central Finance Commission (CFC). The ToR³ of Eleventh Finance Commission (EFC) required the EFC to make recommendations with respect to the measures needed for the augmentation of Consolidated Fund of the states to supplement the resources of the panchayats. Accordingly, the EFC has recommended the devolution of resources for the maintenance of core civic services, to the panchayats through the states. The table 3.4 indicates the allocation and release of grants as per the EFC recommendations and the matching contribution given by the state (as per the EFC guidelines, each state has to give matching contribution).

The PRIs in the state of MP has shown utilisation of about 89 percent of the total release, which was higher than the average utilisation of 81 percent for all states but lower than the average of 91 percent of four states under consideration.

The annual release of grants indicates that the panchayats in Madhya Pradesh received Rs 50.55 crore less grants (out of Rs 505.45 crore allocated). This may be due to non-fulfillment of the conditions laid down in the EFC guidelines, and also based on

the utilisation of the previous instalment. Hence there was no pattern observed in annual release of grants. The graphical presentation of pattern of release of grants is shown in chart 3.1.

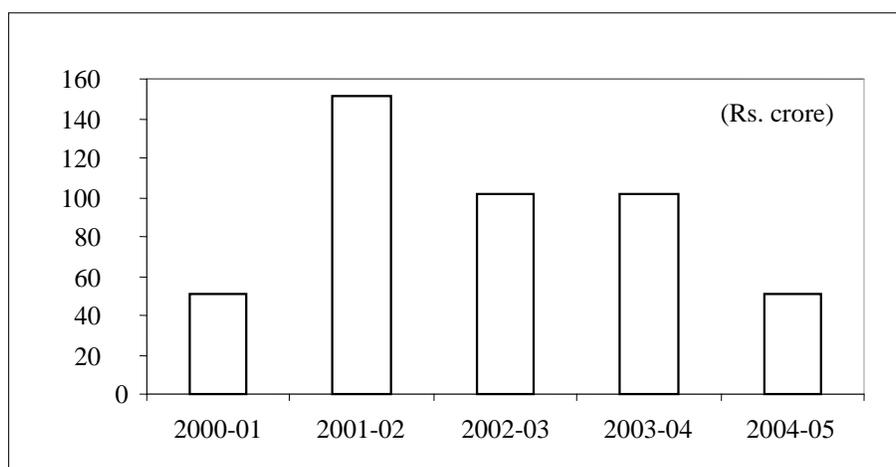
Table 3.4: Release of Grants as per EFC Recommendation and its Utilisation

(Rs. crore)								
PRIs - desired utilisation from state govt.				PRIs - as reported by state govt				
Allocation (2000-05)	Annual allocation	Grant released so far	Desired matching contribution 25% of grants released	Total (grants+ contribu- tions)	Matching contribution by state/PRIs	Released to PRI's by state	Utilizat- ion of funds by PRIs	Percent Utilised (col. 8 as % of col.5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
505.45	101.09	454.91	113.73	568.63	976.53	976.53	505.47	88.89

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

Note: The state of Madhya Pradesh has given only Central grants released to PRIs.

Chart 3.1: Pattern of Release of EFC Grants: 2000-05



The EFC has also expressed its concern about the poor state of maintenance of accounts and their audit at the panchayats level. It has observed that at the GP and/or JP level, there is no exclusive staff for the maintenance of accounts. Considering this it has

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

earmarked an amount of Rs 4000 per panchayat per annum for the maintenance of accounts and their audit.

Another problem faced by the EFC was the non-availability of data, in general and on finances of local bodies in particular. The complete absence of good database at the local level made the task of EFC more tedious, specially, while assessing the requirement of resources for the panchayats. Keeping in view the need of good database at the local level, it has recommended Rs 200 crore for all the states. The details regarding grants for the provision of maintenance of accounts and the creation database for the state of Madhya Pradesh is shown in table 3.5.

Table 3.5: Provision and Utilisation of Grants for Maintenance of Accounts and Audit and Creation of Data Base

(Rs. crore)

Creation of data base			Maintenance of accounts & auditing		
Allocation 2000-05	Utilisation reported	Percent Utilisation	Annual allocation by EFC	Utilisation reported	Percent Utilisation
17.83	17.83	100.00	8.93	8.80	98.55

Source: *Ibid.*

As observed from the above table, the utilisation of grants with respect to creation of database was 100 percent. On the other hand, the utilisation of grants provided for maintenance of accounts and their auditing was 98.55 percent. The auditing responsibilities were assigned to C&AG. However, during the field survey, it was observed that the maintenance of database at the GP level was not very good. Also there was no indication of computerization of database. However, the accounts were found audited.

3.4 FUNCTIONAL DEVOLUTION

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

4. OWN REVENUES AND STATE FLOWS

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

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

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

The own tax and non-tax revenues of the PRIs in Madhya Pradesh from 1990-91 to 2002-03 as reported by the Eleventh and Twelfth Finance Commissions are given in table 4.1. The share of own revenues of PRIs in the state consisting of own tax and own non-tax to total revenues was very low varying between 1.80 percent and 8.54 percent during the period 1990-91 and 1997-98. But in the post 1997-98 period there was a sudden jump in the internal revenue mobilization as can be seen from the fact that the share of own revenues in total revenues of PRIs which was 1.80 percent in 1997-98 shot up to 26.41 percent in the following year and was 36.53 percent in 2002-03. This phenomenal jump in total internal revenues is attributed to own-tax

¹ Memorandum to the TFC by the Ministry of Rural Development puts the internal revenue mobilization by the PRI at 4.17 (23 states) percent of their total revenues (TFC, 2004). NIRD (2002) estimated the annual average internal revenue receipts of the PRIs (20 states) for the period 1992-93 to 1997-98 at 6.34 percent of their total receipts excluding central grants.

revenue which increased from Rs.11.67 crore in 1997-98 to Rs.119.58 crore in the following year and was Rs.155.23 crore in 2002-03 and the share of own taxes in own revenues increased from 24.64 percent in 1990-91 to 88.80 percent in 2002-03. Thus, the own sources of revenues of the PRIs which constituted small proportion of the total revenues have since 1998-99 registered a substantial increase attributable mainly to own tax sources.

Table 4.1: Own Revenue of PRIs in Madhya Pradesh

(Rs. crore)						
Year	Own tax revenue	Own non-tax revenue	Total own revenue	Share of tax revenue in own revenue (%)	Total revenue	Share of own revenue in total revenue (%)
1990-91	2.94	9.00	11.94	24.64	233.63	5.11
1991-92	3.61	11.82	15.42	23.39	235.84	6.54
1992-93	4.78	10.55	15.33	31.18	320.19	4.79
1993-94	6.36	10.41	16.77	37.90	321.67	5.21
1994-95	9.32	16.50	25.81	36.09	302.34	8.54
1995-96	10.67	19.04	29.70	35.91	483.47	6.14
1996-97	11.46	19.93	31.39	36.51	704.93	4.45
1997-98	11.67	20.37	32.04	36.43	1779.01	1.80
1998-99	119.58	4.30	123.88	96.53	469.04	26.41
1999-00	121.47	6.91	128.38	94.62	476.92	26.92
2000-01	126.02	16.07	142.09	88.69	509.33	27.90
2001-02	124.87	17.58	142.45	87.66	561.26	25.38
2002-03	155.23	19.58	174.81	88.80	478.52	36.53

Sources: 1. Report of the Eleventh Finance Commission:2000-05, Government of India, 2000.

2. Report of the Twelfth Finance Commission:2005-10, Government of India, 2004.

Notes: 1. For the year 1990-91 to 1997-98 the revenue figures are for the undivided state.

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

The per capita own revenues of the PRIs in Madhya Pradesh for the period 1990-91 to 2002-03 is given in table 4.2. From the table we see that the per capita total revenue of the PRIs in Madhya Pradesh increased from Rs.46.30 in 1990-91 to Rs.310.58 in 1997-98 and then gradually declined to Rs.104.47 in 2002-03. The per capita total own revenues on the other hand steadily increased from Rs.2.37 in 1990-91 to Rs.38.16 in 2002-03 with a sharp jump in 1998-99. This behaviour of total own revenue is influenced by the own tax revenues of the PRIs which showed a sudden

jump in 1998-99. However, the per capita own non-tax revenue varied between Rs.1.02 and Rs.4.27 during the entire period and in 2002-03 it was Rs.4.27.

Table 4.2: Per Capita Own Revenues of PRIs in Madhya Pradesh
(Rupees)

Year	Own tax revenue	Own non-tax revenue	Total internal revenue	Total revenue
1990-91	0.58	1.78	2.37	46.30
1991-92	0.70	2.30	3.00	45.90
1992-93	0.91	2.02	2.93	61.20
1993-94	1.19	1.95	3.15	60.38
1994-95	1.72	3.04	4.76	55.73
1995-96	1.93	3.45	5.38	87.52
1996-97	2.04	3.54	5.58	125.32
1997-98	2.04	3.56	5.59	310.58
1998-99	28.30	1.02	29.32	111.02
1999-00	28.18	1.60	29.79	110.65
2000-01	28.64	3.65	32.29	115.76
2001-02	27.81	3.92	31.73	125.00
2002-03	33.89	4.27	38.16	104.47

Source: Authors' calculation.

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

Prima facie such a sudden increase in own tax revenue in 1998-99 seems difficult to explain. The second State Finance Commission, which gave its report in 2003 recommending state transfers to PRIs for the period 2001 to 2006, has analysed the finances of PRIs till 1997-98 taking the data provided by the EFC. So we do not have any other source to verify the authenticity of post 1997-98 spurt in own tax revenues of PRIs in Madhya Pradesh. While the performance of PRIs in own tax revenue front has improved since 1998-99, they have not succeeded in generating adequate revenues from their own non-tax sources.

An important component of the revenue receipts of the PRIs is the revenue transfers from the state governments. The revenue transfers from the state to the PRIs take the form of assigned revenues and grants-in-aid. The assigned revenues primarily comprise assignment of a specific or a predetermined proportion of the principal state tax or the proceeds of a surcharge or cess levied by the state government on its principal tax for the exclusive use of the PRIs. Some states transfer a fixed percentage

of their net/gross tax to PRIs as assigned revenue. The assigned revenues are allocated to one or more tiers of panchayats. The SFCs recommend the percentage of state taxes to be shared with the PRIs and the criteria for *inter se* distribution among various tiers of PRIs. Acceptance of SFC recommendations however, is the prerogative of state governments. The grants-in-aid broadly cover establishment costs, honorariums of the elected members, some construction and repair of Panchayat establishments, compensation grants in respect of taxes/non-taxes withdrawn from PRIs, incentive grants, and grants for specific schemes.

The composition of revenue receipts of PRIs in Madhya Pradesh in 2002-03 is given in table 4.3. From the table it is observed that the revenues generated by the PRIs from internal sources comprising of own tax and own non-tax revenues was Rs.174.81 crore and they have received Rs.303.70 crore as assigned revenues and grants from the state government in 2002-03. The total revenue receipts by the PRIs in the state from both internal and assigned sources amounted to Rs.478.51 crore for the year 2002-03. The corresponding per capita revenue receipts of the PRIs works out to Rs.104.48 of which Rs.38.17 was mobilized internally while the remaining Rs.66.31 was from state transfers.

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

		Total (Rs. crore)	Per capita (Rs.)
A	Total Internal Revenue (i + ii)	174.81	38.17
	i Own tax revenue	155.23	33.89
	ii Own non-tax revenue	19.58	4.28
B	State Transfers (i + ii + iii)	303.70	66.31
	i Assignment + devolution	301.80	65.90
	ii Grants-in-aid	1.90	0.41
	iii Others	0.00	0.00
	Total	478.51	104.48

Sources: 1. op. cit., Government of India, 2004.

2. Annual Report 2005-06, Ministry of Rural Development, Government of India.

4.2 OWN REVENUES IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS - 2005-06

Analysis of the relevant statutes governing the PRIs in Madhya Pradesh indicates the broad features of the various revenue sources assigned to these. The Madhya Pradesh Panchayat Raj Adhiniyam, 1993, was amended in 2001 and rechristened as Madhya Pradesh Panchayat Raj and Gram Swaraj Adhiniyam. The amended Act came into force with effect from 26 January, 2001. Under the new dispensation, the gram sabha was made the major instrument of bringing about socio-economic transformation in the villages. For that purpose, almost all powers of taxation of GPs under the earlier Act have been transferred to the gram sabha. Earlier to the amendment, GPs in the state were empowered to impose 6 compulsory taxes and 14 optional taxes, subject to the provisions of the Act and conditions and exemptions as may be prescribed by the state government.

After the amendment of 2001, the gram sabha and the gram panchayats have been endowed with more revenue raising, both tax and non-tax, powers while the intermediate tier has been assigned limited powers. The zilla panchayat, however, has not been assigned any revenue raising powers. The tax and non-tax powers assigned to the PRIs in Madhya Pradesh are shown in table 4.4. The taxes assigned to the PRIs in Madhya Pradesh are divided into obligatory and optional categories. The gram sabha has the largest number of revenue raising powers that includes obligatory taxes like property taxes on land and buildings, private latrines, light tax and profession taxes while the taxation powers of gram panchayats have been considerably reduced. The revenue raising powers of janapad panchayat is limited to levying only one obligatory tax - a tax on theatre and public entertainment and a few optional taxes.

