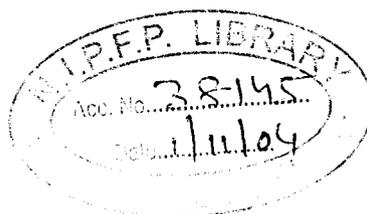


INDIA'S MUNICIPAL SECTOR
A STUDY FOR THE TWELFTH FINANCE COMMISSION (TFC)

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WITH
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PREFACE

This is the second time that a central finance commission has commissioned the National Institute of Public Finance and Policy (NIPFP) to carry out a study of the finances of municipalities in India. For a study conducted for the Eleventh Finance Commission (EFC), the National Institute of Public Finance and Policy (NIPFP) estimated the supplementary financial requirements of municipalities for the period 2001/04 to 2004/05 using different norms, standards and criteria. The present study **India' Municipal Sector** conducted for the Twelfth Finance Commission (TFC), attempts to measure the fiscal performance of municipalities in the different states, and seeks explanations why municipalities in some states perform better compared to other states. The present study also attempts to ascertain if the implementations of the recommendations of the finance commission of states (SFCs) has placed any undue load on the finances of states. While the results are contained in the study report, I would like to draw the attention of the Twelfth Finance Commission (TFC) to the continuing problem of the fragility of the local governments fiscal data base. Hardly any state has taken steps to put municipal finance statistics in the public domain; nor is there any standardization in the way municipal finances are currently classified and maintained. We would suggest that the recommendations made by the Eleventh Finance Commission (EFC) in respect of creating a study data base at the level of local governments be continued and be even reinforced with larger financial support.

This study has been undertaken by Om Prakash Mathur, Professor, National Institute of Public Finance and Policy (NIPFP). He has planned and designed the study and prepared the final report. He has been assisted by a team consisting of Sandeep Thakur, Sarika Chaturvedi, and Aditi Wadhwa, and in the initial phases by A. K. Halen and Swati Aggarwal.

I am grateful to the Twelfth Finance Commission (TFC) for entrusting the study to the National Institute of Public Finance and Policy (NIPFP). The Governing Council does not assume any responsibility for the findings or the interpretations of data contained in the report.

30th September, 2004


M. Govinda Rao
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I am grateful to Dr. M. Govinda Rao, Director, National Institute of Public Finance and Policy (NIPFP) for entrusting this study to me. I am indebted to Dr. C. Rangarajan, Chairman, Twelfth Finance Commission (TFC) for giving me an opportunity to present the highlights of this study, and to Shri T. R. Prasad, Shri Sompal, Dr. D. K. Srivastava, Members of the TFC, and Dr. G. C. Srivastava, Member-Secretary of the TFC for their comments made initially at a seminar held at the Indian Institute of Public Administration (IIPA) and later in several rounds of informal discussions. At the Institute, I would like to acknowledge the untiring efforts of the research team members, in particular, Sandeep Thakur, Sarika Chaturvedi and Aditi Wadhwa, and the very incisive comments of Dr. A. Bagchi, Professor Emeritus, on the role of the central finance commissions in addressing issues of municipal finance.

I would like to express my gratitude to the state governments who provided to us the requisite data on the finances of municipalities for conducting this study. Without their cooperation and continued assistance, this study could not have been completed.

Only I am responsible for the deficiencies of the study report.



Om Prakash Mathur

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EXECUTIVE SUMMARY

This study entitled India's Municipal Sector, undertaken for the Twelfth Finance Commission (TFC), examines the fiscal performance of municipalities in the different states and seeks explanations for their differential performance. Additionally, it assesses the load on state finances on account of the implementation of the recommendations of the finance commission of states (SFCs). It also indicates options for the Twelfth Finance Commission (TFC) on how it might contribute to improving the finances and functioning of municipalities. Highlights of the study are given below:

1. Municipal institutions in India have a history of over 300 years. Initially entrusted with the provision of conservancy services, road repairs, and lighting, municipalities are now being looked upon in accordance with the provisions of the Constitution (seventy-fourth) Amendment Act, 1992, as institutions that would be engaged in association with the other tiers of government in such functions as planning for economic and social development; urban forestry, protection of the environment and promotion of ecological aspects; urban planning including town planning; urban poverty alleviation; and slum improvement and upgradation. Assumption by municipalities of these functions that have redistributive attributes has important implications for their finances and functioning.

2. Municipalities in India have a fiscal jurisdiction that consists of taxes on lands and property, taxes on advertisements other than those in national newspapers, radio and television; taxes on animals and boats, and fees, tolls, and a host of charges. In Punjab and parts of Gujarat and Maharashtra, municipalities have access to octroi levies, i.e., taxes on the entry on goods into a local area for consumption, use or sale therein. With the exception of these levies which are related to the regional economy and activities therein, other taxes constituting the fiscal jurisdiction have local impacts with no inter-jurisdictional implications. In addition, municipalities receive, on different accounts and purposes, grants-in-aid from the state governments. Notwithstanding the Constitution (seventy-fourth) Amendment Act, 1992 which envisioned a change in fiscal relations between the state governments and municipalities, the tax jurisdiction of municipalities has not undergone any noticeable shift even with their changing functional portfolio.

3. In fiscal terms, municipal sector in India is tiny; in 2001/02, municipalities generated approximately Rs.12,750 crore, or 3.07 per cent of the total publicly-raised resources in India. It formed 0.63 per cent of the country's gross domestic product (GDP). The municipal share in publicly-raised resources has changed, at best, notionally – by 0.23 percentage points over the preceding five years. Inter-state differences in the performance of municipalities are extraordinarily large and have risen over the period 1997/98 and 2001/02. Measured on the criteria of (i) own source revenues, and (ii) annual average growth rate, municipalities in Gujarat, Maharashtra, Punjab, Goa, Andhra Pradesh and Karnataka have performed better than those in other states. These states added over 80 per cent of the total accretion that took place in the own source revenue component of municipalities between 1997/98 and 2001/02. Own revenue of municipalities in other states have either stagnated or experienced deterioration in their revenue-raising capacity. Even when there is general acceptance of the relevance of the benefit principle, municipalities in India make far less use of user charges than would seem necessary and desirable; further, many of the charges that are levied bear no relationship with the costs that are incurred on service provision. Municipalities have weak links with the economy of states which is evident from the ratio of own revenues to gross domestic product of states (GSDP).

4. The performance of municipalities on the criterion of expenditure levels runs along the same track as that of own revenues. Estimated at about 0.75 per cent of the gross domestic product (GDP), municipal expenditure levels are extremely low. Maharashtra, Punjab, Gujarat, and Goa post relatively high per capita municipal expenditures and higher expenditure ratios to the gross domestic product of states (GSDP). The states that show medium levels of expenditures comprise Andhra Pradesh, Kerala, West Bengal, and Tamil Nadu. Expenditure on establishment (salaries and wages) accounts for 54.2 per cent of the total municipal expenditure. It is as high as 80.4 per cent in Madhya Pradesh, 69.7 per cent in Haryana, 50.6 per cent in Orissa, 65 per cent in Uttar Pradesh, leaving fewer resources for operations and maintenance. On average, municipal underspending in relation to Zakaria Committee norm is 130 per cent which is one factor that explains the extremely low level of services and consequently, the deplorable service conditions in cities and towns. Independent of the norms too, average per capita expenditures (daily) ranging between Rs.0.20 and Rs.2.25 can not, by any standard, be expected to deliver services that would satisfy the needs of either the urban households or other non-domestic consumers. With the exception of Maharashtra

and Gujarat, there is no state where municipalities are able to raise revenues that are adequate for meeting local expenditures.

5. Several state governments and municipalities have set in motion initiatives for augmenting their revenue base. Property tax reforms involving a shift from annual rateable value to unit area system, substitution of cash-based to an accrual based accounting, forging a better linkage between price (tariff) and cost of services, and public-private partnerships in service provision form the core of the initiatives that have been taken in recent years. Spurred by a mix of local factors e.g., stagnating revenues, political and administrative leadership, and experimentation with alternative modes, these initiatives – important as they are in themselves – have a limited geographical coverage and application.

6. The finance commission of states (SFCs) are, inter-alia, mandated to make recommendations on a devolution package for municipalities. The recommended devolution package has three different structures –

- (i) consisting of “specific amounts” for municipalities;
- (ii) transfer of parts of those taxes that are, prima facie, local but are appropriated by state governments and shared with municipalities; and
- (iii) sharing of a pool of state revenues, pool consisting of either the (a) net proceeds of tax revenues, or (b) tax and non-tax proceeds, or (c) non-loan gross our revenue receipts.

7. There is a large variation in the recommended shares of municipalities in the different states. Many of these constitute marginal adjustments to the shares or amounts that municipalities were receiving in the pre-amendment period, and do not display any fresh review of the finances of municipalities. In view of the difficulties in disaggregating the impact of the devolution package, load on state finances is assessed by looking at the actual transfers for a period of five years, as also by analyzing the limited information on state transfers (grants-in-aid and others) to municipalities drawn from the finance accounts of states. Transfers to municipalities form 3.85 per cent of the

combined own resources of states. Between 1997/98 and 2001/02, these have risen by 0.54 percentage points which, in a crude way, could be said to be additional strain on the finances of state governments. The SFCs have preferred to maintain the *status quo*, instead of examining de novo the inter-governmental fiscal relations in relation to the requirements of the 1992 amendment.

8. The central government intervention into municipal affairs via the institution of the central finance commission is a new feature of India's federal structure. Until the amendment of Article 280 by inserting (3) (c) into it, the central government's intervention in local matters was limited to either the centrally sponsored programmes and more recently, the amendment of the Income Tax Act permitting municipalities to enter the capital market and introduction of incentive-based funds. The impact of these funds is still to be assessed.

9. In addressing the issue of municipal finances, the Eleventh Finance Commission (EFC) formulated a set of principles and recommendations, consisting of (i) annual supplementary support of Rs.400 crore for improving the core services of municipalities, (ii) suggestions for augmenting resource mobilization, and (iii) creation of appropriate databases and standardization of the budgetary classification and practices. In view of the small size of the annual supplementary grant which on a per capita basis works out to Rs.14 and considering the extent of impact that it can possibly make to service levels, many state governments have preferred not to access this grant. The Twelfth Finance Commission (TFC) thus stands confronted with four major issues: (i) poor fiscal base of municipalities; (ii) relatively better performance of municipalities remaining confined to states such as Gujarat, Maharashtra, Punjab, Goa, Andhra Pradesh and Karnataka, raising serious questions of efficiency and equity, (iii) limited impact of the SFCs in expanding the fiscal base of municipalities even with changes in their spending responsibilities, and (iv) limitation of the approach recommended by the Eleventh Finance Commission (EFC).

10. Given this, the Twelfth Finance Commission has three choices for improving the finances of municipalities: (i) consider enlarging the fiscal domain of municipalities by giving them access to VAT and until such time VAT does not come in force, to other buoyant state level taxes, using the instrument of a surcharge; (ii) limiting the use of supplementary grant for one of the key municipal services, namely, sanitation, i.e., the size of the supplementary grant being so determined that it permits sanitation coverage to 95-100 per cent of urban population within the tenure of its

recommendation; and (iii) lending support to the recent central government's urban reform incentives which are already in place and which are being further articulated for sustainable and systemic improvement. In addition, improving the base of municipal finance statistics (MES) and nationwide use of standardized formats for municipal accounts should continue to receive priority with the Twelfth Finance Commission (TFC).

1 INTRODUCTION

TERMS OF REFERENCE, APPROACH, AND DATABASE

Vide letter No.TFC-12025, dated May 20, 2003, the Twelfth Finance Commission (TFC) commissioned the National Institute of Public Finance and Policy (NIPFP) to carry out a study on two aspects of the finances of urban local bodies, viz., to quote from the letter (1) "a study of the best performing states with a view to understand the factors that have contributed to their success and how far they could be replicated in other states", and (2) "a comparative study of the impact of the SFCs recommendations on state finances and measures needed to augment the consolidated funds accordingly". The terms of reference required the NIPFP to *inter alia* examine—

- ① the principles of devolution of state governments' resources to the urban local bodies;
- ② the principles of devolution to different levels and *inter-se* share of urban local bodies at each level;
- ③ the principles for determining the grants-in-aid recommended for urban local bodies;
- ④ norms for own revenue generation prescribed for the urban local bodies; and
- ⑤ measures taken by state governments to augment resources especially from those taxes and duties that were either partially or fully assigned to urban local bodies.

The text of the terms of reference is appended.

The results of the study are contained in this report titled as *India's Municipal Sector*. The report is laid out in five sections. Section 2 introduces the municipal sector as it has evolved and

developed in the country with reference to its size, i.e., the numbers of municipalities¹ together with their population; their role, functions, and fiscal powers; and the functional and fiscal relations between municipalities and other tiers of government.

The performance of municipalities in the different states is assessed and analyzed in Section 3 of the report. While accepting the proposition that there will inevitably be inter-state differentials in the performance of municipalities, this section attempts to explain why the performance level of municipalities in some states has been so markedly different from that in the other states. Performance measured in terms of several indicators – laid out later in the section - is assumed to reflect the impact of the amendment of Article 280 of the Constitution, insertion of Part IX A into the Constitution, and of the numerous initiatives that have been taken by the state governments, and municipalities themselves, for improving the functioning and finances of municipalities.

Section 4 of the report looks at the impact of the recommendations of the finance commission of states (SFCs) on the finances of state governments. It is implied here that while the state governments may transfer additional spending responsibilities to municipalities as a follow-up of the Constitution (seventy-fourth) Amendment Act, 1992, on efficiency considerations, they may instead of effecting a change in their revenue-raising powers, chose to expand the portfolio of grants and different forms of transfers to enable municipalities fulfil their new spending responsibilities. To the extent this step places a burden on the finances of state governments, there would exist a case for supplementing the resources of the state governments. This section attempts to estimate the incremental load on state government finances, arising out of the recommendations of the SFCs and on account of other mandates. This section also compares the principles set by the SFCs for devolving states resources upon municipalities, as also between municipalities.

The concluding section examines the implications of the results of this study for the Constitutional mandate of the Twelfth Finance Commission (TFC) which is to suggest "measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State". Although the mandate of the Commission focuses on the *measures* needed to augment the consolidated fund of the states, precedents exist whereunder the mandate has been used to supplement the resources of the states, to specify the

¹ Municipalities for purposes of this study refer to local bodies that are statutorily classified as urban.

use to which the supplementary resources may be utilized, and to also allocate the resources between states using different criteria. Following the precedents set by the Tenth Finance Commission and more comprehensively by the Eleventh Finance Commission (EFC), this section, using the results of the study, lays out the options for the Twelfth Finance Commission (TFC) to determine (i) the level and objectives of the financial support for municipalities, (ii) the criteria that may be used for allocating the financial support between states, and (iii) other measures that might contribute to the strengthening of the finances of municipalities.

Approach and Database

This study on *India's Municipal Sector* has its roots in Article 280(3)(c) and Part IX A of the Constitution, which *inter alia* provide for, and signal, important shifts in the functional and fiscal relations between municipalities and the central and state governments. Forming a part of what has been labeled as the largest decentralization exercise in the country² - comparable to the 1882 Resolution of Lord Ripon - the new Constitutional provisions in respect of decentralization, apart from according to municipal governments a Constitutional legitimacy and recognition, are aimed at expanding their role and scope of spending responsibilities and putting in place a stable and predictable fiscal arrangement between municipalities and the state governments. The pace and depth of decentralization has, however, been different in the different states; some states have incorporated the decentralization agenda in a larger measure compared to others. The finance commission of states (SFCs), constituted in accordance with Articles 243 I and 243 Y of the Constitution, too have approached the issue of determining the fiscal base of municipalities in ways that differ widely across states. In this study, we focus on the impact of decentralization as embodied in the new Constitutional provisions firstly, on the financial performance of municipalities in the different states,³ and secondly, on the finances of state governments. Recognizing that the performance of municipalities is the result not only of the Constitutional

² India is not the only country to have moved towards a structure of decentralized governance. Of the 75 developing countries with populations greater than 5 million, all but 12 claimed to have embarked on some form of transfer of fiscal authority from central and provincial to local governments. This transfer of power has been occurring even in inherently centralized countries. The World Development Report on Entering the 21st Century notes that localization - the desire for self-determination and the devolution of power is the main force "shaping the world in which development will be defined and implemented" in the first decade of this century. See, William Dillinger 1994. *Decentralization and its Implications for Urban Service Delivery*. The World Bank, Washington, D. C. For similar initiatives in Asian countries, see Annexure to Section 2, Box 3.

³ The canvas of the Constitution (seventy-fourth) Amendment Act, 1992 is much larger than what this study is concerned with. Other important aspects of the Amendment relate to the local electoral processes, composition of local bodies, and establishment of District Planning Committees and Ward Committees.

provisions, but equally of other initiatives, an attempt is made here to capture them in the analysis.

Measuring performance of municipalities in such a framework is a complex activity, explained in part by the fact that they are governed and regulated by state statutes reflecting state governments priorities and values, and in part by the depth of decentralization. Moreover, there are no nationally-accepted norms or measures that would permit a comparison of municipal performance across states.⁴ Internationally too, measuring the impact of decentralization on local governments is seen as a difficult exercise, and as Robert Ebel notes, comparing the degree of fiscal decentralization is difficult “because it requires identification of sub-national autonomy and discretion on expenditure and revenue arrangements”. Quoting Richard Bird, he further adds that “if one cannot be confident of measuring the independent variable, then one cannot state with much confidence that decentralization is associated with one or more outcomes.”⁵ Most cross-country studies, however, utilize the local (sub-national) share of total government spending or revenue in Gross Domestic Product (GDP) as a measure of municipal performance. We utilize the same as the principal measure,⁶ using it in ways that points to performance in terms of the (a) proportion of expenditure that municipalities can meet out of their own-source revenues, (b) discretion in utilizing state government transfers and grants-in-aid to the extent it is possible to distinguish general-purpose grants from conditional and other grants, and (c) the level of discretionary expenditures viz., those expenditures that are directed to service operations and maintenance. We have extended the analysis further to identify the factors that might explain the differential performance of municipalities in different states, and to also explain the extent to which their performance is exogenously driven or is influenced by endogenous factors.

⁴ Municipal expenditure norms were developed in 1963 by a Committee known as the Zakaria Committee; these norms have been widely used to assess the levels of municipal underspending. However, the Zakaria Committee norms have lost their relevance in the context of the technological changes in municipal services. See, Report of the Committee of Ministers constituted by the Central Council of Local Self Government, 1963. Augmentation of Financial Resources of Urban Local Bodies, New Delhi.

⁵ Robert Ebel and Serder Yilmaz, 2002. On the Measurement and Impact of Fiscal Decentralization. The World Bank Institute, Washington D. C.

⁶ The value of this measure may, in fact, be of limited value when assessing the tax autonomy of municipal governments. According to OECD, fiscal discretion is greatest when sub-central governments are free to determine both the taxable base and the rates of a particular tax, without any aggregate limits. See, OECD Taxing Powers of State and Local Government, Paris.

Measures of Municipal Performance⁷

- *Municipal revenue receipts*
 - *Own revenue receipts.*
 - *Intergovernmental transfers including grants.*
- *Municipal revenue expenditures*
 - *Levels of discretionary expenditures.*
 - *Expenditure on salaries and wages.*

The impact of decentralization involving a change in tax assignment and intergovernmental transfers is assessed here in terms of the *outgo* from the consolidated fund of the states. Intergovernmental transfers are an important source of financing and maintaining municipal services, and accrue to municipalities to compensate them for actions that are taken by state governments, e.g., abolition of a local tax or salary adjustments, or to simply bridge the vertical gap arising out of a mismatch between expenditure and tax assignment for meeting the cost of service provision - a kind of a price subsidy, and to meet the state-led or nationally - prescribed mandates. Prima facie, these transfers have important links with the fiscal policies of states. However, the state finance statistics (SFS) do not distinguish between different forms of transfers; for example, these are bundled under a common budget head in the SFS, i.e., compensation and assignments to local bodies causing a serious handicap to a proper understanding of their role in state governments finances. Likewise, the municipal finance statistics (MFS) often do not provide a breakdown of what proportion of grants is meant as a compensation as distinct from other grants and specific-purpose transfers. We use here firstly, the recommendations of the finance commission of states (SFCs) in order to identify the approaches underlying the recommended devolution packages. We supplement it with the actual outgo effected by states either in response to the recommendations of the SFCs or independently. The latter are used to assess the incremental load on state governments finances.

Data for this study pertain to five years beginning with 1997/98, purposely chosen to assess the effect of the recommendations of the finance commission of states. Municipal finance

⁷ Roy Bahl, while admitting that there are no set of prescribed rules, identifies 11 characteristics for measuring decentralization, which range from the requirement for open local elections to the key question of whether sub-national governments have at least tax rate setting authority over assigned revenues. See his "Implementation Rules for Fiscal Decentralization, 1999.

statistics (MFS) are in an aggregated form, and not for individual municipalities.⁸ These relate to 3734 municipalities having a total population of 250.91 million persons. This sample excludes Census towns and their population, towns in those states where the Constitution (seventy-fourth) Act, 1992 is still to be extended, and towns in the Union Territories. The Census of India, 2001 registered 5161 settlements as urban with a total population of 285.35 million. Of this, 1363 settlements were Census towns which for reasons that they do not have a local body, stand excluded from this study. Details of the sample are given in table below.

Table 1
The Size of the Sample, 2001

State	Number of municipalities	Population
Andhra Pradesh.....	117	18,547
Assam.....	80	2,496
Bihar.....	125	8639
Chattisgarh.....	75	3,905
Gujarat.....	160	17,895
Goa.....	14	410
Haryana.....	84	5,826
Himachal Pradesh.....	56	590
Jammu & Kashmir.....	72	2,489
Jharkhand.....	44	3,792
Karnataka.....	226	17,502
Kerala.....	60	6,045
Madhya Pradesh.....	340	15,602
Maharashtra.....	251	39,312
Manipur.....	28	539
Orissa.....	107	5,232
Punjab.....	139	8,085
Rajasthan.....	184	12,815
Tamil Nadu.....	724	25,883
Tripura.....	13	369
Uttaranchal.....	74	2,041
Uttar Pradesh.....	638	33,380
West Bengal.....	123	19,559
Sample states.....	3,734	250,907

⁸ Municipal finance data have been furnished by state governments. Other data used in this study are from published sources, in particular, the finance accounts and budgets of state governments. It must be re-emphasized that the municipal finance statistics are fragile with many municipalities not maintaining separate heads for capital and revenue expenditures, and also between plan and non-plan expenditures. It is significant that despite the requirement of a balance budget, municipalities show a surplus; the explanation lies in the fact that they do not contribute towards provident fund and other retirement benefits and also hold up remitting other state government dues. This position is confirmed by many of the SFCs who report that even when the financial position of municipalities is grim, they post a revenue account surplus.

Following the Constitution (seventy-fourth) Amendment Act, 1992 and in pursuance of Article 243 Y, the first finance commission of states (SFCs) were set up for the purpose of analyzing the finances of municipalities and making recommendations on (i) the taxes, duties and fees that should be assigned to municipalities, (ii) the taxes, duties and fees that should be shared between the states and municipalities, (iii) the grants-in-aid for municipalities, and (iv) other measures that would strengthen the finances of municipalities. The second finance commission of states were constituted during the years 1998-2000. Of these, the following SFCs have submitted the reports:⁹

State		Period for which recommendations were made
Andhra Pradesh	→	(2002-07)
Himachal Pradesh	→	(2002-06)
Karnataka	→	(2003-08)
Madhra Pradesh	→	(2001-05)
Punjab	→	(2001-05)
Rajasthan	→	(2000-05)
Tamil Nadu	→	(2002-07)
Uttaranchal	→	(2002-07)

For purposes of estimating the financial load on the finances of state governments, the above eight states constitute the sample. At the same time, as pointed out earlier, data on actual transfers to municipalities have been collected for all states, and are analyzed as a part of this study.

Of the 28 states in the Indian Union, there are no municipalities¹⁰ in Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, and Sikkim even when there are towns. For the reason that there are no municipalities, they are outside of the scope of this study.¹¹ Further, while the provisions of the Constitution (seventy-fourth) Act, 1992 are not extended to Jammu & Kashmir, the data on the finances of municipal areas as furnished by the state government have been incorporated into the analysis.

⁹ The finance commission of several other states, notably Kerala, Maharashtra, and Uttar Pradesh are reported to have submitted their reports. However, for the reason that these are still to be laid before state legislatures, they are not in public domain, and are, therefore, not used in this study.

¹⁰ The Constitution defines a municipality as an institution of self-government constituted under Article 243 Q. A municipal area means the territorial area of a municipality as is notified by the Governor of the state.

¹¹ It will of interest to ascertain as to how the Eleventh Finance Commission (EFC) made recommendations in respect of towns in Arunachal Pradesh, Meghalaya, Mizoram, Nagaland and Sikkim where the Constitutional amendment is yet to come into force.

Annexure to Section 2

- ① *A study of the best performing States with a view to understand the factors that have contributed to their success and how far they could be replicated in other States.*
- ② *A comparative study of the impact of SFCs recommendations on state finances and measures needed to augment the consolidated funds accordingly. This may, inter alia, include the following—*
 - (a) *Principles of devolution of State government's resources to the Urban Local Bodies;*
 - (b) *Absolute amounts devolved from State government to Urban Local Bodies. If these are more than the devolutions before the Constitutional amendments, a commensurate augmentation of the Consolidated Fund of the State would be required;*
 - (c) *Amount devolved as percentage share in tax/non-tax revenues of the States – augmentation of the Consolidated Fund of the State in this case would benefit both the States and the Urban Local Bodies;*
 - (d) *Specific taxes/duties collected by the State government but fully assigned to the Urban Local Bodies – are there any incentives to the State government to augment such revenues?*
 - (e) *Principles for devolution to different levels and inter-se share of the Urban Local Bodies at each level;*
 - (f) *Principles for determination and amounts of grants-in-aid recommended for Urban Local Bodies;*
 - (g) *Measures taken by State governments to augment revenues into the Consolidated Fund in general and taxes and duties fully or partially assigned to Urban Local Bodies in particular; and*
 - (h) *Norms for own revenues generation prescribed for the Urban Local Bodies.*

*Annexure to Section 2
Decentralization Initiatives*

- | | | | |
|---|--------------------|---|---|
| ① | <i>Cambodia</i> | - | <i>Law on the Administration and Management of Commune/Sangkat, January 12, 2001 and Sub-Decree on Decentralization of Powers, Roles and Duties to Commune Sangkat Councils, February 21, 2002.</i> |
| ② | <i>India</i> | - | <i>The Constitution (seventy-fourth) Amendment Act on Municipalities, 1992.</i> |
| ③ | <i>Indonesia</i> | - | <i>Law No.22 of 1999 regarding regional governments and Law No.25 of 1999 concerning the fiscal balance between the Central Government and the Regions.</i> |
| ④ | <i>Japan</i> | - | <i>Decentralization Promotion Law of 1995 and Decentralization Promotion Plan, 2000.</i> |
| ⑤ | <i>Korea</i> | - | <i>Local Autonomy Law, 1995.</i> |
| ⑥ | <i>Pakistan</i> | - | <i>Local Government Ordinance, 2001.</i> |
| ⑦ | <i>Philippines</i> | - | <i>The Local Government Code of 1991.</i> |
| ⑧ | <i>Thailand</i> | - | <i>The Decentralization Plan and Process Act of 1997.
The Decentralization Master Plan of 2000.</i> |
| ⑨ | <i>Sri Lanka</i> | - | <i>The 13th Amendment to the Constitution, 1987.</i> |
| ⑩ | <i>Vietnam</i> | - | <i>Decree No.93/2001/ND-CP of December 12, 2001, on decentralizing state management powers in some fields to Ho Chi Minh City Government.</i> |

2 MUNICIPAL SECTOR IN INDIA

Evolution of Municipalities

Municipal institutions in India have a history of over 300 years,¹² which by no consideration is long compared with the rise of the city-state of Athens, or the endowment of a corporate status upon cities in the Roman Empire, or even the development of the borough system in England during 1200-1500 A. D. Over the 300 years of history, the municipal system in India has seen many landmark developments, beginning with the period preceding the Lord Ripon's resolution of 1882, which saw the setting up of a municipal corporation in Madras (1688 AD),¹³ followed by the formation in 1726 of municipal bodies for Calcutta and Bombay and reconstitution of Madras municipality, the passage of Act X of 1842 that provided the first formal measure of municipal organization, and Act XXVI of 1850 under which municipalities were made responsible for conservancy, road repairs and lighting, the framing of bye-laws, and their enforcement by fines, and were endowed with powers of taxation including of the levy of indirect taxes.

The Lord Ripon's resolution of 1882¹⁴ occupies an important place in the development of a representative municipal system in India. A key feature of the resolution lay in its emphasis on political education as the primary function of local government. The resolution read: "It is not primarily with a view to improvement in administration that this measure is put forward and

¹² According to Richie Cadler, municipal authority was fairly well established during the Indus Civilization of 3000 B. C. However, municipal institutions in the sense they are understood now, owe themselves to the Lord Ripon's Resolution of 1882.

¹³ The Directors of the East India Company while recommending the constitution of Madras Corporation, observed that "the people would more willingly and liberally disburse five shillings towards the public good being taxed by themselves, than six pence imposed by our despotical powers...". The expectations of the Directors that local self-government would stimulate local taxation were, however, not met. The inhabitants objected to new taxes.

¹⁴ See, Hugh Tinker, 1967. *The Foundation of Local Self-government in India, Pakistan and Burma*. Lalvani Publishing House, Bombay.

supported. It is chiefly designed as an instrument of political and popular education".¹⁵ Lord Ripon's resolution provided for the management of local functions and services to be placed with municipal committees and suggested that these committees be entrusted with adequate financial resources. In the words of K. M. Panikkar, "Lord Ripon's reform of local self-government laid the basis of local and municipal self-government, which soon took firm roots in India, and became the groundwork of democratic institutions in higher spheres."¹⁶

The Royal Commission on Decentralization set up in 1906 made a number of suggestions on the decentralization of functions and powers. However, it was the Government of India's resolution of 1918 that endorsed the suggestions made by the Royal Commission, and proposed an *orderly development* of local governments in India. Under the Government of India Act, 1919, local government became a government head; the Act laid down the tax powers of local government which comprised toll; land tax and tax on land values; tax on buildings; tax on vehicles and boats; tax on menials and domestics; tax on animals; octroi; terminal tax; tax on trade, professions and callings; tax on private market; and tax on municipal services, such as water supply, lighting, drainage, and public conveniences. Subsequent developments in local finance, it must be underlined, have not been able to come up with a better scheme of local taxation than the one laid down in the Government of India Act, 1919. The Government of India Act, 1935 ended the dyarchic administration and assigned local self-government, under a new federal arrangement, to the provinces. The 1935 Act enumerated the powers of the central government and the provinces, entrusting the responsibility of defining the functions and tax powers of local governments to the provinces.¹⁷

Following the model of the Government of India Act, 1935, the Constitution of India, 1951 allocates the powers and functions of the government between the Union (the central) and the state governments. Article 246 relating to the subject-matter of laws states that the Parliament has exclusive powers to make laws with respect to any of the matters enumerated in

¹⁵ Lord Ripon regarded the reform and rejuvenation of local self-government as the greatest achievement of his vice-royalty. Although he argued that "if local government is to have any vitality, then it should evolve out of local circumstances; if it has to be created artificially, at least it should be planned in detail by local administrators, and not be imposed by the central government". However, "the Viceroy was almost alone in his liberalism". See Tinker.

¹⁶ K. M. Panikkar, 1961. Foundations of New India. London.

¹⁷ Note should be made here that Goa, Diu and Daman inherited the municipal traditions of Portugal where a municipal administration is said to have come into being in 1511 A.D; in Pondicherry, French traditions dominated, traces of which persist even today.

list 1 in the Seventh Schedule (referred to as the Union list); and that the legislature of any state has exclusive power to make laws for such state or *any part thereof* with respect to any of the matters enumerated in list 2 in the Seventh schedule (referred to as the state list); and the Parliament and state legislatures have power to make laws with respect to any of the matters enumerated in list 3 of the Seventh schedule (referred to as the concurrent list), with over-riding powers resting with the Union government.

Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, districts boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration is a subject of the state list (Entry 5) of the Seventh schedule. It is under this provision that the state governments have enacted laws governing local governments including the municipal corporations and other local authorities. In addition, there are several entries in the state list which constitute a part of the functional jurisdiction of local governments. We shall elaborate on this later.

