

**Chapter II**

**Role of District Mineral  
Foundation Trusts in  
implementation of PMKKKY  
in Maharashtra**



## Chapter II

### Role of DMFTs in implementation of PMKKKY in Maharashtra

#### 2.1 Legal framework of DMFT fund in Maharashtra

As per the provisions of Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 read with MMDR Amendment Act, 2015, the State Governments shall by notification establish a Trust in every District of the country affected by mining-related operations to be called the DMF. The PMKKKY was to be implemented by DMFs of the respective districts through the Trusts. The rules for the functioning of the DMFs were to be prescribed by the State Governments.

GoM notified (1 September 2016) Maharashtra District Mineral Foundation (Trust) Rules, 2016 for establishment of DMFT. Maharashtra DMFT Rules, 2016 were effective from 16 September 2015 and included various provisions related to composition of DMF, Governing Council (GC), Managing Committee (MC), constitution of Trust fund, operation, expenditure, Accounts and Audit *etc.* The GC shall consist of District Guardian Minister as ex-officio chairman, Collector of concerned District as member secretary and District Mining Officer, other officers as members.

Subsequently, the Ministry of Mines, GoI directed (23 April 2021) State Governments to incorporate the rules regulating the composition of GC and MC of DMFT with immediate effect, where the Chairman of the GC and MC shall be District Magistrate/Deputy Commissioner/District Collector. Accordingly, the Maharashtra DMFT Amendment Rules, 2021 were promulgated (06 December 2021) by the GoM. This amendment vested the management of DMFT with the trustees of the Trust and the Chairman of the GC was the District Collector.

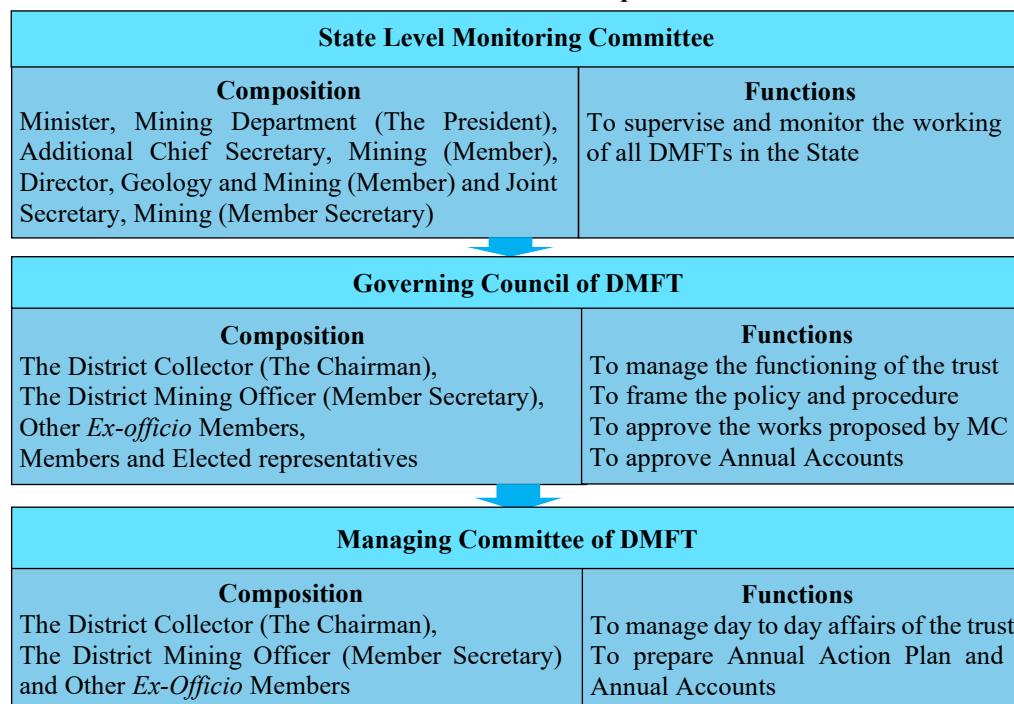
The GoI directed (12 July 2021), the State Government that the provisions of Section 9B of the Act shall be strictly adhered to in respect of utilisation of funds by the DMFs. No fund shall be transferred in any manner from the DMFs to the State exchequer or State level fund (by whatever name called) or Chief Minister's Relief Fund or any other fund or schemes; and no sanction or approval of any expenditure out of the fund of the DMF shall be done at the State level by the State Government or any State level agency.

