

**STANDING COMMITTEE ON RURAL DEVELOPMENT AND PANCHAYATI RAJ**  
**(2024-2025)**

**15**

**EIGHTEENTH LOK SABHA**

**MINISTRY OF PANCHAYATI RAJ**

**DEVOLUTION OF FUNDS UNDER PANCHAYATI RAJ SYSTEM**

**FIFTEENTH REPORT**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

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**(2024-2025)**

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**Presented to Lok Sabha on 29.07.2025**

**Laid in Rajya Sabha on 29.07.2025**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

***July, 2025/Shraavana, 1947 (Saka)***

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## CONTENTS

Composition of the Committee (2024-2025)	Page No. ii
Introduction	iii

### REPORT

#### PART I

#### NARRATION ANALYSIS

A. Central Finance Commission – Fiscal Devolution	1
B. Central 15 <sup>th</sup> Finance Commission (2020-2026)	1
C. Audit Online	5
D. Benefits and Audit Online	8
E. Standardized Auditor Certificate	8
F. State Finance Commissions	8
G. Role of Ministry of Panchayati Raj	13
H. Role of Department of Drinking Water & Sanitation	14
I. Role of Department of Expenditure, Ministry of Finance	14
J. Actions on Misutilization and Misappropriation of Fund to RLBs	15
K. Utilisation of the FC-XV Basic (Untied) Grants recommended to Rural Local Bodies	15
L. Reasons for releasing less funds to RLBs in comparison to allocation made from 2021-22 to 2024-25	16
M. Tied fund can be used for works comes under Untied Grant	17
N. Own Source Revenue Generation of GPs/RLBs	18
O. Final GPDP uploaded in e-GramSwaraj (2025-2026)	19

#### Part - II

<b>Observations/Recommendations</b>	21
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#### ANNEXURES

I. Minutes of the fifth sitting of the Committee held on 21 <sup>st</sup> November, 2025	31
II. *Extracts of the minutes of the thirtieth sitting of the Committee held on 14 <sup>th</sup> July, 2025	33

\* Not attached

**COMPOSITION OF THE STANDING COMMITTEE ON RURAL DEVELOPMENT AND  
PANCHAYATI RAJ (2024-2025)**

**Shri Saptagiri Sankar Ulaka --      *Chairperson***

***Lok Sabha Members***

2. Shri Sandipanrao Asaram Bhumare
3. Shri Sudip Bandyopadhyay
4. Shri Raju Bista
5. Shri Vijay Kumar Dubey
6. Dr. Sanjay Jaiswal
7. Shri Bhajan Lal Jatav
8. Dr. Mohammad Jawed
9. Shri Jugal Kishore
10. Dr. D. Ravi Kumar
11. Shri Naba Charan Majhi
12. Shri Imran Masood
13. Shri Janardan Mishra
14. Shri Kota Srinivasa Poojary
15. Shri K. Radhakrishnan
16. Shri Ramashankar Rajbhar
17. Shri Omprakash Bhupalsinh Alias Pavan Rajenimbalkar
18. Shri Parshottambhai Rupala
19. Shri Devendra Singh Alias Bhole Singh
20. Shri Ganesh Singh
21. Shri Vivek Thakur

***Rajya Sabha Members***

22. Smt. Geeta *alias* Chandraprabha
23. Shri H. D. Devegowda
24. Shri Samirul Islam
25. Shri Iranna Kadadi
26. Shri Nagendra Ray
27. Shri Anthiyur P. Selvarasu
28. Shri Sant Balbir Singh
29. *Vacant*
30. *Vacant*
31. *Vacant*

**Secretariat**

- |                       |   |                      |
|-----------------------|---|----------------------|
| 1. Shri D. R. Shekhar | - | Additional Secretary |
| 2. Shri V.K. Shailon  | - | Director             |
| 3. Shri L. Singson    | - | Deputy Secretary     |
| 4. Shri Sushil Kumar  | - | Executive Officer    |

## **INTRODUCTION**

I, the Chairperson of the Standing Committee on Rural Development and Panchayati Raj (2024-2025) having been authorised by the Committee to submit the Report on their behalf, present the Fifteenth Report on 'Devolution of Funds under Panchayati Raj System' of the Ministry of Panchayati Raj.

2. The Committee held briefing by the representatives of the Ministry of Panchayati Raj (MoPR), Ministry of Finance (Department of Expenditure) and Finance Commission on 21<sup>st</sup> November, 2024.

3. The Report was considered and adopted by the Committee at their sitting held on 14<sup>th</sup> July, 2025.

4. The Committee wish to express their thanks to the officials of the Ministry of Panchayati Raj (MoPR), Ministry of Finance (Department of Expenditure) and Finance Commission for placing before them the requisite material and their considered views in connection with the examination of the subject.

5. The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

**NEW DELHI**  
**25 July, 2025**  
**3 Shraavana, 1947 (Saka)**

**SAPTAGIRI SANKAR ULAKA**  
**Chairperson**  
**Standing Committee on Rural Development & Panchayati**  
**Raj**

**FIFTEENTH REPORT**

**DEVOLUTION OF FUNDS UNDER PANCHAYATI RAJ SYSTEM**

**PART – I**

**NARRATION ANALYSIS**

**A. Central Finance Commission – Fiscal Devolution**

1.1 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.

1.2 Article 280(3) (bb) of the Constitution inserted vide the 73rd Amendment Act States that the Union Finance Commission shall 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”.

1.3 Subsequent to the 73rd and 74th amendments to the Constitution, Union Finance Commissions, beginning with the Tenth Finance Commission have been recommending Awards to the Panchayats in accordance with these constitutional requirements. Ministry of Panchayati Raj has the mandate to enable as well as monitor effective implementation of Central Finance Commission Fiscal Devolutions to the Panchayats/ RLBs.

**B. Central Fifteenth Finance Commission (XV FC) (Period 2020-2026)**

1.4 The Fifteenth Finance Commission (XV FC) has submitted its interim report for the financial year 2020-21 and the final report for the period 2021-26, which have been accepted by the Government of India in respect of the recommendations for Rural Local Bodies. Under Fifteenth Finance Commission (XV FC), Grants to the tune of Rs. 60,750 crores were allocated for the interim period FY 2020-21 and Rs.2,36,805 Crore are allocated for the period FY 2021-26 to Panchayats in all the three tiers and Traditional Local Bodies and Sixth Schedule areas in 28 States. The XV FC recommended grants for RLBs as Basic (Untied) and Tied Grants. The XV FC Grant-in-aid is allocated to all tiers of the Panchayati Raj including the Traditional Bodies of Non-Part IX States and Fifth and Sixth Schedule areas in two parts, namely, (i) Basic (Untied) Grant (50 % for 2020-21 and 40 % for 2021-22 to 2025-26) and (ii) Tied Grant. (50 % for 2020-21 and 60 % for 2021-22 to 2025-26). The basic grants are untied and can be used by RLBs for location-specific felt needs, under the twenty-nine subjects enshrined in the Eleventh Schedule of the Constitution, except for salaries and other establishment costs. The tied grants can be used for the basic services of (a) sanitation and maintenance of ODF status and (b) supply of drinking water, rainwater harvesting and water recycling.

1.5 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.

1.6 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 the 2nd instalment of the FY).
- (vii) All states that 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.

