



A Factsheet of Municipal Finance of Indian Cities

Ranchi Municipal Corporation
Greater Warangal Municipal Corporation
Jaipur Municipal Corporation
Ahmedabad Municipal Corporation
Agra Municipal Corporation
Kochi Municipal Corporation
Gaya Municipal Corporation

Prepared by:

Cities and Governance (2022-24 Batch)
School of Public Policy and Governance
Tata Institute of Social Sciences, Hyderabad

Anchored at:

Centre for Budget and Governance Accountability, Delhi

Budget Analysis and Credibility report of
RANCHI MUNICIPAL CORPORATION
2023



PREPARED BY
Mrityunjai Sharan
Prashant Gawai
Shruti Dutta

Table Of Content

S.No.		Content	Page No.
1		Cover Page	1
2		Table of Content	2
3		Demographic Profile of Ranchi Municipal Corporation	3
4	1.	Ranchi Municipal Corporation	4
5	2.	Data Availability and Acquisition	5
6	3.	Budget Overview of RMC (Since 2012-13)	5
7	4.	Receipt Profile of RMC	7
8	5.	Expenditure Profile of RMC	9
9	6.	Budget Credibility	12
10	7.	Key Findings	13
11	8.	References	13



2023

Ranchi Municipal Corporation

DEMOGRAPHICS

LOCATION

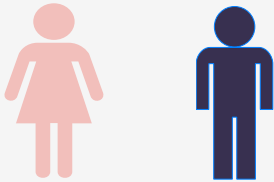


MAP



Area - 175 Sq.Km.

GENDER



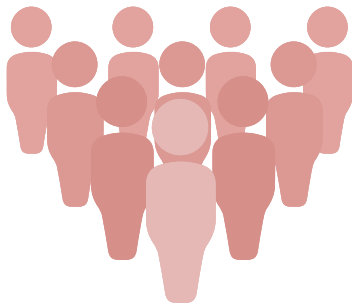
921 FEMALE | 1000 MALE

LITERACY



87.37 %

POPULATION



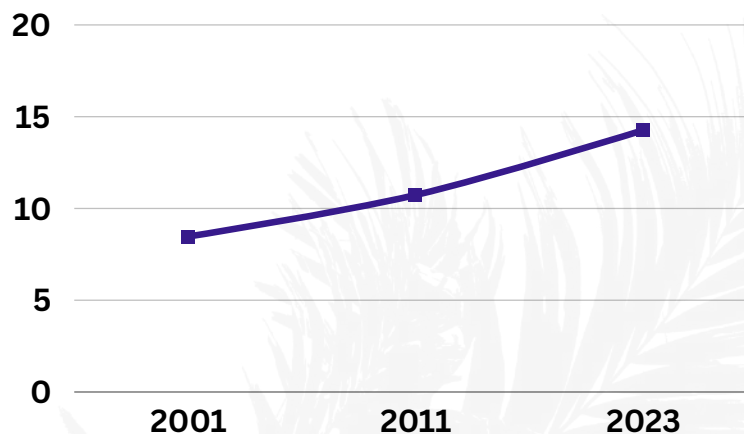
14,26,205

POPULATION DENSITY



8,144 Person/Sq.km.

Population Growth (in Lakhs)



Source - Census 2011

Note :- Population of year 2023 is self projected by Compound Annual Growth Rate method taking years 2001 and 2011.

1. Ranchi Municipal Corporation

Ranchi is the capital of the Indian state of Jharkhand and is administered by the Ranchi Municipal Corporation (RMC). The inception of the municipal corporation, however, dates back much before the formation of Jharkhand, in the year 1979 when it was still a part of erstwhile Bihar. The RMC was formed by merging three bodies - Ranchi Municipality, Doranda Municipality and Ranchi Doranda Joint Water Board. The corporation currently governs an area of 175 square kilometres and is divided into 55 wards. With a population of around 14 lakhs (projected using compound annual growth rate from Census 2011), the Ranchi Municipal Corporation stands as the biggest urban local body of Jharkhand. In this paper, we will broadly discuss the municipal budget of RMC. We will look into the receipts and expenditure profile of RMC and later discuss the credibility of budget prepared by RMC.

Important Terminology

- **Revenue Receipt** - The money that the government receives from both tax and non-tax sources for its routine operations is known as revenue receipts. These revenues don't increase or decrease assets; they are just utilised to cover regular expenses. Revenue receipts don't reduce the government's assets or result in any liabilities. This receipt can't be claimed against the government and therefore they are referred to as non-redeemable.
- **Revenue Expenditure** – This refers to the money that the government spends on ongoing costs that are required to keep public services and government agencies operating normally. Revenue Expenditure describes the government's projected outlays for a fiscal year that have no bearing on the government's current state of assets and liabilities. These expenditures are expended to make sure government agencies function effectively and pay for their continuous expenses, such as grants, subsidies, interest payments, pensions, wages, and so forth. It is recurrent in nature as well.
- **Capital Receipt** - Receipts that result in a diminution of the government's assets or that give rise to liabilities are known as capital receipts. These revenues come from public borrowings, loans from financial institutions, earnings from disinvestment, and repayments of government-issued loans. The capital receipts are generally acquired to fund large expenses.
- **Capital Expenditure** – It describes government spending on long-term investments for assets creation. These expenditure on asset creation are anticipated to boost the economy in the future. It covers expenditures for building schools, hospitals, roads, bridges, machinery purchases, land acquisition, and other infrastructure-related projects.
- **Tax Revenue** - A tax is a legally required payment made by individuals and businesses to their respective government without expectation of receiving any specific benefits in return. It is a vital source of revenue for the government and goes towards paying for public projects including infrastructure, healthcare, education, and other services. At municipal level this generally include property tax, water tax, sewerage tax and fire tax etc.
- **Non-Tax Revenue** - The money obtained by the government from sources other than taxes is referred to as non-tax revenue. It is given to the government when someone chooses to use the services that the government charges for or when somebody break local laws. This money comes in from a variety of sources, including taxes, fines, penalties, returns from government investments, income from public sector businesses, etc.

2. Data Availability and Acquisition

The data numbers used in this paper are acquired from the official budget released by RMC on their municipal website. The budget available on the municipal corporation's website spans from the financial year FY 2014-2015 to FY2020-2021 except for the FY2019-20. These budget typically contains the Actual figures of the previous financial year, Budget Estimates (B.E.) and Revised Estimates (R.E.) of the current financial year and proposed budget estimates of the upcoming financial year. So, broadly, for RMC Actual budget figures are present for FY 2012-13 To FY 2016-17 and FY 2019-20. Actuals for FY2017-18, 2018-19 and 2020-21 are not available. For these years and FY2021-22 either B.E. or R.E. is used in analysis.

3. Budget Overview of RMC (Since 2012-13)

For any institution to function effectively, it is essential to achieve a decentralization of Funds, Functions and Functionaries. The 74th Constitutional Amendment Act laid down governance structures and a list of recommended functions for various States to be adopted in setting up Urban Local Bodies (ULBs). However, the purview of Municipal Financing is largely controlled by the States, thus shaping a non-uniform pattern across various states. The Jharkhand Municipal Act (2011) devolves the management of the Municipal Fund to the concerned municipality itself, and all money realized by the body is credited to their respective Municipal Fund. The State, however, may issue directions for managing the income to and expenditures from this fund, and also has the power to appoint any person considered suitable by them, to exercise and perform the powers and functions of the municipal authorities, including the management of the Municipal Fund. This raises questions regarding the extent to which the Ranchi Municipal Corporation can exercise its autonomy in managing the finances to fulfil the requirements of the capital city.

Nevertheless, to achieve any form of transparency in the governance of the Urban Local Body, it is essential to first provide an overview of the budgetary components of the body over the years, and the policy landscape that has come into play simultaneously. The figure below shows the total receipt and expenditure data of RMC from FY 2012-13 to FY 2021-22 along with year-wise fiscal surplus and deficit.

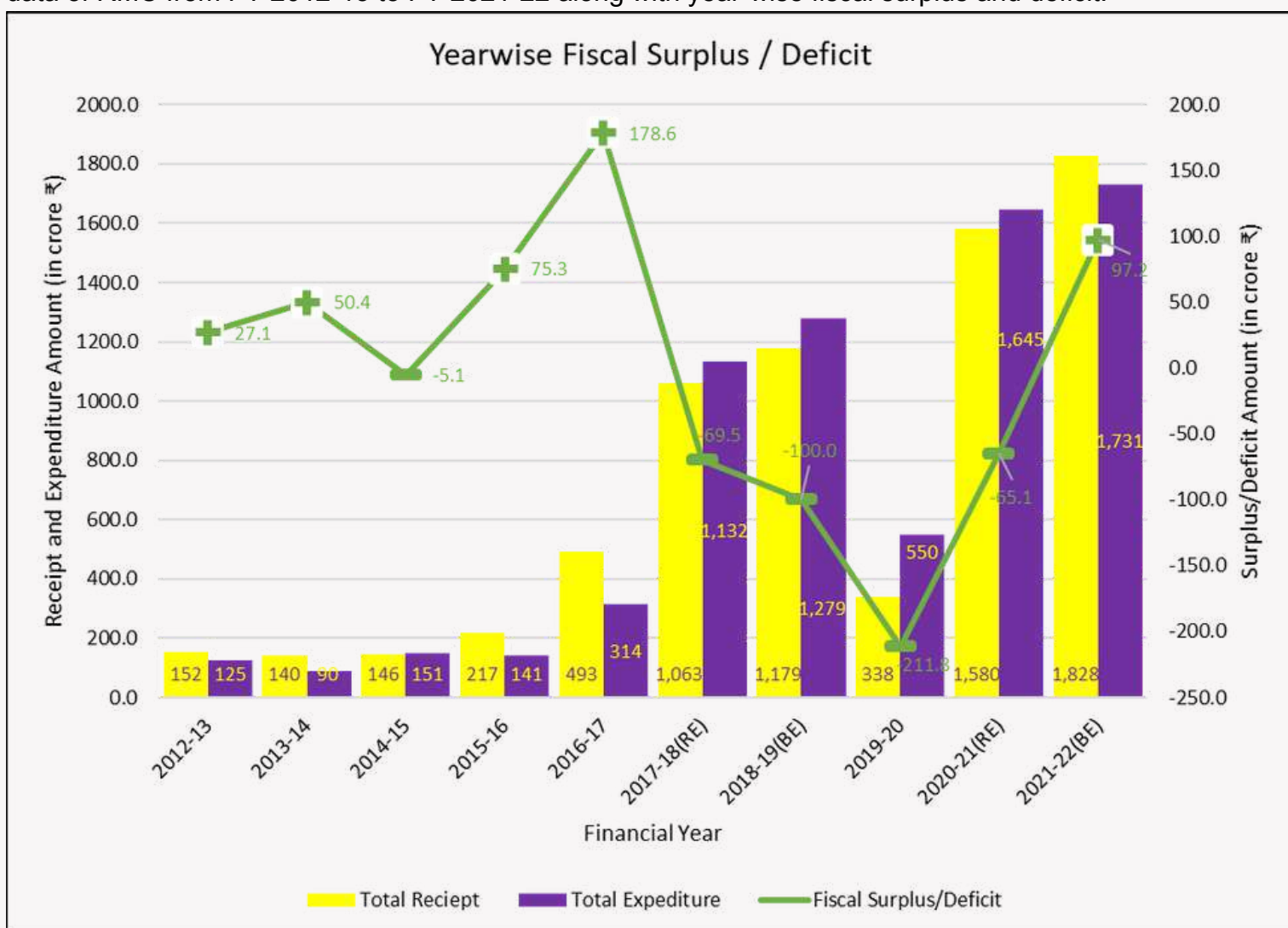


Fig.1 :- Year-wise Municipal Budget Receipt, Expenditure and Surplus/Deficit of RMC.

The actual of early financial years (upto 2016-17) show that the expenditures are mostly lower than total receipts except for FY2014-15 where expenditure is slightly higher which indicates that RMC is constantly trying to maintain the fiscal surplus and not planning expenditures well. Maintaining fiscal surplus is usually considered good but in an infrastructure deficit area like RMC if the level of fiscal surplus is above 15% (except 2014-15) then it is not ideal. This possibly shows that, the municipal corporation is either unwilling to take the infrastructure & service delivery projects or it is incapable of spending the generated receipts.

