

2026

Janaagraha's Analysis of XVI Finance Commission Grants for Urban India

2 February 2026

- [Link to XVI Finance Commission's Report](#)
- [Link to Janaagraha's Recommendations To The XVI Finance Commission](#)

2031

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The XVI Finance Commission has ushered in a revolution in funding for Urban Local Governments (ULGs) in India

Its historic allocation of INR 3.56 lakh crore (c. USD 39 bn) over five years matches the spending of centrally sponsored schemes over the last thirteen years — combined.

At 45% of total local government grants, this represents the highest urban share in Finance Commission history and is a clear recognition of India's urban future.

Three elements stand out. *First*, these allocations could mark a pivotal transition towards substantive improvements in first-mile infrastructure and services for citizens, particularly in smaller cities and towns that have historically been under-resourced. *Second*, the significant expansion of untied grants provides ULGs with the flexibility and autonomy to address local needs and priorities. *Third*, the INR 10,000 crore Urbanisation Premium, which mandates the formulation of Rural-Urban Transition Policies, brings much-needed focus and incentive to rural-urban transition, which has so far been a fragmented and ad-hoc process.

Yet allocations alone do not guarantee outcomes. State governments must now build implementation capacity with urgency — at both state and city levels — to identify projects, manage tendering, and oversee execution to deliver high-quality infrastructure and services.

The XVI FC devolution presents an opportunity to deepen citizen engagement through City Action Plans, which are participatory strategy documents for cities being piloted in Assam, similar to Gram Panchayat Development Plans in villages.

It is encouraging to see the XVI FC retain the XV FC's core transparency and accountability reforms: publication of audited annual accounts on www.cityfinance.in, timely ULG elections, and constitution of State Finance Commissions. However, more untied funding, outcome-based grants for larger ULGs, project-level expenditure transparency, and faster publication timelines for audited accounts would have significantly improved public finance management, service delivery, and accountability in India's cities.

Bottomline - The XVI FC has done a remarkable job. State governments must now measure up.

XVI Finance Commission's Recommendations for Urban Local Governments

1

INR 3,56,357 crore allocated to Urban Local Governments (ULGs) by XVI FC, 230% increase from XV FC's INR 1,55,628 crore

- Share of Local Government (LG) grants to ULGs increased to 45% under XVI FC from 36% under XV FC, reflecting growing recognition of rapid urbanisation and its contribution to the economy.
- Four types of grants introduced: basic (INR 2,32,125 crore), performance (INR 58,032 crore), special infrastructure (INR 56,100 crore), and urbanisation premium (INR 10,000 crore).

2

Substantial portion of ULGs grants to be untied, equivalent to ~55% under the XV FC, empowering ULGs with greater autonomy to spend on locally identified needs

- A total of 52% (INR 1,84,094 crore) of the four XVI FC grants are untied, as against 21% (INR 33,143 crore) in XV FC.
- Remaining grants tied to sanitation, solid waste management, water, and wastewater management.

3

Urbanisation Premium of INR 10,000 crore introduced, encouraging planned rural-urban transition

- Premium contingent on states formulating a rural-urban transition policy.
- Offered as a one-time grant to encourage planned rural-urban transition and incentivise merger of peri-urban villages into adjoining larger ULGs with populations of more than 1 lakh.
- Premium aims to support the existing ULG to upgrade basic infrastructure in newly included areas or upgrade capacity for provision of civic services.

XVI Finance Commission's Recommendations for Urban Local Governments

4

Special Infrastructure Component of INR 56,100 crore.

- This provides a significant boost for development of comprehensive wastewater management system in 22 cities with populations between 1-4 million.

5

Significant push to expand the overall pool of funds for ULGs through 3 channels.

- Factoring Own Source Revenue (OSR) performance of ULGs into the allocation formula.
- Linking performance grants to OSR growth
- Ensuring state transfers to LGs of at least 20% of the FC grant equivalent.

6

Continuity in reforms to improve fiscal accountability and governance.

- By retaining eligibility conditions of ULG elections, publication of audited accounts (while acknowledging the increased availability of audited financial statements on Cityfinance.in), timely constitution of SFCs, and mandatory tabling of Action Taken Reports in state legislatures within six months of submission of SFC report.

XVI Finance Commission's Recommendations for Urban Local Governments

7

Increased focus on service delivery performance, requiring publication of Service Level Benchmarks (SLBs) by all ULGs.

- Quality and reliability of data ensured through introduction of third-party assessment or audit or other such verification mechanisms designed by the Ministry of Housing and Urban Affairs, in collaboration with state governments, ULGs, and the Comptroller and Auditor General (CAG) of India.

8

Strengthening predictability and accountability of transfers to ULGs.

- By recommending disclosure of transfers—including CSS, SFC grants, and other state allocations—in state budgets.

9

Ensuring timely grant disbursement.

- Grants to be disbursed as individual ULGs meet eligibility criteria, rather than requiring state-wide compliance.

Missed Opportunities

1

Adoption of a differentiated approach to grants based on city size, capacity, and economic potential, **tailoring funding to different needs and urban realities.**

2

Conservative push on reforms that modestly builds on the foundational work of XV FC.

However, **transparency could have been further strengthened** by mandating full disclosure of end-use of ULG grants to build trust in citizens and improve accountability of expenditure.

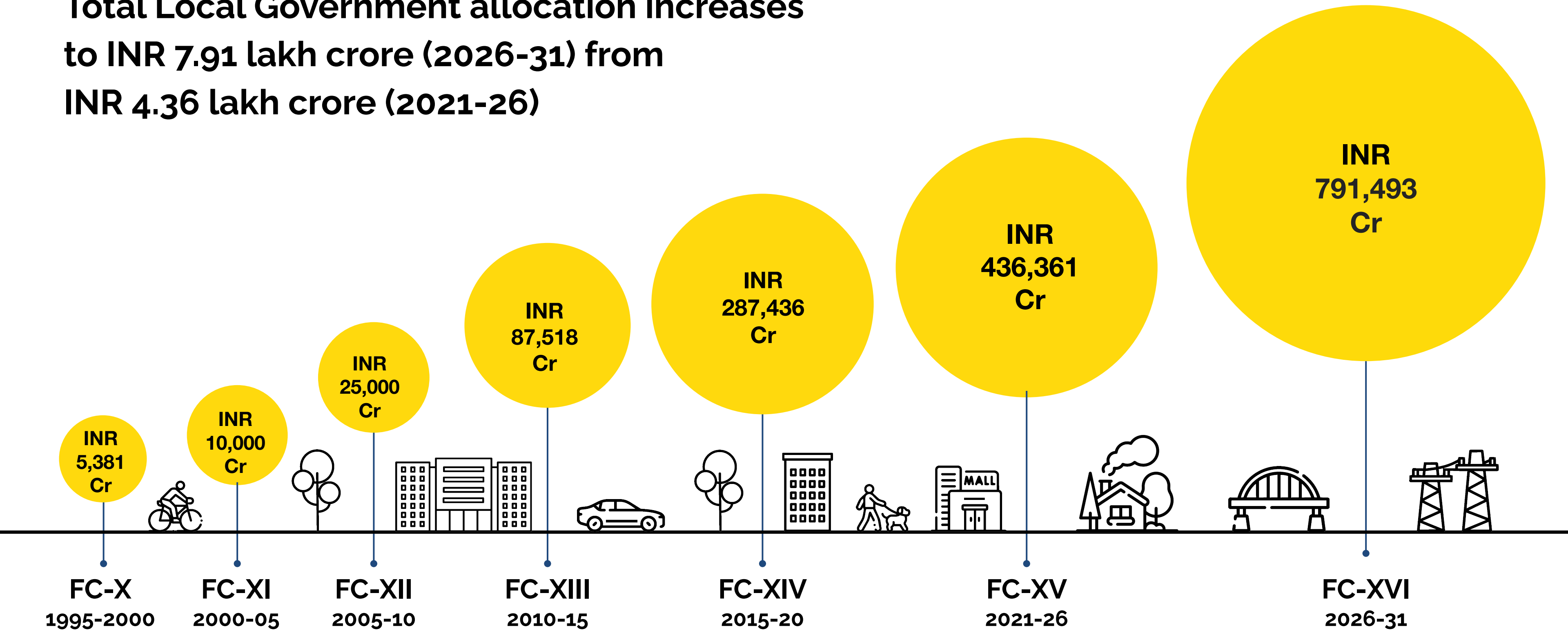
3

Preparation and utilisation of participatory **City Action Plans as a tool for effective prioritisation of funding** for projects in ULGs.