In 2024, the GoM again notified the revised DMFT Rules (11 October 2024) in accordance with the revised PMKKKY guidelines issued (15 January 2024) by GoI, Ministry of Mines. Revised DMFT Rules (October 2024) specified definition of directly and indirectly affected area/persons, utilisation of DMFT fund, preparation of perspective plan and conduct of DMFT audit by the Comptroller and Auditor General of India *etc.*

#### 2.2 Administrative setup of DMFTs

As per Rule 4 of Maharashtra DMFT Rules, 2016, the DMFT shall consist of the State Level Monitoring Committee (SLMC) at State Level and the GC as well as MC at District level. The Administrative structure and functions of SLMC and DMFT are depicted in **Chart 2**.

Chart 2: Administrative setup of SLMC and DMFT



(Source: Maharashtra DMFT Rules, 2016)

### 2.3 Provision for DMFT contribution

Every holder of mining lease was to pay an amount, in addition to the royalty, to the DMF of the district in which mining operations were carried on as below:

- 10 *per cent* of the royalty in terms of the second schedule to MMDR Act, 1957 read with section 9B of MMDR Amendment Act, 2015 in respect of mining leases granted on or after 12 January 2015;
- 30 *per cent* of the royalty paid in terms of second schedule to the said Act in respect of mining leases granted before 12 January 2015; and
- 10 *per cent* of the royalty on minor minerals determined by the State Government as per Maharashtra Minor Mineral Extraction (Development and Regulation) Act, 2013.

### 2.4 Assessment of DMFT fund contribution

In case of every lease holder conducting mining operations, the royalty is payable to the State Government. Based on the amount of royalty paid, the DMFT fund contribution is determined as a percentage of the royalty paid on Major and Minor minerals.

For proper monitoring of the collection of royalty and other statutory receipts for Major minerals, GoM developed Integrated Lease Management System (ILMS). It is used by the Directorate of Geology and Mining (DGM) for computerisation of the manual administrative process of the State Mining Department, to generate accurate-efficient-real time data of mineral extracted, royalty and other receipts collected.

Similarly, Revenue Department, GoM had developed an integrated IT enabled process through Mahakhanij and Government Receipt Accounting System

(GRAS) integration portal for collection of royalty and other statutory receipts and for monitoring of all Minor minerals in the State of Maharashtra.

Audit observed that the records and registers for collection of DMFT fund were not properly maintained in the DMFTs as discussed in **Para 4.4**. An analysis on non-recovery of DMFT fund contribution in five selected DMFTs is discussed in **Paras 4.2 and 4.3**.

### 2.5 Collection of DMFT fund *vis-a-vis* Royalty

The DMOs were responsible for the assessment and collection of royalty for Major and Minor minerals.

The details of the DMFT fund contribution *vis-a-vis* royalty collected for Major and Minor minerals for the period 2016-17 to 2022-23 (**Annexure 2 and Annexure 3**) are detailed in **Table 2**.

**Table 2: DMFT fund contribution *vis-a-vis* Royalty collection**

(₹ in crore)

Mineral-wise DMFT fund (at the percentage of royalty)	Total royalty collected	DMFT fund Contribution to be collected as per Audit	Actual collection of DMFT fund contribution	Excess collection
Major Minerals (@ 30 per cent <sup>4</sup> )	5,818.69	1,745.61	2,913.91	1,168.30
Minor Minerals (@10 per cent)	12,257.18	1,225.73	1,710.10	484.37
<b>Total</b>		<b>2,971.34</b>	<b>4,624.01</b>	<b>1,652.67</b>

(Source: Data provided by Ministry of Mines, GoM)

As seen from **Table 2**, there was an overall excess collection of ₹ 1,168.30 crore in respect of Major minerals and ₹ 484.37 crore in respect of Minor minerals. However, in some cases, short collection of DMFT in respect of Major minerals was also noticed. Cases where major variations in collection of DMFT was noticed are given below.