The Constitution (seventy-fourth) Amendment Act, 1992 marks an important watershed in the development of the municipal system in India. It gives to municipalities a Constitutional recognition, hitherto denied under the Constitution; lays down the parameters for the constitution of municipalities, and defines how these might be composed. While it maintains the prerogative of the state legislature on their powers, functions and responsibilities, the Constitution provides an illustrative list of functions in Schedule 12 that it considers appropriate for municipalities as also an institutional arrangement under which the revenue base of municipalities may be determined. However, besides acquiring a Constitutional status, legitimacy, and protection, municipal system in India, as we show later, has not undergone any structural change. Admitting that like many social and political institutions, local government systems do not change easily, there are little signs of any redistribution or realignment of powers between municipalities and state governments. Without questioning the merits of decentralization and simultaneously affirming that local government reform is an integral part of the decentralization strategy, large segments of the government administration appear to believe that maintaining the status quo or even reinforcing the mechanisms of control over the local government system is preferable to stronger local governments.¹⁸ For their growth and

¹⁸ The lack of enthusiasm for local autonomy is probably an outgrowth of a variety of converging social and political factors.

development as a third tier of governance, the National Commission set up to review the working of the Constitution of India proposed that municipalities should have a set of *exclusive functions*, and the concept of a distinct and separate tax domain for municipalities should be recognized. Only then will the municipalities be able to serve as institutions of local self-government.¹⁹ Acceptance of this recommendation, it should be pointed out, will alter the basic character of the Constitution, and have major implications for intergovernmental relations.²⁰

Box 4

What is a municipality?

In a legal sense, a municipality is a body politic, created by the incorporation of the people of a specified jurisdiction and invested with subordinate powers of legislation, for the purpose of assisting in the civil government of the state and of regulating and administering its local and internal affairs.²¹ There are many other definitions; however, there is consensus on certain characteristics. These are—

- (i) a formal act of incorporation in conformity with either the constitutional or statutory requirements;*
- (ii) grant of power over the people within a prescribed area;*
- (iii) a corporate name and a seal to authenticate the acts of the corporation; and*
- (iv) the right of local autonomy although it is not regarded as an absolute right.*

The corporate existence of a municipality springs from the fact that it is a creature of the state and a product of its law. Subject to the restrictions contained in either the Constitution or the statute, the state legislature has virtually unlimited authority to create such legal entities. The state retains the right to specify the conditions under which municipal corporations come into being.

The municipality is a product of legislation. Its formal articles of incorporation are contained in its charter and in the general law. The charter is a grant of power from a superior, the state, to a group of persons who are authorized to act in a corporate capacity for the people of a given area. Although there is variation in the law between states, the law usually contains the following elements: (i) the powers of the municipality, (ii) the form of government, (iii) the distribution of powers between different departments, (iv) the manner in which powers may be exercised, and (v) the qualifications of the voter and procedure for holding of elections.

Municipalities perform their tasks in a corporate capacity. They have no inherent powers, but instead obtain their jurisdiction from a series of miscellaneous sources.

¹⁹ Report of the National Commission to Review the Working of the Constitution, 2002.

²⁰ Only a few countries have a discrete list of functions and fiscal powers for municipalities. Brazil and Nigeria are among the list of such countries where municipalities draw powers directly from the Constitution.

²¹ Encyclopaedia of Social Sciences, Vol.XI, Article "Municipal Corporation".

The Demography of Urban Centres

Although among the family of nations India is a low-urbanized and moderately urbanizing country, it is endowed with a large urban system consisting of 5161 urban settlements of different sizes. In 2001, India had a total urban population of 285.4 million persons or 27.8 per cent of the total, having risen from the 1991 base of 217.2 million at a deceptively low annual exponential rate of 2.73 per cent.²² Successive decades have seen the numbers of urban settlements and the population living in them go up, at rates that have at times been in line with global trends, and occasionally at variance with them in either direction. The process of urbanization in India, as many demographers predict, is likely to persist at least until 2030 A. D. when India will achieve a 50 per cent level of urbanization.

There are several aspects of the process of urbanization that directly bear on this study—

- ① *the definition of urban*: the Census of India classifies an area as urban on the fulfillment of either of the two conditions; (b) all settlements that are notified by the state government as a municipality, corporation, notified area committee etc; and (c) all settlements that satisfy the following criteria: (a) a minimum population of 5,000 persons, (b) at least 75 per cent of male working population engaged in non-agricultural economic pursuits, and (c) a population density of at least 400 persons per sq.km. These settlements are called Census town.

Table 2
Statutory and Census Towns

Year	Number of towns		Total
	Statutory	Census	
1981.....	2758	1271	4029
1991.....	2996	1693	4689
2001.....	3798	1363	5161

This way of defining an area or settlement as urban has created two sets of urban areas in the country: municipal towns, and Census towns. Municipal towns are statutory and governed by the state laws, while the Census towns are *generally* administered and regulated in accordance with the provisions of state laws applicable to Panchayats. *For this study, only those urban settlements*

²² The low rate of urban population growth during 1991-2001 when India achieved close to 6 per cent GDP annual growth has been a subject of intense debate, both within and outside India.

that have a municipality constitute the sample. Other urban settlements, i.e., Census towns numbering 1363, 26 per cent of the total number of urban centres, with a population of 21 million persons are outside the scope of the study.

- ② *the stability in the status:* in view of the fact that the power of notifying an area or settlement rests with the state governments, they also have the discretion of de-notifying an urban settlement into rural. For instance, in 2001, 445 settlements were declassified from the urban category, and 1138 erstwhile rural settlements were notified as urban. Such flexibility with the state governments make the position in respect of the numbers of municipalities and consequently the population living in them, extremely fluid.
- ③ *spatial unevenness in urban growth:* there is a wide variation in the level of urbanization and rate of urban population growth between states. States such as Haryana, Punjab and Tamil Nadu whose level of urbanization is higher than the national average, are continuing to post higher than the national average growth rate. The other extreme is represented by states which are at a low level of urbanization and are not experiencing any demographic pressures (also see table at the end of this Section).

Table 3
A Typology of Urban Growth in India

Level of urbanization, 2001	Annual exponential growth rate %, 1991 to 2001		
	High	Medium	Low
High.....	Gujarat, Goa Haryana Maharashtra Punjab Tamil Nadu		West Bengal
Medium.....	Karnataka	Madhya Pradesh Rajasthan Bihar	Andhra Pradesh Kerala Jharkhand
Low.....	Assam Chattisgarh Jammu & Kashmir Uttar Pradesh	Himachal Pradesh	Orissa

- ④ *growing imbalances in the size-class distribution of urban population:* the size-class distribution of urban population given in table below, shows an increasing concentration of population in cities of over 100,000 population. In 1991, cities with over 100,000 population accounted for 56.68 per cent of the total urban

population; in 2001, this percentage had risen to 61.48 per cent.²³ On the other hand, the share of small towns has been consistently declining. The population size effect, as we shall see later, exercises a serious impact on the finances of municipalities.

Table 4
Size Class Distribution of Urban Population

	Year 1991		Year 2001		AAGR (%)	
	Number of urban centres	Urban population in million	Number of urban centres	Urban population in million	1981-91	1991-01
Million + (UA's).....	23	70.99	35	107.82	5.22	4.18
Class I.....	322	122.29	423	172.04	3.87	3.41
Class II.....	421	28.76	498	34.43	2.66	1.80
Class III.....	1161	35.27	1386	41.97	2.72	1.74
Class IV.....	1451	21.08	1560	22.60	1.76	0.70
Class V.....	971	7.39	1057	7.98	0.64	0.77
Class VI.....	289	0.97	227	0.80	-1.52	-1.93
Total (I to VI).....	4615	215.77	5151	279.84	3.14	2.60

Note:

1. Year 1991 does not include the population of Jammu & Kashmir.
2. Year 2001 does not include the population of 10 urban centres in Gujarat.

Source:

1. Statement 1, page 30, Part II-A(ii)-A Series, Table A4, Series 1 - India, Census of India for 1991 data.
2. For 2001, data provided on CD by the Registrar General of India, Census of India 2001, India.

²³ The explanation for increasing concentration of population in the + 100,000 population size category lies in what is called the "size class jumping phenomenon"; most cities have a tendency to graduate into the next higher size category, although some may fall to the lower category as well.

Table 5
Urban Growth Pressures

State	Urban population (million)		AAGR (%)	Level of urbanization (%)		Share of urban population (%)	
	1991	2001		1991	2001	1991	2001
India.....	217.55	285.36	2.71	25.70	27.78	100.00	100.00
Andhra Pradesh.....	17.89	20.50	1.37	26.89	27.08	8.22	7.19
Assam.....	2.49	3.39	3.09	11.10	12.72	1.14	1.19
Bihar.....	6.71	8.68	2.57	10.40	10.47	3.09	3.04
Chattisgarh.....	3.07	4.18	3.09	17.40	20.07	1.41	1.46
Goa.....	0.48	0.67	3.32	41.03	49.78	0.22	0.23
Gujarat.....	14.25	18.90	2.83	34.49	37.35	6.55	6.62
Haryana.....	4.06	6.11	4.11	24.63	29.00	1.86	2.14
Himachal Pradesh.....	0.45	0.60	2.82	8.68	9.79	0.21	0.21
Jammu & Kashmir.....	1.78	2.51	3.42	22.81	24.88	0.82	0.88
Jharkhand.....	4.64	5.99	2.55	21.25	22.25	2.13	2.10
Karnataka.....	13.91	17.92	2.53	30.92	33.98	6.39	6.28
Kerala.....	7.68	8.27	0.74	26.39	25.97	3.53	2.90
Madhya Pradesh.....	12.27	16.10	2.72	25.27	26.66	5.64	5.64
Maharashtra.....	30.54	41.02	2.95	38.69	42.40	14.04	14.38
Manipur.....	0.51	0.57	1.19	27.54	23.86	0.23	0.20
Orissa.....	4.24	5.50	2.61	13.38	14.97	1.95	1.93
Punjab.....	5.99	8.25	3.19	29.55	33.95	2.75	2.89
Rajasthan.....	10.07	13.21	2.71	22.88	23.38	4.63	4.63
Tamil Nadu.....	19.08	27.24	3.56	34.15	43.86	8.77	9.55
Tripura.....	0.42	0.54	2.52	15.31	17.02	0.19	0.19
Uttaranchal.....	1.63	2.17	2.84	23.17	25.59	0.75	0.76
Uttar Pradesh.....	25.97	34.51	2.84	19.67	20.78	11.49	12.09
West Bengal.....	18.71	22.49	1.84	27.48	28.03	8.60	7.88
Sample states.....	206.82	269.30	2.64	24.92	26.83	95.07	94.37

Note: It includes the numbers and population of the Census towns alongwith Municipal towns, and also of the towns in the Union Territories, and therefore, will not tally with Table 1.

Functional Jurisdiction of Municipalities

Entry 5 of the State list in the Constitution empowers the state governments to lay down the functions, powers and responsibilities of municipal governments. Accordingly, the state governments, out of the powers and responsibilities enumerated in the State list (Seventh Schedule), have assigned certain functions and duties to municipalities. Typically, these have consisted of public health and sanitation (Entry 6), burials and cremations and cremation grounds (Entry 10), libraries, museums and other similar institutions controlled and financed by the state (Entry 12), communications, i.e., roads and bridges (Entry 13), water supplies, drainage and embankments subject to the provisions of Entry 56 of the Union list (Entry 17), and

markets and fairs (Entry 28).²⁴ The main functions with which the municipalities are associated and which are generally, though not uniformly, performed by them include services that have the characteristics of *private goods*, e.g., water supply, sewerage and drainage, and conservancy and sanitation, and others that are in the nature of *public goods*, e.g., street lighting and municipal roads. In addition, the municipalities are vested with a number of regulatory duties and often even with the development of markets, commercial complexes, and the like. Several municipal corporations have a larger functional domain which consist of running hospitals and dispensaries, electricity generation and distribution, and bus transport services.²⁵ The key point is that these functions conform to the text book division of functions between the three tiers of government,²⁶ which says that local authorities are the “best to supply local public goods”, and which owes itself, among others, to Adam Smith who on this subject wrote “were the streets of London to be lighted and paved at the expense of the treasury (national), is there any probability that these would be so well lighted and paved as they were at present”. The domain of municipal functions, however, is neither discrete or absolute; these is a built-in concurrency between the functional domain of state governments and municipalities. In practice, few municipalities have assumed all these responsibilities, and disparities among jurisdictions are large. The functional domain of municipalities has witnessed periodic shifts and changes, on account of the withdrawal of functions from municipalities (e.g., water supply and sewerage), or equipping them with new responsibilities such as poverty alleviation.

The incorporation of Schedule 12 into the Constitution has, not infrequently, been understood to mean that the municipal functional domain has acquired some sort of a discrete character, apart from an expansion of its portfolio. Several observations are called for here. One: the functions and duties enumerated in Schedule 12 are *not* in addition to what the

²⁴ Provision of water supply and drainage in several states has either been taken over by state governments (e.g. Rajasthan) or transferred to parastatal agencies. It is also a shared responsibility in a few states.

²⁵ The functional domain of municipalities is highly varied and complex, consisting of such subjects and tasks as public administration and establishment which, in the case of larger municipalities, is broken into department of public administration; office of the Secretary, audit; security; public education, food samples; epidemics; births and deaths; gardens; slaughter houses; and a host of others.

²⁶ The most basic issue associated with expenditure assignment is the division of spending responsibilities. What are the key functions of the government, and which level of government should carry out which functions? There is no best system of expenditure assignment or service decentralization. Local preferences, household mobility, economies of scale, spillover effects, and political considerations suggest what will be feasible for a particular country. International experience shows that stable systems of intergovernmental relations are characterized by clearly stated expenditure assignment rules, rather than by the subjective decisions and murky assignments that define the intergovernmental system in many countries. See Richard Bird, Robert D. Ebel and Christine I. Wallich, 1995, Decentralization of the Socialist State, World Bank, Washington D. C.

municipalities were responsible for in the pre-1992 period. In fact, there is substantial overlap between the functions that the municipalities were responsible for in the pre-1992 period and those that are listed in Schedule 12.²⁷ Of the 18 functions enumerated in Schedule 12, 11 formed a part of the municipal domain even in the pre-1992 period. These are: regulation of land use and construction of buildings; roads and bridges; water supply for domestic, industrial and commercial purposes; public health, sanitation, conservancy and solid waste management; fire services; provision of urban amenities and facilities such as parks, gardens and playgrounds; burials and burial grounds; and cremation grounds and electric cremations; cattle pounds, prevention of cruelty to animals; vital statistics including registration of births and deaths; public amenities including street lighting, bus stops, and public conveniences; and regulation of slaughter houses and tanneries. Even the remaining functions incorporated in Schedule 12 are possible to be traced to either the State list or as shown later, the Concurrent list in the Constitution. We show in Chart 3 how many of the Schedule 12 functions are linked to municipal functions enumerated in state laws. Chart 3 is illustrative.

Two: the significance of Schedule 12 functions for municipalities lies not so much in enlarging the scope of municipal operations as in the fact that many of the functions are drawn from the Concurrent list of the Constitution. At the minimum, it would suggest that there is a group of functions, wherein there is *concurrency* of interests by all the three tiers of government, i.e., the Central government, state governments and municipal governments. The 1992 Constitutional amendment, however, is vague in that it does not spell out the nature of responsibilities that are required of local governments in respect of such functions as planning for economic and social development (Entry 20), protection of the environment and promotion of ecological aspects (Entry 17 A and B), and safeguarding the interests of weaker sections of the society (Entry 16), and the tasks that are to be performed by the central and state governments.

Chart 1
Schedule 12 Functions in the Concurrent List

Function	Entry
Planning for economic and social development.....	20
Urban forestry, protection of the environment and promotion of ecological aspects.....	17(A and B)
Safeguarding the interests of the weaker sections of the society, including the handicapped and mentally retarded.....	16
Cattle pounds and prevention of cruelty to animals.....	17
Vital statistics including registration of births and deaths.....	30

²⁷ Much of the confusion has arisen on account of the fact that many state governments have incorporated the 12th Schedule functions into the state laws – either as they are or in parts, without ascertaining if these formed a part of the state laws operating in the pre-amendment period.

Three: many of the functions listed in Schedule 12 have distributional attributes, which, on the one hand, represents a major departure from the past, and, on the other hand, marks a deviation from the typical Musgrave model of fiscal federalism. It is extensively argued in fiscal federalism literature that redistribution in a federal system is a central function. Musgrave,²⁸ for instance, argued in his seminal book that distributive adjustments at local levels are possible to be nullified by interstate movements, adding further that conflicting goals for redistribution between levels of government could result in a continuous set of adjustments and readjustments without reaching an equilibrium.²⁹ For this reason, functions such as poverty alleviation, environment protection and preservation, and even slum upgradation have continued to be within the ambit of the central and state governments with a minimal role for municipalities. The Constitutional amendment has altered this position, without any formal or informal suggestion on how these might be financed, with what tax bases, and with what intergovernmental transfer arrangements.

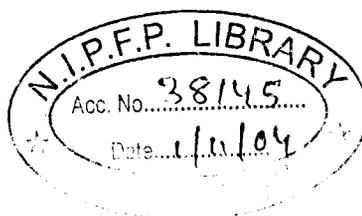
²⁸ R. A. Musgrave, 1959. *The Theory of Public Finance*, McGraw-Hill, New York.

²⁹ In many Nordic countries, local governments have the responsibility for redistributional functions typical of a welfare state. Such governments use income taxation as their main source of income. In both these respects, fiscal federalism in Nordic countries constitutes a departure where the distributive brand of the budget is reserved for central governments and local governments are assigned a less mobile tax base or restricted to use only benefit taxes.

Chart 2
Linking Schedule 12 Functions with State List and Concurrent List

Function	Constitutional provision
Urban planning including town planning.....	
Regulation of land-use and construction of buildings.....	Subject 35 of state list*
Planning for economic and social development.....	Subject 20 of concurrent list
Roads and bridges.....	Subject 13 of state list
Water supply for domestic, industrial and commercial purposes.....	Subject 17 of state list
Public health, sanitation, conservancy and solid waste management.....	Subject 6 of state list
Fire services.....	
Urban forestry, protection of the environment and promotion of ecological aspects.....	Subject 17 A and B of concurrent list*
Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.....	Subject 9 of state list*
Slum improvement and upgradation.....	Subject 16 of concurrent list
Urban poverty alleviation.....	
Provision of urban amenities and facilities such as parks, gardens, and playgrounds.....	
Promotion of cultural, educational, and aesthetic aspects.....	Subject 33 of state list
Burials and burial grounds, cremations, cremation grounds and electric crematoriums.....	Subject 10 of state list
Cattle pounds, prevention of cruelty to animals.....	Subject 16 of state (also included Subject 17 of concurrent list)*
Vital statistics including registration of births and deaths.....	Subject 30 of concurrent list
Public amenities including street lighting, parking lots, bus stops and public conveniences.....	
Regulation of slaughter houses and tanneries	

Note: There are several functions in Schedule 12 that have no clear link with either the State list or the Concurrent list. However, urban planning can be seen as a part of regulation of land use; urban poverty alleviation can be considered a part of planning for economic and social development; slum improvement and upgradation could be considered a part of construction of buildings; and provision of urban amenities can be seen as a part of promotion of aesthetic aspects.



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Chart 3
Linkage of Schedule 12 Functions with Municipal Functions Listed in State Laws

State	F u n c t i o n s						
	Safeguarding the interests of weaker section of society, including the handicapped and mentally retarded	Slum improvement and upgradation	Urban poverty alleviation	Promotion of cultural, educational and aesthetic aspects	Urban planning, including town planning	Planning for economic and social development	Urban forestry, protection of the environment and promotion of ecological aspects
Goa	provisions for lunatics, leprosy patients etc.	Construction of sanitary dwellings for poorer classes		Providing music for people; contribution towards construction & establishment of educational institutions, libraries, museumsetc.			
Haryana	Establishment of creches for children of women of weaker section						Prohibition of cultivation, use of manure or irrigation injurious to health
Karnataka	Providing shelter for destitute women; housing destitute orphans and destitute cripples	Constructing and maintaining suitable sanitary houses for the habitation of the poor and granting loans for their construction or improvement		Constructing, establishing or maintaining libraries, museums etc., providing of music or other entertainment in public places; maintenance of art galleries		Revival or promotion of cottage industries; promotion, formation, extension or assistance of cooperative societies	Planting and maintaining of road-side trees
Kerala	Organize campaign for thrift; voluntary workers for participation and collective activities; neighbourhood groups and self help groups with focus on poor; camps against social evils on issues like dowry, abuse of women and children; legal awareness among weaker sections			Promoting communal harmony; campaign against economic offences	Preparation of detailed town planning and action plan	Ensuring peoples participation in all stages of development; development of cooperative sector	Maintenance of environmental hygiene; including environment awareness to seek local action

Contd..

State	F u n c t i o n s						
	Safeguarding the interests of weaker section of society, including the handicapped and mentally retarded	Slum improvement and upgradation	Urban poverty alleviation	Promotion of cultural, educational and aesthetic aspects	Urban planning, including town planning	Planning for economic and social development	Urban forestry, protection of the environment and promotion of ecological aspects
Madhya Pradesh	Providing for maintenance and treatment of lunatics and lepers at asylum, hospital or house; establishing ashrams for destitutes, blind, crippled, lame, disabled and old persons; establishing and maintaining poor house	Construction of sanitary dwellings for poorer classes		Constructing, establishing or maintaining educational institutions, libraries, museums etc. furthering educational objects; playing of music in public places			Planting and maintaining of road-side and other trees
Uttar Pradesh	Removing social disabilities of weaker sections; control of beggary			Establishing and maintaining or granting aid to institutions of physical culture; contribution towards construction and establishment of educational institutions, libraries, museums, etc.	Preparing and executing a Master Plan	Taking measures to promote trade and industry	Planting and maintaining trees on roadside and other public places
West Bengal	Construction and maintenance of old age homes, asylums etc.; low cost dwellings for socially backward classes, shelter for homeless; liberation and rehabilitation of scavengers; income generating activities for women of socially backward classes.	Regulating limits of bustee; preparing improvement schemes, layout plan for sanction of erection of hut, etc.; encouraging participation of owners and occupiers		Promotion of music, physical education, sports, theatre, civic education, adult education, social education, etc.	Preparation of Master Plan		Reclamation of waste lands, maintaining nurseries for plants, vegetables and trees, promoting pisciculture, horticulture, poultry, etc.; flower shows

Source: State Municipal Acts.

Revenue Base of Municipalities

The Constitution of India does not lay down the revenue base for municipalities. The power to determine their revenue base – be it the tax authority, tax base, tax rate setting, local tax autonomy, or even the grants-in-aid and other forms of transfers rests with the state governments. Within this framework, the state governments have specified the taxes that the municipalities can levy and collect, which historically³⁰ have comprised taxes on land and buildings (Entry 49); taxes on the entry of goods into a local area for consumption, use or sale therein (Entry 52); taxes on advertisements other than advertisements published in newspapers (Entry 55); taxes on animals and boats (Entry 58); tolls (Entry 59); taxes on professions, trades, callings and employment (Entry 60),³¹ and taxes on entertainment (Entry 62). In addition, there are charges, fees and fines forming the non-tax base of municipalities (Entry 66).

Chart 4
Tax Jurisdiction of Municipalities

Tax	Entry in State list
Taxes on lands and buildings.....	49
Taxes on the entry of goods into a local area for consumption, use or sale therein.....	52
Taxes on the consumption and sale of electricity.....	53
Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television.....	55
Taxes on animals and boats.....	58
Tolls.....	59
Taxes on professions, trades, callings and employment.....	60
Taxes on luxuries, including taxes on entertainment, amusements, betting and gambling.....	62
Fees in respect of any of the matters in the State list.....	66

Note: Few municipalities in India levy all these taxes.

Taxes on property and taxes on the entry of goods into a local area for consumption, use or sale therein (octroi) form the backbone of municipal tax base. Between the two, municipal governments have shown a preference for *indirect taxes and levies* like octroi compared to *direct taxes* such as property taxation, even when the latter is rated to be a suitable form of taxation on account of its incidence being localized. At one time property taxation was so important that scholars theorized that the expenses of government could be funded from site rents. Henry George who worked on this subject – his work later come to known as Henry George Theorem

³⁰ Multilevel finance is not an old discipline in economics. Prior to the World War II, the subject was treated in connection with taxes on property.

³¹ In the early years of the 20th century, several local bodies in India levied a tax on persons assessed according to circumstances and property. Besides this, there was a tax called the Haisiyat tax. It has been argued

(HGT) - concluded that at an optimal population size, the site rents should equal the cost of collective goods.³² Taxes on the entry of goods into a local area (octroi) are among the more buoyant and elastic of the local taxes and are currently levied in parts of Gujarat³³ and Maharashtra, and Punjab.

Transfers from the higher to lower tiers of government are an outstanding, and perhaps the most significant feature of public finance and instrument for making local financial adjustments. Transfers form an important component of the revenue base of municipalities although the importance of transfers varies between states and often even between municipalities falling within the same state. As a proportion of municipal governments revenues, transfers are high or low, depending on their revenue-raising powers, the efficiency with which these are used, and of course, the spending responsibilities of municipal governments. A tax on the entry of goods into a local area for consumption, use or sale therein (octroi) exercises a phenomenal difference to the role of transfers in the finances of municipalities. Earlier studies on the subject show that transfers to the extent these are possible to be identified, account for 8 per cent to 65 per cent of municipal government revenues. Many of the transfers, it should be noted, are not possible to be separately accounted, as these are absorbed directly into state government expenditures.

An important feature of transfers to municipalities is its discretionary nature. Unlike the Constitutional provisions that lay down the revenue-sharing arrangement between the central and state governments, there exist no statutory provisions in the state municipal laws which define the conditions under which transfers should take place from the state governments to municipalities. Since local government (Entry 5 in the State list) is a state subject and spending responsibilities and taxation powers of municipalities are determined by state governments, it is *assumed* that state governments have the obligation of bridging the gap between what the municipalities are able to raise by way of taxes, charges, levies, etc. and what they need to fulfil their spending responsibilities, with the proviso that such a gap is worked out on sustainable normative considerations and not attributable to inefficiencies and fiscal profligacy. Transfers are made for other purposes as well.

³² See Henry George, 1879. Progress and Poverty.

³³ Octroi continues to be levied in the municipal corporations of Gujarat and Maharashtra. The Government of Punjab which permits municipalities to levy octroi is said to have taken a decision to abolish octroi, and is currently exploring the possibility of bringing on the statute a new tax called the Local Area Development Tax.

The revenue base of municipalities in Indian states has shown little signs of any change, notwithstanding the Constitution (seventy-fourth) Amendment Act, 1992; indeed, octroi – a major revenue for municipalities - has been abolished without being substituted by any other local source, and as will be commented upon later, has substantially dented the revenue base of municipalities in such states as Haryana, Orissa, and Rajasthan.

It is important to point out that while the municipal revenue base in India may fulfill the criteria for the determination of a local tax base, e.g., the principles of residence and benefit taxation, low mobility, and stability over the period of business cycle, and while it may even create a link between service use and tax payment, it is controlled and regulated by state governments. Rate capping and control over municipal spending and taxation are commonly observed. Most state governments lay down local tax policies, including policies relating to the choice of tax rates or determining who to include or exclude from payment of taxes. Absence of autonomy or low discretion coefficient, in matters relating to tax rate setting, is one of the key features of the functioning of municipal governments.³⁴

³⁴ State limits on local revenue raising authority is, of course, not new nor only a feature of India's federal structure. In the USA, property tax limits began in the 19th century, originating in Rhode Island (1870).

Chart 5
Revenue Powers of Municipalities Across Major States

State	T a x		F e e
	Compulsory	Discretionary	
Andhra Pradesh	Property: (lighting*, water*, scavenging*, drainage*, general purposes*), vehicles, duty on transfer of immovable property, animals	Advertisement	Advertisement fee, mutation fee, registration fee, market fee, trade licence fee, compounding fee, slaughter house fee, licence fee
Assam		Property: (water*, lighting*, drainage*), markets, toll on bridges, transfer of property	Licence on carts, carriages, animals, dogs and cattles, boats, betterment, firebrigade, public health
Bihar	Duty on transfer of property	On persons in sole or joint occupation of holding according to their circumstances and property, property: (water*, lighting*, latrine*), vehicles, animals, profession, dog	Registration of dogs, carts, vehicles, vessels
Goa	Consolidated property tax: (general*, general water*, lighting*, sanitary*), advertisement, profession, theatre	Vehicles, boats, animals, toll on vehicles and animals not under above, dogs, garbage treatment tax, latrine, drainage, special water tax, pilgrim, special education tax, octroi	
Gujarat		Property, vehicles, boats, animals, motor vehicles, octroi, dogs, special and general sanitary cess, lighting, sale of cattle in market, betterment levy	Registration fee, license fee, swimming bath fee, slaughter house fee, building construction fee, shop registration fee, water or connection fee, cattle pound fee
Haryana	Property, octroi, duty on transfer of immovable property	Profession, vehicles, animals, dog, show, toll on vehicles, boats, consumption of electricity	License fee, building application fee, teh bazari fee, extension fee, advertisement fee, slaughter house fee, cattle pound fee, registration fee, street fee
Himachal Pradesh	Property, duty on transfer of immovable properties	Profession, non-motorized vehicles, animals, dog, show, toll on vehicles, boat, consumption of electricity, advertisement, building application, education cess	Pilgrim, drainage, lighting, scavenging, latrines, nature and cost of internal service
Karnataka		Property, advertisement, boats, animals, lighting, toll on vehicles, duty on transfer of immovable property	License fee (building, trade, hotel), building betterment fee, birth and death registration fee, food and adulteration fee, slaughter house fee, compounding fee
Kerala		Property: (water*, general purposes*, lighting*, drainage*, sanitary*), profession, animals, vessels, show, advertisement, timber, transfer of property	License fee, building fee, dangerous and offensive trade license fee, market fee, slaughter house fee
Madhya Pradesh	Property, water, light, sanitary cess, fire, local body tax on entry of goods	Latrine, conservancy, drainage, profession, vehicles, animals, toll on vehicles and animals not mentioned above, betterment, pilgrim, persons occupying houses, buildings, land according to circumstances and property, toll on new bridges, entertainment, advertisement, terminal	License fee, market fee animal registration fee hotel/restaurant license fee, composting fee, teh bazari fee, building application fee, compounding fee

Contd..

State	T a x		F e e
	Compulsory	Discretionary	
Maharashtra	Consolidated property tax: (general*, general water*, lighting*, sanitary*), octroi, profession, theatre, advertisement.	Vehicles, boats, animals, toll on vehicles and animals not under above, dog, latrine, drainage, special water tax, pilgrim, special educational tax, tax on fire brigade	License fee, slaughter house fee, building permission fee, fee for sale of goods, water connection fee, warrant fee, PFA license fee, cattle pounds fee, swimming pool fee, birth & death registration fee, betterment/development fee
Orissa		Property: (latrine*, water*, light*, drainage*), animals, vehicles, profession, poll, octroi, education (under education or profession)	License fee advertisement fee, registration fee, market fee, slaughter house fee, pound fee, dog registration fee, cart stand fee, building planning fee
Punjab		Property, profession, vehicles, animals, menial domestic servants, scavenging, building application	License fee slaughter house fee, building application fee, composition fee, teh bazari fee, connection fee, copying fee
Rajasthan	Property, octroi, professions and vocations	Vehicles and other conveyance, dogs, animals, toll on vehicles, boats, scavenging, latrine, sanitary, lighting, water, trade and calling, artisans	Advertisement fee, permission fee, license fee, registration fee, cattle pound fee, bus stand fee, copying fee
Tamil Nadu		Property, profession, carriage and animals, care, advertisement, servants (hill stations)	License fee (building, hotel, restaurant, dangerous & offensive trade), market fee, slaughter house fee, cart stand fee, encroachment fee
Uttar Pradesh		Property, trade, calling, vocation remunerated by salary or fees, entertainment, vehicles, boats, dogs, animals, inhabitants assessed on property and circumstances, (water*, drainage*), scavenging, conservancy, transfer of property	
West Bengal	Property, advertisement, vehicles, toll of ferries and bridges, profession		License fee, advertisement, building planning/development fee, house connection fee, permission fee, market/slaughter house fee, birth & death registration fee, fees from burning ghats

Source: State Municipal Acts.