The PRIs have limited autonomy in choosing the type of taxes as the assignment of taxing powers are enshrined in the Panchayat Acts. The assignment of obligatory taxes to PRIs in Madhya Pradesh has limitations of state control of tax rates and large built-in exemptions in the tax structure. In case of both obligatory and optional taxes, the tax rate and the base are decided by the state government, either in the relevant statute, or by an executive order. In Madhya Pradesh the statutes

prescribe minimum and maximum rates for the tax on land and buildings, profession tax, and entertainment tax.

Table 4.4: Tax and Non-tax Powers of the PRIs - Madhya Pradesh

	Taxes	Non-taxes
Gram Panchayat	<p><u>Section 77(1) Schedule I</u> Obligatory tax: 1. Market fees on persons exposing goods for sale in any market or at any place or any building or structure therein belonging to or under the control of the GP. 2. A fee on the registration of cattle sold in any market or in any place belonging to or under the control of the GP.</p> <p><u>Section 77(2) Schedule II</u> Optional tax: 1. A tax on the bullock-carts, bicycles, rickshaws used for hire within the limits of GP area.</p>	<p><u>Section 77(2) Schedule II</u> 1. Fees for drainage where system of drainage has been introduced by the Gram Panchayat. 2. A fees payable by the owners of the vehicles other than motor vehicle, where such vehicles other than the motor vehicles enter the Gram Panchayat area.</p>
Gram Sabha	<p style="text-align: center;"><u>Section 77(1) Schedule I-a</u> (Madhya Pradesh Panchayat Raj and Gram Swaraj Adhiniyam 2001)</p> <p>Obligatory tax: 1. A property tax on the lands or buildings or both, the capital value of which including the value of the land is more than six thousand rupees other than- (a) the buildings and lands owned or vested in the Union or State Govt, GP, JP or ZP (b) the buildings and lands or portions thereof used exclusively for religious or educational purposes including boarding houses. 2. A tax on private latrines payable by the occupier or owner of the buildings to which such latrines are attached when cleaned by GP agency. 3. A light tax, if light arrangements have been made by the GP. 4. A tax on person, exercising any profession or carrying on any trade or calling within the limits of GP area.</p> <p style="text-align: center;"><u>Section 77(2) Schedule II-a</u> (Madhya Pradesh Panchayat Raj and Gram Swaraj Adhiniyam 2001)</p> <p>Optional tax: 1. A tax on building not covered under item (1) of Schedule-I. 2. A tax on animals used for riding, driving or burden or on dogs or pigs payable by the owners thereof. 3. A tax on persons carrying on the profession of purchaser, agent, commission agent, weighman, or a measure within the meaning of Madhya Pradesh Krishi Upaj Mandi Adhiniyam, 1972 (No. 24 of 1973), in the area of Gram Panchayat excluding the area of a mandi. 4. A temporary tax for special works of public utility. 5. A water rate where arrangements are made by the GP for regular supply of water. 6. A tax for the construction or maintenance of public latrines and a general scavenging tax for removal and disposal of refuse. 7. Any other tax, which the State Legislature has power to impose under the Constitution of India.</p>	<p style="text-align: center;"><u>Section 77(2) Schedule II -a</u> (Madhya Pradesh Panchayat Raj and Gram Swaraj Adhiniyam 2001)</p> <p>1. Fees for the use of sarais, dharmshalas, rest houses, slaughter houses and encamping grounds. 2. Lease and auction of public properties vested with the panchayats. 5. Fees for bullock-cart stand and tonga stand. 6. Fees for temporary structure or any projection over any public place or temporary occupation thereof. 7. Fees for grazing cattle over the grazing grounds vested in the GP.</p> <p style="text-align: center;"><u>Section 77(2) Schedule II -a</u> (Madhya Pradesh Panchayat Raj and Gram Swaraj Adhiniyam 2001)</p> <p>1. Fees for the use of sarais, dharmshalas, rest houses, slaughter houses and encamping grounds. 2. Lease and auction of public properties vested with the panchayats. 5. Fees for bullock-cart stand and tonga stand. 6. Fees for temporary structure or any projection over any public place or temporary occupation thereof. 7. Fees for grazing cattle over the grazing grounds vested in the GP.</p>

Section 77(1) Schedule I

Obligatory tax: A tax on theatrical performances and other performances of public entertainments.

Section 77(2) Schedule II

Optional tax: Fees for any license or permission granted by the JP under the act or for use and occupation of lands or other properties vested in or maintained by the JP.

Section 77(3)

A JP may levy development tax on agriculture land.

Source: Jindal, M and Y. Jindal, 2006, Madhya Pradesh Panchayat Raj Manual (Indore: Rajkamal Publications).

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

The survey results in the state show better non-tax performance in the form of various user charges, fees and fines, and income from vested properties. The number and type of own taxes collected by the GPs in the pre-assigned backward districts and the comparator districts in table 4.5 show that in backward districts, 50 percent of GPs do not levy any taxes. In the selected comparator districts the percentage is even more at 78. Around 36 percent of the GPs in backward districts and 19 percent in comparator districts, collect only one source of revenue. That leaves very few GPs collecting more than one source of tax revenue. Among the taxes collected by the GPs the house tax and lighting, water tax and animal taxes are most usually levied. The house tax and water tax is collected by a large number of GPs in the backward districts of Madhya Pradesh, but the profession tax is not levied, even though it is obligatory. The miscellaneous category includes vehicle, conservancy and drainage taxes. More GPs from the backward districts as compared to the comparator districts seem to be exploiting their tax powers. The collection of house tax and water tax is more prevalent in the backward districts. Water tax is found to be mostly collected by GPs in the backward district of Khargone.

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

	House tax	Lighting tax	Animal tax	Water tax	Other misc.	Total no. of GPs by source	Percent
Comparator districts							
0 source	0	0	0	0	0	98	77.17
1 source	8	0	2	2	12	24	18.90
2 source	1	1	2	2	2	4	3.15
3 source	1	1	0	1	0	1	0.79
4 source	0	0	0	0	0	0	0.00
Total	10	2	4	5	14	127	
	(7.87)	(1.57)	(3.15)	(3.94)	(11.02)		
Backward districts							
0 source	0	0	0	0	0	67	49.63
1 source	24	1	1	21	2	49	36.30
2 source	7	1	1	12	5	13	9.63
3 source	4	3	1	3	1	4	2.96
4 source	2	2	0	2	2	2	1.48
Total	37	7	3	38	10	135	
	(27.41)	(5.19)	(2.22)	(28.15)	(7.41)		

Source: Authors' calculation.

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

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

At the middle tier, only 28 percent of the JPs in the comparator and 22 percent in the backward districts levy some taxes. The taxes levied by the surveyed JPs in the state are business tax and entertainment tax. In case of ZPs, none of them collect any taxes at all.

Table 4.6 provides information on the number and type of non-tax revenue sources of the GPs in Madhya Pradesh. It is seen that around 32 percent of GPs in both the districts clusters in the state collect no non-tax revenues at all. Around 63 percent of the GP in the comparator and 61 percent in the backward districts exploit 1 to 2 own non-tax sources. Around 12 percent of the GPs in the comparator districts and 20 percent in the backward district exploit property rental and lease income. A large number, 58 percent in comparator districts and 45 percent in backward, also receive interest receipts from the bank deposits of funds received by them under various central and state schemes. However, this source of income depends upon the amount of unspent funds under different schemes remaining with the banks and is not based on any revenue effort of the GPs. Royalty from minor minerals and income from forest products accrue to relatively fewer GPs, depending upon the endowment of such properties. Other sources of own non-tax revenue of the GPs mainly include

fees on issuing various certificates and for use of shops and buildings in markets and fairs, user fees on services provided by the GPs, sale of scrap, kanji house, and fines.

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

	Property rental & lease income	Interest receipt	Royalty from minor minerals	Income from forest products	Others	Total no. of GPs by source	Percent
Comparator districts							
0 source	0	0	0	0	0	40	<i>31.50</i>
1 source	1	43	1	0	6	51	<i>40.16</i>
2 source	9	24	7	0	18	29	<i>22.83</i>
3 source	5	6	1	2	7	7	<i>5.51</i>
4 source	0	0	0	0	0	0	<i>0.00</i>
Total	15	73	9	2	31	127	
	<i>(11.81)</i>	<i>(57.48)</i>	<i>(7.09)</i>	<i>(1.57)</i>	<i>(24.41)</i>		
Backward districts							
0 source	0	0	0	0	0	43	<i>31.85</i>
1 source	7	34	4	0	11	56	<i>41.48</i>
2 source	12	20	3	1	18	27	<i>20.00</i>
3 source	7	6	4	0	7	8	<i>5.93</i>
4 source	1	1	1	0	1	1	<i>0.74</i>
Total	27	61	12	1	37	135	
	<i>(20.00)</i>	<i>(45.19)</i>	<i>(8.89)</i>	<i>(0.74)</i>	<i>(27.41)</i>		

Source: *Ibid.*

Notes: 1. Figures in parenthesis refer to percent of GPs to total number of GPs.
2. Percentages in the bottom row do not add up to 100.

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

	Property rental & lease income	Interest receipt	License fee	Others	Total	Percent
Comparator districts						
1 source	0	0	0	0	0	<i>0.00</i>
2 source	3	5	0	2	5	<i>71.43</i>
3 source	0	0	0	0	0	<i>0.00</i>
4 source	2	2	2	2	2	<i>28.57</i>
Total	5	7	2	4	7	
	<i>(71.43)</i>	<i>(100.00)</i>	<i>(28.57)</i>	<i>(57.14)</i>		
Backward districts						
1 source	0	1	0	0	1	<i>11.11</i>
2 source	4	4	0	0	4	<i>44.44</i>
3 source	4	4	0	4	4	<i>44.44</i>
4 source	0	0	0	0	0	<i>0.00</i>
Total	8	9	0	4	9	
	<i>(88.89)</i>	<i>(100.00)</i>	<i>(0.00)</i>	<i>(44.44)</i>		

Source: *Ibid.*

Notes: 1. Figures in parenthesis refer to percent of JPs to total number of JPs.
2. Percentages in the bottom row do not add up to 100.

For the JPs and ZPs in the surveyed districts in Madhya Pradesh property rental and lease income and interest receipts on the bank deposits are the major sources of non-tax revenue as is evident from tables 4.7 and 4.8 respectively. The ‘other’ category shown in the tables consists of various non-tax revenue sources such as sale of scrap, audit recovery, and fees for issuing certificates.

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

	Property rental & lease income	Interest receipt	Others	Total	Percent
Comparator districts					
2 source	2	2	0	2	100.00
Total	2	2	0	2	
	(100.00)	(100.00)	(0.00)		
Backward districts					
2 source	2	1	1	2	100.00
Total	2	1	1	2	
	(100.00)	(50.00)	(50.00)		

Source: *Ibid.*

Notes: 1. Figures in parenthesis refer to percent of ZPs to total number of ZPs.
2. Percentages in the bottom row do not add up to 100.

The preceding two tables 4.7 and 4.8 showed the number of PRIs collecting own revenues by type of source, while tables 4.9 to 4.11 that follow show the shares in own revenue collected by each tier, by source and by district. Table 4.9 shows that the composition of own revenues vary across districts in the state.

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

	Comparator districts		Backward districts	
	Bhind	Vidisha	Khargone	Mandla
Taxes	18.90	14.79	70.60	36.04
Fees and fines	0.32	0.46	0.18	0.04
Rent	56.02	3.71	6.11	15.47
Lease and auction	4.58	16.02	2.23	13.82
Interest	14.83	4.57	3.10	1.88
Other sources	5.35	60.45	17.78	32.75
Total	100.00	100.00	100.00	100.00

Source: *Ibid.*

Non-tax revenues are the dominant source of own revenues of GPs across the districts exception being the backward district of Khargone where the share of own taxes in own revenues is 71 percent for the year 2005-06. Among the various non-tax

sources the important ones are rent from panchayat properties and income from lease and auctions of ponds, markets, and orchards. In addition to these sources interest receipts are yet another source of non-tax revenues of the GPs in the state.

The composition of own revenue sources of the middle tier i.e. the janpad panchayats by district is given in table 4.10. The JPs in Madhya Pradesh collect some taxes from their assigned tax powers such as entertainment tax and fees on use of JP properties but its share in own revenues is very low. In Madhya Pradesh, the state government assigns a portion of the state revenues such as land revenues and a cess on land revenue and surcharge on stamp duties to JPs and ZPs. These assigned revenues are included in the overall state transfers to the various tiers of PRIs and are not considered here as own revenues. Among the non-tax sources of JPs the important ones are interest receipts, and income from lease and auction.