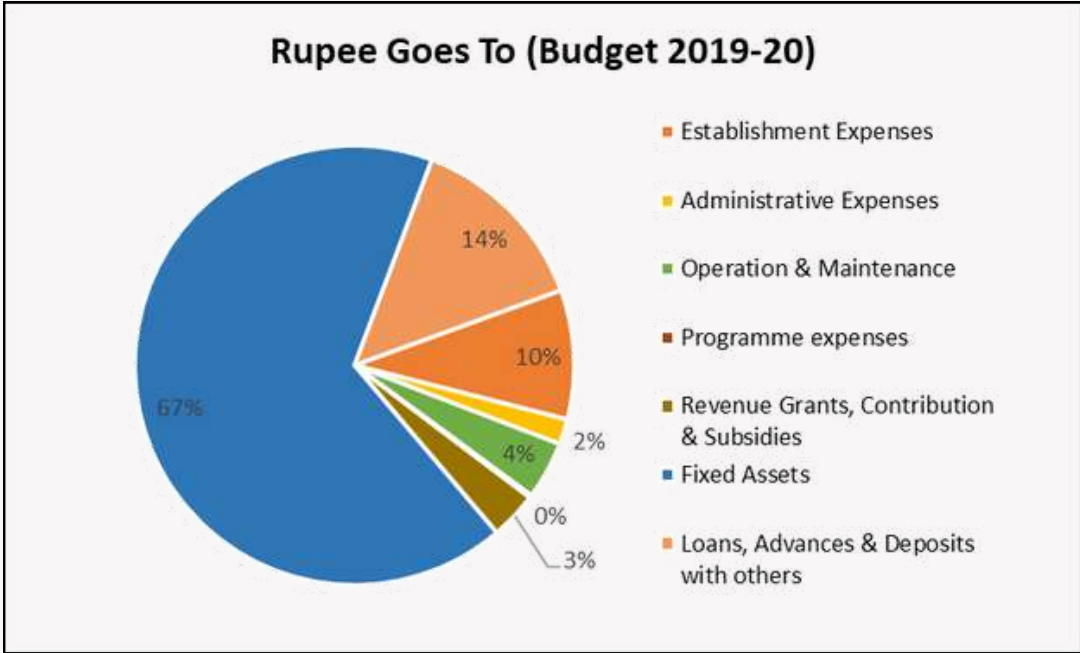


Fig.2 :- Sources of Rupee spending in RMC

In the year 2019-20 (the year has been taken due to the availability of actuals for the financial year), majority of the expenses are undertaken on the creation of Fixed Assets (67%), such as sewerage & drainage, public lighting, and buying office related equipments etc. which may suggest an incremental development of the city. The remaining major expenses included repayment of loans and advances (14%) and Establishment Expenses (Salaries, wages, benefits, allowances, pensions etc.) which accounts for nearly 10%.

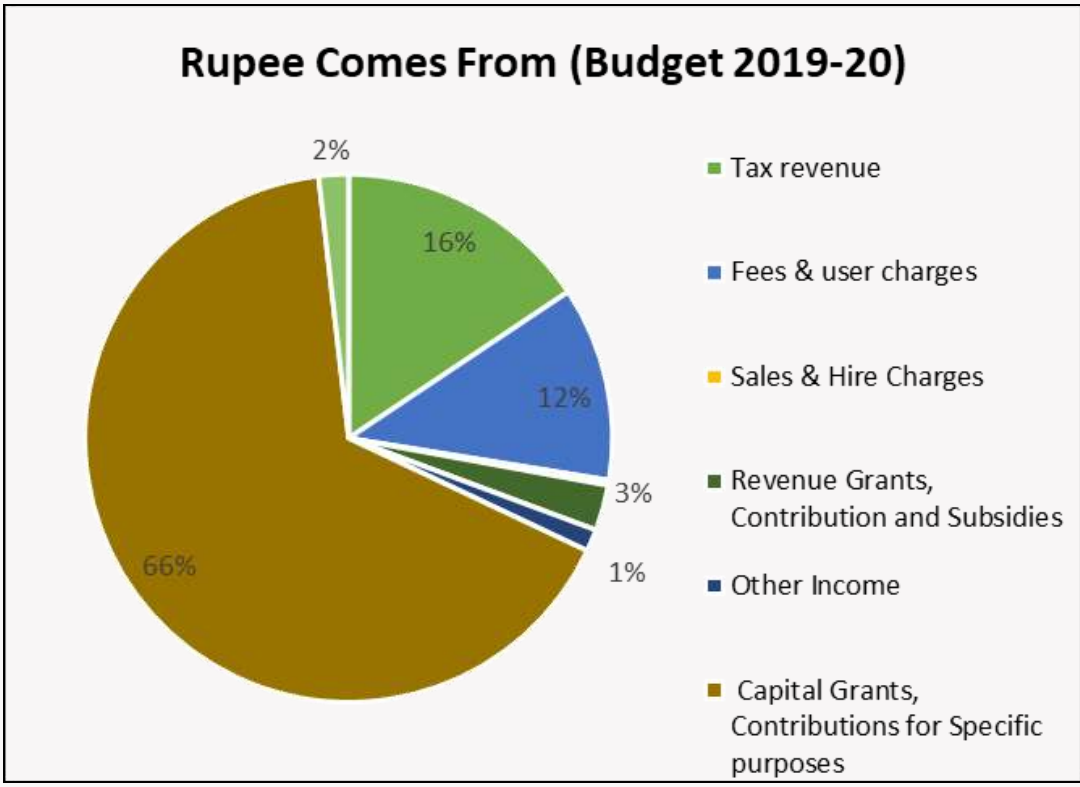


Fig.3 :- Sources of Rupee coming in RMC

The income for these spendings largely came from Capital Grants, Contributions for specific purposes (66%). A huge chunk of specific purpose grants are tied with creation of infrastructure related to water supply, drainage and sewerage. The grants are followed by Tax Revenue (16%) and Fees and User Charges (12%).

4. Receipt Profile of RMC

If we look at the receipt profile, most of the receipt amount comes from the capital receipt. The share of revenue receipt is very low. This indicates that the tax and non-tax collection which together form ULB's Own Source Revenue (OSR) is very low. OSR is world-wide considered as an indicator of fiscal autonomy of local government. Higher the OSR, lesser the local government dependent on higher level of government for their finance. Barring FY 2019-20, every FY has shown decline in percentage of revenue receipt. The years for which BE and RE are shown, the condition worsen further. The share of revenue receipt is fairly below 20%. This means RMC is preparing budgets which relies less on revenue receipt.

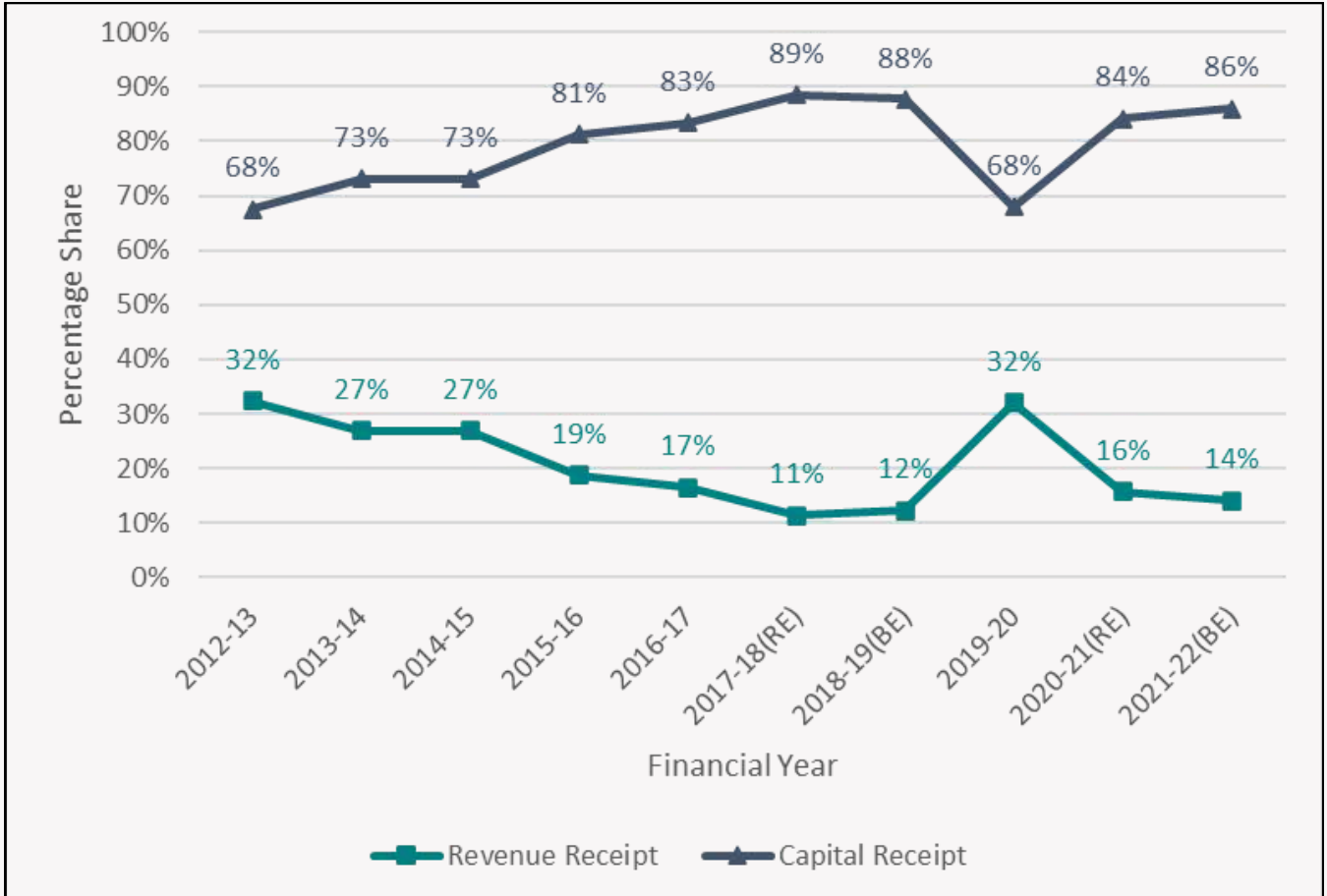


Fig.4 :- Share of Capital and Revenue Receipt in Total receipt

The capital receipts over the years continued to contribute more than 2/3rd in the municipal receipt. The major reason behind this is tied capital grants coming from higher level of governments.

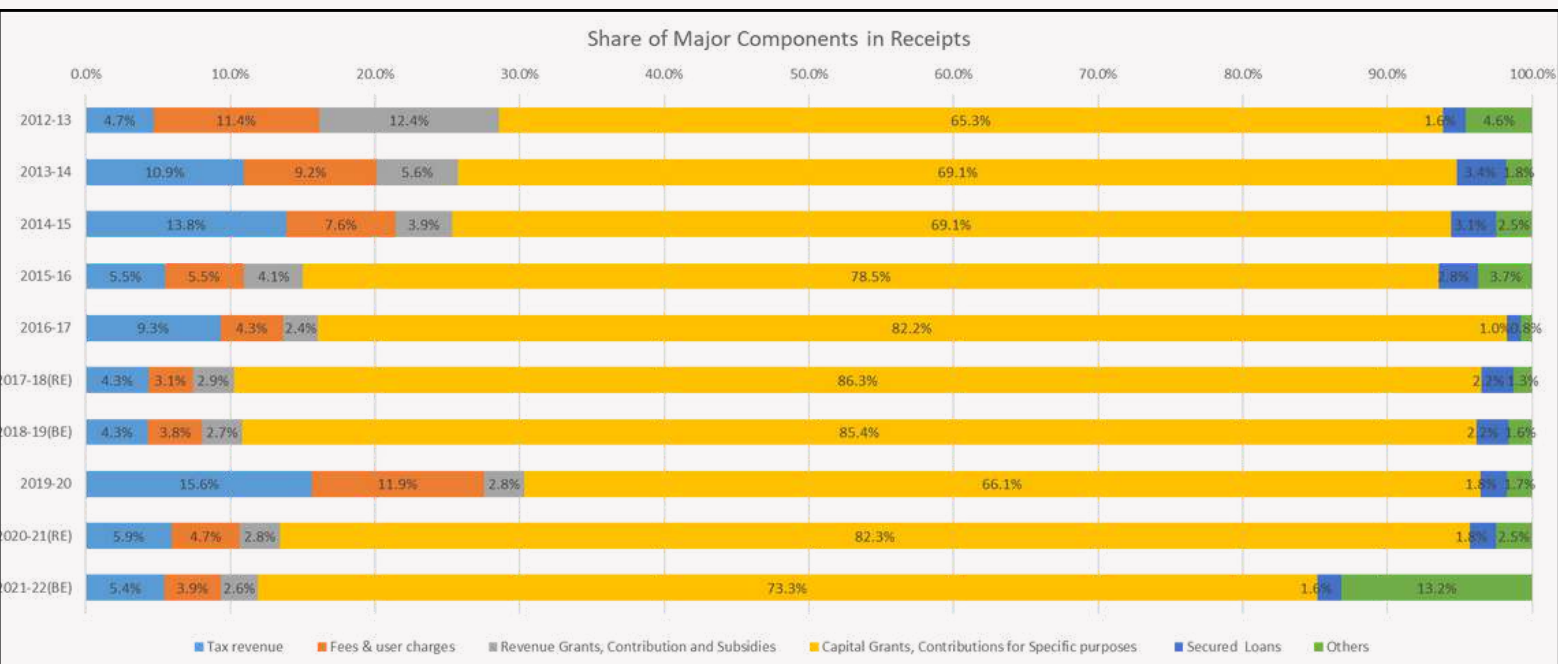


Fig.5 :- Share of Major Components of Total Receipts

Over the years the municipal corporation has been heavily dependent on Tied Capital Grants and Contributions from the State and the Centre, which goes against the spirit of fiscal autonomy of local governance bodies as is supported by a healthy democracy. There needs to be intervention which promotes fiscal independence in the municipal corporation, so that it is able to increase its Tax Revenues and further measures to accrue income on its own. In the above graph, we can see total share of Tax revenue is mostly below 10% which means the ULB doesn't have enough sources of tax collection. And the sources which are devolved also, are either not buoyant or the tax coverage is very poor. Although, if we notice the Actuals after FY 2015-16, the tax revenue share has increased significantly. It has risen from 5.5% in FY 2015-16 to 15.6% in FY 2019-20. This significant jump is because RMC decided to outsource property collection work to a private agency after 2014. The outsourcing improved the property coverage and collection efficiency resulting in improving share of tax revenue in total receipt and significant increase revenue receipt amount.

