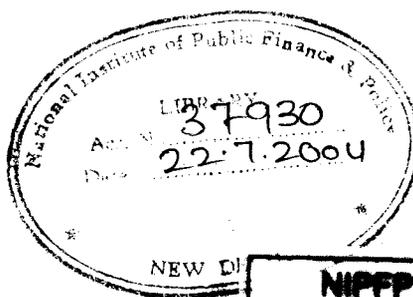


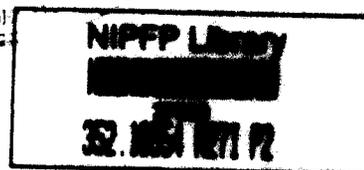


# INDIA: LOCAL FINANCE DATA SYSTEM

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# *PREFACE*

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Following the passage of the Constitution (seventy-fourth) Amendment Act, 1992 on municipalities, the Central government and State governments have taken important steps to strengthen the finances and functioning of urban local bodies in India. The Central government have permitted tax exemption on municipal bonds, and is in the process of developing guidelines for appropriate private sector participation in municipal service financing and delivery. Set up under Article 280 of the Constitution, the Eleventh Finance Commission (EFC) has made separate dispensations for supplementing the financial resources of municipalities. Many State governments have undertaken reform of the age-old system of property taxation to better realize the potential of this source of municipal revenues. A number of city governments have taken initiatives to augment their resources in order to effectively respond to the needs of their citizens.

The two areas that are important to the functioning of urban local bodies and yet have received little attention, relate to firstly, the data base on the finances of urban local bodies, and secondly, the classification system of budgets and accounts of municipalities. On account of the absence of a proper data base on the finances, there exist no reliable estimates on the incomes and expenditure of the urban local bodies in the country. The classification of municipal budgets and accounts lacks standardization with the result that no comparable assessment of the finances of municipal governments is possible.

Considering the increasing need in the country for a sound and credible data base as also a standardized format of the budget and accounts of urban local bodies, the National Institute of Public Finance and Policy (NIPFP) undertook with support from the Ministry of Finance a study to review the existing system of budget and accounts classification of urban local bodies, identify the deficiencies therein, and simultaneously propose a revised classification which was in conformity with similar systems being used at the level of the Central and State governments. It also undertook to suggest the institutional arrangements for the collection, compilation and processing of the finance data on urban local bodies. The

present study entitled India: Local Finance Data System (Volume1-3) is in fulfillment of the above.

The study has been prepared in the Housing and Urban Economics Unit of the National Institute of Public Finance and Policy (NIPFP). The Governing Board of NIPFP is not responsible for the study report and its conclusions.

October 11, 2002



**Ashok K. Lahiri**  
Director

# *HIGHLIGHTS*

1 All municipal bodies are required to maintain a Fund, and operate it within the framework set out for its use in the state municipal legislations. An important feature to note is that the use of the fund is not “unrestricted”; several statutes prescribe an order of priority for its use and application.

2 In addition to a general purpose municipal fund, several states provide for the constitution of dedicated funds, such as the Pilgram Fund, Poverty Alleviation Fund, and even a Salary Reserve Fund.

3 Budget cycle at the level of municipalities is asymmetrical; with municipalities in one state commencing the process of preparing budget in the month of November for the ensuing year, and others in December or January. It casts serious doubts if the budget exercise at the municipal level is in any way linked with similar exercises at the state levels. It is also unclear if municipal budgets are used for assessing their financial requirements.

4 The constituents of the budget, i.e., what a municipal budget should consist of, and what should be the first charge on the funds of a municipality are often laid out in the municipal legislations, which limit in many ways, the flexibility of a municipality to respond to the developmental priorities of the jurisdiction they are concerned with. The mid-course corrections are limited on account of the restrictions placed on municipalities in moving funds from one expenditure head to another expenditure head.

5 Notwithstanding the provisions in respect of public scrutiny of municipal budgets and their auditing, few municipal bodies respect these provisions. There are few examples of public scrutiny of budgets; similarly, there exists a large backlog in respect of audited municipal budgets.

6 Income categories do not sufficiently distinguish between tax and non-tax sources of revenues or even between own revenues and transfers and grants. The inability of the municipal budgets to reflect the distinction between these categories is perhaps the most serious handicap in understanding the role of municipal governments in the country's fiscal affairs and management.

7 Non-tax revenue sources consist of charges for services that are sold by municipalities (e.g., water supply), license fees which are administrative charges for issue of licences, fines imposed by municipalities for violating the provisions of municipal acts and bye-laws, income from municipal properties, interest on municipal investment and the like. There exists no clarity regarding the various types of non-tax revenues.

8 Grants and contributions do not distinguish between revenues that accrue to municipalities on account of shared or assigned revenues and those on account of grants for various purposes. Absence of such important details conceals the degree of dependence of municipalities on state governments.

9 Expenditures are largely categorised according to departments into which municipalities are organised. Thus, most municipal accounts will show expenditure on general administration which includes expenditures on administration and management corresponding to what are shown in the state budgets expenditures on administrative services, pensions and miscellaneous general services, and expenditure incurred on collection of taxes on incomes. Besides this head, there are heads of expenditure on public safety, water supply and drainage, public health, education, municipal works, lighting, public conveniences, town planning and the like. Municipalities in different states organise their functions differently.

10 Most municipal accounts do not organise and maintain separate capital budgets. Of the eleven municipalities whose accounting heads and sub-heads are documented in the attached volume, only five budgets show separate entries on capital expenditure. In others, capital expenditure appears have been merged with revenue expenditure. Moreover, capital expenditure heads do not always correspond with the heads of revenue expenditure, as will be seen from the attached volume; in two out of the five

municipalities which have shown capital account expenditure, the heads of capital expenditure differ from the heads in which revenue expenditure has been classified.

11. Proposals made out in this study report relate to (a) classification of budgets and accounts of municipalities, (b) budget cycle, and (c) institutional responsibility for creating a data base on the finances of municipalities. The classification of budgets and municipalities is given on pp. 65 of the study report. The basic principles that underlie the suggested classification are firstly, conformity with the classification used at the level of the Central government and State governments, and secondly, amenability of the classification to determining the cost of different municipal services together with what the citizens pay for them.

12. The budget cycle at the level of municipalities should commence at least one month prior to similar exercises at state levels. This will facilitate incorporation of financial requirements of municipalities into the state budgets.

13. The office of the Director, Municipal Administration in State governments should be entrusted with the responsibility of creating a proper and comprehensive data base on the finances of municipalities. The office of the Director, Municipal Administration should annually provide data on the finances of municipalities to the C&AG.

14. The finance data on the municipalities should be published annually on the lines of the State finance data that are published by the Reserve Bank of India. Abstracts of the finances should be incorporated in the Government of India's publication entitled Indian Public Finance Statistics.

# *INTRODUCTION*

## *SCOPE, CONTEXT AND APPROACH*

# 1

### 1. Scope

In May 1997, the National Institute of Public Finance and Policy (NIPFP) proposed to the Ministry of Finance (Government of India) that there was a need to undertake a review of the system of classification of budget and finance accounts of local governments in India, and to organise it in ways that firstly, it was in conformity with similar systems existing at other governmental levels and, secondly, it was able to better portray the financial position of local governments. In putting up the proposal, the NIPFP was guided by three general considerations:

- the existing classification of local government budget which came into being in the early years of the 20th century had outlived its relevance and utility in that it was unable to address issues that were currently important, e.g., issues of internal resource generation, cost recovery, role of transfers, spending efficiency, financial accountability, and the like;
- the existing budgetary classification lacked standardisation with the result that it was unable to provide a realistic and comparable assessment of the finances of local governments; and
- there existed no system in the country for regular collection and maintenance of local finance data, with the inevitable result that there were no official estimates e.g., on the volume of local resource mobilisation, level and structure of local spending, spending deficits, size of local debts and the like. In the absence of official estimates, the main sources of data on local finance in the country were the sample surveys,

carried out periodically by research institutions such as the National Institute of Public Finance and Policy (NIPFP), National Institute of Urban Affairs (NIUA), the Indian Institute of Public Administration (IIPA), National Institute of Rural Development (NIRD), and other research institutes and non-governmental organisations. Apart from the fact that the data so collected were governed by the objectives and purposes underlying the surveys, these were deficient on account of the problems associated with sampling, data collection methodology and the like<sup>1</sup>. Thus, no robust estimates on local government income or expenditure existed in the country.

The Ministry of Finance concurred with the need to establish in the country a local finance data system, and commissioned the NIPFP in January 1998 to undertake, in the first instance, a review of the existing system of classification of budgets and finance accounts of municipalities<sup>2</sup> and to make appropriate recommendations on the changes that should be brought about in the system of classification of municipal budgets so as to make it standardised and comparable, together with recommendations on the institutional arrangements for the collection, organisation, publication and dissemination of municipal finance data. The Ministry of Finance suggested that for undertaking such a review, NIPFP should make use of the budget and finance accounts of about 50 municipalities of different population sizes and, further, based on the budget and accounts, it should simultaneously prepare a statistical profile of the finances of municipalities. This report carrying the general caption, India: Local Finance Data System is in fulfilment of the above.

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<sup>1</sup> No specific sampling methods have been used in the surveys of municipalities conducted by NIPFP, NIUA, IIPA and NIRD. The practice has been to send out questionnaires to a large number of municipalities, and use the data of the responding municipalities, irrespective of their size or geographic placement.

<sup>2</sup> Taking note of the highly fragmented and fragile manner of accounting by rural local bodies, it was decided to focus, in the first phase, on the budget formats and classification of budget heads of municipalities.

## 2. General Perspective and Approach

In recent years, the importance of local governments has risen dramatically in most developing and transitional economies. Influenced by strong decentralisation trends<sup>3</sup> and wider acceptance and application of the principle of subsidiarity, a number of countries have expanded the functional (expenditure) responsibilities of local governments, often to even include those functions which have historically been carried out by the higher tiers of government<sup>4</sup>. Many countries have taken steps to overhaul the system of intergovernmental fiscal arrangements, in order to address the problem of fiscal imbalance faced by local governments. In many countries, municipal governments have begun to use the capital market funds for meeting their financial needs.

In several countries, budget and accounting reforms have been undertaken to improve the functioning of municipalities. In the United States, a study conducted in a sample of cities showed that about two-thirds of the sampled cities used programme budgeting, while a third had begun using either the zero-based budgeting or target-based budgeting. In New Zealand, the Local Government Act has been brought in place to promote good financial management practices with good having been defined as prudent, effective and efficient. The new structure has moved away from appropriations for inputs, such as salaries, rent, or equipment towards appropriations for classes of outputs. Of special concern in the New Zealand's Local Government Act is the accounting system which has imposed higher standards on the financial system, requiring a local authority to maintain a system of internal controls which should ensure the integrity and reliability of financial reporting. Other changes such as adoption of accrual-based accounting in place of cash-based accounting have accompanied budgetary reforms.

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<sup>3</sup> Jennie Litvack, et. al. 1998. "Rethinking Decentralization in Developing Countries". The World Bank, mimeo.

<sup>4</sup> David Wildasin, ed. 1997. "Fiscal Aspects of Evolving Federations". Cambridge University Press. Cambridge.

In India too, local governments have begun to acquire increasing attention, which is manifest in what is clearly the most important of the initiatives to have been taken in the country to strengthen local governments, i.e., the passage of the Constitution (seventy-fourth) Amendment Act, 1992 on Municipalities together with the Constitution (seventy-third) Amendment Act, 1992 on Panchayats. Apart from laying down procedures for the constitution of municipalities and Panchayats, the two amendments have made provisions for safeguarding them from arbitrary suspension, dissolution, or dismissal - a phenomenon which was commonly observed in the pre-amendment period. The Constitution (seventy-fourth) Amendment has provided in the 12th Schedule, an indicative list of functions that it considers appropriate for municipal domain.

Provision has been made in the Constitution (seventy-fourth) Amendment Act, 1992, for the establishment of District Planning Committees and Metropolitan Planning Committees to initiate a process of planning at local levels. In an attempt to bring order, stability and an element of buoyancy into the fiscal domain of municipalities, the seventy-fourth amendment has provided for the constitution, once every five years, of a Finance Commission in each state, with the object of determining the principles for -

- the distribution between the state and the municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the state,
- the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the municipalities; and
- the grants-in-aid to the municipalities from the consolidated fund of the state;

Pursuant to the Constitution (seventy-fourth) Amendment Act, 1992, elections to municipalities have been held. In accordance with the provisions of Articles 243I and 243Y of the Constitution, and the corresponding provisions in the state-level acts, Finance Commissions were set up during the years 1993 to 1995 by the states to review the financial position of municipalities (and of Panchayats), and to make appropriate

recommendations for strengthening their finances. The second Finance Commissions were set up by the state governments during the years 1999-2001. Many of the Finance Commission have emphasized the need to strengthen local data bases and financial reporting system. District and Metropolitan Planning Committees are in the process of being established.

Set up under Article 280 of the Constitution and in pursuance of Articles 280(3)(bb) and (3)(c), the Eleventh Finance Commission (EFC) have made important suggestions in respect of creating and strengthening data bases on the finances of local bodies and appropriate local accounting systems. The Eleventh Finance Commission has observed that there is no organised institutional set up where data on the revenue and expenditure of the various tiers of local bodies could be collected, compiled, processed, and made available for purposes of assessing their financial condition and taking policy decisions. In the absence of any reliable financial and budgetary data, no realistic assessment of the needs of the panchayats and municipalities for basic civic and developmental functions can be made nor can any information be generated on the flow of funds to the local bodies. "We are of the view that a data base on the finances of the panchayats and municipalities needs to be developed at the District, State and Central Government levels and be easily accessible by computerising it and linking it through V-SAT<sup>5</sup>.

It has recommended standardisation of formats so that the performance of local bodies could be compared across and within states.