Table 4.10: Composition of Own Revenue Sources of JPs by District
(Percent)

	Comparator districts		Backward districts	
	Bhind	Vidisha	Khargone	Mandla
Taxes	0.16	0.79	0.03	1.29
Fees and fines	0.77	0.42	0.00	0.00
Rent	0.67	1.89	10.00	3.33
Lease and auction	0.53	3.88	12.70	41.93
Interest	97.71	33.58	77.24	45.35
Other sources	0.16	59.44	0.03	8.10
Total	100.00	100.00	100.00	100.00

Source: *Ibid.*

The composition of own revenue sources of ZPs illustrated in table 4.11 reveal that ZPs in Madhya Pradesh do not raise any tax revenue. This is due to the non-assignment of tax powers to this tier. Thus the own revenues of ZPs mainly comprises of income from non-tax sources. Among the non-tax sources interest receipt, income from lease and auction, and rent from panchayat properties are important revenue sources in both the backward and comparator districts.

Table 4.11: Composition of Own Revenue Sources of ZPs by District
(Percent)

	Comparator districts		Backward districts	
	Bhind	Vidisha	Khargone	Mandla
Taxes	0.00	0.00	0.00	0.00
Rent	19.90	0.00	31.14	9.02
Lease & auction	7.06	4.05	43.25	15.83
Interest	73.04	95.95	25.61	0.00
Other sources	0.00	0.00	0.00	75.15
Total	100.00	100.00	100.00	100.00

Source: *Ibid.*

Per capita own revenues raised by the GPs in surveyed districts of Madhya Pradesh for the year 2005-06 are presented in table 4.12. From the table it is observed that the mean per capita own tax revenue in the backward districts is much higher than that of the comparator districts where the mean per capita own tax revenue is negligible. As regards own non-tax revenue, the mean per capita own non-tax revenue is higher in the comparator districts vis-à-vis the backward districts. From the table it is evident that the mean per capita own non-tax revenue is higher than the mean per capita own tax revenue in the entire surveyed district with an exception of the backward district of Khargone.

Table 4.12: Mean Per Capita Own Revenue Receipts of the GPs
(Rupees)

	Comparator districts			Backward districts		
	Bhind	Vidisha	Average	Khargone	Mandla	Average
Own tax	0.14	1.38	0.85	5.88	3.71	4.75
Own non-tax	0.42	10.44	6.18	2.18	7.10	4.73
Own revenue	0.56	11.81	7.03	8.06	10.81	9.48

Source: *Ibid.*

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

Table 4.13: Mean Per Capita Own Revenue Receipts of all Tiers
(Rupees)

	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
Own tax	0.85	0.01	0.00	4.75	0.11	0.00
Own non-tax	6.18	2.80	1.89	4.73	6.01	0.36
Own revenue	7.03	2.82	1.89	9.48	6.12	0.36

Source: *Ibid.*

A comparison across the three tiers of panchayats from table 4.13 reveals that the GPs in Madhya Pradesh collect more per capita taxes as compared to the middle and district tier panchayats. These figures represent only the districts sampled, and do not yield state-level averages. But the range does not encompass the per capita figures for 2002-03 from the Twelfth Finance Commission Report for Madhya Pradesh, which at Rs. 34 per capita is higher than the survey figures which fall in the range of Rs. 1-5 per capita, by a very large multiple. The share of own tax and non-tax in total own revenues across the three tiers as given in table 4.14 shows that the GPs collect some taxes while in case of JPs and ZPs own revenues consist mainly of non-tax revenues.

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

	(Percent)					
	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
Own tax	15.15	0.45	0.00	49.32	0.98	0.00
Own non-tax	84.85	99.55	100.00	50.68	99.02	100.00

Source: *Ibid.*

Table 4.15 shows a comparative view of the share of own revenues – both tax and non-tax in total receipts of the state across the tiers. Total receipts consist of funds from CSS, Central Finance Commission, state schemes and funds from the State Finance Commissions.

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

	(Percent)					
	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
	3.53	1.50	0.71	2.70	0.91	0.04

Source: *Ibid.*

In GPs the share is higher in the comparator districts vis-à-vis that in the backward districts. At the JP and ZP levels also the share of own revenue in total receipts is higher in comparator districts. However, for ZPs the share is close to zero.

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

There are certain taxes which are levied and collected by the state governments but their net proceeds are passed on to the PRIs. These are the assigned taxes. The decision as to which taxes, duties and tolls should be assigned to the local bodies lies with the state legislature, although the SFCs can recommend transfer of any tax from the state list to local bodies. In Madhya Pradesh the assigned tax revenues to the PRIs are from land revenue and surcharge on stamp duty and sales tax. In Madhya Pradesh the state government gives grants to PRIs both from plan and non-plan accounts. The plan transfer to the PRIs consists of specific grants which are mainly given on the recommendations of the State Planning Board for the purpose of improvement and development of basic services and rural infrastructure. Additionally the ZPs and JPs receive lump sum grants from the state as part of plan transfers. On the non-plan account the PRIs in Madhya Pradesh receive specific grants for establishment and for training of their elected representatives. There is also a general purpose grant which is given only to the ZPs in the state. Despite recommendations by the SFC no general purpose grants are being given to the GPs and JPs in Madhya Pradesh.

The survey of selected gram panchayats in Madhya Pradesh revealed that in the year 2005-06 around 53 percent of the GPs in the comparator district and 46 percent in the backward districts in the state did not receive any state schemes funds (see table 4.16). Around 41 percent of the GPs in comparator district and 38 percent in backward districts receive one state scheme. That leaves very few GPs in the comparator districts receiving more than one state scheme. Around 16 percent GPs in the backward districts in the state receive 2-3 state schemes. Among the important state schemes received are pension schemes, MLA funds and Nal Jal Yojana. Funds under Nal Jal Yojana are mainly received by GPs in the backward district of Khargone. More GPs in backward districts as compared to comparator districts seems to be receiving state scheme funds. The other miscellaneous category in the table includes schemes like *akaal rahat* (drought relief), tribal area development scheme, schemes for the welfare of SC/STs etc.

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

	Pension scheme	Nal jal yojana	MLA funds	Other misc.	Total no. of GPs	Percent
Comparator districts						
0 source	0	0	0	0	67	52.76
1 source	17	1	9	25	52	40.94
2 source	2	1	6	5	7	5.51
3 source	1	0	1	1	1	0.79
Total	20	2	16	31	127	
	(15.75)	(1.57)	(12.60)	(24.41)		
Backward districts						
0 source	0	0	0	0	62	45.93
1 source	4	2	16	29	51	37.78
2 source	10	8	6	18	21	15.56
3 source	0	1	1	1	1	0.74
Total	14	11	23	48	135	
	(10.37)	(8.15)	(17.04)	(35.56)		

Source: *Ibid.*

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

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

Unlike the GPs, the JPs in the surveyed districts in the state have received more state schemes. The important ones are pension scheme, gokul gram yojana, and samagra swachhta abhiyan as can be seen from table 4.17. The survey reveals that around 71 percent JP in the comparator district and 33 percent in the backward districts receive 1-2 state schemes while 29 percent JPs in comparator districts and 67 percent in backward districts seems to be receiving 3-4 state schemes. The ZPs in the state also receive funds under state schemes such as balika samridhi yojana, pension scheme and gokul gram yojana as can be seen from table 4.18.

The mean per capita state transfers that include transfers under different state schemes and devolutions and grants to the GPs is given in table 4.19. The per capita state scheme transfers in 2005-06 are on average higher for GPs in the backward district in comparison to those in comparator districts. The per capita devolutions and grants that include assigned taxes, transfers based on SFC recommendations and other grants vary in the range of Rs.32 in the backward district of Mandla to Rs.63 in Bhand in the comparator districts. On an average the per capita state transfers are higher in the comparator districts as compared to the backward districts.

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

	Pension scheme	Sukhad sahara yojana	Rastriya posahar yojana	Gokul gram	Samgara swachhata abhiyan	Other misc.	Total no. of JPs	Percent
Comparator districts								
1 source	2	0	0	0	0	0	2	28.57
2 source	3	0	0	0	0	3	3	42.86
3 source	1	0	0	1	0	1	1	14.29
4 source	1	1	1	0	0	1	1	14.29
Total	7	1	1	1	0	5	7	
	(100.00)	(14.29)	(14.29)	(14.29)	(0.00)	(71.43)		
Backward districts								
1 source	1	0	0	0	0	0	1	11.11
2 source	2	0	0	0	2	0	2	22.22
3 source	6	0	0	4	5	3	6	66.67
4 source	0	0	0	0	0	0	0	0.00
Total	9	0	0	4	7	3	9	
	(100.00)	(0.00)	(0.00)	(44.44)	(77.78)	(33.33)		

Source: *Ibid.*

Notes: 1. Figures in parenthesis refer to percent of JPs to total number of JPs.
2. Percentages in the bottom row do not add up to 100.

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

	All pension scheme	Balika samridhi	Gokul gram	Other	Total no. of ZPs	Percent
Comparator districts						
2 source	1	0	1	0	1	50.00
4 source	1	1	1	1	1	50.00
Total	2	1	2	1	2	
	(100.00)	(50.00)	(100.00)	(50.00)		
Backward districts						
2 source	2	0	2	0	2	100.00
4 source	0	0	0	0	0	0.00
Total	2	0	2	0	2	100.00
	(100.00)	(0.00)	(100.00)	(0.00)		

Source: *Ibid.*

Notes: 1. Figures in parenthesis refer to percent of ZPs to total number of ZPs.
2. Percentages in the bottom row do not add up to 100.

Table 4.19: Mean Per Capita State Scheme and Revenue Transfers to GPs
(Rupees)

	Comparator Districts			Backward Districts		
	Bhind	Vidisha	Average	Khargone	Mandla	Average
State schemes	12.23	18.55	15.86	17.15	29.74	23.67
Devolution & grants	63.37	49.31	55.29	50.08	33.22	41.34
State funds	75.60	67.86	71.15	67.23	62.96	65.01

Source: *Ibid.*

The mean per capita state transfers across the three tiers averaged over the comparator and backward districts clusters given in table 4.20 reveals that per capita state transfers are higher in the middle and district tiers as compared to the GPs in the backward districts where as in case of comparator districts the GPs and ZPs receive more than the middle tier. The GPs and ZPs in the comparator district receive more funds per capita through state transfers vis-à-vis those in the backward districts while the reverse is true for JPs.

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

(Rupees)

	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
State schemes	15.86	43.99	46.77	23.67	95.63	64.32
Devolution & grants	55.29	12.73	42.29	41.34	15.58	23.22
State funds	71.15	56.72	89.06	65.01	111.21	87.54

Source: *Ibid.*

The JPs and ZPs in both the district clusters receive higher funds under state schemes than the GPs while the reverse is true in case of mean per capita devolutions and grants. Both the JPs and ZPs in backward districts receive higher per capita state scheme funds as compared to those in comparator district and reverse is the case in devolution grants. The share of state transfers in the total funds received by the three tiers as illustrated in table 4.21 show that the share is higher for GPs as compared to the other two tiers. This share for all the three tiers is higher in comparator districts than those in backward districts.

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

(Percent)					
Comparator districts			Backward districts		
GP	JP	ZP	GP	JP	ZP
39.31	29.80	34.08	17.56	15.42	10.22

Source: *Ibid.*

4.4 CONCLUSIONS

1. Revenue raising powers by the state PRI statutes are assigned mainly to GPs and to a limited extent to JPs. The ZPs are not assigned any tax powers. Some of the taxes assigned are obligatory while others are optional in nature.
2. The tax rights are not fully exploited by the GPs and the percentage of GPs not exploiting their tax rights is much higher in comparator districts. The designation of some taxes as obligatory does not seem to have any positive effect on the tax effort.
3. Non-tax revenues are the dominant source of own revenues of GPs across the districts. Prominent non-tax revenues sources are interest receipts, property rental and lease income and royalty from minor minerals. The interest receipts depend upon the unspent funds under different development schemes remaining with the banks and are not based on any revenue effort. The mean per capita own non-tax revenue on an average is higher in the comparator districts vis-à-vis the backward districts.
4. At all tiers of PRI structure in both categories of districts, taxes are less significant than non-tax revenues in total won revenue, both in terms of number levying and in terms of contribution to revenue.
5. Per capita tax collection is higher in GPs as compared to the middle and district tier panchayats. These figures represent only the districts sampled, and do not yield state-level averages. But the range does not encompass the per capita figures for 2002-03 from the Twelfth Finance Commission Report for Madhya Pradesh, which at Rs. 34 per capita is higher than the survey figures which fall in the range of Rs. 1-5 per capita, by a very large multiple.

6. The share of own revenues in total funds received is higher in comparator districts vis-à-vis backward districts and among the three tiers of panchayats the share is higher for the GPs.

7. At the JP level the own revenues mainly comprise income from non-tax sources. The important ones are income from lease and auction, and interest receipts. The last sources depends upon the amount of unspent funds under different schemes remaining with the banks and is not based on the revenue efforts of the JPs. As the ZPs are not assigned any tax powers their own revenues comprise of income from various non-tax sources like interest receipts, income from lease and auction, and rent from panchayat properties etc.

8. Around 53 percent of the GPs in the comparator district and 46 percent in the backward districts did not receive any state scheme funds in the year 2005-06.