1.7 Details of allocation and release of Fifteenth Finance Commission grants to Rural Local Bodies are as under:

<b>(Rs. in crores)</b>			
<b>Sl. No.</b>	<b>Year</b>	<b>Allocation</b>	<b>Release</b>
1	2020-21 (Interim period)	60750.00	60750.00
2	2021-22	44901.00	44648.22
3	2022-23	46513.00	44762.08
4	2023-24	47018.00	44520.33
5	2024-25*	49800.00	15733.50
*(As on 12.11.2024)			



1.8 State-wise allocation and release of Fifteenth Finance Commission (XV FC) Grant to Rural Local Bodies as on 11.11.2024 are as under:

<i>(Rs. in crore)</i>														
Sl. No.	States	2020-21		2021-22		2022-23		2023-24		2024-25		2025-26	Total	
		Alloca- tion	Release	Alloca- tion	Releas e	Alloca- tion	Releas e	Alloca- tion	Releas e	Alloca- tion	Releas e	Alloca- tion	Allocatio n	Release
1	Andhra Pradesh	2625.00	2625.00	1939.00	1917.85	2010.00	1976.75	2031.00	1997.45	2152.00	988.77	2099.00	12856.00	9505.81
2	Arunachal Pradesh	231.00	231.00	170.00	119.00	177.00		179.00		189.00		185.00	1131.00	350.00
3	Assam	1604.00	1604.00	1186.00	1186.00	1228.00	1228.00	1241.00	1241.00	1315.00		1283.00	7857.00	5259.00
4	Bihar	5018.00	5018.00	3709.00	3709.00	3842.00	3842.00	3884.00	3855.33	4114.00	1942.17	4012.00	24579.00	18366.50
5	Chhattisgarh	1454.00	1454.00	1075.00	1075.00	1114.00	1114.00	1125.00	1125.00	1192.00	575.42	1163.00	7123.00	5343.42
6	Goa	75.00	75.00	55.00	55.00	57.00	24.23	58.00		62.00		61.00	368.00	154.23
7	Gujarat	3195.00	3195.00	2362.00	2362.00	2446.00	2446.00	2473.00	2473.00	2619.00		2555.00	15650.00	10476.00
8	Haryana	1264.00	1264.00	935.00	935.00	968.00	967.30	979.00	953.59	1036.00	194.87	1011.00	6193.00	4314.76
9	Himachal Pradesh	429.00	429.00	317.00	317.00	329.00	329.00	332.00	317.41	352.00	58.93	343.00	2102.00	1451.34
10	Jharkhand	1689.00	1689.00	1249.00	1249.00	1293.00	1293.00	1307.00	1307.00	1385.00		1351.00	8274.00	5538.00
11	Karnataka	3217.00	3217.00	2377.00	2375.50	2463.00	2093.55	2490.00	2086.59	2637.00		2572.00	15756.00	9772.64
12	Kerala	1628.00	1628.00	1203.00	1203.00	1246.00	1246.00	1260.00	1260.00	1334.00	933.80	1301.00	7972.00	6270.80
13	Madhya Pradesh	3984.00	3984.00	2944.00	2944.00	3050.00	3050.00	3083.00	2819.24	3265.00		3185.00	19511.00	12797.24
14	Maharashtra	5827.00	5827.00	4307.00	4267.16	4461.00	3696.71	4510.00	3629.21	4776.00	1619.42	4659.00	28540.00	19039.50
15	Manipur	177.00	177.00	131.00	65.50	135.00		137.00		145.00		142.00	867.00	242.50
16	Meghalaya	182.00	182.00	135.00	67.50	140.00		141.00		149.00		146.00	893.00	249.50
17	Mizoram	93.00	93.00	69.00	69.00	71.00	71.00	72.00		76.00		74.00	455.00	233.00
18	Nagaland	125.00	125.00	92.00	92.00	96.00		97.00		102.00		99.00	611.00	217.00
19	Odisha	2258.00	2258.00	1669.00	1669.00	1728.00	1728.00	1747.00	1746.91	1851.00	776.48	1805.00	11058.00	8178.39
20	Punjab	1388.00	1388.00	1026.00	1026.00	1062.00	1062.00	1074.00	1058.35	1138.00		1110.00	6798.00	4534.35
21	Rajasthan	3862.00	3862.00	2854.00	2854.00	2957.00	2955.34	2989.00	2847.96	3166.00	1267.79	3087.00	18915.00	13787.09
22	Sikkim	42.00	42.00	31.00	31.00	33.00	33.00	33.00	33.00	35.00	16.69	33.00	207.00	155.69

23	Tamil Nadu	3607.00	3607.00	2666.00	2666.00	2761.00	2761.00	2791.00	2791.00	2957.00	1478.50	2884.00	17666.00	13303.50
24	Telangana	1847.00	1847.00	1365.00	1365.00	1415.00	1415.00	1430.00	1424.18	1514.00		1477.00	9048.00	6051.18
25	Tripura	191.00	191.00	141.00	141.00	147.00	147.00	148.00	148.00	157.00	78.50	153.00	937.00	705.50
26	Uttar Pradesh	9752.00	9752.00	7208.00	7208.00	7466.00	7466.00	7547.00	7547.00	7994.00	3997.00	7797.00	47764.00	35970.00
27	Uttarakhand	574.00	574.00	425.00	418.70	440.00	439.21	445.00	444.13	471.00		458.00	2813.00	1876.03
28	West Bengal	4412.00	4412.00	3261.00	3261.00	3378.00	3378.00	3415.00	3415.00	3617.00	1805.16	3528.00	21611.00	16271.16
	<b>Total</b>	<b>60750.00</b>	<b>60750.00</b>	<b>44901.00</b>	<b>44648.22</b>	<b>46513.00</b>	<b>44762.08</b>	<b>47018.00</b>	<b>44520.33</b>	<b>49800.00</b>	<b>15733.50</b>	<b>48573.00</b>	<b>297555.00</b>	<b>210414.13</b>
	<b>%</b>		<b>100</b>		<b>99.44</b>		<b>96.24</b>		<b>94.69</b>		<b>31.59</b>			<b>70.71</b>

### C. Audit Online

1.9 The XV Finance Commission, in its recommendations, has expressed concerns over the unavailability of audited accounts at the local body level. To address this critical institutional reform, MoPR launched the Audit Online application on 15<sup>th</sup> April 2020, for carrying out online Audits of Panchayat accounts – further strengthening the financial management and transparency of the Panchayats. Audit Online was developed with the aim to provide a platform for carrying out online audits of Panchayat accounts and to further increase accountability and transparency. Audit Online not only facilitates the auditing of accounts but also provisions for maintaining audit records that have been carried out. The application is integrated with the accounting module of eGramSwaraj whereby auditors can access various information pertaining to Panchayat accounts viz. annual receipt & payment statements, consolidated abstract register, monthly reconciliation statement, voucher details, cash book report etc. One of the main unique aspects of AuditOnline; is that it is completely configurable application i.e., the application can be modified/configured as per States' Audit process flow.

1.10 As per the Operational Guidelines for the implementation of Fifteenth Finance Commission recommendations in order to be eligible for the grants; the Rural Local Bodies (RLBs) have to ensure the following conditions:

- (i) **For the years 2021-22 and 2022-23**, the States need to ensure that at least 25% of the Rural Local Bodies have their audited accounts for the year before the previously available online in the public domain, i.e., 2019-20 and 2020-21 respectively.
- (ii) **From the year 2023-24 onwards**, all the Rural Local Bodies need to have the audited accounts of the year before previously available online in the public domain, i.e., 2022-23.