4

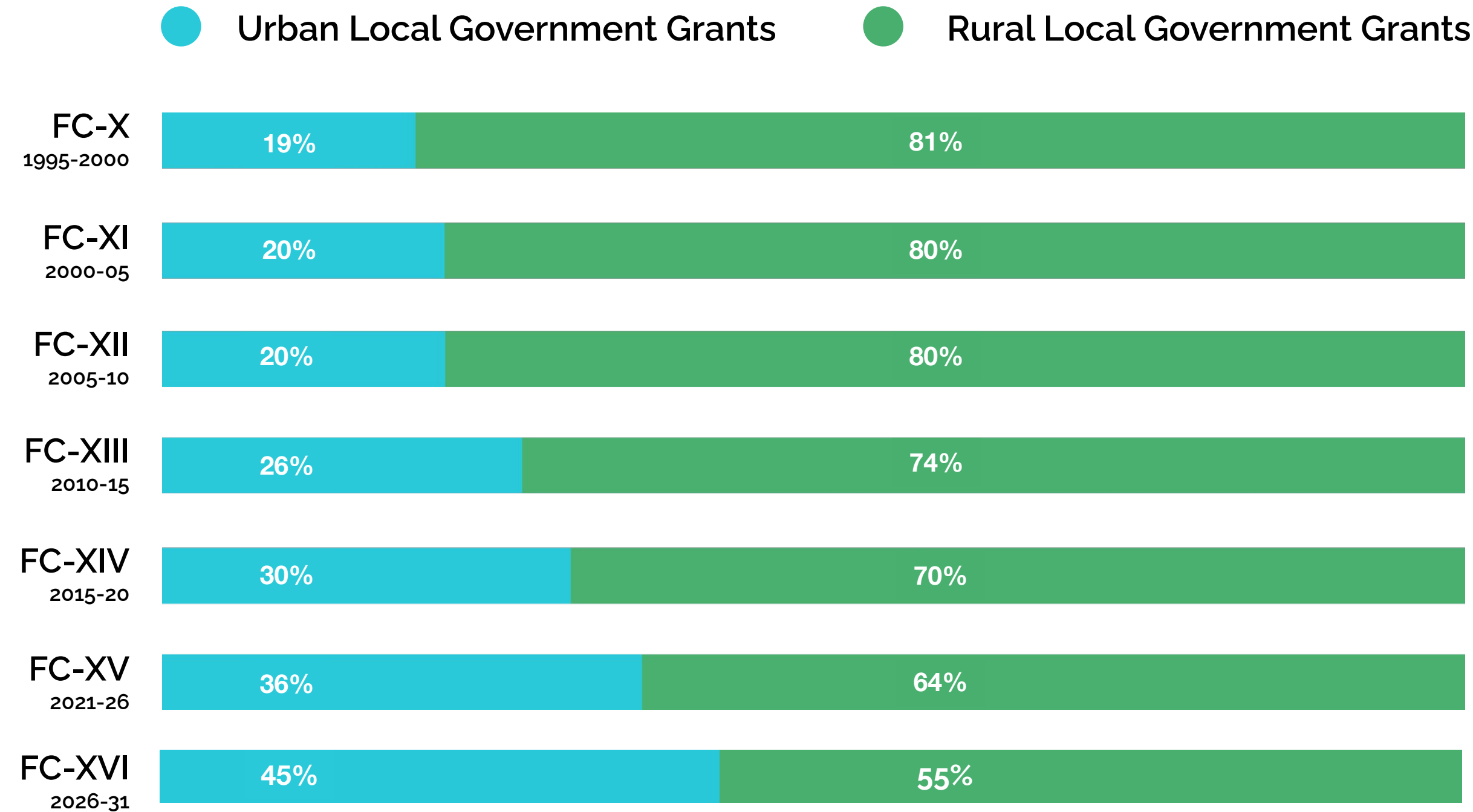
Lack of incentives for ULGs to undertake land and planning reforms or assume an active role in city-level economic development, including establishing economic development cells and reporting city-level economic data.

Total Local Government allocation increases to INR 7.91 lakh crore (2026-31) from INR 4.36 lakh crore (2021-26)



■ 181% increase in LG grants from XV FC to XVI FC, as against 151% increase from XIV FC to XV FC

XVI FC raises ULG share to 45% of Local Government grants — up from 36% in XV FC

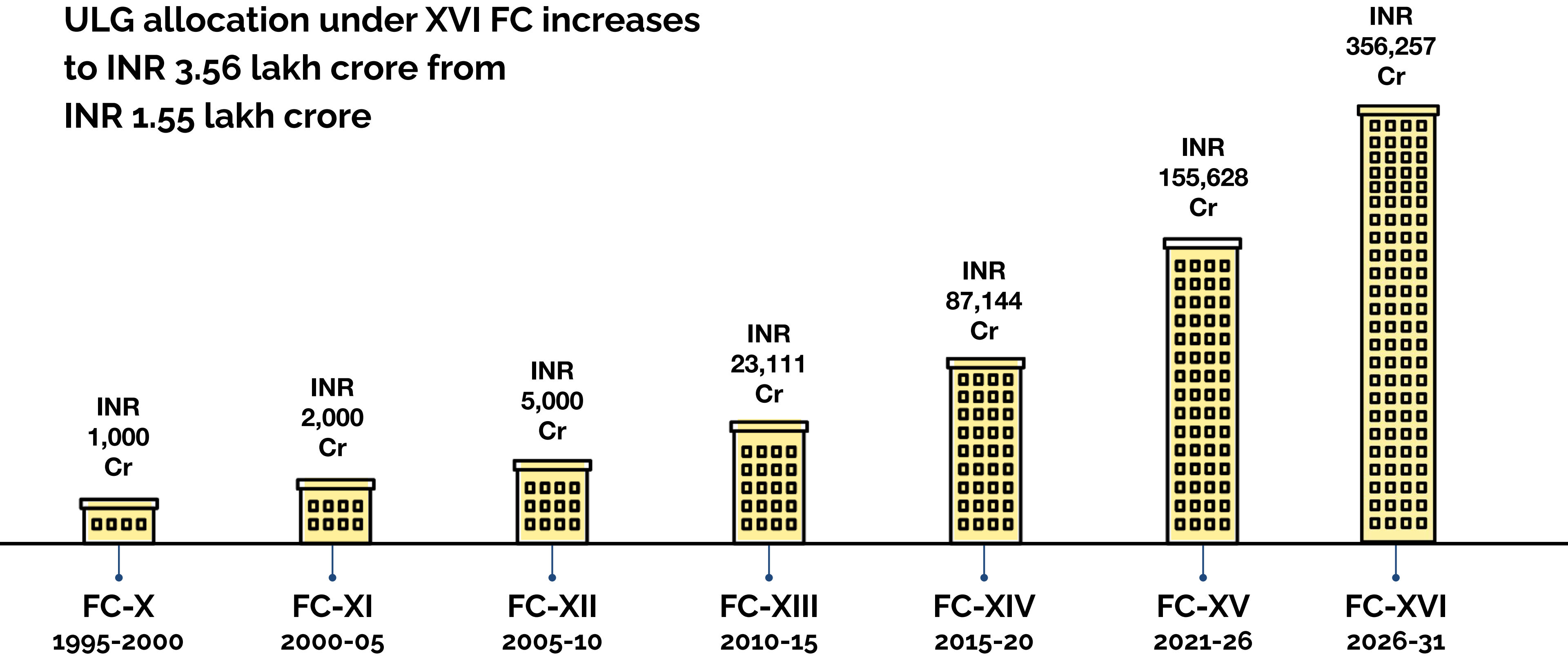


The increase in share to ULGs acknowledges the "projected urbanisation level of 40.73% by 2031, coupled with the elevated cost of service delivery in urban areas."

The 45% share includes two special grants:

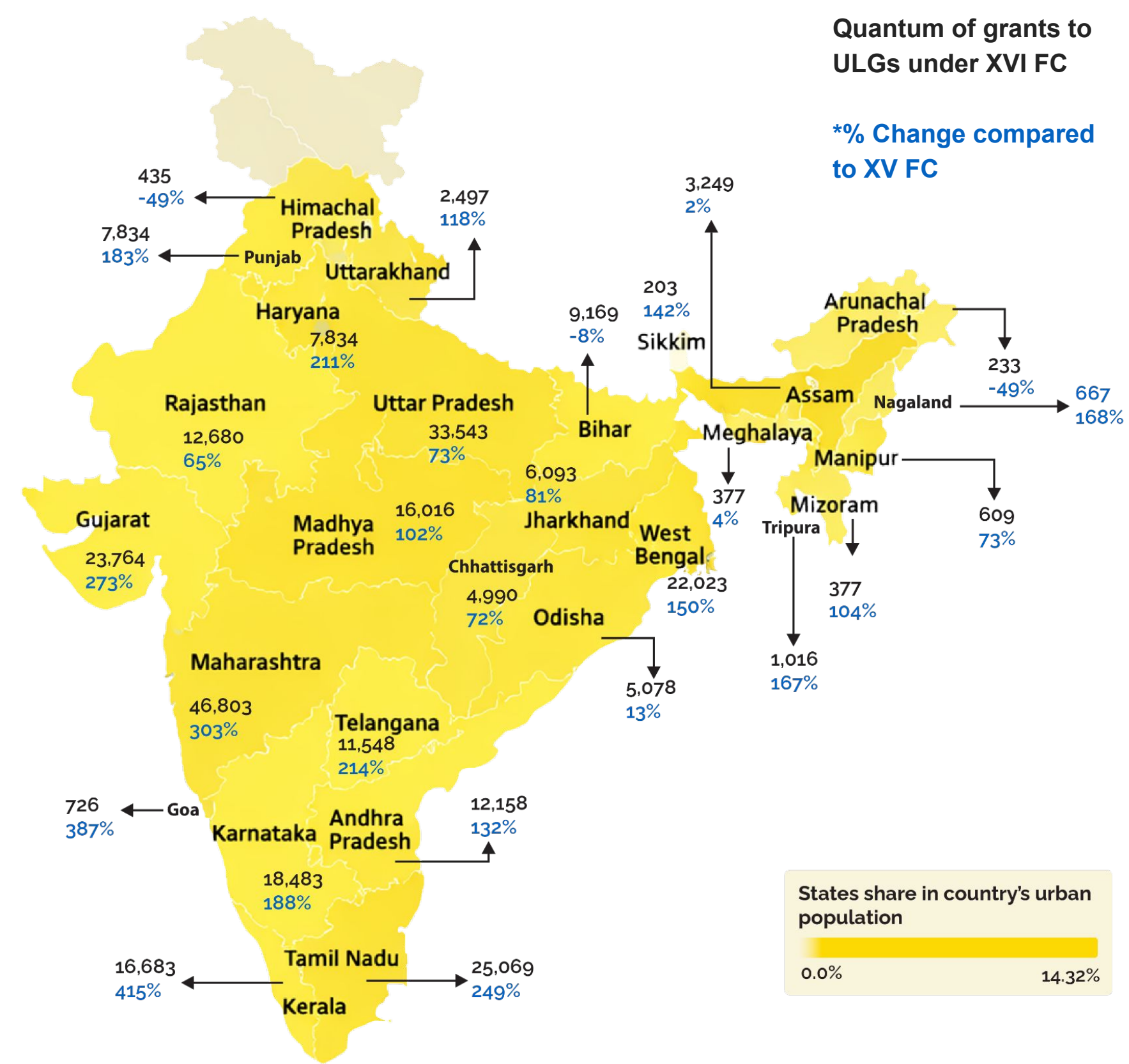
- Urbanisation Premium
- Special Infrastructure Component