On the accounting system, the Commission has proposed that the existing accounting heads should be restructured into major, sub-major and minor heads so as to keep track of the flow of funds to local bodies. It has called for standardisation of formats for budget preparation and keeping of accounts as also for regular auditing of accounts and placement of audit reports with the state-level public accounts committees.

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5 Report of the Eleventh Finance Commission, Government of India, New Delhi 2000.

Attempts to strengthen municipal governments in the country have also been made independent of the provisions of the Constitution. A number of state governments, notably, Andhra Pradesh, Tamil Nadu, Gujarat, and Uttar Pradesh and a select number of cities have altered the basis for assessing the rateable value of properties as a part of their efforts to make property tax system simple and transparent. Several states and cities have adopted with or without modifications the Andhra Pradesh and Patna Model of property taxation. Legislations that would delink property tax assessment from rental values have come into effect in Tamil Nadu<sup>6</sup>. Municipal Corporations of several cities have issued bonds on the strength of their own creditworthiness in the market. The Government of Tamil Nadu have enacted a common Act for urban local bodies (The Tamil Nadu Urban Local Bodies Act, 1998) which has replaced several existing legislations. The Government of Tamil Nadu have implemented a new municipal finance accounting system by changing over from cash-based to accrual based accounting. In a bid to improve the accounting practices, the Institute of Chartered Accountants of India have issued what is called a Technical Guide on Accounting and Financial Reporting by Urban Local Bodies. According to the Institute of Chartered Accountants, it is necessary that urban local bodies communicate relevant and reliable information concerning their financial activities and financial position to various interest groups which, as it observes, is not communicated by cash-based accounting system. Other steps such as the engagement of the private sector in the delivery and management of basic services have also been taken by a select number of local bodies.

These measures are, however, few and isolated, and have made, at best, a limited impact on the overall functioning of municipal governments. Barring the changes necessitated by the Constitutional amendment, municipalities in most states are continuing to be governed by statutes that came into being in the early part of the 20th century. Although budgeting is a universal activity, budgetary exercises have come to represent continuation of past commitments, and have become increasingly inflexible.

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<sup>6</sup> See, The Tamil Nadu Urban Local Bodies Act, 1998 and the Bombay Provincial Municipal Corporations (Gujarat Amendment) Act, 1999.

No system has developed in the country, either at the central level or at the level of states, that would permit an annual, bi-annual or even a quinquennial assessment of the finances of municipal governments.

This study under the broad caption, **India: Local Finance Data System**, undertaken with support from the Ministry of Finance (Government of India), is one in the series which aims at improving the functioning of local governments. It is aimed at establishing in the country, a sound and comparable data base on the finances of municipalities by focusing on what is fundamental to its establishment - a system of budget classification and financial reporting at municipal levels.

The selection of this subject for the study is guided by several specific considerations:

□ There is need in the country for a more realistic estimate of resources that the local governments are able to mobilise internally and of financial requirements for meeting their mandated responsibilities. The existing data base does not permit any such assessment. Moreover, there is no system for the collection and maintenance of local finance data at any level<sup>7</sup>. In the absence of a system, estimates of the revenues of municipalities, efficiency in revenue generation and spending and the degree of municipal dependence on external finance which are made sporadically through sample surveys are weakly founded. Absence of a system and consequently of estimates constitutes a serious impediment to reforming the system of local finances.

□ The existing classification of financial reporting is haphazard and clumsy, which is best exemplified *inter alia*, by the absence of any distinction or clarity

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<sup>7</sup> The Central Statistical Organisation publishes, from time to time, income and expenditure of a small sample of municipalities; however, it is totally inadequate for making any estimates of their financial position.

between revenue account and capital account transactions<sup>8</sup>. As will be shown later, the municipal budget and accounts do not adequately differentiate between different types of financial transactions, making it difficult to undertake any reliable estimate of the finances of municipalities.

□ There is no uniformity or standardization in the heads and sub-heads of receipts and expenditure, making it extremely difficult to organise the municipal finance data on a comparable basis. Unlike in such countries as the USA where the Governmental Accounting Standards Board (GASB) establishes countrywide accounting and financial reporting standards for local government units, or New Zealand where the generally accepted accounting practices (GAAP) which is based on financial reporting standards lays down the formats for financial reporting, in India, there is no countrywide reporting standards for municipalities. In India, it is the state government that lays down the procedures and formats for budget preparation and reporting. Thus, there are inter-state differences in the manner of classification of account heads and sub-heads; differences are often noted even within the same state. Absence of any standardization in the classification of receipt and expenditure heads is a major handicap in making a proper estimate of the financial requirements of municipalities.

### 3. Approach

The study which focuses on the system of classification of budget and accounts is based on a review of the budget and finance accounts of a sample of 216 municipalities having a population of 100,000 and above, drawn from twelve major states in the country<sup>9</sup>. No survey was undertaken in three states, namely - Assam, Bihar

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<sup>8</sup> It is significant Dr. Gyan Chand in his seminal series of lectures delivered in 1946 pointed out to the confusion caused by the mixing of capital and revenue account transactions. He noted "..... the local authorities do not maintain proper capital accounts, and the distinction between the capital and revenue transactions is neither understood nor made an essential part of the system of local accounts". See, Local Finance in India. 1946. Kitabistan. Allahabad.

<sup>9</sup> The NIPFP decided to collect budgets of all municipalities with a population of 100,000 and above.

and Uttar Pradesh. Also excluded from the survey were smaller and special states. The review was designed to serve two purposes:

- to bring out the main features of the existing system of classification of municipal budgets and accounts, i.e., the major and minor heads under which receipts and expenditure of municipalities are organised and maintained; and
- to prepare a statistical profile of the finances of municipalities for the period 1991/92 to 1995/96.

The existing system of budget classification was then evaluated with respect to:

- comparability of municipal budget classification with the budget classification system existing at other governmental levels;
- ability to provide an assessment of the financial position of municipalities; and
- adequacy of the existing system for being able to address such questions as the cost of municipal services, determination of subsidy levels, and the like. An alternative classification system is proposed for adoption in municipal budget and accounting. Suggestions for implementing the proposed system are offered.

The statistical profile of municipalities is prepared using two sets of indicators:

- Per capita changes in key financial measures comprising the following (see box 1).
- Ratios of key financial measures (see box 2).

**Per Capita Changes in Key Financial Indicators**

Total receipts  
 Revenue receipts  
 Capital receipts  
 Extraordinary, debt and suspense account receipts

Own revenue receipts  
 Own tax receipts  
 Own non-tax receipts  
 Transfers

Total expenditure  
 Revenue expenditure  
 Capital expenditure  
 Extraordinary, debt and suspense account expenditure

Revenue expenditure  
 Establishment  
 Operations and maintenance

Adjusted population (lakh)  
 Number of municipalities

**Ratios of Key Financial Indicators**

Revenue receipts/total receipts  
 Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)  
 Own revenue receipts/revenue receipts  
 Own tax receipts/own revenue receipts  
 Own non-tax receipts/own revenue receipts  
 Transfers/revenue receipts  
 Grants/revenue receipts  
 Revenue expenditure/total expenditure  
 Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)  
 Capital expenditure/total expenditure  
 Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)  
 Establishment expenditure/revenue expenditure  
 Operation and maintenance expenditure/revenue expenditure

#### 4. Structure

This report is divided into five chapters, Chapter 2 gives an overview of the key features of municipal budgets and accounts, which is followed by in Chapter 3 an account of the system of classification of budget maintained by municipalities. Chapter 4 gives recommendations on the system of budget classification. A system of regular collection, organisation and dissemination of municipal finance data together with a strategy for putting it into the system is also suggested. Chapter 5 of the report gives a statistical profile of the finances of municipalities.

The report is accompanied by two supplementary volumes containing (a) Classification of Municipal Budgets, and (b) The Finances of City Governments.

This study as stated earlier, is one in the series that the NIPFP has undertaken in the sphere of municipal sector reform. There are other aspects of financial reporting e.g. budget cycle; shift from a cash-based to accrual-based accounting system; single entry versus double entry accounting, consideration of the relative merits of performance budgeting and zero-based budgeting that are equally ripe for major reform. These aspects are proposed to be examined in subsequent studies.

# *MUNICIPAL BUDGETING AND FINANCIAL REPORTING SYSTEM: AN OVERVIEW*

# 2

## **1. Introduction**

Budgeting and financial reporting are an integral activity of every tier of government and corporate, municipal governments are no exception. Like the budget of the central and state governments, the budget of a municipality represents a plan of financial operations embodying, on the one hand, an estimate of the proposed expenditures, and on the other hand, the proposed means of financing them. The former exhibits a break-up of the proposed expenditures for different activities, departments and sectors, while the latter provides details in respect of the resources that municipal governments expect to mobilise via their own revenue-raising powers and authority and the resources that the municipalities may need from external sources including intergovernmental transfers.

A municipal budget is often accompanied by a financial statement, indicating the financial record of the municipality of at least the preceding year by including in it details of expenditure incurred, resources actually raised, diversions effected, and the like. The statement contains details in respect of the sources of municipal income and receipts and how these are allocated among competing activities, functions and departments. It allows a comparison of the actual financial results with the legally adopted budget.

Financial reporting provides information on how municipal governments use taxes, charges and fees that citizens pay to them for various services. It lays out information on the sufficiency of current year revenues to pay for current year expenditures. Financial reports help in determining the weaknesses and strengths of the

finances of municipal governments and assessing their ability to meet their financial obligations. It is an important means to achieve the objective of accountability. Financial management, on the other hand, embraces larger functions comprising management of cash flow and of municipal funds and treasury.

Budget and financial statements are a key to a proper appreciation of the financial performance and future financial operations of a municipality. In view of their central role, the financial reporting systems are formulated and designed by professional organisations and used uniformly at different government levels. As stated earlier, in the USA, the Government Accounting Standards Board (GASB) lays down the accounting classification and procedures and systems. Several other countries have similar arrangements.

In India, Article 150 of the Constitution prescribes the accounting classification for Central and State Government receipts and disbursements. For local governments, however, the budgeting and financial reporting systems are determined by state governments, and contained in the state level statutes or in separate accounting codes established by the state governments. On account of the fact that these codes are established by state governments, there is considerable variation in the manner in which local government accounts and budgets are kept and maintained.

Several aspects of municipal accounting and budget are important to take note of:

- Constitution of a Fund at the level of municipalities.
- Budget cycle comprising budget preparation, budget scrutiny, and approval.
- Powers to alter, adjust and approve municipal budgets.
- Auditing of finance accounts.

## 2. Municipal Fund

Parallel to the constitution of a Consolidated Fund at the level of the central government in accordance with Article 156 of the Constitution and similar Funds at the level of state governments under Article 162 of the Constitution, the state municipal acts contain provisions for the setting up of a fund at the level of municipalities. The Assam Municipal Act 1956, for instance, provides that there shall be formed for each municipal board, a fund, to be called a municipal fund, and that such a fund shall consist of:

- the balance, if any, standing at the credit of the municipal board at the commencement of this Act;
- all sums received by, or on behalf of, the municipal board, under this Act or otherwise; and
- all sums received under any loan raised by the municipal board.

The Punjab Municipal Corporation Act, 1976 provides that a fund be constituted under this Act and that it may consist of:

- all funds which immediately before the constitution of the corporation vested in any local authority;
- all moneys received by the corporation, under provisions of this Act;
- all proceeds of the disposal of property;
- all rents accruing from any property of the corporation;
- all moneys raised by any tax, rate or cess levied for the purpose of the Act;

- all fees and fines; and
- all interest and profit arising from investments of the corporation.

The Madhya Pradesh Nagarpalika Vidhi (Sanshodhan) Adhiniyam, 1995 provides for the constitution of a municipal fund. According to the Act, this fund shall consist of:

- all moneys received by or on behalf of the corporation under the provisions of this Act or of any other law for the time being in force or under any contract;
- the balance standing at the credit of the municipality of the city for which the corporation is constituted;
- all proceeds from the disposal of property by, or on behalf of the corporation;
- all rents accruing from any property of the corporation;
- all moneys raised by any tax levied for the purposes of this Act;
- all fees payable and levied under this Act or any rules or by-laws made thereunder;
- all fines imposed by a court under this Act or any rules or byelaws made thereunder or under any other Act, the administration of which is entrusted to the municipal corporation;
- all moneys received by way of compensation or for compounding offences under the provision of this Act;
- all moneys received by, or on behalf of the corporation from the government, public bodies, private bodies or private individuals by way of grant or gift or deposits;

- all interest and profits arising from any investment or from any transaction in connection with any money belonging to the corporation; and
- all loans raised by the corporation.

The municipal legislations in other states have similar provisions, although provisions with respect to the composition of the municipal fund may vary. The Kerala Municipality Act, 1994, for instance, requires that while “all moneys” received by the municipalities should constitute the municipal fund, fees for licenses and permission under this Act or any other law should be kept separate from the municipal fund and used “for the purpose for which such fees are levied”. Several state-level legislations provide for, in addition to a Municipal Fund, special purpose funds. The Maharashtra Municipal Act, 1965 lays down that a municipality may set up a Pilgrim Fund Account, and further that, a municipal council may build a Salary Reserve Fund. The Kerala Municipalities Act, 1994 provides for the creation of a Poverty Alleviation Fund. Similar provisions exist in the Uttar Pradesh Municipal Corporation Act, 1959 under which a corporation is authorised to set up a Development Fund and such other fund as may be prescribed and such other fund as may be necessary.

### **3. Application of the Fund**

The application and use of Municipal Funds are defined in municipal legislations. These suggest the sectors and activities where such funds should be utilized first. It needs to be noted that the application of municipal fund is not unrestricted. For instance, the Assam Municipal Act, 1956 stipulates that a municipal board may apply out of the municipal fund:

- such sum as may be required for the payment of, and the payment of interest on, any loan incurred under any provision of the law;
- such sum as may be required to meet the charges of its own establishment, the payment of such contribution to the pensions, gratuity and provident fund;

- liabilities and obligations arising from a trust; and
- maintenance and repair of municipal property such as roads, bridges, tanks, ghats, wells, drains, and the like.

