

No.-M-11015/130/2017-FD  
Ministry of Panchayati Raj  
Government of India

11th Floor, Jeevan Prakash Building,  
25 K.G. Marg, New Delhi - 110001  
Dated: 1<sup>st</sup> February, 2021

To

Principal Secretary/Secretary  
Panchayati Raj Department  
All States

**Subject:- Regarding transfer of Central Finance Commission (CFC) Grants to the Bank Accounts of RLBs and the treatment of interest accrued out of Central Finance Commission Grants.**

Sir/Madam,

I am directed to refer the Department of Expenditure, Ministry of Finance, Government of India guidelines regarding transfer of CFC grants of the Rural Local Bodies (RLBs) to all the concerned entities (GP/BP/ZP & Excluded areas, if any) without any deduction within prescribed number of days of receipt from the Union Government. In this regard, it has been brought to the notice of this Ministry that some States are transferring the CFC grants only to the Personal Deposits (PD) accounts /treasury accounts.

2. It is to be stated that the CFC grants are required to be transferred by the States directly to the Savings Banks Accounts of the respective Panchayats only and not to be kept in any PD accounts / treasury accounts in the State.

3. Further, regarding treatment of interest accrued out of Central Finance Commission Grants for RLBs, Ministry of Panchayati Raj had issued an advisory vide letter of even no. dated 23-07-2020 (Copy enclosed). According to this advisory, the interest accrued on Central Finance Commission (CFC) Grants is a part of closing balance as on a particular date/year. Therefore, such available combined balance constitutes the opening balance for the New Year. Funds devolved to any local body are to be utilised as per guidelines issued on the subject from time to time for utilisation of the CFC Grants, and it applies to the interest part also. The Panchayats / RLBs in your State may be instructed accordingly.

Yours faithfully,  
*Vijay Kumar*  
(Vijay Kumar)

Deputy Secretary to the Government of India  
Tel. No.011-23356150

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Ministry of Panchayati Raj  
Government of India

11th Floor, Jeevan Prakash Building,  
K.G. Marg, New Delhi – 110001  
Dated : 23<sup>rd</sup> July, 2020

To

Principal Secretary/Secretary  
Panchayati Raj Department  
All States (except Uttarakhand, Karnataka and Maharashtra)

Subject:- Regarding treatment of interest accrued out of Central Finance Commission Grants for RLBs.

Sir/Madam,

This Ministry has received, from some States, query as to how to utilise interest amount accrued out of Finance Commission Grants to the Panchayats/RLB. In this regard, it may be clarified that interest accrued in a savings account of the Panchayats is a part of the closing balance as on a particular date/year. Therefore, such available combined balance constitutes the opening balance for the New Year which need not be transferred back. Funds devolved to any local body are to be utilised as per guidelines issued on the subject from time to time and it applies to the interest part also. The Panchayats / RLBs in your State may be instructed accordingly.

Yours faithfully,



(Tara Chandar)

Under Secretary to the Government of India  
Tel. No.011-23753812