Note:

1. Vehicles imply non-motorized vehicles, unless otherwise specified.
2. Rajasthan: Tax on trade and calling is different from tax on profession and vocation which is a compulsory tax.
3. *Included under a consolidated property tax.

3 MUNICIPAL SECTOR PERFORMANCE

Introduction

Measuring the performance of municipalities which are recognized as the third tier of government under the Constitution but whose functions, powers, and responsibilities and the degree of autonomy that they are permitted to exercise are determined by state governments, is a complex activity. As we noted earlier, there are important *inter-state* differences in municipal functions, powers and responsibilities as also in the nature of state-municipal fiscal relationships. Many municipalities also have a larger role in the national and regional economic affairs which impact on their revenue base and expenditure patterns. With this framework, we analyze here the performance of municipalities and attempt to seek explanations why municipalities in some states perform differently compared to others. We assume that the performance values reflect the effect of the Constitution (seventy-fourth) Amendment Act, 1992, as well as of Article 280 (3) (a) together with the state and municipal-level initiatives taken to improve the finances and functioning of municipalities. We begin with an assessment of the size of the municipal sector, and follow it up with an analysis of its performance on a state-wide basis, using a set of indicators given below—

- ① *Internal resource generation (own resources)*, i.e., the performance of municipalities using resource generation as a criterion over a period of five years. We utilize here (a) per capita own revenues, and (b) annual average growth rates, as key measures.
- ② *Municipal revenue receipts*, consisting of not only the own revenue component, but also transfers from the higher tiers of government. On the reckoning that transfers serve several purposes and do not necessarily point to “dependency”, we undertake here, to the extent data permit, a disaggregated analysis of transfers as a criterion of performance.

- ③ *Revenue expenditures*, the level of expenditure is used as a proxy for the level of services; we analyze it in two parts: (a) discretionary component which is expenditure on operations and maintenance of services, and (b) non-discretionary component, i.e. expenditure on establishment and salaries and interest payments.
- ④ *Revenue-expenditure gap*, over time.

Additionally, we look at later in the section, the initiatives taken by state governments and municipalities for improving the finances and functioning of municipalities. Although not formally linked to the Constitutional amendment, many of the initiatives form a part of the overall urban reform process which is aimed at improving resource mobilization, fiscal discipline at the level of municipalities, and accounting and budgeting systems.³⁵ We conclude the analysis with collating the results, with explanations underlying the differential performance of municipalities in different states.

Size of the Municipal Sector

As a preface to assessing the performance, it is useful to point out that the fiscal role of municipalities in India's macroeconomic framework has rarely been systematically assessed. What the municipalities spend and what they generate from the revenue-raising powers given to them under the state-level statutes, has been historically looked at in a narrow, local context. The tax reforms initiated in the post-1991 period involving reduction in income tax rates, rationalization of custom duties and excises, and tax simplification, followed by efforts to shift over to a value-added tax regime, were not extended to municipal tax regime. Property taxes, for instance, were not even referred to as a constituent of the family of taxes. It is in this context that the fiscal performance of municipalities is assessed here, using municipal own revenues and expenditure as key measures.

In 2001/02, the size of the municipal sector measured in terms of revenues that the municipalities generate by way of levy of taxes, duties, fees and fines was estimated at Rs.12,748 crore.³⁶ These revenues formed 3.07 per cent of publicly-raised resources, the shares of the

³⁵ The Government of India have floated three funds, namely, the Urban Reforms Incentive Fund (URIF), City Challenge Fund (CCF), and Pooled Financing Development Fund (PFDP) and amended the Income Tax Act to allow municipalities to issue tax free bonds.

³⁶ Adjusted for the total urban population of all states.

central government and all state governments combined being 57.5 per cent and 39.5 per cent respectively. As a per cent of the combined gross domestic product (GSDP), own revenues of municipalities represented 0.63 per cent.

Over the five-year period, the size of the municipal sector has registered a marginal expansion, both in terms of its share in the total publicly-raised revenues and combined GSDP. Municipal share in the total revenues of the three tiers of government has risen from 2.84 per cent in 1997/98 to 3.07 per cent in 2001/02, while relative to GSDP, its share has increased from 0.61 to 0.63 per cent during the same period.³⁷ Municipal own revenues (nominal terms) have risen at an annual average growth rate of 10.32 per cent. The same conclusion emerges when we look at the aggregated expenditure levels of municipalities. As a proportion of the combined gross domestic product of states (GSDP), municipal expenditures have risen gradually from 0.74 per cent in 1997/98 to 0.75, 0.77 and 0.75 per cent respectively in the successive years.

Table 6
Revenue Significance of Municipalities

Year	Municipalities own revenue (Rs.crore)	Per cent of GDP	Relative shares of own revenues (%)		
			Municipalities	State governments	Central governments
1997/98.....	8,434.9	0.61	2.84	33.4	63.8
1998/99.....	9,451.7	0.59	2.97	34.3	62.7
1999/00.....	10,372.7	0.59	2.80	34.4	62.8
2000/01.....	12,018.4	0.63	2.98	35.1	61.9
2001/02.....	12,748.1	-	3.07	39.5	57.5

Note: Figure for municipal own revenues are adjusted to reflect the revenues for all statutory towns and cities.

³⁷ International comparisons of local government revenues are usually hazardous; however, we present here some figures on the position of local government revenues relative to other tiers of government and relative to the country's GDP.

Revenue Importance of Three Levels of Government, 1993-1996		
Country	% of local government revenues	% of local government revenues to GDP
Australia.....	5.21	0.02
Austria.....	17.43	0.10
Brazil.....	4.31	0.05
Canada.....	12.15	0.10
Germany.....	13.42	0.10
Mexico.....	5.58	0.01
South Africa.....	10.55	0.04
Spain.....	10.61	0.06
Switzerland.....	20.72	0.10
United States of America.....	15.87	0.09

Source: Robert Ebel in Freire Mila and Richard Stren (Eds.), 2001.
The Challenging of Urban Government: Policies and Practices,
World Bank Institute, Washington D.C., USA.

It is natural to ask as to which states have contributed most to the improved performance of municipalities and what factors would explain this performance. We address these questions in the next sub-section, but two comments on the aggregate performance may be necessary. One: municipal sector in India in terms of what the municipalities generate and what they spend is *tiny*, and represent in a sense the inter-governmental allocation of functions and fiscal powers between the three tiers of government under which the municipalities have access to relatively less buoyant and less elastic sources of revenues. This conclusion stays even on the assumption that inefficiencies in matters relating to tax collection at the municipal level may be higher in comparison with the other two levels.³⁸ At the same time, the fact that the performance of municipalities measured on the criterion of municipal own revenues/expenditure relative to the combined GSDP has improved over the five year period – even if it is a marginal improvement – can not be denied. Two: although municipal revenue expenditures have risen at an annual average growth rate of 10.0 per cent – a shade lower than the own revenues of municipalities – these are grossly insufficient for maintaining services at minimum levels. Compared with the Zakaria Committee norms, the current level of municipal expenditure, placed at Rs.577 per capita in 2001/02, is about 130 per cent lower; underspending of this magnitude is one of the key manifestations of the low level of services in India's cities and towns. The Zakaria Committee norms, it should be noted, relate to water supply, sewerage and sewage disposal and storm water drainage, roads and footpaths and other services, but excludes garbage collection which is a major local government expenditure.³⁹ In estimating the deficit, observed expenditure on garbage collection have been reckoned as a norm.

Revenue-Based Performance

Internal resource mobilization is the principal criterion for measuring the performance of municipalities. It represents the combined effect of the fiscal powers and sector's capacity

³⁸ There is no robust empirical evidence that tax inefficiencies at the level of municipalities are higher. However, the evidence from the USA does indicate that there may at this level be greater inefficiencies; indeed, because of this, reliance on user charges has increased in the USA while the role of taxes in maintaining municipal services has declined. See, Edward G. Goetz et. al. 1993. *The New Localism: Comparative Urban Politics in a Global Era*. Sage Publications. A recent study on property taxes in India also shows that property tax collections to tax demanded are 50 to 55%, while taxes collected by states yield a better collection ratio.

³⁹ The Zakaria Committee average annual norms for maintaining municipal services at 2001/02 prices are Rs.194.69 for water supply; Rs.218.8 for sewerage; Rs.37.63 for roads; and Rs.52.79 for street-lighting. In comparing with the current levels of municipal expenditures, adjustments have been made to account for expenditure on establishment and such services as garbage disposal which are otherwise not accounted for in the Zakaria Committee recommendations.

utilization. It is also a measure of the capacity of municipalities to be able to effectively put to use their fiscal powers. Municipalities in India have added Rs.4141.56 crore to their 1997/98 own revenue base; here we analyze the state-wide position: which states contributed most to the own revenues of municipalities, using per capita own revenues and annual average growth rates. Table 7 gives the requisite data.

Table 7
Internal Resource Generation

State	Internally generated resources (Rs.lakh), 2001/02	Per capita (Rs.), 2001/02	AAGR 1997/98 to 2001/02	As a % GSDP	
				1997/98	2001/02
Andhra Pradesh.....	71,745.7	386.8	14.5	0.42	0.48
Assam.....	3,825.8	153.3	9.1	0.12	0.12
Bihar.....	3,408.4	39.5	(-)2.7	0.07	0.07
Chattisgarh.....	12,555.3	321.6	*11.3	-	0.41
Goa	1,858.7	510.6	15.9	0.20	0.26
Gujarat.....	1,44,849.2	809.4	5.1	1.30	1.16
Haryana.....	12,106.9	207.8	3.6	0.27	0.20
Himachal Pradesh.....	1,978.9	335.6	14.5	0.13	**0.15
Jammu & Kashmir.....	1,199.0	48.2	21.5	0.05	**0.08
Jharkhand.....	1,496.2	39.5	*10.7	-	**0.05
Karnataka.....	56,349.7	322.0	25.2	0.29	0.51
Kerala.....	22,432.8	371.1	11.2	0.29	0.29
Madhya Pradesh.....	29,437.0	188.7	(-)4.1	0.44	0.36
Maharashtra.....	587,058.3	1493.3	11.9	1.88	2.16
Manipur.....	224.0	41.6	(-)3.7	0.12	0.06
Orissa.....	10,176.8	194.5	3.8	0.27	0.24
Punjab.....	75,381.2	932.4	20.2	0.69	1.07
Rajasthan.....	10,339.7	80.7	(-) 27.8	0.49	0.12
Tamil Nadu.....	92,013.0	355.5	9.9	0.60	0.62
Tripura.....	217.7	58.9	19.6	0.03	0.04
Uttaranchal.....	2,320.6	113.7	*10.0	-	-
Uttar Pradesh.....	26,551.0	79.5	11.2	0.12	0.14
West Bengal.....	42,201.7	215.8	8.1	0.31	0.27
Sample states.....	12,09,727.8	482.1	10.5	0.65	**0.71

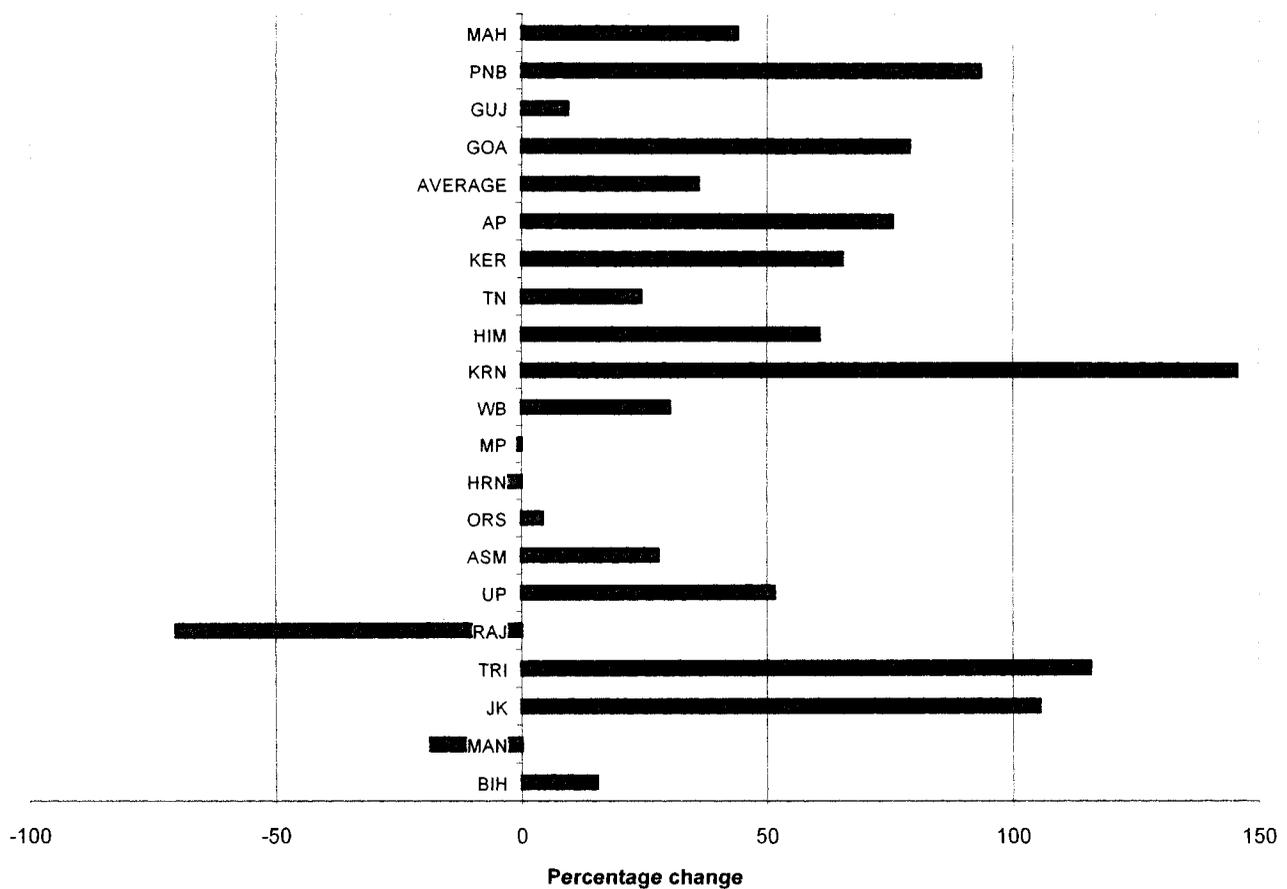
Note: *AAGR for these states are for one year, i.e., 2000/01 and 2001/02.

**For 2000/01.

The table shows a large variation in the performance of municipalities based on the criterion of own revenues: municipalities in Bihar having an annual per capita revenue generation of Rs.39.5 compared with Rs.1493 - this being the revenue generated by municipalities in Maharashtra. There are states - Goa, Gujarat, Maharashtra and Punjab among them - whose per capita own revenue averages are close to or in excess of the country-wide average of Rs.482

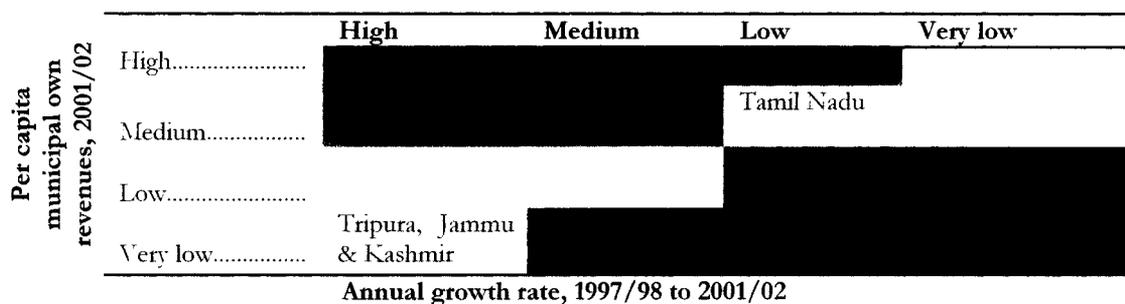
per capita. Many states have posted high annual growth in own revenues which include Andhra Pradesh, Karnataka, Kerala, Maharashtra, Punjab and Uttar Pradesh. If we classify the states using the per capita and annual growth rates together, we obtain a configuration which shows that Punjab, Karnataka, Goa, Andhra Pradesh, Maharashtra, Himachal Pradesh and Kerala are among the better performing states, while others, particularly West Bengal, Orissa, Bihar, Haryana, Madhya Pradesh, Rajasthan, and Manipur have not performed well on these two criteria over the five year period under review. The municipalities in the first category contributed 82.2 per cent of the total accretion that took place in the own revenues of municipalities over the 1997/98 and 2001/02 period; other states contributed the balance with at least four states having contributing negatively to the pool of municipal revenues. The per capita own revenues of municipalities in Bihar, Madhya Pradesh, Manipur, and Rajasthan dipped, although in at least three states, these dipped for reasons that were exogenous to the municipal system (e.g., division of the state, abolition of octroi etc.). We shall dwell on this subject later.

Graph 1
Percentage Change in Per Capita Own Revenue Receipts,
1997/98 to 2001/02

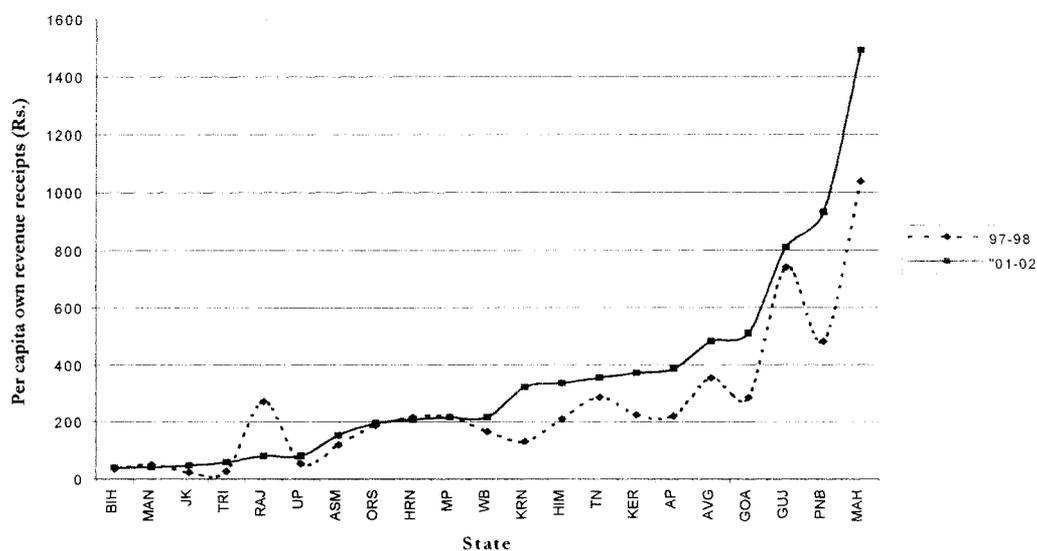


Source: Table MUN RR:21.

Chart 6
Municipal Performance by Municipal Own Revenues
and their Annual Growth Rates



Graph 2
Own Revenue Performance



When municipal own revenues are analyzed relative to state's gross domestic product (GSDP), we note that the link between municipalities and states economies is extremely weak, indeed, almost non-existent in Assam, Bihar, Jharkhand, Rajasthan, and even Uttar Pradesh. Only in a few states such as Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Punjab and Tamil Nadu are the own revenues-GSDP ratios in excess of 0.40 per cent. These ratios have shown a marginal improvement in these states over the five-year period.

Disparities in municipal performance across states are extraordinarily large, and have accentuated over the first, initial phase of decentralization. In 2001/02, municipalities in Maharashtra, for instance, with a share of 14.4 per cent in total urban population account for 48.5 per cent of the total revenue resources that are generated by all municipalities in the country. Municipalities in Gujarat account for 12 per cent of the total municipal own revenue,

while those in Tamil Nadu, Punjab, Andhra Pradesh, and Karnataka raise 7.61 per cent, 6.23 per cent, 5.93 per cent and 4.66 per cent respectively. The share of the remaining states which have over 50 per cent of the country's urban population is a meager 15 per cent of the aggregate revenues raised by all municipalities in the country.

Table 8
Municipal Own Revenues

State	Share in urban population (%), 2001	Share in own revenues (%), 2001/02	Share in net addition to own revenues over 1997/98 to 2001/02
Andhra Pradesh.....	7.39	5.93	7.62
Assam.....	0.99	0.32	0.28
Bihar.....	3.44	0.28	-0.10
Chattisgarh.....	1.56	1.04	3.03
Goa	0.15	0.15	0.21
Gujarat.....	7.13	11.97	6.40
Haryana.....	2.32	1.00	0.39
Himachal Pradesh.....	0.24	0.16	0.21
Jammu & Kashmir.....	0.99	0.10	0.17
Jharkhand.....	1.51	0.12	0.36
Karnataka.....	6.98	4.66	8.64
Kerala.....	2.41	1.85	1.96
Madhya Pradesh.....	6.22	2.43	-1.27
Maharashtra.....	15.67	48.53	53.74
Manipur.....	0.21	0.02	-0.01
Orissa.....	2.08	0.84	0.34
Punjab.....	3.22	6.23	10.08
Rajasthan.....	5.11	0.85	-5.08
Tamil Nadu.....	10.32	7.61	7.29
Tripura.....	0.15	0.02	0.03
Uttaranchal.....	0.81	0.19	2.31
Uttar Pradesh.....	13.30	2.19	0.56
West Bengal.....	7.80	3.49	2.83
Sample states.....	100.00	100.00	100.00

The benefit approach to local government finance implies that the services that they provide and are responsible for, should be paid for by those who benefit from them.⁴⁰ For reasons of efficiency, charges are levied on those who receive the benefits where it is possible to identify the beneficiaries, unless there is a strong policy argument to the contrary. The

⁴⁰ Richard Bird, 1976. Charging for Public Services: A New Look at the New Idea. Canadian Tax Foundation, Toronto.

importance of charging for municipal services goes beyond the revenues that can be collected from such revenues. Notwithstanding its obvious relevance, few municipalities in India make effective use of user charges than would seem necessary and desirable. In 2001/02, the non-tax component was 25 per cent of the total own revenues of municipalities, and although its proportion has risen from 20.95 per cent in 1997/98, it is far too low in relation to the large array of the chargeable services that are offered by municipalities. There is a greater reliance on tax sources whose tax base and rates are almost universally set by the state governments. Examples of a few states are relevant to be especially pointed out. In Andhra Pradesh and Karnataka, municipal effort in accelerating both tax revenues and non-tax revenues over the 1997/98 and 2001/02 period has been far greater than in other states, and is reflected in the annual average growth rates shown in the following table. In other states such as Assam, Bihar, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal, little effort has been made to make use of charges, fees, etc., and this component stays stagnant.

Table 9
Tax and Non-Tax Revenue Growth, Selected States

Selected states	% annual average growth rates, 1997/98 to 2001/02	
	Tax revenues	Non-tax revenues
Andhra Pradesh.....	15.99	13.32
Karnataka.....	24.01	27.03
Punjab.....	20.48	18.95
Maharashtra.....	10.57	19.26

Three points deserve to be emphasized. One: inter-state disparities in the performance of municipalities are extraordinarily large and have risen over the 1997/98 to 2001/02 period. Improvement in the performance of municipalities is limited to a few states such as Andhra Pradesh, Goa, Gujarat, Karnataka, Maharashtra, and Punjab, and to a minor extent, Kerala and Tamil Nadu. Own revenue of municipalities in other states have either stagnated or experienced deterioration in their revenue-raising capacity. Two: even when there is general acceptance of the relevance of the benefit principle, municipalities in India make far less use of user charges than would seem necessary and desirable; further, many of the charges that are levied bear no relationship with the costs that are incurred on service provision.⁴¹ Three: municipalities have weak links with the economy of states; it is evident from the ratio of own revenues to gross domestic product of states (GSDP).

⁴¹ Several state governments have represented that weak accounting systems do not permit them to clearly identify the cost incurred on service provision. In part, it may explain why many municipal services are underpriced.

Transfer-Based Performance

Own revenues of municipalities are supplemented by state transfers to constitute the total fund availability with the municipal governments. The fund represents, on the one hand, municipal revenue-raising effort, and on the other hand, what the state governments consider necessary to transfer in order to enable municipalities maintain and operate services at some acceptable or normative levels. Transfers, as alluded to earlier, have several roles, foremost of them being to bridge the gap, since it would be unusual for the revenue-raising capacity of municipalities to be perfectly matched with their expenditure needs. In principle, such vertical gaps are possible to be closed by assigning additional tax powers to municipalities, or reducing service standards. However, most governments prefer *transfers* which enable municipalities to provide services at prescribed levels, and also to influence their spending patterns and reduce spatial inequalities in services. Here, we analyze the role of transfers in a limited way: to what extent are the state transfers able to supplement the resources of municipalities to enable them perform their mandated functions and responsibilities?

Note should be taken of the fact that during the period 1997/98 to 2001/02, state transfers to municipalities were characterized by a high degree of fluctuation, partly on account of the acceptance by the Government of India and thereafter by state governments of the recommendations of the fifth pay commission and their gradual extension to local bodies, in part due to abolition or part abolition of octroi, and in part by the implementation of the recommendations of the finance commission of states (SFCs). Transfers to municipalities have in the past been marked by unpredictability and instability, and notwithstanding attempts to bring some stability in the intergovernmental relations, transfers have continued to be characterized by trends that are far from secular. Ambiguities between the different components of transfers are also noted, e.g., the lack of distinction between capital account and revenue account transfers and further confusion that is caused by plan and non-plan transfers on many heads.

Table 10
Role of Transfers in Municipal Finances

State	Transfers (Rs.lakh), 2001/02	% of total municipal revenues, 2001/02	AAGR % 1997/98 to 2001/02	Per capita transfers (Rs.), 2001/02
Andhra Pradesh.....	31,784	30.7	12.4	171.4
Assam.....	1,624	29.7	16.7	65.1
Bihar.....	5,559	62.0	-0.50	64.4
Chattisgarh.....	12,624	50.1	-	323.3
Goa	941	33.6	11.0	258.6
Gujarat.....	31,395	17.8	14.6	175.5
Haryana.....	7,892	39.5	18.6	135.5
Himachal Pradesh.....	2,787	58.5	0.7	472.6
Jammu & Kashmir.....	6,162	83.7	16.2	247.6
Jharkhand.....	2,440	62.0	-	64.4
Karnataka.....	60,859	51.9	14.5	347.7
Kerala.....	17,949	44.5	3.4	296.9
Madhya Pradesh.....	37,663	54.8	-2.1	241.4
Maharashtra.....	94,177	13.8	22.8	239.6
Manipur.....	195	46.5	33.1	36.1
Orissa.....	8,047	44.2	22.4	153.8
Punjab.....	8,489	10.1	9.7	105.1
Rajasthan.....	51,703	83.3	38.6	403.5
Tamil Nadu.....	46,770	33.7	-2.8	180.7
Tripura.....	1,100	83.5	5.6	297.8
Uttanchal.....	5,105	63.7	-	250.1
Uttar Pradesh.....	77,488	74.5	14.4	232.1
West Bengal.....	50,203	54.3	14.1	256.7
Sample states.....	562,958	31.7	13.5	224.4

We provide above key statistics that throws light on the role of transfers in the finances of municipalities. There are a number of important features that we note from the table. First: transfers are an important constituent of the finances of municipalities in India, their share in the revenues of municipalities being 31.7 per cent (2001/02). This is, however, the average; municipalities in several states are almost entirely transfer-dependent for running of local services. In this category are those that have historically been dependent on state transfers such as Bihar, Himachal Pradesh, Jammu & Kashmir, Uttar Pradesh, West Bengal, and Tripura; and those whose dependency on state transfers has risen in recent years, e.g., municipalities in Haryana, Orissa and Rajasthan. Second: the importance of transfers in the finances of municipalities has risen over the past five years. The expectation that functional devolution will be accompanied by a corresponding transfer of fiscal powers has not been realized. In the octroi-levying states of Gujarat, Maharashtra and Punjab, transfers as a proportion of total municipal revenues are, as would be expected, low compared to other states, although as would

be seen, transfer have shown a rising trend in Gujarat and Maharashtra, with the abolition of octroi in parts of the states.

Three: from a macro-perspective, it would be expected that the state governments would supplement the resources of municipalities on grounds of an imbalance between expenditure and revenue assignments, or for reasons of cost disadvantage. Thus, if the aggregate per capita annual own revenue of municipalities in Bihar are a bare Rs.39 or in Rajasthan where it has plummeted to Rs.80 in 2001/02 from a high of Rs.272 in 1997/98, and to the extent such low levels are attributable to factors that are exogenous to the municipal system, there would seem to be a justification for inter-governmental transfers. Do such transfers affect the relative rankings of states? The relative rankings of states based on total per capita revenue receipts and per capita own revenues, given in the following table, suggest that transfers impact on the rankings both positively and negatively. What is important to note is that in several instances where municipalities have registered improved performance on the criterion of own revenues, and have therefore a higher ranking, score low when transfers are added to own revenues. Also, several states – specifically Rajasthan have lost out substantially in performance on account of shrinkage of its tax base.

Graph 3
Own Revenue Receipts and State Transfers, 2001/02

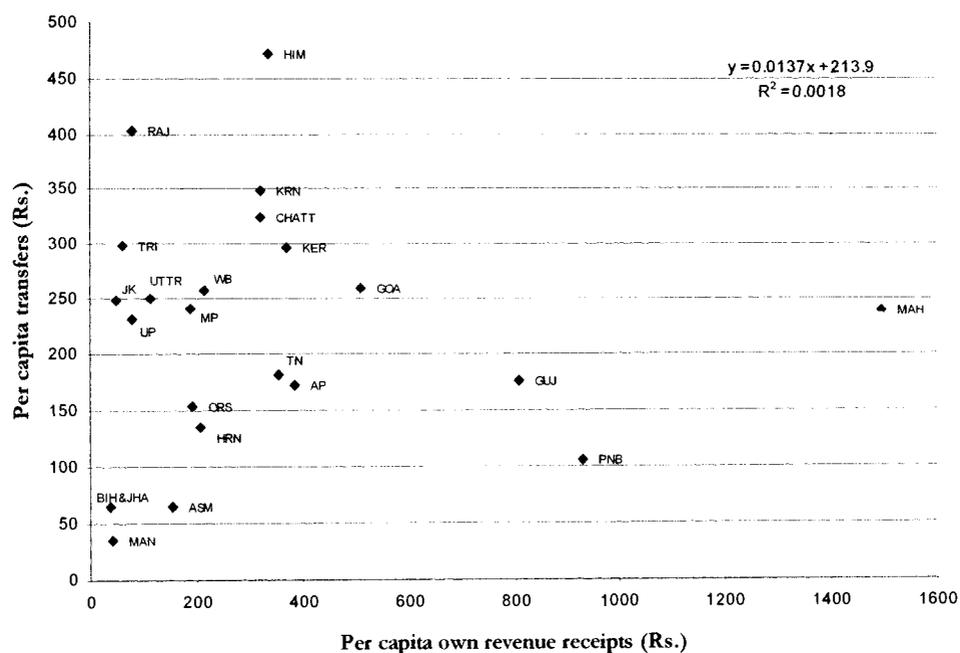


Table 11
Ranking of States on the Criterion of Per Capita Revenue Receipts and
Per Capita Own Revenue Receipts

States	Revenue receipts (Rs.)		States	Own revenue (Rs.)	
	1997/98	2001/02		1997/98	2001/02
Maharashtra.....	1145.25	1,732.89	Maharashtra.....	1037.45	1,493.33
Punjab.....	564.36	1,037.38	Punjab.....	481.95	932.38
Gujarat.....	849.58	984.90	Gujarat.....	740.14	809.45
Himachal Pradesh.....	719.92	808.13	Goa.....	285.16	510.64
Goa.....	461.03	769.20	Andhra Pradesh.....	220.21	386.83
Karnataka.....	348.46	669.70	Kerala.....	224.32	371.11
Kerala.....	469.69	668.05	Tamil Nadu.....	285.86	355.50
Chattisgarh.....	-	644.86	Himachal Pradesh.....	208.75	335.55
Andhra Pradesh.....	326.27	558.20	Karnataka.....	131.12	321.96
Tamil Nadu.....	527.22	536.19	Chattisgarh.....	-	321.55
Rajasthan.....	367.66	484.13	West Bengal.....	165.71	215.77
West Bengal.....	320.78	472.45	Haryana.....	215.33	207.81
Madhya Pradesh.....	484.06	440.88	Orissa.....	186.50	194.50
Uttaranchal.....	-	392.46	Madhya Pradesh.....	216.73	188.67
Tripura.....	268.68	356.75	Assam.....	119.90	153.25
Orissa.....	256.65	348.29	Uttaranchal.....	-	113.67
Haryana.....	292.37	343.27	Rajasthan.....	271.94	80.68
Uttar Pradesh.....	191.79	311.68	Uttar Pradesh.....	53.78	79.54
Jammu & Kashmir.....	172.28	295.77	Tripura.....	27.31	58.93
Assam.....	161.90	219.39	Jammu & Kashmir.....	23.44	48.18
Jharkhand.....	-	103.81	Manipur.....	51.07	41.55
Bihar.....	85.24	103.81	Jharkhand.....	-	39.46
Manipur.....	61.25	77.66	Bihar.....	34.22	39.46

Note: In 1997/98, Chattisgarh, Uttaranchal and Jharkhand did not exist; the figures of the parent states include data for these states as well.