The Madhya Pradesh Nagarpalik Vidhi (Sanshodhan) Adhiniyam, 1995 provides that the moneys from time to time credited to the municipal fund shall be applied in the following order of preference:

“Firstly, in making due provisions for the repayment of all loans payable by the corporation under the provisions of Chapter IX;

Secondly, in discharge of all liabilities imposed on the corporation by Section 3;

Thirdly, in payment of all sums, charges and costs necessary for the purposes specified in sections 66 and 67 and for otherwise carrying this Act into effect, or of which the payment shall be duly or directly sanctioned under any of the provisions of this Act inclusive of:

- the expenses of every election of councilors held under this Act;
- the salaries, allowances and contributions to pensions and leave salaries of the Commissioner and of any other officer whose services may be placed at the disposal of the corporation;
- the salaries and allowances of municipal officers and servants and all pensions, gratuities, contributions and compassionate allowances payable under the provisions of this Act;
- the salaries and fee of experts for services or advice in connection with any matter arising out of the administration or undertaking of the corporation;

- ❑ all expenses and costs incurred by the corporation or by any municipal officer in the exercise of any power conferred or the discharge of any duty imposed on it or them by this Act, including moneys which the corporation is required or empowered to pay by way of compensation, and
- ❑ other payments e.g, an award made under the Arbitration Act, 1940; a decree of the court; compromise of any suit; and cost of auditing of municipal accounts”.

The Uttar Pradesh Municipalities Act, 1916 also provides that the municipal fund should be applied in the order of priority set forth below to the liabilities and obligations of a municipality:

- ❑ the payment of salaries and allowances of safai mazdoors;
- ❑ the liabilities and obligations arising from a trust legally imposed upon or accepted by the municipality;
- ❑ the repayment of, and the payment of interest on, any loan incurred under the provisions of the Local Authorities Loans Act, 1914; and
- ❑ the payment of establishment, including such contributions as are referred to under Section 78 and the salary, allowances and pension of an executive officer appointed by the state government.

The Bengal Municipal Act, 1932 stipulates that a municipality can use the fund for payments on account of loans, trust, establishment and audit, (b) repayment of any loan under the provisions of the Local Authorities Loans Act, 1914, liabilities arising from any trust, and payment of salaries and establishment and cost of audit.

The provisions relating to municipal funds are significant, indicate as they do, the constituents of the funds, the uses to which these can be put, and restrictions placed on their use.

#### 4. Municipal Budget Cycle

Budgeting at the level of a municipality refers to the steps that it takes to formulate a budget and secure approval in order to give it a legal identity. The state municipal acts prescribe the processes and procedures for the preparation and approval of budgets. The Maharashtra Municipalities Act, 1956, for instance, lays down that the Chief Officer of every municipal council shall each year on or before 31 December prepare:

- a statement showing the income and expenditure of the council for the previous year;
- a statement showing the income and expenditure of the council from April 1 to November 30 of the current year and an estimate for the remaining part of the current year;
- an estimate of the income and expenditure of the council for the ensuing year; and
- proposals for any change in the taxes, fees or other charges to be levied in the ensuing year.

The Punjab Municipal Corporation Act stipulates that the Corporation "shall, not later than the first week of February of every year, adopt for the ensuing year a budget estimate which shall be an estimate of the income and expenditure of the Corporation to be received and incurred on account of the municipal government of the city". The Act requires the corporation to submit the budget estimates to the state government not later than the last week of February **preceding** the year to which the budget estimate relates.

In the case of Madhya Pradesh, the Chief Municipal Officer is expected, **on or before the first day of January each year**, to lay before the Finance

Committee/Standing Committee, an estimate of the income and expenditure of the Council which, after making such modifications as may be considered necessary, submit the same to the Council not later than the 31st day of January. Upon approval by the Council, the Council is expected to submit the same to the prescribed authority and the state government. The Orissa Municipal Act, 1950 provides that the "Chairperson of a municipality shall present before the municipality a complete account of the probable receipts and expenditure for the following financial year together with the actuals for the current year". Thus, the time at which the process of preparing municipal budgets begins, differs between municipalities.

## **5. Conditions for Alternation and Approval of Municipal Budgets**

What a municipal budget should consist of, is provided for in the state municipal legislations. What is significant is that the approval to a municipal budget by the state government is dependent on several qualifications. A few examples of such qualifications are as under:

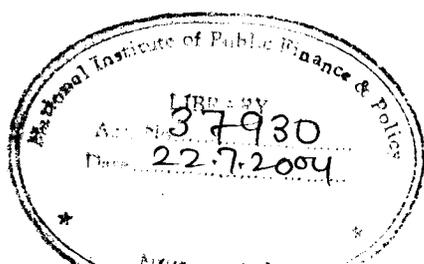
According to the Madhya Pradesh Municipalities Act, 1961, no estimates shall be approved unless provision is made therein for the Council having at its credit at the end of the year a balance of not less than such amount as may be prescribed in this behalf. It further provides that if, in the opinion of the state government, the condition of indebtedness of any council is such that it is desirable to have "control of the state government", then the state government can assume for itself the powers of approval as also the powers to vary the budget and the budget grants. The Orissa Municipal Act, 1950 lays down a detailed procedure for the examination of municipal budgets. Article 108 of the Act empowers the state government to ensure that:

- the estimate of income is reasonable and proper;
- provision has been made for the minimum closing balance;

- provision has been made for the payment of any sums which the municipality may be liable to pay as instalments of the principal and interest upon loans and for the formation of a sinking fund; and
- provision has been made for the expenditure of any grants given by the state government for a specific purpose.

The same Act gives overwhelming powers to the state government in respect of alteration in the budget estimates. According to the Orissa Municipal Act, a municipality is not authorised to incur expenditure under any of the heads of the budget estimate in excess of the amount provided under that head, without making provision for such excess by variation and alteration in the budget. If the variation and alteration affect any orders of the government, then it must obtain the approval of the state government. The Uttar Pradesh Municipalities Act, 1916 (Article 120-A) restricts the use of municipal fund for certain purposes. A fund must be applied, in the first place, to satisfy any liabilities of the municipality and applied for the benefit of the inhabitants of the local area.

Provisions exist in several state municipal statutes for the public scrutiny of municipal budgets. The Madhya Pradesh Municipalities Act, 1961 provides that the annual account of receipts and expenditure, and the budget when sanctioned, shall be open to public inspection free of charge and shall be published in Hindi language in Devnagri script. The Orissa Municipal Act, 1960 provides for lodging the copies of the budget estimate (and translation thereof in the Oriya language) after the budget has been presented to the municipality, for inspection of the voters of the municipal area, and for consolidation and consideration of the municipality. The West Bengal Municipal Act, 1993 has a provision similar to that in the Madhya Pradesh Act, whereunder a copy of the budget estimates adopted by the Board of Councillors is to be made available for inspection by the public.



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## 6. Auditing of Municipal Budgets

Auditing of account is one of the most important and essential activities in any set-up. Like budgeting, it is also an integral activity of any municipal body. Provisions in respect of auditing of municipal accounts vary between states. In Punjab, there is a provision for the appointment of an Examiner, Local Fund Accounts who is authorised to conduct day-to-day examination of the corporation accounts and to furnish a monthly report thereon to the corporation. In this audit, the Examiner is required to report to the corporation any material impropriety or irregularity which is observed in the expenditure or in the recovery of money due to the corporation. The Examiner is required to conduct an audit of accounts of the corporation and ascertain if the disbursements were made according to the legally approved budget. The Examiner is also required to audit the accounts of debts, deposits, sinking funds, advances, and suspense account, and report whether these are verifiable with the balance.

The Madhya Pradesh Municipal Corporation Act, 1956 provides for an auditor, to be appointed by the government, to examine and audit the accounts of the corporation in accordance with the arrangements that may be approved by the Government in this behalf. In Uttar Pradesh, the relevant statutes require a monthly examination and audit of the corporation accounts and the audit report submitted to the Executive Committee of the corporation. In addition, the state government is empowered to direct special examination and audit of the corporation accounts.

A number of observations are possible to be made.

- All municipal bodies are required to maintain a fund, and operate it within the framework set out for its use in the state municipal legislations. An important feature to note is that the use of the fund is not “unrestricted”; several statutes prescribe an order of priority for its application.

- In addition to a general purpose municipal fund, several states provide for the constitution of dedicated funds, such as the Pilgram Fund, Poverty Alleviation Fund, and even a Salary Reserve Fund.
  
- Budget cycle at the level of municipalities is asymmetrical; with municipalities in one state commencing the process of preparing budget in the month of November for the ensuing year, and others in December or January. It casts serious doubts if the budget exercise at the municipal level is in any way linked with similar exercises at the state levels. It is also unclear if municipal budgets are used for assessing their financial requirements.
  
- The constituents of the budget, i.e., what a municipal budget should consist of, and what should be the first charge on the funds of a municipality, have limited the flexibility of a municipality to respond to the developmental priorities of the jurisdiction they are concerned with. The mid-course corrections are limited on account of the restrictions placed on municipalities in moving funds from one expenditure head to another expenditure head.
  
- Notwithstanding the provisions in respect of public scrutiny of municipal budgets and their auditing, few municipal bodies respect these provisions. There are few examples of public scrutiny of budgets; similarly, there exists a large backlog in respect of audited municipal budgets.

# *MUNICIPAL BUDGET CLASSIFICATION AND BUDGET FORMATS*

# 3

## **1. Introduction**

The system of classification of budget accounts holds the key to a proper understanding and appreciation of the entire gamut of financial transactions of a municipality. The classification system is important as it indicates the sources of revenues, as also the sectors and departments where the funds are allocated. The classification system assists in making an assessment of the relative importance of the revenue sources and of expenditure priorities. Absence of clarity in the system of classification can be a source of confusion about the financial position of municipalities.

The importance of budget and account classification can be judged by the fact that the Controller General of Accounts (Department of Expenditure, Ministry of Finance) has laid down a list of Major and Minor Heads of Account which are uniformly used in budgeting exercises at the level of the Central government and state governments<sup>10</sup>. This list gives classification of revenue receipt heads (revenue account), expenditure heads (revenue account), receipt heads (capital account), expenditures heads (capital account), contingency fund, and public account. A brief description of the classification is given below.

The revenue receipt head (revenue account) has three major heads, viz: (a) tax revenue, (b) non-tax revenue, and (c) grants-in-aid and contributions. Each major head comprises several sub-heads; thus, tax revenue consists of (a) taxes on income and

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10 List of Major and Minor Heads of Account of Union and States, Department of Expenditure, Controller General of Accounts.

expenditure, (b) taxes on property and capital transactions, and (c) taxes on commodities and services. Each of the sub-heads is further divided into minor heads. Similarly, expenditure heads (revenue account) are classified into (a) general services, (b) social services, (c) economic services, and (d) grants-in-aid and contributions, and then divided into sub-major heads and minor heads.

The classification of accounts of the Union and state governments in India owes itself to section 168 of the Government of India Act, 1935 which laid down that:

*"The accounts of the Federation shall be kept in such form as the Auditor General of India may, with the approval of the Governor General prescribe and in so far as the Auditor-General of India may, with the like approval give any directions with regard to the methods or principles in accordance with which any accounts of Provinces ought to be kept, it shall be the duty of every Provincial Government of cause accounts to be kept accordingly"<sup>11</sup>.*

The underlying idea in the Government of India Act, 1935 was that the accounts be organised and kept on a common basis for all the Provinces. In 1950, the Constitution of India conferred the power of laying down the form of keeping accounts jointly on the Comptroller and Auditor General of India and the President of India. Article 150 of the Constitution laid down: "The accounts of the Union and of the States shall be kept in such forms as the Comptroller and Auditor General of India may with the approval of the President, prescribe". Article 150 was amended in 1976 and later in 1978, and now reads as "The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of, the Comptroller and Auditor General of India, prescribe".

