

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE**

**LOK SABHA
UNSTRRED QUESTION NO. 2045**

Answered on Monday the 13th March, 2023/ Phalguna 22, 1944 (SAKA)

Delay in the Constitution of State Finance Commission

2045. SHRI CHANDRA PRAKASH JOSHI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware that State Finance Commission (SFCs) in many States have not been constituted in time-bound manner which has adversely affected the infrastructural development and the finances of local bodies;
- (b) if so, the details thereof and the reaction of the Government thereto along with the steps taken by the Government in this regard;
- (c) whether the Government proposes to put in place any mechanism to regulate the functioning of the SFCs; and
- (d) if so, the details thereof ?

ANSWER

**MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)**

- (a) Yes Sir.
- (b) Article 243-I of the Constitution requires State Finance Commission (SFCs) to be appointed at the expiration of every *fifth* year. The 15th Finance Commission (15th F. C.) in its Final Report for the award period 2021-22 to 2025-26 has observed that '*most State Governments did not constitute SFCs in time and did not give due importance to strengthening this critical constitutional mechanism. Even now, only fifteen States have set up the fifth or the sixth State Finance Commission. Several States have still not moved beyond the second or*

third SFC.’ The 15th F. C. has further recommended that after March 2024, no grants should be released to a State that has not complied with the Constitutional provisions in respect of the SFC. Subsequently, Department of Expenditure, Ministry of Finance vide Operational Guidelines dated 14-7-2021 have prescribed that the States which have not yet constituted the due State Finance Commission, must do so and act upon their recommendations and lay the Explanatory Memorandum as to the action taken thereon before the State Legislature on or before March, 2024.

(c) to (d) In order to ensure compliance to the Constitutional provisions in respect of the State Finance Commission (SFC), a mechanism has been created under which the Ministry of Panchayati Raj(MoPR) will certify compliance by the States which will enable them to receive the 15th Finance Commission recommended Rural Local Bodies grants-in-aid from 1st April, 2024 onwards. Towards this end, MoPR has already advised the States on the subject of constituting next SFC within the available timeframe and urged the individual States to provide with necessary logistics support in terms of adequate staff, office space and expenditure budget for its effective functioning to avoid any delays.