Expenditure-Linked Performance

Revenue expenditure is a proxy for service levels. Higher the expenditure, it is assumed, higher are the levels of services. We look at the expenditure levels of municipalities in terms of size and trends, and also in terms of composition in an attempt to distinguish between expenditure on establishment and wages and salaries, i.e., the non-discretionary component from other discretionary expenditures consisting of expenditures on the operation and maintenance of services. The following table provides the key data in this respect.

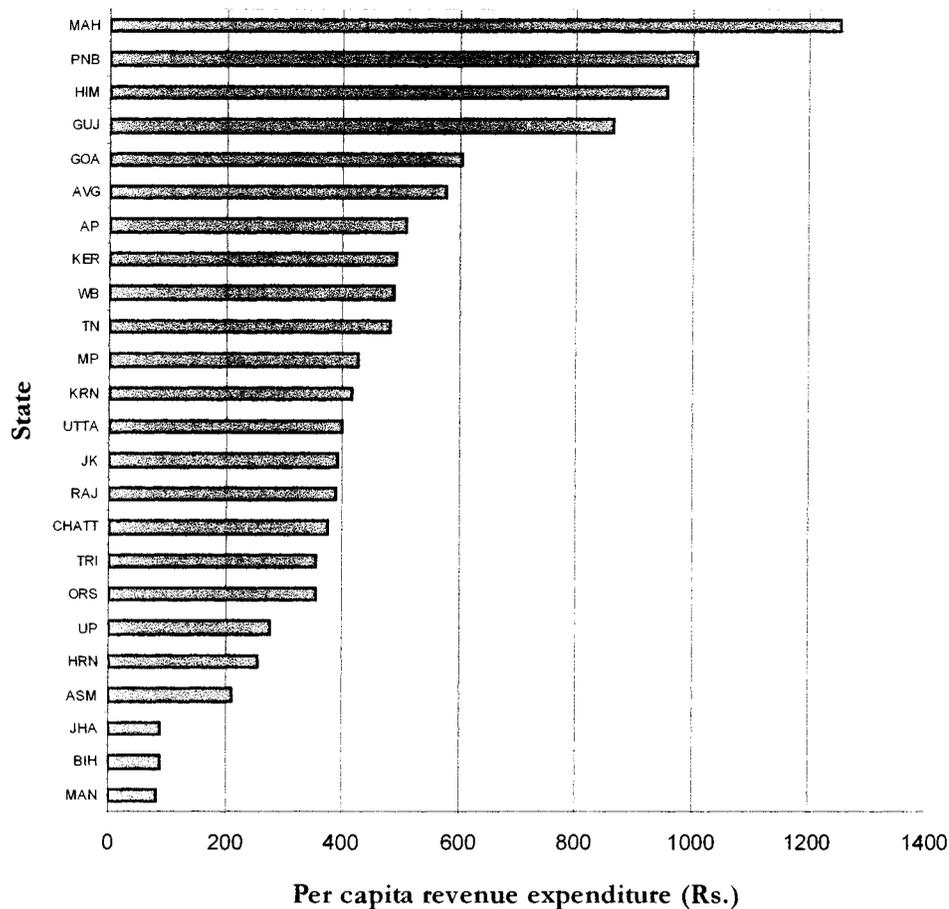
Table 12
Per Capita Revenue Expenditure

State	Per capita revenue expenditure 2001/02	Annual growth rate (%), 1997/98 to 2001/02	% of GSDP, 2001/02
Maharashtra.....	1253.71	6.51	1.82
Punjab.....	1008.12	17.22	1.15
Himachal Pradesh.....	955.45	13.02	*0.38
Gujarat.....	865.12	7.11	1.24
Goa	604.18	13.24	0.31
Andhra Pradesh.....	508.88	14.47	0.63
Kerala.....	493.17	10.65	0.39
West Bengal.....	487.49	10.33	0.61
Tamil Nadu.....	481.79	0.96	0.84
Madhya Pradesh.....	427.66	-2.59	0.82
Karnataka.....	418.29	11.32	0.67
Uttaranchal.....	399.77	-	-
Jammu & Kashmir.....	392.69	19.86	*0.52
Rajasthan.....	390.36	7.30	0.56
Chattisgarh.....	376.07	-	0.49
Tripura.....	356.75	7.09	0.37
Orissa.....	355.06	13.87	0.43
Uttar Pradesh.....	275.18	9.54	0.49
Haryana.....	255.23	1.45	0.25
Assam.....	211.79	5.21	0.16
Jharkhand.....	87.20	-	*0.11
Bihar.....	87.20	5.53	0.15
Manipur.....	81.03	4.90	0.22
Sample states.....	576.71	7.36	*0.85

Note: *The figures are for 2000/01.

The performance of municipalities on the criterion of expenditures runs along the same track as that of own revenues or even total municipal revenues. Maharashtra, Punjab, Gujarat and Goa post relatively high per capita expenditures and higher expenditure ratios to the gross domestic product of states. Other states that show medium levels of expenditures comprise Andhra Pradesh, Kerala, West Bengal and Tamil Nadu. Further examination of the per capita municipal revenue expenditures shows that the expenditure levels are low and depressed in such states as Manipur, Bihar, Jharkhand, Assam, and Uttar Pradesh, and are lower compared to the Zakaria Committee norms even in such states as Himachal Pradesh, Gujarat, Punjab and Goa. On average, underspending in relation to the Zakaria Committee norm is 130 per cent which is one factor that explains the extremely low level of services and consequently, the deplorable living conditions in cities and towns (see Footnote 39).

Graph 4
Per Capita Revenue Expenditure, 2001/02



We analyze below the performance of municipalities on the basis of two supplementary criteria, viz: (i) expenditure on establishment and salaries, and (ii) operations and maintenance expenditure. Note should be made of the staff-intensive activity, nature of municipal operations. For instance, solid waste collection and management is vastly labour intensive, with the exception of a few large cities where mechanized collection has replaced manual lifting of garbage. Therefore, high proportion of expenditure on establishment is commonly observed among municipalities in most states. The state-wide position is given in Table below.

Table 13
Per Capita Expenditure on
Establishment and Salaries

State	Establishment and salaries 2001/02	Annual growth rate (%), 1997/98 to 2001/02
Maharashtra.....	681.72	4.73
Himachal Pradesh.....	477.14	11.92
Punjab.....	411.47	12.65
Gujarat.....	394.46	8.07
Goa.....	366.34	8.23
Jammu & Kashmir.....	344.51	20.13
Madhya Pradesh.....	343.89	-0.33
West Bengal.....	317.70	12.80
Tripura.....	313.52	7.41
Tamil Nadu.....	272.16	5.87
Chattisgarh.....	263.25	-
Uttaranchal.....	254.91	-
Kerala.....	247.90	14.65
Rajasthan.....	246.92	7.56
Karnataka.....	202.92	8.99
Orissa.....	179.64	11.13
Haryana.....	177.93	-0.51
Andhra Pradesh.....	169.34	12.08
Uttar Pradesh.....	165.11	8.35
Assam.....	138.19	5.71
Manipur.....	62.10	7.04
Jharkhand.....	37.24	-
Bihar.....	37.24	-8.85
Sample states.....	312.58	6.70

Expenditure on establishment (salaries and wages) accounts for 54.2 per cent of the total municipal expenditure. In several states, however, it is as high as 80.4 per cent (Madhya Pradesh), Haryana (69.7%), Orissa (50.6%), West Bengal (65.0%), Rajasthan (63.2%), and Uttar Pradesh (60%). Bihar stands with only 43% because of unpaid salaries. There exist no norms with respect to the division of expenditure between establishment and operations and maintenance, and therefore, it is not possible to ascertain if these proportions are, in any way, excessive.

Expenditure on establishment and wages and salaries in several states is in excess of what the municipalities collect by way of taxes, levies, duties etc. These states are unable to recover even the establishment cost, let alone able to maintain services. Inability to recover from taxes and rates and charges even the establishment costs is one of the key failings of municipalities in

India. This is the case with Himachal Pradesh, Madhya Pradesh, Rajasthan, Uttaranchal, Uttar Pradesh, West Bengal, Manipur, and Tripura. They depend on state governments for meeting the establishment costs as may be seen below.

Table 14
Establishment Cost > Own Revenue Income

State	Establishment cost (per capita Rs.), 2001/02	Own revenue income (per capita), 2001/02	% establishment cost > own revenue income, 2001/02
Himachal Pradesh.....	477.14	335.55	42.2
Madhya Pradesh.....	343.89	188.67	82.3
Rajasthan.....	246.92	80.68	206.0
Uttaranchal.....	254.91	113.67	124.3
Uttar Pradesh.....	165.11	79.54	107.6
West Bengal.....	317.70	215.77	47.2
Manipur.....	62.10	41.55	49.4
Tripura.....	313.52	58.93	432.0
Average of sample states.....	312.58	482.14	(-)64.8

An important consideration in assessing the performance of municipalities is the revenue surplus after accounting for establishment costs, i.e., wages and salaries. Higher the surplus, greater is the flexibility and discretion with municipalities for operating and maintaining services. Establishment costs average 54-55 per cent of the total municipal expenditure. However, several states are able to post a higher surplus, and are evidently able to use these surpluses for operation and maintenance of services.

Operations and maintenance of services such as water supply and sewerage systems, management of solid waste, street lights, roads and the like are key functions of municipalities in India these are as in other countries. The level of expenditure on operations and maintenance is an important indicator of the quality of services. The following table shows expenditure on operations and maintenance of municipalities in the different states. On average, operations and maintenance expenditure accounts for 39.93 per cent of the total municipal expenditure. Several states, however, spend substantially higher amounts than the average per capita - Andhra Pradesh, Goa, Gujarat, Himachal Pradesh, Maharashtra and Punjab being among them. The other end where municipal spending on operations and maintenance is low, both in per capita terms as also as a percentage of total expenditure is represented by Assam, Chattisgarh, Manipur, Rajasthan, Tripura, Uttaranchal, and West Bengal. In per capita terms, the operation and maintenance expenditures are abysmally low in Bihar, Jammu and Kashmir. Jharkhand,

Manipur, Tripura, and Uttar Pradesh, and manifest themselves in poor level of municipal services.

Table 15
Operations and Maintenance Expenditure

State	Expenditure (Rs.lakh), 2001/02	% of total expenditure	AAGR %, 1997/98 to 2001/02	Per capita expenditure (Rs.), 2001/02
Andhra Pradesh.....	62169	65.87	16.54	335.20
Assam.....	1797	33.98	6.82	71.96
Bihar.....	4316	57.29	20.91	49.96
Chattisgarh.....	4405	30.00	*8.68	112.82
Goa.....	866	39.37	25.02	237.84
Gujarat.....	67180	43.39	8.56	375.42
Haryana.....	4504	30.29	11.14	77.31
Himachal Pradesh.....	2821	50.06	16.78	478.31
Jammu & Kashmir.....	1199	12.27	21.47	48.18
Jharkhand.....	1494	45.19	*(-)5.60	39.41
Karnataka.....	37693	51.49	16.49	215.37
Kerala.....	13026	43.70	5.43	215.49
Madhya Pradesh.....	13070	19.59	(-)10.83	83.77
Maharashtra.....	171298	34.76	10.19	435.74
Manipur.....	102	23.36	0.38	18.93
Orissa.....	9178	49.41	19.76	175.42
Punjab.....	48239	59.18	25.00	596.65
Rajasthan.....	17336	34.66	8.79	135.28
Tamil Nadu.....	54258	43.51	0.24	209.63
Tripura.....	96	7.26	(-)5.58	25.90
Uttaranchal.....	2957	36.24	9.99	144.86
Uttar Pradesh.....	26638	29.00	16.75	79.80
West Bengal.....	33210	34.83	7.80	169.79
Sample states.....	57785	39.93	10.59	230.31

Note: *Annual change for one year.

Revenue-Expenditure Balance

Municipalities in India are statutorily required to maintain a balanced budget, even a surplus in several states. However, an accurate accounting of municipal finance accounts stands hampered by several factors, owing especially to a cash-based accounting which makes it difficult to track and incorporate outstanding payments, and absence of distinction between capital account and revenue account receipts and expenditures. A number of municipalities in several states do not remit dues to the state governments which enable them to post large surpluses over expenditure. It is important to point out that even when the finances of municipalities are in a

shambles, their accounts show account surpluses. Observations of the State Finance Commission, Rajasthan on this subject are pertinent: “A comparison of the income and expenditure for 1993/94 for individual category of ULBs, though shows a surplus, the reality is different. The ULBs have devised a system for financing these activities by diverting employees PF/Pension amount to other heads of expenditure.....It is clear that the apparent category-wise surplus position reflected by the ULBs do not reflect the truth and in reality, the municipalities at all levels have deficit because of their default on deposition of PF/Pension amount”.⁴² Most states would fall in this category.

Given these limitations, the key conclusions that emerge are—

- ① expenditure levels on services provided by municipalities across states are low when these are compared with the norms established by the Zakaria Committee in 1963. Independent of norms too, average per capita expenditures (daily) ranging between Rs.0.20 and Rs.2.25 can not by any standard, be expected to deliver services that would satisfy the needs of either the urban households or other non-domestic consumers. Although the costs of inadequate services in the Indian context are not estimated, from all accounts, these are high.
- ② own revenues of municipalities are insufficient to meet the revenue account expenditures. With the exception of Maharashtra and Gujarat, there is no state where municipalities are able to raise revenues that are adequate for meeting expenditures. The expenditure-revenue gap is particularly high in such states as Madhya Pradesh, Rajasthan, Uttar Pradesh, and West Bengal.
- ③ while the overall per capita expenditure-revenue gap (expenditure-own revenues) has declined over the period 1997/98 and 2001/02 – per capita expenditure has risen at an annual average growth of 7.36 per cent as compared to a growth rate of 8.60 per cent for revenue receipts—increasing pressures are noted in several states where deficits are large and have simultaneously shown increasing trends, e.g., Rajasthan, West Bengal, Madhya Pradesh, and special states such as Himachal Pradesh, Jammu & Kashmir, and Tripura.

⁴² See pp.227 Report of the First State Finance Commission, Rajasthan (1995-2000), December 1995, Jaipur.

- ④ when we analyze the revenue-expenditure balance by incorporating the state transfers, then, in the aggregate municipalities show a surplus of Rs.132.72 per capita. However, whichever criterion is applied to assess the performance, better performance is observed in the municipalities of Gujarat, Maharashtra, and Punjab, and to some extent of Andhra Pradesh, Karnataka, and Kerala. Municipalities in other states have either stagnated or deteriorated on most fiscal criteria. The principal component analysis method (PCA) which we have used together with the Z-score component index method confirm the results. The results are contained in tables 16 and 17.

Table 16
Principal Component Analysis Method (PCA) and Z-Score Composite
Index Numbers, 1997/98

State	Revenue expenditure (Rs.)	Own revenue (Rs.)	Revenue receipt (Rs.)	Operations and maintenance (Rs.)	PCA index	Z-score composite index
Maharashtra.....	966.10	1037.45	1145.25	324.30	2.8001	10.78
Gujarat.....	650.98	740.14	849.58	298.39	1.7476	6.75
Punjab.....	506.30	481.95	564.36	254.20	0.9089	3.52
Himachal Pradesh.....	567.59	208.75	719.92	271.42	0.9081	3.47
Tamil Nadu.....	463.58	285.86	527.22	248.39	0.6057	2.34
Madhya Pradesh.....	474.37	216.73	484.06	125.85	0.1914	0.71
Kerala.....	322.15	224.32	469.69	164.19	0.0949	0.37
Goa.....	355.80	285.16	461.03	92.25	0.0048	0.01
Andhra Pradesh.....	285.31	220.21	326.27	175.74	-0.0686	-0.24
Rajasthan.....	291.54	271.94	367.66	105.76	-0.1467	-0.56
West Bengal.....	322.52	165.71	320.78	132.11	-0.1951	-0.75
Karnataka.....	265.93	131.12	348.46	124.31	-0.2924	-1.13
Haryana.....	240.85	215.33	292.37	59.29	-0.4612	-1.78
Orissa.....	203.87	186.50	256.65	88.77	-0.4962	-1.90
Tripura.....	268.68	27.31	268.68	32.80	-0.7087	-2.76
Assam.....	171.93	119.90	161.90	61.68	-0.7673	-2.95
Uttar Pradesh.....	187.90	53.78	191.79	43.19	-0.8320	-3.21
Jammu & Kashmir.....	177.44	23.44	172.28	23.44	-0.9458	-3.65
Bihar.....	69.90	34.22	85.24	16.82	-1.1719	-4.51
Manipur.....	66.60	51.07	61.25	19.75	-1.1755	-4.51

Table 17
Principal Component Analysis Method (PCA) and Z-Score Composite
Index Numbers, 2001/02

States	Revenue expenditure (Rs.)	Own revenue (Rs.)	Revenue receipt (Rs.)	Operations and maintenance (Rs.)	PCA index	Z-score composite index
Maharashtra.....	1253.71	1493.33	1732.89	435.74	2.8425	17.27
Punjab.....	1008.12	932.38	1037.38	596.65	1.9565	12.91
Gujarat.....	865.12	809.45	984.90	375.42	1.3455	9.31
Himachal Pradesh.....	955.45	335.55	808.13	478.31	1.1074	8.22
Goa.....	604.18	510.64	769.20	237.84	0.5127	4.70
Andhra Pradesh.....	508.88	386.83	558.20	335.20	0.3376	3.95
Kerala.....	493.17	371.11	668.05	215.49	0.2001	3.01
Karnataka.....	418.29	321.96	669.70	215.37	0.0972	2.47
Tamil Nadu.....	481.79	355.50	536.19	209.63	0.0736	2.34
Chattisgarh.....	376.07	321.55	644.86	112.82	-0.1224	1.17
West Bengal.....	487.49	215.77	472.45	169.79	-0.1357	1.14
Orissa.....	355.06	194.50	348.29	175.42	-0.3508	0.06
Rajasthan.....	390.36	80.68	484.13	135.28	-0.3705	-0.13
Uttaranchal.....	399.77	113.67	392.46	144.86	-0.3883	-0.20
Madhya Pradesh.....	427.66	188.67	440.88	83.77	-0.3695	-0.21
Haryana.....	255.23	207.81	343.27	77.31	-0.5902	-1.37
Jammu & Kashmir.....	392.69	48.18	295.77	48.18	-0.6678	-1.84
Tripura.....	356.75	58.93	356.75	25.90	-0.6833	-1.88
Uttar Pradesh.....	275.18	79.54	311.68	79.80	-0.6874	-1.96
Assam.....	211.79	153.25	219.39	71.96	-0.7680	-2.31
Bihar.....	87.20	39.46	103.81	49.96	-1.0834	-4.00
Jharkhand.....	87.20	39.46	103.81	39.41	-1.1002	-4.11
Manipur.....	81.03	41.55	77.66	18.93	-1.1557	-4.43

What explains such large variation in the performance of municipalities in the different states? To what extent are the variations explained by factors that are endogenous to the municipal system? To what extent are these influenced by or driven by external factors? In seeking explanations, we need to recognize the point made earlier that there are large inter-state differences in the functional and fiscal domain of municipalities. Somewhat crudely, municipalities would seem to fall into three groups: (a) those that have a comparatively larger functional and an equally large fiscal domain; (b) those that have a comparatively larger functional domain, but a narrower functional base; and (c) those that have a larger fiscal domain but a narrower functional jurisdiction. This fact would explain, in a significant way, why the levels of revenue incomes and expenditures are high in Gujarat and Maharashtra and low in other states. Municipalities in Gujarat and Maharashtra are responsible for water supply and

sewerage system; they run hospitals, transport services and other higher order services. Likewise, they have access to octroi which provide to the municipal corporations in these states, large revenues, enabling them to run these services.

Octroi levies are a major determinant of the level of revenue incomes. In the municipal corporations of Gujarat and Maharashtra and municipality of Punjab, octroi levies constitute the main revenue source for municipalities. Abolition of octroi over the past five years without assigning to municipalities a substitute has shrunk the revenue base of municipalities in Haryana, Orissa, Rajasthan, and seriously affected the revenue profile of municipalities in Gujarat and Maharashtra. An indication of the shrinkage is possible by looking at the octroi compensation of municipalities in some of these states. The municipal performance in these states stands adversely affected by the abolition of octroi. Evidently, on own revenue account, their performance ranking would be different if octroi receipts were included.⁴³

Table 18
Octroi in the Finances of Municipalities 2001/02

State	Octroi compensation (Rs.lakh)	Impact of octroi on municipal own revenue base (%)
Haryana.....	6479.6	53.5
Orissa.....	9482.6	93.2
Rajasthan.....	37036.1	358.2

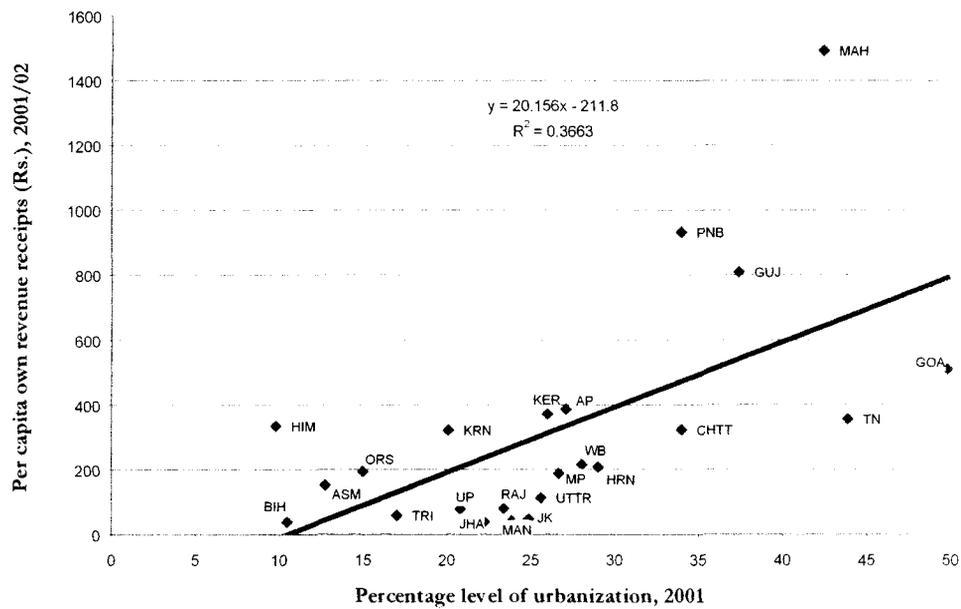
What other factors might influence the revenue performance of municipalities? We hypothesize here that the scale of urbanization and gross domestic product of states (GSDP) have a vital impact on the finances and financial performance of municipalities. The more urbanized a state is, higher would be the level of municipal incomes and consequently the expenditures; similarly, higher GSDP are a function of the quality and quantity of municipal and urban infrastructure. We have run correlations between own revenues of municipalities, levels of urbanization (also the proportion of urban population in cities with +100,000 population), and gross domestic product of states, for the initial year 1997/98 and the terminal year of the study, i.e., 2001/02. Results of correlations are presented below, which would seem to suggest that these do indeed cast an influence over the fiscal and financial health of municipalities, measured in terms of incomes and expenditures.

⁴³ It was suggested to us that octroi compensation should be treated as a part of own revenues of municipalities. However, for purposes of this study, we have maintained it as a part of transfers under the category of compensatory grants.

Chart 7
Correlation Coefficients

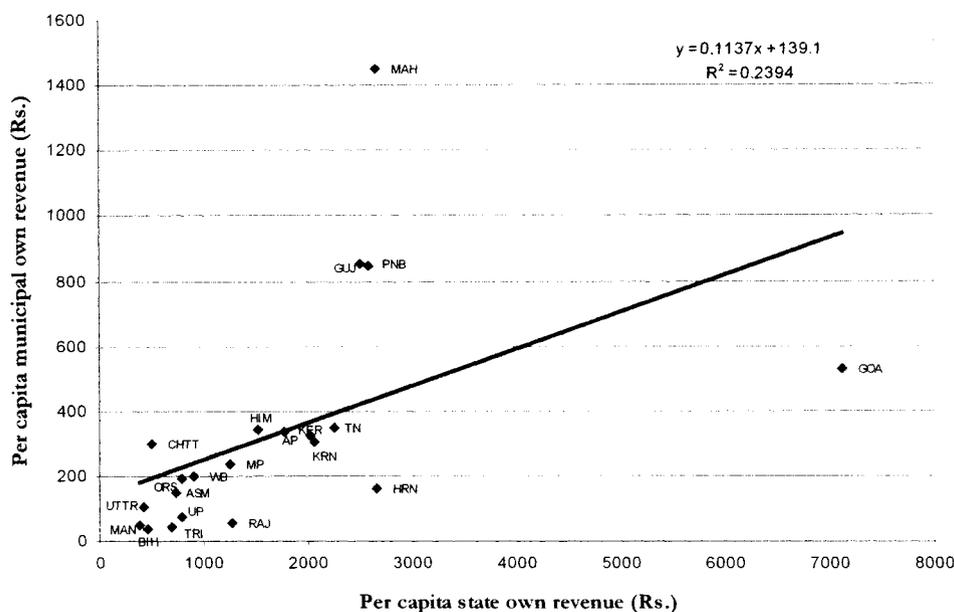
Correlation between	1997/98	2000/01
Per capita own revenues of ULB's and level of urbanization.....	-	0.61
Per capita own revenues of ULB's and share of class I cities in total population.....	-	0.63
Per capita own revenues of ULB's and per capita GSDP (current).....	0.50	0.51

Graph 5
Urbanization and Own Revenue Receipts



We also present in Graph 6 the behavior of municipal own revenues in relation to states fiscal performance. It shows, albeit weakly, that municipal own revenues are high in those states that have a better fiscal record.

Graph 6
Municipal Own Revenue and State Own Revenue,
2000/01



Urban Initiatives and Municipal Performance

How do the three tiers of government respond to municipal fiscal crises and the problems of service delivery and management? How do they address issues of stagnating tax revenues at municipal levels, growing service deficits, and indifference on the part of users to municipal, publicly-provided services?

The past 6-7 years have witnessed in India an extraordinarily large number of initiatives that are aimed at improving the finances and functioning of municipal governments. Indeed, at no time in recent decades have so many initiatives been taken by the different levels of government for reforming the municipal system and attempting to bring them into the country's development mainstream. In 2001, e.g., the central government inserted a new clause (vii) to section 10(5) of the Income Tax Act, 1961 under which bonds issued by the local authorities were exempted from income tax. It was followed by the creation of three funds, namely, Urban Reforms Incentive Fund (URIF), City Challenge Fund (CCF), and Pooled Finance Development Facility (PFDF) whose aim is to assist and encourage municipalities undertake fiscal, financial and institutional changes required to create efficient and equitable urban centers. The rationale for these funds springs from the fact that the present state of urban areas is unsatisfactory with low level of services, poor financial resources, and poor governance, and there is need to make

urban areas more efficient and growth-oriented, and the state governments and cities need to be incentivized to undertake systems and structural reforms. The components of the Urban Reforms Incentive Fund (URIF) are given in Box below.⁴⁴

- Box 5*
- ① *Repeal of the Urban Land Ceiling and Regulation Act.*
 - ② *Rationalization of Stamp Duty in phases to bring it down to no more than 5% by end of Tenth Plan period.*
 - ③ *Reform of Rent Control Laws to remove rent control at lease prospectively.*
 - ④ *Introduction of computerized process of registration.*
 - ⑤ *Reform of property tax so that it may become a major source of urban local bodies, and arrangements for its effective implementation with collection efficiency of 85% by the end of Tenth Plan period.*
 - ⑥ *Levy of reasonable user charges, with full cost of O & M being collected by end of Tenth Plan period.*
 - ⑦ *Introduction of double entry system of accounting.*

Many state governments have changed the system of property taxation and are in the process of shifting from a single entry, cash based to an accrual based accounting system. At least nine (9) city corporations have raised funds in the capital market for financing city-based infrastructure activities, by using credit enhancement instruments. Many of them have entered into partnerships with the private sector with the primary objective of improving service delivery and management. It is a long menu of initiatives that have been documented to register what city governments have done in recent years to respond to the problems that they are faced with. Chart below gives a sample of the initiatives.

In this sub-section, we look at some of the major initiatives. These are discussed under three heads, i.e., (a) those that are meant to enhance the revenue base of municipalities, mainly the property tax, (b) those that have taken steps to enter the capital market, and (c) those that are concerned with institutional changes for improving service delivery and management.

⁴⁴ The City Challenge Fund (CCF) and the Pooled Finance Development Facility (PFDF) are not yet operational.

Chart 8
An Inventory of Urban Initiatives

Initiative	City
Community participation for effective solid waste management.....	Hyderabad, Mumbai, Tripur
Modified accrual based accounting system.....	Hyderabad
E-governance using cable network.....	Vijaywada
E-governance initiative.....	Vishakapatnam
Public-private partnership in	
▪ city greening.....	Vishakapatnam
▪ slum networking.....	Ahmedabad
▪ river cleaning.....	Kodinar
▪ street light maintenance.....	Bangalore, Jaipur
▪ development of compost plant.....	Puri
▪ street intersection maintenance.....	Jodhpur
▪ solid waste management.....	Rudrapur
Sustained resource mobilization strategies.....	Ahmedabad
Heritage conservation initiative.....	Ahmedabad
Town planning scheme.....	Ahmedabad
Monitoring system for performance management.....	Surat
Energy efficient street lighting system.....	Vadadora
Municipal debt management.....	Vadadora
Revitalization of the city lake.....	Navsari
Bio-composting of solid waste.....	Valsad
Innovations in municipal budgeting and financial management.....	Bangalore
Wireless grievance redressal system.....	Tumkur, Mumbai
Mobilization of financial resources.....	Indore
Sanitation facilities for slum dwellers.....	Mumbai
Strategy for reducing unaccounted for water.....	Nagpur
Integrated development of urban roads.....	Nagpur
Advanced water billing at reduced rates.....	Thane
Lakefront development on BOT basis.....	Coimbatore
Development of electric cremation with community based organizations.....	Tirupur
Comprehensive solid waste management strategy.....	Tiripur
People's participation in underground sewerage.....	Alandur
Zero garbage town.....	Namakkal
Public-private partnership in solid waste management.....	Rudrapur
Computerization of building plan sanction.....	Mussoorie
Birth-death registration system.....	Dehradun

Source: City Managers' Association Gujarat, 2003, Best Practices Catalogue 2002, Ahmedabad, Gujarat.

(i) *Enhancing Revenue Mobilization*

Recognizing that proper management of the property tax system was crucial for improving revenue generation, several state governments have introduced important changes in the legal and policy framework of municipalities in order to de-link property taxes from standard rent and rent controls. The Government of Andhra Pradesh has replaced the concept of reasonable rent with an area-based system that takes into account the location, construction type, plinth area, age and use of property. The Government of Gujarat has amended the Bombay Provincial Municipal Corporation (BPMS) Act, and changed the basis of property tax assessment from annual ratable value (ARV) to a per square meter rate, applicable on the carpet area of

buildings and land. Rate of tax depends on the location, use, age of buildings, type of building, and type of occupancy. The Government of Karnataka has modified the municipal acts to bring in capital valuation in place of ARV, wherein land is to be assessed as per the market value of land notified by the Government under the stamp duty act, and the constructed part is to be valued on the basis of cost of construction. Other states that have undertaken property tax reforms include Uttar Pradesh and Tamil Nadu, and Patna Municipal Corporation.

