

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

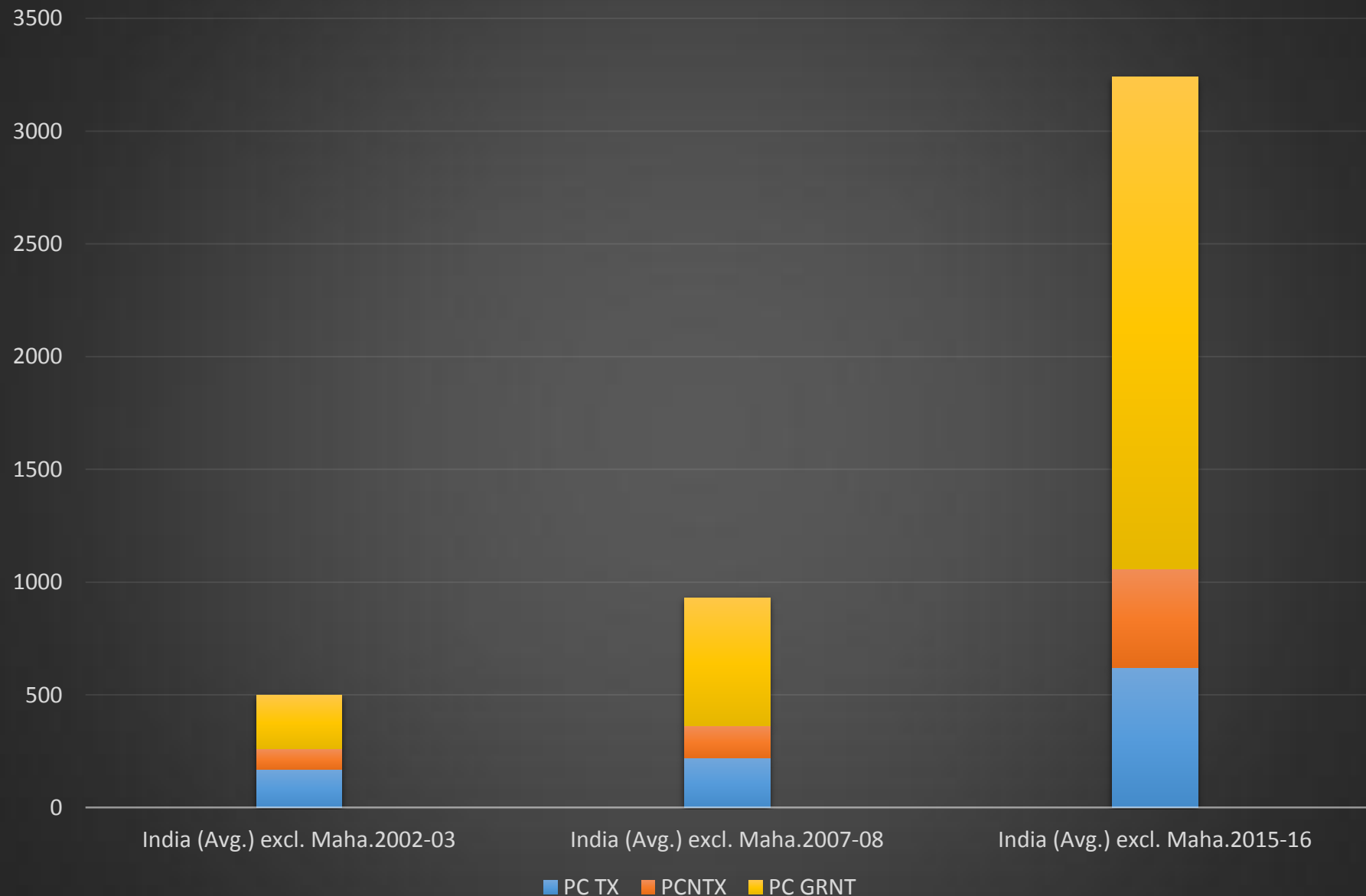
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# BACKGROUND