ULG allocation under XVI FC increases to INR 3.56 lakh crore from INR 1.55 lakh crore



Quantum of grants to urban increases by 230% in XVI FC, as against 178% increase from XIV FC to XV FC

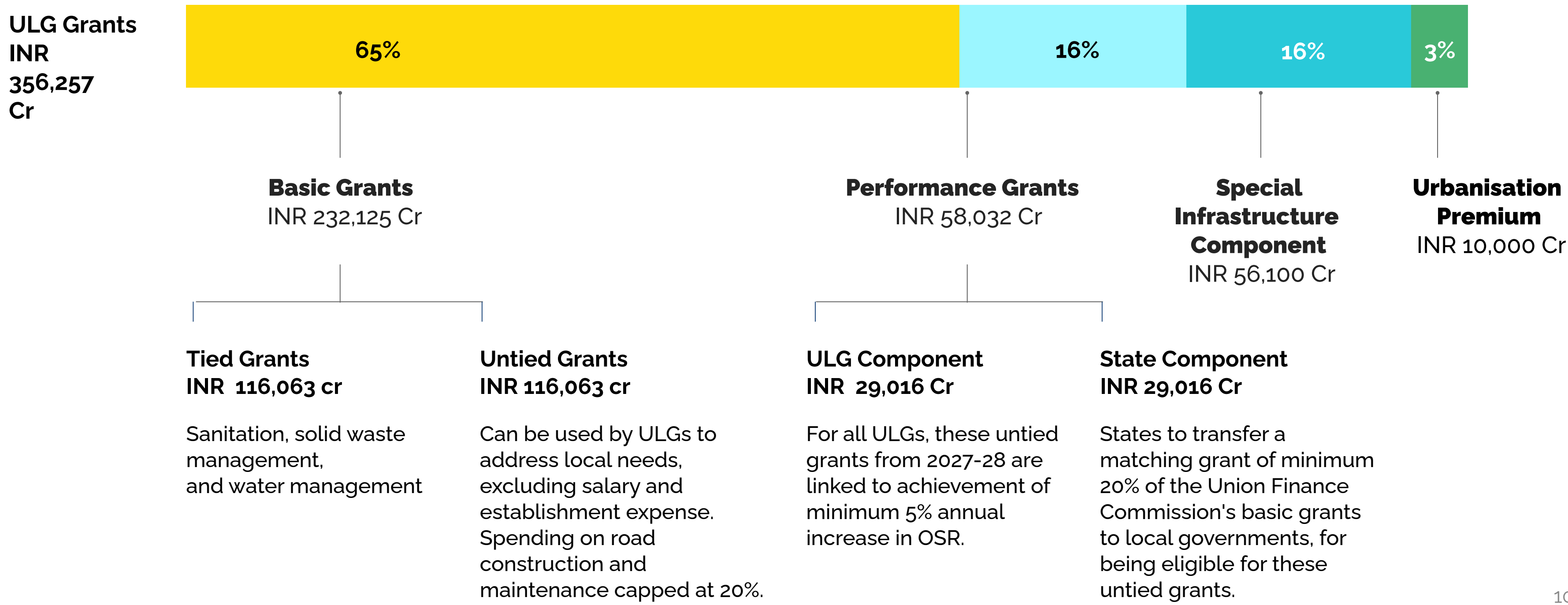
State-wise share of ULG Grants under XVI FC (2026-31)



State	XV FC (INR Cr.)	XVI FC (INR Cr.)	Change
Andhra Pradesh	5,231	12,158	132%
Arunachal Pradesh	459	233	-49%
Assam	3,197	3,249	2%
Bihar	9,999	9,169	-8%
Chhattisgarh	2,900	4,990	72%
Goa	149	726	387%
Gujarat	6,367	23,764	273%
Haryana	2,520	7,834	211%
Himachal Pradesh	855	435	-49%
Jharkhand	3,367	6,093	81%
Karnataka	6,409	18,483	188%
Kerala	3,242	16,683	415%
Madhya Pradesh	7,938	16,016	102%
Maharashtra	11,611	46,803	303%
Manipur	353	609	73%
Meghalaya	363	377	4%
Mizoram	185	377	104%
Nagaland	249	667	168%
Odisha	4,498	5,078	13%
Punjab	2,764	7,834	183%
Rajasthan	7,696	12,680	65%
Sikkim	84	203	142%
Tamil Nadu	7,187	25,069	249%
Telangana	3,682	11,548	214%
Tripura	381	1,016	167%
Uttar Pradesh	19,432	33,543	73%
Uttarakhand	1,145	2,497	118%
West Bengal	8,792	22,023	150%
	121,055	290,157	140%

Note: Total FC allocation excludes special grants proposed by XV and XVI FC

XVI FC grants to ULGs balance discretionary funding with performance incentives — 80% basic, 20% performance-based



XVI FC introduces special Urbanisation Premium for planned rural-urban transition

Purpose of grant:

Incentive to merge peri-urban villages into adjoining ULGs (population ≥1 lakh) to support planned urbanisation and service delivery, as per the mandatory rural-urban transition policy formulated by each state.

Quantum of grant:

INR
10,000
crore

disbursed as a one-time grant of INR 2,000/person basis Census 2011 population of the peri-urban villages being merged with cities of more than 1 lakh population.

End-use of grant:

Existing ULGs (population ≥1 lakh), expanding with merger of peri-urban areas would be grant beneficiaries. Grant to be used for upgradation of basic infrastructure in the newly included areas or upgradation of capacity for the provision of civic services.

Indicative components of the state rural–urban transition policy:

- Identification of eligible transitional settlements after each Census and at intervals of no more than three years, covering at least one-third qualifying transitional settlements per round.
- Defined procedures for identification, assessment, and notification of transitional settlements.
- Detailed transition plan (3-year horizon) for impact assessment on finances, staffing, service delivery, and infrastructure, with phased taxation, institutional continuity for assets, records, etc., and alignment with master plans and land-use regulations, among others.
- Clearly defined roles across the state, district, RLGs, and new ULGs, with public consultations and a grievance redress mechanism.

XVI FC introduces Special Infrastructure Component for ULGs with populations between 1–4 million

Purpose of grant:

Promote development of a comprehensive wastewater management system in 22 cities with populations between 1–4 million, to address inadequate drainage systems and flooding events

Quantum of grant: **INR 56,100 crore** for 60% of project costs; remaining cost to be contributed by state governments and ULGs

End-use of grant:

1. Upgradation or extension of drainage network, including restoration of natural drainage pathways and development of green infrastructure.
2. Reduction of non-revenue water.
3. Development of monitoring systems and systems to ensure the free flow of wastewater

Grant administration:

- Selected ULGs to prepare project reports based on detailed diagnostic studies of required interventions.
- Tripartite MoU to be signed between MoHUA, the state government, and the ULG, covering project details, year-wise milestones, and financial outlays.
- First instalment to be released after signing of MoU; subsequent releases on achieving project milestones.

Eligibility criteria for ULGs to avail all XVI FC grants

Conditions	Applicable to
Ensure duly elected local governments are in place	State government
Publicly disclose audited accounts for FY (T-2) and provisional accounts for FY (T-1) to access local government grants in year T.	Local governments
Constitute SFC, table SFC report and Action Taken Report (ATR) within six months of submission	State government

Read Janaagraha's reports on –

- [Delays in Urban Local Government Elections in India: Analysis and Reform Pathways](#)
- [Strengthening SFCs for Empowered Local Governments](#)

XVI FC's reform recommendations to strengthen systems and transparency

1

Modernising Property Tax

States should develop a citizen-friendly GIS-based property tax IT system, link different databases, and use guidance values for efficient enumeration, assessment, and collection of property tax. Further, unique property IDs should be created to link property databases with other databases, such as water, sewerage, electricity, trade licenses, and building permissions.

2

Improving audit and accountability

The existing arrangements for technical guidance and supervision by the CAG should be continued and strengthened to improve the quality of audit and accounts of local governments. State governments should augment the capabilities of their Local Fund Audit Departments (LFADs) by investing in skill development and addressing staffing shortages.

3

Leveraging platforms for transparency

The Urban Data platform should be strengthened to support ULGs in preparing accounts and financial reports.

4

Strengthening State Finance Commissions

NITI Aayog may study the functioning of State Finance Commissions across states and publish a compendium of good practices for the reference of all states.

