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**Finance Commission Grants: Conditionality,
Absorption, & States' Fiscal Behaviour**

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Abstract

Apart from the revenue deficit grants, FCs have provided various conditional and sector specific grants to states. This paper examines the conditional grants recommended by recent FCs for various sectors. Our analysis of the absorption of grants at the state level shows that in some sectors it was as low as 50 percent. The absorption of grant was even lower for special category states. The paper concludes that FC grants are not large enough to change states' expenditure behaviour. Increase in the share of conditional grants provided to local governments by the 15th FC need further analysis to understand the level of absorption.

Introduction

Before the abolition of the plan and non-plan distinction and the abolition of the Planning Commission, the allocation of grants from the central government to states was divided into two categories: non-plan and plan transfers. The Non-Plan transfers included Finance Commission (FC) grants and other Non-Plan grants, whereas the Plan funds included Normal Central Assistance (NCA), Scheme-based Central Assistance (CA), and Centrally Sponsored Schemes. Historically, as development planning grew in significance, the Planning Commission became the primary source of distribution of grants to the States. Upon the removal of the distinction between plan and non-plan in the budget, the current functional categorization consists of development spending and establishment expenditures.

The idea of restructuring of grants was initiated as a part of an exercise to rationalise Centrally Sponsored Schemes. The initial restructuring of grants for the 12th Five Year Plan (2012-13 to 2016-17) was based on the recommendation of the committee chaired by Mr. B. K. Chaturvedi. The reforms proposed by this Committee was to improve monitoring and execution, adaptability, and enabling better utilization of funds by transferring some schemes to States. The Union Budget 2015-16 restructured grants to accommodate higher devolution of taxes (42 per cent of the divisible pool) recommended by the 14th FC taking both plan and non-plan revenue expenditure into consideration. The Union government also established a subcommittee of chief ministers in March 2015 to rationalize and restructure the CSS through NITI Aayog. The subgroup suggested that the *“focus of the CSS should be on the schemes that comprise the National Development Agenda where the Centre and the States will work together in the spirit of Team India”* (NITI Aayog, 2015). The evolution of the post-Planning Commission era of transfer is marked by the 14th FC recommendations. The 15th FC also continued the share of devolution of taxes at the level recommended by the 14th FC. However, more specifically targeted grants in aid for specific sectors were given by the 15th FC. This

approach of the 15th FC towards grants was also driven by the nature of the TOR and to deal with the Covid induced macro-economic shock and shocks specific to the health sector.

In this paper we discuss the Finance Commission Grants and their conditionalities, absorption of grants and its possible relationship with States' fiscal behaviour. Apart from the introduction, this paper has following sections. In Section I, we discuss the structure of grants and the relative importance of Finance Commission grants in total transfer of grants to the States. The section II discusses the Finance Commissions' approaches to conditional grants. The Section III presents the quantum of grants provided by recent Finance Commissions and their relative importance in total fiscal spending respective to selected sectors. Section IV presents the acceptance, rejection, and absorption of various grants since the 12th FC period. Section V discusses the local body grants recommended by the 15th FC and section VI concludes.

I: Structure of Grants

Table 1 shows that grants in general have constituted a much smaller part in the share of total FC transfers relative to the share of tax devolution. This makes the share of grants-in-aid relatively small compared to the total pool of FC transfers. The share of grants in total FC transfers also declined from 26 percent of the total FC transfers during the 6th FC period to 8.96 percent during the 10th FC period. Though, in the subsequent FC awards, the share of grants had increased, it declined to 11.97 percent during the 14th FC period. The share of grants during the 15th FC period was around 20 percent.

Table 1 Share of grants-in-aid and devolution as a percentage of recommended FC transfers

Commission	Period	Grants share (in %)	Tax devolution share (in %)
Sixth	1974-79	26.12	73.88
Seventh	1979-84	7.72	92.28
Eighth	1984-89	9.55	90.45
Ninth	1989-95	9.96	90.04
Tenth	1995-00	8.96	91.04
Eleventh	2000-05	13.47	86.53
Twelfth	2005-10	18.87	81.13
Thirteenth	2010-15	15.15	84.85
Fourteenth	2015-20	11.97	88.03
Fifteenth (I)	2020-21	19.04	80.96
Fifteenth(II)	2021-26	19.65	80.35

Source: Report of the 15th Finance Commission

Table 2 Share of FC and Non-FC transfers as a percentage of aggregate revenue receipts

Finance Commission Transfers	FC Transfers			Non-FC transfers	Total transfers	Ratio of FC to Non-FC transfers	Transfer as % of GDP
	Share in central taxes	grants	Total FC transfers				
FC-VIII (1984-89)	20.25	2.52	22.77	15.10	37.86	60.13	4.83
FC-IX (1989-95)	21.37	3.42	24.79	15.55	40.33	61.46	4.89
FC-X (1995-2000)	22.22	2.34	24.56	11.24	35.79	68.61	4.09
FC-XI (2000-2005)	20.59	3.88	24.47	10.80	35.27	69.38	4.16
FC-XII (2005-10)	22.03	4.35	26.38	21.01	47.39	55.7	6.03
FC-XIII (2010-15)	23.8	3.96	27.75	20.47	48.22	57.6	5.76
2010-11	21.68	3.12	24.79	23.87	48.66	50.9	6.45
2011-12	25.27	4.35	29.62	23.73	53.35	55.5	6.17
2012-13	24.84	3.86	28.7	19.96	48.66	59.0	5.74
2013-14	23.79	4.03	27.82	17.93	45.75	60.8	5.45
2014-15	23.41	4.28	27.7	18.57	46.27	59.9	5.35
FC-XIV (2015-19)	31.37	4.51	35.88	14.74	50.62	70.9	6.30
2015-16	29.66	4.96	34.61	13.24	47.86	72.3	5.93
2016-17	30.57	4.8	35.38	13.04	48.41	73.1	6.26
2017-18	31.87	4.37	36.24	16.77	53.01	68.4	6.55
2018-19	32.88	4.05	36.92	15.45	52.38	70.5	6.39
2019-20RE	26.15	4.93	31.08	18.61	49.69	62.5	6.10
FC-XV (2020-21)	27.93	5.34	33.27	18.22	51.48	64.6 : 35.4	6.43

Source: Finance Commission, various reports.

Table 2 shows the share of FC and non-FC transfers in aggregate revenue receipts of the Union government. Total FC transfers as a percentage of aggregate revenue receipts of the Union Government increased from 22.77 percent during the 8th FC period to 36 percent during the 14th FC period. The share of non-FC transfers as a percentage of aggregate revenue receipts varies between 15 to 21 percent during this period. The total transfers as a percentage of gross revenue receipts increased over the years and currently constitutes around 50 percent of the total revenue receipts of the Union Government.

II: Finance Commissions' approaches to conditional grants

Article 280(3) of the Indian Constitution requires the Finance Commission (FC) to make recommendations as to the “principles” which should govern such grants-in-aid. The Terms of Reference (ToR) for the respective Finance Commissions generally specify these requirements for the FC. The article reads:

It shall be the duty of the Commission to make recommendations to the President as to--

(a) The distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) The principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

(c) The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

(d) Any other matter referred to the Commission by the President in the interests of sound finance.