1.11 The current status on Audit Online is tabulated below:

Particulars	2020-21	2021-22	2022-23
No. of Registered Auditors	11,102	11,102	11,102
No. of Registered Auditees*	2,62,924	2,62,260	2,62,236
No. of Audit Plans Created	2,45,621	2,60,529	2,57,590
No. of Observations Recorded	22,31,821	24,73,332	26,91,067
<b>Audit Reports Generated</b>	<b>2,23,438</b>	<b>2,56,163</b>	<b>2,51,681</b>

(\*Panchayati Raj Institutions – Zila Panchayat, Block Panchayat & Gram Panchayat)

1.12 State wise progress on AuditOnline for the audit period 2021-22 (as on 7<sup>th</sup> November 2024) are as under:

Sl. No.	State Name	Total No of ZP	No. of ZPs with Generated Report	Total No. of BP	No. of BPs with Generated Report	Total No of GP&equiv.	No. of GPs with Generated Report	Total No. of PRI	Total No. of PRI With Generated Report
1	Andhra Pradesh	13	10	660	660	13,325	13324	13998	13994
2	Arunachal Pradesh	26	16	0	0	2,109	1172	2135	1188
3	Assam	30	25	192	187	2,663	2197	2885	2409
4	Bihar	38	38	534	505	8,126	8000	8698	8543
5	Chhattisgarh	27	27	146	146	11,660	11655	11833	11828
6	Goa	2	0			191	191	193	191
7	Gujarat	33	33	248	248	14,572	14562	14853	14843
8	Haryana	22	22	142	142	6,235	6214	6399	6378
9	Himachal Pradesh	12	12	81	81	3,615	3615	3708	3708
10	Jharkhand	24	24	264	264	4,345	4345	4633	4633
11	Karnataka	31	0	233	0	5,962	5946	6226	5946
12	Kerala	14	14	152	152	941	941	1107	1107
13	Madhya Pradesh	52	51	313	310	22,993	22667	23358	23028
14	Maharashtra	34	34	351	351	27,886	27764	28271	28149
15	Manipur	12	0			3,812	11	3824	11
16	Meghalaya	3						3	0
17	Mizoram					834	244	834	244
18	Nagaland					1301	0	1301	0
19	Odisha	30	30	314	314	6798	6793	7142	7137
20	Punjab	23	22	152	152	13266	13218	13441	13392
21	Rajasthan	33	33	352	351	11343	10804	11728	11188
22	Sikkim	6	4			185	185	191	189
23	Tamil Nadu	36	36	388	388	12525	12525	12949	12949
24	Telangana	32	32	540	540	12769	12769	13341	13341
25	Tripura	9	9	75	75	1176	1176	1260	1260
26	Uttarakhand	13	13	95	95	7791	7762	7899	7870
27	Uttar Pradesh	75	75	826	826	58193	58189	59094	59090
28	West Bengal	22	21	345	319	3341	3207	3708	3547
	<b>Total</b>	<b>652</b>	<b>581</b>	<b>6403</b>	<b>6106</b>	<b>257957</b>	<b>249476</b>	<b>265012</b>	<b>256163</b>

1.13 State wise progress on Audit Online for the audit period 2022-23 (as on 7<sup>th</sup> November 2024) are as under:

Sl. No.	State Name	Total No of ZP	No. of ZPs with Generated Report	Total No. of BP	No. of BPs with Generated Report	Total No of GP	No. of GPs with Generated Report	Total No. of PRI	Total No. of PRI With Generated Report
1	Andhra Pradesh	13	13	660	659	13326	13310	13999	13982
2	Arunachal Pradesh	25	19	0	0	2108	2104	2133	2123
3	Assam	30	27	192	187	2662	2197	2884	2411
4	Bihar	38	38	534	533	8078	8052	8650	8623
5	Chhattisgarh	27	27	146	146	11659	11631	11832	11804
6	Goa	2	0			191	191	193	191
7	Gujarat	33	33	248	248	14615	14587	14896	14868
8	Haryana	22	22	143	142	6232	6212	6397	6376
9	Himachal Pradesh	12	12	81	81	3615	3615	3708	3708
10	Jharkhand	24	0	264	0	4345	0	4633	0
11	Karnataka	31	0	238	0	5951	5951	6220	5951
12	Kerala	14	14	152	152	941	941	1107	1107
13	Madhya Pradesh	52	52	313	312	23030	22981	23395	23345
14	Maharashtra	34	17	351	342	27909	27702	28294	28061
15	Manipur	12	0			3812	0	3824	0
16	Meghalaya	3	0					3	0
17	Mizoram					841	0	841	0
18	Nagaland					1304	0	1304	0
19	Odisha	30	30	314	314	6794	6791	7138	7135
20	Punjab	22	22	152	148	13239	13144	13413	13314
21	Rajasthan	33	33	355	311	11304	10037	11692	10381
22	Sikkim	6	5			199	186	205	191
23	Tamil Nadu	36	36	388	388	12525	12525	12949	12949
24	Telangana	32	32	540	540	12769	12769	13341	13341
25	Tripura	9	9	75	75	1176	1176	1260	1260
26	Uttarakhand	13	13	95	95	7813	7795	7921	7903
27	Uttar Pradesh	75	75	826	826	58194	58189	59095	59090
28	West Bengal	22	21	345	326	3339	3220	3706	3567
Total		650	550	6412	5825	257971	245306	265033	251681

## **D. Benefits of Audit Online**

1.14 In order to realize the principle of accountability through Audit, the Ministry of Panchayati Raj launched the Action Taken Report (ATR) Module on 12<sup>th</sup> July 2023 to bring in a more structured culmination to the online audit process. The aim of such an ATR module is to bring in accountability through clarities on the actions taken by the Panchayats against the audit observations. The ATR Module shall not only strengthen transparency and accountability at grassroots level, but also aid in ensuring that the money is being utilized for public use. This is also envisaged for the States to speed up the audit process for the Panchayat provisional accounts as soon as they are completed in the given financial year and the audit process shall soon follow in the subsequent year; and the States would be expected to complete the audits. Guidelines have also been issued in this regard to the States. The ATR Module shall be implemented for the audit period 2023-24 and the time-frame for completion of ATR would be from 1st January 2025 to 31st March 2025.

## **E. Standardized Auditor Certificate**

1.15 The O/o Comptroller and Auditor General of India (C&AG) in year 2021 had release “Guidelines on Financial Audit of Panchayati Raj Institutions”. This guideline was developed with the objective of bringing clarity to Financial/ Certification Audit process and reporting requirements as being different from ‘Compliance’ and ‘Performance’ Audit. Also, these Guidelines encapsulate the framework of Financial Audit and the structure of accounts in Central Government, State Governments and Panchayati Raj Institutions. The O/o C&AG in the guideline has also prescribed a “Standardized Auditor Certificate” to be incorporated into Audit Online.

From the audit period 2022-23 onwards, the respective primary auditors, i.e., State Audit Department, State Directorate Local Fund Audit, State AGs would generate this Standardized Auditor certificate along with the appended report and the receipt and payment statement of the corresponding PRIs. This will ensure uniformity of the audit reports and statements that are generated with clarity on the nature of observations being recorded.

## **F. State Finance Commissions**

1.16 Article 243-I of the Constitution provides for constitution of State Finance Commissions (SFCs) which would have the terms of reference to recommend distribution of the net proceeds of the taxes, duties, tolls and fees leviable by the State between the State and the Panchayats and the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats towards own sources of revenues and state level grants-in-aids to the Panchayats in order to improve the Panchayat Finances.

1.17 To enable compliance of the eligibility condition of due constitution and implementation of recommendations of SFCs towards receipt of XV FC Grants from

FY 2024-25 onwards, MoPR has been actively interfacing with the States towards fulfilment of this criteria. Owing to these efforts, many States have taken pro-active measures for the same.