- **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.**

## All India (Average) Urban Local Bodies- Income

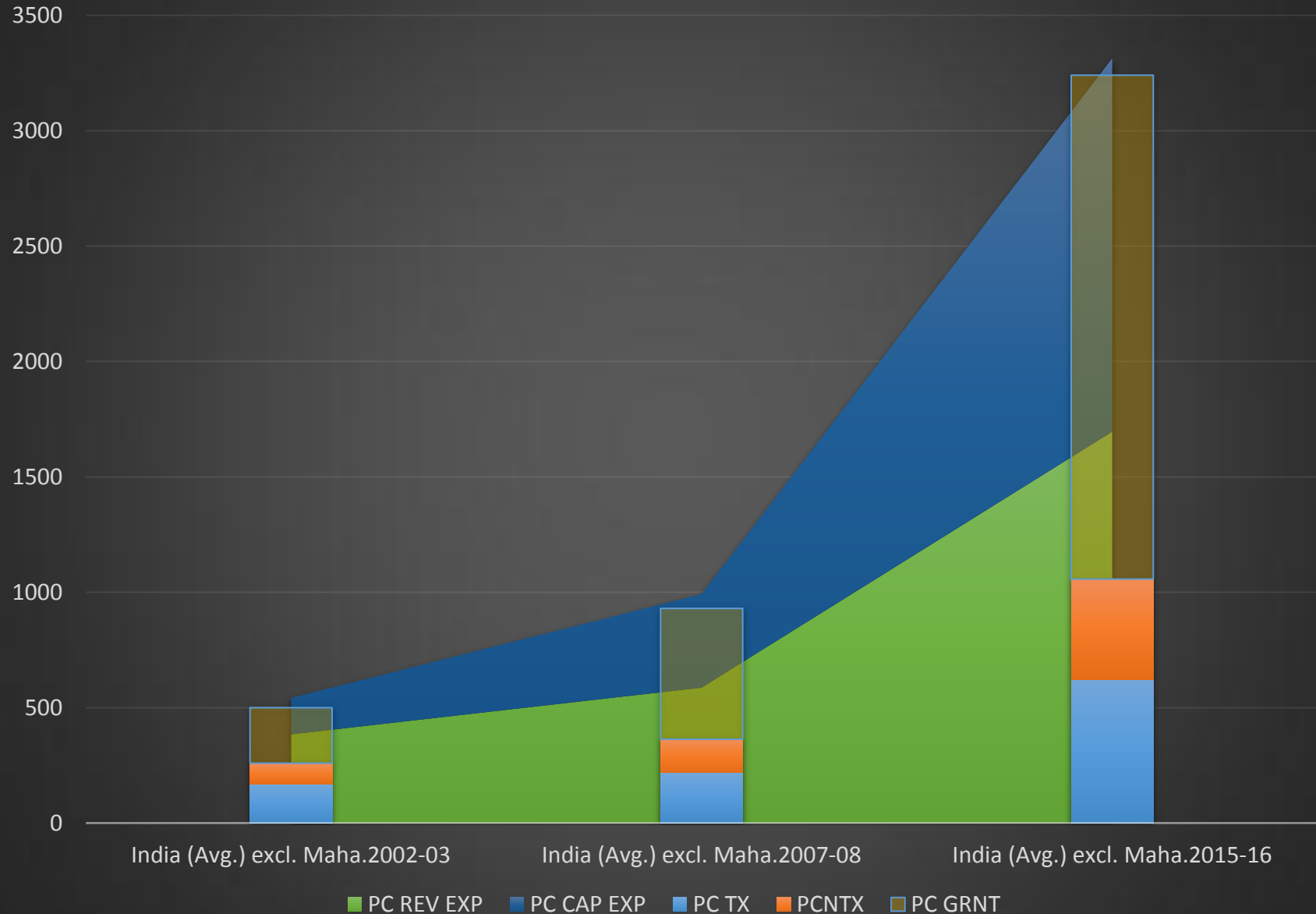


- Per Capita Own revenue (tax + non tax) has increased at much faster rate—14.27% annually during 07-08 to 15-16 compared to 6.96% during 02-03 to 07-08.

- 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 .