The ToRs for the FCs uniformly require the commissions to provide recommendations regarding “*the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisions to clause (1) of that article.*” ToRs for the Commissions differ in their other requirements. The ToR for the 13th FC specified that in making its recommendations, the commission should consider “*the impact of the proposed implementation of Goods and Services Tax with effect from 1st April, 2010, including its impact on the country’s foreign trade; the need to improve the quality of public expenditure to obtain better outputs and outcomes; and the need to manage ecology, environment and climate change consistent with sustainable development. The Commission may review the present arrangements as regards financing of Disaster Management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and the funds envisaged in the Disaster Management Act, 2005 (53 of 2005), and make appropriate recommendations thereon.*” Though the ToR of the 14th FC was expansive in nature, the Commission did not provide any conditional grants. The ToR of the 15th FC presented the following very specific guidelines to the Commission:

- 1. To examine whether revenue deficit grants be provided at all.*
- 2. The Commission may consider proposing measurable performance-based incentives for States, at the appropriate level of Government in the following areas:*

- i. Efforts made by the States in expansion and deepening the GST tax net;*
- ii. Efforts and progress made in moving towards replacement rate of population growth;*
- iii. Achievements in implementation of flagship schemes of Government of India, disaster resilient infrastructure, sustainable development goals, and quality of expenditure;*
- iv. Progress made in increasing capital expenditure, eliminating losses of power sector, and improving the quality of such expenditure in generating future income streams;*
- v. Progress made in increasing tax/non-tax revenues, promoting savings by adoption of Direct Benefit Transfers and Public Finance Management System, promoting digital economy and removing layers between the government and the beneficiaries;*
- vi. Progress made in promoting ease of doing business by effecting related policy and regulatory changes and promoting labour intensive growth;*
- vii. Provision of grants in aid to local governments for basic services, including quality human resources, and implementation of performance grant system in improving delivery of services;*
- viii. Control or lack of it in incurring expenditure on populist measures; and*
- ix. Progress made in sanitation, solid waste management and bringing in behavioural change to end open defecation.*

The 16th FC has been mandated with a ToR which does not require the Commission to intervene at the sectoral level, unlike the previous Commissions. The 16th FC's mandate is purely based on the core mandate of the Finance Commission defined by the Constitution. The Terms of Reference for the 16th FC is given below:

- 1. The distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I, Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;*
- 2. The principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States by way of grants-in-aid of their revenues under article 275 of the Constitution for the purposes other than those specified in the provisos to clause (1) of that article; and*
- 3. The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.*

A list of grants recommended by Finance Commissions starting FC 12 to FC 15 is presented in table 3. As evident from table 3, number of grants recommended by FCs varied widely across Commissions. The maximum number of grants were recommended by the 13th FC. The minimum number of grants recommended was by the 14th FC.

Table 3: Grants recommended by Finance Commissions

		FC 12 (FY 2006-10)	FC 13 (FY 2011-15)	FC 14 (FY 2016-20)	FC 15 (2020-21)	FC 15 (FY 2022-26)
	Sectors	Recommended grants				
	RD grant	yes	yes	Yes	yes	yes
	Health/nutrition	yes	×	×	yes	yes
	Education	yes	yes	×	×	yes
	Maintenance of roads & bridges	yes	yes	×	×	yes
	Maintenance of buildings	yes	×	×	×	×
	Heritage conservation	yes	×	×	×	×
	State specific needs	yes	yes	×	yes	yes
	Local body grants	yes	yes	Yes	yes	yes
	Calamity/disaster relief	yes	yes	Yes	yes	yes
	Performance incentive	×	yes	×	×	×
Environment	Maintenance/protection of forests	yes	yes	×	×	×
	Renewable energy	×	yes	×	×	×
	Water sector management	×	yes	×	×	×
Improving outcomes	Reduction in IMR	×	yes	×	×	×
	Improvement in supply of justice	×	yes	×	×	yes
	Incentive for issuing UIDs	×	yes	×	×	×
	District innovation fund	×	yes	×	×	×
	Improvement of statistical systems	×	yes	×	×	yes
	Employee & pension database	×	yes	×	×	×
	GST implementation	×	yes	×	×	×
	Agriculture	×	×	×	×	yes
	Grant for aspirational districts & blocks	×	×	×	×	yes
	# of grants	10	17	3	5	11

Source: FC reports, various years.

As regards principles governing the recommendation of grants, the 12th FC recommended the following principles to determine grants for states in need. It was pointed

out that the notion of "need" should not imply that any deficit between revenue and expenditure can be resolved by simply increasing grants. Such an approach could lead to states reducing tax rates, while anticipating a greater share of resources from the collective pool. Thus, "need" must be evaluated based on standards applied to both revenue generation and the desired service levels. In this context, only services deemed as public goods, such as general administration, law enforcement, and essential services like education and healthcare provided by state governments, were considered for grants. Many goods provided by state governments that resemble private goods were not included in this assessment. Additionally, when assessing expenditure requirements, the specific circumstances of a state that might lead to higher per capita costs were also considered. This underscored the importance of establishing appropriate assessment principles (12th FC report, page 17, para 2.24, 2.25). The 13th FC highlighted the issue that arises when considering the appropriate design of horizontal distribution. Whether to reward states for past performance or incentivise states to improve performance during the award period? However, if criteria that reward performance remain consistent over time, then these would begin to serve as incentives. Grants were recommended in order to reduce disparities in the availability of various administrative and social services across states; allow particular states to meet special financial burdens emerging as a result of their peculiar circumstances; and to provide resources for specific activities considered to be national priorities. Their recommendations regarding the principles for disbursement of different grants had a conditionality element. The 13th FC was cautious to not include intrusive conditionalities, which could overlap in the domain of decision making by the State Governments and local bodies (13th FC report, page 36, para 3.49, 3.51).

Apart from the revenue deficit grants, the 13th FC recommended grants for local bodies, disaster relief, education, environment, performance incentive for states, maintenance of roads and bridges, implementation of model GST, and state-specific grants to sectors that have funding gaps and do not benefit from CSS, and also to marginal groups and areas so as to address deprivation. The FC also sought to incentivise different levels of government, for both past and future actions, to adopt and undertake green policy actions, to increase the share of electricity generated from renewable sources, to establish an independent regulatory framework for the water sector, to increased public health efforts towards reduced infant mortality rates—one of the most important MDGs, for improving statistical systems, and to assist the judicial system to improve the speed and effectiveness of delivery of this critical public good. Thus, their approach to governance was to incentivise innovations, improvements

and outcomes in a selected number of areas in which such improvements can be easily designed and recognised (13th FC report).

