

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
LOK SABHA
UNSTARRED QUESTION NO. 1250
ANSWERED ON 30.07.2024

FINANCIAL SUPPORT TO PANCHAYATI RAJ INSTITUTIONS

1250 SHRI PRATAP CHANDRA SARANGI:
DR. VINOD KUMAR BIND:

Will the Minister of PANCHAYATI RAJ be pleased to state:

- (a) the comprehensive overview of the current funding mechanisms alongwith financial support extended to empower the financial autonomy and resource allocation for Panchayati Raj Institutions (PRIs);
- (b) the extent to which the funds being distributed, monitored and utilized by the Government to ensure that they are effectively contributing to rural development and poverty alleviation;
- (c) whether the Government has taken any steps to enhance the revenue-generating capabilities of Panchayats, enabling them to become self-sufficient and less dependent on external funding, if so, the details thereof; and
- (d) the extent to which the Government facilitating the creation of sustainable income sources for panchayats and the details of the best practices have been identified and promoted by the Government to improve financial management and accountability of the institutions?

ANSWER

THE MINISTER OF STATE FOR PANCHAYATI RAJ

(PROF. S.P. SINGH BAGHEL)

(a) and (b) Article 280 of the constitution 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. Under the Article 280(3) (bb) of the Constitution, the Union Finance Commission has mandate to make recommendations on “the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State”.

The current funding mechanisms adopted by 15th Central Finance Commission includes:

(i) Inter-se distribution amongst the States is with a weight of 90 percent on population and 10 percent on the areas of the States. All three tiers in the Panchayats shall receive the grants. 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.

(ii) Once the State-level grants are earmarked for each tier, 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.

(iii) In respect of allotment of grants for excluded areas in a State exempted from the purview of Part IX and Part IX-A of the Constitution, the concerned State shall make allocations on the basis of population and area in the ratio of 90:10.

(iv) The state governments are receipt of the Fifteenth Finance Commission (XV FC) recommend grants from the Union Governments shall transfer same to Rural Local Bodies (RLBs) within ten working days. Any delay beyond ten working days will require the state governments to release the grants with interest for the period of delay as per the average effective rate of interest on market borrowing/state developments loan for the previous year.

As per Operational Guidelines issued by Ministry of Finance dated 14.07.2021, Ministry of Panchayati Raj(MoPR) and Department of Drinking Water and Sanitation(DDWS) have been given the roles of making recommendations for release of Fifteenth Finance Commission (FC-XV) Untied Grants and Tied Grants respectively.

The following conditions have been stipulated in the guidelines for the release of installments of Basic (Untied) grants under FC XV:

- i. RLBs shall be deemed to be eligible for the grants, if they are duly constituted i.e if duly elected bodies are in place except for States/ Areas where Part IX of the Constitution does not apply. In case, all the bodies are not duly constituted grants

shall be released to the State on actual allocation / pro-rata basis for duly constituted only.

- ii. Uploading of GPDPs/BPDPs/ DPDPs of the RLBs in eGramSwaraj portal.
- iii. RLBs have to mandatorily onboard on eGramSwaraj – PFMS for XV FC Grants’ transactions.
- iv. RLBs have to mandatorily prepare and make available online both provisional account of previous year and audited accounts of year before previous year to avail the grants
- v. Unspent Balance of XIV FC Grants with the State should not be more than 10 % of the instalment under consideration.
- vi. At least 50 % of the Untied grants released during the previous year have been utilized (valid only for release of 2nd installment of the FY).
- vii. All states which have not done so, must constitute State Finance Commission (SFC), act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State legislature on or before March 2024. After March 2024, no grants shall be released to State that has not complied with the Constitutional provisions in respect of the SFC and these conditions.

To enhance transparency in funds distribution, monitoring and utilization of fund by Rural Local Bodies (RLBs), the Ministry of Panchayati Raj (MoPR) has launched eGramSwaraj and AuditOnline portals. The eGramSwaraj addresses the issues of fund transfer to RLBs , Panchayats' planning and accounting needs, promoting decentralized planning, progress reporting, financial management, and asset tracking. AuditOnline facilitates online audits of Panchayat accounts, ensuring the maintenance and public availability of audited accounts.

(c) and (d) Yes, Sir.

The 73rd Constitutional Amendment Act, 1992 mandates the devolution of powers and responsibilities to Panchayats. The Ministry of Panchayati Raj has been actively advocating for states to fully implement these provisions, emphasizing the need for states to empower Panchayats with adequate functions, finances, and functionaries. The Rashtriya Gram Swaraj Abhiyan (RGSA) promotes training and capacity building for elected representatives and officials of Panchayati Raj Institutions (PRIs), focusing on topics like Own Source Revenue (OSR) to ensure effective grassroots governance.

The Ministry of Panchayati Raj plays a key role in advocating and providing technical support to State Governments for improving the OSR of Panchayats through workshops, video conferences, and Studies. States and Union Territories have been advised to prepare annual calendars for Gram Sabha meetings to discuss OSR and organize presentations by high-performing Panchayats. While identifying nine themes to achieve Sustainable Development Goals (SDGs) , the Ministry emphasizes generating OSR for greater autonomy and self-reliance of Panchayats, which falls under Theme 6 ‘Self sufficient Infrastructure

Village’.

Several Panchayats have excelled in generating Own Source Revenue (OSR). Meethakhari Gram Panchayat in South Andaman generated Rs. 15,74,575 in FY 2021-22 from sources like community hall rentals and market auctions. Azara Gram Panchayat in Kamrup, Assam, near Borjhar International Airport, showed an increasing OSR trend, reaching Rs. 43.17 lakh in 2021-22, with major revenue from godown tax and shops. These Panchayats highlight effective OSR strategies and sustainable development.