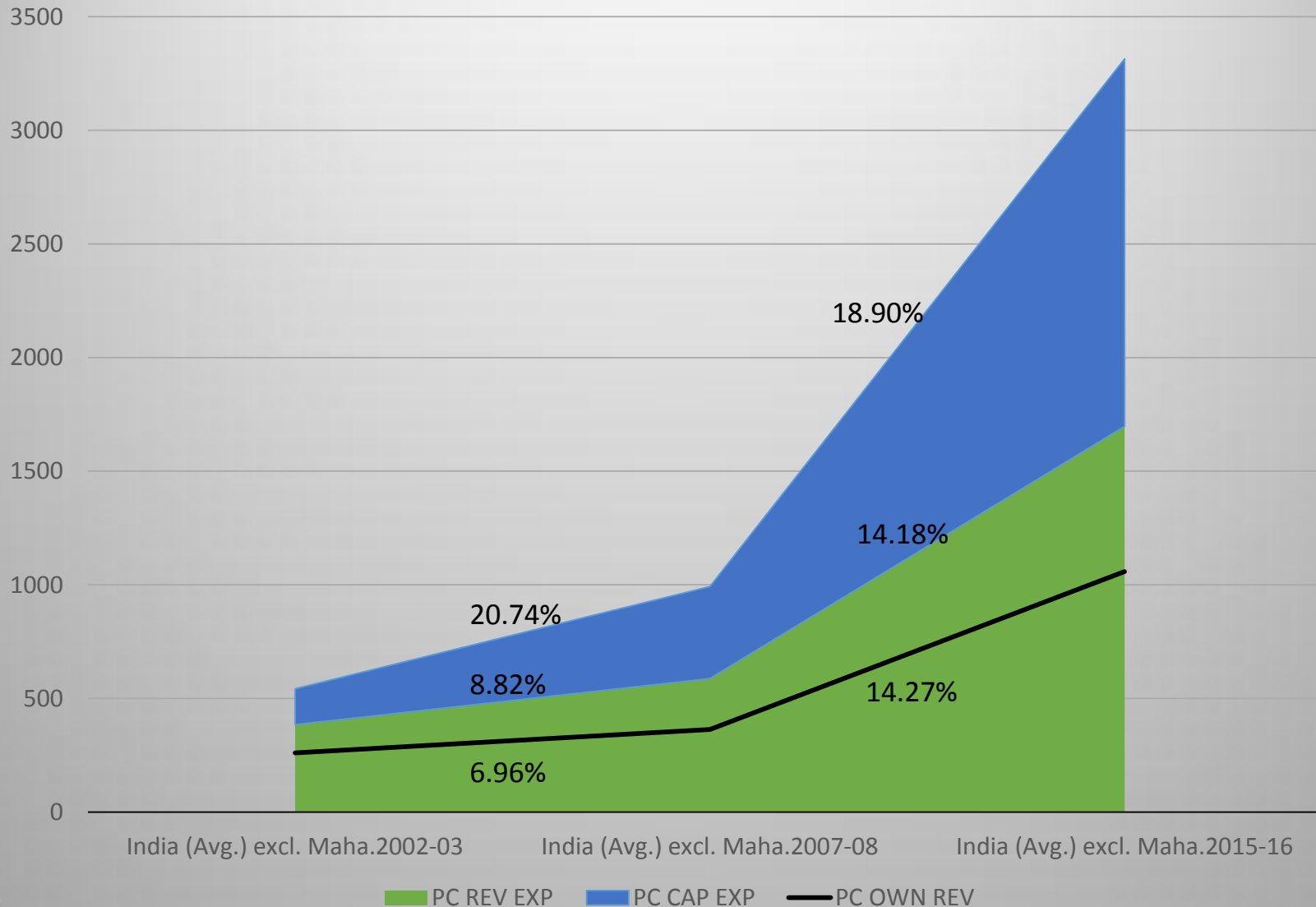
- Since the base was lower in 07-08 for Own revenue compared to Grants, the per capita own revenue stands at Rs 1057.67 compared to Rs 2183.46 in 2015-16.

## All India (Average) Urban Local Bodies- Income & Expenditure



- 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).