The 14th Finance Commission used tax devolution to meet the revenue expenditure requirements of the States taking into account both the plan and non-plan revenue expenditure. The Commission recommended revenue deficit grants to cover the shortfall in revenue expenditure after assessing the post-devolution deficit based on projected fiscal capacities and needs, and local body grants, in addition to a grant for disaster management. Their examination of sector-specific grants from previous Finance Commissions revealed that these grants constituted a small proportion of actual state expenditure in those sectors. Moreover, the utilization of these grants was even lower than the allocation due to non-compliance with conditions. Consequently, the Commission refrained from recommending such grants, suggesting that if deemed necessary, they should be meticulously designed, considering the disparities in local conditions and institutional realities across states. When formulating the suggestions for grants allocated to local bodies, the Commission took several factors into account, including increasing the grants, reducing conditions attached to them, empowering State Finance Commissions (SFCs), and placing confidence in local bodies. Recommendations put forth by SFCs were extensively reviewed and incorporated, making them pivotal to the approach in formulating suggestions. Regarding grants designated for disaster management, the Commission followed the procedure established by the 13th Finance Commission and utilized past expenditures on disaster relief to determine the corpus of the State Disaster Response Fund (SDRF). The recommendations also considered the additional responsibilities placed on states and their district administrations under the Disaster Management Act, and acknowledged location-specific natural disasters not included in the official list, which were specific to certain states (14th FC report, page 144, para 11.23, 11.24).

The ToR of the 15th FC specifically required the Commission to recommend grants for various objectives. Apart from the revenue deficit grants, the Commission recommended grants under 5 major areas namely, health & education, agriculture & rural economy, administrative and governance reforms, and performance-based incentive system for the power sector, and state-specific grants. As observed by the Commission *The selection of sectors like health and education was due to the unprecedented challenges from the Covid-19 pandemic that these sectors faced and also because both provided public services with huge multiplier benefits and significant inter-State externalities.* An additional borrowing space for States was

recommended through a performance-based incentive system for the power sector, which was not linked to grants (15th FC report, page 14, para 1.52, 1.53, 1.54).

III: Quantum of grants

As mentioned earlier, the major part of the FC's transfers are comprised of tax devolution. Less than 20 percent of the total transfers comprise of grants. If these FC grants are taken as a percentage of the states' revenue and total expenditure on the respective sectors, they turn out to be an even smaller percentage. Given the quantum of FC grants, their share in the states' total expenditure, and the conditionality attached to the release of such grants it may not be unreasonable to infer that FC grants are too small to affect a behavioural change in states' expenditure. The following tables show the distribution of total transfers recommended by the last four Finance Commissions and the FC grants as a percentage of states' sectoral revenue expenditure and total expenditure. For example, the grant for education under the 12th FC was only 1.88 percent of the states' revenue expenditure on education and 1.82 percent of the states' total expenditure on education.

Table 4: Distribution of grants recommended by successive Finance Commissions

		FC 12 (FY 2006-10)	FC 13 (FY 2011-15)	FC 14 (FY 2016-20)	FC 15 (2020-21)	FC 15 (FY 2022-26)
	Sectors	Percent	Percent	Percent	Percent	Percent
	RD grant	39.9	16.3	36.3	35.8	28.5
	Health/nutrition	4.1			3.7	3.1
	Education	7.1	7.6			1.1
	Maintenance of roads & bridges	10.5	6.3			2.7
	Maintenance of buildings	3.5				
	Heritage conservation	0.4				
	State specific needs	5.0	8.8		3.3	4.8
	Local body grants	17.5	27.5	53.5	43.3	42.2
	Calamity/disaster relief	11.2	8.3	10.3	13.9	11.9
	Performance incentive		0.5			
Environment	Maintenance/protection of forests	0.7	1.6			
	Renewable energy		1.6			
	Water sector management		1.6			
Improving outcomes	Reduction in IMR		1.6			
	Improvement in supply of justice		1.6			1.0
	Incentive for issuing UIDs		0.9			

	District innovation fund		0.2			
	Improvement of statistical systems		0.2			0.1
	Employee & pension database		0.1			
	GST implementation		15.7			
	Agriculture					4.4
	Grant for aspirational districts & blocks					0.3
	Total FC grants	100.0	100.0	100.0	100.0	100.0

Source: FC reports, various years.

Table 5: Composition of FC transfers

Sectors	FC 12 (FY 2006-10)		FC 13 (FY 2011-15)		FC 14 (FY 2016-20)		FC 15 (2020-21)		FC 15 (FY 2022-26)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Total FC grants	142640	18.9	318581	18.0	537354	12.0	207822	19.6	1033062	19.6
Devolution	613112	81.1	1448096	82.0	3948187	88.0	855176	80.4	4224760	80.4
Total Transfers	755752	100.0	1766677	100.0	4485541	100.0	1062998	100.0	5257822	100.0
*Aggregate Revenue Expenditure	3254410		6268786		9465181		3083519		13848954	
RD grant (% rev. exp.)	1.75		0.83		2.06		2.41		2.13	
Devolution (% rev.exp.)	18.84		23.10		41.71		27.73		30.51	
Total Transfers (% rev. exp.)	23.22		28.18		47.39		34.47		37.97	

*2023-24 - Revised Estimates, 2024-25 - Budget Estimates, 2025-26 - Data not available. Source: FC reports, various years.

Table 6: FC grants as a percentage of states' sectoral revenue and total expenditure

Sectors	FC 12 (FY 2006-10)		FC 13 (FY 2011-15)		FC 15 (2020-21)		FC 15 (FY 2022-26)	
	Rev exp	Total exp	Rev exp	Total exp	Rev exp	Total exp	Rev exp	Total exp
Health/nutrition	4.35	3.90			4.38	4.00	4.46	3.85
Education	1.88	1.83	1.94	1.89			0.58	0.55
Reduction in IMR			1.62	1.46				
Agriculture							6.21	5.66

Source: FC reports, various years. Union government budget documents, various years.

Historically, grants-in-aid to cover non-plan revenue deficits have typically constituted the largest portion of the finance commission grants. The aim was to provide financial assistance to states projected to have non-plan revenue deficits after devolution, based on normative assessments. This approach differs from simply filling gaps in deficits without addressing states' fiscal behaviours. The normatively assessed post-devolution revenue deficit for a State indicates an ongoing vertical imbalance that has not been rectified and identifies a recognized need that remains unmet. The expenditures and revenues of States are evaluated based on their fiscal capacity and expenditure requirements, ensuring that any assessed deficit does not stem from insufficient revenue efforts or excessive spending. This assessment also considers the necessity for States with lower average per capita expenditures to increase their spending levels.

Revenue deficit grants and local government grants, together constitute the majority of Finance Commission grants. 57.5 percent of all grants went towards RD and local government grants under the 12th FC's recommendations (see table 4). This dropped to 43.7 percent under the 13th FC, but again rose to 90 percent under the 14th FC, followed by 71 percent under the 15th FC (Table 4).