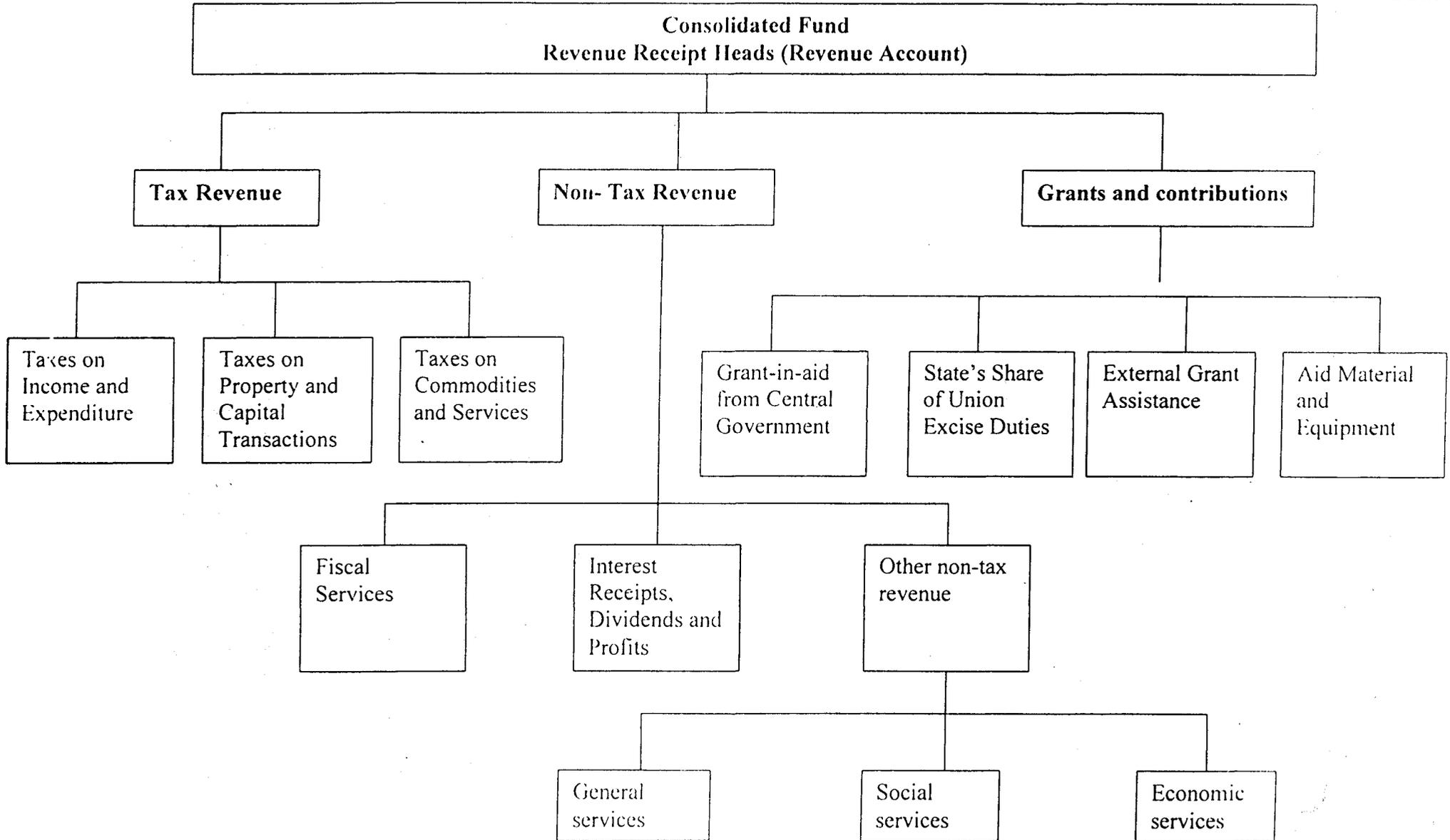
In the current list of heads, as documented in the list of Major and Minor Heads of Account of Union and States, are 383 heads. The major head of accounts has a four-

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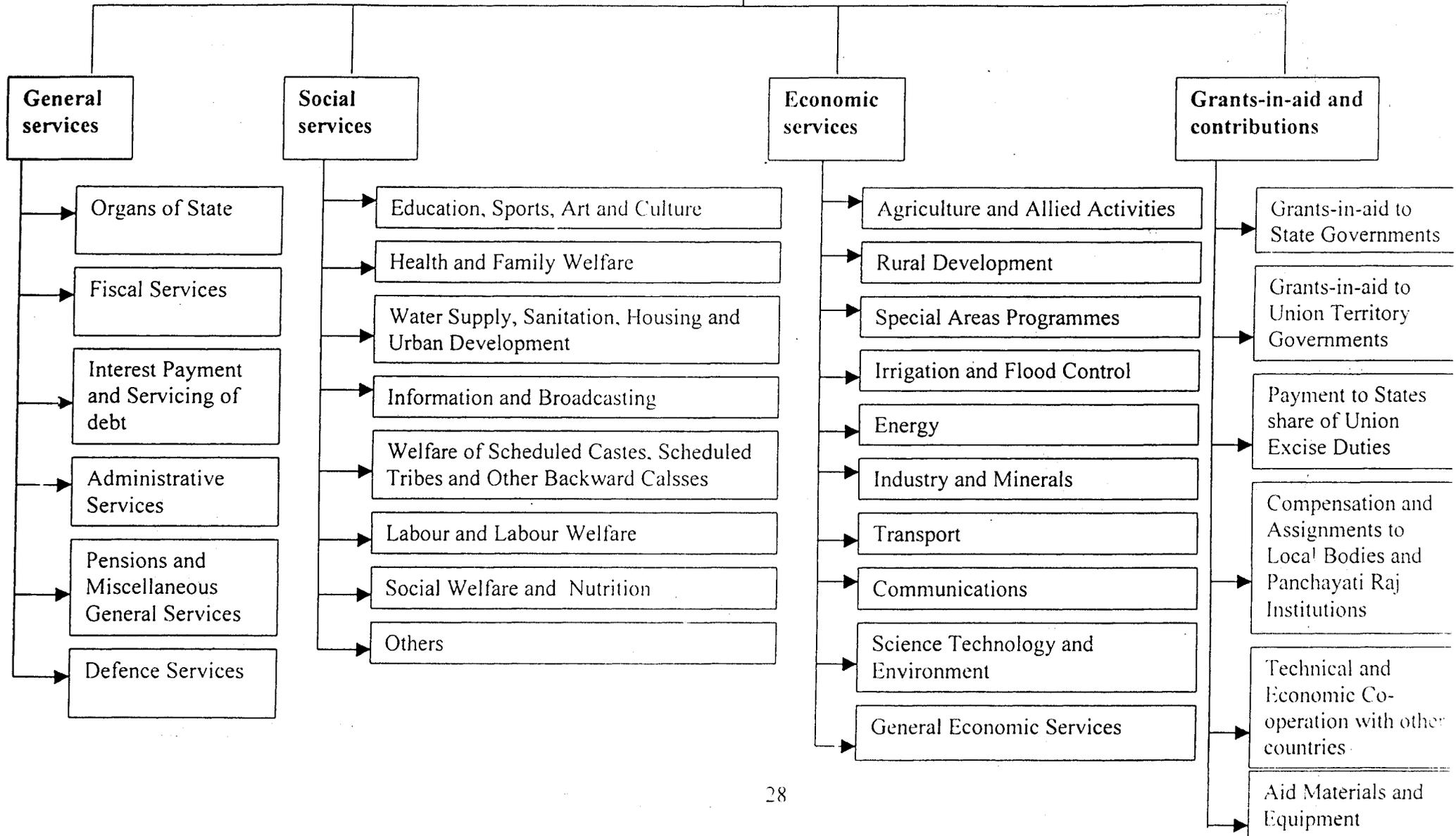
11 M.P. Gupta. 1990 Government Accounting and Control. New Delhi.

digit code number and description for each account. Account numbers from Code No. 0020 to Code 1606 are for tax revenues, non-tax revenue, and grants and contributions received. Account numbers from Code 2011 to Code No. 3606 are for expenditure on revenue account. Account Code No. 4000 represents receipts on capital account comprising capital public debt, loans etc. Account Codes 4046 to 7999 are for expenditure on capital account. Separate Codes are given to Contingency Fund and Public Account. Public Account consists of small savings, provident fund, deposits and advances, suspense and miscellaneous accounts. The two charts explain the scheme of classification of major heads in which revenue accounts are maintained. The important point is that the codes upto four-digit level are used uniformly in the accounts of the Central government and state governments.

Chart 1



## Expenditure Heads (Revenue Account)



Municipal budgets are classified according to a system which is prescribed by state governments. The Chart of Accounts at the municipal level which is nothing else but a comprehensive list of account heads is laid out for recording transactions of the accounting entity. The classification system varies from state to state. For this study, the budgets of a number of municipal corporations and municipalities are reviewed, in order to briefly outline the manner in which financial transactions at the level of municipalities are recorded and whether and to what extent the classification at this tier conforms to the classification that is adopted at the state level.

## **2. Revenue Receipt Head: Revenue Account**

Municipalities in Andhra Pradesh record receipts on revenue account under nine major heads; these being:

- General Account
- Lighting Account
- Elementary Education Account
- Water Supply and Drainage Account
- Town Planning Fund Account
- Account for Remunerative Enterprises
- Deposits and Advances Account
- Endowment Account
- Conservancy Fund Account

The classification system in Gujarat comprises:

- Municipal Rates and Taxes
- Special Act Income
- Property non-tax Income
- Grants and Contributions
- Miscellaneous

In Haryana, the major heads consist of following:

- General Department
- Education
- Medical
- Public Health
- Water Supply
- Veterinary Department
- Municipal Works

The system of budget and account classification in the municipal corporations varies from those followed by the municipalities. The Bhubaneswar Municipal Corporation divides the revenue account receipt heads into eight categories, namely:

- Rate and Tax
- Licenses and other Fees
- Receipt under special Act
- Revenue received from Municipal Property and Property apart from taxation
- Grant and contribution from general and special purposes
- Grant and contribution for other purposes
- Extraordinary Debt
- Advances and Deposits

In Faridabad, the revenue receipts are placed under three heads, namely, taxes, license fees, and miscellaneous. The Municipal Corporation of Madras has adopted a classification that is closer to the one used at the state level. The revenue receipt heads of the Corporation of Madras (1994/95) comprise:

- Tax Revenue
- Non tax Revenue
- Revenue Grant and Contributions

Each of the major head is broken into several minor heads. Thus, tax revenue includes taxes levied or leviable by the Corporation and assigned revenues. Taxes levied or leviable by the Madras Corporation include:

- 001-005 Property Tax
- 010 Profession Tax
- 011 Company Tax
- 012 Timber Tax
- 013 Advertisement Tax
- 014 Tax on Carriage and Animals

The assigned revenues include duty on transfer of property (020), entertainment tax (021), and surcharge on sales tax (023). The non-tax revenue receipts include service charges and fees, sale and hire charges, and miscellaneous income. The third major revenue receipt head consists of government revenue grant (060), government contribution (061), and compensation for toll (062).

The Municipal Corporation of Bangalore also displays features that are closer to the classification system used at the state level. The major heads of revenue include:

- Taxes levied by the Corporation
- Taxes levied by the Government, Corporation's share
- Receipts from license fees
- Miscellaneous Receipts etc.
- Deposits
- Advances, recoveries

### **3. Expenditures Heads on Revenue Account**

Compared to the classification of revenue receipts, expenditures of municipalities are classified by functions, departments, service, and often even by objects. Functions represents a group of activities aimed at accomplishing services or

fulfilling responsibilities. Expenditures are also classified according to departments; engineering department is one example for which expenditure assessment is often made. Expenditures are registered for such services as street lighting. Yet another way is to record expenditure by purpose, such as salary, petrol, repairs and the like.

Expenditure classification as employed by municipalities is discussed below. Municipalities in Andhra Pradesh classify the expenditure heads into seven heads, namely:

- General Account
- Lighting Account
- Elementary Education Account
- Water Supply and Drainage Account
- Town Planning Fund Account
- Account for Remunerative Enterprises
- Deposits and Advances Account

This classification of expenditures is important as it corresponds with the classification of receipts. In municipalities of other states, however, expenditures are classified according to departments. In Bhuj municipality, e.g., revenue account expenditure is placed under six major heads, these being:

- General Administration
- Public Safety
- Water Supply and Drainage
- Public Health
- Contributions
- Miscellaneous

Municipalities in Tamil Nadu use the following major heads:

- General Administration

- Public works
- Education
- Water Supply and Drainage
- Town Planning
- Obligatory Services
- Discretionary Services
- Remunerative Services

Expenditure heads in the case of the Municipal Corporation of Madras (1994/95) comprise:

- Personnel Cost
- Terminal and Retirement Benefits
- Operating Expenses
- Repairs and Maintenance
- Programme Expenses
- Administration Expenses
- Interest on Loans

This classification follows the heads by objects of expenditure. Details of classification for a small sample of municipalities are in Chat 3.

# CLASSIFICATION OF MUNICIPAL BUDGETS

## Receipts on Revenue Account

### A. Major Heads

ANDHRA PRADESH Nellore	GUJARAT Bhuj	HARYANA Rohtak	KARNATAKA Davangere
General account	Municipal rates & taxes	General department	Municipal taxes & rates
Lighting account	Special Act income	Education	Realisation under special Acts
Elementary education account	Property & non-tax revenue	Medical	Revenue from municipal properties & powers apart from taxation
Water supply & drainage account	Grant & contribution	Public health	Grants & contributions
Town planning fund account	Miscellaneous	Water supply	Miscellaneous
Account for remunerative enterprises		Veterinary department	
Endowment account		Municipal works	
Conservancy fund account			

# CLASSIFICATION OF MUNICIPAL BUDGETS

## Receipts on Revenue Account

### A. Major Heads

<b>KERALA</b> <b>Alappuzha</b>	<b>MADHYA PRADESH</b> <b>Bhind</b>	<b>MAHARASHTRA</b> <b>Bhiwandi</b>	<b>ORISSA</b> <b>Rourkela</b>
Municipal taxes & rates Realisation under special Acts Revenue derived from municipal prop	Municipal taxes & rates Realisation under special Acts Revenue receipts from other sources	Municipal taxes & rates Realisation under special Acts Revenue derived from municipal propert & utility service & powers apart from taxation	Rates & taxes License & other fees Receipt under special Acts
Municipal fees Govt. grants & contributions Misc. revenue	Grant & contribution Public water receipts Receipts from electricity Miscellaneous	Grant & contribution Miscellaneous	Revenue derived from municipal property Grants & contributions Miscellaneous

# CLASSIFICATION OF MUNICIPAL BUDGETS

## Receipts on Revenue Account

### A. Major Heads

<b>PUNJAB</b> <b>Abohar</b>	<b>RAJASTHAN</b> <b>Udaipur</b>	<b>TAMIL NADU</b> <b>Tiruchirappalli</b>	<b>WEST BENGAL</b> <b>Bhatpara</b>
Taxes	Tax	Taxes & fees	Rates & taxes
Fees	Income from licenses under bylaws	Grants & contributions	Other fees & tolls
Services department	Income from municipal property	Income from properties	Any other tax & fees
Income from municipal property	Income under special Acts	Income special services	Other municipal receipts
Loans & grants	Penalties & fines	Remunerative services	Fines
Miscellaneous	Income from service rendering institution	Miscellaneous	Share of taxes
	Miscellaneous		Govt. grants

## Receipts on Capital Account

### A. Major Heads

<b>ANDHRA PRADESH</b> <b>Nellore</b>	<b>GUJARAT</b> <b>Bhuj</b>	<b>HARYANA</b> <b>Rohtak</b>	<b>KARNATAKA</b> <b>Davangere</b>
General account Lighting account Elementary education account Water supply & drainage account Town planning fund account Account for remunerative enterprises Deposits & advances account Endowments account Conservancy fund account			