1.18 Present Status of Constitution of SFCs in the States is given below:

Sl. No	State	Number	Award period	Constituted	Report	ATR
1	Andhra Pradesh	5th	2025-30	18th March 2023	To be submitted by 30th Sept 2024	Award period of 4th SFC is live (till 2024-25) and ATR of 4th SFC has been laid in the house on 08.02.2024. Implemented
2	Arunachal Pradesh	2nd			The Second SFC report was submitted during June 2014, but its ATR was not tabled in the assembly.	
3	Assam	7th	2025-30	01st July 2024	To be Submitted by 16.12.2024	Award period of 6th SFC is live (till 2024-25) and ATR of 6th SFC has been laid in the house on 30.06.2021. Implemented
4	Bihar	6th	2021-26	20th February 2019	Submitted on 30th April 2021	Implemented. ATR laid on 02.12.2021

SI. No	State	Number	Award period	Constituted	Report	ATR
5	Chhattisgarh	4th	2025-30	29th July 2021	Not submitted	Award period of 3rd SFC is live (till 2024-25) and ATR of 3rd SFC has been laid in the house on October, 2019
6	Goa	3rd	2024-29	Reconstituted on 31st December 2021	Major recommendations submitted on 31.01.2024. Final Report submitted to Hon'ble Governor on 28.06.2024. Appointment from the Governor office awaited	ATR is tabled in assembly on 08.02.2024.
7	Gujarat	4th	-	04.11.2024	Constituted recently	Constituted recently
8	Haryana	6th	2021-26	22.09.2020	23.12.2021	Implemented. ATR laid on 18.02.2023
9	Himachal Pradesh	7th	2027-32	01.03.2024	Yet to submit	Award period of 6th SFC live till 2027. Report submitted in 31.10.2022, Implemented. ATR laid in assembly on 22.03.2023
10	Jharkhand	5th	2024-2029	23.02.2024	SFC constituted recently	



SI. No	State	Number	Award period	Constituted	Report	ATR
11	Karnataka	5th	2024-29	11th October 2023	Interim report for the period of 2024-25 submitted on 28.02.2024. Final report to be submitted by 28.02.2025	ATR for 2024-25 not laid. Final ATR for entire period to be laid.
12	Kerala	7th	2026-2031	September 2024	Yet to submit	Award period of 6th SFC live till 2026. Report submitted in May, 2022, Implemented.
13	Madhya Pradesh	5th	2020-25	Constituted on 20th March 2017. Extended up to 2025-26	30th April, 2019	Implemented. ATR laid in assembly on 18.02.2022
14	Maharashtra	5th	2020-25	28.03.2018	20.08.2019	Award period of 5th SFC is live (till 2024-25). ATR laid on 15.12.2020. Implemented
15	Manipur	4th	2021-26	October 2019	Submitted in July 2021	ATR to be laid
16	Odisha	5th	2021-26	05.05.2018	Submitted on 02.08.2019	Implemented. ATR laid on 17.02.2020
17	Punjab	6th	2021-26	3rd July 2018	Submitted on 29th March 2022	ATR laid on 29.03.2022. Implemented
18	Rajasthan	6th	2020-25	12th April 2021	Interim report submitted on 28.06.2021. Final report submitted	Implemented. ATR laid on 02.09.2021 (interim) and

Sl. No	State	Number	Award period	Constituted	Report	ATR
					on 21.09.2023	06.02.2024 (final)
19	Sikkim	6th	2025-30	20th June 2022	Submitted on 20.02.2024	Award period of 5th SFC is live (till 2024-25). 5th SFC report was submitted on 24.08.2017 and ATR laid in March 2018. Implemented
20	Tamil Nadu	6th	2022-27	06.03.2020	8th March 2022	Implemented. ATR laid on 13.01.2023
21	Telangana	2nd		17.02.2024	First SFC (2020–21 to 2024–25) Constituted in 2015. Report submitted and ATR laid in Assembly	Implemented. Award period of First SFC is live (2020–21 to 2024–25) Constituted in 2015. ATR on 15.02.2024.
22	Tripura	5th	2021-26	4th June 2020	February, 2021	Implemented. ATR laid on 09.01.2024
23	Uttar Pradesh	6th		15.01.2024		Implemented. Award period of 5th SFC is live (till 2024-25). 5th SFC report was submitted on 31.10.2018 and ATR laid in April, 2020.

Sl. No	State	Number	Award period	Constituted	Report	ATR
24	Uttarakhand	5th	2021-26	04.11.2019	Submitted on 19 July 2021	Implemented. ATR laid on 30.03.2022
25	West Bengal	5th	2020-25	23rd May 2022	Submitted on 30th Sept., 2023	Implemented.

## **G. Role of Ministry of Panchayati Raj**

1.19 In a written replies furnished to the Committee it has been informed that the Ministry of Panchayati Raj (MOPR), Government of India shall act as a nodal ministry for determining the eligibility of the rural local bodies for the Untied grant. It will assess compliance to the conditions as mentioned below.

- (i) In order to be eligible for grants, RLBs have to mandatorily prepare and make available online both provisional accounts of the previous year and the audited accounts of the year before previous as entry level conditions to avail the grants. However, for the years 2021-22 and 2022-23, the States need to ensure that at least 25 percent of the RLBs have both their provisional accounts for the previous year and audited accounts for the year before the previous available online in in the public domain in addition to MoPR eGramSwaraj and Audit Online in order for them to avail of the full grants in that year. For the years 2023-24 onwards, all RLBs need to have both provisional accounts of the previous year and the audited accounts of the year before previous available online in public domain in addition to MoPR eGramSwaraj and Audit Online failing which grants will be released on pro-rata basis depending upon the number of bodies complying to these conditions. MoPR in consultation with C&AG may devise required formats of Audited and Provisional accounts to be uploaded in eGramSwaraj/Audit Online.
- (ii) RLBs shall be deemed to be eligible for the release of grants detailed in para 2 above, if the rural bodies are duly constituted i.e. if duly elected bodies are in place except for the 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 pro-rata basis for duly constituted only.
- (iii) FC-XV has recommended that 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 a State that

has not complied with the Constitutional provisions in respect of the SFC and these conditions.

1.20 On the basis of such assessment, MoPR shall recommend release of grant to the Department of Expenditure, Ministry of Finance. Since, Eligibility Conditions for release of Grants as stipulated above are common for Tied and Untied grants, therefore, MOPR shall also inform DDW&S about the rural local bodies/States which have complied to these conditions. It will also monitor the implementation of the remaining recommendations of the FC-XV with regard to RLBs. The MOPR may also handhold and provide technical guidance to the RLBs in bringing them onboard so as to enable them to comply to the conditions mentioned above.

#### **H. Role of the Department of Drinking Water & Sanitation (DDWS):**

1.21 Department of Drinking Water & Sanitation, Ministry of Jal Shakti, Government of India (DDW&S) shall act as a nodal ministry for determining the eligibility of the rural local bodies for the Tied grant. The DDW&S shall recommend release of tied grant to the Department of Expenditure, Ministry of Finance for the bodies/States which have complied to the conditions stipulated at Sl. Nos. (i) to (iii) above, based on the information received from MOPR, and after additional assessment of the conditions mentioned below.

- (i) Uploading of GPDP/BDP/DDP in eGramSwaraj (or through DDWS-IMIS) containing details of Annual Action Plan of Village/Block/District for Sanitation and Drinking Water Supply by the RLBs in the format as may be prescribed by the DDWS. Annual Action Plan for Drinking Water Supply shall include: Details about Supply of drinking water, rain water harvesting and water recycling. Annual planning and implementation of SLWM interventions in the local body.
- (ii) Uploading of details about utilization 15th F.C. funds (both components) on the website.
- (iii) Any other conditions which DDWS may deem fit in connection with the stated objective of the tied grant.

1.22 The DDW&S shall also handhold and provide technical guidance to the RLBs in implementing the tied grant component or the schemes/technology to be adopted for efficient use of the funds.