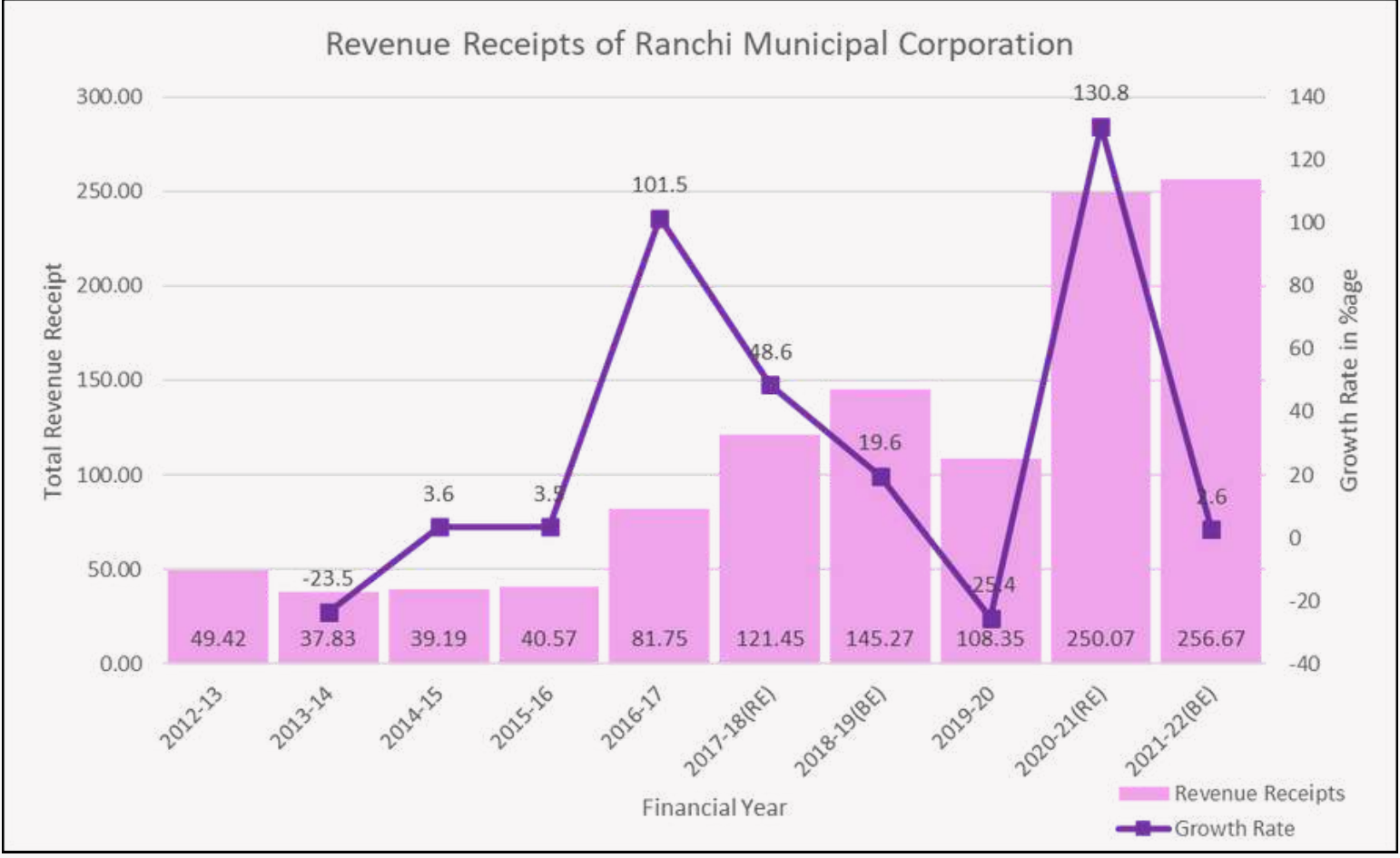


Fig.6 :- Share of Major Components of Total Receipts

The increase in property tax collection is not the sole reason of spike in revenue receipt. The other factor which is contributing to this growth is implementation of 14th Central Finance Commission (CFC) recommendation. The 14th CFC has recommended devolution of much higher share to states. The CFC also recommended to trickle down this amount to lower tier of governance. As a result, the amount of revenue grants increased ultimately increasing the nearly stagnant revenue receipt amount (FY 2013-14 to 2015-16).

5. Expenditure Profile Profile of RMC

The expenditure of RMC is increasing after FY 2015-16 if we compare actuals with actuals and Estimates with estimates. The per capita expenditure has also improved over time. If we look at actual figures, the per capita expenditure has risen from 1114.3 ₹ per person in 2012-13 to 4138.1₹ in FY 2019-20. If look at estimates, the per-capita expenditure has crossed more than 12000₹ in 2021-22.

	Total Expenditure Budget of RMC(₹ Crore)	Growth Rate	Population	Per Capita Expenditure (₹)
2012-13	125.4		11,25,488	1,114.3
2013-14	90.0	-28%	11,52,458	781.0
2014-15	150.6	67%	11,80,074	1,276.3
2015-16	141.3	-6%	12,08,351	1,169.7
2016-17	314.4	122%	12,37,307	2,540.9
2017-18(RE)	1,132.1	260%	12,66,956	8,935.7
2018-19(BE)	1,278.8	13%	12,97,316	9,857.1
2019-20	549.7	-57%	13,28,403	4,138.1
2020-21(RE)	1,645.3	199%	13,60,235	12,095.8
2021-22(BE)	1,731.0	5%	13,92,830	12,428.1

Fig.7 :- Expenditure Budget and Per capita Expenditure

The increasing per capita expenditure is not a problem because it is accompanied by increasing share of capital expenditure. The increasing amount of capital expenditure promises the future growth of city. As we can see until FY2015-16 the share of capital and revenue expenditure varies a lot. Earlier the revenue expenditure makes a large share of total expenditure. This means that huge amount of total spending contributes to carrying out daily works, paying salaries, interest and wages. The money can't be used for improving infrastructure or delivering services whereas the spending in capital expenditure will generate higher sources of revenue generation. The fig.8 below shows that since FY 2016-17 the capital expenditure accounts for more than 80% of total expenditure. In addition to that, fig.9 depicts that during these years the expenditure spending during these year mainly accounts for creation of fixed assets. During the same time , share of establishment expense remain almost constant whereas the operation & maintenance cost share remain below 5%. This lower value O&M indicates that either RMC owes less assets or it's most of assets of are new which currently require little maintenance.