IV: Acceptance, rejection, and absorption of Finance Commission grants

The action taken reports (ATRs) issued by the Ministry of Finance provide information as to whether the grants recommended by the Commission were accepted or not accepted. While studying the latest 4 Commissions, the ATRs show that all recommended grants have been accepted by the Ministry with the exception of some recommended by the 15th FC for the period FY 2022-26. The revenue deficit grants, the local body grants and the disaster relief grant have been accepted by the Ministry. Whereas the grants recommended for state specific needs, agriculture, improvement in supply of justice and statistical systems have not been accepted.

While acceptance is the first step, it is important to also to examine the actual releases and utilization to correctly assess absorption of recommended grants. Acceptance in itself does not guarantee fund release and absorption. For the purpose of this study, grant releases are being used as a proxy for absorption as data on utilization is not available. While exhaustive data on absorption is not readily available for all recommended grants, this section presents data on grant absorption for certain sectors at the state level. These include health, education, forest conservation, water resources, and rural local bodies. The Table 7 provides a snapshot of the

grants recommended by the last four Commissions and their acceptance and whether they were conditional or not.

Table 7: Acceptance and conditionality of recommended grants

	Sectors	FC 12 (FY 2006-10)		FC 13 (FY 2011-15)		FC 14 (FY 2016-20)		FC 15 (2020-21)		FC 15 (FY 2022-26)	
		Acceptance	Conditional	Acceptance	Conditional	Acceptance	Conditional	Acceptance	Conditional	Acceptance	Conditional
	RD grant	yes	no	yes	no	yes	no	yes	no	yes	no
	Health/nutrition	yes	yes					no	-	no	
	Education	yes	yes	yes	yes					no	
	Maintenance of roads & bridges	yes	yes	yes	yes					no	
	Maintenance of buildings	yes	yes								
	Heritage conservation	yes	no								
	State specific needs	yes	yes	yes	no			no	-	no	-
	Local body grants	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
	Calamity/disaster relief	yes	no	yes	no	yes	no	yes	no	yes	yes
	Performance incentive			yes	yes						
Environment	Maintenance/protection of forests	yes	no	yes	yes						
	Renewable energy			yes	yes						
	Water sector management			yes	yes						
Improving outcomes	Reduction in IMR			yes	yes						
	Improvement in supply of justice			yes	yes					no	-
	Incentive for issuing UIDs			yes	yes						
	District innovation fund			yes	yes						
	Improvement of statistical systems			yes	yes					no	-
	Employee & pension database			yes	no						
	GST implementation			yes	yes						

		FC 12 (FY 2006-10)		FC 13 (FY 2011-15)		FC 14 (FY 2016-20)		FC 15 (2020-21)		FC 15 (FY 2022-26)	
	Sectors	Acceptance	Conditional	Acceptance	Conditional	Acceptance	Conditional	Acceptance	Conditional	Acceptance	Conditional
	Agriculture									no	-
	Grant for aspirational districts & blocks									no	-

Source: FC reports, various years.

The Table 8 shows the average absorption rate across states for grants recommended towards health, education, forest conservation, water resources, and rural local bodies. State-wise absorption of these grants is presented in the appendix.

Table 8: Absorption of selected grants

State	FC 12 (2005-06 to 2009-10)			FC 13 (2010-11 to 2014-15)			FC 14 (2015-16 to 2019-20)			FC 15 (2020-21 to 2025-26)		
	Allocation	Releases	Absorption	Allocation	Release	Absorption	Allocation	Releases	Absorption	Allocation	Release	Absorption
Forest	1000.0	933.8	93.4	5000.0	4431.8	88.6						
Water Resources				4996.0	1415.0	28.3						
Rural Local Bodies	20000.0	18926.8	94.6	65160.7	58256.6	89.4	200292.2	183248.5	91.5	199182.0	192291.6	96.5
Education				24068.0	22159.0	92.1						
Health										40928.0	18321.4	44.8
IMR				5000.0	5000.0	100.0						

- ❖ Forest conservation: Absorption data on forest conservation grants shows that it have been above 80 percent during the entire FC period for most states with the exception of Maharashtra, Manipur and Tripura during the 12th FC and for Assam, Bihar, Goa, Jammu & Kashmir, Meghalaya, and Telangana during the 13th FC period. The absorption for Telangana is the lowest at 25 percent. The grant for forest conservation was an unconditional grant under the 12th FC while the 13th FC had imposed some conditional ties on the grant, which is evident in the slight fall in average absorption.

- ❖ Water resources: Absorption data on grants for water resource conservation is available for the 13th FC, which was the only Commission to recommend a grant for the same. The data shows complete absorption of 100 percent only for the state of Maharashtra, whereas most other states have been able to absorb only 25 percent of the recommended grant. Arunachal Pradesh, Chhattisgarh, Goa, Karnataka, Kerala, Manipur, Meghalaya, and Sikkim have nil absorption of the grant. Low absorption may be attributable to the conditions associated with the release of the grant. The conditions are:
 - These grants should be spent only on non-salary maintenance items for public MMI and MI irrigation schemes.
 - These grants should be budgeted and spent for meeting the non-plan revenue expenditure only under the heads 2700, 2701 and 2702.
 - Recovery rate for irrigation has been taken as the ratio of NPRR under major heads 700, 701 and 702 to NPRES under major head 2700, 2701 and 2702. The states should fulfil the following criteria in respect of recovery rate for irrigation:
 - Special category states should step up recovery rate for irrigation by at least 3 percentage points in 2011-12 over 2009-10 (BE) and then by 3 percentage points in every successive year during the forecast period.
 - General category states should have a step up recovery rate for irrigation of at least 20 percent in 2011-12 and then should step it up by 5 percentage points in every successive year during the forecast period, if it is not already above 75 percent.
 - Grants should be released to only those states in the third year (i.e., 2012-13) which have set up statutory and independent water resources regulatory authority through appropriate legislation and notified all relevant provisions by 31 March 2012. However, this condition will not be applicable to north-eastern states except Assam.

- ❖ Local body grants: Absorption data for local body grants is available for all 4 Commissions from the 11th to the 15th. The lowest average absorption across states was during the 13th FC at 89.4 percent, followed by 91.49 percent during the 14th FC, 94.63 percent during the 12th FC and the highest absorption was during the 15th FC period at 96.54 percent. Jammu & Kashmir, Nagaland and Goa are some of the states with the lowest absorption. Local body grants are also sometimes recommended as conditional grants, which may affect absorption. The composition of conditional and unconditional grants is presented in Table 9. As evident from the table the share of conditional grants to the local governments have

increased over time as reached a level as high as 60 percent of the total grants during the 15th FC award period.