Janaagraha's engagement with previous Finance Commissions

- **XIII Finance Commission**

Janaagraha advised the adoption of untied, formula-based grants to ULGs, rather than ad-hoc grants, laying the foundation for systematic urban devolution.
- **XIV Finance Commission**

Janaagraha provided the XIV FC with diagnostic support on the constraints of municipal finance. We also contributed to reforms on improving the coverage, quality, and usability of audited municipal accounts, in collaboration with national audit institutions.
- **XV Finance Commission**

Engagement was formalised through a Memorandum of Understanding (MoU) under which Janaagraha provided research and analytical support on municipal finance and urban governance. This culminated in the submission of the Municipal Finance Blueprint and the XV FC's recommendation of mandatory publication of audited accounts.
- **XVI Finance Commission**

Janaagraha continued its systems-focused engagement through an MoU, with two substantive submissions: [1] A Blueprint for Urban Fiscal Devolution which proposes design principles for predictable and accountable transfers to ULGs., and [2] Municipal Finance Blueprint 2.0 which advances recommendations on financial governance reforms.

www.cityfinance.in was leveraged significantly for understanding status of municipal finances and customised data collection..

Janaagraha also organised a first-of-its-kind conference of mayors and chairpersons, in collaboration with the XVI FC, to understand urban ground realities and needs.

About Janaagraha

Janaagraha is a non-profit organisation founded in 2001 by Swati and Ramesh Ramanathan, working to transform quality of life in India's cities and towns. For over two decades, we have worked with citizens to catalyse active citizenship in neighbourhoods, equipped councillors for stronger local leadership, and engaged with union and state governments as well as constitutional bodies to institutionalise city- systems reforms.



24+
Years

150+
People

5
Offices

Transforming quality of life in India's cities and towns

Our government partners



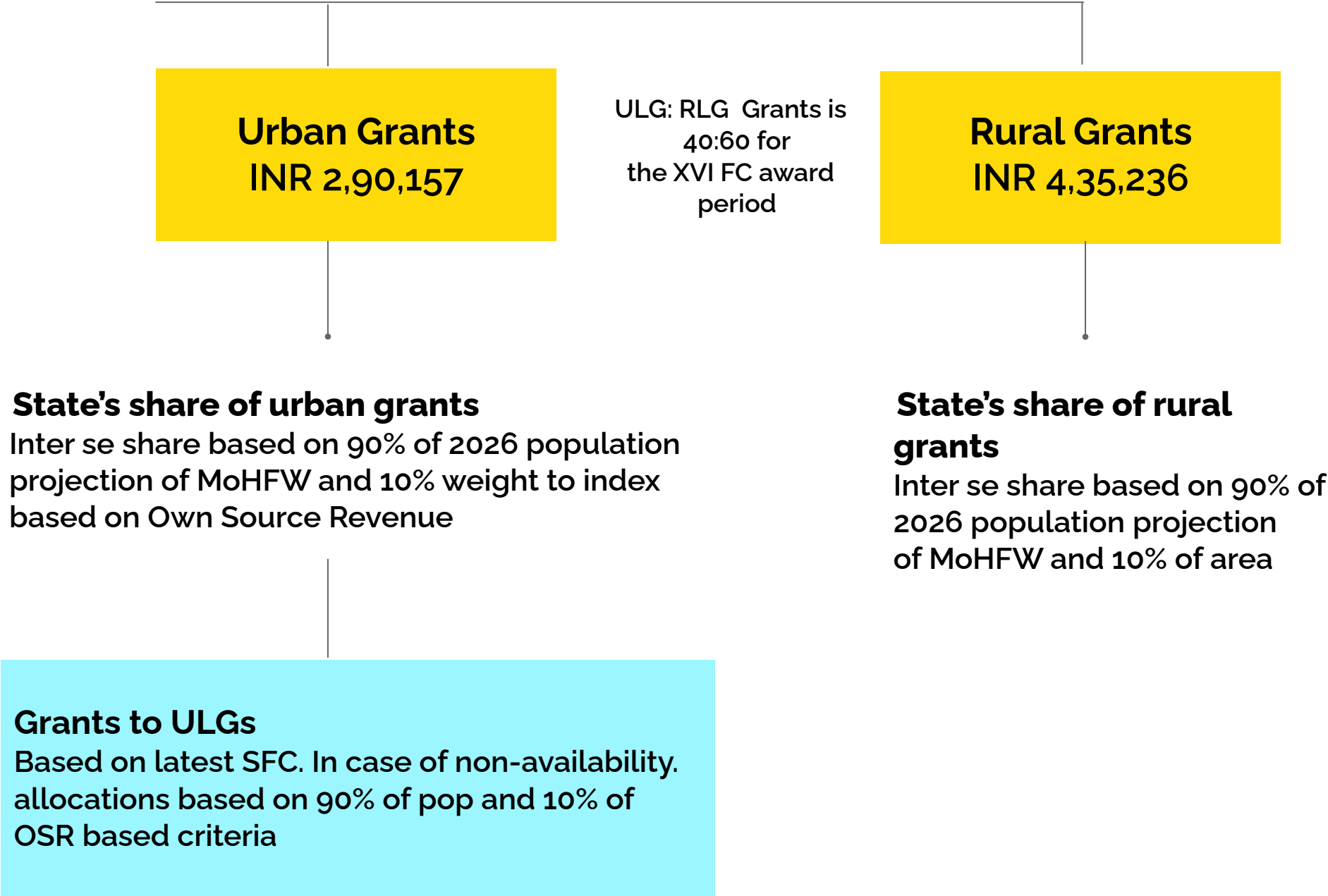
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Annexure 1: ULGs set to benefit from XVI FC's urban population-based grant distribution criteria

Local Government grants
INR 7,25,393 Cr



- Approach aligns urban allocations with latest urban population projections of state in the absence of availability of latest census figures.
- This marks a departure from XIV and XV FC which applied 90:10 population and area to balance need, by adding efficiency criteria in the form of OSR growth.

Note - ULG grant does not include special grants for Urbanisation Premium and Special Infrastructure Component

Annexure 2: State-wise local government grants under XVI FC (2026-31)

State	Share of LG grants as per XVI FC (INR Cr)
Andhra Pradesh	28,785
Arunachal Pradesh	1,931
Assam	17,829
Bihar	61,092
Chhattisgarh	16,654
Goa	900
Gujarat	42,566
Haryana	16,104
Himachal Pradesh	4,179
Jharkhand	20,324
Karnataka	37,372
Kerala	19,991
Madhya Pradesh	48,049
Maharashtra	79,620

State	Share of LG grants as per XVI FC (INR Cr)
Manipur	1,871
Meghalaya	1,856
Mizoram	944
Nagaland	1,364
Odisha	23,793
Punjab	16,320
Rajasthan	44,147
Sikkim	421
Tamil Nadu	41,999
Telangana	21,516
Tripura	2,192
Uttar Pradesh	116,804
Uttarakhand	6,544
West Bengal	50,226

Annexure 3: State-wise percentage share in local government grants under XVI FC and XV FC

State	Share of LG grants as per XVI FC	Share of LG grants as per XV FC	Change
Andhra Pradesh	3.97%	4.32%	0.35%
Arunachal Pradesh	0.27%	0.38%	0.11%
Assam	2.46%	2.64%	0.18%
Bihar	8.42%	8.26%	-0.16%
Chhattisgarh	2.30%	2.39%	0.10%
Goa	0.12%	0.12%	0.00%
Gujarat	5.87%	5.26%	-0.61%
Haryana	2.22%	2.08%	-0.14%
Himachal Pradesh	0.58%	0.71%	0.13%
Jharkhand	2.80%	2.78%	-0.02%
Karnataka	5.15%	5.29%	0.14%
Kerala	2.76%	2.68%	-0.08%
Madhya Pradesh	6.62%	6.56%	-0.07%
Maharashtra	10.98%	9.59%	-1.38%

Annexure 3: State-wise percentage share in local government grants under XVI FC and XV FC

State	Share of LG grants as per XVI FC	Share of LG grants as per XV FC	Change
Manipur	0.26%	0.29%	0.03%
Meghalaya	0.26%	0.30%	0.04%
Mizoram	0.13%	0.15%	0.02%
Nagaland	0.19%	0.21%	0.02%
Odisha	3.28%	3.72%	0.44%
Punjab	2.25%	2.28%	0.03%
Rajasthan	6.09%	6.36%	0.27%
Sikkim	0.06%	0.07%	0.01%
Tamil Nadu	5.79%	5.94%	0.15%
Telangana	2.97%	3.04%	0.08%
Tripura	0.30%	0.31%	0.01%
Uttar Pradesh	16.10%	16.05%	-0.05%
Uttarakhand	0.90%	0.95%	0.04%
West Bengal	6.92%	7.26%	0.34%

Annexure 4: State-wise urban grants under XVI FC (2026-31)

State	Urban grants as per XVI FC (INR Cr)
Andhra Pradesh	12,158
Arunachal Pradesh	233
Assam	3,249
Bihar	9,169
Chhattisgarh	4,990
Goa	726
Gujarat	23,764
Haryana	7,834
Himachal Pradesh	435
Jharkhand	6,093
Karnataka	18,483
Kerala	16,683
Madhya Pradesh	16,016
Maharashtra	46,803

State	Urban grants as per XVI FC (INR Cr)
Manipur	609
Meghalaya	377
Mizoram	377
Nagaland	667
Odisha	5,078
Punjab	7,834
Rajasthan	12,680
Sikkim	203
Tamil Nadu	25,069
Telangana	11,548
Tripura	1,016
Uttar Pradesh	33,543
Uttarakhand	2,497
West Bengal	22,023

Annexure 5: Year-wise grants to ULGs under XVI FC (2026-31)

Grants	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Basic Grants	37,272	41,372	45,923	50,975	59,583	2,32,125
ULB Performance Component	0	6,161	6,839	7,591	8,425	29,016
State Performance Component	0	6,161	6,839	7,591	8,425	29,016
Special Infrastructure Component	6,000	12,525	12,525	12,525	12,525	56,100
Urbanisation Premium	2,000	2,000	2,000	2,000	2,000	10,000
Grants to ULGs	45,272	68,219	74,126	80,682	90,958	3,56,257

Annexure 6: Per capita urban grants of past FCs and XVI FC

Finance Commission	Year	Urban Population	Urban Share of Funds (in Crores)	Per Capita Urban FC Allocation
FC-X 1995-2000	1971	109,094,309	1,000	92
FC-XI 2000-05	1991	207,000,000	2,000	97
FC-XII 2005-10	2001	271,500,000	5,000	184
FC-XIII 2010-15	2011	357,420,000	23,111	647
FC-XIV 2015-2020	2017 (Projection)	406,837,000	87,144	2,142
FC-XV 2021-2026	2023 (Projection)	457,335,000	155,628	3,403
FC-XVI 2026-31	2028 (Projection)	497,228,000	3,56,257	7,165

For calculation of per capita urban FC allocation, census data is considered for X to XIII FCs, and for XIV to XVI FCs, population projection of MoHFW for the mid award year has been used.