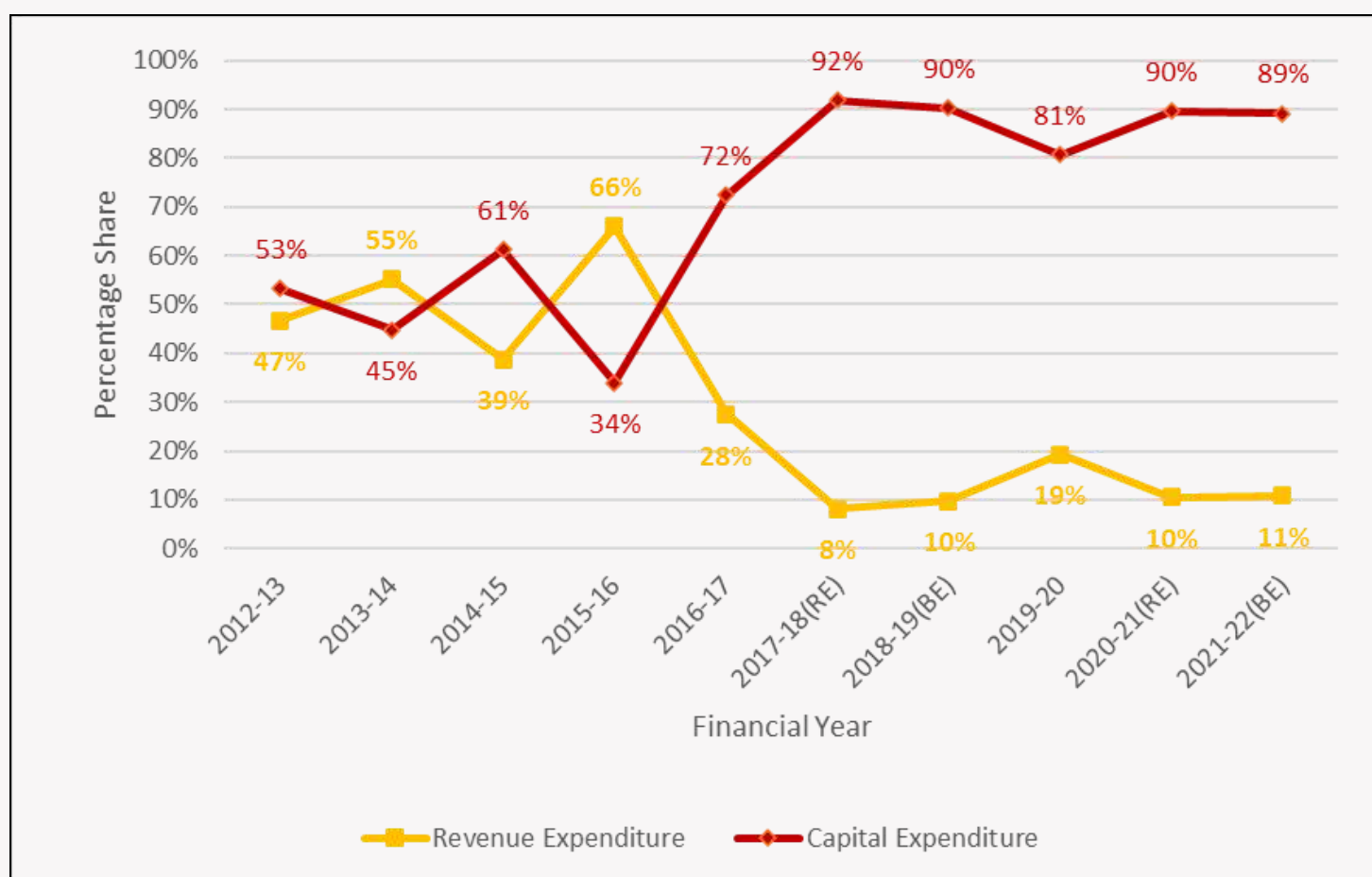


Fig.8 :- Share of Revenue and Capital Expenditure out of Total expenditure

Percentage share of major components in Total Expenditure

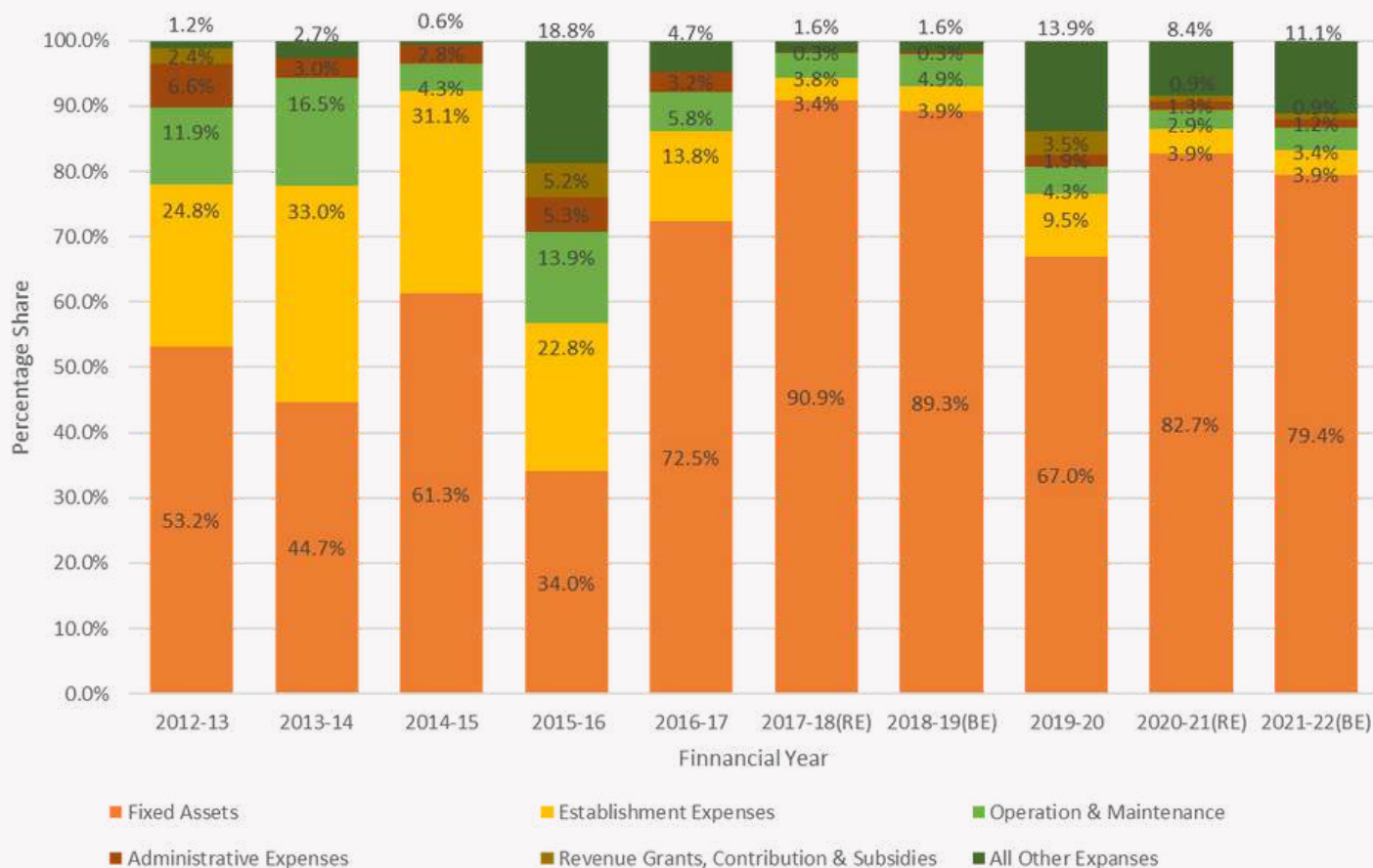


Fig.9 :- Share of Major Components of Total Expenditure

If we look at the revenue expenditure pattern there is huge variation in patterns. Every year the spending value fluctuates. The reason of this instability has many reasons, one major reason which can be easily figure out is inconsistency of revenue grants coming from higher tier of governance.

Revenue Expenditure of Ranchi Municipal Corporation

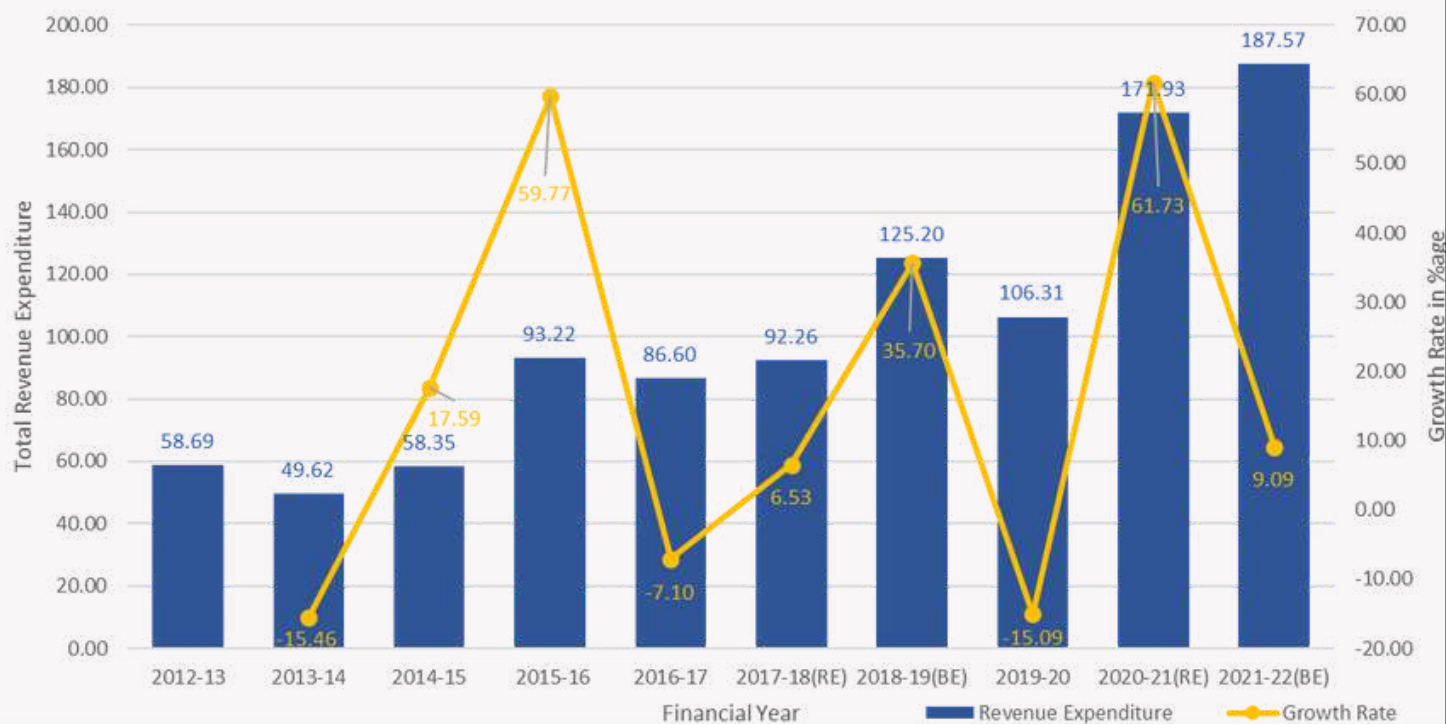


Fig.10 :- Revenue Expenditure of RMC

6. Budget Credibility

The effective mobilisation of resources by the authority is the foundation for the execution of all programmes and projects. In the budget, accurate and realistic resource prediction is crucial for achieving desired goals. of programs. The plans may be properly funded and easily executed if resource creation follows projected goals. Significant differences between actual collections and expenses in budget forecasts point to a low level of budget confidence. For analysing the fiscal marksmanship of RMC budget, the actuals of available years are compared with their budget estimates.



Fig.11 :- Budget credibility of Total receipts

From the fig.11, we can see that there is huge gap between Actual receipts and budget estimate. For every year the gap is at least over 65% of budget estimates. The above figure shows lack of fiscal marksmanship of RMC. Every year the RMC overestimates the budget and demand a very high amount in form of capital grants. The corporation keep on increasing the capital grant amount over the years without considering the actual amount received by the corporation in comparison to asked amount. This phenomenon widens the gap between Actuals and Estimates leading to poor credibility. This scenario is not limited to receipts only but also continues in Expenditure. The fig.12 shows the budget credibility gap in total expenditure. We can see that the gap between actuals and estimates is much higher in case of estimates and lies over 75% of budget predictions. The biggest gap lies in prediction of capital expenditure in fixed assets. The estimates predict much higher value but actual spending fails to meet even 10% of predicted amount. There are two aspects of lack of spending in desired/predicted fixed assets. First, the RMC is demanding very ambitious amount for asset creation which higher tier of government lacks in providing. But the second thing is RMC in most of years fails to fully utilize the amount they already have in their pocket.

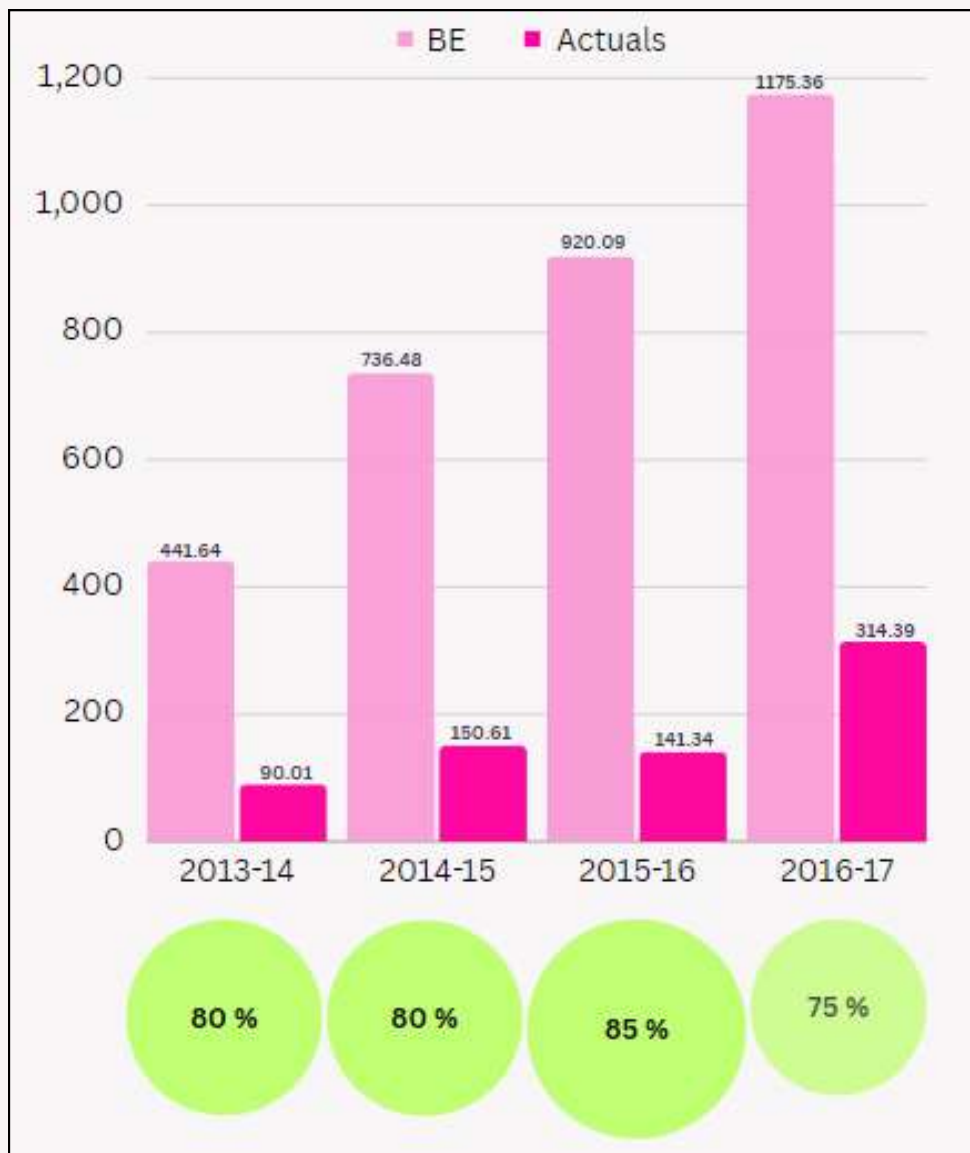


Fig.12 :- Budget credibility of Total Expenditure of RMC

The major reason which doesn't allow RMC to execute the spendings is lack of technical capability and unavailability of sufficient workforce at municipal level. These constraints also holds truth in case fiscal planning. The insufficiency of professional workforce restricts fiscal planning, efficient collection of revenue and release of timely funds for various project. The lack of budget credibility and inavailability of data for certain year in between, hugely questions the fiscal transparency of ULB. One more thing that needs special highlight is that R.E. are not predicted properly. There is very little difference in predicted B.E. and R.E. although the R.E. is estimated from actual spendings after 9 months. It has been observed that in many spendings the actual of current year has exceeded the predicted R.E. which shows the ignorance of authorities while providing revised estimates.

In the course of all above discussion, we refrain ourself in comparing actuals with estimates, the huge gap in budget credibility is the major reason behind that.

7. Key Findings

- There is lack of consistency in publishing the budget data by RMC. The budget document of few years are missing from the website of RMC.
- The major sources of income over the year are Specific purpose grants from higher tier government, tax revenue and fees & user charges.
- The major expenditure of RMC includes creation of fixed assets, repayment of loans & advances and Establishment Expenses (Salaries, wages, benefits, allowances, pensions etc.).
- The capital receipts contribute much higher than revenue receipts in total receipts because of capital grants.
- The property tax reforms and higher devolution by 14th CFC has increased the revenue receipt of RMC since FY2016-17.
- The share of capital expenditure has continuously increased in total expenditure after 2015-16, which is a positive practice and will probably lead to better social and economic outcomes in future.
- The budget credibility of RMC is very low as the gap between estimates and Actuals are enormous. The corporation lacks fiscal marksmanship and shows a trend of overestimating figures in both cases of receipts and expenditures.
- The fiscal practices of RMC need to be strengthened as many errors have been noticed while analysing the budget.