Table 9: Composition of grants to local governments across FCs

FC 12 (FY 2006-10)	FC 13 (FY 2011-15)	FC 14 (FY 2016-20)	FC 15 (2020-21)	FC 15 (FY 2022-26)
Conditionality in Local Body Grants				
no conditionality	1/3rd conditional	10% for rural LBs & 20% for urban LBs	50% conditional	60% conditional

- ❖ Education: In case of education grants absorption patterns as seen in Table 8, available for the 13th FC, except for the special category states, most of the states have an absorption rate above 70%, amounting to an All India value of 92.1%. Grants for elementary education under the 13th FC, rather than following the previous equalization process, were proposed by the MOHRD based on actual estimations of resource shortages and gaps in each state, so that all states might potentially receive this award. Although majority of the states were able to utilize this grant well, the low figures of absorption for the special category states reveals that the estimations of gaps and shortfalls to bring in uniform utilization by all states was still not materialized.
- ❖ Health: The absorption details for health grants given during the 15th FC period as stated above in Table 8 shows that it has been in general on the lower side with the all India absorption level being less than 50% at 44.76%. Odisha, Telangana, followed by Andhra Pradesh have the highest absorption rate followed by Kerala and Gujrat. Whereas, Maharashtra had the lowest absorption rate at 19%. Majority of the states have absorption rate lower than the all India absorption value for health grants, despite the 15th FC's focus on health on account of the unprecedented challenges from the Covid-19 pandemic.
- ❖ IMR grant was a performance based incentive grant given by the 13th FC in order to target reduction of state's IMR in three years.

The rationale for the IMR grants were:

- (i) Initial conditions of all states should be taken due note of and the improvement (or deterioration) in their performance over their level in the base year (initial condition) should be duly rewarded (or penalised);

(ii) States that are above the benchmark level should receive a minimum level of points plus additional points for improved performance, if any, during the period under consideration and

(iii) The higher the level of performance in the base year over the benchmark, improvement over their base level (initial condition) would be that much harder and should therefore receive 'elevated weightage'. Table 8 reveals that the incentive based target to reduce state's IMR through IMR grants were indeed a success going by the absorption figures, which have been 100% for all the states.

V: Local body grants and Conditionalities: A review of 15th FC award

The FC-XV recommended grants of Rs.4,36,361 crore for local governments for the period 2021-22 to 2025-26. Of the total local body grants, Rs.8,000 crore was performance-based grants meant for incubation of new cities and Rs.450 crore was for shared municipal services. In view of the Covid-19 pandemic, the Commission had provided a grant of Rs.70,051 crore to strengthen and plug critical gaps in the health care system at the primary health care level. This grant was to be channelized through the local governments. It identified interventions that would directly lead to strengthening the primary health infrastructure and facilities in both rural and urban areas. These included (1) Support for diagnostic infrastructure to the primary healthcare facilities (in sub centres, PHCs and urban PHCs), (2) Support to Block level public health unit, (3) Support for setting of Urban Health and Wellness Centres, (4) Support for necessary infrastructure to Building-less Sub centres, PHCs, CHCs, and (5) Provide support for necessary infrastructure for the conversion of rural PHCs and sub centres into Health and Wellness Centre.

The remaining grant of Rs.3,57,860 crores was to be distributed between rural and urban local bodies in the ratio of 67:33 in 2021-22 and 2022-23; 66:34 in 2023-24 and 2024-25 and 65:35 in 2025-26. Accordingly the Commission recommended Rs.2,36,805 crore for duly constituted rural local bodies and Rs.1,21,055 for urban local bodies for the period 2021-26. The year-wise details of different components grants to local bodies is presented in table 10.

Table 10: Grants to Local Governments (Rs. crore)

Grants	2021-22	2022-23	2023-24	2024-25	2025-26	2021-26
1 Total grants for RLBs & ULBs (a+b)	80207	82613	85091	89997	90003	427911
a) Grants for primary health sector	13192	13192	13851	14544	15272	70051
b) Other grants to be disbursed among local bodies excluding (a) [(i) + (ii)]	67015	69421	71240	75453	74731	357860
(i) Grants for RLBs	44901	46513	47018	49800	48573	236805
(ii) Grants for ULBs	22114	22908	24222	25653	26158	121055
2 Grants for incubation of new cities	--	2000	2000	2000	2000	8000
3 Grants for shared municipal services	90	90	90	90	90	450
4 Total Local Body Grants (1+2+3)	80297	84703	87181	92087	92093	436361

Grants for Rural Local Bodies: The inter se distribution amongst the States was based on a weightage of 90 percent for population (2011 census population) and 10 percent for the area of the States. All the tiers in the panchayats – village, block and district – shall receive the grants meant for RLBs.

The inter se distribution among all the tiers should be done by the State Government on the basis of the accepted recommendations of the latest SFC and in conformity with the following bands (Table 11):

Table 11: Range for Distribution of Funds to the Three Tiers

Range for distribution	Gram Panchayat	Block Panchayat	District Panchayat
Minimum	70%	10%	5%
Maximum	85%	25%	15%

Note: Subject to the percentages adding up to 100

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 recommendations of the latest SFC.

Basic Grant – RLBs: 40 percent of the total grants to be disbursed to rural local bodies shall be untied and can be used by them for any needs under the 29 subjects enshrined in the 11th Schedule, except for salaries and other establishment costs.

Tied Grants for National Priorities – RLBs:

- 30 percent of the total grants to be disbursed to rural local bodies shall be

earmarked for drinking water, rainwater harvesting and water recycling.

- 30 percent of the total grants to be disbursed to rural local bodies shall be earmarked for sanitation and maintenance of ODF status, and this should include management and treatment of household waste, and human excreta and faecal sludge management in particular.

However, if any local body has fully saturated the needs of one category and does not require funds for that purpose, it can utilise the funds for the other category.

Grants for 5th and 6th Schedule and Excluded Areas: The Commission recommended that grants shall be distributed to those areas that are not required to have panchayats (i.e., Fifth and Sixth Schedule area and Excluded areas) in order to augment the resources available for providing basic services by their respective local level bodies.

Grants for Urban Local Bodies: FC-XV recommended Rs.1,21,055 crore for ULBs for the period 2021-26. Inter se distribution among States was based on a weightage of 90 percent for population and 10 percent for area.

In view of the country's differentiated urbanisation pattern, the Commission accorded differential treatment to urban agglomerations with populations more than one million relative to other urban areas in the distribution of urban local body grants. It grouped the urban areas into two broad categories:

- a) Category-I cities: urban agglomerations/cities with more than one million population and
- b) Category-II cities: other than million-plus cities.

Grants for Million-Plus Cities: The Commission had recommended Rs.38,196 crore for the Category-I cities in the form of the Million-Plus cities Challenge Fund (MCF). City-wise distribution of this grant was on population basis. Out of the total MCF i.e., Rs.12,139 crore was meant for improving ambient air quality and the remaining Rs.26,057 crore was for meeting the service level benchmarks for urban drinking water supply, sanitation and solid waste management.

Grants for Other Than Million-Plus Cities/Towns: FC-XV recommended a basic grant of Rs. 82,859 crore for a period of five years for non-million plus cities/Category-II cities/towns. Intra- city distribution of these grants shall be on the basis of recommendations of the latest SFC. In case SFC recommendation was not available,

allocations should be based on population and area in the ratio of 90:10.

Untied Basic Grants: 40 per cent of the grants were untied and could be used for needs under the 18 subjects enshrined in the 12th Schedule, except for salaries and other establishment costs.