Annexure 7: State-wise percentage share in ULG grants under XVI FC and XV FC

State	Share of ULG grants as per XVI FC	Share of ULG grants as per XV FC	Change
Andhra Pradesh	4.19%	4.32%	-0.13%
Arunachal Pradesh	0.08%	0.38%	-0.30%
Assam	1.12%	2.64%	-1.52%
Bihar	3.16%	8.26%	-5.10%
Chhattisgarh	1.72%	2.40%	-0.68%
Goa	0.25%	0.12%	0.13%
Gujarat	8.19%	5.26%	2.93%
Haryana	2.70%	2.08%	0.62%
Himachal Pradesh	0.15%	0.71%	-0.56%
Jharkhand	2.10%	2.78%	-0.68%
Karnataka	6.37%	5.29%	1.08%
Kerala	5.75%	2.68%	3.07%
Madhya Pradesh	5.52%	6.56%	-1.04%
Maharashtra	16.13%	9.59%	6.54%

Annexure 7: State-wise percentage share in ULG grants under XVI FC and XV FC

State	Share of ULG grants as per XVI FC	Share of ULG grants as per XV FC	Change
Manipur	0.21%	0.29%	-0.08%
Meghalaya	0.13%	0.30%	-0.17%
Mizoram	0.13%	0.15%	-0.02%
Nagaland	0.23%	0.21%	0.02%
Odisha	1.75%	3.72%	-1.97%
Punjab	2.70%	2.28%	0.42%
Rajasthan	4.37%	6.36%	-1.99%
Sikkim	0.07%	0.07%	0.00%
Tamil Nadu	8.64%	5.94%	2.70%
Telangana	3.98%	3.04%	0.94%
Tripura	0.35%	0.31%	0.04%
Uttar Pradesh	11.56%	16.05%	-4.49%
Uttarakhand	0.86%	0.95%	-0.09%
West Bengal	7.59%	7.26%	0.33%

Annexure 8: State-wise share of urban and rural grants under XVI FC and XV FC

	XV FC		XVI FC	
State	ULG Grant (in INR, crore)	RLG Grant (in INR, crore)	ULG Grant (in INR, crore)	RLG Grant (in INR, crore)
Andhra Pradesh	5,231	10,231	12,158	16,627
Arunachal Pradesh	459	900	233	1,698
Assam	3,197	6,253	3,249	14,580
Bihar	9,999	19,561	9,169	51,923
Chhattisgarh	2,900	5,669	4,990	11,664
Goa	149	293	726	174
Gujarat	6,367	12,455	23,764	18,802
Haryana	2,520	4,929	7,834	8,270
Himachal Pradesh	855	1,673	435	3,744
Jharkhand	3,367	6,585	6,093	14,231
Karnataka	6,409	12,539	18,483	18,889
Kerala	3,242	6,344	16,683	3,308
Madhya Pradesh	7,938	15,527	16,016	32,033
Maharashtra	11,611	22,713	46,803	32,817
Manipur	353	690	609	1,262

Annexure 8: State-wise share of urban and rural grants under XVI FC and XV FC

	XV FC		XVI FC	
State	ULG Grant (in INR, crore)	RLG Grant (in INR, crore)	ULG Grant (in INR, crore)	RLG Grant (in INR, crore)
Meghalaya	363	711	377	1,479
Mizoram	185	362	377	567
Nagaland	249	486	667	697
Odisha	4,498	8,800	5,078	18,715
Punjab	2,764	5,410	7,834	8,486
Rajasthan	7,696	15,053	12,680	31,467
Sikkim	84	165	203	218
Tamil Nadu	7,187	14,059	25,069	16,930
Telangana	3,682	7,201	11,548	9,968
Tripura	381	746	1,016	1,176
Uttar Pradesh	19,432	38,012	33,543	83,261
Uttarakhand	1,145	2,239	2,497	4,047
West Bengal	8,792	17,199	22,023	28,203
Total	121,055	236,805	2,90,157	4,35,236

Note - ULG grant does not include special grants for Urbanisation Premium and Special Infrastructure Component.

Annexure 9: State-wise growth in urban grant allocation from XV FC to XVI FC

State	XV FC - ULG Grant (in INR, crore)	XVI FC - ULG Grant (in INR, crore)	Growth Rate
Andhra Pradesh	5,231	12,158	132%
Arunachal Pradesh	459	233	-49%
Assam	3,197	3,249	2%
Bihar	9,999	9,169	-8%
Chhattisgarh	2,900	4,990	72%
Goa	149	726	387%
Gujarat	6,367	23,764	273%
Haryana	2,520	7,834	211%
Himachal Pradesh	855	435	-49%
Jharkhand	3,367	6,093	81%
Karnataka	6,409	18,483	188%
Kerala	3,242	16,683	415%
Madhya Pradesh	7,938	16,016	102%
Maharashtra	11,611	46,803	303%
Manipur	353	609	73%

Annexure 9: State-wise growth in urban grant allocation from XV FC to XVI FC

State	XV FC - ULG Grant (in INR, crore)	XVI FC - ULG Grant (in INR, crore)	Growth Rate
Meghalaya	363	377	4%
Mizoram	185	377	104%
Nagaland	249	667	168%
Odisha	4,498	5,078	13%
Punjab	2,764	7,834	183%
Rajasthan	7,696	12,680	65%
Sikkim	84	203	142%
Tamil Nadu	7,187	25,069	249%
Telangana	3,682	11,548	214%
Tripura	381	1,016	167%
Uttar Pradesh	19,432	33,543	73%
Uttarakhand	1,145	2,497	118%
West Bengal	8,792	22,023	150%
Total	121,055	290157	

Annexure 10: Basic and performance grants share of states under XVI FC to ULGs

	XVI FC	
State	Basic Grants	Performance Grants
Andhra Pradesh	9,727	2,431
Arunachal Pradesh	186	47
Assam	2,598	651
Bihar	7,335	1,834
Chhattisgarh	3,992	998
Goa	581	145
Gujarat	19,011	4,753
Haryana	6,267	1,567
Himachal Pradesh	348	87
Jharkhand	4,874	1,219
Karnataka	14,786	3,697
Kerala	13,347	3,336
Madhya Pradesh	12,813	3,203
Maharashtra	37,442	9,361
Manipur	487	122

Annexure 10: Basic and performance grants share of states under XVI FC to ULGs

	XVI FC	
State	Basic Grants	Performance Grants
Meghalaya	302	75
Mizoram	302	75
Nagaland	534	133
Odisha	4,062	1,016
Punjab	6,267	1,567
Rajasthan	10,145	2,535
Sikkim	162	41
Tamil Nadu	20,054	5,015
Telangana	9,239	2,309
Tripura	813	203
Uttar Pradesh	26,835	6,708
Uttarakhand	1,997	500
West Bengal	17,619	4,404

Annexure 11: Cities eligible for Special Infrastructure Grant

City	State	Urban Population (%)	Estimated allocation based on per capita (INR)
Pune	Maharashtra	31,24,458	4,748
Jaipur	Rajasthan	30,46,163	4,629
Lucknow	Uttar Pradesh	28,17,105	4,281
Kanpur	Uttar Pradesh	27,65,348	4,202
Nagpur	Maharashtra	24,05,665	3,656
Indore	Madhya Pradesh	19,64,086	2,985
Bhopal	Madhya Pradesh	17,98,218	2,733
Vishakhapatnam	Andhra Pradesh	17,28,128	2,626
Patna	Bihar	16,84,222	2,559
Vadodara	Gujarat	16,70,806	2,539
Ludhiana	Punjab	16,18,879	2,460
Faridabad	Haryana	14,14,050	2,149
Rajkot	Gujarat	12,86,678	1,955
Dhanbad	Jharkhand	11,62,472	1,767

Note: The estimated allocations are derived with the assumption that this grant will be allocated on per capita population (Census 2011) basis to each ULG

