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EDITORIAL ANALYSIS

DMF Governance — Breaking India's Mining Resource Curse

 **BUSINESS STANDARD**

23 March 2026

SUBJECTS COVERED**ECONOMY****POLITY****GS PAPERS****GS2****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

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DMF Governance — Breaking India's Mining Resource Curse

 Business Standard

23 March 2026

GS2

GS3

BS

Business Standard

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



INTERVIEW ANGLE

"Mining-rich districts in India are often among the poorest. How effective has the District Mineral Foundation been in addressing this resource curse, and what reforms would you suggest?"

WHY IN NEWS

The National DMF Summit 2026 (March 23-24, New Delhi) highlighted that despite collecting over Rs 40,000 crore, many District Mineral Foundations have spent only 30-50% of their funds. Union Minister G. Kishan Reddy emphasised that DMF funds must prioritise mining-affected communities over political considerations.

The Resource Curse in India

The **resource curse** (also called the “paradox of plenty”) is a phenomenon where regions rich in natural resources experience worse development outcomes than resource-poor areas. India’s mining belts exemplify this paradox:

MINING DISTRICT	MINERAL	HDI RANK	POVERTY RATE
Singrauli (MP)	Coal	Low	High
Korba (CG)	Coal	Low	High
Keonjhar (Odisha)	Iron ore	Low	Very High
Bellary (Karnataka)	Iron ore	Low	High
Dhanbad (Jharkhand)	Coal	Low	High

These districts generate enormous mineral revenue but their residents suffer from poor healthcare, inadequate education, polluted water, and degraded environments.

The DMF Solution — Design and Intent

The DMF was designed to break this paradox by channelling mining revenue directly back to affected communities:

FEATURE	DETAIL
Legal basis	Section 9B, MMDR Amendment Act 2015
Nature	Non-profit trust in each mining-affected district
Funding	10-30% of mining royalty
Total collection	Over Rs 40,000 crore
Districts covered	306
Implementation	Through PMKKKY (70% High Priority + 30% Other)

The Utilisation Problem

Despite the well-intentioned design, the editorial identifies critical implementation failures:

1. Chronic Underutilisation

Many DMF trusts have spent only 30-50% of collected funds. Money remains unspent while mining communities continue to lack basic amenities.

2. Diversion from Core Purpose

DMF funds are sometimes used for general municipal infrastructure (flyovers, stadiums) rather than specifically benefiting mining-affected populations as mandated.

3. Weak Community Participation

The Affected Area Development Plans rarely involve meaningful consultation with mining-affected communities, especially tribal populations who are disproportionately impacted.

4. Governance Deficits

- DMF trusts are chaired by District Collectors with limited mining-sector expertise
- Monitoring mechanisms are inadequate
- Outcome measurement is rare — inputs (money spent) are tracked, not outcomes (lives improved)

5. Political Capture

Minister Reddy's own warning at the summit — that DMF must not bridge “political gaps” — acknowledges the risk that funds become instruments of political patronage rather than community welfare.

Top DMF States

STATE	DMF COLLECTION (RS CRORE)	KEY MINERALS
Odisha	~14,000	Coal, iron ore, bauxite, chromite
Chhattisgarh	~6,500	Coal, iron ore
Jharkhand	~5,000	Coal, iron ore, mica
Rajasthan	~3,500	Limestone, sandstone, marble
Madhya Pradesh	~3,000	Coal, manganese, bauxite

Best Practices

Some districts have demonstrated effective DMF utilisation:

- **Keonjhar (Odisha):** Built 100-bed hospital, mobile health units, piped water to 500+ habitations
- **Sundargarh (Odisha):** Nutrition centres for malnourished children, scholarship programmes
- **Korba (CG):** Air quality monitoring stations around mining areas

Recommendations

- 1 **Mandatory social audits** of DMF spending involving affected communities
- 2 **Outcome-based tracking** instead of expenditure-based reporting
- 3 **Tribal sub-plans** within DMF — ensuring proportional allocation to tribal areas
- 4 **Technical capacity** — dedicated DMF planning cells in each district
- 5 **Time-bound utilisation** — unspent funds beyond 2 years should be flagged for review

UPSC RELEVANCE

DMF (Section 9B, MMDR Act 2015), PMKKKY, contribution rates, Aspirational Districts Programme.

MAINS GS-2:

Mining governance; resource curse and institutional responses; tribal welfare in mining areas.

MAINS GS-3:

Mineral resource management; sustainable mining; inclusive growth.

★ FACTS CORNER — KNOWLEDGEPEDIA

DMF KEY DATA:

- Legal basis: Section 9B, MMDR Amendment Act 2015
- Districts: 306 across 23 states
- Total collection: Over Rs 40,000 crore
- Top state: Odisha (~Rs 14,000 crore)
- Contribution: 10% (post-2015 leases), 30% (pre-2015 leases)

PMKKKY:

- Launched: September 17, 2015
- High Priority (70%): Health, water, education, environment, nutrition
- Other (30%): Infrastructure, irrigation, energy

RESOURCE CURSE:

- Also called: Paradox of Plenty
- Concept: Resource-rich regions experience worse development outcomes
- Indian examples: Singrauli, Korba, Keonjhar, Dhanbad, Bellary

MINING SECTOR:

- MMDR Act: 1957 (amended 2015, 2021, 2023)
- Mining contribution to GDP: ~2.5%
- India's critical minerals list: 30 minerals (2023)
- IBM: Indian Bureau of Mines (under Ministry of Mines)

OTHER RELEVANT FACTS:

- PESA Act 1996: Extends Panchayat governance to Scheduled Areas (mining areas overlap)
- Forest Rights Act 2006: Protects tribal rights in forest and mining areas
- Samata Judgment (1997): SC ruled mining leases in Scheduled Areas only with tribal consent
- Aspirational Districts: 112 districts; many overlap with mining-affected areas

Sources: [Business Standard](#), [PIB](#), [ANI](#)

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