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# More funds flowing to villages: How 15th Finance Commission set a record for rural fund releases

Assam, Kerala, Mizoram, Tripura and Uttar Pradesh received 100 per cent of their allocated funds. Now, the 16th Finance Commission has recommended a grant of Rs 4.35 lakh crore for rural local bodies.

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The new five-year award period promises an even more massive fiscal injection into Panchayati Raj institutions (Image generated using AI).

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As the **Sixteenth Finance Commission's five-year award period** kicked in from April 1, a closer look at past commissions reveals a clear and rising trend: rural local bodies (RLBs), including gram, block, and district panchayats, are receiving more funds than ever before, with release of grant peaking at a historic high of 94.98 per cent under the last Commission.

The data available with the Ministry of Panchayati Raj shows that the Fifteenth Finance Commission term (2020-26), which ended on March 31, also saw five states, Assam, Kerala, Mizoram, Tripura and Uttar Pradesh, receiving 100 per cent of RLB grants allocated to them.

The data show that the **Fifteenth Finance Commission recommended** a total grant of Rs 2,97,555 crore for rural local bodies during its award period (2020-26), including Rs 60,750 crore allocated during the interim period (2020-21). Out of this, Rs 2,82,632 crore (94.94 per cent) was released to the RLBs till March 31, the highest since the 10th Finance Commission.

The Finance Commission began awarding grants to rural local bodies from the 10th Finance Commission onward. The corresponding figures for release stood at 91 per cent during the 14th

Finance Commission and 90.5 per cent during the 13th Finance Commission.

“The performance under the 15th Finance Commission period reflects a strong commitment towards cooperative federalism and decentralised governance. The grants have significantly contributed to strengthening the institutional capacity of Panchayati Raj institutions under the framework of Article 243G of the Constitution of India,” said a source at the Ministry of Panchayati Raj.

The source said that the improved fiscal space has enabled gram panchayats to undertake need-based development works and deliver essential civic services to rural citizens more effectively.

### 16th Finance Commission allocation

The development is significant, as the 16th Finance Commission has recommended a grant of Rs 4.35 lakh crore to rural local bodies for its award period (2026-27 to 2030-31). Of the Rs 4.35 lakh crore grant, Rs 3.48 crore will be the basic grant, Rs 43,524 crore the rural local body performance grant, and Rs 43,524 crore the state performance grant.

Of the total grant, 90 per cent will be given to gram panchayats, while block and district panchayats will each receive 10 per cent. Among the states, the grant will be distributed based on each state's projected rural population for 2026 and its total area.

A year-wise allocation shows that the states will receive Rs 55,909 crore as rural local body grants in 2026-27, Rs 71,300 crore in 2027-28, Rs 92,166 crore in 2028-29, Rs 102,303 crore in 2029-30, and Rs 113,558 crore in 2030-31.



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