9. The mean per capita state transfers which includes transfers under state schemes and devolution and grants is higher for GPs in comparator districts as compared to those in the backward districts.

10. A comparison of mean per capita state transfers across the three tiers reveal that per capita state transfers are higher for the middle and district as compared to the GPs in the backward districts where as in case of comparator districts the GPs and ZPs receive more. The GPs and ZPs in the comparator district receive more funds per capita through state transfers vis-à-vis those in the backward districts while the reverse is true for JPs.

11. The share of state transfers in total funds received is higher for GPs as compared to the middle and district tiers of panchayats in the state.

5. ASSESSMENT OF INTERGOVERNMENTAL TRANSFERS FROM THE CENTRE

5.1 CENTRAL FLOWS TO PRIs 2006-07 (ALL STATES)

This chapter examines the transfer of resources from the Centre to states on the basis of the recommendations of the Central Finance Commissions and the Centrally Sponsored Schemes (CSS) to the PRIs. The number of CSS in operation in all the states in the year 2006-07 as identified from the Central Budget documents is 165 amounting to Rs. 59236 crore. Of which, 41 schemes bypass the state budget (Rs. 36516 crore), and 124 schemes are routed through the state budget (Rs. 22719 crore).

The schemes bypassing the state have been classified into those that flow directly to the PRIs and those that flow to other agencies, missions, corporations and district authorities categorised as “Others” (for details see annexes 8 and 9 of the overall report). Of these, 10 schemes go directly to the PRIs (Rs. 21408 crore). They are the Sampoorna Grameen Rozgar Yojana (SGRY), National Food for Work Programme (NFFWP), Swarnjayanti Gram Swarozgar Yojana (SGSY), Indira Awaas Yojana (IAY), National Rural Employment Guarantee Scheme (NREGS), Integrated Wastelands Development Programme (IWDP), Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP), Central Rural Sanitation Programme (CRSP) and Member of Parliament Local Area Development Scheme (MPLADS). The remaining 31 schemes go to destinations other than PRIs (Rs. 15108 crore). Table 5.1 lists the ten schemes reaching the PRIs in 2005-06 and 2006-07.

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

(Rs. crore)

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

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

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

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

Notes: 1. # It is assumed that the entire funds under NREGS go to PRIs.

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

5.2 MAJOR CENTRAL SCHEME FLOWS TO PRIS: MADHYA PRADESH

The CSS funds discussed in the earlier section capture the total amount going to all the states. There is no formula whereby each state's share in this total can be derived. However, in the case of the eight CSS of the Ministry of Rural Development, a state-wise break up is possible.¹

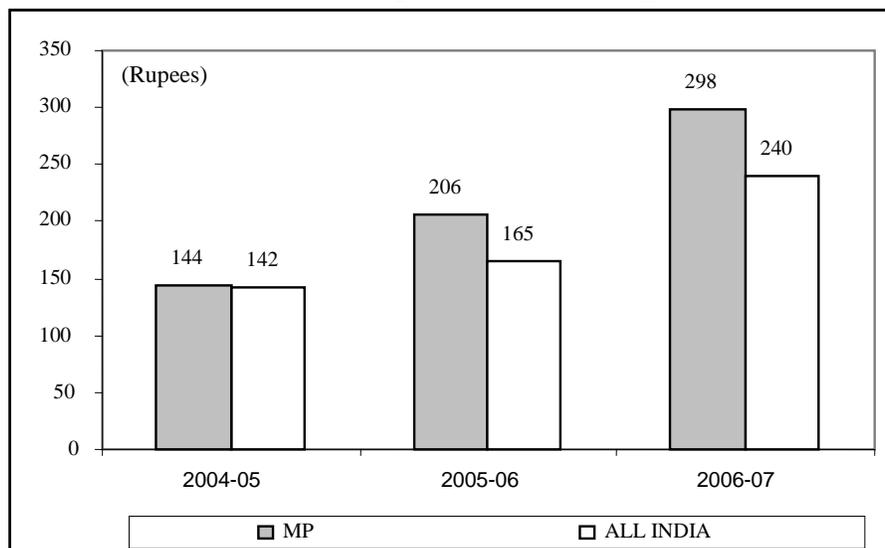
The scheme-wise details of these eight CSS (only central transfers) for Madhya Pradesh for the years 2004-05 and 2005-06 are given in annex 8. It is observed that the

¹ The other two of the ten identified as directly reaching the PRIs, are MPLADS (Member of Parliament Local Area Development Scheme), which is problematic because the ultimate recipients could well be urban or non-PRI rural, and the Central Rural Sanitation Programme for which state-specific figure were not available.

Desert Development Programme is not in operation in Madhya Pradesh, which in effect reduces the number of schemes to seven. In 2005-06 these schemes accounted for 5 percent of the total flow to PRIs (all India), and less than 2 percent of the total CSS flow.² The share of Madhya Pradesh in the all India (eight schemes) is 7.6 percent (see table 5.2).

The per capita receipts from these eight schemes for the two years 2004-05 to 2005-06 and budget estimates of 2006-07³ are shown in chart 5.1. The budget estimates for 2006-07 are derived by using respective state shares of Central releases of these eight CSS from the aggregate of 2005-06 estimates.⁴ In 2005-06 and 2006-07 the per capita provision of the eight Centrally Sponsored Schemes in Madhya Pradesh is higher than the all India per capita figure.

Chart 5.1: Per Capita Flows under Eight CSS



² The total amount of funds released for these eight schemes in Madhya Pradesh in 2005-06 is Rs. 1001.41 crore. This works out to 5.2 percent of the total PRIs expenditure of Rs. 19234.10 crore (ten schemes) and 1.9 percent of the total CSS expenditure of Rs. 53404.19 crore.

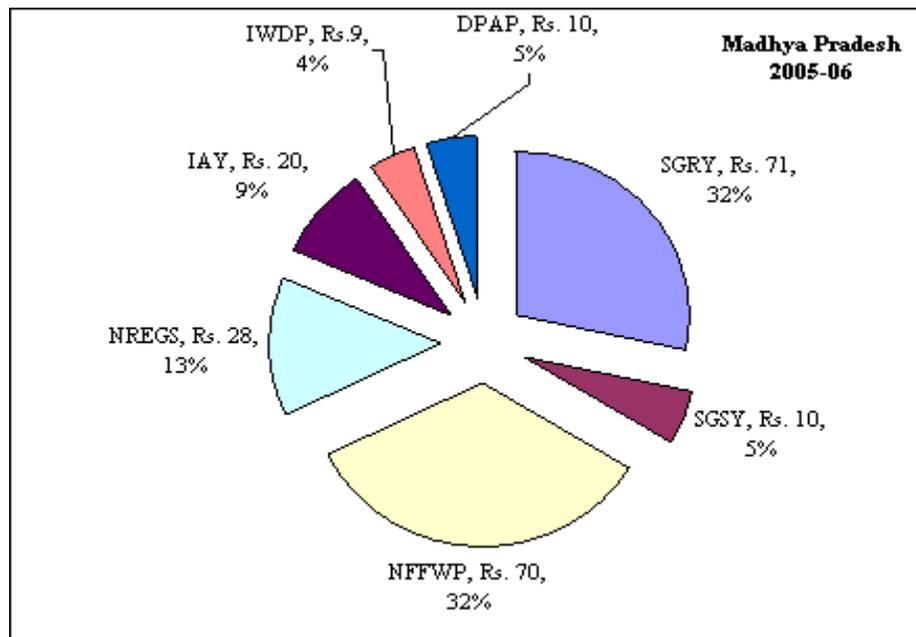
³ Mid year projected rural population were used to fiscal year data (e.g. for 2005-06, population of 2005).

⁴ Budgetary allocations are not provided by destination for an ongoing fiscal year. These figures so derived could overestimate the actual releases as schemes like NREGS are demand driven and the fund flow would depend upon utilisation by the state government.

The latest poverty estimates available for the year 1999-00 shows that the rural poverty head count ratio for undivided Madhya is 37.06. To an extent the per capita flows is directly related to the poverty head count ratio.

The details of the individual schemes (only central transfers) are available for the year 2005-06 (for details see annex 8). The per capita receipts for these eight schemes and their percentages are shown in chart 5.2. SGRY and NFFWP account for 64 percent of the total CSS expenditure in Madhya Pradesh.

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



Note: Desert Development Programme is not in operation in Madhya Pradesh.

The per capita budget estimates for eight CSS and MPLADS in Madhya Pradesh for the year 2006-07 are given in table 5.2. The state specific budget estimates are derived by multiplying respective state shares in total central releases for the year 2005-06 (all India) with total budget estimates of 8 CSS for 2006-07. The fund flows to MPLADS are estimated by taking the number of MPs (both Lok Sabha and Rajya Sabha) in the respective states and assuming that 75 percent of the allocations are directed to

PRIs. The budgeted per capita fund flows so obtained for Madhya Pradesh is Rs. 310 as compared to an all India per capita estimate of Rs. 255.

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

	Central releases (2005-06)		2006-07(BE)			
	8 CSS (Rs. crore)	Share (%)	8 CSS	MPLADS (Rs. crore)	Total (9 schemes)	Per capita (Rs.)
Madhya Pradesh	1001.41	7.58	1478.15	60.00	1538.15	310.11
All India	13212.74	100.00	19502.90	1185.00	20687.90	254.59

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

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

The per capita central flows to the PRIs in 2006-07 as discussed above and the per capita state flows as quantified in chapter 2 of the overall report put together presents overall flow of Rs. 794 to the PRIs in Madhya Pradesh.

5.3 ANALYSIS OF SURVEY RESULTS: MADHYA PRADESH

The field survey covers the fiscal year 2005-06 and collects information on the flow of funds through the centrally sponsored schemes and Central Finance Commission for the selected four districts in Madhya Pradesh, consequently the figures do not yield state-level estimates. As already stated in chapter 2 of this report the limitations imposed by the design of the UNDP study meant that the field survey results could only be presented in the form of separate findings for the set of pre-selected backward districts in the states, juxtaposed against those for a comparator set, purposively chosen through principal component analysis so as to represent areas with higher developmental indicators.

The survey results are analysed in this section for the three tiers, first for zilla panchayats (ZP), followed by janpad panchayats (JP), and gram panchayats (GP).

Table 5.3 shows the distribution of the 4 sample ZPs, 16 JPs and 262 GPs by number and type of the central schemes received by Madhya Pradesh (for details see annex 9).

Table 5.3: Major Centrally Sponsored Schemes in Operation in the PRIs: Madhya Pradesh

Schemes	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
No. of blocks	2	2	7	9	127	135
CRSP			1			
DPAP	1	1				
IAY	2	2	4	7	109	121
MP Funds					11	7
NFFWP		2		8	3	60
NREGS						36
Pension Scheme					120	131
PMGSY			1			
RSVY		2	1	3	2	18
SGRY	2	2	7	9	126	135
SGSY	2	2	4	7		

Source: Field survey 2005-06.

The survey shows that the RSVY programme is fully operational in all the backward districts of ZP and but operates only in some districts of JP and GP. The SGRY (rural employment) on the other hand flows to all three tiers, universally in backward districts, and nearly universally in the comparator district cluster. Other programmes with a significant presence at all three tiers are the NFFWP (food for work) and the IAY (rural housing). The pension scheme is received only in GPs. The NREGS is found only in a small number of GPs because it was begun in February 2006, almost at the end of the financial year 2005-06. SGSY is operational in only JPs and ZPs. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

Tables 5.4 shows the per capita distribution of funds by district for centrally sponsored schemes and Central Finance Commission funds separately, for ZPs, JPs and GPs respectively. There is a marked difference in per capita funds received between the comparator and backward districts. On an average in ZPs, Khargone and Mandla districts receive eight fold higher per capita incomes as compared to Bhind and Vidisha. In JPs this further magnified to seventeen fold while for the GPs it is little more than three fold. There is clear evidence of CSS funds being distributed within the state in inverse proportion to economic status, in terms of both quantum of funds received, and number of programmes operating.

Table 5.4: Mean Funds Received by PRIs Per Capita by District in Madhya Pradesh

(Rupees)						
PRIs	Comparator districts			Backward districts		
	Bhind	Vidisha	Average	Khargone	Mandla	Average
No. of ZPs	1	1		1	1	
Centrally Sponsored Scheme	85.12	108.73	96.92	613.66	952.51	783.09
Central Finance Commission	65.71	79.38	72.54	69.84	73.31	71.58
Total	150.83	188.11	169.47	683.50	1025.83	854.67
No. of JPs	3	4		4	5	
Centrally Sponsored Scheme	26.89	29.03	28.12	166.54	765.95	499.55
Central Finance Commission	67.06	63.48	65.01	64.98	52.70	58.16
Total	93.95	92.51	93.13	231.52	818.66	557.70
No. of GPs	54	73		65	70	
Centrally Sponsored Scheme	67.14	105.74	89.33	183.65	398.21	294.90
Central Finance Commission	29.43	8.29	17.28	5.30	14.64	10.14
Total	96.56	114.04	106.61	188.95	412.84	305.04

Source: Authors' calculation.