#### **I. Role of the Department of Expenditure, Ministry of Finance**

1.23 Upon receipt of recommendations from the nodal Ministries i.e. the MOPR and DDW&S, M/o Jal Shakti, the Department of Expenditure (FCD), Ministry of Finance shall release due installment of grants to the States concerned subject to fulfillment of all the conditions as stipulated in the guidelines above. The grant shall be released separately for Schedule XI Areas including to all Excluded Areas (where Part IX of the

Constitution does not apply) based on the grant allocated by the State Government for these areas.

#### **J. Actions on Misutilization and Misappropriation of Fund devolved to RLBs**

1.24 Complaints received through the CPGRAMS or through direct means about misutilisation / misappropriation of funds of RLBs, as and when received at MoPR, are forwarded to the respective State Governments for taking necessary actions as required since Panchayat as a subject fall within the purview of the State/UT and they are the administrative authorities for taking action on complaints against PRIs. Penal actions as provided for in the respective statutes/rules of the concerned State can be initiated/imposed after due enquiry establishes mis-utilisation / misappropriation of funds of RLBs

#### **K Utilisation of the FC-XV Basic (Untied) Grants recommended to Rural Local Bodies**

1.25 The FC-XV has recommended 40% of the allocation as Basic Grants (Untied) to Rural Local Bodies (RLBs). The items of works/activities that may be taken up with the Basic (Untied) Grants include:

Activities relating to the National priority areas of Health, Education and Nutrition in consultation with the respective State Departments; immunization of children; prevention of malnutrition of children; construction and repair of Gram Panchayat Bhawans; construction and repair and maintenance of roads within Gram Panchayat (GP) and inter GP; construction and repair of foot paths within GP and inter GP; construction and repair and maintenance of LED street lights and solar lighting as applicable (solar street light may be individual poles or centralized solar panel system) – within GP and inter GP; acquisition of land & maintenance and upkeep of dead body burial grounds; construction, repair and maintenance of crematorium; providing sufficient and high bandwidth Wi-Fi digital network services within GP; public library; recreation facilities including children's park, playground, rural haat, sports & physical fitness equipment etc. and any other basic improved/enhanced service mandated by State Government under relevant State legislations; recurring expenditure for electricity; manpower on outsourcing basis and other administrative expenses as essential (within 10% limit); immediate relief work in the event of natural disasters/pandemic; discharge of responsibilities specifically mandated to Panchayats under various Acts/ Laws e.g. preparation and updation of People's Biodiversity Register (PBR) under Biodiversity Act, 2002.

1.26 RLBs can enter into Annual Maintenance Contracts/ Service contracts for providing the services to rural inhabitants. However, expenditure from the Grants on the negative list, namely, expenditure on items already being funded from other schemes, felicitation/cultural functions/decorations/inaugurations, Honorarium, TA/DA of elected representatives and salaries/honorarium of existing employees/permanent and contract, doles/awards, entertainment, purchase of vehicles and air-conditioners are not allowed under this component.

1.27 It may also be mentioned that the above items of expenditure are indicative. The Basic (Untied) Grants under FC –XV can be utilized by the local bodies for improving basic services in rural areas, except for salaries and other establishment costs. The expenditure required for auditing of accounts by external agencies including social audit approved by the State Government, however, may be borne from this grant.

**1.28 Indicative List of Technical and Administrative Components of the FC-XV Basic (Untied) Grants' Expenditure**

- (i) Hiring of professionals on contract/ outsourcing basis – accountant cum data entry operator, technicians, engineer etc.
- (ii) Purchase of computers and accessories in Panchayats/ Traditional bodies which do not have any computer at present, as well as cost of AMC.
- (iii) Provision of Internet connectivity and recurring charges.
- (iv) One time purchase of essential furniture for GP office.
- (v) Meeting the cost of professionals who may visit for inspecting quality of civil works.
- (vi) Data Entry costs including payments to Common Service Centres (CSCs).
- (vii) Updation of Accounts.
- (viii) Hire charges of vehicles in emergent cases for inspection of works.
- (ix) Cost of preparation of project reports and technical plans for implementation of projects.
- (x) Cost of preparation of GPDP – Covering all processes like IEC, surveys, preparing maps and other documents and holding consultations and cost of essential consumables.

**L. Reasons for releasing less funds to RLBs in comparison to allocation made from 2021-22 to 2024-25**

1.29 In reply to a query on the reasons for releasing less funds to Rural Local Bodies (RLBs) in comparison to allocation made from 2021-22 to 2024-25, it has been stated that the XV FC grants are being released to State only for those RLBs who have fulfilled the following mandatory conditions on pro-rata basis. There are various reasons due to which fund release is less than the allocation to Rural Local Bodies (RLBs). The reasons are as per the operational guidelines issued by MoF for the implementation of the Fifteenth Finance Commission recommendation to RLBs grants during the period 2021-22 to 2025-26. The same are as under:

- (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 bodies only.
- (ii) Uploading of GPDPs/BPDPs/ DPDPs of the RLBs for current FY, as the case may be, in eGramSwaraj
  - (iii) RLBs have to mandatorily onboard on eGramSwaraj – PFMS for XV FC Grants' transactions
  - (iv) At least 25% of the RLB's provisional accounts for FY.2020-21 and FY.2021-22 must be available on eGramSwaraj for the release of Grants for FY 2021-22 and FY 2022-23 respectively/ All 100% of the RLB's provisional accounts for previous FY must be available on eGramSwaraj for Grants of FY 2023-24 onwards.
  - (v) At least 25 % of the RLB's audit of annual accounts for FY.2020-21 and FY.2021-22 must be completed on Audit Online for the release of Grants for FY 2021-22 and FY 2022-23 respectively/ All 100% of the RLB's audit of annual accounts for year before previous must be completed on Audit Online for Grants of FY 2023-24 onwards.
  - (vi) Unspent Balance of XIV FC Grants with the State should not be more than 10 % of the installment under consideration
  - (vii) Transfer of funds of the previous installment within 10 days to the RLBs by the State.
  - (viii) At least 50 % of the Untied grants released during the previous year have been utilized (valid only for the release of the 2nd installment of the FY)
  - (ix) 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.

#### **M. Tied fund can be used for works comes under United grant**

1.30 The XV FC recommended grants for rural local bodies (RLBs) as Untied and Tied Grants. The untied grant, 40% of total grant, under the 15th Finance Commission 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. And the tied grants, 60% of total grants, can be used for the basic services of (a) 30% of total grant can be used for sanitation and maintenance of ODF status, and this includes management and treatment of household waste, and human excreta and fecal sludge management and (b) 30% of total grant can be used for supply of drinking water, rainwater harvesting and water recycling. If any local body has fully saturated the needs of one category, it can utilise the funds for the other category. However, in the case of tied grant, if any RLB has fully saturated the needs of one category and there is no requirement of funds for that purpose, it can utilize the funds for the other category. Such saturation shall be

certified by the respective village assembly/Gram Sabha and duly confirmed by the supervising authority of the Panchayats or the State Government.