Tied Grants: The remaining 60 per cent of the grants were tied and were to be used for supporting and strengthening the delivery of basic services. These tied grants should be used for

- a) 30 per cent shall be earmarked for sanitation and solid waste management and attainment of star ratings as developed by MoHUA.
- b) 30 per cent shall be earmarked for drinking water, rainwater harvesting and water recycling.

However, if any ULB had fully saturated the needs of one category and there was no requirement of funds for that purpose, it could utilise the funds for the other category.

Cantonment Boards: Because of their similarity with municipalities, the Commission pointed out that State Governments, while deciding the share of basic grants among ULBs in non-Million-Plus cities, should allot grants on population basis for the Cantonment Boards falling within their territory and conditions applicable to other urban local bodies would also apply to the Cantonment Boards.

Entry-level Condition for availing Local Body grants: In order to be eligible for grants, the urban local bodies have to mandatorily prepare and make available online in the public domain annual accounts of the previous year and the duly audited accounts of the year before previous.

For ULBs the provisional annual accounts of a particular year shall be available online in real time basis by 15 May of every subsequent year. For example, the online provisional annual accounts for the year 2020-21 shall be available by 15 May 2021.

Additionally, for ULBs the States are also expected to notify the floor rates of property tax and operationalize the relevant arrangements in 2021-22. The condition of notifying the floor rates of property tax would apply for eligibility of grants from 2022-23. Once the floor was notified, the condition of growth in property tax collection being at least as much as the simple average growth rate of the State's own GSDP in the most recent five years would be measured and taken into account for release of grants from 2023-24 onwards. The State would become eligible for grants in 2023-24 only if the urban local

bodies have met the condition of actual collections of property tax in tandem with the State's own GSDP growth.

The Commission further recommended that States which have not constituted their SFCs must constitute SFCs, 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 should be released to a State that has not complied with the Constitutional provisions in respect of the SFC and these conditions.

Absorption of funds disbursed to PRIs have been about 5-18 percent lower than the amounts recommended by the FCs (Table 12). This was primarily due to the local bodies' failure to meet the conditions attached to the performance grants (RBI report on Finances of Panchayati Raj Institutions, 2024). However, there is no information available on the absorption of local body grants provided by the 15th FC. Given that 60 percent of it is tied the level of actual absorption would depend on how local governments comply with the conditionalities attached to such grants.

Table 12: Central Finance Commission Grants to RLBs

Central Finance Commission	Quantum of Grants (Rs. crore)	Type of Disbursement	Conditions linked with Grants (if any)	Gap in Disbursement (Per cent)
X (1995-2000)	4,381	Absolute	Grants should not be used for giving salaries and wages	18.4
XI (2000-05)	8,000	Absolute	1. Maintenance of accounts to be the first charge. 2. Provision of civic services	17.5
XII (2005-10)	20,000	Absolute	Priority to water supply and sanitation	5.4
XIII (2010-15)	64,408	Proportional of the divisible pool	Performance grants linked to maintaining accounts and audit systems	9.3
XIV (2015-20)	2,00,292	Absolute	Performance grants linked to budget database and improvement in own revenues	10.4
XV (2021-26)	2,36,805	Absolute	1. Online availability of audited accounts as a precondition to avail grants 2. 60 per cent grants tied to be spent on water and sanitation	-

Source: RBI report on Finances of Panchayati Raj Institutions, 2024

VI: Conclusion

Over time, the overall transfers as a percentage of gross revenue collections have grown, and currently, they account for around half of the revenue receipts of the Union Government. The share of FC grants in total FC transfers has been less than 20 percent. The share of FC grants is even lower as percent of total transfers from the Union government and respective sector specific expenditures for which the grant was provided.

The absorption of FC grants at the state level shows that in some sectors it was as low as 50 percent. The absorption of such grants was even lower for special category states. In summing up, it can be argued that the quantum of FC grants is also not large enough to bring about a

change in states' expenditure behaviour. Increase in the share of conditional grants to local governments by the 15th FC needs further analysis to understand the level of absorption.

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Appendix A: Absorption of recommended grants**Table A.1: Absorption of Health Grants during 15th FC period**

States	15th FC Total Health grants (2021-22 - 2023-24)		
	Recommended	Released	Absorption
Andhra Pradesh	1520	979.09	64.41
Arunachal Pradesh	152	46.94	30.88
Assam	868	272.25	31.37
Bihar	3515	1116.31	31.76
Chhattisgarh	1051	338.79	32.24
Goa	97	31.45	32.42
Gujarat	1952	996.54	51.05
Haryana	945	304.57	32.23
Himachal Pradesh	304	98.01	32.24
Jharkhand	1384	444.45	32.11
Karnataka	1712	740.39	43.25
Kerala	1734	979.46	56.49
Madhya Pradesh	2864	1808.43	63.14
Maharashtra	4129	794.67	19.25
Manipur	137	42.88	31.30
Meghalaya	182	58.65	32.23
Mizoram	97	31.19	32.15
Nagaland	177	57.01	32.21
Odisha	1434	923.22	64.38
Punjab	1245	399.66	32.10
Rajasthan	2584	832.73	32.23
Sikkim	65	20.98	32.28
Tamil Nadu	2501	2445.95	97.80
Telangana	1301	837.39	64.37
Tripura	264	84.08	31.85
Uttar Pradesh	5677	1829.09	32.22
Uttarakhand	465	150.10	32.28
West Bengal	2572	1657.13	64.43
Total	40928	18321.39	44.76

Table A.2: Absorption of Infant Mortality Rate (IMR) IMR during 13th FC period

State	13th FC (2010-2015)		
	Approved	Released	Absorption
Andhra Pradesh	32.98	32.98	100
Arunachal Pradesh	38.38	38.38	100
Assam	13.12	13.12	100
Bihar	36.81	36.81	100
Chhattisgarh	23.16	23.16	100
Goa	294.86	294.86	100
Gujarat	41.98	41.98	100
Haryana	36.33	36.33	100
Himachal Pradesh	43.84	43.84	100
Jammu & Kashmir	41.43	41.43	100
Jharkhand	42.39	42.39	100
Karnataka	219.14	219.14	100
Kerala	38.38	38.38	100
Madhya Pradesh	16.44	16.44	100
Maharashtra	367.60	367.60	100
Manipur	1057.01	1057.01	100
Meghalaya	22.08	22.08	100
Mizoram	66.40	66.40	100
Nagaland	600.22	600.22	100
Orissa	18.95	18.95	100
Punjab	382.87	382.87	100
Rajasthan	22.08	22.08	100
Sikkim	528.37	528.37	100
Tamil Nadu	489.41	489.41	100
Tripura	252.43	252.43	100
Uttar Pradesh	17.66	17.66	100
Uttarakhand	171.69	171.69	100
West Bengal	78.31	78.31	100
Telangana	5.68	5.68	100
Total	5000.00	5000.00	100