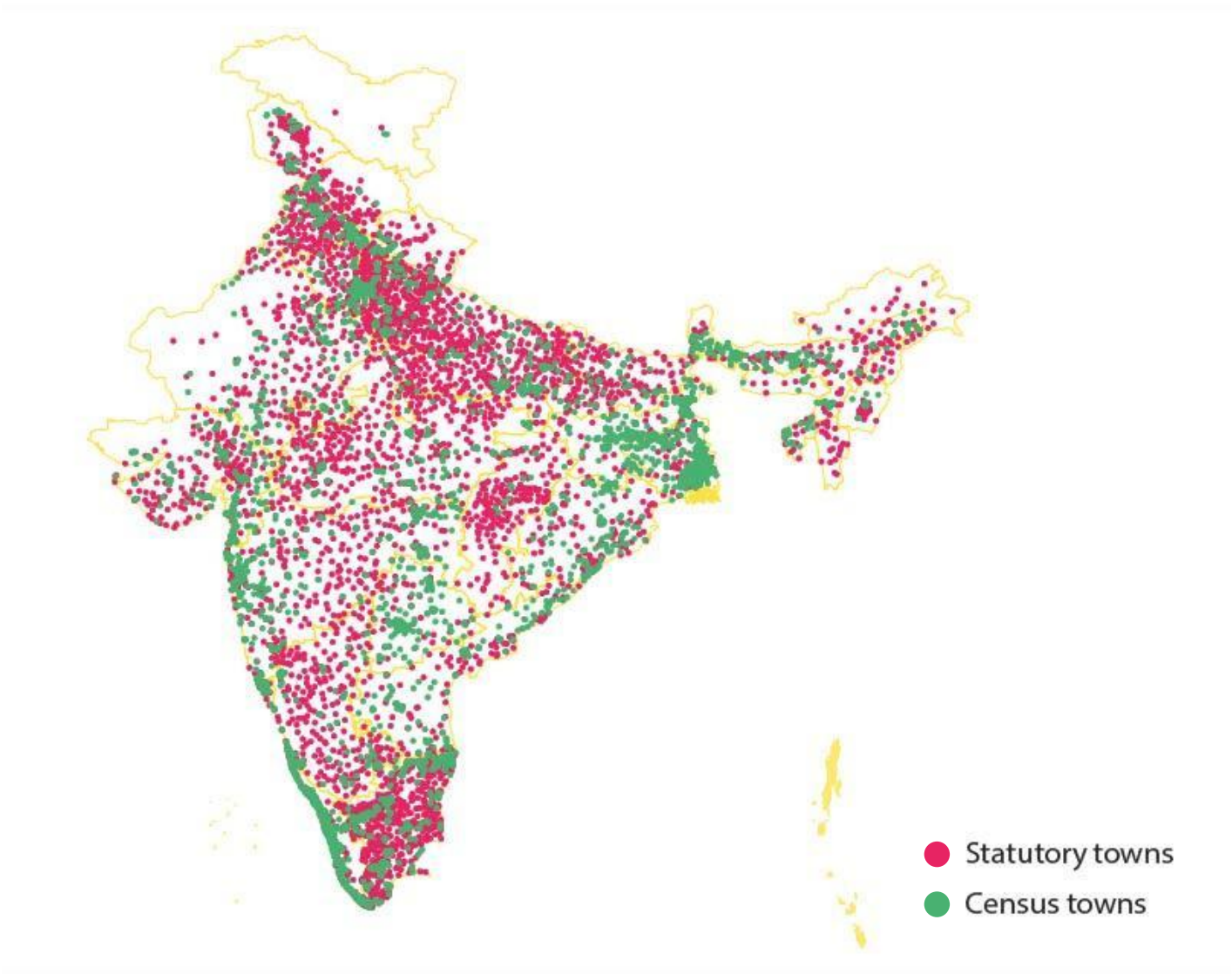
Annexure 11: Cities eligible for Special Infrastructure Grant

City	State	Urban Population (%)	Estimated allocation based on per capita (INR)
Amritsar	Punjab	11,32,383	1,721
Howrah	West Bengal	10,77,075	1,637
Ranchi	Jharkhand	10,73,427	1,631
Coimbatore	Tamil Nadu	10,50,721	1,597
Vijayawada	Andhra Pradesh	10,34,358	1,572
Jodhpur	Rajasthan	10,33,756	1,571
Madurai	Tamil Nadu	10,17,865	1,547
Raipur	Chhattisgarh	10,10,433	1,536

Note: The estimated allocations are derived with the assumption that this grant will be allocated on per capita population (Census 2011) basis to each ULG

Annexure 12: Spatial pattern of India's urbanisation in terms of size of cities and their spatial contiguity

Urban popn within 60 km radius, incl c.3,800 CTs:
Million-plus cities: 50%
1 lakh plus cities: 92%



Source: Census 2011

Significant difference in economic impulse, revenue potential, and capacities between categories

City popn category	Number of ULGs*	Urban popn (%)	Per capita OSR (INR)	Per capita revenue (INR)
>4M	7	15%	10,987	15,542
1M-4M	36	17%	5,073	7,817
500K-1M	44	9%	1,633	4,117
100K-500K	377	23%	1,245	3,324
<100K	4,360	36%	862	2,966
Total	4,824	100%		

Source: www.cityfinance.in, The per capita analysis is based on audited financial statements available for 3,803 ULGs for FY 2021-22. The population category-wise numbers shown in the table reflect the total number of ULGs (4,824). The difference arises because audited accounts were not available for all ULGs; therefore, the per capita analysis uses the subset of ULGs with complete data.

*No. of ULGs excludes ULGs in Union Territories

Annexure 13: What is CityFinance.in?

- [CityFinance.in](#) is the single source of truth for audited financial information of cities (ULGs/Parastatals/DAs)
- The portal currently hosts **12,000+ audited financial statements** (2019-20 till 2022-23) **of 4,300+ ULGs** in a standardised, timely, and comparable format.
- **99% of ULGs** use the CityFinance.in portal.
- **19,000+** audited financial documents submitted by ULGs on CityFinance.in (FY 2019-20 till FY 2023-24).
- **INR 1.08 lakh crore** of XV FC grants being administered for SWM, water, sanitation.
- **INR 56,000 crore released in first three years of XV FC award period, i.e. >90% of the allocated amount.**
- Credit rating information of 148 cities available.
- Information on **59** bond issuances.
- 1,037 cities' performance against **SLB** indicators published in public domain.
- Library of **12,500+** municipal budgets from 2,800+ ULGs, including FY 2025-26 data.
- Enabled automated sourcing, digitisation and analysis of municipal finance data in one place; **OCR software** integrated within CityFinance.in's development environment to enable complete file digitisation of audited financial statements.

More than 80% of ULGs' audited statements across 5 FYs has been made publicly available on CityFinance.in

Enabling smoother and more streamlined XVFC grant management compared to earlier Finance Commissions.

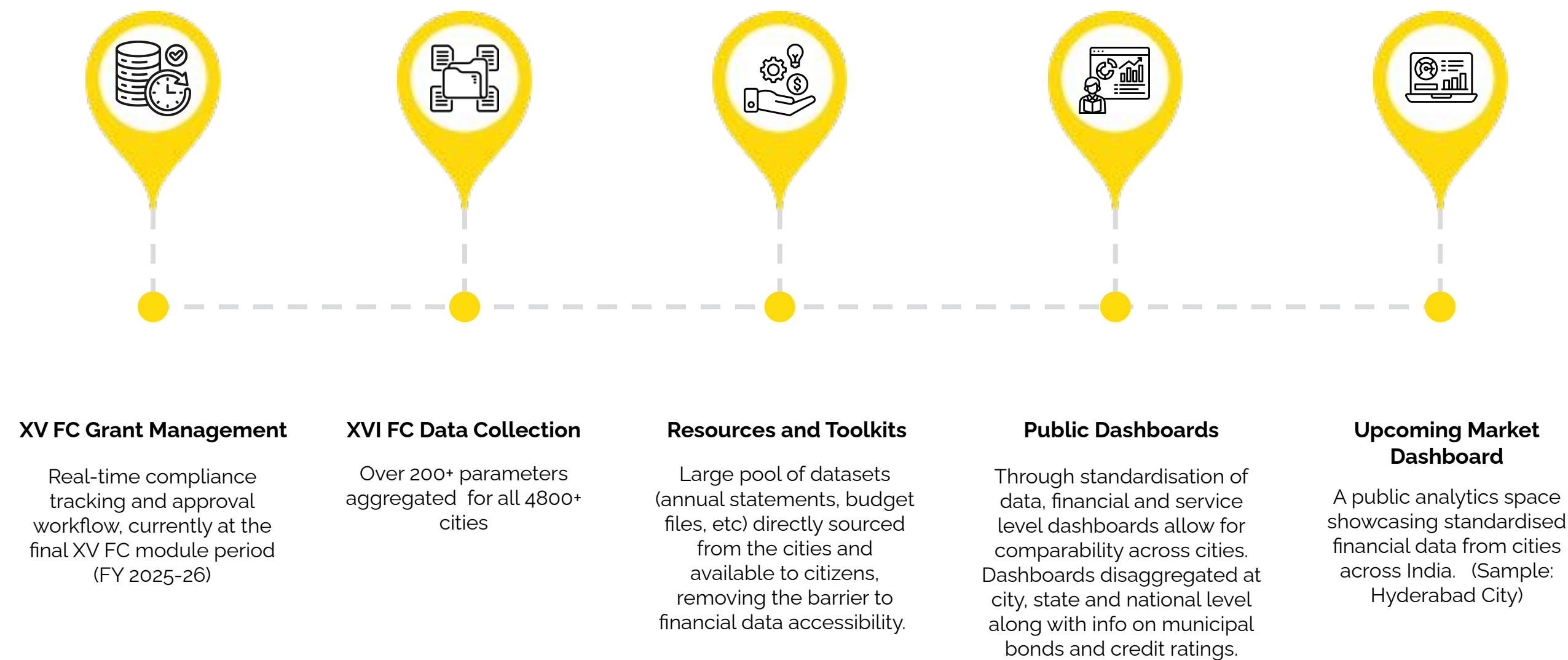
4,300+ cities' audited financial data in a single comparable lens across 5+ years