8. References

- Ahluwalia, I., Khare, A., Mangla, S., Mathur, O., Mohanty, P. K. & Roy, D. (2019). *State of Municipal Finances in India: A Study Prepared for the Fifteenth Finance Commission*. Indian Council for Research on International Economic Relations (ICRIER).
- Awasthi, R., Nagarajan, M., & Deininger, K. W. (2021). *Property taxation in India: Issues impacting revenue performance and suggestions for reform*. Land Use Policy, 110, 104539.
- Praja Foundation & National Institute of Urban Affairs. *Fiscal Empowerment of City Governments: Key Financial Indicators and Challenges*.(2022).
https://www.praja.org/praja_docs/praja_downloads/Governance%20Indicator_compressed.pdf
- Reserve Bank of India - Report on Municipal finances. (2023).
<https://m.rbi.org.in/scripts/AnnualPublications.aspx?head=Report%20on%20Municipal%20Finances>
- https://www.ranchimunicipal.com/Information_Downloads.aspx?wid=DOWNLOADS_Budget



**November
2023**

GREATER WARANGAL MUNICIPAL CORPORATION

A Factsheet on Budget Composition and Credibility

Written by:

Disha Arora - H2022CG012

Ipshika Ghosh - H2022CG026

Merin Sunny - H2022CG002

MA. Cities and Governance

Tata Institute of Social Science, Hyderabad

1. Profile of Greater Warangal Municipal Corporation

Warangal, designated as a heritage city by the Government of India, holds the distinction of being among the oldest Municipalities in Andhra Pradesh. The urban status of Warangal was established in 1901, and it attained the designation of a major Municipality in 1934. The inaugural elections under adult franchise took place in 1952, governed by the Hyderabad Municipal and Town Committees Act of 1951, resulting in the formation of a Municipal Committee.

Following the bifurcation of Andhra Pradesh into Telangana, Warangal became an integral part of the Telangana State Government. In adherence to the Telangana Municipal Corporations Act of 1994 (Act No. 25 of 1994), the sanctioned strength of Ward members in the Warangal Municipal Corporation stands at 53.

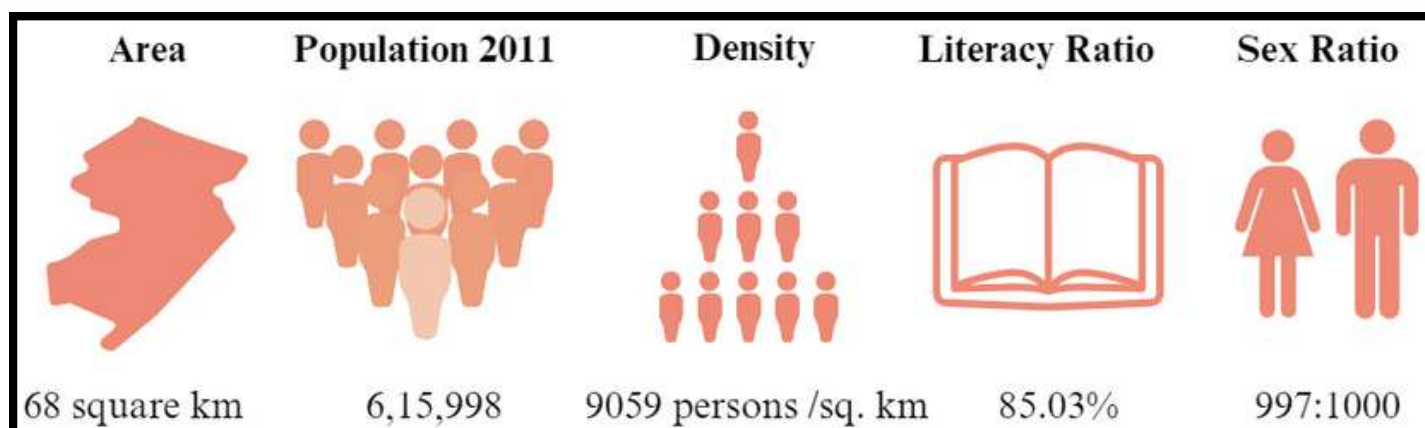
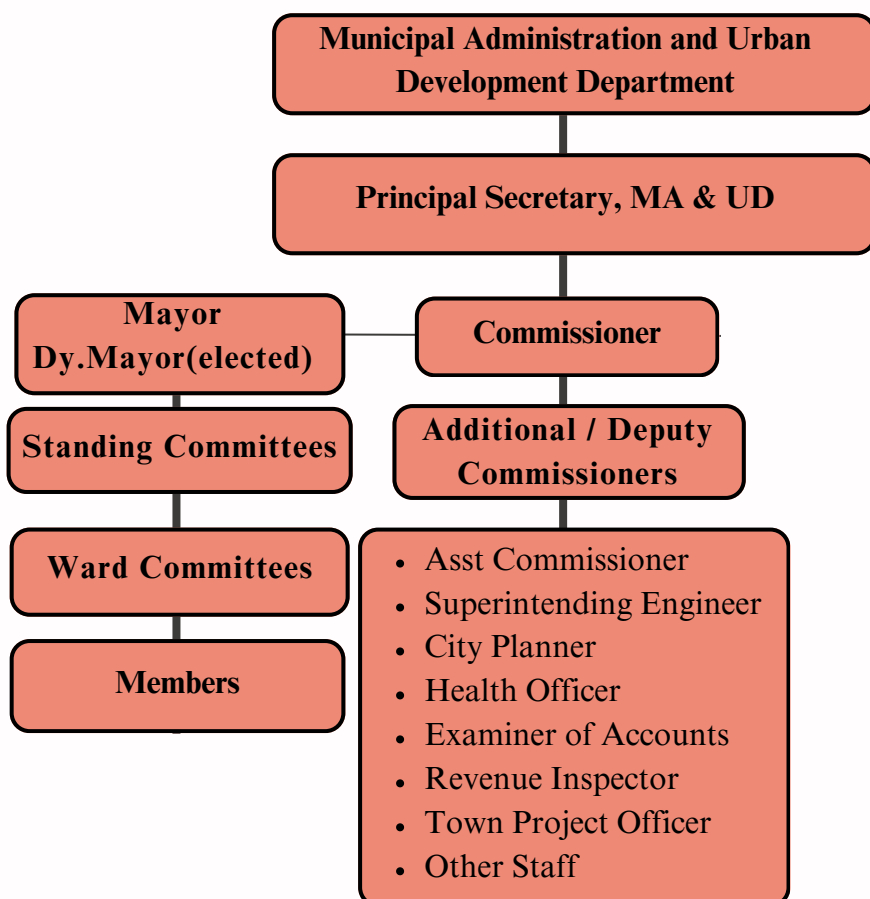


Figure 1: City Profile. Source: Compiled from Census, 2011.

2. Organisational Set-up of Greater Warangal Municipal Corporation

The oversight of the Greater Warangal Municipal Corporation (GWMC) falls within the administrative purview of the Commissioner and Director of Municipal Administration (CDMA). The elected representatives of GWMC are led by a Chairperson, who presides over and conducts meetings of both Standing Committees and the General Body. GWMC conducts its business as per relevant Acts. The Commissioner is responsible for the day-to-day administration of all ULBs. The Standing Committees, composed of the Chairpersons from respective Ward Committees, convene at intervals specified by the Act. Ward Committees, operating in both Municipalities and Corporations, are tasked with responsibilities such as ensuring sanitation, managing water supply and drainage, overseeing street lighting, maintaining roads, supervising marketplaces, playgrounds, and school buildings, reviewing revenue collections, and preparing annual budgets.

Figure 2: Organizational Hierarchy of the Greater Warangal Municipal Corporation



3. Broad Composition of Expenditure Budget in GWMC

Figure 3: Total Expenditure Trends for GWMC

	Total GWMC Budget (in lakhs)	Growth Rate (%) of Total Budget	Projected Population	Per Capita Expenditure (Rs)
2013-14 ACTUAL	14,917		6,27,951	2,376
2014-15 ACTUAL	10,544	-29%	6,34,014	1,663
2015-16 ACTUAL	10,257	-3%	6,40,136	1,602
2016-17 ACTUAL	11,884	16%	6,46,317	1,839
2017-18 ACTUAL	11,435	-4%	6,52,558	1,752
2018-19 ACTUAL	13,597	19%	6,58,858	2,064
2019-20 ACTUAL	13,221	-3%	6,65,220	1,987
2020-21 ACTUAL	20,215	53%	6,71,643	3,010
2021-22 RE	22,384	11%	6,78,128	3,301

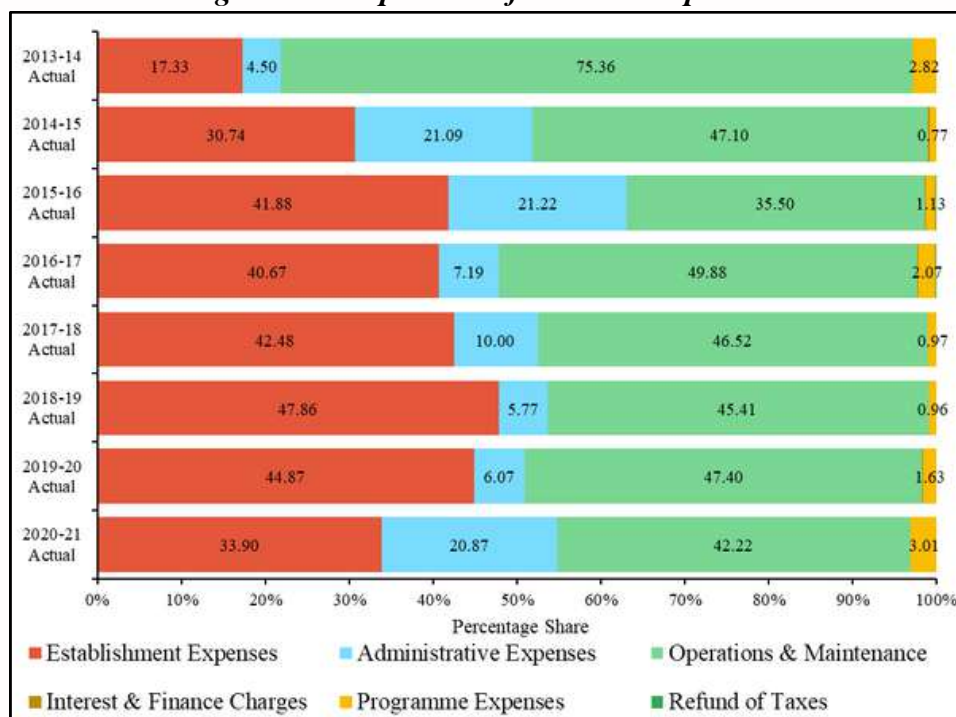
Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/>

*Note - Population Projection is estimated using CAGR method.

- The overall budget of the GWMC increased 32.4% from 14,917 lakhs in FY2013-14 to 22,384 in FY2021-22.
- The total GWMC budget has shown fluctuations in growth rates over the years. Notably, there was a significant increase of 53% in the 2014-15 fiscal year, followed by a subsequent decrease in the next fiscal year.
- Per capita expenditure has also seen a general upward trend, there is a 39% increase from 2,376 rupees in FY2013-14 to 3,301 rupees in FY2021-22.

Figure 4: Composition of Revenue Expenditure

- As shown in Figure 4, Operations and Maintenance works followed by establishment related expenses constitute the major revenue expense heads.
- The share of each expense head has largely remained consistent over the years.

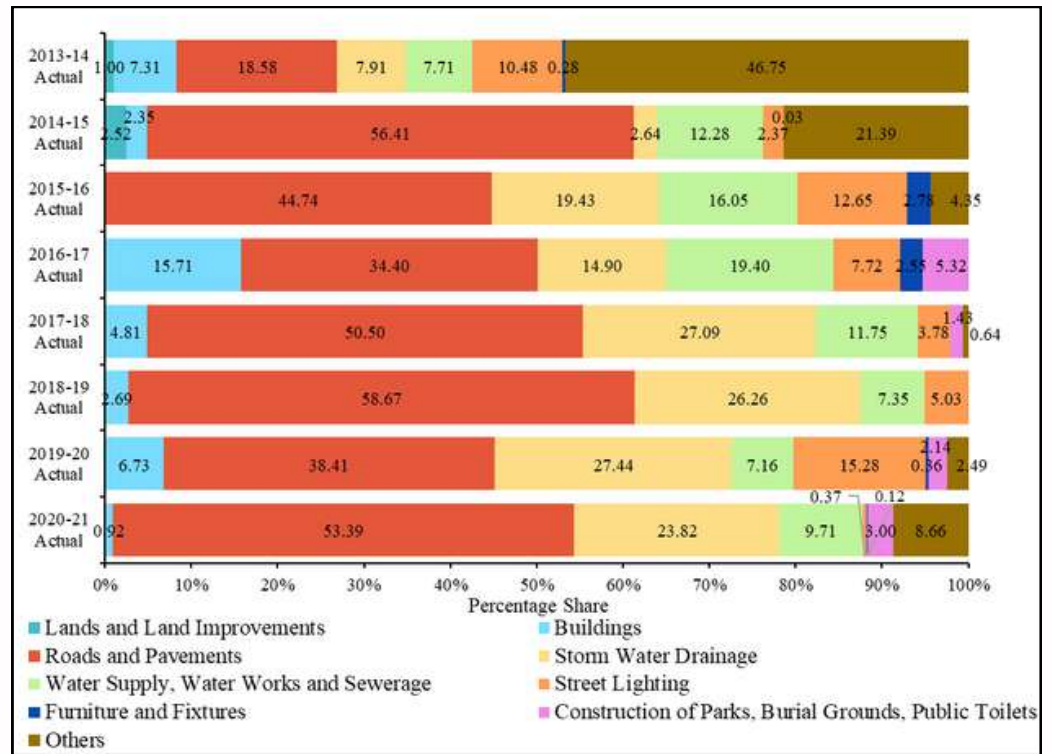


*Note - Figures for the FYs 2018-19 to 2020-21 have been taken from the audited financial statements of GWMC

Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/> and Income and Expenditure Statement available at cityfinance.in)

Figure 5: Composition of Capital Expenditure

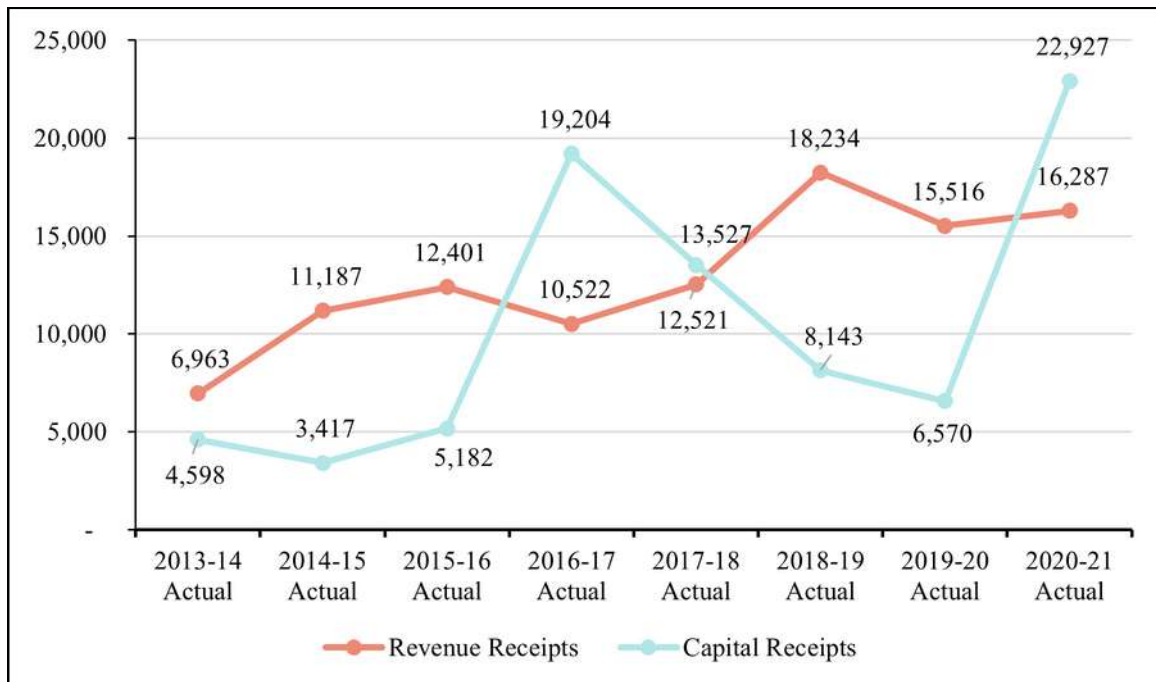
- Figure 5 depicts the corporations' expenditure on different capital works.
- Roads and Pavements comprise the major capital expenditure head.
- Storm Water Drainage which comprises both major and minor drains forms the second major capital expenditure head.
- The category of 'Others' includes, expenditures on vehicles, machinery and equipment, works of urban community development and other assets.



Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/>

4. Broad Composition of Receipts Budget in GWMC

Figure 6: Distribution (in lakhs) of Total Municipal Budget in Revenue and Capital Accounts

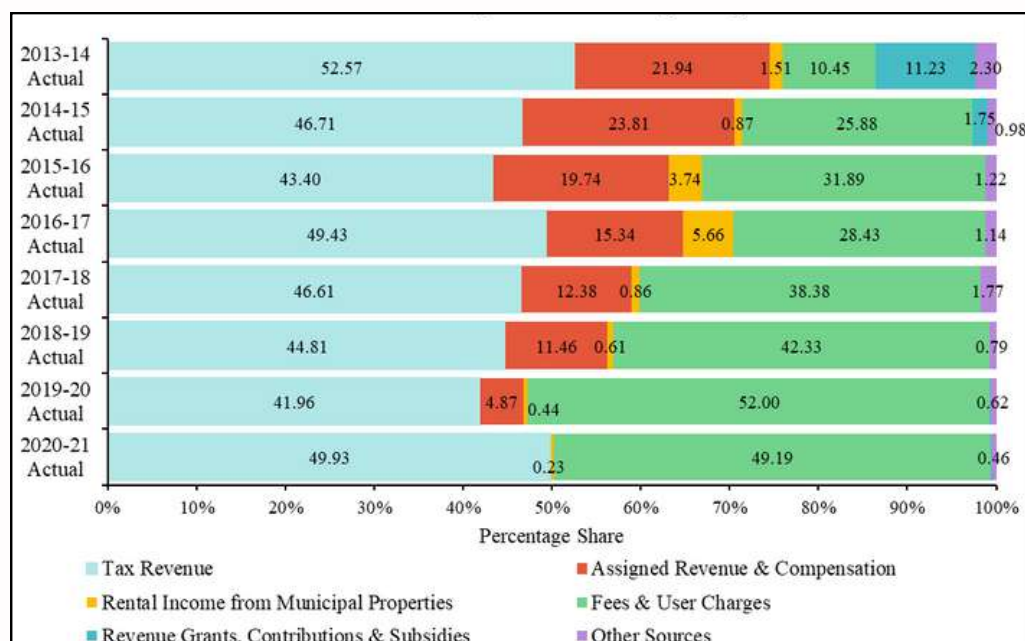


Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/>

- On an average, revenue receipts constitute around 59% of the total annual receipts, with the remaining revenue sourced from capital receipts.

Figure 7: Composition of Revenue Receipts

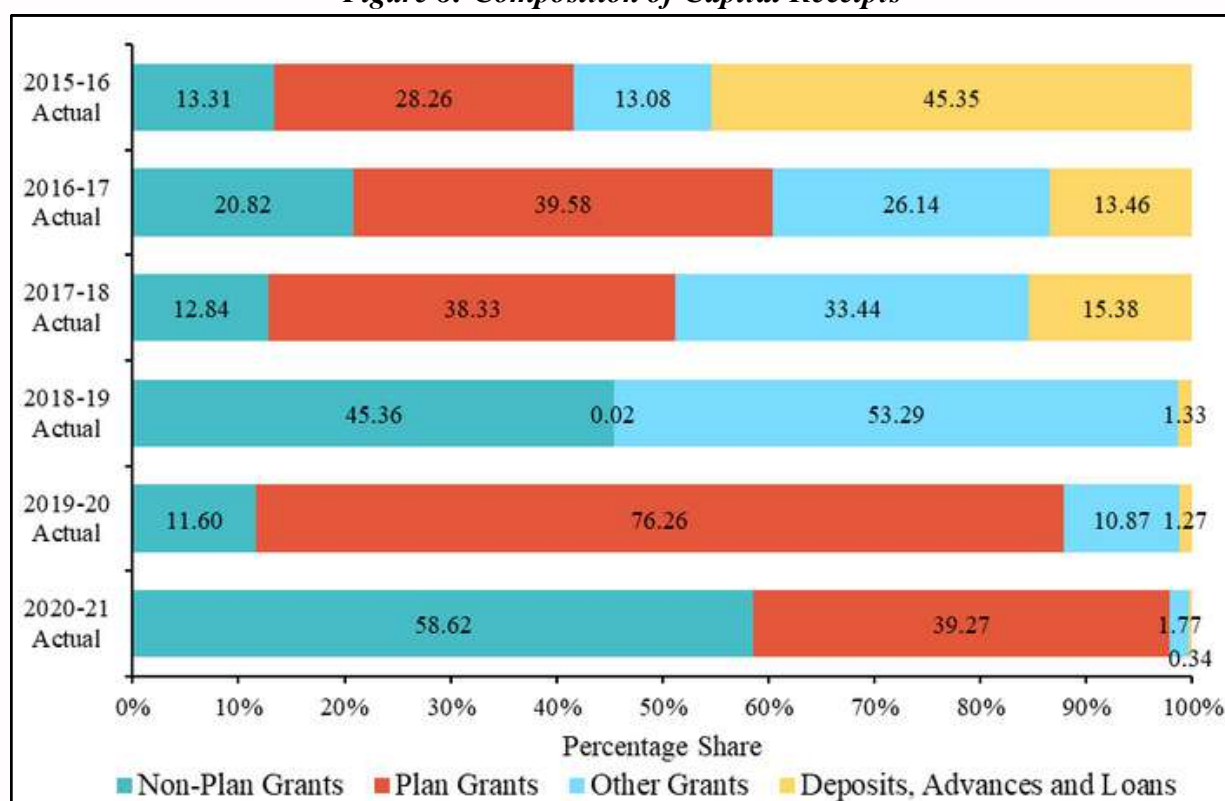
- Tax Revenue (specifically property tax) emerge as the most significant revenue receipts of GWMC, showcasing a meagre decrease over the years.
- The second major component, Fees and User charges, witness a significant increase over the years.
- Additionally, a decrease is seen in grants and allocations, indicating the corporation's decrease in dependence on intergovernmental transfers.



*Note - Figures for the FYs 2018-19 to 2020-21 have been taken from the audited financial statements of GWMC

Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/> and Income and Expenditure Statement available at cityfinance.in)

Figure 8: Composition of Capital Receipts



*Note - Break-up of Capital Receipts for FYs 2013-14 and 2014-15 are not provided.

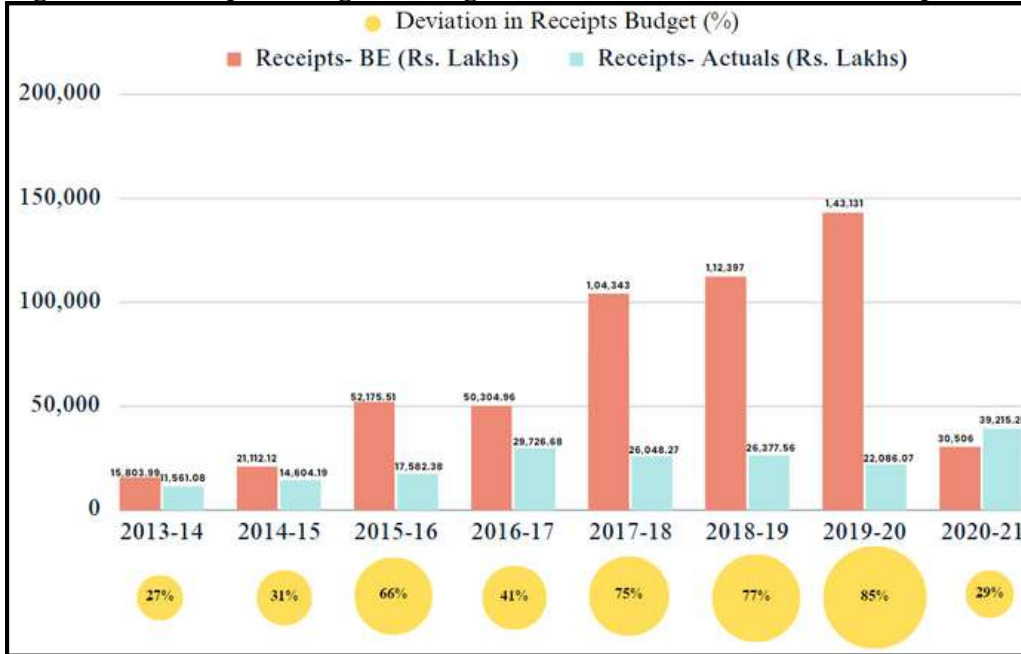
Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/>

- Capital Receipts show inconsistencies over years.
- Except the FY 2015-16, the major capital receipt have varied between non-plan and plan grants.
- Loans showcase a significant decrease over time.

5. Credibility in the GWMC Budgeting over the Years: Projected Vs. Actuals

Based on the budget documents, there seems to be a consistent and significant deviations between budgeted and actual receipts and expenditures of the Greater Warangal Municipal Corporation over the years.

Figure 9: Receipts Budget- Budget Estimates Vs. Actual Receipts.