## N. Own Sources Revenue Generation of GPs/RLBs

### 1.31 Details of steps taken by the Ministry for Own Source of Revenue of GPs/RLBs.



## Own Sources of Revenue

Enhancing Financial Autonomy of Panchayats



Area of Focus	Details
Taxation powers (Article 243H)	<ul style="list-style-type: none"> <li>States may authorize Panchayats to levy taxes, duties, tolls, fees</li> <li>Strengthens Panchayat identity as a local government through tax-based OSR (Own Source Revenue)</li> <li>Limited OSR mobilization due to elected representatives' hesitance and administrative limitations.</li> </ul>
Matching Grants for OSR	<ul style="list-style-type: none"> <li>Matching grants based on OSR</li> <li>A&amp;N Island: Up to 3x OSR as incentive</li> <li>Goa: Rs. 20,000 - Rs. 4.25 lakh based on Panchayat income.</li> </ul>
Revenue sharing	<ul style="list-style-type: none"> <li>Sharing of royalties from local mining across tiers of Panchayats</li> <li>Sharing of GST and District Mineral Fund (DMF) revenues to GPs to strengthen local governance and financial autonomy</li> <li>Enhanced decentralization - Empowers Panchayats with resources for community development</li> </ul>
Use of Technology in Tax collection	<ul style="list-style-type: none"> <li>Utilization of tools like SVAMITVA data for property tax assessments</li> </ul>
Transfer of Duty	<ul style="list-style-type: none"> <li>Proposal to share property transfer duty revenue (stamp duty) with Panchayats, similar to ULB allocation.</li> </ul>

11

## State wise OSR Details (1/2)



Sr. No	States	Population	No. of Gram Panchayats	Average OSR for period 2017-2022 (In ₹ Lakhs)	Per Capita OSR (₹)	Average Per Panchayat OSR (In ₹ Lakh)
1	Andaman & Nicobar (UT)	2,57,270	70	242	94	3.46
2	Andhra Pradesh	3,78,70,409	13,326	79,193	209	5.94
3	Assam	3,12,24,416	2,197	2,295	7	1.04
4	Bihar	9,93,47,675	8,054	3,789	4	0.47
5	Chhattisgarh	2,12,13,310	11,650	14,901	70	1.28
6	Goa	9,92,170	191	16,225	1,635	84.95
7	Gujarat	4,17,23,435	14,621	82,975	199	5.68
8	Haryana	1,82,81,907	6,225	7,499	41	1.20
9	Himachal Pradesh	72,65,349	3,615	57	1	0.02
10	Jammu & Kashmir (UT)	1,07,10,174	4,291	342	3	0.08
11	Jharkhand	2,98,41,263	4,345	557	2	0.13
12	Karnataka	4,24,77,078	5,953	62,756	148	10.54
13	Kerala	2,80,58,470	941	80,295	286	85.33
14	Ladakh (UT)	2,44,906	193	10	4	0.05
15	Lakshadweep (UT)	58,706	10	3	5	0.30

From Expert Committee on OSR of RLBs, 2022, MoPR

23



## State wise OSR Details (2/2)



Sr. No	States	Population	No. of Gram Panchayats	Average OSR for period 2017-2022 (In ₹ Lakhs)	Per Capita OSR (₹)	Average Per Panchayat OSR (In ₹ Lakh)
16	Madhya Pradesh	5,76,56,562	23,011	8,458	15	0.37
17	Manipur	24,18,717	161	49	2	0.30
18	Mizoram	6,20,495	N.A	5	1	N.A
19	Nagaland	29,26,700	N.A	-	-	N.A
20	Odisha	3,71,77,485	6,794	4,209	11	0.62
21	Puducherry (UT)	5,20,405	108	3,940	757	36.48
22	Punjab	1,81,67,287	13,241	15,836	87	1.20
23	Rajasthan	5,62,22,862	11,208	5,089	9	0.45
24	Sikkim	5,05,026	199	125	25	0.63
25	Tamil Nadu	4,72,37,378	12,525	51,630	109	4.12
26	Telangana	2,15,42,108	12,772	34,309	159	2.69
27	Tripura	37,79,734	589	359	9	0.61
28	Uttar Pradesh	16,89,74,377	57,691	21,814	13	0.38
29	Uttarakhand	72,17,368	7,795	1,469	20	0.19
30	West Bengal	7,60,25,444	3,339	43,517	57	13.03
	<b>Total</b>	<b>8,69,509,845</b>	<b>2,25,115</b>	<b>511,898</b>	<b>59</b>	<b>2.27</b>

From Expert Committee on OSR of RLBS, 2022, MoPR

24



### O. Final GPDP uploaded in e-GramSwaraj (2025-2026)

1.32 The Details of Final GPDP uploaded in eGramSwaraj (2025-2026) in respect of Campaign Year (2024-2025) as on 25.06.2025 (Data source <https://gdpd.nic.in/planPlusReport.html>)

S. No.	State Name	Total GP Count	GPs with Uploaded Plans
1	ANDAMAN AND NICOBAR ISLANDS	264	67
2	ANDHRA PRADESH	13327	13320
3	ARUNACHAL PRADESH	2108	2085
4	ASSAM	2656	1799
5	BIHAR	8054	8053
6	CHHATTISGARH	11688	11586
7	GOA	191	190
8	GUJARAT	14675	14439
9	HARYANA	6227	6213
10	HIMACHAL PRADESH	3615	3485
11	JAMMU AND KASHMIR	4291	4291
12	JHARKHAND	4345	4342
13	KARNATAKA	5948	4545
14	KERALA	941	939
15	LADAKH	193	191
16	LAKSHADWEEP	10	0
17	MADHYA PRADESH	23004	22906

18	MAHARASHTRA	27943	27870
19	MANIPUR	3812	161
20	MEGHALAYA	7170	0
21	MIZORAM	835	815
22	NAGALAND	1319	0
23	ODISHA	6781	6770
24	PUDUCHERRY	108	0
25	PUNJAB	13236	13142
26	RAJASTHAN	11195	11135
27	SIKKIM	199	199
28	TAMIL NADU	12481	12482
29	TELANGANA	12848	3783
30	THE DADRA AND NAGAR HAVELI AND DAMAN AND DIU	42	38
31	TRIPURA	1194	1193
32	UTTARAKHAND	7788	7757
33	UTTAR PRADESH	57691	57685
34	WEST BENGAL	3339	3336
<b>Total Count</b>		<b>269518</b>	<b>244817</b>

## **PART – II**

### **OBSERVATIONS / RECOMMENDATIONS OF THE COMMITTEE**

#### **1. Re- structuring of Tied and Untied Grants**

The Committee note that Fifteenth Finance Commission (XV FC) recommended grants for Rural Local Bodies (RLBs) as Untied (40%) and Tied (60%) grants. Tied grants are earmarked for sanitation and drinking water and Untied grants used for local needs under the Eleventh Schedule of the Constitution. Tied grants can be reallocated between sanitation and water supply once saturation is achieved in either category after certification by the Gram Sabha and confirmation by the State Government or relevant supervisory authority. The Committee further note that similar scheme relating to sanitation and drinking water like 'Har Ghar Nal Har Ghar Jal' and 'Swachh Bharat Mission-I & II' etc. are run by the Department of Drinking Water & Sanitation under the Ministry of Jal Shakti. During the briefing, the representative of Ministry had stated that if the work of drinking water and sanitation is 100% completed in a Panchayat, hence tied fund will not be released to concerned Panchayat and tied grant cannot be used for untied grant. The Committee feel that in such a situation there is need to balance the structure of grants released under Central Finance Commission to Rural Local Bodies. The Committee therefore, recommend that MoPR should work out a mechanism for reallocation of grants between Tied and Untied for optimum utilization of allocated funds upon saturation of one service area to achieve the development goals.

## **2. Income Source of Gram Panchayats (GPs) and Rural Local Bodies (RLBs)**

Gram Panchayats (GPs) and Rural Local Bodies (RLBs) depends on grants received from the State Finance Commission (SFC) and Central Finance Commission (CFC) etc. for their funds in the county. Some GPs/RLBs which are adjoining urban areas have generated income through renting/leasing Panchayat properties, sale of assets, organizing income generated programmes and levy and collect the local taxes like property tax, vehicle tax etc. MoPR in their presentation during the briefing stated that it has taken several steps to increase the own income sources of GPs/RLBs, focusing on financial empowerment and capacity building. The Committee feel that despite taking several steps/efforts most GPs/RLBs have not been able to develop and generate their source of income satisfactorily. The Committee, therefore, recommend that MoPR should provide financial and technical assistance to enhance panchayat's capacity to develop and generate their own sources of income and urge States to devolve more powers and functions to Panchayats. So that they may perform their core duties of providing basic amenities to the rustic populace. The Committee also desire that the MoPR should explore the feasibility of providing more incentives and awards to Panchayats that perform well so that they are encouraged and motivated to raise their own source of income to meet their needs and vital standards.