## Receipts on Capital Account

### A. Major Heads

<b>KERALA</b> <b>Alappuzha</b>	<b>MADHYA PRADESH</b> <b>Bhind</b>	<b>MAHARASHTRA</b> <b>Bhiwandi</b>	<b>ORISSA</b> <b>Rourkela</b>
Govt. grants for public works			
Govt. loans for public works			
Endowments			
Realisation of investments			
Other receipts			

## Receipts on Capital Account

### A. Major Heads

<b>PUNJAB</b> <b>Abohar</b>	<b>RAJASTHAN</b> <b>Udaipur</b>	<b>TAMIL NADU</b> <b>Tiruchirappalli</b>	<b>WEST BENGAL</b> <b>Bhatpara</b>
	Income from land sale Grants & loans Others		Govt. grant Grants from development authorities Loan from Govt. & development authorities

## Receipts on Extraordinary, Debt & Suspense Account

### A. Major Heads

ANDHRA PRADESH Nellore	GUJARAT Bhuj	HARYANA Rohtak	KARNATAKA Davangere
	Education cess Others	Stationary & printing Stock & stores Advance & deposit Cattle pound Ferries	

## Receipts on Extraordinary, Debt & Suspense Account

### A. Major Heads

KERALA Alappuzha	MADHYA PRADESH Bhind	MAHARASHTRA Bhiwandi	ORISSA Rourkela
Deposits	Sales receipts of Govt. securities & refund from Banks		Sale proceeds of securities
Surcharge on profession taxes	Borrowings		Loans
Provident fund	Loan for payment of borrowing receipt from prevention fund		Advances
Advances recovered	Advance		25% of cost of the project of modern slaughter house
Realisation of sinking funds	Coordinated development programme of small & medium cities		Others
Library cess	Overseas development scheme		Deposits

**Receipts on Extraordinary, Debt & Suspense Account**  
**A. Major Heads**

<b>PUNJAB Abohar</b>	<b>RAJASTHAN Udaipur</b>	<b>TAMIL NADU Tiruchirappalli</b>	<b>WEST BENGAL Bhatpara</b>
		Endowment Loans Deposits Advances	Advance Deposits

## Expenditure on Revenue Account

### A. Major Heads

ANDHRA PRADESH Nellore	GUJARAT Bhuj	HARYANA Rohtak	KARNATAKA Davangere
General account	General administration	General department	General administration & collection charges
Lighting account	Public safety	Education	Public safety
Elementary education account	Water supply & drainage	Medical	Public health & convenience
Water supply & drainage account	Public health	Public health	Public works carried out by PWD
Town planning fund account	Contribution	Water supply	Public works carried out by municipality
Account for remunerative enterprises	Miscellaneous	Veterinary department	Public instruction
Endowments account		Municipal works	Contribution & grant-in-aid
Conservancy fund account		Reserve for unforeseen charges	Miscellaneous

## Expenditure on Revenue Account

### A. Major Heads

KERALA Alappuzha	MADHYA PRADESH Bhind	MAHARASHTRA Bhiwandi	ORISSA Rourkela
Management & collection	General administration	General administration & collection char	General administration & collection charges
Public works	Public safety	Public safety	Public safety
Education	Public health & convenience	Public health & convenience	Public health
Water supply & drainage	Public works	Public instruction	Medical
Public health	Public instruction	Contribution	Public convenience
Lighting	Contributions	Miscellaneous	Public instruction
Municipal properties	Miscellaneous		Miscellaneous
Expenditure extraordinary			
Miscellaneous			

## Expenditure on Revenue Account

### A. Major Heads

PUNJAB Abohar	RAJASTHAN Udaipur	TAMIL NADU Tiruchirappalli	WEST BENGAL Bhatpara
Establishment	General administration	General administration	General administration
Contingencies	Tax collection	Public works	Collection establishment
Development works	Public health & convenience	Education	Public safety
	Public safety	Water supply & drainage	Public health & convenience
	Cattle pound	Town planning	Public works
	Gardens	Obligatory services	Public instruction
	Public works	Discretionary service	Municipal properties
	Municipality run service rendering institu	Remunerative services	Pension & gratuity
	Other revenue expenditure		Miscellaneous

## Expenditure on Capital Account

### A. Major Heads

ANDHRA PRADESH Nellore	GUJARAT Bhuj	HARYANA Rohtak	KARNATAKA Davangere
General	General		
Lighting account	Scheme of Gujarat municipal finance board		
Elementary education account	IDSMT		
Water supply & drainage account	Encouragement grant		
Town planning fund account			
Remunerative enterprises			
Deposits & advances account			
Endowments account			
Conservancy fund account			

## Expenditure on Capital Account

### A. Major Heads

<b>KERALA Alappuzha</b>	<b>MADHYA PRADESH Bhind</b>	<b>MAHARASHTRA Bhiwandi</b>	<b>ORISSA Rourkela</b>
Management Public works Education Water supply & drainage Public health Lighting Endowments			

## Expenditure on Capital Account

### A. Major Heads

<b>PUNJAB</b> <b>Abohar</b>	<b>RAJASTHAN</b> <b>Udaipur</b>	<b>TAMIL NADU</b> <b>Tiruchirappalli</b>	<b>WEST BENGAL</b> <b>Bhatpara</b>
	Development works New properties Loan repayment Miscellaneous		General administration Public safety Public health & convenience Public works Public instruction

## Expenditure on Extraordinary, Debt & Suspense Account

### A. Major Heads

ANDHRA PRADESH Nellore	GUJARAT Bhuj	HARYANA Rohtak	KARNATAKA Davangere
	Education cess Others	Stationery & printing Stocks & stores Advance & deposit Cattle pound	

## Expenditure on Extraordinary, Debt & Suspense Account

### A. Major Heads

KERALA Alappuzha	MADHYA PRADESH Bhind	MAHARASHTRA Bhiwandi	ORISSA Rourkela
Refund & deposits Payment towards sinking funds Surcharges Provident fund Advances recoverable Library cess	Payment of loan fund Advances Provident fund Deposits		Investment Repayment of loans Advances (staff) Deposits (shops) Contractors

## Expenditure on Extraordinary, Debt & Suspense Account

### A. Major Heads

PUNJAB Abohar	RAJASTHAN Udaipur	TAMIL NADU Tiruchirappalli	WEST BENGAL Bhatpara
		Endowments Loans Deposits Advances	Advances Deposits

The primary purpose of giving abstracts of major heads of receipts and expenditure is to demonstrate the wide variations that exist among municipalities in organising and maintaining accounts. This makes it difficult to make any credible assessment of, e.g., resources that the municipalities are able to raise by way of taxes or non-tax sources. Nor does the existing classification make it possible to produce robust estimates of the degree of dependence of municipalities on state governments. Nor is it possible to make any assessment of what it costs to produce different services and how that services should be priced for keeping the municipality financially solvent and viable.

The need for having a system of classification that is uniform across municipalities can hardly be over-emphasised. Concerns have been expressed particularly since the passage of the Constitution (seventy-fourth) Amendment Act, 1992 about the extremely poor quality of data on local government finances. Concerns have also been expressed with regard to the non-uniformity of data bases, and the difficulties that arise in making any assessment of the financial requirements of municipalities and making any financial dispensation to them.

### **3. Budget and Account Classification Reform in Tamil Nadu**

It is necessary to refer here to the recent attempts that have been made in the country to improve the budgeting and accounting practices at the level of municipalities. As pointed out earlier, the Government of Tamil Nadu has introduced what is clearly the most comprehensive reform in the sphere of municipal accounting. Reform in Tamil Nadu consists of first, a shift from cash based to accrual based accounting, and second, in putting into use a Chart of Accounts for municipalities. The Chart of Accounts presents account heads, codes for each head, and description therefor. The account heads are divided into four parts, namely, income, expenditure, assets, and liabilities<sup>12</sup>

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12 Accounting Manual for Urban Local Bodies in Tamil Nadu, Volume II Chart of Accounts.

In view of the direct relevance of the exercise in Tamil Nadu to this study, some features of the Chart of Accounts are summarised below. The Income component of the Chart of Accounts is divided into the following main sections:

- Taxes
- License fees
- Income from properties
- Assigned revenue
- Service charges
- Grants and contributions
- Sale and hire charges
- All income relating to water supply and drainage fund
- Other income

Income from the above excludes loans received from various capital works, projects and schemes, and capital grants and contributions for specific projects which are accounted for under Capital Fund. Taxes which are provided for under the Chart of Accounts include property tax for general purposes, water supply and drainage adjustment account<sup>13</sup>, education tax adjustment, library cess, excess remittance on property tax account, profession tax, pilgrim tax<sup>14</sup>, tax on carriages, animals and carts, and servant tax. Licence fees include fees in respect of trade licenses, building license, encroachments, parking, markets, advertisement on lamp posts and bays at the bus stands, slaughter houses, cart stand, and survey fees.

Income from municipal property contains income from rents or from lease of lands, ferries, fairs and festivals, shopping complexes, community halls, buildings, pay and use toilets, rest houses, auction of trees, demolition charges for unauthorised constructions, and the like. Other sources of income include assigned revenues, i.e.,

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13 Taxes on property often include a tax on water supply and drainage, education, library, tree and similar services. The Chart of Accounts has considered it as a discrete item.

14 This tax is received from the Railways.

apportionment of state level taxes, grant for natural calamities, grant for implementing schemes, profits in sale of assets, hire charges, sale of scrap, receipt from hospitals and dispensaries, and the like.

Expenditure heads are designed in a way that they are able to provide information on expenditure, both department wise as also activity wise. The revenue expenditures are shown under the following heads:

- Revenue Department
- Accounts Cell
- General Department
- Council Department
- Engineering Department (department, workshop, parks and gardens, street lights, and stores)
- Town Planning Department
- Public Health Department
- Conservancy
- Solid Waste Management
- Hospitals and dispensaries
- Maternity and child welfare centres.
- Anti-malaria and filaria schemes
- Family Welfare
- Animal Husbandry
- Taxation Appeals Committee
- Education Department
- Elementary Education department
- Zonal office 1-6
- Water Supply and Drainage Fund
- Sewage Farm

Separate account code is assigned for expenditures on pay, travel expenses, leave travel concession, supply of uniforms, telephone charges, light vehicle

maintenance, legal expenses, stationery and printing, property tax vacancy remission, interest charges by the bank, interest on loans, ways and means and overdraft, pension, committed value of pension, gratuity, audit fees, depreciation, loss on sale of asset, books and periodicals, postage and telegrams, electricity consumption charges, office building maintenance, repairs and maintenance of office tools, sitting fees for the councillors, election expenses, repairs and maintenance of road and pavements, maintenance for improvement to slum areas, power charges for street lighting, maintenance expenses for street lights, fairs and festivals, medicines, rent for buildings, maintenance expenses of schools, water supply, sewerage etc.

Besides the income and expenditures, the Chart of Accounts shows the assets and liabilities. Assets are shown under four separate heads, namely, revenue fund, capital fund, water supply and drainage fund, and elementary education fund. Liabilities are also shown under the head of revenue fund, capital fund, water supply and drainage sewage form, and elementary education fund.

While the Chart of Accounts has substantially rationalised the municipal accounts in Tamil Nadu, it has not attempted to bring about coherence with the major and sub-major heads applicable to the budget accounts of the Union and State governments. Thus, any attempt to determine the non-tax component of revenues of municipalities in Tamil Nadu would mean regrouping of such sections as license fees, service charges, sale and hire charges, income relating to water supply and drainage fund. In the Tamil Nadu scheme, there is no major head on non-tax revenues. On the expenditure side too, there is less clarity with respect to departmental expenditures.

A review of the existing system of classification shows that:

- Income categories do not sufficiently distinguish between tax and non-tax sources of revenues or even between own revenues and transfers and grants. The inability of the municipal budgets to reflect the distinction between these categories is perhaps the most serious handicap in understanding the role of municipal governments in the country's fiscal affairs and management.

□ Non-tax revenue sources consist of charges for services that are sold by municipalities (e.g., water supply), license fees which are administrative charges for issue of licences, fines imposed by municipalities for violating the provisions of municipal acts and bye-laws, income from municipal properties, interest on municipal investment and the like. There exists no clarity regarding the various types of non-tax revenues.

□ Grants and contributions do not distinguish between revenues that accrue to municipalities on account of shared or assigned revenues and those on account of grants for various purposes. Absence of such important details conceals the degree of dependence of municipalities on state governments.

□ Expenditures are largely categorised according to departments into which municipalities are organised. Thus, most municipal accounts will show expenditure on general administration which includes expenditures on administration and management corresponding to what are shown in the state budgets expenditures on administrative services, pensions and miscellaneous general services, and expenditure incurred on collection of taxes on incomes. Besides this head, there are heads of expenditure on public safety, water supply and drainage, public health, education, municipal works, lighting, public conveniences, town planning and the like. Municipalities in different states organise their functions differently.

□ Most municipal accounts do not organise and maintain separate capital budgets. Of the eleven municipalities whose accounting heads and sub-heads are documented in the attached volume, only five budgets show separate entries on capital expenditure. In others, capital expenditure appears have been merged with revenue expenditure. Moreover, capital expenditure heads do not always correspond with the heads of revenue expenditure, as will be seen from the attached volume; in two out of the five municipalities which have shown capital account expenditure, the heads of capital expenditure differ from the heads in which revenue expenditure has been classified.

#### 4. Budget Formats

The budget formats used by municipalities contain information on budget estimates and revised estimates for the current year and budgeted estimates for the ensuing year. Some budgets also show the actual income and expenditure of the preceding year. The Calcutta Municipal Corporation, for instance, uses the following format:

##### Budget Format<sup>15</sup> (1)

Head of Account	Budget Estimate (year t)	Revised Estimate (year t)	Budget Estimate (year t + 1)
<b>Revenue Receipts</b>			
Tax Revenue			
Non tax revenue			
Internal sources			
Government grants			
<b>Revenue Expenditure</b>			
Engineering and Commercial services			
Other schemes			
Administration and finances			
Loan Charges			

<sup>15</sup> t refers to the current year; t-1 refers to the year preceding the current year; and t+1 refers to the ensuing year.