## All India (Average) Urban Local Bodies- Growth Rates Own Income, Revenue & Capital Expenditure

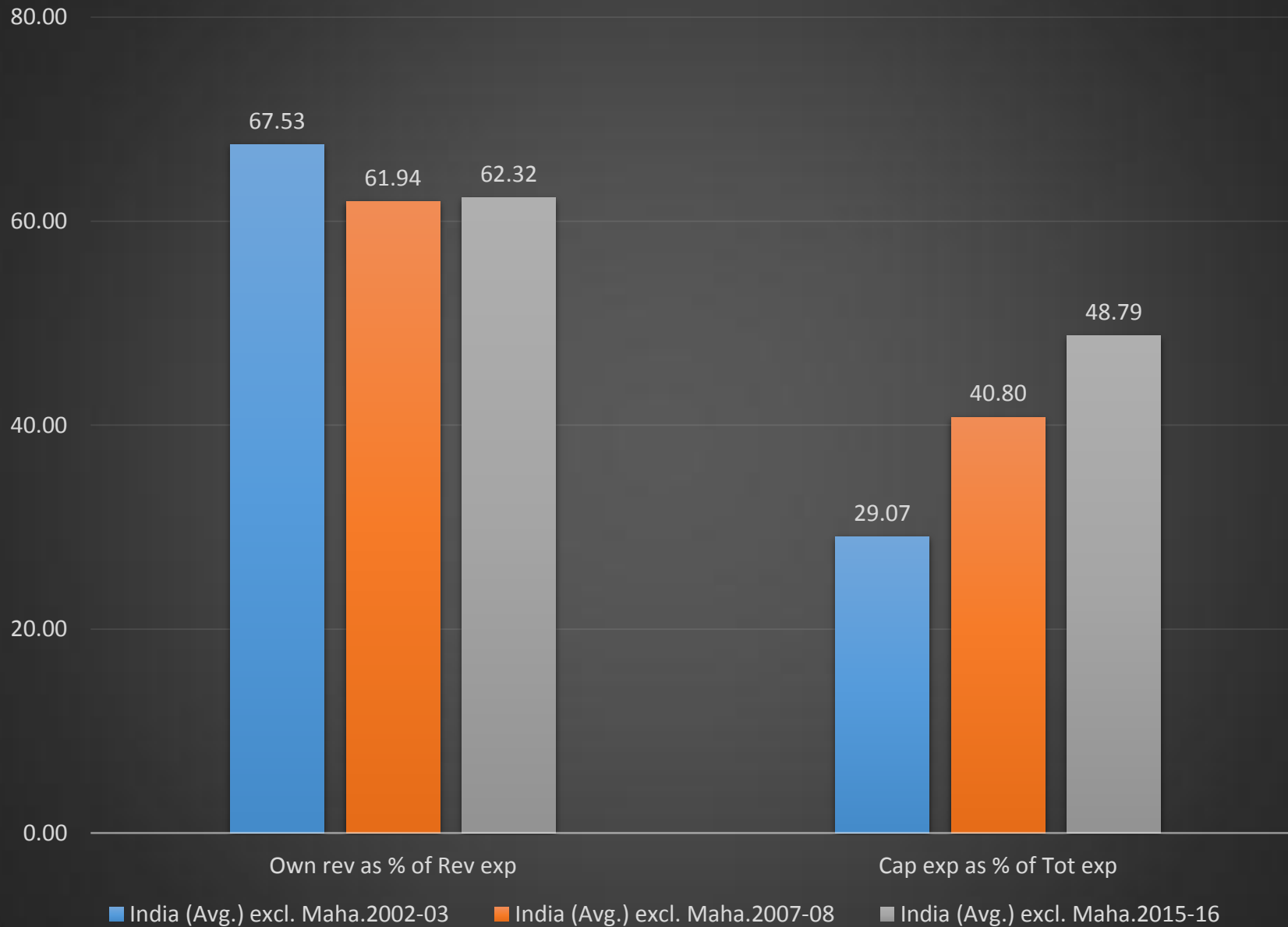


- Growth Rate of Own Revenue (Black line) has been 14.27% from 07-08 to 15-16 while it had been 6.96% from 02-03 to 07-08.

- 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.