## **3. Performance Grants**

The Committee note that Performance Grants are special rewards given to Gram Panchayats (GPs) and Rural Local Bodies (RLBs) for their good

work/performance and these grants are meant to encourage Panchayats to work better and serve people well. These grants are part of the overall financial assistance provided to Panchayats under the Finance Commission's recommendations. The Committee further note that MoPR has also created ranking system for GPs/RLBs to decide eligibility criteria for performance grants like, increase own source of income, preparation of Annual Action Plans and Immunizations status etc. The Committee observed that many Panchayats are not getting these grants because they cannot fulfill the requisite conditions. As such, some Panchayats give misleading report to get these grants which they don't actually deserve it. The Committee, therefore, recommend MoPR to make the rules easier by amending the ranking system so that more Panchayats can honestly qualify to get the awards. The Committee, further, recommend that training should be given to help the weaker Panchayats and also claim verification mechanism should be evolved to ensure that only valid claims are approved and processed, preventing false claims.

#### **4. Timely Uploading of Gram Panchayats Development Plans (GPDPs) on eGramSwaraj Portal**

The Gram Panchayat Development Plan (GPDP) prepared by each Gram Panchayat is to identify local development needs and improving infrastructure like water, sanitation, road, education, health and welfare of villages and villagers. The utilization and monitoring of Central Finance Commission (CFC) grants are done through the eGramSwaraj portal. Uploading of GPDPs on eGramSwaraj portal every year is mandatory condition for releasing 15<sup>th</sup> Finance

**Commission Grant to GPs. Non-submission of GPDPs may result in suspension, discontinuation or less release of this grants against allocation, which will directly impact the Panchayat's financial resources and its capacity to implement planned activities. Referring to the data available on the portal <https://gdpd.nic.in/planPlusReport.html> as on 25.06.2025, the Committee observed that some States/UTs have not uploaded any GPDPs and some States/UTs have uploaded fewer GPDPs as compared to others. The Committee fail to understand that if timely and complete uploading of GPDP is not done by the GPs on the eGramSwaraj portal as to how the Ministry is to monitor the utilisation of funds/grants of CFC by the States/GPs. The Committee, therefore, recommend that Ministry of Panchayati Raj in coordination with States should conduct regular training to panchayat members on technical and financial support for preparing and uploading of timely and correct GPDPs on eGramSwaraj portal to ensure their eligibility of grants. The Committee also recommend that MoPR should encourage GPs to align their GPDPs with Block and District level plans to achieve better coordination and more effective development outcomes.**

#### **5. Constitution of State Finance Commission**

**Article 243-I of the Indian Constitution provides for constitution of State Finance Commission (SFC) by the State in every five years. It plays a crucial role in strengthening the finances of local Governments by recommending measures for resources sharing and improving their financial health by reviewing the financial position of the Panchayats. The 15th Finance Commission (XV FC) has**

made it mandatory for States to set up and act on SFC recommendations for receiving certain central grants from 2024–25 onwards. As per the information provided by the Ministry on status of constitution of SFCs in the States, the Committee note that out of 28 States only 25 States have constituted SFC and only nine States have constituted 6<sup>th</sup> SFC. It is disheartening to note that some States have not even constituted 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> SFC. However, Punjab and Tamil Nadu have shown good compliance with regard to constitution of SFC, report submission and laying of ATRs. Whereas, States like Arunachal Pradesh and Chhattisgarh have delay or pending submission of reports and ATRs. Gujarat, Jharkhand and Telangana are in an early stage with reports yet to be submitted. Since the regular constitution of SFC is necessary for the devolution of funds to PRIs from State finances, the Committee, recommend that MoPR should take up this matter at the highest level and impress upon the State Governments to constitute SFCs regularly without any delay so that the flow of central grants is not stopped or minimised. The Committee also recommend that MoPR should prevail over the State Governments and ensure that a uniform, simple and easy format is prepared for SFCs report and if need be, to provide training to SFC members and Panchayat officials in this regard.

#### **6. Strengthening Devolution of Powers to Panchayati Raj Institutions (PRIs)**

The Committee expresses deep concern that, despite more than three decades since the enactment of the 73rd Constitutional Amendment, the spirit of democratic decentralisation envisioned therein remains largely unfulfilled in many parts of the country. The devolution of the 3Fs: Functions, Funds, and Functionaries, to Panchayati Raj Institutions (PRIs) continues to be partial,

fragmented, and uneven across states. Many Panchayats function with limited administrative authority, inadequate financial resources, and without effective control over line departments or local planning processes. The committee recommend that each state must prepare and publish a clear, time-bound roadmap for devolution of powers to PRIs, covering the full range of subjects listed under the Eleventh Schedule of the Constitution. Administrative control over local functionaries such as health workers must be effectively transferred to the Panchayats to enable genuine local self-governance. The committee also recommends that the Ministry of Panchayati Raj to prepare an annual "State of Devolution Report" measuring progress on the 3Fs in each state, and table it before Parliament and The Union Government, through the Finance Commission and centrally sponsored schemes, should link financial incentives to actual performance in devolution, thereby encouraging states to empower PRIs more meaningfully.

#### **7. Ensuring Financial Autonomy through Predictable and Accountable Untied Fund Transfers to Panchayats**

The Committee believes that untied funds form the backbone of meaningful decentralisation. Without financial empowerment and flexibility, the vision of the 73<sup>rd</sup> Constitutional Amendment will remain unfulfilled, and Panchayats will be unable to deliver on the aspirations of the people they are meant to serve. Untied funds are essential for enabling Panchayati Raj Institutions (PRIs) to function as effective units of local self-governance. States must ensure the regular and adequate provision of such funds through a predictable and formula-based allocation mechanism that is transparent,



equitable, and grounded in objective criteria such as population, geographic area, and levels of socio-economic backwardness. These funds should be disbursed in a timely and periodic manner, preferably on a quarterly or monthly basis, without administrative delays or discretionary controls, to ensure that Panchayats can plan and execute works independently. Equally important is the need to allow Panchayats full autonomy in the planning and utilisation of untied funds in accordance with locally identified needs and priorities. This financial discretion must be safeguarded from unguided interference by line departments or higher administrative authorities. At the same time, appropriate systems for accountability, such as Gram Sabha oversight, participatory planning, social audits, and transparency in reporting, must be institutionalised to ensure that funds are spent efficiently and in the public interest. To strengthen this system, states should also invest in capacity building of Panchayat representatives and staff in areas such as financial management, budgeting, and project monitoring. The use of digital tools for real-time expenditure tracking and linking a portion of future transfers to simple performance indicators, such as responsiveness to community demands or completion of planned works, can further enhance accountability and effectiveness.