An important feature of the unit area system now applicable in Andhra Pradesh, Gujarat, Tamil Nadu and Uttar Pradesh and under consideration in other states is that it has reduced the discretion of municipalities (and their staff) in assessing property values. The focus of this measure is thus on reducing rent-seeking components and not entirely on revenue mobilization. In most states, these changes have meant higher property tax revenues; however, since the higher property tax revenues are the result of the unit area system as well as tax revenues earned from new properties, the share of the new property tax system is not possible to be separately identified.⁴⁵

(ii) *Accounting System*

Many state governments have begun to change their accounting systems. Municipalities in India have historically used a single entry cash based system, which is nothing else but a statement of income and expenditure. It fails to capture the accruals, and denies an accurate assessment of the financial position of municipalities as well of their assets and liabilities. Beginning with Tamil Nadu where a double entry system has been universally applied to all municipalities, states such as Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, and Rajasthan have begun to improve the municipal accounting system in specific locations, e.g., Hyderabad, Ahmedabad, Anand, Vadodra, Bangalore, Indore, and Jaipur. These reforms are diverse, and involve standardization of budgeting formats, inventory of assets, preparation of budget manuals, classification of accounts into different funds, zero-based budgeting, and the like.

⁴⁵ Om Prakash Mathur, "Property Tax Policy and Local Governance", in Parthasarathi Shome (Ed.). Fiscal Policy, Public Policy and Governance, 1996, National Institute of Public Finance and Policy, New Delhi.

(iii) Accessing the Capital Market

A most notable initiative in the municipal sphere has been the emergence of a municipal bond market. Propelled by the report of the Expert Group of Commercialization of Infrastructure Projects in 1996 which proposed adoption of a commercial approach to municipal infrastructure and the follow-up groundwork, the Ahmedabad Municipal Corporation became the first municipality in the country to issue bonds of Rs.100 crore at 14 per cent interest payable semi-annually. Following this example, a number of municipal entities and parastatals have since accessed capital market funds, with the back-up of CRISIL and two credit rating agencies, namely ICRA Ltd. and CARE, who have developed systems for evaluating the creditworthiness of municipalities. The nine municipalities which have accessed the capital market have thus far been able to raise Rs.618.5 crore, by issuing bonds. An important feature of municipal bonds is that with the exception of bonds issued by the Bangalore Municipal Corporation and Indore Municipal Corporation, other bonds have been issued without a state government or a bank guarantee. Traditionally, lenders to municipal entities in the infrastructure sector have sought a state or a sovereign guarantee as an important security mechanism. The fact that municipal entities have begun to raise resources in the capital market on the strength of their own credit standing and credit enhancements based on the escrowing of the cash flows, indicates a growing acceptance in India of municipal bonds as an instrument for raising resources for financing infrastructure projects. Municipal bonds in India are securitized debt instrument, providing future revenue flows from the projects as collateral.⁴⁶

⁴⁶ See for further details. Om Prakash Mathur and Sanjukta Ray. 2003. *Financing Municipal Services: Reaching out to Capital Markets*. National Institute of Public Finance and Policy, New Delhi. Note should be made of the new ways for municipal borrowing. Cities can now borrow large sums on short terms that continue for years. Enhancements can reduce interest rates. Derivatives are a more recent development that can involve combination of transactions such as swapping long term fixed rate payments for short term variable payments. Derivations allow city governments to create a wide variety of bond structures which are not possible with a single instrument. Also see.

**Table 19
Municipal Bonds**

City	Amount (in Rs.million)	Placement	Guarantee	Interest	Escrow	Purpose	Rating
Ahmedabad	1000	Public & Private	No	14%	Octroi from 10 octroi collection points	Water supply and sanitation project	AA-(SO)
Bangalore	1250	Private	State government	13%	State government grants and property tax	City roads, street drains	A-(SO)
Ludhiana	100	Private	No	13.5% to 14%	Water & sewerage taxes and charges	Water supply and sanitation project	LAA-(SO)
Nagpur	500	Private	No	13%	Property tax and water charges	Water supply project	LAA-(SO)
Nashik	1000	Private	No	14.75%	Octroi from four octroi collection points	A (SO)	AA-(SO)
Indore	100	Private	Yes	NA	Improvement of city roads	City road project	
Madurai	300	Private	No	12.25%	Toll tax collection	Water supply and sanitation project	LA+(SO)
Ahmedabad (tax free)	1000	Private	No	9%	Property taxes of two zones	Road construction and widening	AA (SO)
Hyderabad (tax free)	825	Private	No	8.5%	Non-residential property taxes, advertisement tax, profession tax, etc.	Water supply and sanitation projects in 14 ULBs	LAA+(SO) AA+(SO)
Tamil Nadu (pooled financing)	110	Private	*	9.20%	Monthly payments equal to one-ninth of their annual payments.		

Source: Compiled from Bond Issuance Brochures.

* The USAID provided a backup guarantee of 50 per cent of the bond's principal through its Development Credit Authority.

(iv) *Institutional Reform*

Public-private partnership has emerged as an effective mode of delivering and managing municipal services. It owes itself in part, to the worldwide trends towards downsizing and restructuring of the public sector, and in part, to the locally evolving environment wherein the municipal governments have begun to look beyond their administrative apparatus for discharging the numerous functions they are responsible for. Municipal governments in India which are endowed with statutory powers to provide many services have reached a point where they are unable to do so for reasons that are traceable to their narrow revenue base, institutional and procedural deficiencies, and limited staff capacities. It is in this context that public-private partnerships have emerged as a new institutional arrangement for improving service delivery. Although there are not well documented, such partnerships are most observed in the following spheres:

- contracting out of solid waste management projects by making agreements on a BOT basis;
- contracting out of garbage collection, treatment and disposal;
- contracting out of the operation and maintenance of tube wells for water supply;
- Maintenance of traffic islands and parks and maintenance of street lights in lieu of advertisement rights;
- Contracting out of municipal tax collection like octroi and water charges; and
- Developing townships with facilities in the fringe areas of metropolitan cities.

Chart 9
Private Sector Participation - Municipal Services

Municipal Service/Activity	City
Sanitation/conservancy.....	Thane, Navi Mumbai, Ludhiana, Bangalore, Calcutta, Ulhasnagar, Amravati.
Solid waste management.....	Aurangabad, Nashik, Thane, Kolhapur, Pune, Pimpri-Chinchwad, Navi Mumbai, Mysore, Bangalore, Ludhiana, Calcutta.
Rodent and malaria control.....	Navi Mumbai
Street lights.....	Bangalore, Mysore, Hubli-Dharwad, Gulbarga, Belgaum, Ludhiana
Octroi collections.....	Amravati, Kalyan, Ulhasnagar, Patiala, Jalandhar, Ludhiana
Water supply.....	Tirrupur, Vishakapatnam, Ludhiana, Amravati, Bangalore.
Computerization of municipal accounts.....	Ludhiana, Bangalore
Billings-water, property tax, staff salary etc.....	Ludhiana, Ulhasnagar
Courier system.....	Ludhiana
Park committees	Ludhiana
Roads and bridges.....	Kolhapur
Commercial complexes and market complexes.....	Kolhapur, Bangalore.
Beautification of city.....	Kolhapur, Bangalore

Source: National Institute of Public Finance and Policy, 2003. Municipalities in a Decentralized Framework, New Delhi. mimeo.

This provides a menu of the initiatives taken in recent years to effect improvements in the finances and functioning of municipalities. What has been their impact? Are these specific to the spatial context in which they were undertaken or do they have a wider applicability? We provide here some observations on these initiatives. One: the coverage of these initiatives (state and city level) is limited to a few states and few municipalities. Among those which have been in the forefront of initiatives are Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu, and in a limited way, Madhya Pradesh and Rajasthan, many of them are the same which rank high in terms of their performance. Interestingly, the property tax reform that began in Patna has not been introduced in other cities of Bihar; in Uttar Pradesh where it was introduced on the Patna model, property tax reforms have stagnated and not led to any improvement in tax revenues or simplification of the procedures. Two: the amendment of the Income Tax Act for issuance of tax free bonds and the constitution of the three funds are still in the process of being understood, with only a few states having moved to taking advantage of the Urban Reforms Incentive Fund (URIF). Three: public sector participation in urban services, notwithstanding its spread, is insignificant. As a proportion of municipal budgets, private sector component is small. Barring two water supply projects in Tirrupur and Vishakapatnam where private sector investments are alleged to be substantial, other activities are characterized by low scale operations, low investment (mostly working capital) and low level of technologies, owing essentially to the absence of a proper framework for private sector participation in municipal

services. The contracts between municipalities and the private sector entrepreneurs are, in most cases, drawn up for one year which act as disincentives for them to make capital investments in improving delivery systems. No procedures have yet developed for determining appropriate concessions to the private sector or their obligations in return for concessions. The result is that private sector participation in municipal service delivery when aggregated is negligible, and has made little impact, except in specific locations, on municipal delivery and their finances.

There are many other micro initiatives that have been taken to improve the interface between municipalities and the users of their services, e.g., setting up redressal cells and systems, putting in E-governance, new monitoring systems for measuring performance in service delivery, or even providing incentives to citizens for payment of taxes and charges. Questions are often asked as to what prompted the states and cities to take on the initiatives. To what extent do the initiatives represent the need to improve resource mobilization and the procedures and systems and to what extent are these crises-driven? In the case of property tax reform, at least three factors are said to have contributed to a shift to unit area system: (i) stagnating property tax revenues with substantial leakages and other associated abuses, (ii) leadership at the state and city levels determined to plug the leakages and make the system transparent, and (iii) judicial support to the new system. Likewise, the conditions under which the Ahmedabad Municipal Corporation (AMC) issues the bonds in 1997 are related to (i) poor fiscal health of the Ahmedabad Municipal Corporation (AMC), (ii) resource compression at the level of state, and its inability to finance AMC's infrastructure, (iii) strong administrative and local political leadership. The issuance of municipal bonds was made possible by the USAID under its housing guarantee assistance programme. Other initiatives have also been taken under very similar environments, and suggest that for such initiatives, two conditions need to be met: viz; (i) the need for change must be compelling; and (ii) there must be leadership to carry it forward.

4 MUNICIPAL LOAD ON STATE FINANCES

Introduction

The amendment of Article 243 providing for the constitution, at the expiration of every fifth year, of a finance commission in every state to review the financial position of municipalities and to make recommendations on the principles that should govern as to which taxes, duties, tolls and fees be assigned to municipalities, and which of them be shared between the state and municipalities, and the principles for determining the grants-in-aid for them, is fundamental to reshaping the fiscal relations between municipalities and the state governments. In its barest sense, it is interpreted to mean that—

- ② revenue base of municipalities should have some stability and predictability; the recommendations made by the finance commission of states (SFCs) and accepted by the state governments, it is implied, should remain undisturbed for a period of five years;
- ② there should be provision for redrawing the fiscal arrangement between the states and municipalities, or else a quinquennial review of the finances of municipalities as provided for under Article 243 I and Y may not be justifiable; and
- ③ revenue base of municipalities should consist of (a) assigned taxes, duties, tolls, and fees; (b) shared taxes, duties, tolls, and fees; (c) grants-in-aid. This provision is basic to the emerging fiscal federalism in India. While other provisions deal with the place of municipalities within the Constitution, this provision refers to fiscal structures – i.e., division of fiscal powers between municipalities and the state.

In what way has the revenue base of municipalities changed in the post 1992 period, and in what way has it affected the finances of state governments?

Straight answers to these questions are not available, mainly for reasons of ambiguities that surround the implementation of the recommendations of the finance commission of states (SFCs). Information on what parts of SFCs recommendations have been accepted and implemented and for what periods is sparse. It needs to be pointed out that issues relating to the impact of transfers to municipalities on the finances of state governments were rarely examined in the pre-1992 period. Perusal of municipal finance studies of the earlier periods as also the reports of the commissions and committees that examined the subject of local government finance shows heightened concern for the unsatisfactory state of the finances of municipalities as also for the irregularity in the grants-in-aid and other transfers. However, neither the studies nor the commission reports referred to the pressures that the transfers to municipalities caused to the finances of state governments. Municipalities were the subject of the states, and it was assumed to be an obligation on their part to make periodic assessment of municipal demand for resources – drawn from their spending responsibilities – and to design appropriate supply strategies. The state budgets carried one single budget head i.e., compensation and assignment to local bodies to reflect all transfers to the Panchayats and Municipalities. Transfers other than shown under this budget head formed as a part of sector spendings.⁴⁷

The 1992 amendment has changed this perspective. Apprehending that while states may expand the expenditure portfolio of municipalities without effecting a corresponding change in their fiscal powers, the role of transfers and consequently their impact on the finances of state governments assumes importance. We look at this issue in three parts: (a) a review of the approach to devolution proposed by the finance commission of states (SFCs) for municipalities;

⁴⁷ “Outgo” shown under the budget head of “compensation and assignments to local bodies” are presented here. These are partial and do not represent transfers that are effected via sector spendings.

Outgo from the State Budgets to Local Bodies (Municipalities and Panchayats)

Year	Outgo (Rs.crore)	Outgo as a % states revenue receipts
1995/96.....	1530.73	1.06
1996/97.....	1930.32	1.14
1997/98.....	2956.97	1.58
1998/99.....	3530.62	1.60
1999/00.....	4539.48	1.74

this part is qualitative and, at best, provides some general features of the approaches recommended by the SFCs for augmenting the revenue base of municipalities; (b) an analysis of the impact of state transfers to municipalities, using the transfers data as furnished by the state governments and contained in Tables MUN RR:19, MUN RR: 30 and MUN RR: 31, and (c) an analysis of the estimated *outgo* from the finance accounts of the states, with a view to assessing the pressure that such outgo may have caused to the finances of states. The last (c) needs an explanation. The finance accounts of states provide details of state government expenditure under major and sub-major heads which consist of expenditure under such heads as education, sports, art and culture; health and family welfare; labour and labour welfare; agriculture and allied service, and other heads. Water supply, sanitation, housing and urban development is one such head for which the finance accounts of states provide expenditure data on revenue account (as also on capital account). Within this sub-major head, there are several minor heads of which “assistance to local bodies, corporations, urban development authorities, and town improvement boards etc.” is one head for which actual revenue expenditure are registered. These are shown in Table 22. Note must be made of the fact that this set of data pertain not only to municipalities but all forms of local bodies and are, therefore, not comparable. At the same time, it suggests, as will be shown later, that assistance to local bodies has, at best, a minor component of expenditure of the budget of state governments.

Profile of Devolution Packages

As a preface, it may be pointed out that the finance commission of States (SFCs) have approached their Constitutional mandate in the specific context and conditions of the states, without any commonly-accepted or nation-wide guidelines or norms either for expenditures or revenues. Further, finance commission of states (SFCs) have formulated the fiscal packages without access to a clear directive on the functional jurisdiction of municipalities, particularly with reference to the functions enumerated in Schedule 12 of the Constitution. Absence of clarity in respect of the functional domain of municipalities constitutes a serious gap in the functioning of the SFCs, and speaks simultaneously of the tardiness on the part of the states in implementing the Constitution (seventy-fourth) Amendment Act, 1992.⁴⁸

⁴⁸ Clarity in respect of the functional jurisdiction of municipalities is an essential, first step in deciding upon the principles for tax assignment, revenue-sharing, and grants-in-aid. Only after their functions are known could any decision be taken with regard to how these could be financed. In fact, the structure of financing mechanism - the mix of taxes, user charges, and transfers, that is appropriate in a given context depends on the functions assigned to municipal governments. See, Raja J. Chelliah and Om Prakash Mathur, 1996. Implications for the Constitution (seventy-fourth) Amendment, 1992.

We give below, in a summary form, the devolution packages as recommended by the first finance of states (SFCs I) and the second finances of states (SFCs II) (chart):

Chart 10
Devolution Package (First and Second State Finance Commission)

State	Recommended shares (first state finance commission)	Recommended shares (second state finance commission)
Andhra Pradesh	39.24% of state tax and non-tax revenue to all local bodies.	40.92% of state tax and non-tax revenue to all bodies, both rural and urban bodies, 9.67% is allocated to municipalities.
Assam	2% of state tax for local bodies, both rural and urban. (The share of urban local bodies has not been specified).	
Himachal Pradesh	An amount equal to Rs.12.2 crore as grants in lieu of octroi for 1996/97, to rise to Rs.17.9 crore in 2000/01 and CSS grants to accrue to municipalities.	An amount equal to Rs.19.66 crore as development grants for the year 2002/03, with a 10 per cent mark-up to neutralize inflation, rising to Rs.28.79 crore by 2006/07, and CSS grants to accrue to municipalities.
Karnataka	5.4% of the total non-loan gross own revenue receipts for meeting the plan and non-plan requirements.	8% of non-loan gross own revenue receipts for municipalities.
Kerala	1% of state revenues (excluding from certain sources) be transferred to local bodies as non-statutory non-plan grants distributed between the rural and urban local bodies in proportion to their population.	
Madhya Pradesh	8.67% of the tax and non-tax revenues of state government.	1.07% of divisible pool of state own tax revenue.
Maharashtra	25% to 100% of entertainment taxes collected from municipalities of different grades, 25% of vehicle tax and 10% of profession tax are recommended shares for local bodies.	

Contd...

State	Recommended shares (first state finance commission)	Recommended shares (second state finance commission)
Orissa	Rs.179.5 crores is the projected transfer (grant) to urban local bodies between 1998/99 and 2004/05. (The deficit of Rs.1,378 crores between the estimated income and expenditure and an additional requirement of Rs.381.48 crore for improvement of core civic services should be met by the Eleventh Finance Commission.	
Punjab	20% of the net proceed for five taxes namely, stamp duty, motor vehicle tax, electricity duty, entertainment tax, and cinematograph shows should be transferred to municipalities, and the projected gap of Rs.322 crore should be met by the Central Finance Commission.	4 per cent of net tax proceeds of all state taxes to be devolved to all local bodies.
Rajasthan	2.18% the net proceeds of state taxes should be devolved on the local bodies; the division of these proceeds between rural and urban should be in the ratio of 3.4:1.	Total devolution of Rs.794.43 crore consisting of 2.25% share in states net own tax revenue (excluding entertainment tax); 15% share in entertainment tax for ULBs for the award period 2000-05 and 1% share in royalty receipts from minerals to Gram Panchayats.
Tamil Nadu	8% of the state's net tax revenue should be devolved on the local bodies in 1997/98; this percentage should gradually increase in successive years to 9%, 10%, 11% and reaching 12% in 2001/02. The division of this amount between rural and urban should be on the basis of population as in the last Census.	8% of state's own tax revenue, after excluding entertainment tax to local bodies for each year from 2002/03 to 2006/07; shares of PRIs and ULBs in the recommended devolution will be in the ratio 58:42.

Contd...

State	Recommended shares (first state finance commission)	Recommended shares (second state finance commission)
Uttar Pradesh	7% of the net proceeds of state's total tax revenue should be transferred to urban local bodies.	
West Bengal	16% of the net proceeds of all taxes collected by the state should be transferred to local bodies. Such funds should be released to the Districts. These proceeds should be divided between urban and rural based on population.	(a) Nearly 72 percent tax proceeds from entertainment tax. (b) 16 percent allocated from states revenue as untied entitlement fund, the proceeds of which are to be distributed between ULB and Panchayats.

Source: Reports of the Finance Commission of States.

The chart shows a wide variation in the approach to devolution to municipalities. At least four approaches are noted from the recommendations of the finance commission of states (SFCs)—

- ① transfer of specific amounts to municipalities e.g., Himachal Pradesh;
- ② transfer of parts of those taxes that are, prima facie, local but are appropriated by state governments and shared with municipalities; these comprise entertainment taxes, taxes on professions, trades, and callings; and electricity duty, and selective transfer of parts of motor vehicle taxes, (Tamil Nadu);
- ③ sharing of a pool of states revenues, pool consisting of either the (a) net proceeds of tax revenues, or (b) tax and non-tax proceeds, or (c) non-loan gross own revenue receipts (e.g. Karnataka, Madhya Pradesh, Tamil Nadu); and
- ④ making use of the private sector in improving service delivery, better application of user charges, and regular revision of fees and charges.

The Chart also shows a large variation in the recommended shares for municipalities. Many of these constitute marginal adjustments to the shares or amounts recommended by the first finance commission of states (SFCs 1), and do not display any fresh review of the finances of municipalities.⁴⁹ In Andhra Pradesh, e.g., the share of local bodies has been enhanced from 39.24 per cent of state tax and non-tax revenue to 40.92 per cent; in Himachal Pradesh, the amount has been raised from Rs.17.9 crore to Rs.19.7 crore. In West Bengal, the share of 16 per cent remains unchanged between the two successive SFCs. In Punjab, however, the system of revenue sharing recommended by the first finance commission has been changed under which the state government, instead of sharing individual taxes, will now share the net tax proceeds of all state taxes. We would highlight here the fact that even when the state governments accept the devolution packages recommended by the finance commission of states, the actual transfers

⁴⁹ This study is not the platform for making a critical review of the reports of the finance commission of states (SFCs). Two points, may however, be made. One: there are serious drawbacks in many of the reports in that they have not even estimated the revenue gap faced by municipalities. It is not evident as to how a devolution package could be formulated without any reference to gap in resources. Two: the reports of the second SFCs appear, in most cases, an updated version of the first reports, without containing a fresh review of the finances of municipalities.

which are registered in the finance accounts may vary. Thus, the load on state finances is possible to be ascertained only by analyzing the transfers recorded in the state government finance accounts. What follows is a brief analysis of 'transfers', data for which has been furnished by state governments for this study, and supplemented by yet another analysis of the outgo as registered in the finance accounts of states.

Load on State Finances

State transfers to municipalities accrue in the form of assigned revenues, compensatory grants, transfers under revenue-sharing arrangement, and grants-in-aid.⁵⁰ The finance accounts of together, these amounted to Rs.3,275 crore in 1997/98, rising to Rs.5,629 crore in 2001/02.

Table 20
Composition of Transfers

Composition	1997/98 (Rs.crore)	%	2001/02 (Rs.crore)	%
Assigned revenues.....	272.61	8.3	374.40	6.7
Compensatory grants.....	235.64	7.2	1077.81	19.1
Individual tax shares.....	390.22	11.9	525.56	9.3
Pool sharing.....	305.28	9.3	921.99	16.4
Grants (inclusive of unclassified transfers).....	2055.88	62.8	2683.06	47.7
Total.....	3275.01	-	5629.58	-

Compensatory grants have grown in volume, on account of the abolition of octroi in several states. This period has also seen increasing emphasis on revenue-sharing arrangement - be it the sharing of revenue receipts of individual taxes or of a pool of state resources. This mode of transfer which is expected to provide long-term stability in the fiscal relations between the states and municipalities has grown in importance over the five year period. Grants-in-aid, however, remain the most important form of transfer, although its relative importance has declined sharply over this period.

Transfers to municipalities form 3.85 per cent of the combined own resources of states. Between 1997/98 and 2001/02, these have risen by 0.54 percentage points which, in a crude way, could be said to be the additional strain on the finances of state governments. Further, of the total fiscal deficit, the contribution of transfers is a bare 6.12 percent; any notion that the

⁵⁰ Details in respect of the composition are approximations.

implementation of the recommendations of the finance commission of states (SFCs) has strained the resources of the municipalities would seem to be misplaced.

Table 21
Transfers as a % of the Own Revenue of States and
States' Fiscal Deficit

State	% of own revenues		% of state fiscal deficit	
	1997/98	2001/02	1997/98	2000/01
Andhra Pradesh.....	2.17	2.13	7.97	3.87
Assam.....	0.66	0.66	5.85	0.83
Bihar.....	2.03	1.50	5.78	1.15
Gujarat.....	1.99	2.80	5.51	4.35
Haryana.....	1.13	1.74	3.21	4.18
Himachal Pradesh.....	3.95	3.38	2.26	1.66
Jammu and Kashmir.....	-	-	7.27	2.83
Karnataka.....	4.46	4.49	21.17	11.36
Kerala.....	3.17	2.58	6.47	4.26
Madhya Pradesh.....	6.21	8.13	22.47	22.07
Maharashtra.....	2.19	2.82	5.88	7.95
Orissa.....	1.68	2.73	1.83	2.35
Punjab.....	1.07	1.27	2.32	2.01
Rajasthan.....	2.25	6.53	4.33	10.58
Tamil Nadu.....	5.34	3.92	24.61	10.71
Uttar Pradesh.....	5.26	5.52	5.75	7.01
West Bengal.....	5.76	7.07	7.12	4.60
Sample states.....	3.31	3.85	7.72	5.12

Source: Tables MUNRR: 19, 24, 28, 30, and 31.

The load on state finances, however, varies. It is high in the relatively low income states like Madhya Pradesh, Rajasthan, Uttar Pradesh, and West Bengal and could be said to have impacted the states' fiscal deficit. In other states, its net impact is insignificant, confirming that municipalities in fiscal terms, are a tiny tier in India's federation.

We present here the 'outgo' from the state resources on account of two important local services, namely, water supply and sanitation (2215: 191) and urban development (2217:191). The table confirms what the preceding analysis shows: state budgets and financial resources are not strained in any noticeable way on account of transfers to municipalities. The aggregate load on state governments' resources (transfers as a % of state's own revenues) is just about 2.43 per cent and has shown no signs of pressure over the four-year period for which data have been presented (See Tables 22 and 23). The criteria for allocating the recommended

amount are a blend of the size (population and density), and equity considerations (slum population, illiteracy, katcha drains), and under-elaborated indicators such as efficiency and equity.

Table 22
State Transfers to Municipalities on Water Supply and Sanitation and Urban Development Account

State	Transfers (Rs.lakh), 2000/01	% of state own revenue	AAGR, 1997/98 to 2001/02
Andhra Pradesh.....	20,310.13	1.53	-12.40
Assam.....	859.30	0.44	20.49
Bihar.....	2,940.42	0.79	10.57
Goa.....	325.01	0.34	8.83
Gujarat.....	21,653.06	1.75	15.42
Haryana.....	4,380.56	0.80	27.76
Himachal Pradesh.....	1,211.14	1.34	-15.53
Jammu & Kashmir.....	6,127.18	6.20	25.13
Karnataka.....	30,412.54	2.85	2.35
Kerala.....	11,299.34	1.77	0.70
Madhya Pradesh.....	6,367.61	0.86	8.75
Maharashtra.....	95,121.93	3.76	19.90
Manipur.....	59.44	0.66	-16.75
Orissa.....	5,577.96	1.94	5.95
Punjab.....	398.79	0.06	-3.35
Rajasthan.....	42,873.38	6.14	56.58
Tamil Nadu.....	11,615.10	0.84	-2.00
Tripura.....	811.76	3.69	-1.59
Uttar Pradesh.....	5,063.34	0.39	-33.87
West Bengal.....	72,327.19	10.18	22.00
Sample states.....	3,39,735.18	2.43	13.45

Source: Finance Accounts of States and State Budget Documents.

Table 23
Load on State Finances (Transfers for Urban Development and Water Supply and Sanitation as a % States Own Revenues)

Year	% load
1997/98.....	2.29
1998/99.....	2.53
1999/00.....	2.61
2000/01.....	2.43

5 DECENTRALIZATION: IMPLICATIONS FOR THE TWELFTH FINANCE COMMISSION (TFC)

Experience worldwide indicates that cities and towns are central to economic growth and poverty reduction. In 1993/94, cities and towns generated 45.7 per cent of the country's gross domestic product;⁵¹ current estimates are that they contribute a little over 50 per cent of GDP. Given that India possesses a large urban system – second largest in the global hierarchy – they are said to have a potential of producing 70 per cent of the country's gross domestic product by 2020 A. D. Despite the contribution of cities to GDP and national and regional growth and productivity, cities and towns are grossly deficient in basic services. According to the 54th Round of the National Sample Survey Organization (NSSO), only 45.8 per cent of urban households have tap water within the premises; 25.5 per cent of households do not have access to any latrine, and only 18 per cent of households use garbage collection facility provided by local authorities. The garbage collection efficiency is low and only 7 per cent of solid waste is put to some kind of treatment. There is a large gap between the current levels of available financial resources and the required resources for enhancing the service levels.

Insights into the finances and functioning of municipalities from this study suggest that—

- ① the size of the municipal sector measured in terms of what the municipalities raise and what they spend is *tiny*, and although the size, expressed in terms of the ratio of revenues raised to the combined gross domestic product has expanded by 0.02 percentage points over the period 1997/98 to 2001/03, it is neither of any consequence nor a signal for buoyancy. Consisting of taxes on non-mobile sources, the revenue base of municipalities is devoid of any link with the regional and national economy and is vastly conservative;

⁵¹ Urban-rural distribution of gross domestic product is available for 1993/94. Often, the non-primary sector GDP is taken to represent the urban share.

- ② transfers are an important constituent of the finances of municipalities. In the post-1992 period, the importance of transfers has risen significantly, not on account of the expansion in expenditure responsibilities, but on account of the need to compensate municipalities for the loss incurred on account of octroi abolition. Although an important constituent of municipal revenues, as a proportion of states' own resources, transfers are a bare 3.8 per cent and are not a source of concern for the fiscal sustainability of states. The overall impact of transfers on the combined fiscal deficit of states is minimal – 6.4 per cent, although in some states as Karnataka, Madhya Pradesh, Rajasthan and Tamil Nadu, transfers can cause fiscal sustainability problems;
- ③ at an annual per capita of Rs.574, municipal spending levels in India are abysmally low. This level of expenditure which yields a daily per capita average of Rs.1.57 and which is at least 130 per cent lower than the 1963 norms set by the Zakaria Committee can not be expected to provide and maintain services at minimum acceptable levels. Raising expenditures to levels that are necessary for maintaining services, constitutes a key challenge for the three tiers of government; and
- ④ performance of municipalities on measures of revenue mobilization and spending levels together with supplementary measures such as the size of discretionary expenditures, varies sharply between states. What is striking is that whatever measure is used, municipalities in only a few states namely – Maharashtra, Punjab, Gujarat, Goa and to an extent Andhra Pradesh and Karnataka – appears to have better performance. Municipal performance in other states is either stagnant or has deteriorated over the five year period. Even if allowance is made for the initial advantage that municipalities in the better performing states may have had, e.g., higher per capita income compared to municipalities in other states, municipal performance would still seem to be better in these states. There is a close interdependence between municipal performance and level of urbanization, on the one hand, and between municipal performance, and gross state domestic product (GSDP), on the other hand, which would suggest that external conditions and environment are as crucial for improving the performance of municipalities as their internal functioning. It is equally significant that many of the initiatives that have been taken in recent years to

improve municipal finances and functioning are also located in “better performing states”. This presents a complex dimension: how to provide stimulus to municipalities in poorly-performing states, without causing an adverse impact on those which rank high on these criteria?

What do these findings mean for the mandate of the Twelfth Finance Commission (TFC)? Sequentially the *third* in the series, the Twelfth Finance Commission (TFC) is required to make recommendations on 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”. Although the notification refers to “measures”, precedents exist whereunder this mandate has been used to supplement the resources of the states, to specify the use to which the supplementary resources may be utilized, and to also allocate the resources between states using different criteria. The Tenth Finance Commission made an ad-hoc provision of Rs.1,000 crore for municipalities, anticipating that the resources of municipalities will need augmentation for meeting the new functional responsibilities endowed upon them under Schedule 12 of the Constitution. The Commission stipulated that (a) the amount of Rs.1,000 crore which it allocated on the basis of 1971 slum population should be an additionality to the funds that flow to municipalities from state governments, (b) municipalities should provide matching contributions by raising resources, and (c) this amount should not be used for expenditure on wages and salaries.

The Eleventh Finance Commission (EFC) was mandated, in accordance with the amended Article 280 (3) (c), to make recommendations on 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”. The terms of reference provided that in the event of the non-availability of the recommendations of the Finance Commission of States (SFCs), the Commission could make its own assessment of the resource requirements of municipalities for making its recommendations. The Commission considered the mandate in its entirety. Taking the position that the recommendations of the Finance Commission of States could not form an adequate basis for determining either the extent of augmentation or even a general approach to the finances and functioning of municipalities (see Box below), it formulated a set of principles and recommendations⁵² which fall into four parts—

⁵² Yet another reason that may prove to be an obstacle in using the reports of the SFCs is the large variation in the devolution of funds to municipalities (See Chart 10).