The distribution formula between districts for the Central FC fund flow for ZPs and JPs within the state is roughly uniform per capita. At GP level it varies from Rs. 5.30 in Khargone to Rs. 29.43 in Bhind. In GPs the flows exhibit no systematic pattern between the two sets of districts. For the state as a whole the comparator districts are receiving a higher Central FC flows as compared to the backward districts.

Table 5.5 shows the district wise share of CSS in the total funds received by Madhya Pradesh for the year 2005-06. After the merger of the contributory shares of Centre and state, the CSS schemes are the dominant source of funding at PRI level. This is consistent with the larger contribution of state funds than of Central funds as shown from budget data in the overall report.

Table 5.5: Share of Centrally Sponsored Schemes in Total Funds Received by Madhya Pradesh

PRIs	Comparator districts		Total	Backward districts		Total
	Bhind	Vidisha		Khargone	Mandla	
ZP	38.06	36.27	37.09	77.04	87.04	81.64
JP	19.52	39.68	30.40	45.01	81.58	70.90
GP	38.91	53.89	46.44	69.43	80.89	76.82

Source: *Ibid.*

The share of CSS in total funds is higher in backward districts as compared to the comparator set at all three tiers. Among backward districts, the percentage contribution of CSS to total funds is surprisingly uniform across tiers, and varies within the range 71-82 percent.

Since SGRY is the most important scheme among the GPs, the frequency distribution of GPs by percent of SGRY to total funds received in shown in table 5.6. In Madhya Pradesh 83 to 91 percent fall in the range of 20 to 40 percent.

Table 5.6: Frequency Distribution of GPs by Percent of SGRY to Total Funds Received: Madhya Pradesh

Percent	Economic status of GP		Cumulative percentage	
	Comparator	Backward	Comparator	Backward
000 ... <=020	60	37	47.24	27.41
020 ... <=040	56	75	91.34	82.96
040 ... <=060	11	19	100.00	97.04
060 ... <=080	0	4		100.00
Total	127	135		

Source: *Ibid.*

5.4 CONCLUSIONS

1. In 2006-07 there are 165 schemes identified as going to the rural areas, of which 41 bypass the state budget and 124 are routed through the state budgets. The total flow of funds from the Centre to rural areas (including the TFC grants) amounted to Rs. 63236 crore. Of the 41 schemes that bypass the state budget, 10 schemes go directly to the PRIs and the remaining 31 schemes go to destinations other than PRIs. Nine of the ten schemes going directly to PRIs, accounting for the major share of the funds flow to PRIs by the budget provision in 2006-07.

2. The per capita budget estimates of Rs. 298 for Madhya Pradesh in 2006-07 (eight schemes) is higher than the all India per capita figure of Rs. 240. The latest poverty estimates available for the year 1999-00 shows that the rural poverty head count ratio for undivided Madhya is 37.06. To an extent the per capita flows is directly related to the poverty head count ratio.

3. The survey shows all the backward districts in ZP receive funds under RSVY and this programme is operational in JP and ZP. The SGRY (rural employment) on the other hand flows to all three tiers, universally in backward districts, and nearly universally in the comparator district cluster. Other programmes with a significant presence at all three tiers are the NFFWP (food for work) and the IAY (rural housing). The pension scheme is received only in GPs. The NREGS is found only in a small number of GPs. SGSY is operational in only JPs and ZPs. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

6. The results of the field survey show that CSS funds are distributed within the state in inverse proportion to economic status, in terms of both quantum of funds received, and incidence of operation, at all three tiers.

7. As for the Central FC fund flow, the distribution formula between ZPs and JPs within Madhya Pradesh is roughly uniform per capita. In GPs the flows exhibit no systematic pattern between the two sets of districts. For the state as a whole the comparator districts are receiving a higher Central FC flows as compared to the backward districts.

8. The frequency distribution of GPs by percent of SGRY to total funds received shows that 83 to 91 percent fall in the range of 20 to 40 percent.

6. FISCAL MONITORING

6.1 AUDITING OF FUNDS AT THE THREE TIERS

The 73 Constitutional amendment provides that each State Legislature may make provisions with respect to the audit of the panchayats accounts. Accordingly, Madhya Pradesh¹ has incorporated this provision in the Madhya Pradesh Panchayati Raj Avam Gram Swaraj *Adhiniyam*, 1993.

The Act clearly states that the accounts of the panchayats (three tiers) will be audited by an independent audit organisation under the control of the state government. This audit will not be affected by any other audit conducted on behalf of the Accountant General of the state. The Act has made it further clear that the organisation entrusted with the audit function will be under the control of the state government. At the Centre, Comptroller and Auditor General, as per their Act, 1971, has the power to audit all expenditure from the Consolidated Fund of India and of each state,² through the state officers of Accountant General.

¹ Section 129 of the Act provides for a separate and Independent Audit Organisation under the control of the State Government to perform audit of accounts of Panchayats. Further, the state has made Madhya Pradesh Panchayat Audit Rules, 1997, for the purpose. The Audit Rules provides that the accounts of a Panchayat shall be audited annually and as far as possible, before the close of the succeeding financial year. This requirement of annual audit shall be independent and not affected by any other audit ordered by Accountant General of Madhya Pradesh.

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

With respect to audit of panchayats accounts, the Eleventh Finance Commission (EFC) in its report³ has recommended that the responsibility of exercising control and supervision over the maintenance of panchayats accounts and their audit should be entrusted to the C&AG who may get it done through C&AG's own staff or by engaging an outside agency. The Director of Local Fund Audit, or any other agency assigned the task of auditing of panchayats' accounts is to work under the technical and administrative supervision of the C&AG. For the maintenance of accounts and auditing, the EFC has also recommended on an average an amount of Rs 4000/- per panchayat per annum. The allocation made by EFC and its utilisation is shown in table 6.1. The PRIs in Madhya Pradesh have shown near full utilisation of the allocated fund for this purpose.

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

(Rs. crore)		
Annual allocation by EFC	Utilisation reported	Percent utilisation
8.93	8.80	98.55

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

The status of audit at all the tiers for both the clusters is presented in table 6.2.

Table 6.2: Frequency Distribution of ZPs, JPs and GPs by Year Accounts Last Audited

Year	Cumulative Percentage					
	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
2006-07	0.00	0.00	57.14	0.00	23.62	31.11
2005-06	50.00	0.00	100.00	88.89	86.61	80.00
2004-05	100.00	50.00		100.00	92.91	91.11
2003-04		100.00			96.06	94.81
2002-03					96.06	96.30
2001-02					96.06	96.30
2000-01					96.06	96.30
NR/NA					100.00	100.00

Source: Authors' calculation.

³ The Twelfth Finance Commission has not given any particular recommendation in this regard.

As shown in table, the performance of the overall process of audit of accounts at the JP level is comparatively better than ZP and GP level. However, between the two clusters the comparator districts are doing better than the backward set, across all the levels of ZP, JP and GP.

Amongst all the tiers, at GP level, the process of audit is most delayed. It is more worrisome, because at this level where most of the important (major) schemes such as SGRY and NREGS are targeted and implemented. Therefore, delayed audit at GP level is a matter of serious concern. In general, across all tiers, auditing is somewhat more delayed in backward districts than the comparator set.

6.2 UTILISATION OF CENTRAL FUNDS: BACKWARD AND COMPARATOR DISTRICTS

This section discusses the utilisation pattern of major centrally sponsored schemes, followed by utilisation of SGRY funds in GPs by type of record keeper, gender of sarpanch and the utilisation of Central Finance Commission funds.

The utilisation of major Centrally Sponsored Scheme (CSS) funds at ZP and JP level is table 6.3.

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

Percentage	Cumulative Percentage			
	ZP		JP	
	Comparator	Backward	Comparator	Backward
100 +	62.50	50.00	22.73	27.50
80 ... <=100	87.50	100.00	77.27	60.00
60 ... <= 80	87.50		90.91	75.00
40 ... <= 60	87.50		90.91	87.50
20 ... <= 40	87.50		90.91	95.00
00 ... <= 20	100.00		95.45	100.00
00			100.00	

Source: *Ibid.*

Note: Major CSS covered are SGRY, NFFWP, PMGSY, IAY and SGSY.

As observed from the table, between the two tiers, utilisation rates are higher at ZP level compared to JP level. Further, at ZP level, utilisation in backward districts is higher than in comparator districts. Between the clusters at JP level, it is about the same in both sets of districts.

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

The utilisation of SGRY funds separately by type of record keeper (with GP/state appointed record keeper) is presented in table 6.4. As showed in table, amongst the major CSS, the SGRY is one of the most important schemes implemented at GP level. In aggregate, between the clusters, utilisation rates are higher in backward cluster than the comparator. More than 80 percent of backward GPs reported 80 or more utilisation.

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

Percentage	Cumulative percentage of GP					
	Comparator			Backward		
	Appointed by					
	GP	State govt.	Total	GP	State govt.	Total
100 +	45.45	49.18	47.24	47.76	48.53	48.15
080 ... <=100	77.27	70.49	74.02	85.07	79.41	82.22
060 ... <=080	89.39	86.89	88.19	91.04	91.18	91.11
040 ... <=060	95.45	91.80	93.70	97.01	98.53	97.78
020 ... <=040	98.48	95.08	96.85	98.51	100.00	99.26
000 ... <=020	100.00	95.08	97.64	98.51		99.26
000		100.00	100.00	100.00		100.00
Total	51.97	48.03	100.00	49.63	50.37	100.00

Source: *Ibid.*

In aggregate, across both classes of districts, there is no major difference between the GPs with the type of record keepers and also, between the clusters. However, in comparator cluster GP-appointed record keepers is higher whereas in backward districts state-appointed are more.

6.2.2 Nature of Utilisation of SGRY Funds by Gender of Sarpanch

The utilisation of SGRY funds under different activities by gender of sarpanch is presented in table 6.5. It can be observed from the table, in Madhya Pradesh, roads and culverts and construction/maintenance of waterworks are the dominant choice followed by construction/ maintenance of building. Further, the comparator and backward districts have nearly same preference for construction and maintenance of water works, however, comparator districts preferred more for roads and culverts and backward for construction/maintenance of buildings. In aggregate, no marked differences are indicated by gender (female/male headed GP) choice for utilisation of fund for these works. In backward districts GP, the female/male (gender) choice for these works reported nearly same with exception of male GPs indicated comparatively more preferences for waterworks than female ones. While GPs in comparator districts with female sarpanch indicated more preferences for construction/maintenance of water works than their male counter parts. It was reverse in case of roads and culverts where male preferred more than their female counter parts.

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

Percent constituent	Economic status of GP								
	Gender of sarpanch								
	Comparator			Backward			Aggregate		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Roads & culverts	55.23	70.53	65.78	60.36	59.99	60.11	58.95	63.09	61.74
Construction/ maintenance of buildings	4.34	4.45	4.42	12.84	12.82	12.83	10.51	10.35	10.41
Construction/ maintenance of water works	38.02	20.06	25.64	20.06	23.45	22.33	24.98	22.45	23.28
Plantation	0.30	0.31	0.31	0.47	0.18	0.27	0.42	0.22	0.28
Administrative	1.18	0.48	0.70	0.65	0.92	0.83	0.80	0.79	0.79
Others	0.93	4.17	3.17	5.62	2.64	3.63	4.33	3.09	3.50
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: *Ibid.*

The gender wise preference for work done through SGRY funds thus obtained for both the district clusters in Madhya Pradesh is now statistically tested for statistical significance. The test for the null hypothesis $H_0: (\rho_1 = \rho_2)$ i.e., there is no gender difference in preferences for the type of work done against the alternative hypothesis $H_0: (\rho_1 \neq \rho_2)$ i.e., there exist gender differences in preferences. Here ρ_1 is the proportion of total funds utilised by female-headed GP for a particular type of work and ρ_2 represents the funds utilised by the male-headed GP for the same type of work. The types of work considered are: a) construction and maintenance of roads and culverts, b) construction and maintenance of buildings, and c) construction and maintenance of water works in the GP. The results are presented in table 6.6. It is observed from the table that the null hypothesis of no gender difference in preferences cannot be rejected in both the clusters in Madhya Pradesh. In the comparator district in Madhya Pradesh the results indicate that there exists a significant female preference towards activities related to construction and maintenance of water works.

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

Type of SGRY works	Comparator districts	Backward districts
Construction & maintenance of roads & culverts	-1.6968	0.0411
Construction & maintenance of buildings	-0.0305	0.0043
Construction & maintenance of water works	2.1041 #	-0.4550

Source: Authors' calculation based on data in table 6.5

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

6.2.3 Utilisation of Central Finance Commission Funds

The table 6.7 discusses the utilisation about of funds received from central finance commission. As indicated in table the utilisation of funds reported higher in comparator districts as compared to backward cluster. About 60 percent of comparator GPs showed 80 percent or more utilisation, whereas only 55 percent of backward GPs achieved this utilisation rate. The survey results show non-receipt of FC funds varied in the range of 1.57 percent in comparator set to 4.44 percent in backward district GPs.

In conclusion, fund utilisation is about the same and low between both the clusters (comparator and backward) of GPs. The non-receipts of FC funds reported higher in backward set of GPs than comparator cluster. However, as chapter 4 (overall report) showed, FC funds are mostly targeted at the upper two tiers.