#### **8. Strengthening District Planning Committees for Effective Decentralised Development**

The Committee notes with concern that despite the constitutional mandate under Article 243ZD, many states have either not constituted District Planning Committees (DPCs) or have allowed them to remain non-functional in practice. In states where DPCs have been formed, their functioning is often

limited by irregular meetings, lack of technical and administrative support, poor integration of rural and urban development plans, and inadequate involvement of elected representatives. This has resulted in fragmented planning, duplication of efforts across departments, and underutilisation or misallocation of funds, particularly in centrally sponsored schemes and state-level initiatives. The Committee recommends that all states take immediate steps to constitute District Planning Committees in every district and ensure their effective operationalisation. DPCs should be empowered to prepare integrated district development plans by consolidating inputs from Panchayats and Municipalities, with active participation of elected representatives and coordination with line departments. States must issue clear operational guidelines to ensure that DPCs meet regularly, are supported by qualified technical and planning staff, and operate with transparency. Their decisions and meeting outcomes should be publicly documented and monitored. Further, the Ministry of Panchayati Raj, in consultation with State Planning Departments and NITI Aayog, should develop a model framework for participatory district planning, including standardised formats, digital tools, and timelines for submission and review. To incentivise meaningful decentralised planning, a portion of central and state scheme allocations should be linked to DPC-vetted plans that demonstrate convergence, local relevance, and accountability.

9. Ensuring Continuity of Village Development in the Event of Delayed Panchayat Elections

The Committee observes that one of the major impediments to the effective utilisation of funds and the continuity of development works at the village level is the delay or disruption in the conduct of Panchayat elections. While timely elections are essential for upholding democratic decentralisation, there have been several instances where, due to administrative, legal, or policy-related hurdles, elections could not be held within the stipulated time. The Committee specifically notes delays in Lakshadweep due to unresolved boundary delimitation issues, and in Telangana, where the implementation of OBC reservation policies has led to legal and procedural delays in holding elections. Such disruptions create a vacuum in local governance, often resulting in stalled development works, unutilised funds, and the breakdown of basic service delivery mechanisms. While democratic elections should be held in a timely and regular manner as per constitutional provisions, the Committee strongly recommends that, in the event of an unavoidable delay, a clear mechanism should be established to ensure that local governance and village development do not come to a standstill. In such cases, states may consider instituting an interim arrangement through the appointment of a nominated representative or administrator with clearly defined responsibilities and a limited tenure, solely to ensure continuity in the implementation of approved plans, fund utilisation, and essential service delivery. Such arrangements must be subject to strict oversight, transparency, and be guided by the principle of minimal interference until elected bodies are restored.

**10. Declining Allocation of Funds to Panchayati Raj Institutions: Need for Reversal and Strengthening Fiscal Decentralisation**

The Committee notes with concern that there has been a steady decline in the allocation of funds to Panchayati Raj Institutions (PRIs) under successive Union Budgets in recent years. This trend undermines the very foundation of fiscal decentralisation envisioned under the 73rd Constitutional Amendment and weakens the capacity of Panchayats to effectively discharge their constitutionally mandated responsibilities. The reduction in untied and scheme-based transfers not only restricts the ability of PRIs to address local developmental needs but also hampers their credibility as self-governing institutions. In the absence of predictable and adequate financial support, Panchayats struggle to undertake essential functions related to basic service delivery, infrastructure creation, livelihood generation, and social welfare implementation. The Committee recommends that the Ministry of Panchayati Raj, in consultation with the Ministry of Finance and the Fifteenth Finance Commission, take urgent steps to reverse this trend and ensure that adequate, untied, and performance-linked resources are allocated to PRIs. Additionally, mechanisms should be developed to ring-fence PRI funds, prevent diversion by state departments, and promote transparency in inter-tier fiscal transfers.

NEW DELHI  
25 July, 2025  
3 Shraavana, 1947 (Saka)

SAPTAGIRI SANKAR ULAKA  
Chairperson  
Standing Committee on Rural Development & Panchayati  
Raj  
Annexure I

**STANDING COMMITTEE ON RURAL DEVELOPMENT AND PANCHAYATI RAJ**  
**(2024-25)**

**MINUTES OF THE FIFTH SITTING OF THE COMMITTEE HELD ON**  
**THURSDAY, THE 21<sup>st</sup> NOVEMBER, 2024**

The Committee sat from 1100 hrs. to 1315 hrs. in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Saptagiri Sankar Ulaka      --      Chairperson**

**MEMBERS**

**Lok Sabha**

2. Shri Sanjay Jaiswal
3. Dr. Mohammad Jawed
4. Shri Jugal Kishore
5. Shri Imran Masood
6. Shri Janardan Mishra
7. Shri Ramashankar Rajbhar
8. Shri Omprakash Bhupalsinh *alias Pavan Rajenimbalkar*

**Rajya Sabha**

9. Shri Iranna Kadadi
10. Shri Sant Balbir Singh

**Secretariat**

- |                         |   |                      |
|-------------------------|---|----------------------|
| 1. Shri Des Raj Shekhar | - | Additional Secretary |
| 2. Shri Vinay P. Barwa  | - | Director             |
| 3. Shri L. Singson      | - | Deputy Secretary     |

**Representatives of the Ministry of Panchayati Raj**

Sr. No.	Name of the Witness	Designation
1.	Shri Vivek Bharadwaj	Secretary
2.	Shri Alok Prem Nagar	Joint Secretary

**Representatives of the Sixteenth Finance Commission**

1.	Shri Ritvik Pandey	Secretary
2.	Shri Rahul Jain	Joint Secretary
3.	Shri Maanas Bajpai	Deputy Director

**Representatives of the Department of Expenditure, Ministry of Finance**

1.	Sh. Sajjan Singh Yadav	Additional Secretary
2.	Sh. Chinmay P. Gotmare	Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee convened for briefing by the representatives of the Ministry of Panchayati Raj (MoPR), Ministry of Finance (Deptt. of Expenditure) and Finance Commission on the subject "Devolution of funds under Panchayati Raj System".

*[Witnesses were then called in]*

3. After welcoming the witnesses, the Chairperson drew the attention to the fact that the discussions made here were to be treated as confidential and not to be made public till the Report of the Committee was presented to Parliament. The Chairperson in his opening remarks empathized the significance of Devolution of funds to Panchayati Raj System and Rural Local Bodies. The Chairperson outlined the Rural Local Bodies are constituted under the relevant provisions of Constitution of India that have been envisioned as Grass roots institutions & third tier of Governance. Therefore, Devolution of Grants to Rural Local Bodies does not only empower and strengthen Panchayati Raj Institutions but also aid immensely in Rural Development. Further Chairperson expressed concern over the shortage of funds, under-utilization that continue to plague our Rural Local Bodies and main aim of this meeting is to evaluate these challenges for transparent, and impactful funds devolution.

4. The Secretary, Ministry of Panchayati Raj made a power point presentation *inter-alia* highlighting allocations, release and utilization of funds in different years so far along with the Plan allocation for 2024-25 and the initiatives taken under different schemes of Ministry of Panchayati Raj.

5. Thereafter, the Members raised following queries/points on various issues related to devolution of funds for different schemes and its impact on the implementation of the schemes etc.: -

- (a) Difference in release of funds to various States during the current financial year 2024-25;
- (b) Increasing the source of income of Panchayats;
- (c) Provision of funds from untied grant should be used for construction of Panchayats Bhawan;
- (d) Shortage of trained officials deployed in Panchayats;
- (e) Non constitution of 6<sup>th</sup> State Finance Commission in various States;
- (f) Constitution of District Planning Commission; and
- (g) Steps taken for full utilization of tied and untied grant.

6. The queries/points of Committee were replied by the Secretary, Ministry of Panchayati Raj, Additional Secretary, Department of Expenditure (Ministry of Finance) and Secretary, 16<sup>th</sup> Finance Commission.

7. The Chairperson then thanked the representatives of the Ministry of Panchayati Raj, Department of Expenditure and 16<sup>th</sup> Finance Commission and asked them to furnish written information on queries/points raised by the Members on which the replies are not readily available with them as soon as possible to this Secretariat.

*[The Witnesses then withdrew]*

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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