+
Providing room for a common data analytics platform

OCR-powered digitisation converts full AFS/Budget PDFs into Excel-ready data

+
Adding the querying part that gives the requested city-level data from raw PDFs in a single click

Annexure 14: Key features of CityFinance.in



CityFinance.in solves for:

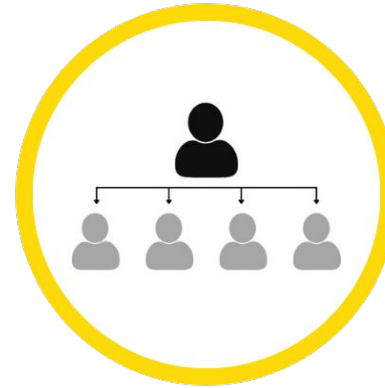
1. **Data Accessibility:** Open library of 27,000+ municipal financial documents—accessible, downloadable, and just one click away.
2. **File Keeping/Record of City Data:** Standardised 16,000+ audited statements, turned scattered PDFs into a clean, comparable financial dataset.
3. **Transparency in Governance:** CityFinance.in delivers credible, real-time transparency into how cities manage their money with unlimited public access.
4. **Unified Platform:** Became the single, evolving home for India's municipal finances — where cities report, citizens explore, and governments make informed decisions

About Union Finance Commission

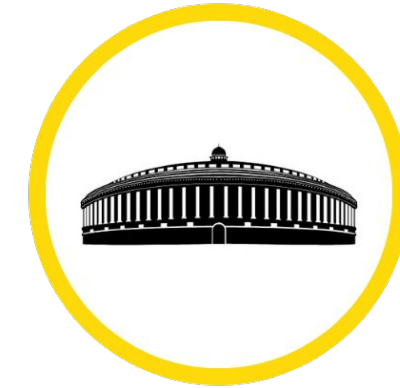
What is the Union Finance Commission?



Article 280 mandates the creation of a Finance Commission (FC) every **five years** (or earlier) by the **President of India**.



The commission consists of a **Chairman and 4 members** appointed by the President of India.



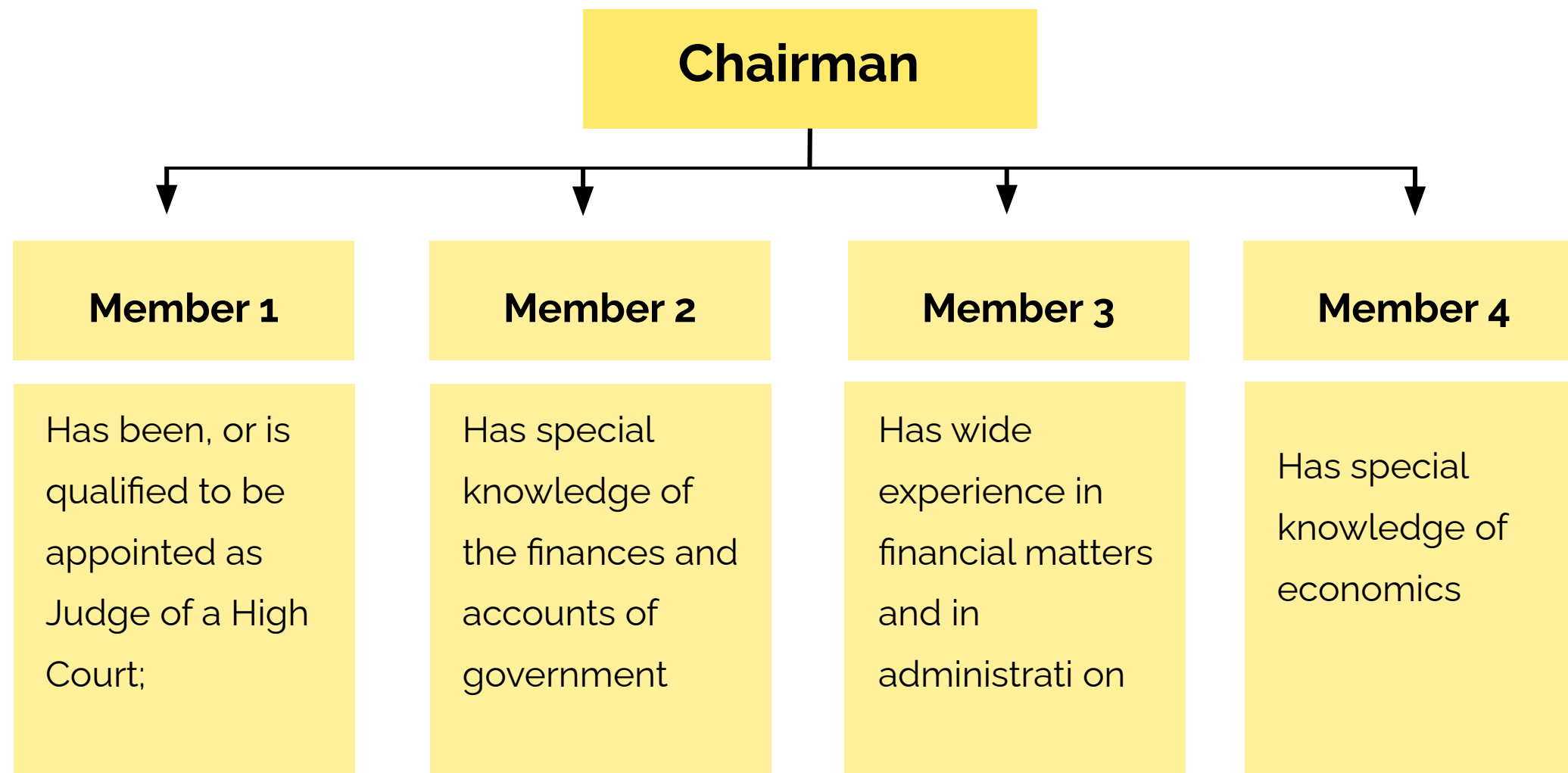
Article 281 states that the President must lay the recommendations of the FC before both Houses of Parliament, along with an explanatory memorandum outlining the action taken on those recommendations.

Why is it important?

1. It upholds the structure of fiscal federalism in India and defines fiscal relationship between the union and states
2. Ensures that states receive their due share of taxes without any discrimination from the union and that there is complete objectivity in calculation of the respective shares
3. Helps states prepare their budgets, schemes, and programmes by providing certainty on the quantum of money they will receive from the central pool of taxes over the 5-year period.

What is the constitution of an FC and how is an FC report prepared?

A Finance Commission is headed by a Chairman and is composed of 4 other members with clearly defined roles



A Finance Commission takes almost two years to prepare its recommendations. As part of this process, it holds consultations with:

- Nearly all states
- The union government and its ministries
- Think tanks
- Domain experts
- Relevant stakeholders

These consultations, which are for understanding requirements and accommodating inputs from major stakeholders, form the bedrock of India's federal structure.

What is devolution and why is it needed?

What does devolution mean?

The distribution between the union, states and local bodies from the net proceeds of taxes receivable in the hands of the union government.

Why is it needed?

Financial resources with union government

Income tax, CGST, corporate tax, MV Tax, etc.