The Hyderabad Municipal Corporation uses the following format for budgetary purposes-

**Budget Format (2)**

<b>Code</b>	<b>Head and Account</b>	<b>Budget estimate (year t)</b>	<b>Revised estimate (year t)</b>	<b>Budget estimate (year t+1)</b>
<b>Revenue Receipts</b>				
01-01-A	General account			
01 & 02	General taxation miscellaneous revenue			
03	General administration			
04 to 06	Communications/sports			
07	Education			
08 to 10	Public health, sanitation/ and veterinary section			
11	Fee and remuneration			
12	Debt services			
01-02-B	Lighting account			
01-03-C	Water SW drains account			
01-04-D	Master plan account			
	Total of Receipts (including Deficit)			
	Amount transferred from ordinary account			
02-01	Capital account			
02-05	F.debt head			
02-06	Deposits and advances account			
<b>Revenue Expenditure</b>				
03-01-A	General account			
03-01 & 02	General taxation miscellaneous			
03-11	General administration			
12-19	Communications			
20-21	Education			
22-35	Public health			
36-37	Remunerative funds			
03-38	Fixed deposits			
03-02-B	Lighting account			
03-03-C	Water SW drains			
03-04-D	Master plan account			
	Amount transferred to capital account			
04-01	Capital account			
04-05-F	Debt head			
04-06-G	Deposits and advances			

Compared to the budget format used in Calcutta and Hyderabad Municipal Corporation, the Bhopal Municipal Corporation utilises a modified version of the format which includes information on the actuals for the previous year, the sanctioned and revised estimates for the current year, and the proposed budget for the following year. An abstract of the budget format of Bhopal Municipal Corporation is as under-

**Budget Format (3)**

<b>Head</b>	<b>Actual (year t-1)</b>	<b>Sanctioned (year t)</b>	<b>Revised (year t)</b>	<b>Estimates (year t+1)</b>
<b>Revenue Income</b>				
Rent				
Rates, water rates				
Taxes				
Conservancy charges				
Miscellaneous				
Grants and contributions				
Income from Govardhan Project				
<b>Income from other sources</b>				
(a) capital income				
(b) Deposit works				
(c) Suspense account income				
Total				
<b>Revenue Expenditure</b>				
General administration				
Revenue department				
Mechanical department				
Electricity department				
Garage department				
Central workshop				
Waterworks department				
Fire brigade				
Health department				
Health department				
City planning branch				
Encroachment branch				
Property tax department				
Sports branch				
Project branch				
<b>Capital Expenditure</b>				
<b>Deposit Works Expenditure</b>				
<b>Suspense Account Expenditure</b>				
Total Expenditure				

It is evident from the above that there is no conformity in the budget formats used in different municipalities. Not all formats provide information on the actual income and expenditure of the previous year; similarly, on account of the fact that budget preparation exercises at the municipal level begin at different times of the year (any time between November and January), budget information in respect of the current year varies between different municipalities.

## 1. Introduction

In its report to the Government of India, the Eleventh Finance Commission (EFC) made the following suggestions in respect of the accounting heads and budget formats for municipalities and other local bodies.

- States should review the existing accounting heads under which funds are being transferred to the local bodies.
- The C&AG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all the tiers and levels of panchayats and urban local bodies.
- The C&AG should prescribe the formats for the preparation of budgets and for keeping of accounts for local bodies. Such formats should be amenable to computerisation in a networked environment.

In respect of data base on the finances of local bodies, the Eleventh Finance Commission (EFC) made the following observations:

*“There is no mechanism for collection of data on the revenue and expenditure of the various tiers/levels of the rural/urban local bodies at a centralised place where it could be compiled, processed and made available for use. In the absence of any reliable financial/budgetary data, no realistic assessment of the needs of the panchayats and municipalities*

*for basic civic and developmental functions can be made nor can any information be generated on the flow of funds to the local bodies for the implementation of various schemes for economic development and social justice. We are, therefore, of the view that a database on the finances of the panchayats and municipalities needs to be developed at the District, State and Central Government levels and be easily accessible by computerising it and linking it through V-SAT. The Director, Local Fund Audit or the authority prescribed for conducting the audit of accounts of the local bodies may be made responsible for this task, as he would be the main agency dealing with the finances, including budgetary position, accounts and audit of the local bodies. The Chief Secretary of the State may do the State-level coordination and monitoring. In order to ensure that this scheme is brought into effect within a defined time schedule and there remains a proper coordination among various agencies at the national and State levels, it would be in the fitness of things that the C&AG is involved at all stages. He may even be requested to undertake this responsibility. The data could be collected and compiled in standard formats, to be prescribed by the C&AG. This will facilitate comparison of performance and state of development of local bodies among the States".*

As a part of this study and taking note of the existing practices and deficiencies therein in organising and maintaining proper finances data bases and preparation of municipal budgets, three sets of suggestions are made herein. These relate to the:

- Classification of municipal revenues and expenditures and formats for the preparation of incomes and expenditures.
- Budgetary cycle at the level of municipalities.
- Institutional responsibility for the development of data bases on the finances of municipalities, including the role of the C&AG.

In making suggestions, three sets of principles are followed. One: transparency in the budgetary and accounting processes. The users and citizen should be able to ascertain what they are paying for and what services are they getting in return for the payment made by them. Two: conformity in the system of budget and account classification at different tiers and levels of government. Three: consistency in financial reporting.

### **3. Classification of Municipal Revenue and Expenditures**

It has been pointed out in the earlier sections that the Union and State governments budgets use a common classification of municipal revenue and expenditures. The commonality is noted for major and minor heads. A brief description of the main heads is also given in the earlier sections.

Taking into account the need for conformity as also transparency, the Institute of Chartered Accountants of India have proposed that income of a municipality be classified into three categories, namely:

- Tax revenue (octroi and toll, property tax, other taxes such as water tax, conservancy tax, lighting tax, education tax, profession tax, vehicle tax etc.).
- Non-tax revenues (rental from municipal properties, collection from public places, realisation under special statutes, and public service charges and fees).
- Other income (general grants, contributions and subsidies, interest, proceeds from sale of produce of land, horticulture etc. and miscellaneous income).

The expenditure classification as proposed by the Institute of Chartered Accountants of India consists of:

- Staff payments and benefits (salary, wages and bonus, allowances, reimbursements, employee welfare, terminal benefits, and other employees costs).

- Administrative and general expenditure (rents, rates and taxes, communication expenses, printing and stationery, travelling and conveyance expenses, insurance charges, remuneration to auditors, professional and other fees and charges, advertisement and publicity, and others).
- Repairs and maintenance (fixed assets, buildings, plant and machinery, and others) .
- Finance charges (interest, bank charges, and commitment charges).
- Other expenses (write off and provisions, grants and contributions, and miscellaneous expenses).
- Depreciation.

The proposed classification is deficient on at least two counts:

- It does not differentiate between revenue and capital income and expenditures.
- The income and expenditure heads do not make it possible to ascertain what is being spent on different services and functions and what the users are paying for them.

The following classification is proposed for organising the budgets and accounts. As stated above, the main consideration in making the proposal is conformity with the classification that is currently being used at the level of the Union and States. Another consideration that has been kept in mind is the need to integrate the municipal finance accounts into the national fiscal and financial system.

## Proposed Classification

### Municipal Consolidated Fund: Revenue Receipt Head (Revenue Account)

#### A. Tax Revenues

*Taxes on land and buildings*

*Taxes on Commodities and Services*

The relevant entries under this group of tax revenue are taxes on entry of goods into a local area for consumption, use or sale therein, taxes on advertisements other than advertisements published in the newspaper and advertisements broadcast by radio or television, taxes on carriages, animals, and carts; taxes on professions, trade, callings and employment; taxes on luxuries including taxes on entertainment, amusement, betting and gambling; and pilgrim tax. Other local taxes can be added.

#### B. Non Tax Revenues

*Interest receipts, dividends and profits*

- Interest receipts
- Dividends and profits (including profits in sale of assets)

*Other Non-tax revenue*

- General services (trade license fees, building license fees, encroachment fee and fines, parking fees, market fee, fee for advertisement on lamp posts, fee for bays in bus stand; fee for slaughter houses, cart stand fee).
- Rents and lease of municipal property (rent on and lease of lands; income from ferries; income from fairs and festivals; rent for shopping complex; rent for community hall; rent on buildings, hire charges)

- Charges for services (education, studies, public health, family welfare, water supply and sanitation, including water connection charges development charges, sale of compost, etc.)
- Miscellaneous revenues

### **C. Assigned revenues**

- *share of state level taxes and other revenues*
- *devolution of funds as may be recommended by the State Finance Commission*

### **D. Grants and Contribution**

- *Grants-in-aid from state government*
- *External grant assistance*

## **Municipal Consolidated Fund: Expenditure Head (Revenue Account)**

### **A. General Services**

#### *Municipal and fiscal services*

- Expenditure on the Mayor and the Council (sitting fee for the councillors, hospitality, entertainment)
- Audit
- Collection of taxes

#### *Interest payment and servicing of debt*

- Interest payment (including interests charged by the bank)

*Administrative services*

- Municipal administration including treasury and accounts administration (pay, pension, gratuity, travel, telephone, maintenance, training).

*Depreciation*

- loss on sale of asset, depreciation

**B. Municipal Services**

*Public works*

- Maintenance of roads, pavements etc., repair and maintenance of buildings, flyovers, plant and machinery, maintenance for improving the slum areas, purchase of plants, manure for gardens and parks, street lighting, maintenance of schools, municipal markets, etc.

*Public health*

- Maintenance and operation of water supply and sewerage system, preventive health, maintenance of municipal hospitals, dispensaries, health centres, old age houses and orphanages, construction, maintenance and cleansing of drains and drainage works; scavenging and removal of filth and rubbish; maintenance of the cremation ground etc.)

*Education, stadium and art* (establishment and maintenance of schools subject to grants, maintenance of libraries, art galleries, botanical and zoological gardens etc.

*Other regulatory functions* regulation of offensive and dangerous trade or practices, measure for preventing and checking the spread of dangerous diseases, registration of birth and death etc.

*Preparation of plans for economic development and social justice.*

*Miscellaneous* civic reception, organisations of fairs and exhibition,  
measures for the welfare of municipal offices

### **C. Grants-in-aid and Contributions**

*Grants-in-aid to NGOs, charitable institutions*

### **Municipal Consolidated Fund: Receipt Heads**

#### **(Capital Account)**

#### **A. Grant and loan assistance from the Central and State government**

#### **B. Loans from financing institutions**

#### **C. Loans from the market (unguaranted)**

#### **D. External assistance**

### **Municipal Consolidated Fund: Expenditure Heads**

#### **(Capital Account)**

#### **A. Capital outlay on administrative and general services**

#### **B. Capital outlay on Municipal Services**

*Public works*

*Public health*

*Education, stadium and art*

*Other regulatory functions*

*Preparation of plans for economic development and social justice.*

*Miscellaneous*

The budget format should refer to three years-

*Current year* (i) budget and sanctioned amounts, and (ii) revised estimates. Revised estimates should be based on the financial and fiscal performance of the first six months of the financial year.

*Actuals for the preceding year*

*Budget estimate for the ensuing year*

#### **4. Budget Cycle**

The budget cycle should commence one month prior to similar exercise at the level of states, in order that the state budgets can incorporate the demand of municipalities in the preparation of state budgets. The budget exercise should commence in October and be completed by the end of November. The exercise should incorporate the performance data of the first six months.

#### **5. Institutional Responsibility**

It was stated earlier that there was no centralised or even decentralised place where finance data of municipalities were compiled or processed, and placed in public domain. This is unlike the finance data of the Central and state governments which are published and which are accessible for making an assessments of their finances and designing appropriate policies. As the role of municipal governments undergoes a change in the light of the Constitution (seventy-fourth) Amendment Act, 1992 and as municipalities begin to acquire larger responsibilities and even raise funds which had hitherto been denied to them, it becomes necessary to institute systems which will permit the finance data of municipalities to be regularly collected, compiled, processed, and placed in the public domain.

In this connection, it should be pointed out that States in India maintain an office of the Director of Municipal Administration (or Local Administration). The primary function of the office of the Director (Municipal Administration) is to deal with all matters relating to municipalities i.e., vetting of all proposals enacting from municipalities, approving budgets (wherever it is a statutory requirement), and ensuring enforcement of provisions in the municipal acts.

The office of the Director (Municipal Administration) is the most appropriate node where information on the finances of municipalities is available. It is suggested that the office of the Director (Municipal Administration) be made responsible for creating and maintaining a data base on the finances of municipalities. It should have a direct link with a C&AG who should be provided on a date that may be specified, the following information on the finances of municipalities.

#### **Revenue Receipt Head: Revenue Account**

##### **A. Tax Revenues**

*Taxes on law and buildings*

*Taxes on commodities and services*

##### **B. Non-tax Revenues**

##### **C. Assigned Revenues**

##### **D. Grants and Contribution**

#### **Revenue Expenditure Head: Revenue Account**

##### **A. General Services**

*Municipal and fiscal services*

*Interest payment and servicing of debt*

*Administrative services*

*Depreciation*

**B. Municipal services**

*Public Works*

*Public health*

*Education, stadium and art*

*Other regulatory functions*

*Preparation of plan for economic development and social justice*

*Miscellaneous*

**C. Grants and Contributions**

**Receipt Head: Capital Account**

**A. Capital outlay on administration and general services**

**B. Capital outlay on municipal services**

It is further suggested that it should be published annually on the lines the state finance data are published by the Reserve Bank of India. Abstracts of the finances should be incorporated in the Government of India's publication entitled Indian Public Finance Statistics. It will ensure integration of municipal finance data into the national public finance statistics.