## All India (Average) Urban Local Bodies- Ratios



- Ratio of Own revenue as % of Revenue expenditure has remained almost same at 62% -- **No Change?**

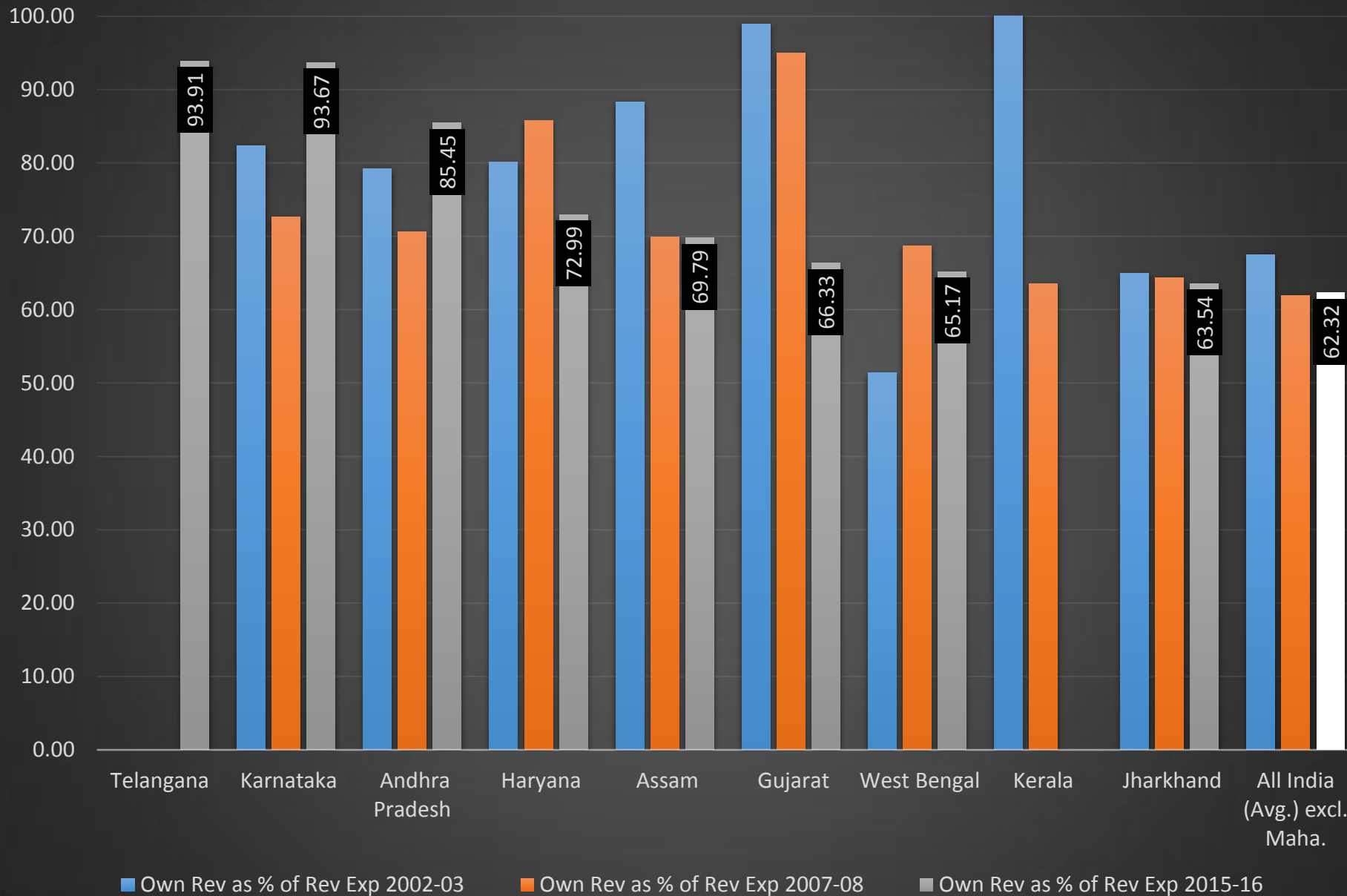
- Because Own revenue and Revenue expenditure has increased at the same rates (14%).

- 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.