- ❶ those that relate to the provision of supplementary support for municipalities together with the criteria for its allocation between states, and also between municipalities of individual states;
- ❷ those that comprise suggestions for improving resource mobilization by municipalities, referring especially to property tax reform, fixation of appropriate user charges, and in a few cases, even the creation of competitive environment and engagement of the private sector;
- ❸ those that relate to the support for the creation of appropriate databases and standardization of the budget and accounting formats and auditing systems at local levels;
- ❹ that are generally concerned with the implementation of the *intent* underlying the Constitution (seventy-fourth) Amendment Act, 1992.

Box 6

The Eleventh Finance Commission (EFC) cited four reasons for its inability to make use of the recommendations of the Finance Commission of States (SFCs). These are: (i) non-synchronization of the period of the recommendations of the SFCs and the Central Finance Commission, (ii) lack of clarity in respect of the assignment of powers, authority and responsibilities of municipalities, (iii) absence of a time frame within which the state governments are required to take action on the recommendations of the SFCs, and (iv) non-availability of the reports of the SFCs. This situation has not changed since the submission of the report of the Eleventh Finance Commission.

The Eleventh Finance Commission (EFC) recommended a grant of Rs.2,000 crore for municipalities and allocated it to states on the basis of a five-fold criteria.

Chart 12
Criteria for Determining the Allocation to
States for Municipalities

Criterion	Weight
Urban population (1991).....	40 per cent
Geographical urban area (1991)	10 per cent
Distance from per capita non-agricultural income ⁵³	20 per cent
Own revenue effort of urban local bodies.....	10 per cent
Index of decentralization ⁵⁴	20 per cent

Source: Report of the Eleventh Finance Commission.

The Eleventh Finance Commission (EFC) recommended additional funds for creating appropriate databases and maintenance of accounts. As in the case of the grant recommended by the Tenth Finance Commission, several conditions were attached to the release of grant for municipalities. These are detailed in the Guidelines for the Utilization of Local Bodies Grant recommended by the Eleventh Finance Commission (2000/01 to 2004/05).⁵⁵

Several state government⁵⁶ have represented that the Twelfth Finance Commission (TFC) should—

- ① substantially augment the municipalities (and Panchayats) share in the consolidated fund of the states;
- ② use the additional funds for—
 - strengthening decentralization.
 - providing incentives for local resource mobilization.
 - compensating the municipalities for losses incurred by them on account of octroi abolition.
 - improvement of civic services and physical infrastructure.
- ③ allocate it to states using criteria such as—
 - status of decentralization.
 - geographical area.

⁵³ Average per capita GSDP (excluding the primary sector) has been arrived at by using the GSDP figures for 1994/95, 1995/96, and 1996/97 and the population figures for these years as published by the Registrar General of India.

⁵⁴ Index of decentralization is constructed on the basis of ten indicators which include such indices as enactment of state municipal legislation in conformity with the Constitution (seventy-fourth) Amendment Act, 1992, *de jure* and *de facto* assignment of functions to municipalities and taxation powers, election to municipalities, and constitution of the District Planning Committees.

⁵⁵ Ministry of Finance, Department of Expenditure (undated).

⁵⁶ Source: Memoranda submitted by the state governments to the Twelfth Finance Commission (TFC).

- revenue-raising effort.
- calamity-prone areas.

The results of the study in combination with the approaches adopted by the Tenth Finance Commission, the Eleventh Finance Commission (EFC) and the memoranda submitted by state governments to the Twelfth Finance Commission indicate that—

- ① assistance recommended for municipalities via the institution of the central finance commission (Rs.400 crore annually or Rs.13-14 per capita annually) is not only inadequate but, importantly, bears no relation to what the municipalities need for maintaining services at minimum levels. This level of assistance, even on the assumption that it has been drawn and utilized, would add no more than 2.0-2.2 per cent to the current expenditure levels. Moreover, the EFC's suggestion that the grant be utilized for a vast array of civic services comprising "primary education, primary health care, safe drinking water, street lighting, sanitation...", amounts to a thin spread of the limited resources, set aside for municipalities (Rs.400 crore annually). Also, these are not monitorable. Continuing on the track as laid down by the EFC is thus not optimal;
- ② the covenants attached with EFC's assistance have not had the effect of incentivising local resource mobilization, notwithstanding the fact that it advocated property tax reform and application of cost recovery principles to various forms of charges and fees; and
- ③ the forces of decentralization have not been helped in any way by the recommendations of the central finance commission.

What then are the options for the Twelfth Finance Commission (TFC)? Ideally, the TFC's recommendations should aim at ensuring for the urban residents a nationally-determined minimum level of municipal services. At this stage, however, such an aim may not be achievable. Furthermore, even if these norms are set at modest levels, setting aside funds that will help achieve them may not be possible. Given this, there are three alternatives—

- ① provide access to municipalities in state level taxes via a surcharge on VAT, and until the instalment of VAT, in such major taxes as sales tax and motor vehicle taxes. Raising municipal expenditure to norms proposed by the Zakaria Committee would involve devolving about 15 per cent of state governments tax revenues to municipalities from the current levels of about 3.6-3.7 per cent;

- ② using the grant for one of the major civic services, e.g., providing 90-100% coverage of urban population by sanitation in cities and towns within a period of five years. Such a strategy should not pre-empt the next central finance commission from addressing municipal finance issues in a different manner; and
- ③ support and strengthen the existing urban sector reforms, by providing incentives for municipalities to create new institutional structures for improving service delivery and management. This may have the advantage of setting in a process of reform that will have long run sustainability.

There are other compelling interventions. The Eleventh Finance Commission (EFC) set aside a fund for establishing a database at the level of the Panchayats and Municipalities. Database at the level of municipalities is poor and does not permit any proper assessment of their finances. It is essential that the grants for creating and maintaining databases are continued and reinforced, an institutional arrangement made for their maintenance and management.

INDIA'S MUNICIPAL SECTOR

TABLES

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DEFINITIONS

1. "Municipalities" refer to urban local bodies comprising municipal corporations, municipalities and nagar panchayats.
2. Revenue receipts of municipalities consist of own revenue receipts and state transfers to municipalities. Own revenue receipts of municipalities comprise tax receipts and non-tax receipts of municipalities. Tax receipts of municipalities comprise taxes that are levied and collected by municipalities, whereas non-tax receipts comprise fees, interest, fines, duties, charges, and rents etc.
3. State transfers to municipalities include all transfers made on revenue account head of state budget.
4. Revenue expenditures of municipalities consist of expenditure on establishment and salaries, operation and maintenance, and interest payments.

DATA ADJUSTMENTS

A. Urban Population

1. Urban population of states, for purposes of this study, include the population of statutory towns.
2. Adjusted urban population of states is used to calculate per capita municipal receipts and expenditures.

B. Municipal Receipts and Expenditure

1. For the year 2001/02, data pertaining to municipal receipts and expenditure was not available for Karnataka and Punjab. Annual change of 1999/2000 to 2000/01 is applied to arrive at the estimated per capita municipal receipts and expenditure for the year 2001/02. Further, the estimated per capita for 1999/2000 and 2000/01 are multiplied by the adjusted urban population of the state to arrive at the estimated amounts of municipal receipts and expenditure.
2. For the years 2000/01 and 2001/02, data pertaining to municipal revenue receipts and revenue expenditure were not available for Orissa. Annual change of 1997/98 to 1998/99 is applied to arrive at the estimated municipal receipts and expenditure for the year 2000/01 and 2001/02. The proportion of expenditure on establishment and salaries of the year 1999/2000 is applied to the estimated revenue expenditure for the years 2000/01 and 2001/02 to arrive at the estimated expenditure on establishment and salaries. Further, the estimated expenditure on establishment and salaries is

deducted from the estimated revenue expenditure for the year 2000/01 and 2001/02 to arrive at the estimated expenditure on operation and maintenance for the respective years.

3. For the period 1997/98 to 2001/02, and for the years 1997/98 to 1999/2000, per capita receipts and expenditure for municipalities in Bihar and Uttar Pradesh are applied to arrive at the estimates for municipalities in Jharkhand and Uttaranchal. These are then added to arrive at the estimated municipal receipts and expenditure of Bihar for the period of 1997/98 to 1999/2000, and for Uttaranchal for the period of 1997/98 to 1999/2000.
4. In Karnataka, to arrive at the estimated expenditure on establishment and salaries for the year 2000/01, the proportion of expenditure on establishment and salaries to revenue expenditure for the year 1999/2000 is used to arrive at the estimate for the year 2000/01. Further, the annual change of per capita amount of expenditure on establishment and salaries and as well as operation and maintenance from 1999/2000 to 2000/01 is applied to arrive at the estimated per capita expenditure on establishment and as well as operation and maintenance for the year 2001/02. Further, estimated per capita amount was multiplied by the adjusted urban population of the state for the year 2001, to arrive at the estimated amount of establishment and salaries and operation and maintenance.
5. For Karnataka, the annual change from 1999/2000 to 2000/01 is applied to arrive at the estimated per capita own revenue receipts and state transfers for the years 2001/02. Further, the estimated per capita amount is multiplied by the adjusted urban population of the state to arrive at the estimated amount of own revenue receipts and state transfers.

Table: Gen 1
Estimated Urban Population

State	(in Lakh)					Annual Growth Rate % 1997 to 2001
	1997	1998	1999	2000	2001	
INDIA	2,567	2,637	2,708	2,780	2,854	2.64
Andhra Pradesh	202	204	205	205	205	0.40
Assam	30	31	32	33	34	2.96
Bihar	78	80	82	84	87	2.79
Chattisgarh	37	38	39	41	42	2.90
Goa	6	6	6	6	7	3.14
Gujarat	169	173	178	184	189	2.82
Haryana	51	53	56	58	61	4.51
Himachal Pradesh	5	6	6	6	6	2.61
Jammu and Kashmir	22	23	23	24	25	3.46
Jharkhand	53	55	56	58	60	2.82
Karnataka	161	165	169	174	179	2.75
Kerala	87	87	86	85	83	(-1.37)
Madhya Pradesh	146	150	154	158	161	2.39
Maharashtra	367	377	388	399	410	2.81
Manipur	5	5	6	6	6	1.44
Orissa	49	51	52	53	55	2.73
Punjab	71	74	76	79	82	3.67
Rajasthan	119	122	125	129	132	2.63
Tamil Nadu	228	237	247	259	272	4.49
Tripura	5	5	5	5	5	0.32
Uttar Pradesh	307	316	325	335	345	2.89
Uttaranchal	20	20	21	21	22	2.67
West Bengal	212	215	219	222	225	1.52
Sample States	2,430	2,493	2,558	2,625	2,693	2.57

Source: Estimated Urban Population from 1991 to 2001, Census of India, 2001.

Table: Gen 2
Level of Urbanization %

State	1991	2001
INDIA	25.70	27.78
Andhra Pradesh	26.89	27.08
Assam	11.10	12.72
Bihar	10.40	10.47
Chattisgarh	17.40	20.07
Goa	41.03	49.78
Gujarat	34.49	37.35
Haryana	24.63	29.00
Himachal Pradesh	8.68	9.79
Jammu and Kashmir	22.81	24.88
Jharkhand	21.25	22.25
Karnataka	30.92	33.98
Kerala	26.39	25.97
Madhya Pradesh	25.27	26.66
Maharashtra	38.69	42.40
Manipur	27.54	23.86
Orissa	13.38	14.97
Punjab	29.55	33.95
Rajasthan	22.88	23.38
Tamil Nadu	34.15	43.86
Tripura	15.31	17.02
Uttar Pradesh	19.67	20.78
Uttaranchal	23.17	25.59
West Bengal	27.48	28.03
Sample States	24.92	26.83

Source: Census of India 1991, 2001.

Table: Gen 3
Population of Cities (+ 100,000, population)
as a Percent of Urban Population of States

State	1991	2001
INDIA	64.89	68.67
Andhra Pradesh	66.88	75.31
Assam	37.56	44.34
Bihar	52.62	59.31
Chattisgarh	-	63.02
Goa	-	15.65
Gujarat	66.43	76.50
Haryana	58.54	72.57
Himachal Pradesh	24.70	24.30
Jammu and Kashmir	n.a.	63.03
Jharkhand	-	71.34
Karnataka	64.60	67.20
Kerala	66.34	68.82
Madhya Pradesh	50.38	55.77
Maharashtra	77.85	79.70
Manipur	39.66	43.12
Orissa	44.43	48.41
Punjab	54.36	58.39
Rajasthan	50.09	57.23
Tamil Nadu	65.96	56.35
Tripura	37.62	34.86
Uttar Pradesh	55.99	62.16
Uttaranchal	-	47.10
West Bengal	81.71	83.54

Note: - denotes not applicable.

Source: Census of India 1991, 2001.

Table: Gen 4
State's Share of Urban Population, %

State	1991	2001
INDIA	100.00	100.00
Andhra Pradesh	8.22	7.19
Assam	1.14	1.19
Bihar	3.09	3.04
Chattisgarh	1.41	1.46
Goa	0.22	0.23
Gujarat	6.55	6.62
Haryana	1.86	2.14
Himachal Pradesh	0.21	0.21
Jammu and Kashmir	0.82	0.88
Jharkhand	2.13	2.10
Karnataka	6.39	6.28
Kerala	3.53	2.90
Madhya Pradesh	5.64	5.64
Maharashtra	14.04	14.38
Manipur	0.23	0.20
Orissa	1.95	1.93
Punjab	2.75	2.89
Rajasthan	4.63	4.63
Tamil Nadu	8.77	9.55
Tripura	0.19	0.19
Uttar Pradesh	11.94	12.09
Uttaranchal	0.75	0.76
West Bengal	8.60	7.88
Sample States	95.07	94.37

Source: Census of India 1991, 2001.

Table: Gen 5
Gross State Domestic Product (GSDP), Current Prices

State	(Rs. Crore)					Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/2000	2000/01 (P)	2001/02 (Q)	
Andhra Pradesh	95,782	114,937	125,236	139,137	150,096	12.45
Assam	22,806	25,558	29,263	30,711	32,428	9.92
Bihar	33,662	38,876	42,358	46,259	50,987	10.60
Chattisgarh	21,658	24,061	25,405	26,061	30,265	6.17
Goa	4,921	6,075	6,749	7,038	7,173	11.93
Gujarat	91,188	105,305	107,618	110,449	124,905	6.39
Haryana	38,649	43,646	48,872	54,660	59,754	11.55
Himachal Pradesh	8,837	10,696	11,983	12,942	n.a	12.72
Jammu and Kashmir	10,286	12,571	13,961	14,750	n.a	12.02
Jharkhand	27,716	30,554	30,511	28,986	n.a	1.49
Karnataka	71,719	87,807	95,310	104,815	109,461	12.65
Kerala	49,484	56,247	62,514	69,042	76,182	11.10
Madhya Pradesh	60,062	69,216	77,804	73,165	81,286	6.58
Maharashtra	194,255	214,080	243,178	238,875	271,406	6.89
Manipur	2,218	2,614	3,188	3,302	3,591	13.26
Orissa	32,235	35,581	38,629	38,779	43,293	6.16
Punjab	48,704	55,736	61,178	66,049	70,751	10.15
Rajasthan	64,061	73,118	78,481	79,600	89,727	7.24
Tamil Nadu	103,551	118,275	126,500	141,150	148,585	10.33
Tripura	3,298	3,814	4,544	5,270	6,062	15.62
Uttar Pradesh	136,782	153,852	166,808	172,702	187,231	7.77
Uttanchal	n.a	n.a	n.a	n.a	n.a	n.a
West Bengal	979,66	115,516	126,834	139,969	156,020	11.89
Sample States	1,219,840	1,398,135	1,526,924	1,603,711	n.a.	9.12
All India GDP	1,390,148	1,598,127	1,761,932	1,917,724	2,094,013	10.72

Note: Position as on 21-10-2003

P: Provisional Estimates

Q: Quick Estimates

n.a.: Not Available

Source: Directorate of Economics and Statistics of respective State Governments, and for All-India, Central Statistical Organisation.

Table: Gen 6
Per Capita Gross Domestic Product, Current Prices

State	(Rs.)					Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/2000	2000/01	2001/02	
Andhra Pradesh	13,043	15,477	16,673	18,306	19,529	11.30
Assam	8,989	9,932	11,098	11,647	12,163	8.63
Bihar	4,458	5,016	5,174	5,650	6,052	7.90
Chattisgarh	10,883	11,911	12,392	12,590	14,481	4.86
Goa	38,570	46,912	51,361	52,717	n.a	10.42
Gujarat	19,573	22,279	22,441	22,689	n.a	4.92
Haryana	19,980	22,007	23,430	26,205	27,925	9.04
Himachal Pradesh	15,268	18,163	19,999	21,227	n.a	10.98
Jammu and Kashmir	11,021	13,093	14,180	14,722	n.a	9.65
Jharkhand	11,421	12,361	12,116	10,772	n.a	-1.95
Karnataka	14,208	17,195	18,561	20,093	n.a	11.55
Kerala	15,690	17,657	19,448	21,297	23,324	10.19
Madhya Pradesh	10,669	12,039	13,255	12,215	13,305	4.51
Maharashtra	21,410	27,755	25,317	24,869	27,755	4.99
Manipur	10,328	11,897	13,879	14,377	14,804	11.03
Orissa	9,179	9,993	10,707	10,615	11,710	4.84
Punjab	21,204	23,811	25,646	27,170	28,823	8.26
Rajasthan	12,379	13,777	14,416	14,250	15,650	4.69
Tamil Nadu	17,191	19,446	20,609	22,798	23,806	9.41
Tripura	10,565	12,093	14,297	15,445	n.a	12.66
Uttar Pradesh	8,912	9,796	10,379	10,496	11,119	5.46
Uttaranchal	n.a	n.a	n.a	n.a	n.a	n.a
West Bengal	12,773	14,842	16,076	17,522	19,314	10.54
Sample States	13,057	14,941	15,692	16,246	n.a	7.28
All India Per Capita GDP	14,267	16,088	17,430	18,629	20,057	8.89

Source: Same as of Table: Gen 5.

Table: Gen 7
Size of the Consolidated Fund

State	(Rs. Crore)				Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/00	2000/01	
Andhra Pradesh	2,103,266	2,453,077	3,016,556	3,497,468	16.95
Assam	814,968	906,866	1,096,026	1,238,040	13.94
Bihar	1,200,193	1,284,921	1,722,030	1,784,738	13.23
Chattisgarh	n.a	n.a	n.a	n.a	n.a
Goa	134,655	142,752	153,377	226,531	17.34
Gujarat	1,405,519	1,665,858	1,984,086	2,964,297	24.87
Haryana	794,829	864,667	981,514	1,085,293	10.38
Himachal Pradesh	466,379	545,467	788,135	620,709	9.53
Jammu and Kashmir	916,072	905,504	1,194,061	1,234,478	9.94
Jharkhand	n.a	n.a	n.a	n.a	n.a
Karnataka	1,264,433	1,379,209	1,630,372	1,829,518	12.31
Kerala	867,534	1,123,915	1,392,743	1,630,646	21.04
Madhya Pradesh	1,671,466	1,800,183	2,217,951	1,918,911	4.60
Maharashtra	2,500,653	2,782,435	3,287,737	4,555,796	19.99
Manipur	159,937	169,781	234,463	234,463	12.75
Orissa	865,216	991,047	1,240,526	1,572,696	19.92
Punjab	1,080,211	1,461,025	1,506,232	1,826,237	17.50
Rajasthan	1,494,037	1,564,628	2,132,461	2,286,025	14.18
Tamil Nadu	1,693,655	1,800,454	2,518,742	3,027,205	19.36
Tripura	124,811	159,560	174,468	184,869	13.09
Uttar Pradesh	2,457,485	3,505,912	4,908,190	4,894,469	22.97
Uttaranchal	n.a	n.a	n.a	n.a	n.a
West Bengal	1,614,958	1,796,122	2,609,427	3,677,246	27.43
Sample States	24,200,055	27,982,798	35,409,188	40,826,963	17.43
All States	23,630,277	27,303,383	34,789,097	40,289,635	17.79

Note: n.a denotes not applicable

Source: Appendix 1, Revenue Receipts of States, State Finances of respective years,
Reserve Bank of India.

Table: Gen 8
Internally Generated Resources of States

State	(Rs. Lakh)				Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/00	2000/01	
Andhra Pradesh	890,174	980,833	1,145,015	1,329,483	13.37
Assam	126,316	143,453	166,968	193,970	14.30
Bihar	278,969	381,752	538,146	374,062	9.78
Chattisgarh	-	-	-	103,791	-
Goa	60,731	69,665	n.a	94,255	14.65
Gujarat	881,203	1,038,227	1,108,100	1,239,597	11.38
Haryana	330,193	443,767	452,157	545,535	16.74
Himachal Pradesh	68,693	76,588	167,289	90,408	9.16
Jammu and Kashmir	64,089	71,986	98,291	98,748	14.41
Jharkhand	-	-	-	-	-
Karnataka	763,660	836,292	932,318	1,066,908	11.15
Kerala	494,764	509,491	562,341	639,517	8.55
Madhya Pradesh	658,287	689,047	826,419	736,391	3.74
Maharashtra	1,732,044	1,774,613	2,117,011	2,528,107	12.61
Manipur	7,629	6,226	8,260	9,073	5.78
Orissa	196,266	204,462	242,056	286,950	12.66
Punjab	540,121	475,661	580,307	615,950	4.38
Rajasthan	490,994	528,759	610,401	698,792	11.76
Tamil Nadu	977,953	1,072,845	1,215,137	1,387,137	11.65
Tripura	10,651	12,896	17,793	22,009	24.19
Uttar Pradesh	828,966	938,517	1,141,265	1,292,465	14.80
Uttaranchal	-	-	-	35,842	-
West Bengal	495,082	514,111	566,504	710,245	12.03
Sample States	9,896,785	10,769,191	12,495,778	14,099,235	11.80
All India	9,930,662	10,907,570	12,752,848	14,178,681	11.87

Note: - denotes not available

Source: Appendix 1, Revenue Receipts of States, State Finances of respective years, Reserve Bank of India.

Table: Gen 9
Per Capita Internally Generated Resources of States

State	(Rs.)				Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/00	2000/01	
Andhra Pradesh	1,217.81	1,326.83	1,533.97	1,766.78	12.40
Assam	503.73	562.78	644.91	738.29	12.74
Bihar	281.24	375.53	516.26	464.22	16.71
Chattisgarh	-	-	-	504.35	-
Goa	4,793.29	5,421.40	n.a.	7,124.34	13.21
Gujarat	1,898.78	2,191.23	2,289.51	2,505.81	9.25
Haryana	1,731.84	2,270.26	2,256.05	2,654.15	14.23
Himachal Pradesh	1,201.56	1,318.66	2,836.37	1,509.82	7.61
Jammu and Kashmir	703.27	770.15	1025.57	1005.07	11.90
Jharkhand	-	-	-	-	-
Karnataka	1,538.58	1,659.01	1,821.54	2,053.40	9.62
Kerala	1,602.32	1,636.29	1,791.87	2,022.70	7.77
Madhya Pradesh	873.86	896.82	1,055.26	1,244.11	11.78
Maharashtra	1,931.75	1,940.40	2,270.52	2,661.00	10.68
Manipur	355.66	282.61	365.16	390.40	3.11
Orissa	563.68	578.98	676.23	791.37	11.31
Punjab	2,390.02	2,067.28	2,477.09	2,582.27	2.58
Rajasthan	962.64	1,010.99	1,137.94	1,269.82	9.23
Tamil Nadu	1,633.52	1,774.24	1,990.62	2,252.17	10.71
Tripura	343.91	411.62	562.71	691.89	-
Uttar Pradesh	520.06	575.59	684.24	796.40	14.20
Uttaranchal	-	-	-	430.22	-
West Bengal	651.65	666.45	724.01	895.94	10.61
Sample States	1,060.36	1,132.53	1,290.24	1,429.78	9.96
All India	1,041.21	1,122.14	1,287.71	1,405.65	10.00

Note: - denotes not available.

Source: Appendix 1, Revenue Receipts of States, State Finances of respective years, Reserve Bank of India.

Table: Gen 10
State Transfers to Municipalities on Water Supply and Sanitation Head

State	(Rs. Lakh)				Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/00	2000/01	
Andhra Pradesh	23,552	12,463	22,625	11,220	-24.72
Assam	0	0	0	0	-
Bihar	337	850	18	16	-100.72
Goa	0	0		20	-
Gujarat	1,993	3,790	4,260	3,296	16.77
Haryana	0	0	0	0	-
Himachal Pradesh	243	151	52	52	-51.40
Jammu and Kashmir	0	0	0	0	-
Karnataka	24,863	23,753	31,402	23,780	-1.48
Kerala	17	0	0	0	-
Madhya Pradesh	1,568	782	1,727	872	-19.57
Maharashtra	25,709	48,189	56,779	66,789	31.82
Manipur	0	0	0	0	-
Orissa	1,968	1,815	1,510	2,423	6.94
Punjab	0	0	0	0	-
Rajasthan	804	874	973	1,454	19.74
Tamil Nadu	1,964	3,157	1,999	280	-64.98
Tripura	0	0	n.a	0	-
Uttar Pradesh	148	98	0	0	-
West Bengal	30	531	1,356	2,330	145.08
Sample States	83,196	96,453	122,702	112,531	10.07

Note: - denotes not available.

Source: Finance Accounts of States and State Budget Documents.

Table: Gen 11
State Transfers to Municipalities on Urban Development Head

State	(Rs. Lakh)				Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/00	2000/01	
Andhra Pradesh	5,910	12,372	2,175	9,090	14.35
Assam	465	2	12	859	20.49
Bihar	1,804	1,836	5,776	2,924	16.10
Goa	249	196		305	6.71
Gujarat	11,642	15,558	20,762	18,357	15.18
Haryana	1,905	853	1,772	4,381	27.76
Himachal Pradesh	1,687	723	527	1,159	-12.51
Jammu and Kashmir	2,883	3,063	5,888	6,127	25.13
Karnataka	3,477	5,052	8,701	6,632	21.53
Kerala	11,047	14,033	13,910	11,299	0.75
Madhya Pradesh	3,330	2,594	2,597	5,496	16.71
Maharashtra	26,644	23,795	28,551	28,333	2.05
Manipur	98	97	66	59	-16.75
Orissa	2,698	4,166	6,199	3,155	5.21
Punjab	441	423	408	399	-3.35
Rajasthan	7,049	27,148	37,857	41,420	59.03
Tamil Nadu	10,371	9,833	9,380	11,336	2.96
Tripura	851	656	n.a	812	-1.59
Uttar Pradesh	13,838	12,499	7,034	5,063	-33.51
West Bengal	37,353	40,780	51,514	69,997	20.93
Sample States	143,741	175,681	203,130	227,204	15.26

Source: Finance Accounts of States and State Budget Documents.

Table: Gen 12
State Transfers to Municipalities on Water Supply and Sanitation Head and
Urban Development Head

State	(Rs. Lakh)				Annual Growth Rate % 1997/98 to 2000/01
	1997/98	1998/99	1999/00	2000/01	
Andhra Pradesh	29,463	24,835	24,800	20,310	-12.40
Assam	465	2	12	859	20.49
Bihar	2,141	2,687	5,794	2,940	10.57
Goa	249	196	0	325	8.83
Gujarat	13,635	19,348	25,022	21,653	15.42
Haryana	1,905	853	1,772	4,381	27.76
Himachal Pradesh	1,930	874	579	1,211	-15.53
Jammu and Kashmir	2,883	3,063	5,888	6,127	25.13
Karnataka	28,340	28,805	40,103	30,413	2.35
Kerala	11,063	14,033	13,910	11,299	0.70
Madhya Pradesh	4,898	3,377	4,325	6,368	8.75
Maharashtra	52,353	71,983	85,330	95,122	19.90
Manipur	98	97	66	59	-16.75
Orissa	4,666	5,981	7,709	5,578	5.95
Punjab	441	423	408	399	-3.35
Rajasthan	7,853	28,022	38,831	42,873	56.58
Tamil Nadu	12,335	12,989	11,379	11,615	-2.00
Tripura	851	656	n.a	812	-1.59
Uttar Pradesh	13,986	12,597	7,034	5,063	-33.87
West Bengal	37,383	41,311	52,870	72,327	22.00
Sample States	226,937	272,134	325,831	339,735	13.45

Source: Finance Accounts of States and State Budget Documents.

Table: Gen 13
Revenue Income of the Central Government, Tax and Non-Tax Receipts
of State Governments and Own Revenues Receipts of Municipalities

Tiers of Government	(Rs. Crore)					Annual Growth Rate (%) 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2001/01	2001/02	
Central Revenue	189,688	199,387	232,889	250,022	238,671	5.74
State Government	99,307	109,076	127,528	141,787	163,986	12.54
Municipalities@	8,435	9,452	10,373	12,018	12,748	10.32
Total	297,430	317,914	370,790	403,827	415,405	8.35

Note: @ Based on estimates provided by the State governments.

- Source:**
1. Annexure 7, Receipts Budget, 2003-04, Government of India.
 2. Appendix 1, Revenue Receipts of States, State Finances of respective years, Reserve Bank of India.
 3. Information related to the finances of municipalities is provided by the Urban Departments and Directorates of Municipal Administration of States.

Table: Gen 14
Urban Population Access to Sanitation, %, 1998

State	No Latrine Used	Service Latrine	Septic Tank	Pour Flush	Sewerage System	Other
Andhra Pradesh	30.8	1.2	42.9	4.6	17.9	2.4
Assam	2.0	20.1	61.1	3.3	1.0	12.5
Bihar	45.3	5.2	45.2	3.6	0.2	0.3
Gujarat	21.1	1.8	33.8	7.2	35.8	0.4
Haryana	32.9	9.7	7.5	16.5	32.3	1.1
Karnataka	30.0	1.8	22.0	18.1	27.4	0.7
Kerala	5.1	3.6	48.8	25.5	7.8	9.3
Madhya Pradesh	45.2	6.2	40.3	4.9	3.5	0.0
Maharashtra	15.8	1.6	30.3	4.6	47.4	0.3
Orissa	35.8	7.7	50.5	3.4	0.8	1.7
Punjab	14.8	1.3	23.4	6.5	50.3	3.7
Rajasthan	25.5	5.2	33.3	19.3	7.2	9.6
Tamil Nadu	32.5	3.0	33.8	6.5	22.3	1.8
Uttar Pradesh	28.2	17.7	32.2	10.7	11.0	0.1
West Bengal	15.2	5.1	55.8	7.2	11.0	5.8
India	25.5	5.9	35.2	8.4	22.5	2.5

Source: National Sample Survey Organisation. 1999.

Table: Gen 15
Urban Population Access to Water, %, 1998

State	Taps as the Principal Source	Within Premises
Andhra Pradesh	75.1	35.4
Assam	42.2	32.3
Bihar	35.3	22.8
Gujarat	91.1	73.8
Haryana	80.5	67.9
Karnataka	80.9	53.5
Kerala	40.2	32.7
Madhya Pradesh	76.0	48.3
Maharashtra	92.0	75.2
Orissa	38.7	26.5
Punjab	64.4	60.3
Rajasthan	85.4	78.6
Tamil Nadu	74.0	35.7
Uttar Pradesh	43.2	38.1
West Bengal	56.0	32.1
India	70.8	50.3

Source: National Sample Survey Organisation. 1999.

Table: Gen 16
Urban Population Access to Garbage Removal Facility, %, 1998

State	Local Authorities	Private Arrangements among residents	Household Members	Other Arrangements	Not Reported	All	
Andhra Pradesh	14.5	8.1	75.3	—	2.2	—	100
Assam	4	9.3	78.1		8.7	—	100
Bihar	2	7.6	82.6		7.6	0.2	100
Gujarat	28.8	9.1	60.9		1.3	—	100
Haryana	8.4	14.6	76.9		0.1	—	100
Karnataka	20.4	4.8	70.3		4.5	—	100
Kerala	2.4	1.9	93.4		2.3	—	100
Madhya Pradesh	5.7	6.7	84.9		2.6	0.1	100
Maharashtra	6.9	22.6	65.2		5.3	—	100
Orissa	3.0	0.4	96.4		0.2	0.0	100
Punjab	3.4	1.36	78.7		4.3	—	100
Rajasthan	15.1	8.8	74.6		1.5	—	100
Tamil Nadu	17.9	3.0	76.4		2.7	0.0	100
Uttar Pradesh	14.4	14.5	69		2.1	—	100
West Bengal	28.7	8.8	5.97		2.8	0.1	100
North-Eastern	4.9	3.8	77.5		13.1	0.6	100
North-Western	17.9	39.8	40.8		1.5	—	100
Southern	21.5	6	71.9		0.6	—	100
India	13.7	11.9	71.2		3.2	0	100

Source: National Sample Survey Organisation. 1999.