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

Percentage	Cumulative percentage	
	Comparator	Backward
NR/NA*	1.57	4.44
100 and above	16.54	10.37
080 ... <=100	59.84	54.81
060 ... <=080	69.29	61.48
040 ... <=060	80.31	71.85
020 ... <=040	84.25	80.00
000 ... <=020	84.25	82.96
000	100.00	100.00

Source: *Ibid.*

Note: * No funds received.

6.3 UTILISATION OF STATE FUNDS: BACKWARD AND COMPARATOR DISTRICTS

6.3.1 Utilisation of State Scheme Funds

The utilisation of state schemes fund entirely originating from state level schemes across all the levels of PRIs (however, not a major source of funds flow to PRIs as shown in chapter 4 overall report) is given in table 6.8.

Amongst the three tiers, utilisation of state scheme funds is in general higher at ZP level than JP level, and lowest at GP level. At ZP level between classes of districts it reported about same rate of utilisation, whereas at JP and GP level utilisation rate in comparator cluster reported higher than backward cluster. At GP level more than 73 percent comparator cluster showed 100 percent and more utilisation. In conclusion, it is for the most part better in comparator districts. The non-receipt of FC funds at GP level reported to the extent of more than half (53 percent) in comparator district and 46 percent

in backward districts GPs, indicates about half of the GPs surveyed are not in receipts of funds under the state schemes, resulted in poor utilisation of the funds at GP level in general and backward in particular.

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

Percentage	Cumulative Percentage					
	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
NR/NA*					52.76	45.93
100 and above	0.00	0.00	42.86	0.00	73.23	67.41
080 ... <=100	100.00	100.00	57.14	55.56	84.25	85.93
060 ... <=080			100.00	66.67	85.83	88.89
040 ... <=060				77.78	88.19	88.89
020 ... <=040				88.89	88.98	93.33
000 ... <=020				100.00	96.06	98.52
000					100.00	100.00

Source: *Ibid.*

Note: * No Funds Received.

6.4 UTILISATION OF NREGS FUNDS IN 2006-07

The numbers of NREGS districts covered in Madhya Pradesh is listed in table 6.9. There are 18 districts covered under NREGS in Madhya Pradesh. Of this, two NREGS districts of Khargone and Mandla are covered in this study.

Table 6.9: Coverage of NREGS Districts in Madhya Pradesh

S. No.	District	S. No	District
1	Balaghat	11	Satna
2	Barwani	12	Seoni
3	Betul	13	Shahdol
4	Chhatarpur	14	Sheopur
5	Dhar	15	Shivpuri
6	Dindori	16	Sidhi
7	East Nimar	17	Tikamgarh
8	Jhabua	18	Umaria
9	Khargone	19	
10	Mandla		

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

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

The utilisation of NREGS funds with respect to the issue of job cards, employment demanded and provided, fund released and the expenditure incurred on the works under taken is presented in table 6.10. The last column of the table indicates the percentage of expenditure incurred on these works from the total releases. Madhya Pradesh could spend about 37 percent of funds released. However, it was below four states average but above national average.

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

(Rs. crore)							
State	No of dists.	Total rural house-holds	Job cards	Employment demanded	Employment provided	No. of works	
1	2	3	4	5	6	7	
More than 5 percent of total exp.							
Madhya Pradesh	18	3890287	4144413	1913133	1804953	69783	
Total (4 states)	54	10647831	9197020	3644990	3377377	119949	
Total (27 states)	200	57541426	24230592	9558234	8824994	242438	
Average							
State	Funds released	Exp.	Released per dist.	Exp. per dist.	Exp. (col. 9) as % of total exp.	Rank-based on % exp.	Exp as % of released per dist.
1	8	9	10	11	12	13	14
More than 5 percent of total exp.							
Madhya Pradesh	1093.84	403.81	60.77	22.43	29.74	1	36.9
Total (4 states)	2223.22	922.59	41.17	17.09	67.90		41.5
Total (27 states)	4386.42	1357.99	19.90	6.79	100.00		
Average							34.1

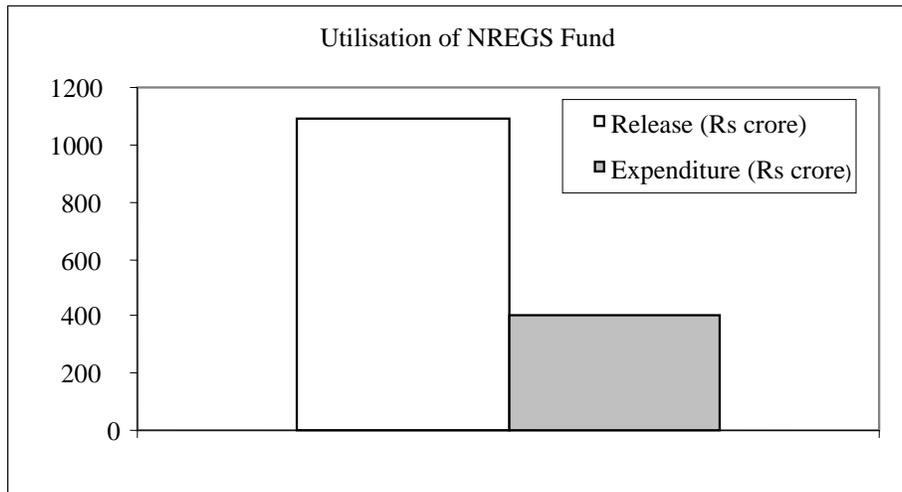
Source: *Ibid.*

Notes: NREGS does not extend to Goa. Funds released pertain to April-August 2006-07. Only 23 states report figures for expenditure.

4 states: Chhattisgarh, Madhya Pradesh, Rajasthan and Orissa.

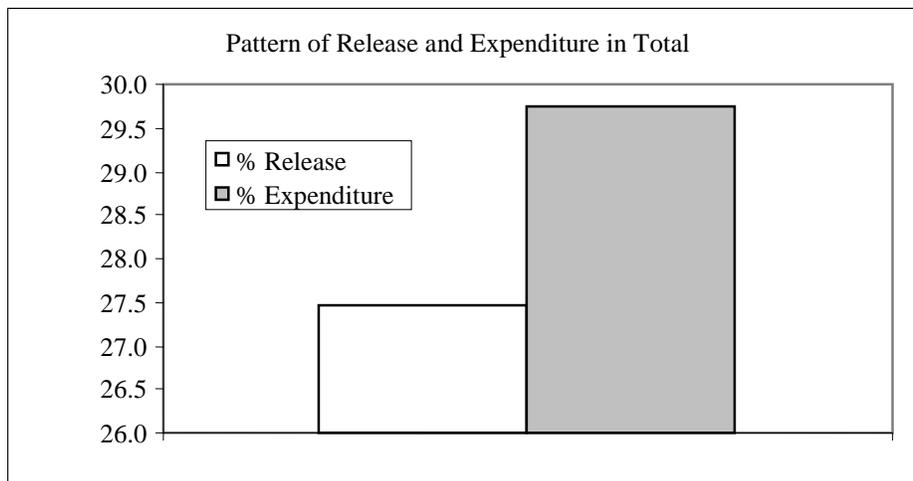
The pattern of funds released and the expenditure incurred on the works undertaken in Madhya Pradesh is shown in chart 6.1.

Chart 6.1: Utilisation Pattern of Fund Released and Expenditure Incurred Under NREGS – Madhya Pradesh



The chart 6.2 indicates the percent share of Madhya Pradesh in total release and expenditure of NREGS fund.

Chart 6.2: Percent Share of Fund Released and Expenditure Incurred Under NREGS



6.5 CONCLUSIONS

1. As per the MP PRI Act, the primary responsibilities of auditing of panchayats accounts are assigned to independent audit organisations under the control of the state

government. The independent auditor, who may further authorize a Chartered Accountant, carries the statutory responsibility, although simultaneous test audits are permissible, under the over-riding powers of the C&AG.

2. As per the survey results the process of auditing across all the levels of PRIs, it is most delayed at GP level than ZP and JP. It is more worrisome because at the GP level the major schemes such as SGRY and NREGS are mostly targeted and implemented, delayed audit at GP level is a matter of serious concern. Further, between the two clusters, (across all tiers) auditing is somewhat more delayed in backward clusters.

3. In the case of utilisation rates of CSS funds at ZP and JP levels, between the two tiers, utilisation rates reported much higher at ZP than at JP level. Further, at ZP level, backward cluster showed higher utilisation than comparator set, whereas at JP level comparator cluster reported higher utilisation.

4. Regarding the utilisation of SGRY funds at GP level, the utilisation at 80 percent or more is reported by 74-82 percent of GPs, backward cluster reported higher utilisation than comparator set. Utilisation at GP level is somewhat higher in general in backward districts as compared to the comparator set.

5. With respect to appointment of record keeper, in aggregate, across both classes of districts there is not much difference between GPs with state appointed record keepers and GP appointed record keepers. However, in comparator cluster GP appointed record keepers are higher whereas in backward districts state appointed are more.

6. The nature of utilisation of SGRY funds by gender of sarpanch as discussed shows that roads and culverts are the dominant choice in Madhya Pradesh, followed by construction and maintenance of water works and building construction. Tests for differences between female and male headed GPs show significant difference only in two cases. In the comparator district cluster in Madhya Pradesh the results indicate that there

exists a significant female preference towards activities related to construction and maintenance of water works.

7. Utilisation of the Central Finance Commission flow at GP level is comparatively higher in comparator districts than the backward set of districts. The data show non-receipt of FC funds to the extent of 4.44 percent in backward district GPs and 1.57 percent of comparator set of districts.

8. In the field survey, receipts of CSS funds are taken in a scheme-specific manner aggregating across Central and state contributions. The state scheme applies to funds entirely originating in state-level schemes and is not a major source of fund flow to PRIs. Utilisation of state scheme funds is in general higher at ZP level than JP, and lowest at GP level.

9. National level data on state-wise utilisation of NREGS fund shows a four-state average of 41.5 percent over April-August 2006, as against an average across all reporting states of 34.1 percent. Madhya Pradesh is below the four-state average, but above the national average.

7. CONCLUSIONS

7.1 FORMAL STATUS OF RURAL DECENTRALISATION

After the seventy-third Constitutional Amendment, Madhya Pradesh has amended its Panchayati Raj Acts in 1994. Further in 2005, the *Madhya Pradesh Panchayati Raj and Gram Swaraj Adhiniyam* enactment empowered Gram Sabhas with the functional responsibilities of the GP, to be executed through several committees.

The number of panchayats as on 1 April, 2004 at the village level is 22029, block level 313 and district level 45. Elections to the three tiers have been conducted three times. The first was conducted in 1994, the second in January 2000 and third in January 2005. The number of elected representatives at village level was 9 per GP, at the block level 14 per JP and at district level 11 per ZP. One-third of all seats are reserved for women.

The mandated requirement of State Finance Commissions at quinquennial intervals has been adhered to. Madhya Pradesh has constituted its third SFC, whose report is awaited. The principal task addressed by SFCs has been setting the share of PRIs in the state revenues. The prescription on the divisible pool and PRI shares shows little change between the first and second SFCs. The PRIs, in addition to tax assignments, receive establishment grants and plan grants for various development schemes. The PRIs are also empowered to raise own revenues comprising of own taxes and own non taxes. In Madhya Pradesh the revenue raising powers by the state PRI statutes are assigned mainly to GPs and to a limited extent to JPs. Some of the taxes assigned are designated as obligatory where the levy is mandatory and others as optional. The evidence from the field survey on revenues collected is summarised in section 7.5.

The state governments have the authority to devolve functional and financial power to rural local bodies to enable them to function as institutions of self government. The eleventh schedule of the Constitution provides a comprehensive list of functional heads that the states are expected to devolve along with funds and functionaries. A

quantitative estimate of functional devolution through budgetary expenditure assignment is available in chapter 2 of the overall report.

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

The mean per capita fund flows to the PRIs for Madhya Pradesh for the fiscal year 2006-07 and the own tax and non-tax revenues based on the field survey in the selected backward and comparator districts is summarised in table 7.1.

Table 7.1: Per Capita Flows to PRIs from Centre, States and Own Revenues
(Rupees)

	Comparator Districts			Backward Districts		
	GP	JP	ZP	GP	JP	ZP
Central transfers	106.61 (57.69)	93.13 (61.00)	169.47 (65.08)	305.04 (80.37)	557.70 (82.62)	854.67 (90.67)
State transfers	71.15 (38.50)	56.72 (37.15)	89.06 (34.20)	65.01 (17.13)	111.21 (16.47)	87.54 (09.29)
Own revenue	7.03 (3.80)	2.81 (1.84)	1.89 (0.73)	9.48 (2.50)	6.12 (0.91)	0.36 (0.04)
Own tax	0.85	0.01	0.00	4.75	0.11	0.00
Own non-tax	6.18	2.80	1.89	4.73	6.01	0.36
Total	184.79	152.66	260.42	379.53	675.03	942.57

Source: Authors' calculation.