Table A.3: Absorption of Education Grants during 13th FC period

States	13th FC Education grants (2010=2015)		
	Approved	Released	Absorption
Andhra Pradesh	855.72	855.72	100.00
Arunachal Pradesh	24.00	4.00	16.67
Assam	238.00	179.00	75.21
Bihar	4018.00	4018.00	100.00
Chhattisgarh	857.00	857.00	100.00
Goa	11.00	2.00	18.18
Gujarat	483.00	483.00	100.00
Haryana	229.00	229.00	100.00
Himachal Pradesh	113.00	113.00	100.00
Jammu & Kashmir	449.00	255.00	56.79
Jharkhand	1528.00	1169.00	76.51
Karnataka	667.00	667.00	100.00
Kerala	140.00	140.00	100.00
Madhya Pradesh	2216.00	1679.00	75.77
Maharashtra	744.00	744.00	100.00
Manipur	15.00	6.00	40.00
Meghalaya	52.00	40.00	76.92
Mizoram	5.00	1.00	20.00
Nagaland	7.00	4.00	57.14
Orissa	1016.00	580.00	57.09
Punjab	224.00	138.00	61.61
Rajasthan	1766.00	1766.00	100.00
Sikkim	5.00	2.00	40.00
Tamil Nadu	700.00	536.00	76.57
Tripura	23.00	9.00	39.13
Uttar Pradesh	5040.00	5040.00	100.00
Uttarakhand	197.00	197.00	100.00
West Bengal	2359.00	2359.00	100.00
Telangana	86.28	86.28	100.00
Total	24068.00	22159.00	92.07

Table A.4: Absorption: forest conservation grant

State	FC 12 (2005-06 to 2009-10)			FC 13 (2010-11 to 2014-15)		
	Allocation	Releases	Absorption	Allocation	Release	Absorption
Andhra Pradesh	65.00	65.00	100.00	237.87	225.32	94.72
Arunachal Pradesh	100.00	100.00	100.00	727.84	591.37	81.25
Assam	40.00	40.00	100.00	184.64	80.78	43.75
Bihar	5.00	5.00	100.00	38.40	21.12	55.00
Chhattisgarh	85.00	85.00	100.00	411.12	411.12	100.00
Goa	3.00	3.00	100.00	36.88	18.44	50.00
Gujarat	20.00	20.00	100.00	81.92	81.92	100.00
Haryana	2.00	2.00	100.00	8.80	8.80	100.00
Himachal Pradesh	20.00	20.00	100.00	100.64	100.64	100.00
Jammu & Kashmir	30.00	27.00	90.00	133.04	77.16	58.00
Jharkhand	30.00	24.00	80.00	151.44	151.44	100.00
Karnataka	55.00	55.00	100.00	221.04	221.04	100.00
Kerala	25.00	24.75	99.00	135.52	124.25	91.69
Madhya Pradesh	115.00	115.00	100.00	490.32	490.32	100.00
Maharashtra	70.00	42.00	60.00	309.60	309.60	100.00
Manipur	30.00	30.00	100.00	150.32	150.34	100.01
Meghalaya	30.00	21.13	70.45	168.08	105.05	62.50
Mizoram	25.00	22.83	91.32	171.20	148.09	86.50
Nagaland	25.00	20.00	80.00	138.56	112.58	81.25
Orissa	75.00	75.00	100.00	330.96	308.41	93.19
Punjab	2.00	1.60	80.00	9.20	7.48	81.25
Rajasthan	25.00	20.00	80.00	88.32	88.32	100.00
Sikkim	8.00	8.00	100.00	40.56	38.03	93.75
Tamil Nadu	30.00	30.00	100.00	142.48	142.48	100.00
Tripura	15.00	7.50	50.00	95.52	83.58	87.50
Uttar Pradesh	20.00	20.00	100.00	80.48	80.48	100.00
Uttarakhand	35.00	35.00	100.00	205.44	166.92	81.25
West Bengal	15.00	15.00	100.00	79.04	79.04	100.00
Telangana				30.77	7.69	25.00
Total	1000.00	933.81	93.38	5000.00	4431.80	88.64

Note: absorption rate is the release to allocation ratio.

Table A.5: Absorption: water resources grant

Sl. No.	State	FC 13 (2011-12 to 2014-15)		
		Allocation	Releases	Absorption
1	Andhra Pradesh	284.00	71.00	25.00
2	Arunachal Pradesh	8.00	0.00	0.03
3	Assam	88.00	22.00	25.00
4	Bihar	304.00	76.00	25.00
5	Chhattisgarh	88.00	0.00	0.00
6	Goa	8.00	0.00	0.00
7	Gujarat	236.00	59.00	25.00
8	Haryana	212.00	53.00	25.00
9	Himachal Pradesh	64.00	16.00	25.00
10	Jammu & Kashmir	88.00	0.00	0.00
11	Jharkhand	108.00	0.00	0.00
12	Karnataka	128.00	0.00	0.00
13	Kerala	176.00	44.00	25.00
14	Madhya Pradesh	148.00	37.00	25.00
15	Maharashtra	368.00	368.00	100.00
16	Manipur	8.00	0.00	0.00
17	Meghalaya	4.00	0.00	0.00
18	Mizoram	4.00	1.00	25.00
19	Nagaland	4.00	2.00	50.00
20	Orissa	184.00	46.00	25.00
21	Punjab	320.00	80.00	25.00
22	Rajasthan	224.00	56.00	25.00
23	Sikkim	4.00	0.00	0.00
24	Tamil Nadu	192.00	48.00	25.00
25	Tripura	8.00	2.00	25.00
26	Uttar Pradesh	1364.00	341.00	25.00
27	Uttarakhand	76.00	19.00	25.00
28	West Bengal	296.00	74.00	25.00
	Total	4996.00	1415.00	28.32

Note: absorption rate is the release to allocation ratio.