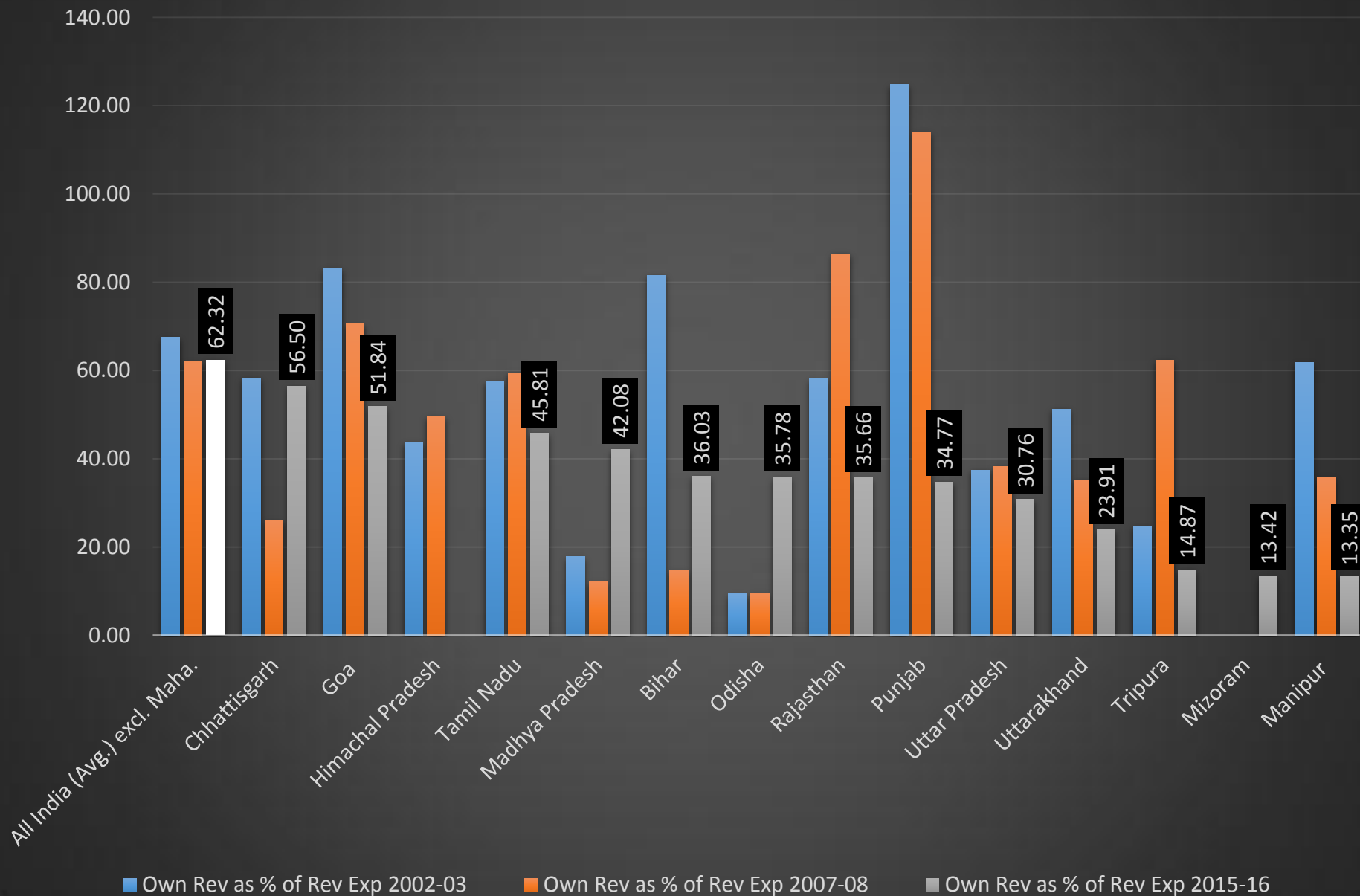
- **Increase in this Ratio is a Positive sign for Urban sector although it is being met from external grants.**

## Own Revenue as %age of Revenue Expenditure



- 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 Pr. (85.4%), Haryana (73%).

## Own Revenue as % of Revenue Expenditure



- 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