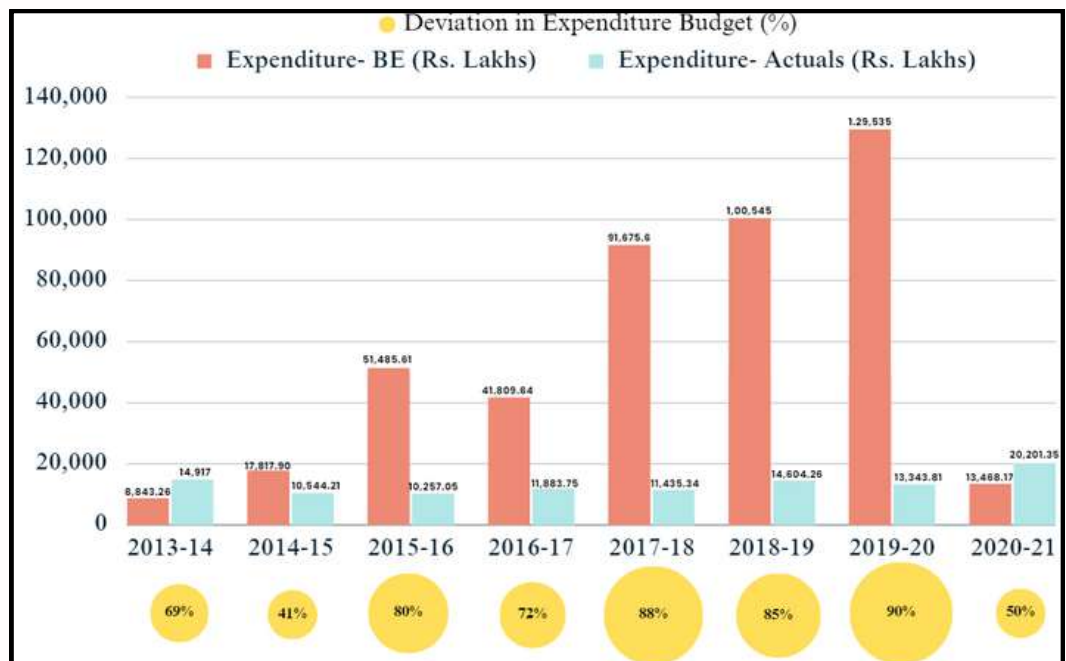
Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/>

- Figure 9 depicts that the Actual revenues were significantly below budget estimates every year from 2013-14 to 2019-20. The deviation ranged from 27% to as high as 85% during this period, indicating the budget estimates were highly inflated and unreliable.
- In 2020-21, there is a sudden reversal where actual revenues exceeded budget estimates by 29%. This indicates budgets may have become more realistic that year.

- Over the 7 years, actual average receipts were only 35% of average budget estimates. This indicates poor budget credibility and execution.

Figure 10: Expenditure Budget- Budget Estimates Vs. Actual Expenditure

- Figure 10 shows that for 3 out of 8 years (2013-14, 2014-15, 2020-21), actuals exceeded budget estimates. Whereas for the other 5 years, there were shortfalls ranging from 41% to 90%.
- On an overall basis during this period, the average actual receipts were 43% of the average budget estimates. While better than the earlier 35% number, it still indicates issues in budget credibility.



Source: Budget Documents of GWMC (various years), available at <https://gwmc.gov.in/>

- The wide fluctuations make revenues unpredictable for planning purposes. For e.g. in 2013-14, actuals were 69% higher than budgeted. But just next year in 2014-15, actuals fell short by 41%.

While budget credibility seems to have slightly improved compared to previous years, there is still a lot of volatility and unpredictability in the corporation's budgets. Actuals falling short of estimates is more common indicating systemic issues in revenue forecasting. The corporation needs to still work towards improving budget reliability through accurate projections and better financial management.

5. Best Practices in the Budgeting of the GWMC

In response to the recommendations of the Eleventh Finance Commission, the Telangana State Government delegated the responsibility for offering Technical Guidance and Supervision (TGS) related to the accounts and audit of Local Bodies under Section 20(1) of the CAG's (DPC) Act in August 2004.

The Greater Warangal Municipal Corporation conducts both internal and external audits on an annual basis. Additionally, Warangal has been recognized for its commendable financial disclosure practices, evident in the publication of budget documents on the Corporation website for the fiscal years 2019-22. However, starting from the fiscal year 2018-19, the Corporation has introduced modifications to its budget format, posing challenges for laypeople to comprehend.

6. Key Findings

1. Total budget and per capita expenditure of GWMC has increased over the years from 2013-14 to 2021-22.
2. Major revenue expenditure heads are operations & maintenance and establishment expenses. Major capital expenditure is towards roads and pavements.
3. There are significant deviations between budget estimates and actuals for both receipts and expenditures over the years, indicating poor budget credibility.
4. Internal and external audits are conducted annually. However changes in budget formats since 2018-19 make budget comparison over the years difficult.
5. Reforms needed in revenue forecasting, budgeting practices, financial management and administration to improve predictability, accountability and execution of budgets.

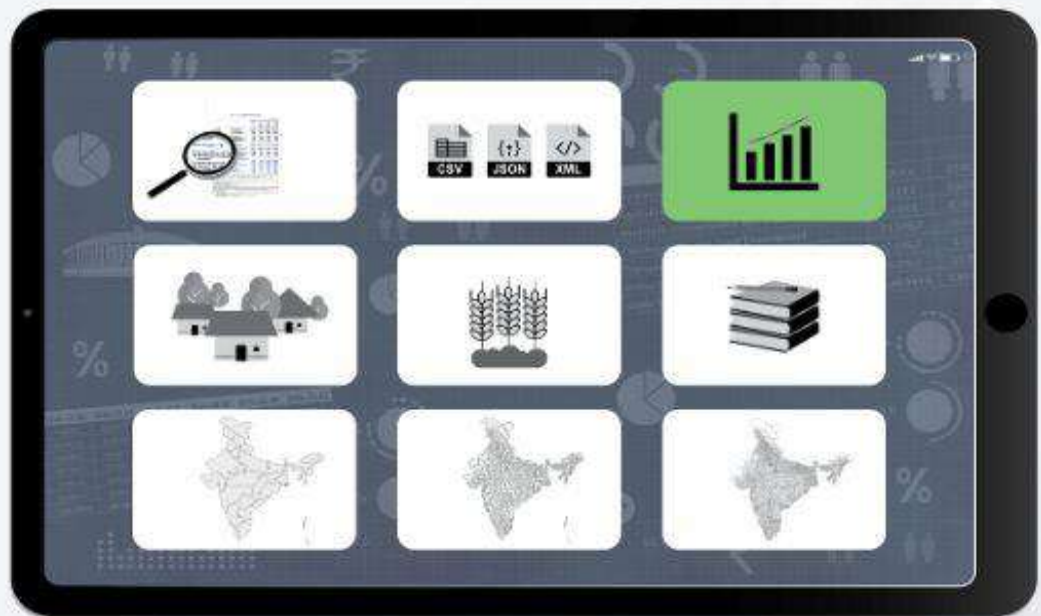
References

- <https://gwmc.gov.in/>
- <https://gwmc.gov.in/budget.aspx>
- <https://openbudgetsindia.org/organization/greater-warangal-municipal-corporation-budget>
- <https://cityfinance.in/home>
- Report on Municipal Finances, RBI, 2022

Budget Report

Greater Jaipur Municipal Corporation

November 2023



Ayush Raj (H2022CG018)

Taranum Muzaffar (H2022CG020)

Swetha Koyon (H2022CG021)



BUDGET REPORT OF JAIPUR GREATER MUNICIPAL CORPORATION(GJMC)

The fiscal dynamics of municipal entities serve as a barometer for assessing community development, resource allocation, and financial strategies. This report presents an in-depth analysis derived from a comprehensive study of the budgetary trends of the Greater Jaipur Municipal Corporation over a decade-long period, spanning from 2010-11 to 2021-22. The insights and observations delineated within this report are a culmination of rigorous scrutiny and interpretation of budgetary data acquired directly from the official website of the Greater Jaipur Municipal Corporation. These analyses aim to shed light on the evolving financial landscape, expenditure patterns, revenue sources, and strategic allocations within the municipality. However, it is essential to acknowledge certain limitations that may influence the depth and comprehensiveness of this analysis. Omissions of budgetary information presented in languages other than English, incomprehensible datasets, and any unavailable data may present gaps within the overall assessment of the municipality's financial trajectory.

PROFILE OF JAIPUR GREATER MUNICIPAL CORPORATION (GJMC)

Figure 1: Important indicators of GJMC

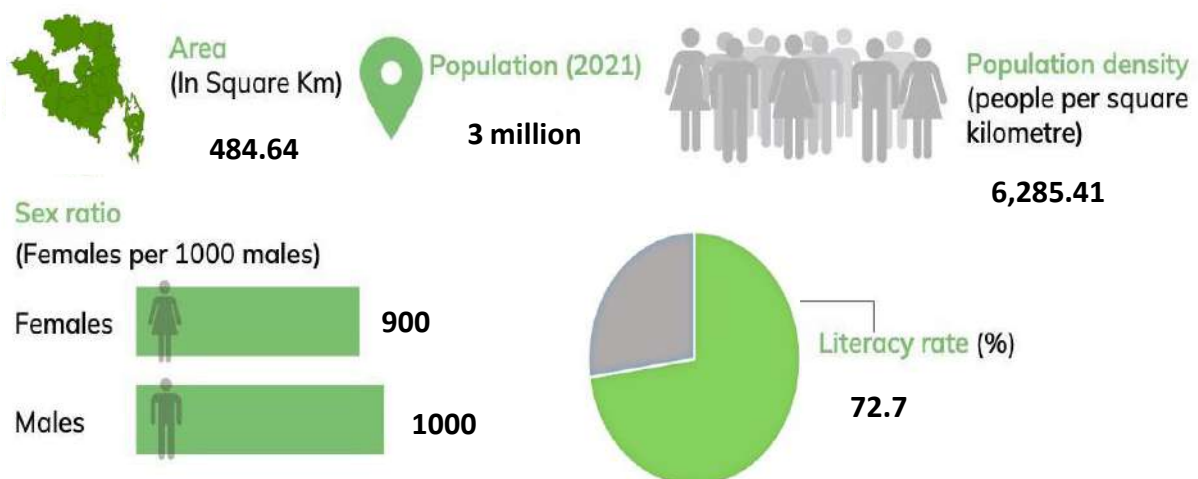


Figure: 1

Source; Census 2011

Jaipur, the vibrant epicenter of Rajasthan in north-western India, spans an expanse of 484.64 square kilometers and accommodates a dynamic populace of 3 million residents as of 2021. Renowned for its opulent heritage and historical significance, the city thrives with a population density of 6,285.41 people per square kilometer. While displaying a slight inclination toward males, with a sex ratio of 900 females for every 1000 males, Jaipur embraces a diverse and eclectic community, boasting a commendable literacy rate of 72.7%.

TOTAL EXPENDITURE TRENDS FOR JAIPUR GREATER MUNICIPAL CORPORATION SINCE 2010-11

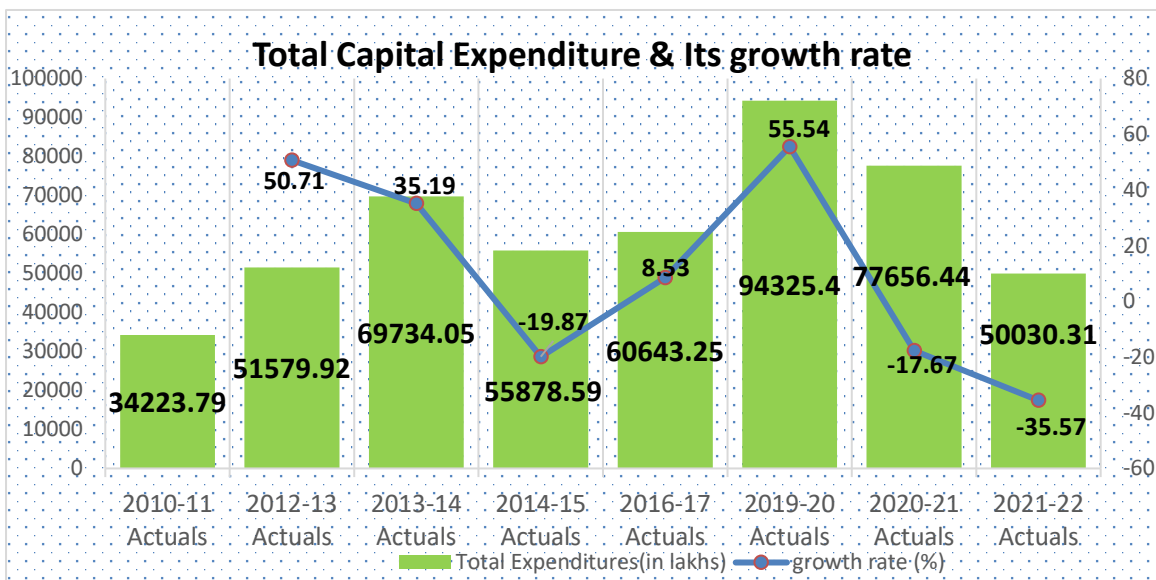


Figure: 1 Source: GJMC Budget

The graph illustrates the trajectory of both the total capital expenditure and growth rate of Jaipur Greater Municipal Corporation spanning the years 2011 to 2022. Initially, the capital expenditure exhibited a consistent upward trend during the initial three years. However, a notable deviation occurred in 2014-15, witnessing a decline of 19.87%. Subsequently, the expenditure experienced an upward surge for the following two years, reaching a remarkable growth rate of 55.54% in 2019-20 compared to the previous year. However, this elevated growth rate was short-lived, as the subsequent fiscal year, 2020-21, witnessed a downturn with a decline of 17.67%. The trend continued in 2021-22, with a substantial decrease of 35.57%.

It is imperative to highlight the volatile nature of the growth rate in recent years, with a sharp decline noted in 2020-21 attributed to the adverse impact of the COVID-19 pandemic. Although

there was a partial recovery in 2021-22, the growth rate remains below the levels observed before the onset of the pandemic.

