

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
LOK SABHA
UNSTARRED QUESTION NO. 4119
ANSWERED ON 25.03.2025

CENTRAL GRANTS ALLOCATED FOR VILLAGE DEVELOPMENT

4119. SHRI SUKHDEO BHAGAT:

Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) whether it is a fact that the Standing Committee on Rural Development and Panchayati Raj, in its report dated December 2024, observed that substantial portions of central grants allocated for village development remained unutilized or were diverted to non-priority areas in several States, including Uttar Pradesh and Maharashtra and if so, the details thereof; and

(b) whether the such lapses hindering local development projects and the details of measures is the Ministry implementing to enhance fund utilization efficiency, ensure transparency and the details of States held accountable for the proper use of allocated resources?

ANSWER

THE MINISTER OF STATE FOR PANCHAYATI RAJ

(PROF. S.P. SINGH BAGHEL)

(a) to (b) The 3rd Standing Committee on Rural Development and Panchayati Raj, in its report dated December 2024, states that *“there are substantial unspent balances under tied and untied grants in various States like Uttar Pradesh, Madhya Pradesh and Maharashtra despite large allocations. Non-utilization of allocated funds exacerbates these issues, hindering timely local development projects. States with weaker faulty planning systems face non-implementation and low fund absorption reflected high unspent balances. The Committee raise concerns about the diversion of funds to non-priority areas, delay in disbursal of funds, lack of transparency, and inadequate planning that undermine the potential of untied grants to address local needs effectively”*.

Panchayat subject comes under the purview of the State Government. Panchayats / Rural Local Bodies (RLBs) in the States are provided with financial devolution recommended by the Central Finance Commissions. 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.

Under the 15th Finance Commission, 40% of the total grant is provided as untied grants to Rural Local Bodies (RLBs). These untied grants can be utilized for location-specific needs falling under the 29 subjects listed in the Eleventh Schedule of the Constitution, excluding expenditure on salaries or other administrative costs.

The remaining 60% of the grants are allocated as tied grants, which are designated for basic services, including: (a) Sanitation and maintaining Open Defecation Free (ODF) status, encompassing waste management, human excreta treatment, and faecal sludge management (b) Provision of drinking water, along with initiatives for rainwater harvesting and water recycling. If a local body has completely addressed the needs of one category, it is allowed to utilize the tied grant for the other category.

The Ministry of Panchayati Raj recommends the release of untied grants under the 15th Finance Commission (XV-FC) to Rural Local Bodies (RLBs) in a state, subject to certain conditions. These include ensuring that the unspent balance of 14th Finance Commission (XIV-FC) grants with the state does not exceed 10% of the installment under consideration and that at least 50% of the untied grants released under the XV-FC in the previous year have been utilized. Additionally, all other mandatory eligibility criteria issued by the Ministry of Finance for the release of grants under the XV-FC must be met by the RLBs and the state.

According to data provided by states on the eGramSwaraj portal, Uttar Pradesh and Maharashtra have utilized approximately 88% and 72%, respectively, of the total untied grants received under the XV-FC up to the financial year 2024-25. Further details are provided below:

Year-wise summary of 15 th Finance Commission Untied Grant (in Crore Rs.)				
Year	UTTAR PRADESH		MAHARASHTRA	
	Receipt	Expenditure	Receipt	Expenditure
Opening Balance (2021-22)	3259.76		2201.21	
2021-22	4554.539	4672	2334.955	1146.03
2022-23	3671.935	4218.73	2347.475	2154
2023-24	3608.01	3440.65	2199.03	2058.27
2024-25	3628.03	4225.99	841.96	1834.51
Total	18722.274	16557.37	9924.63	7192.81
Expenditure against total untied grants		88%		72%

The data is based on entries made by Gram Panchayat (GP) in States on eGramSwaraj application

The other mandatory eligibility conditions as per the guidelines of the Ministry of Finance for the release of grants under the 15th Finance Commission are as follows:

- 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 an actual allocation / pro-rata basis for duly constituted only.

- ii. Uploading of Plans by the RLBs for FY under consideration, as the case may be in eGramSwaraj failing which the grant is released on a pro-rata basis only to those RLBs which have uploaded the plans on e-Gramswaraj application.
- iii. RLBs have to mandatorily onboard on eGramSwaraj – PFMS for XV FC Grants’ transactions.
- iv. All RLBs must complete audit of annual accounts for the year before the previous year on AuditOnline failing which the grant is released on a pro-rata basis only to those RLBs which have completed the audit on the AuditOnline application.
- v. Similarly, All RLBs must ensure that provisional accounts for the previous year are available on eGramSwaraj portal, failing which the grant is released on a pro-rata basis only to those RLBs whose annual accounts are available on e-Gramswaraj application.
- vi. All states which have not done so must constitute the 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.
- vii. **Timely fund Disbursal:** On receipt of the XV-FC recommended grants from the Union Government the State Governments are required to transfer the same to the panchayats/traditional bodies concerned within 10 working days. Any delay beyond 10 working days the State Government is required to release the grant with interest for the period of delay as per the average effective rate of interest on market borrowings/State Development Loans for the previous year.

To enable states and Panchayati Raj Institutions (PRIs) to efficiently monitor and evaluate the utilization of Panchayat funds, including those from Central Finance Commission grants, the Ministry of Panchayati Raj introduced the eGramSwaraj application in 2020. This platform facilitates oversight of various aspects of Panchayat operations, such as planning, budgeting, accounting, and auditing.

States can utilize the eGramSwaraj application to systematically oversee the use of Central Finance Commission grants, including untied and tied grants. Through its Planning module, the application helps states track how PRIs incorporate local needs into their development plans, ensuring alignment with budgetary provisions. The Progress Reporting module enables monitoring of physical and financial progress related to grant-funded activities, while the Accounting module ensures detailed tracking of financial transactions and expenditure patterns. Together, these features provide states with a comprehensive understanding of grant utilization, enabling more effective and transparent allocation and management of resources.

To further enhance transparency, the Ministry has integrated eGramSwaraj with the Public Financial Management System (PFMS) for Gram Panchayats (GPs), facilitating real-time payments to vendors and service providers. Additionally, the AuditOnline application was launched in April 2020 to enable online auditing of Panchayat accounts and their financial management. This tool supports transparent utilization of Central Finance Commission funds and strengthens Panchayat-level financial oversight.