Financial resources with state governments

Stamp duty, Excise, VAT on petroleum

Responsibilities of union government

Defense, Army, Ports Railways, Highways Communication



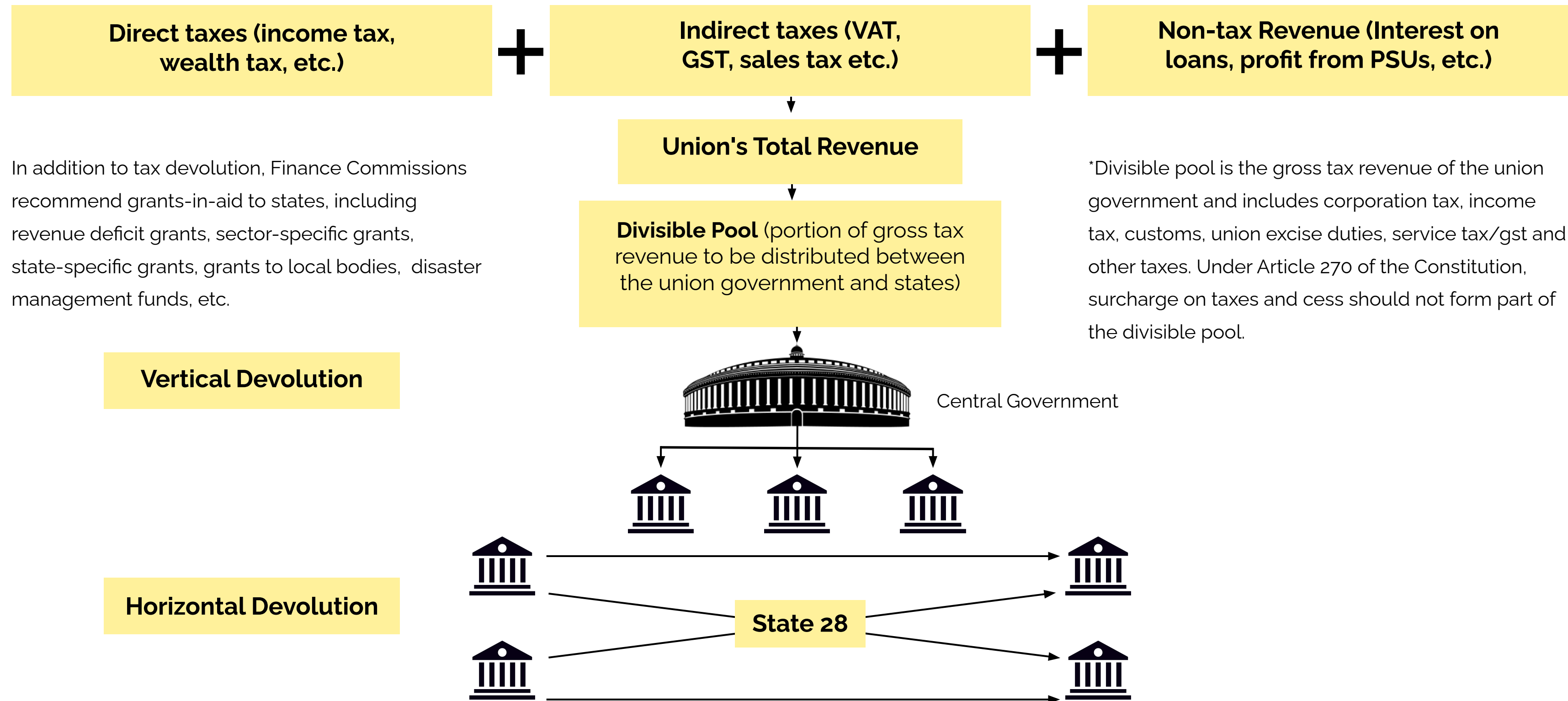
Responsibilities of state governments

Public order, Police, Public health and sanitation, Hospitals and dispensaries, primary education etc.

In our federal structure, financial resources with union government is greater than state government. But states are responsible for providing most of the services to citizens and implement programmes on ground.

FC ensures that state are not financially dependent/ at the mercy of union government for providing services to citizens

How does devolution to states work?



What is the basis of devolution to states adopted by XVI FC?

Vertical Devolution (from the union government to states)

Formula-based devolution to reduce use of discretion- 41%

Considerations while determining the share of states in Total Divisible pool:

- The spirit of Constitutional provisions
- Fiscal space of states and union
- Respective functional and expenditure responsibilities of union and states

Horizontal Devolution (among states)*

Distribution based on various criteria.
Weightage assigned to criteria

Population (2011) – 17.5%

Area – 10.0 %

Forest & Ecology – 10.0%

Income Distance – 42.5%

Demographic Performance – 10.0%

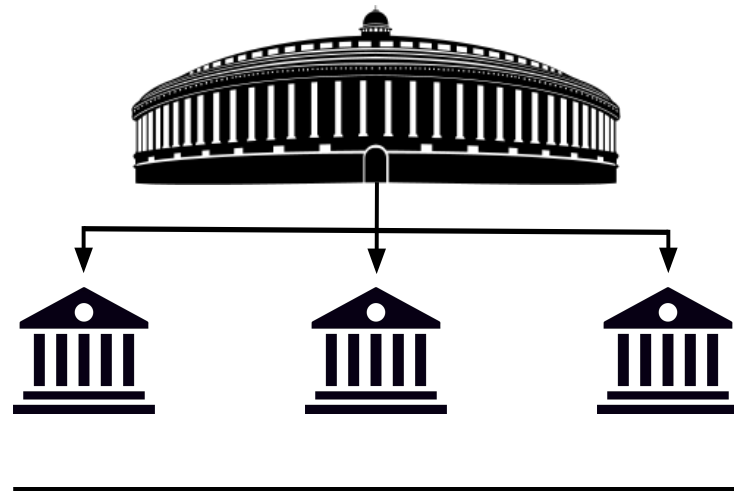
Contribution to GDP– 10.0%

Guiding Principles

Equity and efficiency

Share of states vary from: 0.34% for Sikkim to 17.62% for Uttar Pradesh*

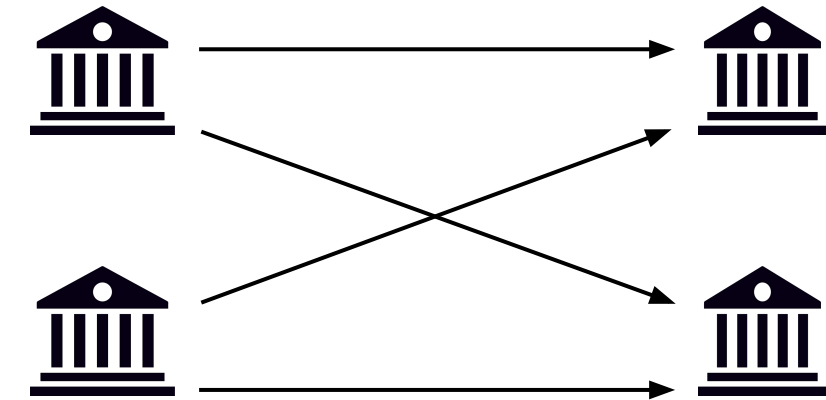
Role of Finance Commission in local government grants



Articles 280(3)(bb) and 280(3) (c) - FC recommend measures to augment the consolidated fund of a state to supplement the resources of panchayats and municipalities based on SFC recommendations



FCs recommend the share of urban and rural grants in total local government grant



FCs recommend how to divide total local government grant among states.

Recommend how states must distribute funds among their ULGs/RLGs

Evolution of urban grants (X-XII FCs | 1995-2026)

Finance Commission	Local Government Grants (INR crore)	LG Grants as % of Divisible Pool	ULG Grants (INR crore)	% Share of ULG in DP	% of ULG Grant in LG Grants
FC-X (1995-2000)	5,381	1.38%	1,000	0.26%	19%
FC-XI (2000-05)	10,000	0.78%	2,000	0.16%	20%
FC-XII (2005-10)	25,000	1.24%	5,000	0.25%	20%
FC-XIII (2010-15)	87,518	1.93%	23,111	0.51%	26%
FC-XIV (2015-20)	287,436	3.06%	87,144	0.93%	30%
FC-XV (2021-21)	90,000	4.31%	29,250	1.40%	33%
FC-XV (2021-25)	4,36,361	4.23%	155,628	1.40%	36%

X FC (1995–2000)

First ever grants to local governments- although not mandated by ToR Fully untied and routed through state schemes

XI FC (2000–05)

ToR recognised local governments Introduced the Index of Decentralisation Divisible pool decreased from 1.38% to 0.78%.

XII FC (2005-10)

Noted expanding 12th Schedule functions and raised allocations to local governments Introduced Index of Deprivation to better capture inter-state disparities

Evolution of urban grants (X-XV FCs | 1995-2026)

XIII FC (2010–15)

Recommended that the quantum of grants-in-aid as a fixed percentage of the divisible pool from the previous year ('t- 1').

Adopted a population-based approach, allocating 26.82% of local grants to ULGs.

Introduced performance-based grants (35%), linked to compliance with nine reform criteria.

XIV FC (2015–20)

4x increase in grants to ULGs.

Adopted a population-based approach, allocating 30% of local grants to ULGs as per 2011 Census.

20% performance-based grants linked to 3 reforms:

1. Submission of audited accounts
2. Increase in own revenues
3. Disclosure of service-level benchmarks.

XV FC (2021–26)

Acknowledged the accelerating pace of urbanisation — recommended moving from a rural-to-urban ratio of 67.5:32.5 in FY 2020–21 to 65:35 by FY 2025– 26.

Introduced 3 special grants

Introduced differentiated approach for MPC and NMPCs.

Introduced sectorally tied grants, 100% tied performance grants for MPCs and 60% tied grants for NMPCs.

Linked all urban grants, whether tied, untied, or performance linked, to minimum eligibility conditions.

What was the formula for distribution of local government grants among states (horizontal distribution)?

Year	X FC		XI FC	XII FC	XIII FC		XIV FC	XIV FC
State	RLG	ULG			RLG	ULG		
Census	1971		1971	2001	2001		2011	2011
Population	100		40	40	50		90	90
Ratio of urban slum population		100						
Geographical area			10	10	10		10	10
Distance from highest per capita income			20	20	10	20		
Index of devolution					15			
Index of decentralisation			20					
Index of deprivation				10				
Revenue effort			10	20				
Proportion of SC/ST in population					10			
Uttar Pradesh								
FC local body grants utilisation index					5			

Over successive Commissions, the approach to distributing grants to LGs has combined both equity and efficiency criteria.

XIV and XV FCs shifted to a simpler, need-based approach.

What types of grants have been allocated to ULGs in the past?

FC	Basic Grants		Performance-based Grants		Additional / Special Grants
	Untied	Tied	Untied	Tied	
X FC	✓				
XI FC	✓				✓
XII FC	✓				
XIII FC	✓ (65%)		✓ (35%)		
XIV FC	✓ (80%)		✓ (20%)		
XV FC (all conditional grants)	✓	✓		✓	✓

1. XI FC introduced the first-ever tied grant for database creation
2. XIII FC created India's first performance-linked urban grant system and introduced 35% performance grants, nine reform conditions on audited accounts, standardised accounting formats, and data availability.
3. XIV FC simplified this to three conditions: audited accounts, revenue increase, SLB disclosure — yet even these did not significantly improve reform momentum.

For over two decades, Janaagraha has been working to transform quality of life in India's cities and towns. Our journey spans landmark reforms, constitutional engagements, and deep state partnerships.

Learn more about how we're shaping India's urban agenda:

www.janaagraha.org

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You can also read more about our work with the Union Finance Commission [here](#).

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