Table: Gen 17
Zakaria Committee Norms for Urban Basic Services (Per Capita)

	All Services	Four Services	Water Services	Sewarage	Roads	(Rs.) Street Light
At 1960/61 prices						
Class AA	43.50	28.50	10.80	12.20	2.50	3.00
Class A	39.03	27.15	10.20	11.90	2.20	2.85
Class B	33.40	24.90	9.80	10.80	1.80	2.50
Class C	27.62	21.59	8.64	9.30	1.35	2.30
Class D	24.27	19.61	7.56	8.70	1.20	2.15
Class E	21.07	18.72	7.42	8.20	1.10	2.00
At 1997/98 prices						
Class AA	698.89	457.89	173.52	196.01	40.17	48.20
Class A	627.07	436.20	163.88	191.19	35.35	45.79
Class B	536.62	400.05	157.45	173.52	28.92	40.17
Class C	443.75	346.87	138.81	149.42	21.69	36.95
Class D	389.93	315.06	121.46	139.78	19.28	34.54
Class E	338.52	300.76	119.21	131.74	17.67	32.13
<i>Average</i>	535.36	390.22	150.76	169.43	29.14	40.88
At 1998/99 prices						
Class AA	779.89	510.96	193.63	218.73	44.82	53.79
Class A	699.75	486.76	182.87	213.35	39.44	51.10
Class B	598.81	446.42	175.70	193.63	32.27	44.82
Class C	495.18	387.07	154.90	166.73	24.20	41.24
Class D	435.12	351.58	135.54	155.98	21.51	38.55
Class E	377.75	335.62	133.03	147.01	19.72	35.86
<i>Average</i>	597.41	435.44	168.23	189.07	32.52	45.62
At 1999/2000 prices						
Class AA	814.60	533.70	202.25	228.46	46.82	56.18
Class A	730.89	508.42	191.01	222.84	41.20	53.37
Class B	625.46	466.29	183.52	202.25	33.71	46.82
Class C	517.22	404.30	161.80	174.16	25.28	43.07
Class D	454.49	367.22	141.57	162.92	22.47	40.26
Class E	394.57	350.56	138.95	153.56	20.60	37.45
<i>Average</i>	624.00	454.82	175.72	197.48	33.97	47.65
At 2000-01 prices						
Class AA	858.57	562.51	213.16	240.79	49.34	59.21
Class A	770.34	535.86	201.32	234.87	43.42	56.25
Class B	659.22	491.46	193.42	213.16	35.53	49.34
Class C	545.14	426.13	170.53	183.56	26.65	45.40
Class D	479.02	387.05	149.21	171.71	23.68	42.43
Class E	415.86	369.48	146.45	161.85	21.71	39.47
<i>Average</i>	657.68	479.37	185.21	208.14	35.80	50.22
At 2001/02 prices						
Class AA	902.54	591.32	224.08	253.13	51.87	62.24
Class A	809.79	563.31	211.63	246.90	45.65	59.13
Class B	692.98	516.63	203.33	224.08	37.35	51.87
Class C	573.06	447.95	179.26	192.96	28.01	47.72
Class D	503.55	406.87	156.85	180.51	24.90	44.61
Class E	437.16	388.40	153.95	170.13	22.82	41.50
<i>Average</i>	691.36	503.92	194.69	218.80	37.63	52.79

Note: Consumer price Index numbers for urban non manual employees-general Index, All-India, are used for adjusting the expenditure norms.

Table: Mun RR 18
Revenue Receipts of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	59,554	84,817	77,164	91,126	103,530	13.82
Assam	3,590	4,113	3,946	5,074	5,477	10.56
Bihar	9,474	9,044	15,743	8,676	8,968	-1.37
Chattisgarh	-	-	-	22,523	25,179	-
Goa	1,591	1,718	n.a.	2,530	2,800	14.14
Gujarat	135,821	148,145	168,586	183,172	176,245	6.51
Haryana	14,222	14,059	15,526	18,341	19,999	8.52
Himachal Pradesh	3,825	4,956	4,721	5,044	4,766	5.50
Jammu and Kashmir	3,733	4,546	6,890	7,311	7,361	16.97
Jharkhand	-	-	-	3,806	3,936	-
Karnataka	54,640	63,612	85,710	99,859	117,209	19.08
Kerala	29,985	34,712	37,852	36,719	40,382	7.44
Madhya Pradesh	77,527	94,251	115,064	97,929	68,787	-2.99
Maharashtra	402,367	471,032	516,790	626,011	681,235	13.16
Manipur	312	399	462	447	419	7.38
Orissa	12,041	15,499	17,229	17,710	18,224	10.36
Punjab	39,397	49,895	64,950	73,711	83,871	18.89
Rajasthan	42,410	47,235	44,642	52,248	62,042	9.51
Tamil Nadu	114,045	118,157	131,713	139,954	138,783	4.91
Tripura	980	855	1,347	1,457	1,318	7.41
Uttar Pradesh	60,545	87,576	92,216	95,714	104,040	13.53
Uttaranchal	-	-	-	7,748	8,012	-
West Bengal	59,029	64,868	101,709	88,090	92,405	11.20
Sample States	1,125,087	1,319,489	1,502,261	1,685,199	1,774,987	11.40

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 19
Own Revenue Receipts of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	40,195	48,216	51,129	62,871	71,746	14.48
Assam	2,659	3,247	3,093	3,556	3,826	9.10
Bihar	3,804	3,986	4,155	3,082	3,408	-2.74
Chattisgarh	-	-	-	11,278	12,555	-
Goa	984	1,190	n.a.	1,902	1,859	15.91
Gujarat	118,325	125,941	139,537	148,431	144,849	5.06
Haryana	10,475	11,000	9,197	8,864	12,107	3.62
Himachal Pradesh	1,109	1,538	1,803	1,986	1,979	14.48
Jammu and Kashmir	508	671	1,006	1,184	1,199	21.47
Jharkhand	-	-	-	1,352	1,496	-
Karnataka	20,560	23,149	47,883	51,910	56,350	25.21
Kerala	14,321	15,660	17,346	20,195	22,433	11.22
Madhya Pradesh	34,712	42,839	47,180	36,393	29,437	-4.12
Maharashtra	364,492	431,759	445,881	554,633	587,058	11.92
Manipur	260	291	287	267	224	-3.71
Orissa	8,750	11,395	9,621	9,890	10,177	3.78
Punjab	33,644	40,818	57,683	65,866	75,381	20.17
Rajasthan	31,369	15,964	5,074	6,635	10,340	-27.75
Tamil Nadu	61,836	61,204	77,369	85,594	92,013	9.94
Tripura	100	105	147	157	218	19.55
Uttar Pradesh	16,977	19,512	21,439	24,377	26,551	11.18
Uttaranchal	-	-	-	2,110	2,321	-
West Bengal	30,494	32,387	35,937	37,873	42,202	8.12
Sample States	795,572	890,871	975,765	1,140,403	1,209,728	10.48

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 20
Tax Revenue Receipts of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	17,043	18,703	21,589	26,101	32,304	15.99
Assam	1,246	1,384	1,505	1,773	1,897	10.51
Bihar	3,233	3,388	3,532	2,620	2,897	-2.74
Chattisgarh	-	-	-	6,530	7,924	-
Goa	443	513	n.a.	939	875	17.03
Gujarat	98,216	102,626	117,257	121,138	118,049	4.60
Haryana	6,785	7,474	5,465	4,229	4,525	-10.13
Himachal Pradesh	512	644	803	1,083	902	14.16
Jammu and Kashmir	440	593	927	1,115	1,117	23.31
Jharkhand	-	-	-	1,149	1,272	-
Karnataka	12,733	14,464	32,322	30,649	33,271	24.01
Kerala	9,409	10,616	11,993	13,823	15,264	12.09
Madhya Pradesh	24,075	30,698	31,801	24,162	19,006	-5.91
Maharashtra	310,098	357,221	366,297	444,965	473,230	10.57
Manipur	184	133	183	181	150	-5.19
Orissa	7,264	9,260	7,032	7,229	7,438	0.59
Punjab	26,563	31,838	46,451	52,662	60,270	20.48
Rajasthan	27,700	10,653	1,476	2,067	2,415	-61.00
Tamil Nadu	33,325	29,598	42,670	47,567	52,751	11.48
Tripura	0	0	0	0	0	-
Uttar Pradesh	8,652	9,823	11,379	13,407	14,603	13.09
Uttaranchal	-	-	-	1,010	1,111	-
West Bengal	18,111	18,649	20,883	21,789	24,340	7.39
Sample States	606,034	658,277	723,565	826,189	875,610	9.20

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 21
Non-Tax Revenue Receipts of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	23,152	29,513	29,539	36,769	39,442	13.32
Assam	1,412	1,863	1,588	1,784	1,928	7.79
Bihar	571	598	623	462	511	-2.74
Chattisgarh	-	-	-	4,747	4,631	-
Goa	507	647	n.a.	721	732	9.19
Gujarat	14,851	16,086	13,557	19,457	20,746	8.36
Haryana	3,689	3,526	3,732	4,635	7,582	18.01
Himachal Pradesh	597	894	999	903	1,077	14.74
Jammu and Kashmir	68	78	79	68	82	4.65
Jharkhand	-	-	-	203	224	-
Karnataka	7,827	8,684	15,561	21,261	23,079	27.03
Kerala	4,911	5,044	5,353	6,372	7,169	9.46
Madhya Pradesh	10,637	12,141	15,379	12,231	10,431	-0.49
Maharashtra	46,795	56,553	66,443	81,855	101,119	19.26
Manipur	76	159	104	86	75	-0.46
Orissa	1,486	2,135	2,589	2,661	2,738	15.29
Punjab	7,081	8,980	11,232	13,204	15,111	18.95
Rajasthan	2,481	2,781	2,593	3,370	5,674	20.68
Tamil Nadu	13,658	18,238	15,539	17,175	18,265	7.27
Tripura	100	105	147	157	218	19.55
Uttar Pradesh	8,325	9,689	10,060	10,970	11,948	9.03
Uttaranchal	-	-	-	1,100	1,210	-
West Bengal	12,383	13,738	15,054	16,084	17,862	9.16
Sample States	160,607	191,450	210,174	256,275	291,855	14.93

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 22
State Transfers to Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	19,359	36,601	26,035	28,256	31,784	12.40
Assam	832	763	794	1,278	1,624	16.73
Bihar	5,670	5,058	11,589	5,594	5,559	-0.49
Chattisgarh	-	-	-	11,246	12,624	-
Goa	607	528	n.a	628	941	10.97
Gujarat	17,496	22,205	29,050	34,741	31,396	14.62
Haryana	3,748	3,059	6,329	9,477	7,892	18.62
Himachal Pradesh	2,716	3,418	2,918	3,058	2,787	0.65
Jammu and Kashmir	3,225	3,875	5,884	6,127	6,162	16.19
Jharkhand	-	-	-	2,453	2,440	-
Karnataka	34,080	40,463	37,827	47,949	60,859	14.50
Kerala	15,665	19,052	20,506	16,524	17,949	3.40
Madhya Pradesh	40,900	51,026	64,011	59,846	37,663	-2.06
Maharashtra	37,875	39,273	70,910	71,378	94,177	22.77
Manipur	52	107	175	180	195	33.10
Orissa	3,291	4,104	7,607	7,820	8,047	22.35
Punjab	5,753	9,077	7,267	7,845	8,490	9.73
Rajasthan	11,041	31,271	39,568	45,613	51,703	38.60
Tamil Nadu	52,209	56,954	54,344	54,360	46,770	-2.75
Tripura	880	750	1,200	1,300	1,100	5.58
Uttar Pradesh	43,568	68,064	70,777	71,337	77,489	14.40
Uttaranchal	-	-	-	5,105	5,105	-
West Bengal	28,535	32,481	65,772	50,217	50,203	14.12
Sample States	327,501	428,128	522,563	542,333	562,958	13.54

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 23
Per Capita Revenue Receipts of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	326.27	460.29	416.29	490.51	558.20	13.42
Assam	161.90	179.94	167.55	209.17	219.39	7.60
Bihar	85.24	79.26	134.26	103.45	103.81	4.93
Chattisgarh	-	-	-	593.33	644.86	-
Goa	461.03	489.49	n.a	706.67	769.20	12.80
Gujarat	849.58	901.94	997.69	1053.48	984.90	3.69
Haryana	292.37	276.97	292.69	330.21	343.27	4.01
Himachal Pradesh	719.92	907.42	841.45	877.45	808.13	2.89
Jammu and Kashmir	172.28	202.74	296.76	304.20	295.77	13.51
Jharkhand	-	-	-	103.45	103.81	-
Karnataka	348.46	395.31	518.51	587.48	669.70	16.33
Kerala	469.69	544.35	599.02	591.42	668.05	8.81
Madhya Pradesh	484.06	573.48	682.98	641.70	440.88	-2.34
Maharashtra	1145.25	1302.50	1389.09	1636.46	1732.89	10.35
Manipur	61.25	77.47	88.74	84.33	77.66	5.94
Orissa	256.65	321.87	348.29	348.29	348.29	7.63
Punjab	564.36	691.15	868.21	948.89	1037.38	15.22
Rajasthan	367.66	398.78	367.08	418.51	484.13	6.88
Tamil Nadu	527.22	525.15	560.82	568.78	536.19	0.42
Tripura	268.68	230.60	360.81	390.06	356.75	7.09
Uttar Pradesh	191.79	269.70	275.99	295.38	311.68	12.14
Uttaranchal	-	-	-	389.56	392.46	-
West Bengal	320.78	346.56	534.81	456.45	472.45	9.68
Sample States	501.43	572.98	636.55	689.52	707.43	8.60

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 24
Per Capita Own Revenue Receipts of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	220.21	261.66	275.83	338.42	386.83	14.09
Assam	119.90	142.05	131.33	146.61	153.25	6.13
Bihar	34.22	34.94	35.43	36.75	39.46	3.56
Chattisgarh	-	-	-	297.08	321.55	-
Goa	285.16	338.99	n.a.	531.15	510.64	14.57
Gujarat	740.14	766.75	825.77	853.68	809.45	2.24
Haryana	215.33	216.70	173.37	159.58	207.81	-0.89
Himachal Pradesh	208.75	281.57	321.34	345.45	335.55	11.87
Jammu and Kashmir	23.44	29.93	43.32	49.25	48.18	18.01
Jharkhand	-	-	-	36.75	39.46	-
Karnataka	131.12	143.86	289.67	305.39	321.96	22.46
Kerala	224.32	245.58	274.50	325.27	371.11	12.59
Madhya Pradesh	216.73	260.66	280.05	238.47	188.67	-3.47
Maharashtra	1037.45	1193.90	1198.49	1449.87	1493.33	9.11
Manipur	51.07	56.64	55.11	50.33	41.55	-5.16
Orissa	186.50	236.65	194.50	194.50	194.50	1.05
Punjab	481.95	565.42	771.07	847.90	932.38	16.50
Rajasthan	271.94	134.78	41.72	53.15	80.68	-30.38
Tamil Nadu	285.86	272.02	329.43	347.86	355.50	5.45
Tripura	27.31	28.29	39.47	41.94	58.93	19.23
Uttar Pradesh	53.78	60.09	64.16	75.23	79.54	9.79
Uttaranchal	-	-	-	106.08	113.67	-
West Bengal	165.71	173.03	188.97	196.24	215.77	6.60
Sample States	354.57	386.86	413.46	466.61	482.14	7.68

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 25
Per Capita Tax Revenue Receipts of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	93.37	101.50	116.47	140.50	174.17	15.59
Assam	56.22	60.54	63.89	73.07	76.01	7.54
Bihar	29.09	29.70	30.12	31.24	33.54	3.56
Chattisgarh	-	-	-	172.03	202.95	-
Goa	128.38	146.19	n.a.	262.24	240.47	15.69
Gujarat	614.36	624.80	693.92	696.71	659.68	1.78
Haryana	139.49	147.25	103.02	76.14	77.66	-14.64
Himachal Pradesh	96.35	117.84	143.20	188.33	152.95	11.55
Jammu and Kashmir	20.29	26.44	39.92	46.41	44.86	19.84
Jharkhand	-	-	-	31.24	33.54	-
Karnataka	81.20	89.89	195.53	180.31	190.10	21.26
Kerala	147.39	166.48	189.79	222.64	252.52	13.46
Madhya Pradesh	150.32	186.78	188.76	158.33	121.82	-5.26
Maharashtra	882.63	987.79	984.58	1,163.19	1,203.78	7.76
Manipur	36.16	25.77	35.14	34.17	27.73	-6.63
Orissa	154.83	192.31	142.16	142.16	142.16	-2.13
Punjab	380.51	441.02	620.93	677.92	745.47	16.81
Rajasthan	240.14	89.94	12.14	16.56	18.84	-63.63
Tamil Nadu	154.06	131.55	181.68	193.31	203.81	7.00
Tripura	0.00	0.00	0.00	0.00	0.00	-
Uttar Pradesh	27.41	30.25	34.06	41.37	43.75	11.69
Uttaranchal	-	-	-	50.76	54.40	-
West Bengal	98.42	99.63	109.81	112.90	124.44	5.87
Sample States	270.10	285.85	306.59	338.04	348.98	6.41

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 26
Per Capita Non Tax Revenue Receipts of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	126.84	160.16	159.36	197.92	212.66	12.92
Assam	63.69	81.51	67.44	73.53	77.24	4.82
Bihar	5.13	5.24	5.31	5.51	5.92	3.56
Chattisgarh	-	-	-	125.05	118.60	-
Goa	146.97	184.26	-	201.35	201.17	7.85
Gujarat	92.90	97.94	80.23	111.91	115.93	5.54
Haryana	75.84	69.45	70.36	83.44	130.15	13.50
Himachal Pradesh	112.40	163.73	178.14	157.12	182.59	12.13
Jammu and Kashmir	3.16	3.49	3.41	2.85	3.31	1.19
Jharkhand	-	-	-	5.51	5.92	-
Karnataka	49.92	53.97	94.14	125.08	131.87	24.28
Kerala	76.93	79.09	84.71	102.63	118.59	10.82
Madhya Pradesh	66.41	73.87	91.28	80.15	66.86	0.17
Maharashtra	133.19	156.38	178.59	213.98	257.22	16.45
Manipur	14.91	30.87	19.97	16.16	13.82	-1.90
Orissa	31.67	44.34	52.34	52.34	52.34	12.56
Punjab	101.43	124.39	150.14	169.98	186.91	15.28
Rajasthan	21.51	23.48	21.32	27.00	44.28	18.05
Tamil Nadu	63.14	81.06	66.16	69.80	70.57	2.78
Tripura	27.31	28.29	39.47	41.94	58.93	19.23
Uttar Pradesh	26.37	29.84	30.11	33.85	35.79	7.64
Uttaranchal	-	-	-	55.31	59.27	-
West Bengal	67.29	73.40	79.16	83.34	91.32	7.63
Sample States	71.58	83.14	89.06	104.86	116.32	12.14

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 27
Per Capita State Transfers to Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	106.06	198.63	140.46	152.09	171.37	12.00
Assam	37.51	33.36	33.72	52.67	65.06	13.77
Bihar	51.02	44.32	98.83	66.69	64.35	5.81
Chattisgarh	-	-	-	296.24	323.31	-
Goa	175.88	150.50	n.a.	175.52	258.57	9.63
Gujarat	109.44	135.19	171.92	199.81	175.45	11.80
Haryana	77.04	60.27	119.32	170.63	135.46	14.11
Himachal Pradesh	511.17	625.85	520.11	532.00	472.58	-1.96
Jammu and Kashmir	148.83	172.81	253.44	254.94	247.59	12.72
Jharkhand	-	-	-	66.69	64.35	-
Karnataka	217.34	251.46	228.84	282.09	347.73	11.75
Kerala	245.37	298.77	324.52	266.15	296.94	4.77
Madhya Pradesh	255.37	310.47	379.95	392.15	241.40	-1.41
Maharashtra	107.80	108.60	190.60	186.59	239.56	19.96
Manipur	10.18	20.83	33.63	34.00	36.11	31.66
Orissa	70.15	85.22	153.79	153.79	153.79	19.62
Punjab	82.42	125.73	97.14	101.00	105.01	6.06
Rajasthan	95.72	264.01	325.36	365.36	403.45	35.97
Tamil Nadu	241.36	253.13	231.39	220.92	180.70	-7.24
Tripura	241.37	202.31	321.34	348.12	297.82	5.25
Uttar Pradesh	138.01	209.61	211.83	220.15	232.14	13.00
Uttaranchal	-	-	-	256.67	250.05	-
West Bengal	155.07	173.53	345.84	260.21	256.68	12.60
Sample States	145.96	185.91	221.42	221.90	224.37	10.75

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 28
Municipal Own Revenue Receipts as a Percent of Municipal Revenue Receipts

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	67.49	56.85	66.26	68.99	69.30
Assam	74.06	78.94	78.38	70.09	69.85
Bihar	40.15	44.08	26.39	35.53	38.01
Chattisgarh	-	-	-	50.07	49.86
Goa	61.85	69.25	n.a.	75.16	66.39
Gujarat	87.12	85.01	82.77	81.03	82.19
Haryana	73.65	78.24	59.23	48.33	60.54
Himachal Pradesh	29.00	31.03	38.19	39.37	41.52
Jammu and Kashmir	13.61	14.76	14.60	16.19	16.29
Jharkhand	-	-	-	35.53	38.01
Karnataka	37.63	36.39	55.87	51.98	48.08
Kerala	47.76	45.11	45.82	55.00	55.55
Madhya Pradesh	44.77	45.45	41.00	37.16	42.79
Maharashtra	90.59	91.66	86.28	88.60	86.18
Manipur	83.38	73.12	62.10	59.68	53.50
Orissa	72.67	73.52	55.84	55.84	55.84
Punjab	85.40	81.81	88.81	89.36	89.88
Rajasthan	73.97	33.80	11.37	12.70	16.67
Tamil Nadu	54.22	51.80	58.74	61.16	66.30
Tripura	10.17	12.27	10.94	10.75	16.52
Uttar Pradesh	28.04	22.28	23.25	25.47	25.52
Uttaranchal	-	-	-	27.23	28.96
West Bengal	51.66	49.93	35.33	42.99	45.67
Sample States	70.71	67.52	64.95	67.67	68.15

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 29
Municipal Tax Receipts as a Percent of Municipal Own Revenue Receipts

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	42.40	38.79	42.23	41.52	45.03
Assam	46.88	42.62	48.65	49.84	49.60
Bihar	85.00	85.00	85.00	85.00	85.00
Chattisgarh	-	-	-	57.91	63.12
Goa	46.62	44.24	n.a.	56.57	54.45
Gujarat	86.87	86.45	89.64	86.16	85.05
Haryana	64.78	67.95	59.42	47.71	37.37
Himachal Pradesh	46.16	41.85	44.56	54.52	45.58
Jammu and Kashmir	86.53	88.35	92.13	94.22	93.12
Jharkhand	-	-	-	85.00	85.00
Karnataka	61.93	62.48	67.50	59.04	59.04
Kerala	65.71	67.79	69.14	68.45	68.04
Madhya Pradesh	69.36	71.66	67.40	66.39	64.57
Maharashtra	86.89	86.33	84.65	84.46	82.39
Manipur	70.80	45.50	63.76	67.89	66.75
Orissa	83.02	81.26	73.09	73.09	73.09
Punjab	78.95	78.00	80.53	79.95	79.95
Rajasthan	91.78	79.30	36.27	38.02	29.85
Tamil Nadu	70.93	61.87	73.30	73.47	74.28
Tripura	0.00	0.00	0.00	0.00	0.00
Uttar Pradesh	50.96	50.35	53.07	55.00	55.00
Uttaranchal	-	-	-	47.86	47.86
West Bengal	59.39	57.58	58.11	57.53	57.67
Sample States	79.05	77.47	77.49	76.32	75.00

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 30
Municipal Non-Tax Receipts as a Percent of Municipal Own Revenue Receipts

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	57.60	61.21	57.77	58.48	54.97
Assam	53.12	57.38	51.35	50.16	50.40
Bihar	15.00	15.00	15.00	15.00	15.00
Chattisgarh	-	-	-	42.09	36.88
Goa	53.38	55.76	n.a.	43.43	45.55
Gujarat	13.13	13.55	10.36	13.84	14.95
Haryana	35.22	32.05	40.58	52.29	62.63
Himachal Pradesh	53.84	58.15	55.44	45.48	54.42
Jammu and Kashmir	13.47	11.65	7.87	5.78	6.88
Jharkhand	-	-	-	15.00	15.00
Karnataka	38.07	37.52	32.50	40.96	40.96
Kerala	34.29	32.21	30.86	31.55	31.96
Madhya Pradesh	30.64	28.34	32.60	33.61	35.43
Maharashtra	13.11	13.67	15.35	15.54	17.61
Manipur	29.20	54.50	36.24	32.11	33.25
Orissa	16.98	18.74	26.91	26.91	26.91
Punjab	21.05	22.00	19.47	20.05	20.05
Rajasthan	8.22	20.70	63.73	61.98	70.15
Tamil Nadu	29.07	38.13	26.70	26.53	25.72
Tripura	100.00	100.00	100.00	100.00	100.00
Uttar Pradesh	49.04	49.65	46.93	45.00	45.00
Uttaranchal	-	-	-	52.14	52.14
West Bengal	40.61	42.42	41.89	42.47	42.33
Sample States	20.95	22.53	22.51	23.68	25.00

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 31
State Transfers to Municipalities as a Percent of Municipal Revenue Receipts

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	32.51	43.15	33.74	31.01	30.70
Assam	23.17	18.54	20.13	25.18	29.65
Bihar	59.85	55.92	73.61	64.47	61.99
Chattisgarh	-	-	-	49.93	50.14
Goa	38.15	30.75	n.a.	24.84	33.61
Gujarat	12.88	14.99	17.23	18.97	17.81
Haryana	26.35	21.76	40.77	51.67	39.46
Himachal Pradesh	71.00	68.97	61.81	60.63	58.48
Jammu and Kashmir	86.39	85.24	85.40	83.81	83.71
Jharkhand	-	-	-	64.47	61.99
Karnataka	62.37	63.61	44.13	48.02	51.92
Kerala	52.24	54.89	54.18	45.00	44.45
Madhya Pradesh	52.76	54.14	55.63	61.11	54.75
Maharashtra	9.41	8.34	13.72	11.40	13.82
Manipur	16.62	26.88	37.90	40.32	46.50
Orissa	27.33	26.48	44.16	44.16	44.16
Punjab	14.60	18.19	11.19	10.64	10.12
Rajasthan	26.03	66.20	88.63	87.30	83.33
Tamil Nadu	45.78	48.20	41.26	38.84	33.70
Tripura	89.83	87.73	89.06	89.25	83.48
Uttar Pradesh	71.96	77.72	76.75	74.53	74.48
Uttaranchal	-	-	-	65.89	63.71
West Bengal	48.34	50.07	64.67	57.01	54.33
Sample States	29.11	32.45	34.79	32.18	31.72

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RR 32
Own Revenue Receipts as a Percent of
State's Internally Generated Resources

State	1997/98	1998/99	1999/00	2000/01
Andhra Pradesh	4.52	4.92	4.47	4.73
Assam	2.10	2.26	1.85	1.83
Bihar	1.36	1.04	0.77	0.82
Chattisgarh	-	-	-	10.87
Goa	1.62	1.71	-	2.02
Gujarat	13.43	12.13	12.59	11.97
Haryana	3.17	2.48	2.03	1.62
Himachal Pradesh	1.61	2.01	1.08	2.20
Jammu and Kashmir	0.79	0.93	1.02	1.20
Jharkhand	-	-	-	-
Karnataka	2.69	2.77	5.14	4.87
Kerala	2.89	3.07	3.08	3.16
Madhya Pradesh	5.27	6.22	5.71	4.94
Maharashtra	21.04	24.33	21.06	21.94
Manipur	0.05	0.06	0.05	0.04
Orissa	4.46	5.57	3.97	3.45
Punjab	6.23	8.58	9.94	10.69
Rajasthan	6.39	3.02	0.83	0.95
Tamil Nadu	6.32	5.70	6.37	6.17
Tripura	0.02	0.02	0.03	0.02
Uttar Pradesh	2.05	2.08	1.88	1.89
Uttaranchal	-	-	-	5.89
West Bengal	6.16	6.30	6.34	5.33
Sample States	8.04	8.27	7.81	8.09

Note: - denotes not available.

Source: Same as source 2 and 3 of Table: Gen 13 and of Table: Gen 5.

Table: Mun RR 33
State Transfers to municipalities as a Percent of
State's Internally Generated Resources

State	1997/98	1998/99	1999/00	2000/01
Andhra Pradesh	2.17	3.73	2.27	2.13
Assam	0.66	0.53	0.48	0.66
Bihar	2.03	1.32	2.15	1.50
Chattisgarh	-	-	-	10.83
Goa	1.00	0.76	n.a.	0.67
Gujarat	1.99	2.14	2.62	2.80
Haryana	1.13	0.69	1.40	1.74
Himachal Pradesh	3.95	4.46	1.74	3.38
Jammu and Kashmir	-	-	-	-
Jharkhand	-	-	-	-
Karnataka	4.46	4.84	4.06	4.49
Kerala	3.17	3.74	3.65	2.58
Madhya Pradesh	6.21	7.41	7.75	8.13
Maharashtra	2.19	2.21	3.35	2.82
Manipur	0.01	0.02	0.03	0.03
Orissa	1.68	2.01	3.14	2.73
Punjab	1.07	1.91	1.25	1.27
Rajasthan	2.25	5.91	6.48	6.53
Tamil Nadu	5.34	5.31	4.47	3.92
Tripura	0.18	0.15	0.21	0.18
Uttar Pradesh	5.26	7.25	6.20	5.52
Uttaranchal	-	-	-	14.24
West Bengal	5.76	6.32	11.61	7.07
Sample States	3.31	3.98	4.18	3.85

Note: - denotes not available.

Source: Same as source 2 and 3 of Table: Gen 13 and of Table: Gen 5.

Table: Mun RR 34
State Transfers to Municipalities as a Percent of State's Gross Deficit

State	1997/98	1998/99	1999/00	2000/01
Andhra Pradesh	7.97	6.41	5.23	3.87
Assam	5.85	2.25	0.49	0.83
Bihar	5.78	2.13	1.90	1.15
Chattisgarh	-	-	-	-
Goa	-	-	-	-
Gujarat	5.51	3.95	4.28	4.35
Haryana	3.32	1.37	2.97	4.18
Himachal Pradesh	2.26	2.06	15.39	1.66
Jammu and Kashmir	7.27	3.68	4.40	2.83
Jharkhand	-	-	-	-
Karnataka	21.17	13.00	8.85	11.36
Kerala	6.49	6.32	4.52	4.26
Madhya Pradesh	22.47	12.36	16.37	22.07
Maharashtra	5.88	5.26	6.06	7.95
Manipur	-	-	-	-
Orissa	1.83	1.41	2.03	2.35
Punjab	2.32	2.40	2.27	2.01
Rajasthan	4.33	6.07	7.38	10.58
Tamil Nadu	24.61	11.92	10.10	10.71
Tripura	-	-	-	-
Uttar Pradesh	5.75	5.85	6.38	7.01
Uttaranchal	-	-	-	-
West Bengal	7.12	4.57	5.64	4.60
Sample States	7.72	5.93	5.94	6.12

Note: - denotes not available.

Source: Same as source 2 and 3 of Table: Gen 13 and of Table: Gen 5.

Table: Mun RR 35
Municipal Own Revenue Receipts as a Percent of GSDP

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	0.42	0.42	0.41	0.45	0.48
Assam	0.12	0.13	0.11	0.12	0.12
Bihar	0.07	0.07	0.07	0.07	0.07
Chattisgarh	-	-	-	0.43	0.41
Goa	0.20	0.20	n.a.	0.27	0.26
Gujarat	1.30	1.20	1.30	1.34	1.16
Haryana	0.27	0.25	0.19	0.16	0.20
Himachal Pradesh	0.13	0.14	0.15	0.15	-
Jammu and Kashmir	0.05	0.05	0.07	0.08	-
Jharkhand	-	-	-	0.05	-
Karnataka	0.29	0.26	0.50	0.50	0.51
Kerala	0.29	0.28	0.28	0.29	0.29
Madhya Pradesh	0.44	0.48	0.49	0.50	0.36
Maharashtra	1.88	2.02	1.83	2.32	2.16
Manipur	0.12	0.11	0.09	0.08	0.06
Orissa	0.27	0.32	0.25	0.26	0.24
Punjab	0.69	0.73	0.94	1.00	1.07
Rajasthan	0.49	0.22	0.06	0.08	0.12
Tamil Nadu	0.60	0.52	0.61	0.61	0.62
Tripura	0.03	0.03	0.03	0.03	0.04
Uttar Pradesh	0.12	0.13	0.13	-	-
Uttaranchal	-	-	-	-	-
West Bengal	0.31	0.28	0.28	0.27	0.27
Sample States	0.65	0.64	0.64	0.71	-

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13 and of Table: Gen 5.