The Eleventh Finance Commission (EFC) has recommended a sum of Rs. 2.94 crore for the creation of a database relating to the finances of urban local bodies. The state-wise details are given below. This fund may be channelled in creating this data base which can be gradually expanded and made more comprehensive.

**Provision for creation of database relating to the finances of local bodies.**

<b>States</b>	<b>Number of ULBs</b>	<b>Allocation for ULBs</b>
Andhra Pradesh	116	9.25
Arunachal Pradesh	0	0.00
Assam	79	6.30
Bihar	170	13.56
Goa	14	1.12
Gujarat	149	11.89
Haryana	82	6.54
Himachal Pradesh	48	3.83
Jammu & Kashmir	69	5.50
Karnataka	215	17.15
Kerala	58	4.63
Madhya Pradesh	404	32.23
Maharashtra	244	19.46
Manipur	28	2.23
Meghalaya	6	0.48
Mizoram	6	0.48
Nagaland	9	0.72
Orissa	102	8.14
Punjab	137	10.93
Rajasthan	183	14.60
Sikkim	0	0.00
Tamil Nadu	744	59.35
Tripura	13	1.04
Uttar Pradesh	684	54.56
West Bengal	122	9.73
<b>Total</b>	<b>3682</b>	<b>293.72</b>

This study has reviewed what appears to be a basic step in reforming the budget and accounting practices at the level of municipalities. There are other equally important steps that are needed to establish a sound and transparent finances and budget system at the level of municipalities. These are expected to be reviewed in subsequent studies.

# *THE FINANCES OF MUNICIPALITIES*

## *A STATISTICAL PROFILE*

# 5

A statistical profile on the finances of municipalities having a population of over 100,000 persons is given in pages 74 to 87. The profile shows that the annual per capita own revenues of municipalities in 1995/96 was estimated at Rs. 397.12; own tax revenues formed 58.6 percent of the total own revenues. In comparison, the per capita annual revenue expenditure was placed at Rs. 422.50, with the excess of expenditure being met out of grants and other transfers. The profile further shows that the per capita capital expenditure of municipalities in 1995/96 was Rs. 143.53, having risen from a low of Rs. 84.77 in 1991/92. Capital expenditure as a proportion of total municipal expenditure has ranged between 19.2 per cent to 22.9 per cent during the period of 1991/92 and 1995/96.

There is a significant variation in the financial status of municipalities across states. Municipalities in Andhra Pradesh (Rs. 172.40), Karnataka (Rs. 180.41) and Madhya Pradesh (Rs. 155.92), and West Bengal (Rs. 185.02) have lower per capita own revenues compared to municipalities in Maharashtra (Rs. 816.61 excluding Greater Mumbai) and Gujarat (Rs. 812.34 excluding Ahmdabad). In comparison, variations in per capita revenue expenditures are less pronounced, and are explained by larger transfers and grants from the State governments. The transfers in the case of Madhya Pradesh constituted in 1995/96, 52.11 per cent of the total revenue receipts; in West Bengal, it was estimated at 46.61 per cent, and 54.53 per cent in Karnataka.

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, All India**

Per capita indicators (Rs.)	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	426.78	457.06	496.06	551.98	651.68
Revenue receipts	338.10	355.02	392.18	447.22	524.89
Capital receipts	21.81	33.54	33.82	34.96	52.04
Extraordinary, debt and suspense account receipts	66.86	68.49	70.07	69.80	74.76
Own revenue receipts	250.43	261.49	293.64	335.65	397.12
Own tax receipts	197.32	204.00	227.46	260.56	307.61
Own non-tax receipts	53.11	57.49	66.18	75.10	89.51
Transfers	87.67	93.53	98.54	111.56	127.77
Total expenditure	441.23	464.79	500.43	550.13	625.47
Revenue expenditure	291.07	302.91	327.13	367.76	422.50
Capital expenditure	84.77	97.49	110.75	123.33	143.53
Extraordinary, debt and suspense account expenditure	65.39	64.40	62.54	59.04	59.44
Establishment	148.02	161.50	175.93	195.33	222.30
Operation and maintenance	117.09	117.55	127.01	141.30	163.64
Adjusted population	502.40	676.46	710.75	734.85	732.22
Number of municipalities	157	198	205	205	198

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, States**

Per capita indicators (Rs.)	Andhra Pradesh					Gujarat				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	231.19	309.47	347.23	402.83	393.76	641.80	770.72	907.52	921.99	1069.07
Revenue receipts	186.77	225.60	257.18	282.71	294.68	502.18	550.99	669.97	743.30	907.79
Capital receipts	25.60	51.45	53.53	76.52	54.55	87.82	105.24	80.57	22.69	31.43
Extraordinary, debt and suspense account receipts	18.82	32.41	36.53	43.61	44.53	51.80	114.49	156.99	156.01	129.85
Own revenue receipts	91.94	126.31	144.53	171.28	172.40	453.37	491.45	596.70	667.32	812.34
Own tax receipts	46.48	70.94	87.30	94.27	100.76	351.97	388.26	477.33	541.84	654.20
Own non-tax receipts	45.46	55.37	57.23	77.00	71.64	101.40	103.19	119.37	125.48	158.13
Transfers	94.83	99.29	112.65	111.43	122.28	48.81	59.54	73.27	75.98	95.45
Total expenditure	212.33	288.66	313.58	397.63	369.37	689.89	769.29	841.78	888.43	1006.65
Revenue expenditure	153.55	168.56	193.06	249.38	258.30	430.74	496.85	571.40	600.86	708.20
Capital expenditure	37.40	84.82	78.94	98.45	63.15	198.89	170.58	148.72	131.51	184.69
Extraordinary, debt and suspense account expenditure	21.38	35.28	41.58	49.80	47.91	60.26	101.86	121.67	156.05	113.76
Establishment	108.87	114.03	135.91	151.69	164.69	191.96	267.87	276.49	311.38	371.32
Operation and maintenance	40.99	49.41	53.38	82.09	76.91	203.46	185.99	239.99	202.19	240.90
Adjusted population	53.93	96.49	105.32	113.11	106.38	37.60	49.57	51.29	53.08	54.95
Number of municipalities	27	30	31	34	31	12	13	13	13	13

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, States**

Per capita indicators (Rs.)	Haryana					Karnataka				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	218.14	290.71	290.94	330.23	368.18	351.05	384.06	394.93	476.22	482.43
Revenue receipts	184.63	209.93	191.61	223.70	259.16	282.33	293.80	310.16	372.20	396.78
Capital receipts	19.36	13.61	19.58	34.80	34.67	2.77	5.38	3.58	4.14	6.03
Extraordinary, debt and suspense account receipts	14.15	67.16	79.74	71.73	74.36	65.94	84.88	81.19	99.88	79.62
Own revenue receipts	178.44	197.43	185.64	203.92	242.47	114.97	136.03	143.41	152.72	180.41
Own tax receipts	123.63	128.50	118.17	134.07	153.78	76.99	96.04	95.79	89.38	105.31
Own non-tax receipts	54.81	68.93	67.46	69.85	88.69	37.98	39.99	47.62	63.34	75.11
Transfers	6.19	12.50	5.98	19.78	16.68	167.37	157.78	166.75	219.48	216.36
Total expenditure	232.43	282.20	288.80	328.60	353.08	350.01	379.55	353.87	408.91	447.77
Revenue expenditure	135.70	156.80	154.14	174.89	187.12	276.61	291.74	264.69	320.39	348.46
Capital expenditure	91.17	116.98	127.89	145.90	156.39	28.31	40.11	36.49	46.45	46.39
Extraordinary, debt and suspense account expenditur	5.56	8.41	6.77	7.81	9.56	45.09	47.70	52.68	42.07	52.92
Establishment	88.77	96.87	121.36	135.38	153.80	126.06	132.40	144.96	163.96	178.13
Operation and maintenance	43.95	56.24	30.73	34.57	32.27	149.90	158.99	118.86	153.83	168.53
Adjusted population	21.35	22.15	22.98	23.86	24.77	59.08	63.20	64.13	65.07	62.58
Number of municipalities	11	11	11	11	11	13	15	15	15	13

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, States**

Per capita indicators (Rs.)	Kerala					Madhya Pradesh				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	217.24	253.99	300.71	429.41	428.91	196.64	247.50	207.14	245.86	399.47
Revenue receipts	163.61	198.41	236.48	320.50	323.80	163.86	184.95	175.53	207.15	325.56
Capital receipts	28.53	30.64	29.51	77.43	89.02	9.16	14.09	4.05	0.23	1.28
Extraordinary, debt and suspense account receipts	25.10	24.94	34.72	31.48	16.09	23.61	48.47	27.56	38.48	72.63
Own revenue receipts	143.38	174.75	215.22	256.14	276.72	70.40	81.12	83.10	82.53	155.92
Own tax receipts	99.81	106.82	132.60	169.21	167.13	35.36	45.83	51.35	50.16	73.08
Own non-tax receipts	43.57	67.93	82.62	86.94	109.59	35.04	35.29	31.74	32.37	82.84
Transfers	20.22	23.66	21.26	64.36	47.09	93.46	103.83	92.43	124.62	169.64
Total expenditure	202.71	232.30	281.16	371.88	378.88	219.96	242.61	210.37	251.81	397.17
Revenue expenditure	138.69	156.29	191.03	228.58	244.61	152.82	172.70	167.75	208.10	303.69
Capital expenditure	39.52	45.57	47.67	94.48	96.98	35.68	53.18	30.67	29.45	56.06
Extraordinary, debt and suspense account expenditur	24.51	30.44	42.45	48.82	37.29	31.46	16.72	11.94	14.26	37.42
Establishment	78.60	83.27	114.94	124.65	121.20	100.44	110.53	113.01	126.08	168.50
Operation and maintenance	50.50	63.87	63.56	95.22	116.30	44.82	50.02	46.64	66.17	103.38
Adjusted population	20.50	20.67	20.85	21.03	16.91	28.69	29.75	30.88	32.04	31.98
Number of municipalities	7	7	7	7	6	12	12	12	12	11

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, States**

Per capita indicators (Rs.)	Maharashtra					Orissa				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	805.29	838.13	857.98	905.37	1113.56	224.83	266.08	240.34	281.72	320.87
Revenue receipts	601.16	641.44	675.21	768.85	940.96	208.54	238.87	230.18	269.25	301.10
Capital receipts	27.66	41.97	47.55	33.94	38.61	0.79	11.04	0.13	1.70	5.17
Extraordinary, debt and suspense account receipts	176.47	154.71	135.22	102.58	133.99	15.50	16.18	10.03	10.77	14.60
Own revenue receipts	499.37	529.91	583.55	673.42	816.61	159.58	190.47	188.15	230.82	242.50
Own tax receipts	422.82	445.88	482.96	567.21	676.81	131.21	154.87	158.53	184.90	210.41
Own non-tax receipts	76.56	84.03	100.59	106.21	139.80	28.38	35.60	29.62	45.91	32.09
Transfers	101.79	111.53	91.67	95.43	124.35	48.96	48.40	42.03	38.44	58.60
Total expenditure	845.30	881.68	898.92	923.44	1068.21	239.85	252.25	240.65	294.33	284.99
Revenue expenditure	502.20	514.68	544.51	593.23	672.92	199.60	210.22	207.34	237.24	246.21
Capital expenditure	168.94	200.61	216.89	231.12	271.20	13.97	23.59	17.72	13.99	10.89
Extraordinary, debt and suspense account expenditure	174.16	166.38	137.51	99.10	124.09	26.28	18.44	15.59	43.09	27.89
Establishment	239.87	225.07	239.04	260.71	287.54	49.83	68.61	70.93	89.48	97.77
Operation and maintenance	186.62	209.75	229.88	244.45	279.61	146.66	129.45	132.00	144.64	145.51
Adjusted population	126.57	135.65	142.06	148.89	156.21	14.26	14.81	15.40	16.01	16.65
Number of municipalities	31	32	32	32	32	6	6	6	6	6

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, States**

Per capita indicators (Rs.)	Punjab					Rajasthan				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	307.34	334.69	419.61	516.21	584.09	202.41	242.04	268.63	317.81	386.74
Revenue receipts	305.65	326.05	409.75	505.13	567.86	176.75	211.02	233.08	277.27	347.91
Capital receipts	0.41	4.98	6.52	3.86	3.88	9.66	15.10	4.44	14.01	17.35
Extraordinary, debt and suspense account receipts	1.28	3.65	3.34	7.21	12.35	15.99	15.92	31.10	26.53	21.48
Own revenue receipts	271.38	287.91	348.69	454.10	509.00	161.15	191.03	220.39	254.96	310.51
Own tax receipts	222.13	231.57	288.45	380.75	427.82	147.26	175.12	198.82	226.05	286.94
Own non-tax receipts	49.25	56.34	60.24	73.35	81.18	13.90	15.91	21.57	28.91	23.57
Transfers	34.27	38.14	61.06	51.03	58.86	15.60	19.99	12.69	22.32	37.40
Total expenditure	330.79	351.82	422.61	545.07	625.35	199.56	238.22	273.78	296.51	349.50
Revenue expenditure	222.63	236.15	270.32	326.55	351.95	148.99	176.81	214.46	234.46	274.01
Capital expenditure	104.89	109.76	149.84	215.61	269.04	20.50	29.43	31.62	32.82	44.30
Extraordinary, debt and suspense account expenditur	3.26	5.90	2.44	2.91	4.36	30.07	31.98	27.70	29.24	31.19
Establishment	133.49	135.47	159.80	180.54	194.72	106.34	122.90	134.74	150.59	168.71
Operation and maintenance	87.44	99.62	106.19	144.58	154.94	39.96	52.87	77.41	81.95	99.00
Adjusted population	31.20	32.22	33.27	33.06	35.49	40.48	41.83	43.23	44.68	46.19
Number of municipalities	9	9	9	8	9	10	10	10	10	10

