Overview of Municipal Finance- Existing Financial Situation of Municipalities in India

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Municipal Finance related information has been received from State Governments’ claims for the Performance Grant (2017-18).

Approximately information of 1900 ULBs across 22 States has been analyzed.

Data for the years of 2002-03 and 2007-08 has been used from 13 Finance Commission Report.

The results shared in this presentation are interim findings of the Municipal Finance Report being prepared by the 14 Finance Commission Support Cell at NIUA.
• Per Capita Own revenue (tax + non tax) has increased at much faster rate—14.27% annually during 07-08 to 15-16 compared to 6.96% during 02-03 to 07-08.

• Grants have been found to be increasing at a even higher rate than own revenue with 18.36% between 07-08 to 15-16 and by 18.69% between 02-03 to 07-08.

• Since the base was lower in 07-08 for Own revenue compared to Grants, the per capita own revenue stands at Rs 1057.67 compared to Rs 2183.46 in 2015-16.
• Through out, Revenue expenditure is higher than Own Revenue.

• Per Capita Revenue expenditure is Rs. 1697.05 against Own revenue of Rs. 1057.67 whereas PC Capital expenditure is Rs. 1617.14 for 15-16.

• Capital expenditure cannot be met from Own Revenue.

• A part of Revenue expenditure (37.7%) and whole of Capital expenditure is dependent on external Grants (State and Centre).

Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)
• Growth Rate of Own Revenue (Black line) has been 14.27% from 07-08 to 5-16 while it had been 6.96% from 02-03 to 07-08.

• Growth Rate of Revenue Expenditure (Green) has been 14.18% from 07-08 to 2015-16 while it had been 8.82% from 02-03 to 07-08.

• Growth Rate of Capital Expenditure (Blue) has been 18.90% from 07-08 to 15-16 while it had been 20.74% from 02-03 to 07-08.

Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)
- Ratio of Own revenue as % of Revenue expenditure has remained almost same at 62% -- No Change?
- Because Own revenue and Revenue expenditure has increased at the same rates (14%).
- Whereas, since capital expenditure was increasing at a much higher rate compared to Revenue expenditure during 02-03 to 07-08 (20.74%) and 07-08 to 15-16 (18.90%).
- Ratio of Capital expenditure to Total expenditure has increased from 29.07% in 02-03 to 40.80% in 07-08 and 48.79% in 15-16.
- Increase in this Ratio is a Positive sign for Urban sector although it is being met from external grants.

Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)
Looking at the State-wise position of Ratio of Own revenue as %age of Revenue exp. of ULBs.

- All India level, this Ratio is 62.32% for 2015-16.
- But, there are States which are performing better than All India (Avg.) such as
  - Telangana (93.9%), Karnataka (93.7%), Andhra Pradesh (85.4%), Haryana (73%).

Source: Interim Findings of Municipal Finance Report (14 FC Support Cell at NIUA)
Also, there are States which are performing much lower than All India (Avg.) such as:

- North eastern states have a low ratio.
- Uttarakhand & Uttar Pradesh at 23.9% & 30.8%;
- Punjab at 35% & Rajasthan, Bihar & Odisha at 36%;
- Madhya Pradesh & Tamil Nadu at 42.1% & 45.8%;
- Goa and Chhattisgarh at 51.8% & 56.5%.
Thank You