Table: Mun RE 36
Revenue Expenditure of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	52,078	61,154	73,817	77,302	94,383	14.87
Assam	3,812	4,131	4,160	4,990	5,287	8.18
Bihar	7,769	7,597	13,224	7,288	7,533	-0.77
Chattisgarh	-	-	-	13,512	14,684	-
Goa	1,228	1,540	n.a.	1,946	2,199	14.58
Gujarat	104,071	124,505	152,303	151,609	154,812	9.93
Haryana	11,716	12,480	13,428	14,023	14,870	5.96
Himachal Pradesh	3,015	4,254	4,778	4,975	5,635	15.63
Jammu and Kashmir	3,845	4,722	5,743	7,615	9,773	23.32
Jharkhand	-	-	-	3,197	3,307	-
Karnataka	41,699	53,113	52,428	61,913	73,208	14.07
Kerala	20,566	24,486	26,512	28,402	29,811	9.28
Madhya Pradesh	75,976	90,481	112,762	94,991	66,723	-3.25
Maharashtra	339,427	382,904	413,001	451,198	492,860	9.32
Manipur	339	412	441	475	437	6.35
Orissa	9,565	11,520	12,808	15,425	18,578	16.60
Punjab	35,344	39,714	58,531	72,167	81,505	20.89
Rajasthan	33,630	40,096	39,816	45,752	50,026	9.93
Tamil Nadu	100,279	115,498	117,230	122,551	124,701	5.45
Tripura	980	855	1,347	1,457	1,318	7.41
Uttar Pradesh	59,317	77,729	90,770	90,928	91,854	10.93
Uttaranchal	-	-	-	7,419	8,161	-
West Bengal	59,351	71,319	85,636	89,774	95,348	11.85
Sample States	964,006	1,128,509	1,278,736	1,368,907	1,447,013	10.15

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 37
Establishment and Salaries Expenditure of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	19,065	21,969	25,564	30,739	31,408	12.48
Assam	2,438	2,528	2,755	3,265	3,450	8.68
Bihar	5,899	4,628	8,435	2,765	3,217	-15.16
Chattisgarh	-	-	-	9,458	10,279	-
Goa	909	1,102	n.a	1,194	1,333	9.57
Gujarat	45,664	59,245	73,404	70,292	70,588	10.89
Haryana	8,832	8,846	9,901	10,207	10,366	4.00
Himachal Pradesh	1,573	2,025	2,613	2,676	2,814	14.53
Jammu and Kashmir	3,337	4,051	4,737	6,432	8,574	23.59
Jharkhand	-	-	-	1,213	1,412	-
Karnataka	22,207	24,804	25,421	30,028	35,515	11.74
Kerala	8,807	10,382	11,537	13,458	14,985	13.29
Madhya Pradesh	55,819	70,688	88,599	76,385	53,654	-0.99
Maharashtra	198,225	217,202	241,245	246,350	267,997	7.54
Manipur	238	229	313	361	335	8.48
Orissa	5,400	6,719	6,480	7,804	9,399	13.85
Punjab	17,319	19,857	28,095	28,829	33,267	16.32
Rajasthan	21,047	25,184	27,566	30,571	31,643	10.19
Tamil Nadu	46,550	58,706	62,683	63,662	70,443	10.36
Tripura	850	855	1,050	1,100	1,158	7.73
Uttar Pradesh	37,327	46,552	54,991	54,557	55,112	9.74
Uttaranchal	-	-	-	4,731	5,204	-
West Bengal	35,040	39,935	54,032	58,619	62,138	14.32
Sample States	536,548	625,508	729,423	754,696	784,292	9.49

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 38
Operation and Maintenance Expenditure of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	32,079	38,441	47,489	45,497	62,169	16.54
Assam	1,368	1,575	1,395	1,691	1,797	6.82
Bihar	1,870	2,968	4,789	4,523	4,316	20.91
Chattisgarh	-	-	-	4,054	4,405	-
Goa	318	437	n.a	752	866	25.02
Gujarat	47,704	52,463	62,888	65,317	67,180	8.56
Haryana	2,884	3,634	3,526	3,816	4,504	11.14
Himachal Pradesh	1,442	2,299	2,164	2,299	2,821	16.78
Jammu and Kashmir	508	671	1,006	1,184	1,199	21.47
Jharkhand	-	-	-	1,584	1,494	-
Karnataka	19,492	28,309	27,007	31,885	37,693	16.49
Kerala	10,482	12,594	13,177	13,211	13,026	5.43
Madhya Pradesh	20,157	19,793	24,163	18,607	13,070	-10.83
Maharashtra	113,937	134,896	130,790	151,117	171,298	10.19
Manipur	101	183	129	113	102	0.38
Orissa	4,165	4,801	6,328	7,621	9,178	19.76
Punjab	17,745	19,702	30,278	43,171	48,239	25.00
Rajasthan	12,200	14,575	11,716	14,898	17,336	8.79
Tamil Nadu	53,729	56,792	54,547	58,889	54,258	0.24
Tripura	120	0	257	307	96	-5.58
Uttar Pradesh	13,633	21,189	22,714	25,837	26,638	16.75
Uttaranchal	-	-	-	2,688	2,957	-
West Bengal	24,310	31,385	31,603	31,154	33,210	7.80
Sample States	378,243	446,707	475,968	530,214	577,852	10.59

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 39
Per Capita Revenue Expenditure of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	285.31	331.88	398.23	416.10	508.88	14.47
Assam	171.93	180.71	176.65	205.70	211.79	5.21
Bihar	69.90	66.58	112.78	86.90	87.20	5.53
Chattisgarh	-	-	-	355.94	376.07	-
Goa	355.80	438.66	n.a.	543.46	604.18	13.24
Gujarat	650.98	758.01	901.32	871.95	865.12	7.11
Haryana	240.85	245.86	253.13	252.47	255.23	1.45
Himachal Pradesh	567.59	778.98	851.60	865.35	955.45	13.02
Jammu and Kashmir	177.44	210.57	247.35	316.87	392.69	19.86
Jharkhand	-	-	-	86.90	87.20	-
Karnataka	265.93	330.07	317.17	364.24	418.29	11.32
Kerala	322.15	383.99	419.55	457.46	493.17	10.65
Madhya Pradesh	474.37	550.54	669.32	622.45	427.66	-2.59
Maharashtra	966.10	1058.80	1110.11	1179.48	1253.71	6.51
Manipur	66.60	80.13	84.65	89.58	81.03	4.90
Orissa	203.87	239.23	258.91	303.36	355.06	13.87
Punjab	506.30	550.12	782.41	929.01	1008.12	17.22
Rajasthan	291.54	338.51	327.41	366.48	390.36	7.30
Tamil Nadu	463.58	513.33	499.15	498.05	481.79	0.96
Tripura	268.68	230.60	360.81	390.06	356.75	7.09
Uttar Pradesh	187.90	239.37	271.67	280.61	275.18	9.54
Uttaranchal	-	-	-	373.05	399.77	-
West Bengal	322.52	381.03	450.29	465.18	487.49	10.33
Sample States	429.64	490.05	541.83	560.10	576.71	7.36

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 40
Per Capita Establishment and Salaries Expenditure of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	104.45	119.22	137.91	165.46	169.34	12.08
Assam	109.97	110.61	117.00	134.61	138.19	5.71
Bihar	53.07	40.56	71.94	32.97	37.24	-8.85
Chattisgarh	-	-	-	249.16	263.25	-
Goa	263.55	314.09	n.a.	333.44	366.34	8.23
Gujarat	285.63	360.70	434.40	404.27	394.46	8.07
Haryana	181.56	174.27	186.65	183.77	177.93	-0.51
Himachal Pradesh	296.16	370.84	465.80	465.51	477.14	11.92
Jammu and Kashmir	154.00	180.65	204.03	267.61	344.51	20.13
Jharkhand	-	-	-	32.97	37.24	-
Karnataka	141.62	154.14	153.79	176.66	202.92	8.99
Kerala	137.96	162.82	182.57	216.76	247.90	14.65
Madhya Pradesh	348.52	430.11	525.90	500.52	343.89	-0.33
Maharashtra	564.20	600.61	648.45	643.98	681.72	4.73
Manipur	46.86	44.49	59.97	68.21	62.10	7.04
Orissa	115.11	139.53	131.00	153.49	179.64	11.13
Punjab	248.09	275.06	375.56	371.12	411.47	12.65
Rajasthan	182.46	212.62	226.68	244.87	246.92	7.56
Tamil Nadu	215.20	260.92	266.90	258.72	272.16	5.87
Tripura	233.14	230.60	281.17	294.56	313.52	7.41
Uttar Pradesh	118.24	143.36	164.58	168.36	165.11	8.35
Uttaranchal	-	-	-	237.87	254.91	-
West Bengal	190.42	213.35	284.12	303.75	317.70	12.80
Sample States	239.13	271.62	309.07	308.79	312.58	6.70

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 41
Per Capita Operation and Maintenance Expenditure of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	175.74	208.62	256.19	244.90	335.20	16.14
Assam	61.68	68.89	59.25	69.73	71.96	3.86
Bihar	16.82	26.02	40.84	53.93	49.96	27.21
Chattisgarh	-	-	-	106.78	112.82	-
Goa	92.25	124.57	n.a	210.03	237.84	23.68
Gujarat	298.39	319.41	372.17	375.66	375.42	5.74
Haryana	59.29	71.59	66.48	68.70	77.31	6.63
Himachal Pradesh	271.42	420.95	385.80	399.83	478.31	14.16
Jammu and Kashmir	23.44	29.93	43.32	49.25	48.18	18.01
Jharkhand	-	-	-	43.05	39.41	-
Karnataka	124.31	175.92	163.38	187.58	215.37	13.74
Kerala	164.19	197.50	208.53	212.79	215.49	6.80
Madhya Pradesh	125.85	120.43	143.43	121.92	83.77	-10.18
Maharashtra	324.30	373.02	351.55	395.04	435.74	7.38
Manipur	19.75	35.64	24.68	21.37	18.93	-1.07
Orissa	88.77	99.70	127.92	149.88	175.42	17.03
Punjab	254.20	272.91	404.74	555.74	596.65	21.33
Rajasthan	105.76	123.05	96.34	119.33	135.28	6.15
Tamil Nadu	248.39	252.41	232.25	239.33	209.63	-4.24
Tripura	32.80	0.00	68.92	82.11	25.90	-5.90
Uttar Pradesh	43.19	65.25	67.98	79.73	79.80	15.35
Uttaranchal	-	-	-	135.18	144.86	-
West Bengal	132.11	167.67	166.18	161.43	169.79	6.27
Sample States	168.58	193.98	201.68	216.94	230.31	7.80

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun Ex. 42
Municipal Establishment Expenditure as a Percent
of Municipal Revenue Expenditure

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	36.61	35.92	34.63	39.76	33.28
Assam	63.96	61.21	66.23	65.44	65.25
Bihar	75.93	60.93	63.79	37.94	42.71
Chattisgarh	-	-	-	70.00	70.00
Goa	74.07	71.60	-	61.35	60.63
Gujarat	43.88	47.58	48.20	46.36	45.60
Haryana	75.38	70.88	73.74	72.79	69.71
Himachal Pradesh	52.18	47.61	54.70	53.80	49.94
Jammu & Kashmir	86.79	85.79	82.48	84.46	87.73
Jharkhand	-	-	-	37.94	42.71
Karnataka	53.26	46.70	48.49	48.50	48.51
Kerala	42.82	42.40	43.52	47.38	50.27
Madhya Pradesh	73.47	78.13	78.57	80.41	80.41
Maharashtra	58.40	56.73	58.41	54.60	54.38
Manipur	70.37	55.52	70.84	76.15	76.64
Orissa	56.46	58.32	50.59	50.59	50.59
Punjab	49.00	50.00	48.00	39.95	40.82
Rajasthan	62.58	62.81	69.23	66.82	63.25
Tamil Nadu	46.42	50.83	53.47	51.95	56.49
Tripura	86.77	100.00	77.93	75.52	87.88
Uttar Pradesh	62.93	59.89	60.58	60.00	60.00
Uttaranchal	-	-	-	63.76	63.76
West Bengal	59.04	55.99	63.10	65.30	65.17
Sample States	55.66	55.43	57.04	55.13	54.20

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 43
Municipal Operation and Maintenance Expenditure as a Percent of
Municipal Revenue Expenditure

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	61.60	62.86	64.33	58.86	65.87
Assam	35.87	38.12	33.54	33.90	33.98
Bihar	24.07	39.07	36.21	62.06	57.29
Chattisgarh	-	-	-	30.00	30.00
Goa	25.93	28.40	n.a.	38.65	39.37
Gujarat	45.84	42.14	41.29	43.08	43.39
Haryana	24.62	29.12	26.26	27.21	30.29
Himachal Pradesh	47.82	54.04	45.30	46.20	50.06
Jammu and Kashmir	13.21	14.21	17.52	15.54	12.27
Jharkhand	-	-	-	49.54	45.19
Karnataka	46.74	53.30	51.51	51.50	51.49
Kerala	50.97	51.43	49.70	46.51	43.70
Madhya Pradesh	26.53	21.87	21.43	19.59	19.59
Maharashtra	33.57	35.23	31.67	33.49	34.76
Manipur	29.66	44.48	29.16	23.85	23.36
Orissa	43.54	41.68	49.41	49.41	49.41
Punjab	50.21	49.61	51.73	59.82	59.18
Rajasthan	36.28	36.35	29.42	32.56	34.66
Tamil Nadu	53.58	49.17	46.53	48.05	43.51
Tripura	12.21	0.00	19.10	21.05	7.26
Uttar Pradesh	22.98	27.26	25.02	28.42	29.00
Uttaranchal	-	-	-	36.24	36.24
West Bengal	40.96	44.01	36.90	34.70	34.83
Sample States	39.24	39.58	37.22	38.73	39.93

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 44
Municipal Revenue Expenditure as a Percent of GSDP

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	0.54	0.53	0.59	0.56	0.63
Assam	0.17	0.16	0.14	0.16	0.16
Bihar	0.14	0.13	0.21	0.16	0.15
Chattisgarh	-	-	-	0.52	0.49
Goa	0.25	0.25	n.a	0.28	0.31
Gujarat	1.14	1.18	1.42	1.37	1.24
Haryana	0.30	0.29	0.27	0.26	0.25
Himachal Pradesh	0.34	0.40	0.40	0.38	-
Jammu and Kashmir	0.37	0.38	0.41	0.52	-
Jharkhand	-	-	-	0.11	-
Karnataka	0.58	0.60	0.55	0.59	0.67
Kerala	0.42	0.44	0.42	0.41	0.39
Madhya Pradesh	0.96	1.02	1.16	1.30	0.82
Maharashtra	1.75	1.79	1.70	1.89	1.82
Manipur	0.25	0.27	0.27	0.25	0.22
Orissa	0.30	0.32	0.33	0.40	0.43
Punjab	0.73	0.71	0.96	1.09	1.15
Rajasthan	0.52	0.55	0.51	0.57	0.56
Tamil Nadu	0.97	0.98	0.93	0.87	0.84
Tripura	0.44	0.33	0.42	0.44	0.37
Uttar Pradesh	0.43	0.51	0.54	0.53	0.49
Uttaranchal	-	-	-	-	-
West Bengal	0.61	0.62	0.68	0.64	0.61
Sample States	0.79	0.81	0.84	0.85	-

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13 and of Table: Gen 5.

Table: Mun RE 45
Municipal Own Revenue Receipts as a Percent
of Municipal Revenue Expenditure

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	77.18	78.84	69.26	81.33	76.02
Assam	69.74	78.61	74.35	71.27	72.36
Bihar	48.96	52.47	31.42	42.30	45.25
Chattisgarh	-	-	-	83.46	85.50
Goa	80.14	77.28	n.a.	97.73	84.52
Gujarat	113.70	101.15	91.62	97.90	93.56
Haryana	89.40	88.14	68.49	63.21	81.42
Himachal Pradesh	36.78	36.15	37.73	39.92	35.12
Jammu and Kashmir	13.21	14.21	17.52	15.54	12.27
Jharkhand	-	-	-	42.30	45.25
Karnataka	49.31	43.58	91.33	83.84	76.97
Kerala	69.63	63.95	65.43	71.10	75.25
Madhya Pradesh	45.69	47.35	41.84	38.31	44.12
Maharashtra	107.38	112.76	107.96	122.92	119.11
Manipur	76.68	70.68	65.10	56.19	51.28
Orissa	91.48	98.92	75.12	64.12	54.78
Punjab	95.19	102.78	98.55	91.27	92.49
Rajasthan	93.28	39.81	12.74	14.50	20.67
Tamil Nadu	61.66	52.99	66.00	69.84	73.79
Tripura	10.17	12.27	10.94	10.75	16.52
Uttar Pradesh	28.62	25.10	23.62	26.81	28.91
Uttaranchal	-	-	-	28.43	28.43
West Bengal	51.38	45.41	41.96	42.19	44.26
Sample States	82.53	78.94	76.31	83.31	83.60

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Mun RE 46
Municipal Revenue Expenditure as a Percent
of Municipal Revenue Receipts

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	87.45	72.10	95.66	84.83	91.16
Assam	106.19	100.42	105.43	98.34	96.54
Bihar	82.00	84.00	84.00	84.00	84.00
Chattisgarh	-	-	-	59.99	58.32
Goa	77.18	89.61	n.a.	76.91	78.55
Gujarat	76.62	84.04	90.34	82.77	87.84
Haryana	82.38	88.77	86.48	76.46	74.35
Himachal Pradesh	78.84	85.85	101.21	98.62	118.23
Jammu and Kashmir	103.00	103.86	83.35	104.16	132.77
Jharkhand	-	-	-	84.00	84.00
Karnataka	76.32	83.50	61.17	62.00	62.46
Kerala	68.59	70.54	70.04	77.35	73.82
Madhya Pradesh	98.00	96.00	98.00	97.00	97.00
Maharashtra	84.36	81.29	79.92	72.08	72.35
Manipur	108.74	103.44	95.40	106.22	104.34
Orissa	79.44	74.33	74.34	87.10	101.94
Punjab	89.71	79.60	90.12	97.90	97.18
Rajasthan	79.30	84.89	89.19	87.57	80.63
Tamil Nadu	87.93	97.75	89.00	87.57	89.85
Tripura	100.00	100.00	100.00	100.00	100.00
Uttar Pradesh	97.97	88.76	98.43	95.00	88.29
Uttaranchal	-	-	-	95.76	101.86
West Bengal	100.54	109.95	84.20	101.91	103.19
Sample States	85.68	85.53	85.12	81.23	81.52

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex 47
Revenue Income (-) Revenue Expenditure Gap of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	7,476	23,663	3,347	13,824	9,147	5.04
Assam	-222	-17	-214	84	190	nap
Bihar	1,705	1,447	2,519	1,388	1,435	-4.32
Chattisgarh	-	-	-	9,011	10,495	nap
Goa	363	178	n.a.	584	601	12.59
Gujarat	31,749	23,641	16,284	31,563	21,433	-9.82
Haryana	2,506	1,579	2,098	4,318	5,129	17.91
Himachal Pradesh	809	702	-57	70	-869	nap
Jammu and Kashmir	-112	-176	1,147	-304	-2,412	nap
Jharkhand	-	-	-	609	630	nap
Karnataka	12,941	10,499	33,282	37,946	44,000	32.99
Kerala	9,419	10,226	11,340	8,317	10,571	2.88
Madhya Pradesh	1,551	3,770	2,301	2,938	2,064	7.15
Maharashtra	62,941	88,128	103,789	174,813	188,375	27.41
Manipur	-27	-14	21	-28	-18	-10.10
Orissa	2,476	3,979	4,421	2,284	-354	nap
Punjab	4,053	10,181	6,419	1,544	2,365	-13.46
Rajasthan	8,780	7,139	4,825	6,495	12,016	7.84
Tamil Nadu	13,766	2,660	14,483	17,403	14,082	0.57
Tripura	-	-	-	-	-	-
Uttar Pradesh	1,228	9,847	1,445	4,786	12,186	57.38
Uttaranchal	-	-	-	328	-149	nap
West Bengal	-321	-6,451	16,073	-1,684	-2,944	55.37
Sample States	161,081	190,980	223,525	316,291	327,974	17.78

Note: - denotes not available.

nap is not applicable.

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex. 48
Own Revenue (-) Revenue Expenditure Gap of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	-11,883	-12,938	-22,688	-14,432	-22,637	16.11
Assam	-1,154	-884	-1,067	-1,433	-1,462	5.92
Bihar	-3,965	-3,611	-9,070	-4,205	-4,124	0.99
Chattisgarh	-	-	-	-2,234	-2,129	nap
Goa	-244	-350	n.a.	-44	-340	8.36
Gujarat	14,253	1,436	-12,766	-3,178	-9,963	nap
Haryana	-1,242	-1,480	-4,231	-5,159	-2,763	19.99
Himachal Pradesh	-1,906	-2,717	-2,975	-2,989	-3,656	16.28
Jammu and Kashmir	-3,337	-4,051	-4,737	-6,432	-8,574	23.59
Jharkhand	-	-	-	-1,845	-1,810	nap
Karnataka	-21,139	-29,964	-4,546	-10,003	-16,859	-5.66
Kerala	-6,246	-8,827	-9,166	-8,207	-7,379	4.17
Madhya Pradesh	-41,264	-47,642	-65,582	-58,598	-37,286	-2.53
Maharashtra	25,066	48,856	32,880	103,435	94,199	33.10
Manipur	-79	-121	-154	-208	-213	24.77
Orissa	-815	-124	-3,186	-5,535	-8,401	58.32
Punjab	-1,700	1,104	-848	-6,301	-6,124	32.04
Rajasthan	-2,261	-24,132	-34,742	-39,118	-39,686	71.63
Tamil Nadu	-38,443	-54,294	-39,861	-36,957	-32,688	-4.05
Tripura	-880	-750	-1,200	-1,300	-1,100	5.58
Uttar Pradesh	-42,341	-58,217	-69,331	-66,551	-65,303	10.83
Uttaranchal	-	-	-	-5,310	-5,841	nap
West Bengal	-28,856	-38,932	-49,699	-51,901	-53,147	15.27
Sample States	-168,435	-237,638	-302,970	-228,505	-237,285	8.57

Note: - denotes not available.

nap is not applicable

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex. 49
Own Revenue (-) Establishment Expenditure Gap of Municipalities

State	(Rs. Lakh)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	21,130	26,247	25,565	32,131	40,338	16.16
Assam	220	719	338	291	376	13.36
Bihar	-2,095	-642	-4,280	317	191	nap
Chattisgarh	-	-	-	1,819	2,276	nap
Goa	75	87	n.a.	708	525	48.81
Gujarat	72,661	66,695	66,133	78,139	74,261	0.54
Haryana	1,643	2,154	-704	-1,343	1,741	1.46
Himachal Pradesh	-464	-488	-810	-690	-835	14.67
Jammu and Kashmir	-2,829	-3,380	-3,731	-5,248	-7,375	23.96
Jharkhand	-	-	-	139	84	nap
Karnataka	-1,647	-1,655	22,461	21,882	20,835	nap
Kerala	5,513	5,277	5,809	6,737	7,448	7.52
Madhya Pradesh	-21,107	-27,849	-41,419	-39,992	-24,217	3.44
Maharashtra	166,267	214,557	204,635	308,283	319,062	16.29
Manipur	21	63	-25	-95	-111	nap
Orissa	3,349	4,677	3,141	2,086	778	-36.51
Punjab	16,325	20,961	29,588	37,037	42,114	23.69
Rajasthan	10,322	-9,220	-22,492	-23,936	-21,304	nap
Tamil Nadu	15,286	2,498	14,686	21,932	21,570	8.61
Tripura	-750	-750	-903	-943	-940	5.64
Uttar Pradesh	-20,351	-27,040	-33,552	-30,180	-28,561	8.47
Uttaranchal	-	-	-	-2,621	-2,883	nap
West Bengal	-4,546	-7,548	-18,095	-20,747	-19,937	36.96
Sample States	259,024	265,363	246,343	385,707	425,435	12.40

Note: - denotes not available.

nap is not applicable.

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex. 50
Per Capita Revenue Surplus/Deficit of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	40.96	128.41	18.06	74.41	49.32	4.64
Assam	-10.02	-0.76	-9.09	3.47	7.60	nap
Bihar	15.34	12.68	21.48	16.55	16.61	1.98
Chattisgarh	-	-	-	237.38	268.79	nap
Goa	105.23	50.83	n.a	163.20	165.03	11.25
Gujarat	198.60	143.93	96.37	181.53	119.77	-12.64
Haryana	51.51	31.11	39.56	77.75	88.04	13.40
Himachal Pradesh	152.34	128.45	-10.15	12.10	-147.32	-
Jammu and Kashmir	-5.17	-7.83	49.41	-12.67	-96.92	73.30
Jharkhand	-	-	-	16.55	16.61	nap
Karnataka	82.53	65.25	201.34	223.24	251.40	27.85
Kerala	147.54	160.36	179.46	133.96	174.88	4.25
Madhya Pradesh	9.68	22.94	13.66	19.25	13.23	7.80
Maharashtra	179.15	243.69	278.98	456.98	479.18	24.60
Manipur	-5.35	-2.66	4.08	-5.25	-3.37	-11.54
Orissa	52.78	82.64	89.38	44.93	-6.77	nap
Punjab	58.06	141.03	85.80	19.88	29.26	-17.14
Rajasthan	76.12	60.27	39.68	52.03	93.77	5.21
Tamil Nadu	63.64	11.82	61.67	70.73	54.41	-3.92
Tripura	0.00	0.00	0.00	0.00	0.00	nap
Uttar Pradesh	3.89	30.33	4.33	14.77	36.51	55.99
Uttaranchal	-	-	-	16.51	-7.31	nap
West Bengal	-1.75	-34.47	84.52	-8.73	-15.05	53.85
Sample States	71.79	82.93	94.71	129.41	130.72	14.98

Note: - denotes not available.

nap is not applicable.

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex. 51
Per Capita Own Revenue Surplus/Deficit of Municipalities

State	(Rs.)					Annual Growth Rate % 1997/98 to 2001/02
	1997/98	1998/99	1999/00	2000/01	2001/02	
Andhra Pradesh	-65.10	-70.21	-122.40	-77.68	-122.05	15.71
Assam	-52.02	-38.66	-45.32	-59.09	-58.54	2.95
Bihar	-35.67	-31.64	-77.34	-50.14	-47.74	7.29
Chattisgarh	-	-	-	-58.86	-54.52	nap
Goa	-70.65	-99.66	n.a.	-12.32	-93.54	7.02
Gujarat	89.16	8.74	-75.55	-18.28	-55.67	nap
Haryana	-25.53	-29.16	-79.76	-92.88	-47.42	15.48
Himachal Pradesh	-358.83	-497.40	-530.26	-519.90	-619.91	13.67
Jammu and Kashmir	-154.00	-180.65	-204.03	-267.61	-344.51	20.13
Jharkhand	-	-	-	-50.14	-47.74	nap
Karnataka	-134.81	-186.21	-27.50	-58.85	-96.33	-8.40
Kerala	-97.83	-138.42	-145.05	-132.19	-122.06	5.53
Madhya Pradesh	-257.64	-289.88	-389.28	-383.98	-238.98	-1.88
Maharashtra	71.34	135.10	88.38	270.39	239.62	30.29
Manipur	-15.53	-23.49	-29.55	-39.25	-39.48	23.33
Orissa	-17.37	-2.58	-64.41	-108.86	-160.56	55.59
Punjab	-24.35	15.29	-11.34	-81.11	-75.75	28.37
Rajasthan	-19.60	-203.73	-285.68	-313.33	-309.68	69.00
Tamil Nadu	-177.72	-241.31	-169.72	-150.19	-126.29	-8.54
Tripura	-241.37	-202.31	-321.34	-348.12	-297.82	5.25
Uttar Pradesh	-134.12	-179.28	-207.50	-205.38	-195.64	9.44
Uttaranchal	-	-	-	-266.98	-286.09	nap
West Bengal	-156.81	-208.00	-261.33	-268.93	-271.73	13.74
Sample States	-75.07	-103.19	-128.38	-93.50	-94.57	5.77

Note: - denotes not available.

nap is not applicable.

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex. 52
Municipal Revenue Surplus/Deficit as a Percent
of Municipal Revenue Receipts

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	12.55	27.90	4.34	15.17	8.84
Assam	-6.19	-0.42	-5.43	1.66	3.46
Bihar	18.00	16.00	16.00	16.00	16.00
Chattisgarh	-	-	-	40.01	41.68
Goa	22.82	10.39	n.a.	23.09	21.45
Gujarat	23.38	15.96	9.66	17.23	12.16
Haryana	17.62	11.23	13.52	23.54	25.65
Himachal Pradesh	21.16	14.15	-1.21	1.38	-18.23
Jammu and Kashmir	-3.00	-3.86	16.65	-4.16	-32.77
Jharkhand	-	-	-	16.00	16.00
Karnataka	23.68	16.50	38.83	38.00	37.54
Kerala	31.41	29.46	29.96	22.65	26.18
Madhya Pradesh	2.00	4.00	2.00	3.00	3.00
Maharashtra	15.64	18.71	20.08	27.92	27.65
Manipur	-8.74	-3.44	4.60	-6.22	-4.34
Orissa	20.56	25.67	25.66	12.90	-1.94
Punjab	10.29	20.40	9.88	2.10	2.82
Rajasthan	20.70	15.11	10.81	12.43	19.37
Tamil Nadu	12.07	2.25	11.00	12.43	10.15
Tripura	0.00	0.00	0.00	0.00	0.00
Uttar Pradesh	2.03	11.24	1.57	5.00	11.71
Uttaranchal	-	-	-	4.24	-1.86
West Bengal	-0.54	-9.95	15.80	-1.91	-3.19
Sample States	14.32	14.47	14.88	18.77	18.48

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.

Table: Rev Ex. 53
Municipal Revenue Surplus/Deficit as a Percent
of State Transfers to Municipalities

State	1997/98	1998/99	1999/00	2000/01	2001/02
Andhra Pradesh	38.62	64.65	12.86	48.92	28.78
Assam	-26.72	-2.29	-26.96	6.59	11.68
Bihar	30.08	28.61	21.74	24.82	25.81
Chattisgarh	-	-	-	80.13	83.14
Goa	59.83	33.78	n.a.	92.98	63.82
Gujarat	181.46	106.47	56.05	90.85	68.27
Haryana	66.87	51.62	33.15	45.57	64.99
Himachal Pradesh	29.80	20.52	-1.95	2.27	-31.17
Jammu and Kashmir	-3.47	-4.53	19.50	-4.97	-39.14
Jharkhand	-	-	-	24.82	25.81
Karnataka	37.97	25.95	87.98	79.14	72.30
Kerala	60.13	53.67	55.30	50.33	58.89
Madhya Pradesh	3.79	7.39	3.60	4.91	5.48
Maharashtra	166.18	224.40	146.37	244.91	200.02
Manipur	-52.58	-12.79	12.14	-15.43	-9.34
Orissa	75.23	96.97	58.12	29.21	-4.40
Punjab	70.45	112.16	88.33	19.69	27.86
Rajasthan	79.52	22.83	12.20	14.24	23.24
Tamil Nadu	26.37	4.67	26.65	32.01	30.11
Tripura	0.00	0.00	0.00	0.00	0.00
Uttar Pradesh	2.82	14.47	2.04	6.71	15.73
Uttaranchal	-	-	-	6.43	-2.92
West Bengal	-1.13	-19.86	24.44	-3.35	-5.86
Sample States	49.18	44.61	42.77	58.32	58.26

Note: - denotes not available.

Source: Same as source 3 of Table: Gen 13.