

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

**LOK SABHA  
UNSTARRED QUESTION NO. 1208**

**Answered on Monday the 11<sup>th</sup> December, 2023/ Agrahayana 20, 1945 (SAKA)**

**Withholding the Initial Grant Installment for Local Bodies**

1208. SHRI KUMBAKUDI SUDHAKARAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is withholding the initial grant installment for local bodies in States by introducing a new clause related to unspent amounts exceeding the prescribed threshold;
- (b) if so, the details thereof along with the specific clause introduced and the threshold amount specified;
- (c) whether such withholding of funds contradicts the guidelines laid out by the Finance Commission; and
- (d) if so, the details thereof and if not, the reasons therefor?

**ANSWER**

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

(a) to (d) No Sir. Presently, no proposal for release of Local Bodies grants is withheld on account of unspent amounts of grants released earlier.

The 14<sup>th</sup> Finance Commission had recommended Local Bodies grant for municipalities and Gram Panchayats for providing or improving basic civic services including water supply, sanitation including septage management, sewerage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths and street-lighting, and burial and cremation grounds. These grants were aimed at improving the living conditions of the population residing in their jurisdiction. However, it

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was noticed that some of the local bodies had parked the funds in their bank accounts for years thereby, defeating the objective of these grants and depriving citizens of the basic services. Therefore, to push utilization of the 14<sup>th</sup> Finance Commission recommended grants for improving various civic services, it was decided to advise the nodal ministries to recommend proposals for fresh release of grant to local bodies only in cases where the unspent balance of 14<sup>th</sup> Finance Commission was less than 10% of the installment under consideration. This had a positive impact on the activities of local bodies leading to a sharp increase in utilization of these funds for the intended purposes.

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