

GOVERNMENT OF INDIA
MINISTRY OF PANCHAYATI RAJ
RAJYA SABHA
UNSTARRED QUESTION NO. 2153
ANSWERED ON 19.03.2025

FINANCE COMMISSION GRANTS

2153 # SHRI SANJAY SINGH:

Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) the criteria under which the Central Government provides Finance Commission Grants to the States; and

(b) whether it is a fact that in the Financial Year 2024-25 only ₹25,000 crore has been released out of ₹49,800 crore, if so, the main reason for the said shortfall?

ANSWER

THE MINISTER OF STATE FOR PANCHAYATI RAJ

(PROF. S.P. SINGH BAGHEL)

(a) The criterion for allocation of funds adopted by the 15th Central Finance Commission includes inter-se distribution amongst the States is with a weight of 90 percent on population (census-2011) and 10 percent on 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 gram 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.

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.

(b) Rs.28693.90 crore has been released out of Rs.49800 crore allocated during financial year 2024-25 till date. The gap between the allocation and release of 15th Central Finance Commission grants is due to the non-fulfillment of mandatory conditions, prescribed in the operational guidelines issued by the Ministry of Finance, by the States.

The conditions are as under:

- i. Rural Local Bodies (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 GDPDs/BPDPs/ DPDPs of the RLBs in eGramSwaraj
- iii. RLBs have to mandatorily onboard on eGramSwaraj – PFMS for XV FC Grants' transactions.
- iv. RLBs 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.

Once the conditions for recommendation/release of a particular installment are met by the State, the State may request the release of the due installment within the award period of the Finance Commission and the same may be considered by Department of Expenditure subject to the availability of sufficient funds in the subsequent financial years.