- In DMFT Sindhudurg, DMFT contribution of ₹ 7.23 crore was received against the recoverable amount of ₹ 32.72 crore, during 2016-17 to 2022-23. This was mainly due to the fact that there was no DMFT contribution from 2018-19 onwards, against the recoverable amount of DMFT.
- In DMFT Yavatmal, DMFT contribution of ₹ 549.26 crore was received against the recoverable amount of ₹ 594.33 crore during the period 2016-17 to 2022-23. This resulted in short recovery of ₹ 45.07 crore of DMFT contribution.

GoM in its reply (May 2025) stated that there were procedural inconsistencies in accounting practices between royalty collection *vis-a-vis* DMFT contribution and stated that one of the reasons for excess collection of DMFT is exemption of royalty on certain infrastructure projects<sup>5</sup> wherein State Government exempts royalty on minerals without exemption of DMFT fund contribution. Thus, there

<sup>4</sup> No extraction was made for major mining leases executed after 12 January 2015.

<sup>5</sup> GoM, vide notification (27 May 2019), granted 100 per cent exemption on royalty on excavation of minor minerals for execution of Nagpur-Mumbai Super Communication Expressway.

is a mismatch in DMFT fund *vis-a-vis* royalty collection of major and minor minerals.

Reply has to be viewed against the fact that lease-wise and agency-wise reconciliation between royalty collected/exempted and DMFT contributions, was not carried out by DMFTs.

## 2.6 DMFT fund utilisation

As per Rule 13 of the Maharashtra DMFT Rules, 2016, funds available with the DMFT shall be utilised in accordance with PMKKKY guidelines as below:

- At least two-third amount shall be utilised in the directly affected areas<sup>6</sup>.
- Maximum one-third amount shall be utilised in indirectly affected areas<sup>7</sup>.
- Further, at least 60 *per cent* of the funds shall be utilised for High priority activities like: (i) drinking water supply; (ii) environment preservation and pollution control measures; (iii) health care; (iv) education; (v) welfare of women and children; (vi) welfare of aged and disabled people; (vii) skill development; and (viii) sanitation. Audit observations regarding utilisation of funds under High priority activities are discussed in **para 5.2 of Part B** of the Report.
- Upto 40 *per cent* of the funds shall be utilised for other priority activities like: (i) physical infrastructure; (ii) irrigation; (iii) energy and watershed development; (iv) Afforestation and (iv) any other measures for enhancing environmental quality in mining district.

The implementation of works/projects under the scheme were carried out through IAs such as Government Departments, local bodies and State Public Sector Undertakings *etc.*

## 2.7 Accounting treatment in DMFTs

Rule 11 of Maharashtra DMFT Rules, 2016 prescribed that the receipts of the DMFT fund contribution shall include DMFT fund contribution from Major and Minor minerals, grants, contributions and other capital assistance received from State Government or from any other agency, investment and other deposits and interest accrued thereon in bank accounts.

As per Rule 12, the DMFT fund shall be kept in one or more scheduled commercial or nationalised banks approved by the Reserve Bank of India. The Managing Committee of the DMFT shall maintain the books of accounts, documents and records of the funds to give a true and fair picture of the affairs of the DMFT.

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<sup>6</sup> Directly affected areas: where direct mining-related operations such as excavation, mining, blasting, beneficiation and waste disposals are in radius of 10 km of mining-related operations.

<sup>7</sup> Indirectly affected areas: where the local population is adversely affected on account of due to mining-related operations.

The DMFT fund contribution collected from Major and Minor minerals is deposited in savings bank accounts of respective DMFTs. The expenditure for the various projects approved and implemented under PMKKKY were made through these bank accounts as discussed in **Part B of the Report**.

## **2.8 Audit of Accounts of DMFTs**

As per Rule 15 of Maharashtra DMFT Rules, 2016 read with Rule 6 and 7 of GoI notification (16 September 2015), the DMF shall prepare an Annual Report on its activities for the respective financial year within three months from the date of closure of the financial year.

The Accounts of the DMFTs shall be audited every year by the Chartered Accountant (CA) appointed by the DMFTs and the Report thereof shall be placed in the public domain along with the Annual Report.

The Annual Report was to be submitted to the Government within one month from the date of its approval by the DMFTs and was also to be hosted on the website of the DMFTs. The Annual Report of each DMFTs was to be laid before the State Legislative Assembly.

The audit observations on appointments of CA, preparation of Annual Accounts and audits thereof, approval of Annual Accounts by GC and submission of Annual Accounts to State Legislature are discussed in **Part B of the Report**.