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

The central transfers here include the fund flows to the various centrally sponsored programmes and Twelfth Finance Commission transfers, while for the state they include various state schemes and transfers based on the recommendations of the State Finance Commission. The central flows shown above include all receipts from the Centre and the states contribution in these schemes. So defined, central transfers account for the bulk of the fund flows followed by state transfers and own resources. As can be seen from the table, the mean per capita receipts in the backward districts is more than the comparator districts in all the Central transfers while the reverse is true in the state transfers except for JPs .

7.3 FUND FLOW FROM CENTRE

At the all India level, in 2006-07 there are 165 schemes identified as going to the rural areas, of which 41 bypass the state budget and 124 are routed through the state budgets. The total flow of funds from the Centre to rural areas (including the TFC grants) amounted to Rs. 63236 crore. Of the 41 schemes that bypass the state budget, 10 schemes go directly to the PRIs and the remaining 31 schemes go to destinations other than PRIs. Nine of the ten schemes going directly to PRIs accounted for the major share of the funds flow to PRIs by the budget provision in 2006-07. The per capita budget estimates of Rs. 310.11 for Madhya Pradesh is higher than the all India average of Rs. 254.59 for the year 2006-07.

The information collected through the field survey refers to the fiscal year 2005-06 and does not yield state-level estimates. The results could only be presented in the form of separate findings for the set of pre-selected backward districts in the states, juxtaposed against those for a comparator set, purposively chosen through principal component analysis so as to represent areas with higher developmental indicators. In the case of centrally sponsored schemes it is also reiterated that the survey data refers to scheme specific data after merger of the contributory share of the Centre and states while the budget estimates for eight CSS and MPLADS for Madhya Pradesh only includes Centre's share. Keeping this limitation in mind the per capita estimates of central flows given in table 7.1 for the two district clusters cannot be compared with the per capita budget estimates of eight CSS and MPLADS for Madhya Pradesh shown in table 5.2 of chapter 5. None the less, the per capita estimates for the comparator district are Rs. 356 and for backward district Rs. 1707 as compared to the budget estimate of Rs. 310 for the nine schemes.

The field survey shows the type of schemes reaching the PRIs in Madhya Pradesh. The RSVY is fully operational in the backward districts of ZPs. SGRY (rural employment) on the other hand flows to all three tiers, universally in backward districts, and nearly universally in the comparator district cluster. Other programmes with a

significant presence at all three tiers are the NFFWP (food for work) and the IAY (rural housing). The pension scheme and NREGS is received only in GPs while SGSY is not operational in the GPs. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

The results show that CSS funds are distributed within the state in inverse proportion to economic status, in terms of both quantum of funds received, and incidence of operation, at all three tiers. As for the Central FC fund flow, the distribution formula between ZPs and JPs within the state is roughly uniform per capita. In GPs the flows exhibit no systematic pattern between the two sets of districts. For the state as a whole the comparator districts are receiving a higher Central FC flows as compared to the backward districts. The frequency distribution of GPs by percent of SGRY to total funds received shows that 83 to 91 percent fall in the range of 20 to 40 percent.

7.4 FUND FLOW FROM STATE

The assigned tax revenues to the PRIs in Madhya Pradesh are from land revenue and surcharge on stamp duty and sales tax. The survey of selected GPs reveals that in 2005-06 around 53 percent of the GPs in the comparator districts and 46 percent in the backward districts did not receive any state schemes funds. Some of the important state schemes are pension schemes, MLA funds, and Nal Jal Yojana. The other schemes that reach the GPs are the *akaal rahat* (drought relief), tribal area development scheme, schemes for the welfare of SC/STs etc. Unlike the GPs, the JPs received more state schemes. The important ones are pension scheme, gokul gram yojana, samagra swachhta abhiyan. The ZPs in the state also receive funds for schemes such as balika samridhi yojana, pension scheme and gokul gram yojana.

Even though on an average the per capita state transfers that include transfers under different state schemes and devolutions and grants to the GPs in 2005-06 are higher in the comparator districts as compared to the backward districts. The mean per capita

state transfers across the three tiers averaged over the comparator and backward districts clusters reveal that per capita state transfers are higher in the middle and district tiers as compared to the GPs in the backward districts where as in case of comparator districts the GPs and ZPs receive more. The GPs and ZPs in the comparator district receive more funds per capita through state transfers vis-à-vis those in the backward districts while the reverse is true for JPs.

The share of state transfers in total funds received is higher for GPs as compared to the middle and district tiers of panchayats in the state.

7.5 OWN REVENUE

Revenue raising powers are assigned mainly to GPs and to a limited extent to JPs as per the state PRI statutes. The ZPs are not assigned any tax powers. Some of the taxes assigned are obligatory while others are optional in nature. However, the tax rights are not fully exploited by the GPs. About 32 percent in both the clusters do not collect tax revenue at all. Thus, the obligatory provision does not seem to have been comprehensively enforced.

Non-tax revenues are the dominant source of own revenues of GPs across the districts. This source accounts for nearly 51 percent of own resources in backward districts and 85 percent in the comparator set. Prominent non-tax revenues sources are interest receipts, property rental and lease income and royalty from minor minerals. The mean per capita own non-tax revenue on an average is higher in the comparator districts vis-à-vis the backward districts.

At all tiers of PRI structure in both categories of districts, taxes are less significant than non-tax revenues in total own revenue, both in terms of number levying and in terms of contribution to revenue.

Per capita tax collection is higher in GPs as compared to the middle and district tier panchayats. These figures represent only the districts sampled, and do not yield state-level averages. But the range does not encompass the per capita figures for 2002-03 from the Twelfth Finance Commission Report for Madhya Pradesh, which at Rs. 34 per capita is higher than the survey figures which fall in the range of Rs. 1-5.

The share of own revenues in total funds received is higher in comparator districts vis-à-vis backward districts and among the three tiers of panchayats the share is higher for the GPs. At the JP level the own revenues mainly comprise income from non-tax sources. The important ones are income from lease and auction, and interest receipts. The last source depends upon the amount of unspent funds under different schemes remaining with the banks and is not based on the revenue efforts of the JPs. As the ZPs are not assigned any tax powers their own revenues comprise of income from various non-tax sources like interest receipts, income from lease and auction, and rent from panchayat properties etc.

7.6 MONITORING AND UTILISATION

As per the survey results the process of auditing is most delayed at GP level than ZP and JP. It is more worrisome because at the GP level the major schemes such as SGRY and NREGS are mostly targeted and implemented, delayed audit at GP level is a matter of serious concern. Further, between the two clusters (across all tiers) auditing is somewhat more delayed in backward clusters.

Utilisation rates of CSS funds are much higher at ZP than at JP level. Further, at ZP level, backward cluster showed higher utilisation than the comparator set, whereas at JP level the comparator cluster reported higher utilisation.

The utilisation of SGRY funds, one of the most important schemes implemented at GP level, shows that more than 80 percent of the GPs reported utilisation of 74-82 percent. Utilisation at GP level is somewhat higher in general in backward districts as

compared to the comparator set. There is no marked difference in utilisation of SGRY funds according to the type of appointment of record keeper. The nature of utilisation of SGRY funds by gender of sarpanch shows that roads and culverts are the dominant choice, followed by construction and maintenance of water works and building construction. Tests for differences between female and male headed GPs show significant difference only in the comparator district cluster. The results indicate that there exists a significant female preference towards activities related to construction and maintenance of water works.

Utilisation of the Central Finance Commission flow at GP level is comparatively higher in comparator districts than the backward set of districts. Utilisation of state scheme funds is in general higher at ZP level than JP, and lowest at GP level. Utilisation of NREGS fund over April-August 2006 shows an average of 34.1 percent across all reporting states and is above the national average in Madhya Pradesh (36.9 percent).

Principal Components Analysis (PCA)

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

$$\begin{aligned}
 P_1 &= a_{11}X_1 + a_{12}X_2 + \dots + a_{1k}X_k \\
 P_2 &= a_{21}X_1 + a_{22}X_2 + \dots + a_{2k}X_k \\
 &\cdot \quad \cdot \quad \cdot \quad \cdot \quad \cdot \\
 &\cdot \quad \cdot \quad \cdot \quad \cdot \quad \cdot \\
 P_k &= a_{k1}X_1 + a_{k2}X_2 + \dots + a_{kk}X_k
 \end{aligned}$$

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

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

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

The maximum number of principal components is equal to the number of X 's. However, only a small number of P 's is usually retained in the analysis. There are various criteria which have been suggested while deciding how many principal components to retain in any particular study. The most common are the *Kaiser's criterion*, *Cattell's 'Scree test'*, and the *Bartlett's criterion*. We have, in our analysis, used the *Kaiser's criterion* which suggests that only those principal components having latent root¹ greater than one are considered essential and should be retained for the analysis.

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

Ranking of Districts in Madhya Pradesh

District	Ranking			District	Ranking		
	PCA	PCY	HDI		PCA	PCY	HDI
Balaghat	45	20	15	Morena	5	42	32
Barwani	8	44	44	Narsimhapur	41	15	10
Betul	35	28	30	Neemuch	26	3	7
Bhind	9	34	19	Panna	43	39	41
Bhopal	1	8	2	Raisen	29	1	3
Chhatarpur	38	38	43	Rajgarh	34	24	34
Chhindwara	18	18	13	Ratlam	7	2	6
Damoh	39	7	18	Rewa	37	41	39
Datia	21	30	28	Sagar	19	16	20
Dewas	15	10	10	Satna	33	33	38
Dhar	10	23	23	Sehore	22	17	22
Dindori	42	31	24	Seoni	40	36	26
Khandwa	16	22	21	Shahdol	23	29	31
Guna	17	35	36	Shajapur	32	9	9
Gwalior	3	19	8	Sheopur	11	13	33
Harda	27	12	12	Shivpuri	36	27	40
Hoshangabad	13	14	14	Sidhi	24	11	25
Indore	2	6	1	Tikamgarh	30	37	42
Jabalpur	4	26	17	Ujjain	6	4	4
Jhabua	12	45	45	Umaria	28	40	37
Katni	14	25	29	Vidisha	20	21	27
Mandla	44	32	16	Khargone	25	43	35
Mandsaur	31	5	4				

Selected ZPs, JPs and GPs in Madhya Pradesh

ZP	JP	GP	
1	2	3	
Mandla (B)	1. Niwas	1. Maneri	6. Niwas
		2. Gundlai	7. Pipriya
		3. Hirisingouri	8. Padmikona
		4. Thanamgaon	9. Hirnachhapar
		5. Bhikhampur	10. Khairani Mal
	2. Ghugri	1. Surehali	7. Chhattarpur
		2. Kusumi	8. Kisli
		3. Baniya	9. Dundadehi
		4. Chhiwlatola	10. Imalitola
		5. Barwani	11. Banehari
		6. Dhenko	
	3. Mawai	1. Dadhi Raiyat	7. Sarasdoli
		2. Mohgaon Raiyat	8. Pakhwar
		3. Bhanpur	9. Surajpura (V Gra.)
		4. Sakwah Raiyat	10. Basani Raiyat
		5. Kewlari Kalan	11. Narharganj
		6. Manpha Mal	12. Bhimdongri Rai
	4. Nainpur	1. Potiya	10. Alipur
		2. Barbaspur	11. Jaidepur
		3. Saliwadamal	12. Sakwah
4. Khirkhiri		13. Bhadiya	
5. Chhattarwada		14. Samnapur	
6. Pala Sunder		15. Chamarwahi	
7. Gaurachhapar		16. Chichgaon	
8. Ohani		17. Keregaon	
9. Makke		18. Tatri	
5. Mandla	1. Lingamal	11. Keharpur	
	2. Patparsingarpur	12. Bhanvranda	
	3. Narendragarh	13. Malarichak	
	4. Chatuamar	14. Limruaa	
	5. Tikriya	15. Dhaurgaon	
	6. Tilaipani	16. Tikarwara	
	7. Chhaprisilpuri	17. Gwara	
	8. Gurarkheda	18. Boniya	
	9. Sakwah	19. Dhenko	
	10. Badhar		

ZP	JP	GP	
1	2	3	
Khargone (B)	1. Khargone	1. Rajur	7. Temla
		2. Nandgaonbagud	8. Nimgul
		3. Ubadi	9. Piprata
		4. Goansan	10. Baidiyaw
		5. Dogarchichli	11. Sonipura
		6. Aghawan	
	2. Jhiranya	1. Ghodi Bujurg	10. Mundiya
		2. Mordand	11. Chiriya
		3. Morwa	12. Damkheda
		4. Baidchha	13. Putla
		5. Piperkhed Naka	14. Ratanpura
		6. Nimsethi	15. Rajpura
		7. Tigriya	16. Mandwi
		8. Chhendiya	17. Kotbeda
	3. Bhikgaon	9. Ambadochar	18. Dhupi Khurd
		1. Ahirkheda	9. Machhalgaon
		2. Birula	10. Nargaon
		3. Chiragpura	11. Pokhar (Bu.)
		4. Dodwa	12. Pokhrabad
		5. Kakadgaon	13. Sangwi
		6. Kedwa	14. Bhopada
		7. Khudgaon	15. Temla
	4. Kasarwad	8. Lal Kheda	16. Chaudi Adand
		1. Khalbujurg	11. Lohari
		2. Balgaon	12. Bamkhal
		3. Mukundpura	13. Kodapur
		4. Dolani	14. Siptan
		5. Baigandi	15. Khedi (Bu.)
		6. Amlatha	16. Mogoawa
		7. Sameda	17. Bardewala
		8. Sangwi	18. Bhatyan Khu.
		9. Utawad	19. Katkur
		10. Chandanpur	20. Sayata

