

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
RAJYA SABHA
UNSTARRED QUESTION NO. 2160
ANSWERED ON 19.03.2025

GRANTS FOR THE RURAL LOCAL BODIES OF BIHAR, HARYANA AND SIKKIM

2160 SMT. REKHA SHARMA:
SMT. KIRAN CHOUDHRY:

Will the Minister of PANCHAYATI RAJ be pleased to state:

- (a) the manner in which Government plans to ensure that the projects funded by these grants contribute to the long-term sustainability of rural infrastructure and services;
- (b) the manner in which Government ensure that smaller States like Sikkim receive adequate funding despite their smaller population;
- (c) whether there is any program to enhance the capacity of Panchayati Raj Institutions (PRIs) in these States to efficiently manage and utilize the allocated funds; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR PANCHAYATI RAJ

(PROF. S.P. SINGH BAGHEL)

(a) to (d) Article 243G of the Constitution empowers State Legislatures to endow Panchayats with the necessary powers, **responsibilities**, and authority to function as self-governing institutions, enabling them to prepare plans for economic development and social justice, and implement schemes related to the 29 subjects in the Eleventh Schedule, which includes the key areas of rural infrastructure and services.

However, the Ministry of Panchayati Raj (MoPR) supplements the efforts of State Governments through various Capabilities Building & training programmes & providing financial assistance through various schemes and Finance Commission grants to enhance the functioning of Panchayati Raj Institutions (PRIs).

The Ministry of Panchayati Raj is implementing the Centrally Sponsored scheme of Revamped Rashtriya Gram Swaraj Abhiyan (RGSA) w.e.f. financial year 2022-23 in States/ UTs with the primary objective of developing governance capabilities of Panchayati Raj Institutions for formulating holistic, inclusive sustainable Development Programms, converging resources

available at GP level, for economic development and social justice which includes rural infrastructure and services. Trainings imparted under revamped Rashtriya Gram Swaraj Abhiyan (RGSA), aim at enabling Panchayats to function effectively and utilize the funds devolved to them. In addition to training, RGSA supports States and Union Territories (UTs) in establishing institutional mechanisms for capacity building and training. Since the 2022-23 financial year, approximately 11,481,786 participants have received training across various States and UTs. The scheme also aims to enhance the capabilities of Panchayats to raise their Own Sources of Revenue (OSR), enabling them to become self-sustaining institutions of local government.

Article 280 of the Constitution of India provides the basis for the Central Finance Commissions to assess the status of finances of the Union, States and their respective local bodies and recommend sharing of taxes as well as grants for various purposes to the States and Local Bodies. The Finance Commission grant can be used by Rural Local Bodies (RLBs) for location specific felt needs under 29 subjects enshrined in the Eleventh Schedule of the Constitution, except for salary or other establishment expenditure.

The criteria for fund allocation determined by the 15th Central Finance Commission involve inter-se distribution among the States, with a weightage of 90 percent assigned to population and 10 percent to the areas of the States.

The inter-se distribution among all the tiers to be done by the State Governments on the basis of the accepted recommendations of the latest State Finance Commission (SFC) and in conformity with the following bands;

Range for distribution	Gram Panchayats	Block Panchayats	District Panchayats
Minimum	70%	10%	5%
Maximum	85%	25%	15%

States which have a two-tier system with only village and district panchayats, the allocation shall be in the followings bands:

Range for distribution	Gram Panchayats	District Panchayats
Minimum	70%	15%
Maximum	85%	30%

In the event of SFC recommendations not being available, the inter-se distribution within the tiers should be decided by the State Government within the bands indicated above. The intra-tier distribution among the relevant entities across the State should be on the basis of population and area in the ratio of 90:10 or as per the accepted recommendation of the latest SFC.

To facilitate efficient management and effective monitoring and evaluation of Panchayat funds, including Central Finance Commission grants, the Ministry of Panchayati Raj launched the eGramSwaraj application on April 24, 2020. This application enables monitoring of various aspects of Panchayat functioning, such as planning, budgeting, accounting, and auditing

States can leverage the eGramSwaraj application to systematically monitor the utilization of Central Finance Commission grants. The Planning module allows states to track how PRIs incorporate identified needs into their development plans, ensuring alignment with budget allocations. Subsequently, the Progress Reporting module facilitates the monitoring of physical and financial progress related to activities funded by Grants, while the accounting module enables detailed tracking of financial transactions and expenditure patterns. By utilizing these functionalities, states can gain comprehensive insights into how Grants are being utilized to address specific local requirements, promoting more effective and transparent resource allocation.

The Ministry has also integrated eGramSwaraj with the Public Financial Management System (PFMS) for Gram Panchayats (GPs) to make real-time payments to vendors/service providers. Further, an application 'AuditOnline' has been developed for online audits of Panchayat accounts and their financial management. AuditOnline, launched in April 2020, facilitates transparent auditing of Central Finance Commission funds utilization and strengthens the financial management of Panchayats.