**Statistical Profile of the Finances of Municipalities**  
**Per Capita Changes in Key Financial Indicators, States**

Per capita indicators (Rs.)	Tamil Nadu					West Bengal				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Total receipts	282.30	349.96	424.33	444.94	639.13	-	346.99	393.78	471.26	496.09
Revenue receipts	239.69	288.39	344.82	358.63	422.93	-	281.24	316.73	362.30	346.57
Capital receipts	13.59	31.88	40.01	55.23	176.75	-	18.80	25.52	28.80	76.21
Extraordinary, debt and suspense account receipts	29.02	29.69	39.49	31.08	39.45	-	46.95	51.52	80.17	73.31
Own revenue receipts	113.18	153.44	201.56	225.16	235.35	-	187.47	191.33	199.86	185.02
Own tax receipts	70.82	96.72	126.79	150.98	162.58	-	152.96	150.21	150.81	126.90
Own non-tax receipts	42.36	56.72	74.77	74.18	72.78	-	34.51	41.12	49.05	58.11
Transfers	126.51	134.95	143.26	133.47	187.57	-	93.77	125.40	162.44	161.55
Total expenditure	281.75	354.90	481.71	525.05	640.60	-	366.96	418.61	449.36	479.12
Revenue expenditure	231.37	237.44	276.57	301.01	360.33	-	293.69	315.43	345.33	391.29
Capital expenditure	28.48	88.84	170.10	195.46	246.44	-	28.58	53.14	48.50	60.70
Extraordinary, debt and suspense account expenditur	21.90	28.62	35.04	28.57	33.83	-	44.68	50.05	55.52	27.14
Establishment	114.90	122.91	133.82	148.34	173.20	-	200.84	208.46	230.82	263.84
Operation and maintenance	98.79	96.11	118.86	127.85	170.23	-	88.65	101.64	111.22	124.47
Adjusted population	68.74	74.05	72.53	74.33	69.70	-	96.05	108.81	109.68	110.41
Number of municipalities	19	20	20	19	18		33	39	38	38

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, All India**

Ratios of indicators (%)	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	79.22	77.68	79.06	81.02	80.54
Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)	93.94	91.37	92.06	92.75	90.98
Own revenue receipts/revenue receipts	74.07	73.65	74.87	75.05	75.66
Own tax receipts/own revenue receipts	58.36	57.46	58.00	58.26	58.60
Own non-tax receipts/own revenue receipts	41.64	42.54	42.00	41.74	41.40
Transfers/revenue receipts	25.93	26.35	25.13	24.95	24.34
Grants/revenue receipts	16.83	18.04	17.06	17.92	17.46
Revenue expenditure/total expenditure	65.97	65.17	65.37	66.85	67.55
Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	77.44	75.65	74.71	74.89	74.64
Capital expenditure/total expenditure	19.21	20.97	22.13	22.42	22.95
Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	22.56	24.35	25.29	25.11	25.36
Establishment expenditure/revenue expenditure	50.85	53.32	53.78	53.11	52.61
Operation & maintenance expenditure/ revenue expenditure	40.23	38.81	38.83	38.42	38.73

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, States**

Ratios of indicators (%)	Andhra Pradesh					Gujarat				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	80.78	72.90	74.06	70.18	74.84	78.25	71.49	73.82	80.62	84.91
Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)	87.94	81.43	82.77	78.70	84.38	85.12	83.96	89.27	97.04	96.65
Own revenue receipts/revenue receipts	49.23	55.99	56.20	60.58	58.50	90.28	89.19	89.06	89.78	89.49
Own tax receipts/own revenue receipts	24.89	31.45	33.94	33.35	34.19	70.09	70.47	71.25	72.90	72.07
Own non-tax receipts/own revenue receipts	75.11	68.55	66.06	66.65	65.81	29.91	29.53	28.75	27.10	27.93
Transfers/revenue receipts	50.77	44.01	43.80	39.42	41.50	9.72	10.81	10.94	10.22	10.51
Grants/revenue receipts	29.17	18.92	21.15	17.06	14.88	9.72	10.81	10.94	10.22	10.51
Revenue expenditure/total expenditure	72.32	58.40	61.57	62.72	69.93	62.44	64.59	67.88	67.63	70.35
Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	80.41	66.52	70.98	71.70	80.35	68.41	74.44	79.35	82.04	79.32
Capital expenditure/total expenditure	17.61	29.38	25.17	24.76	17.10	28.83	22.17	17.67	14.80	18.35
Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	19.59	33.48	29.02	28.30	19.65	31.59	25.56	20.65	17.96	20.68
Establishment expenditure/revenue expend	70.91	67.65	70.40	60.83	63.76	44.56	53.91	48.39	51.82	52.43
Operation & maintenance expenditure/ revenue expenditure	26.69	29.31	27.65	32.92	29.78	47.23	37.43	42.00	33.65	34.02

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, States**

Ratios of indicators (%)	Haryana					Karnataka				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	84.64	72.21	65.86	67.74	70.39	80.43	76.50	78.53	78.16	82.25
Revenue receipts/total receipts (excluding extarordinary, debt and suspense account receipts)	90.51	93.91	90.73	86.54	88.20	99.03	98.20	98.86	98.90	98.50
Own revenue receipts/revenue receipts	96.65	94.05	96.88	91.16	93.56	40.72	46.30	46.24	41.03	45.47
Own tax receipts/own revenue receipts	66.96	61.21	61.67	59.93	59.34	27.27	32.69	30.88	24.01	26.54
Own non-tax receipts/own revenue receipts	33.04	38.79	38.33	40.07	40.66	72.73	67.31	69.12	75.99	73.46
Transfers/revenue receipts	3.35	5.95	3.12	8.84	6.44	59.28	53.70	53.76	58.97	54.53
Grants/revenue receipts	1.88	3.80	2.26	6.00	5.38	35.89	36.21	33.96	41.71	43.40
Revenue expenditure/total expenditure	58.38	55.57	53.37	53.22	53.00	79.03	76.86	74.80	78.35	77.82
Revenue expenditure/total expenditure (excluding extarordinary, debt and suspense account expenditure)	59.81	57.27	54.65	54.52	54.47	90.72	87.91	87.88	87.34	88.25
Capital expenditure/total expenditure	39.22	41.45	44.28	44.40	44.29	8.09	10.57	10.31	11.36	10.36
Capital expenditure/total expenditure (excluding extarordinary, debt and suspense account expenditure)	40.19	42.73	45.35	45.48	45.53	9.28	12.09	12.12	12.66	11.75
Establishment expenditure/revenue expend	65.42	61.78	78.74	77.41	82.19	45.58	45.39	54.76	51.17	51.12
Operation & maintenance expenditure/ revenue expenditure	32.39	35.87	19.94	19.77	17.24	54.19	54.50	44.90	48.01	48.37

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, States**

Ratios of indicators (%)	Kerala					Madhya Pradesh				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	75.31	78.12	78.64	74.64	75.49	83.33	74.72	84.74	84.26	81.50
Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)	85.15	86.62	88.91	80.54	78.44	94.70	92.92	97.75	99.89	99.61
Own revenue receipts/revenue receipts	87.64	88.08	91.01	79.92	85.46	42.96	43.86	47.34	39.84	47.89
Own tax receipts/own revenue receipts	61.01	53.84	56.07	52.79	51.61	21.58	24.78	29.26	24.21	22.45
Own non-tax receipts/own revenue receipts	38.99	46.16	43.93	47.21	48.39	78.42	75.22	70.74	75.79	77.55
Transfers/revenue receipts	12.36	11.92	8.99	20.08	14.54	57.04	56.14	52.66	60.16	52.11
Grants/revenue receipts	9.17	9.29	5.67	16.25	9.18	51.30	49.56	46.43	49.77	46.54
Revenue expenditure/total expenditure	68.42	67.28	67.94	61.47	64.56	69.48	71.19	79.74	82.64	76.46
Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	77.83	77.42	80.03	70.76	71.61	81.07	76.46	84.54	87.60	84.42
Capital expenditure/total expenditure	19.49	19.62	16.96	25.41	25.60	16.22	21.92	14.58	11.69	14.12
Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	22.17	22.58	19.97	29.24	28.39	18.93	23.54	15.46	12.40	15.58
Establishment expenditure/revenue expend	56.67	53.28	60.17	54.53	49.55	65.72	64.00	67.37	60.58	55.48
Operation & maintenance expenditure/ revenue expenditure	36.41	40.87	33.27	41.66	47.54	29.33	28.96	27.80	31.80	34.04

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, States**

Ratios of indicators (%)	Maharashtra					Orissa				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	74.65	76.53	78.70	84.92	84.50	92.75	89.77	95.77	95.58	93.84
Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)	95.60	93.86	93.42	95.77	96.06	99.62	95.58	99.94	99.37	98.31
Own revenue receipts/revenue receipts	83.07	82.61	86.42	87.59	86.78	76.52	79.74	81.74	85.72	80.54
Own tax receipts/own revenue receipts	70.33	69.51	71.53	73.77	71.93	62.92	64.84	68.87	68.67	69.88
Own non-tax receipts/own revenue receipts	29.67	30.49	28.47	26.23	28.07	37.08	35.16	31.13	31.33	30.12
Transfers/revenue receipts	16.93	17.39	13.58	12.41	13.22	23.48	20.26	18.26	14.28	19.46
Grants/revenue receipts	16.74	17.20	13.45	12.23	13.11	23.48	20.26	18.26	14.28	19.46
Revenue expenditure/total expenditure	59.41	58.38	60.57	64.24	63.00	83.22	83.34	86.16	80.60	86.39
Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	74.83	71.95	71.51	71.96	71.27	93.46	89.91	92.13	94.43	95.77
Capital expenditure/total expenditure	19.99	22.75	24.13	25.03	25.39	5.82	9.35	7.36	4.75	3.82
Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	25.17	28.05	28.49	28.04	28.73	6.54	10.09	7.87	5.57	4.23
Establishment expenditure/revenue expend	47.76	43.73	43.90	43.95	42.73	24.96	32.64	34.21	37.72	39.71
Operation & maintenance expenditure/ revenue expenditure	37.16	40.75	42.22	41.21	41.55	73.48	61.58	63.66	60.97	59.10

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, States**

Ratios of indicators (%)	Punjab					Rajasthan				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	99.45	97.42	97.65	97.85	97.22	87.33	87.19	86.77	87.25	89.96
Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)	99.87	98.49	98.43	99.24	99.32	94.82	93.32	98.13	95.19	95.25
Own revenue receipts/revenue receipts	88.79	88.30	85.10	89.90	89.63	91.17	90.52	94.56	91.95	89.25
Own tax receipts/own revenue receipts	72.68	71.02	70.40	75.38	75.34	83.31	82.99	85.30	81.53	82.48
Own non-tax receipts/own revenue receipts	27.32	28.98	29.60	24.62	24.66	16.69	17.01	14.70	18.47	17.52
Transfers/revenue receipts	11.21	11.70	14.90	10.10	10.37	8.83	9.48	5.44	8.05	10.75
Grants/revenue receipts	1.50	1.36	0.21	1.50	0.04	8.83	9.48	5.44	8.05	10.75
Revenue expenditure/total expenditure	67.30	67.12	63.97	59.91	56.28	74.66	74.22	78.33	79.07	78.40
Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	67.97	68.27	64.34	60.23	56.68	87.90	85.73	87.15	87.72	86.08
Capital expenditure/total expenditure	31.71	31.20	35.46	39.56	43.02	10.27	12.35	11.55	11.07	12.67
Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	32.03	31.73	35.66	39.77	43.32	12.10	14.27	12.85	12.28	13.92
Establishment expenditure/revenue expend	59.96	57.37	59.11	55.29	55.33	71.37	69.51	62.83	64.23	61.57
Operation & maintenance expenditure/ revenue expenditure	39.28	42.19	39.28	44.28	44.02	26.82	29.90	36.10	34.95	36.13

**Statistical Profile of the Finances of Municipalities**  
**Ratios of Key Financial Indicators, States**

Ratios of indicators (%)	Tamil Nadu					West Bengal				
	1991-92	1992-93	1993-94	1994-95	1995-96	1991-92	1992-93	1993-94	1994-95	1995-96
Revenue receipts/total receipts	84.91	82.41	81.26	80.60	66.17	-	81.05	80.43	76.88	69.86
Revenue receipts/total receipts (excluding extraordinary, debt and suspense account receipts)	94.63	90.05	89.60	86.66	70.53	-	93.73	92.54	92.64	81.97
Own revenue receipts/revenue receipts	47.22	53.21	58.45	62.78	55.65	-	66.66	60.41	55.16	53.39
Own tax receipts/own revenue receipts	29.55	33.54	36.77	42.10	38.44	-	54.39	47.42	41.62	36.62
Own non-tax receipts/own revenue receipts	70.45	66.46	63.23	57.90	61.56	-	45.61	52.58	58.38	63.38
Transfers/revenue receipts	52.78	46.79	41.55	37.22	44.35	-	33.34	39.59	44.84	46.61
Grants/revenue receipts	4.96	4.50	3.99	4.70	4.24	-	31.94	38.55	43.98	45.73
Revenue expenditure/total expenditure	82.12	66.90	57.41	57.33	56.25	-	80.03	75.35	76.85	81.67
Revenue expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	89.04	72.77	61.92	60.63	59.39	-	91.13	85.58	87.68	86.57
Capital expenditure/total expenditure	10.11	25.03	35.31	37.23	38.47	-	7.79	12.69	10.79	12.67
Capital expenditure/total expenditure (excluding extraordinary, debt and suspense account expenditure)	10.96	27.23	38.08	39.37	40.61	-	8.87	14.42	12.32	13.43
Establishment expenditure/revenue expend	49.66	51.77	48.39	49.28	48.07	-	68.38	66.09	66.84	67.43
Operation & maintenance expenditure/ revenue expenditure	42.70	40.48	42.98	42.47	47.24	-	30.18	32.22	32.21	31.81