Table A.6: Absorption: Local body grants - Rural

State	FC 12 (2005-06 to 2009-10)			FC 13 (2010-11 to 2014-15)			FC 14 (2015-16 to 2019-20)			FC 15 (2020-21 to 2025-26)		
	Allocation	Releases	Absorption	Allocation	Release	Absorption	Allocation	Releases	Absorption	Allocation	Release	Absorption
Andhra Pradesh	1587.00	1587.00	100.00	4686.22	4124.25	88.01	8654.09	8124.13	93.88	8605.00	8517.05	98.98
Arunachal Pradesh	68.00	27.20	40.00	277.26	100.48	36.24	819.93	753.32	91.88	757.00	316.00	41.74
Assam	526.00	368.20	70.00	1658.45	1455.00	87.73	5416.59	5101.35	94.18	5259.00	5259.00	100.00
Bihar	1624.00	1624.00	100.00	5013.46	4972.93	99.19	21017.84	18916.06	90.00	16453.00	16421.41	99.81
Chhattisgarh	615.00	615.00	100.00	1869.92	1779.51	95.17	5244.14	4938.93	94.18	4768.00	4768.00	100.00
Goa	18.00	7.97	44.28	91.55	10.49	11.46	133.76	125.98	94.18	245.00	130.00	53.06
Gujarat	931.00	931.00	100.00	2483.52	1804.46	72.66	8634.73	8132.20	94.18	10476.00	10476.00	100.00
Haryana	388.00	388.00	100.00	1099.42	1093.25	99.44	3883.52	3657.50	94.18	4146.00	3732.71	90.03
Himachal Pradesh	147.00	147.00	100.00	565.76	562.66	99.45	1809.80	1664.31	91.96	1407.00	1193.51	84.83
Jammu & Kashmir	281.00	52.86	18.81	929.46	592.26	63.72	3463.73	1857.93	53.64			
Jharkhand	482.00	0.00	0.00	1832.05	1594.17	87.02	6046.73	5560.64	91.96	5538.00	4884.50	88.20
Karnataka	888.00	888.00	100.00	4558.33	4521.06	99.18	9288.66	8649.95	93.12	10547.00	9772.64	92.66
Kerala	985.00	985.00	100.00	1973.13	1962.06	99.44	4017.61	3774.20	93.94	5337.00	5337.00	100.00
Madhya Pradesh	1663.00	1663.00	100.00	4388.66	3953.88	90.09	13556.36	12763.20	94.15	13061.00	12797.24	97.98
Maharashtra	1983.00	1983.00	100.00	5631.60	5591.83	99.29	15035.67	13826.95	91.96	19105.00	17260.74	90.35
Manipur	46.00	21.16	46.00	236.77	199.82	84.39	206.04	194.05	94.18	580.00	242.50	41.81
Meghalaya	50.00	40.00	80.00	355.59	126.17	35.48				598.00	222.50	37.21
Mizoram	20.00	16.00	80.00	219.32	93.64	42.70				305.00	176.20	57.77
Nagaland	40.00	40.00	100.00	342.65	59.31	17.31	8850.34	8335.25	94.18	410.00	217.00	52.93
Orissa	803.00	803.00	100.00	2805.44	1898.22	67.66				7402.00	7401.91	100.00
Punjab	324.00	259.20	80.00	1138.70	960.63	84.36	4091.15	3762.27	91.96	4550.00	3957.16	86.97
Rajasthan	1230.00	1230.00	100.00	4016.09	3995.76	99.49	13633.64	12840.17	94.18	12662.00	12467.28	98.46
Sikkim	13.00	11.70	90.00	186.59	120.40	64.53	148.49	139.86	94.19	139.00	129.07	92.86
Tamil Nadu	870.00	870.00	100.00	3120.56	2271.86	72.80	8777.43	7523.06	85.71	11825.00	11825.00	100.00
Tripura	57.00	39.90	70.00	316.86	219.11	69.15	335.67	316.13	94.18	627.00	582.60	92.92
Uttar Pradesh	2928.00	2928.00	100.00	9904.87	9824.08	99.18	35776.57	32874.79	91.89	31973.00	31973.00	100.00

State	FC 12 (2005-06 to 2009-10)			FC 13 (2010-11 to 2014-15)			FC 14 (2015-16 to 2019-20)			FC 15 (2020-21 to 2025-26)		
	Allocation	Releases	Absorption	Allocation	Release	Absorption	Allocation	Releases	Absorption	Allocation	Release	Absorption
Uttarakhand	162.00	129.60	80.00	598.13	406.19	67.91	1882.68	1752.90	93.11	1884.00	1742.68	92.50
West Bengal	1271.00	1271.00	100.00	4207.47	3067.97	72.92	14191.78	12603.46	88.81	14466.00	14437.71	99.80
Telangana				652.88	895.16	137.11	5375.29	5059.97	94.13	6057.00	6051.18	99.90
Total	20000.00	18926.79	94.63	65160.71	58256.61	89.40	200292.20	183248.54	91.49	199182.00	192291.57	96.54

Note: absorption rate is the release to allocation ratio.

Appendix A.7: Grants recommended by the 12th, 13th, 14th, & 15th Finance Commissions

Sectors	FC 12 (FY 2006-10)				FC 13 (FY 2011-15)				FC 14 (FY 2016-20)				FC 15 (2020-21)				FC 15 (FY 2022-26)				
	Amount	Percent	Acceptance	Conditiona	Amount	Percent	Acceptance	Conditiona	Amount	Percent	Acceptance	Conditiona	Amount	Percent	Acceptance	Conditiona	Amount	Percent	Acceptance	Conditiona	
RD grant	56856	39.9	yes	no	51800	16.3	yes	no	194821	36.3	yes	no	74340	35.8	yes	no	294514	28.5	yes	no	
Health/nutrition	5887	4.1	yes	yes									7735	3.7	no	-	31755	3.1	no		
Education	10172	7.1	yes	yes	24068	7.6	yes	yes									10943	1.1	no		
Maintenance of roads & bridges	15000	10.5	yes	yes	19930	6.3	yes	yes									27539	2.7	no		
Maintenance of buildings	5000	3.5	yes	yes																	
Heritage conservation	625	0.4	yes	no																	
State specific needs	7100	5.0	yes	yes	27945	8.8	yes	no					6764	3.3	no	-	49599	4.8	no	-	
Local body grants	25000	17.5	yes	yes	87519	27.5	yes	no	287436	53.5	yes	yes	90000	43.3	yes	yes	436361	42.2	yes	yes	
Calamity/disaster relief	16000	11.2	yes	no	26373	8.3	yes	no	55097	10.3	yes	no	28983	13.9	yes	no	122601	11.9	yes	yes	
Performance incentive					1500	0.5	yes	yes													
Environment	Maintenance/protection of forests	1000	0.7	yes	no	5000	1.6	yes	yes												
	Renewable energy					5000	1.6	yes	yes												
	Water sector management					5000	1.6	yes	yes												
Improving outcomes	Reduction in IMR					5000	1.6	yes	yes												
	Improvement in supply of justice					5000	1.6	yes	yes								10425	1.0	no	-	
	Incentive for issuing UIDs					2989	0.9	yes	yes												
	District innovation fund					616	0.2	yes	yes												
	Improvement of statistical systems					616	0.2	yes	yes									1175	0.1	no	-
	Employee & pension database					225	0.1	yes	no												
GST implementation					50000	15.7	yes	yes													
Agriculture																	45000	4.4	no	-	
Grant for aspirational districts & blocks																	3150	0.3	no	-	
Total FC grants	142640	18.9			318581	18.0			537354	12.0			207822	19.6			1033062	19.6			
Devolution	613112	81.1			1448096	82.0			3948187	88.0			855176	80.4			4224760	80.4			
Total Transfers	755752	100.0			1766677	100.0			4485541	100.0			1062998	100.0			5257822	100.0			
*Aggregate Revenue Expenditure	3254410				6268786				9465181				3083519				13848954				
RD grant (% rev. exp.)	1.75				0.83				2.06				2.41				2.13				
Devolution (% rev.exp.)	18.84				23.10				41.71				27.73				30.51				
Total Transfers (% rev. exp.)	23.22				28.18				47.39				34.47				37.97				

Note: *2023-24 - Revised Estimates, 2024-25 - Budget Estimates, 2025-26 - Data not available. Source: FC reports, various years.