ZP	JP	GP			
2	3	4			
Vidisha (C)	1. Gyaraspur	1.	Andiyakalan	9.	Aulija
		2.	Chakraghunathpur	10.	Manora
		3.	Madhichobisa	11.	Sihod
		4.	Suakhedi	12.	Kanjela
		5.	Pathrai	13.	Pipriya Parashar
		6.	Imlawada	14.	Semra Tappa
		7.	Chirawta	15.	Naurja
		8.	Uhar Kotra		
	2. Kurwai	1.	Karaiya	9.	Mehlua
		2.	Basoda	10.	Sirawali
		3.	Nawkund	11.	Datera
		4.	Imliya	12.	Manesha
		5.	Lachayara	13.	Dudhawari
		6.	Khaju Jagir	14.	Simardhan
		7.	Kachhikumhariya	15.	Barkheda Pathari
		8.	Jhagriya	16.	Badoh
	3. Vidisha	1.	Dupariya	11.	Chhirkheda
		2.	Rusalli	12.	Jambar
		3.	Kothicharkalan	13.	Guraniya
		4.	Salaiya	Laskarpur	
		5.	Barro	14.	Laskarpur
		6.	Sayar	15.	Kirm
		7.	Karela	16.	Chibandhera
		8.	Kotra Laskarpur	17.	Khari
		9.	Bilori	18.	Tharr
		10.	Parasi Gujarr	19.	Dabar
	4. Ganjbasuoda	1.	Uhar	20.	Chinoriya
		2.	Kharturi	21.	Hansua
		3.	Wareth	22.	Sonsera
		4.	Chulheta	13.	Varod
		5.	Jhilipur	14.	Bhilay
		6.	Tawakkalpur	15.	Avupurkucholi
		7.	Visadha	16.	Murahar
		8.	Syari	17.	Ukayala
		9.	Hardukhedi	18.	Sairwasa
		10.	Ravaryai	19.	Amari
		11.	Chorawar	20.	Richhai
			21.	Pipraha	
			22.	Pachpipra	

ZP	JP			GP	
1	2			3	
Bhind (C)	1. Bhind	1.	Chandupura	8.	Pewli
		2.	Rachhedi	9.	Sarsai
		3.	Parsona	10.	Nayagaon
		4.	Barhi	11.	Jakhmoli
		5.	Kanawar	12.	Dungarpura
		6.	Lahroli	13.	Madnai
		7.	Gusig		
	2. Gohad	1.	Suhas	11.	Chhimka
		2.	Ano	12.	Dhamsa
		3.	Chandokhar	13.	Badeara Gohad
		4.	Rai Ki Pali	14.	Ghamuri
		5.	Bhaunpura	15.	Dang Chhaikuri
		6.	Taiton	16.	Adhiyari Kalan
		7.	Kachanpur	17.	Asohana
		8.	Naunera	18.	Kheriya Chadan
		9.	Ikahra	19.	Ratwa
		10.	Lahchura		
	3. Mehgaon	1.	Hasanpura	12.	Nimgaon
		2.	Harichha	13.	Bharauli Khurd
		3.	Chapra	14.	Bharauli Kalan
		4.	Pratappura	15.	Sururu
		5.	Goaroli	16.	Gaheli
		6.	Dondri	17.	Sirsi
		7.	Kanhari	18.	Pasona
		8.	Garhi	19.	Amayana
		9.	Mona Hardaspura	20.	Kheriya Sindh
		10.	Bardah	21.	Khairoli
		11.	Rabiyapura	22.	Mustari

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

Poverty Head Count Ratio at the State Level

(In Percentage)

Sl. No	States/Union Territories	Rural			Urban			Combined		
		1973-74	1993-94	1999-00	1973-74	1993-94	1999-00	1973-74	1993-94	1999-00
12	Madhya Pradesh	62.66	40.64	37.06	57.65	48.38	38.44	61.78	46.52	37.43
18	Orissa	67.28	49.72	48.01	55.62	41.64	42.83	66.18	48.56	47.15
20	Rajasthan	44.76	26.46	13.74	52.13	30.49	19.85	46.14	27.41	15.28
	All India	56.44	37.27	27.09	49.01	32.36	23.62	54.88	35.97	26.10

Source: Economic Survey, 2002, Ministry of Finance, Government of India.

Indicators and Scoring Scheme used in 2002 BPL Census

S. No.	Characteristic	Scores				
		0	1	2	3	4
1	Size Group of Operational holding of land	Nil	Less than 1 ha of un-irrigated land (or less than 0.5 ha of irrigated land)	1 ha - 2 ha of un-irrigated land (or 0.5 - 1 ha of irrigated land)	2 ha - 5 ha of un-irrigated land (1.0-2.5 ha of irrigated land)	2.5 ha of irrigated land
2	Type of house	Houseless	Kutchra	Semi-pucca	Pucca	Urban type
3	Average availability of normal wear clothing (per person in prices)	Less than 2	2 or more, but less than 4	4 or more, but less than 6	6 or more, but less than 10	10 or more
4	Food security	Less than 1 square meal per day for major part of the year	Normally, 1 square meal per day, but less than 1 square meal occasionally	1 square meal per day throughout the year	2 square meal per day, with occasional shortage	Enough food throughout the year
5	Sanitation	Open defecation	Group latrine with irregular water supply	Group latrine with regular water supply	Clean group latrine with regular water supply and regular sweeper	Private latrine
6	Ownership of consumer durables: Do you own? -TV, electric fan, kitchen appliances like pressure cooker, radio etc.	Nil	Any one	Two items only	Any three or all items	All items and/or ownership of any one of the following: - Computer, Telephone, Refrigerator, colour TV, electric kitchen appliances, expensive furniture, LMV/LCV, tractor, mechanized two wheeler/three wheeler, power tiller, combined thresher/harvester (4 wheeled mechanized vehicle)
7	Literacy status of the highest literate adult	Illiterate	Upto primary class (Class V)	Completed secondary	Graduate/Professional Diploma	Post Graduate/ Professional Graduate
8	Status of household labour force	Bonded labour	Female and child labour	Only adult females and no child labour	Adult males only	Others
9	Means of livelihood	Casual labour	Subsistence cultivation	Artisan	Salary	Others

10	Status of children (5-14 years) [any child]	Not going to school and working@	Going to school and working @			Going to school and not working @
11	Type of indebtedness	For daily consumption purposes from informal sources	For production purpose from informal sources	For other purpose from informal sources	Borrowing only from institutional Agencies	No indebtedness and possess assets
12	Reason for migration from household	Casual work	Seasonal employment	Other forms of livelihood	Non-migrant	Other purposes
13	Preference of assistance	Wage employment/TPDS (Targeted Public Distribution System)	Self Employment	Training and skill upgradation	Housing	Loan/subsidy more than Rs one lakh or no assistance needed

Source: Ministry of Rural Development, Government of India.

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

@ Indicates non-formal education.

SFC Recommendations and Action Taken Reports: Madhya Pradesh

First Finance Commission

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

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

Note- * Additional to tax devolution as given in table

Second State Finance Commission

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

**Additional Decisions by Council of Ministers on the Second Finance Commission:
Madhya Pradesh**

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

**Functional Devolution in Madhya Pradesh by Different Departments
Scheduled Tribe and Scheduled Caste Welfare Department**

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

Agriculture Department

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

Department of Horticulture

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

Rural Development Department

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

Finance Department

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

School Education Department

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

Social Service Department

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

Labour Department

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

Rural Electrification and Energy Including Non-Conventional Energy

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

20-Point Programme Implementation Department

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

Forest Department

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

Public Health and Engineering Department

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

Public Health and Family Welfare Department

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

Revenue Department

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

Department of Fisheries

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

Women and Child Development Department

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

Manpower Planning Department

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

Animal Husbandry Department

Activities of panchayat sector

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

Department of Medical Education

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

	<p>Participation in National Health Programmes in rural areas.</p> <p>To ensure health services during fairs and festivals in rural areas.</p> <p>Provision of life-saving drugs in the dispensaries located in rural areas.</p>				
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Department of Village Industries

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

Mining Department

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

Food and Civil Supply Consumption Department

Activity of state sector	Activities of panchayat sector			Department, state and panchayat transferred to	Budget arrangement
	Zilla Panchayat	Janpad Panchayat	Gram Panchayat		
All other works except the activities entrusted to gram panchayats.			Preparation and distribution of ration cards and maintenance of related records.		

Directorate of Sports and Youth Welfare

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

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

	(Rs. crore)	
	Madhya Pradesh	All India
<i>Sampoorna Grameen Rozgar Yojana (SGRY)</i>		
2004-05	287.14 (0.28)	4490.77 (0.14)
2005-06	287.87 (0.26)	4391.24 (0.11)
<i>Swarnjayanti Gram Swarozgar Yojana (SGSY)#</i>		
2004-05	55.16 (0.05)	898.73 (0.03)
2005-06	50.14 (0.05)	710.12 (0.02)
<i>National Food For Work Programme (NFFWP)</i>		
2004-05	158.08 (0.15)	2019.45 (0.06)
2005-06	339.09 (0.31)	2158.28 (0.06)
<i>National Rural Employment Guarantee Scheme (NREGS)*</i>		
2004-05	0.00 (0.00)	1.00 (0.00)
2005-06	137.14 (0.13)	2292.57 (0.06)
<i>Indira Awaas Yojana (IAY)</i>		
2004-05	105.95 (0.10)	2878.25 (0.09)
2005-06	95.92 (0.09)	2737.64 (0.07)

Annex 8 (contd.)

	Madhya Pradesh	All India
<i>Integrated Waste Land Development Programme (IWDP)</i>		
2004-05	29.06 (0.03)	334.42 (0.01)
2005-06	43.00 (0.04)	381.40 (0.01)
<i>Drought Prone Areas Programme (DPAP)</i>		
2004-05	52.88 (0.05)	300.18 (0.01)
2005-06	48.24 (0.04)	310.93 (0.01)
<i>Desert Development Programme (DPP)</i>		
2004-05	0.00 (0.00)	215.19 (0.01)
2005-06	0.00 (0.00)	230.55 (0.01)
Total		
2004-05	688.27 (0.67)	11136.99 (0.36)
2005-06	1001.41 (0.92)	13212.74 (0.34)

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

GSDP as released by CSO on 21.07.2006

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

* Funds released for preparation of NREGA from 2nd February to March 2006.

The total amount released for all the states was Rs. 2292.57 crore.

Figures in parenthesis refer to percent to GSDP.

Frequency Distribution of ZPs, JPs and GPs in Madhya Pradesh by Number and Type of Central Schemes Received

No. of schemes	Comparator													Cumulative % age
	Central schemes													
	CRSP	DPAP	IAY	NFFWP	NREGA	MP Funds	Pension Scheme	PMGSY	RSVY	SGRY	SGSY	Others	Total	
ZPs														
4		0	1						1	1	1	1	50.00	
5		1	1						1	1	1	1	100.00	
Total		1	2						2	2	2	2		
JPs														
1	0		0					0	0	1	0	0	14.29	
2	0		0					0	0	1	0	1	28.57	
3	0		1					0	0	1	0	1	42.86	
4	0		1					1	0	2	2	2	71.43	
5	1		2					0	1	2	2	2	100.00	
Total	1		4					1	1	7	4	6	7	
GPs														
1			0	0		0	0		0	1		0	0.79	
2			5	0		0	15		0	18		0	15.75	
3			86	2		0	87		0	89		3	85.83	
4			14	1		7	14		1	14		5	96.85	
5			4	0		4	4		1	4		3	100.00	
Total			109	3		11	120		2	126		11	127	

No. of schemes	Comparator													Cumulative % age
	Central schemes													
	CRSP	DPAP	IAY	NFFWP	NREGA	MP Funds	Pension Scheme	PMGSY	RSVY	SGRY	SGSY	Others	Total	
ZPs														
6		0	1	1				1	1	1	1	1	1	50.00
7		1	1	1				1	1	1	1	1	1	100.00
Total		1	2	2				2	2	2	2	2	2	
JPs														
4			1	3				0	3	2	3	3	3	33.33
5			5	4				2	5	4	5	5	5	88.89
6			1	1				1	1	1	1	1	1	100.00
Total			7	8				3	9	7	9	9	9	
GPs														
2			1	0	0	0	4	0	5		0	5	5	3.70
3			42	5	2	3	49	1	51		0	51	51	41.48
4			47	32	7	2	47	8	48		1	48	48	77.04
5			26	20	23	1	26	5	26		3	26	26	96.30
6			5	3	4	1	5	4	5		3	5	5	100.00
Total			121	60	36	7	131	18	135		7	135	135	