TOTAL RECEIPTS TREND FOR JAIPUR GREATER MUNICIPAL CORPORATION SINCE 2010-11

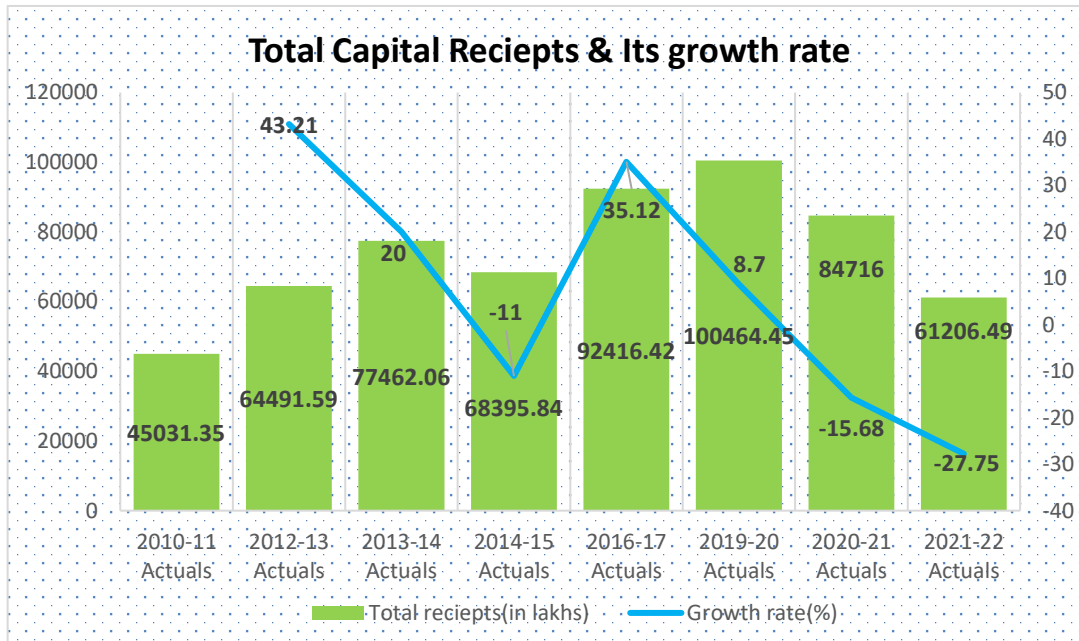


Figure:2 Source: GJMC Budget

The graph depicting the total capital receipts of Jaipur Municipal Corporation explains a pattern over the past decade. Initially, there was a consistent growth trend in the first three years, but a significant setback occurred in 2014-15, marked by an 11% decline. Subsequently, the following two years exhibited growth; however, this upward trajectory was short-lived. The fiscal years 2020-21 and 2021-22 experienced downturns of 15.68% and 27.75%, respectively.

Despite the declines in the growth rate from the previous year, there is an overall upward trend in revenue receipts over the last decade. Notably, the growth rate of capital receipts has been volatile in recent years, particularly witnessing a sharp decline in 2020-21 attributed to the COVID-19 pandemic. While there was a recovery in 2021-22, it remains below the pre-pandemic levels, indicating ongoing challenges in the revenue landscape.

TRENDS OF RECEIPTS AND EXPENDITURE OF JAIPUR GREATER MUNICIPAL CORPORATION

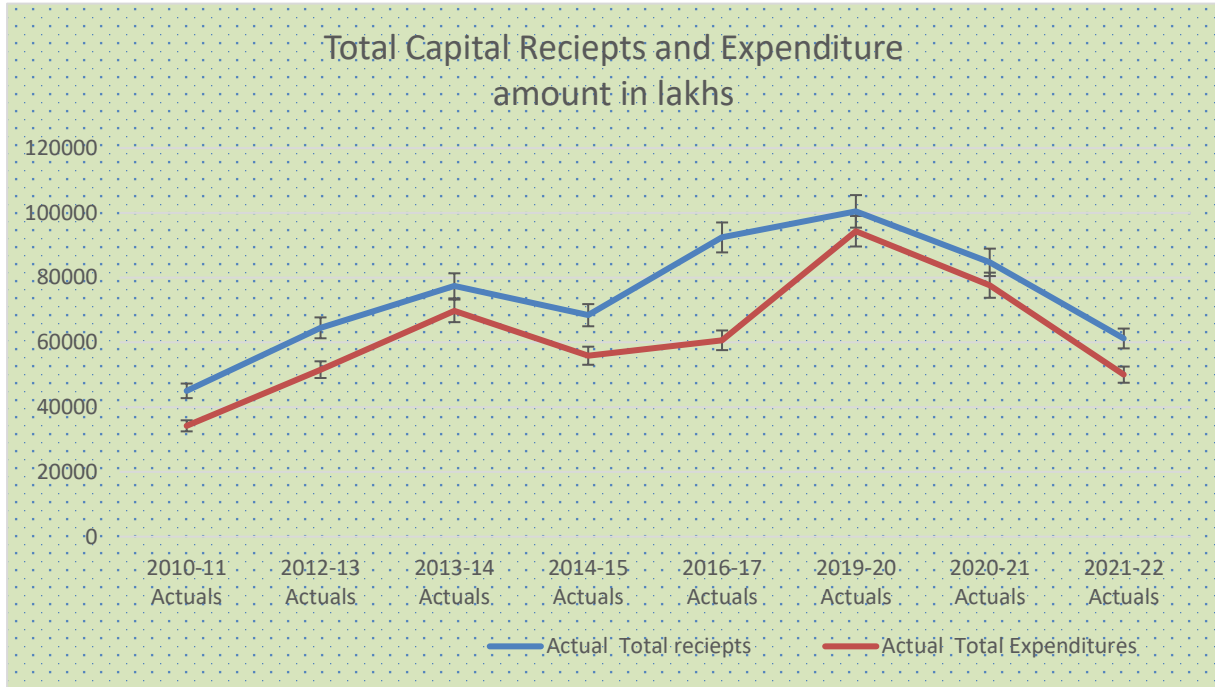


Figure: 3 Source: GJMC Budget

The graph shows that total capital receipts and expenditure of Jaipur Municipal Corporation have both been increasing steadily over the year. This means that the Municipality has been able to raise more money through capital receipts and increase the spending on capital expenditure as well.

However, it is important to note that the gap between capital receipts and capital expenditure has widened from 2014 and continue till 2020. This raise a cause for concern, as it means that the municipality is not investing as much as it could in capital assets, such as infrastructure and public services.

Revenue Budget of GJMC (In %)

Heads (2020-21)	% Share
Revenue Receipts	
Tax Revenue	9.20
Assigned Revenue & Compensation	45.90
Rental Income from Municipal Properties	0.31
Fees & User Charges	10.39
Sale & Hire Charges	0.86
Revenue Grants, Contribution and Subsidies	1.05
Income from Investments	1.59
Capital Receipts	
Grants, Contribution for Specific Purposes	29.50
Secured Loans	0.00
Deposits Received	1.20
Other Liabilities	0.45
Total (Revenue & Capital Receipts)	100

Figure: 4 Source; GJMC Budget

This breakdown provides insights into the revenue sources and financial priorities of the Greater Jaipur Municipal Corporation during the specified period.

Observations

- **Dependence on Assigned Revenue & Compensation:** A substantial portion (nearly 50%) of the revenue comes from assigned sources or compensations. This indicates a significant reliance on external funds or support from other entities or governmental bodies.
- **Limited Contribution from Tax Revenue:** Tax revenue constitutes a relatively small part of the total revenue (9.20%), suggesting potential room for improvement in tax collection or diversification of tax sources.
- **Emphasis on Specific-Purpose Grants:** A considerable proportion of capital receipts are allocated for specific purposes, indicating a focus on designated projects or areas of development.
- **Low Contribution from Capital Sources:** Secured loans and other capital sources contribute

minimally, indicating a conservative approach to borrowing or capital accumulation.

Expenditure Budget of GJMC (In %)

Heads (2020-21)	% Share
Revenue Expenditure	
Establishment Expenses	52.84
Administrative Expenses	1.86
Operations & Maintenance	18.38
Interest & Finance Charges	0.03
Programme Expenses	0.00
Revenue Grants, Contributions & Subsidies	0.00
Miscellaneous Expenses	7.34
Capital Expenditure	
Fixed Assets	18.85
Loans, Advances & Deposits	0.69
Total (Revenue & Capital Expenditure)	100

Figure:5 Source; GJMC Budget

This breakdown sheds light on the allocation of funds by the Greater Jaipur Municipal Corporation, indicating a strong focus on establishment costs, infrastructure development, and day-to-day operational expenses during the specified period.

Observations

- **Emphasis on Establishment Expenses:** More than 50% of the expenditure is directed towards establishment-related costs, indicating a significant investment in maintaining the organization's structure and paying its employees.
- **Limited Allocation for Programme Expenses:** No specific allocation for program-related expenses suggests a lack of dedicated funding for particular projects or initiatives during this period.
- **Operations & Maintenance (18.38%):** O&M has the second highest expenditure share, indicating the expenses incurred in day-to-day operations and upkeep of infrastructure, facilities, and services provided.

- **Significant Focus on Fixed Assets:** Under capital expenditure, a substantial portion of the budget is allocated towards acquiring or improving fixed assets, emphasizing infrastructural development or asset enhancement.
- **Low Expenditure on Interest & Finance Charges:** The negligible allocation here suggests prudent financial management with low borrowing or financial charges.
- **Absence of Expenditure under Grants & Contributions:** The absence of spending under revenue grants, contributions, or subsidies might indicate no specific funding or financial support received or utilized during this period.
- **Diverse Range of Miscellaneous Expenses:** A notable portion is attributed to miscellaneous expenses, possibly covering various operational or unforeseen costs.

CREDIBILITY IN GJMC BUDGETING OVER THE YEARS: PROJECTED VERSUS ACTUALS

Receipts Budget - Budget Estimates Vs. Actual Receipts

■ Receipts - BE (Rs crore)
 ■ Receipts - Actuals (Rs crore)
 ● Deviation in Receipts Budget (%)

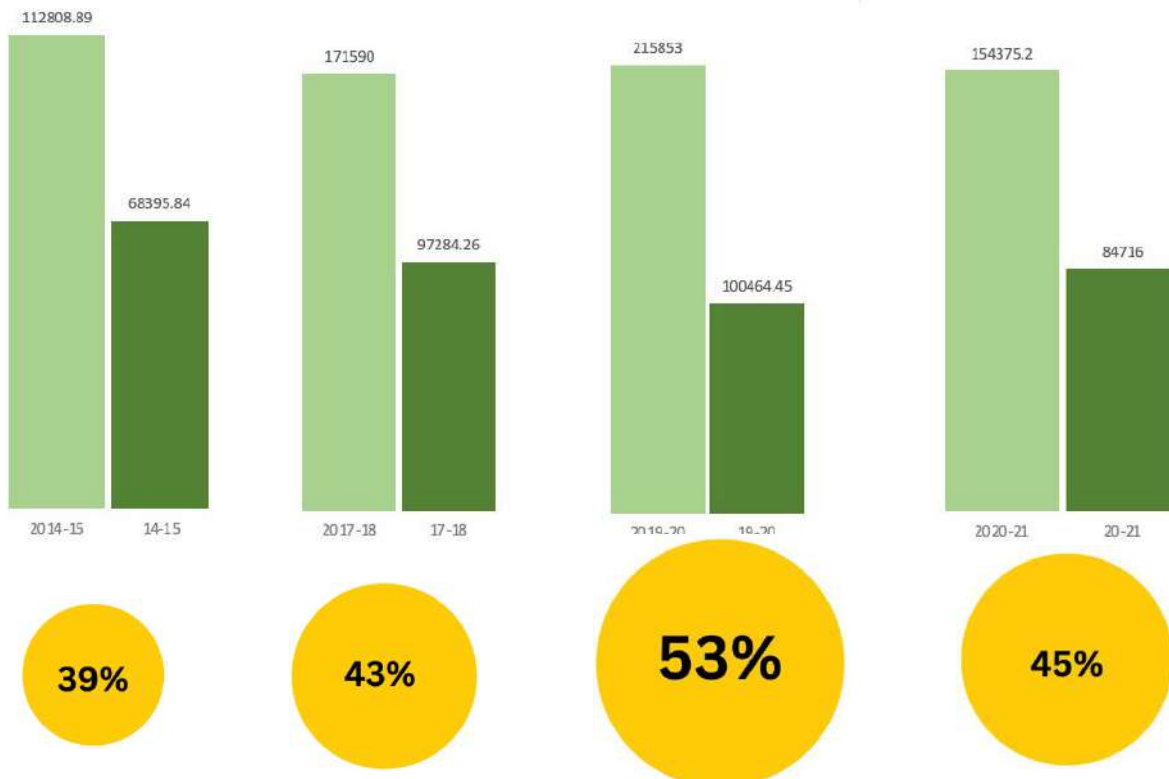


Figure:6 Source; GJMC Budget

Observations

- The estimated budget growth rate has been consistently higher than the actual growth rate.
- The highest estimated growth rate was 53.46% in 2020-21, but the actual growth rate was only 45%.
- The lowest estimated growth rate was 39.37% in 2014-15, and the actual growth rate was also 39%.

Expenditure Budget - Budget Estimates Vs. Actual Expenditure

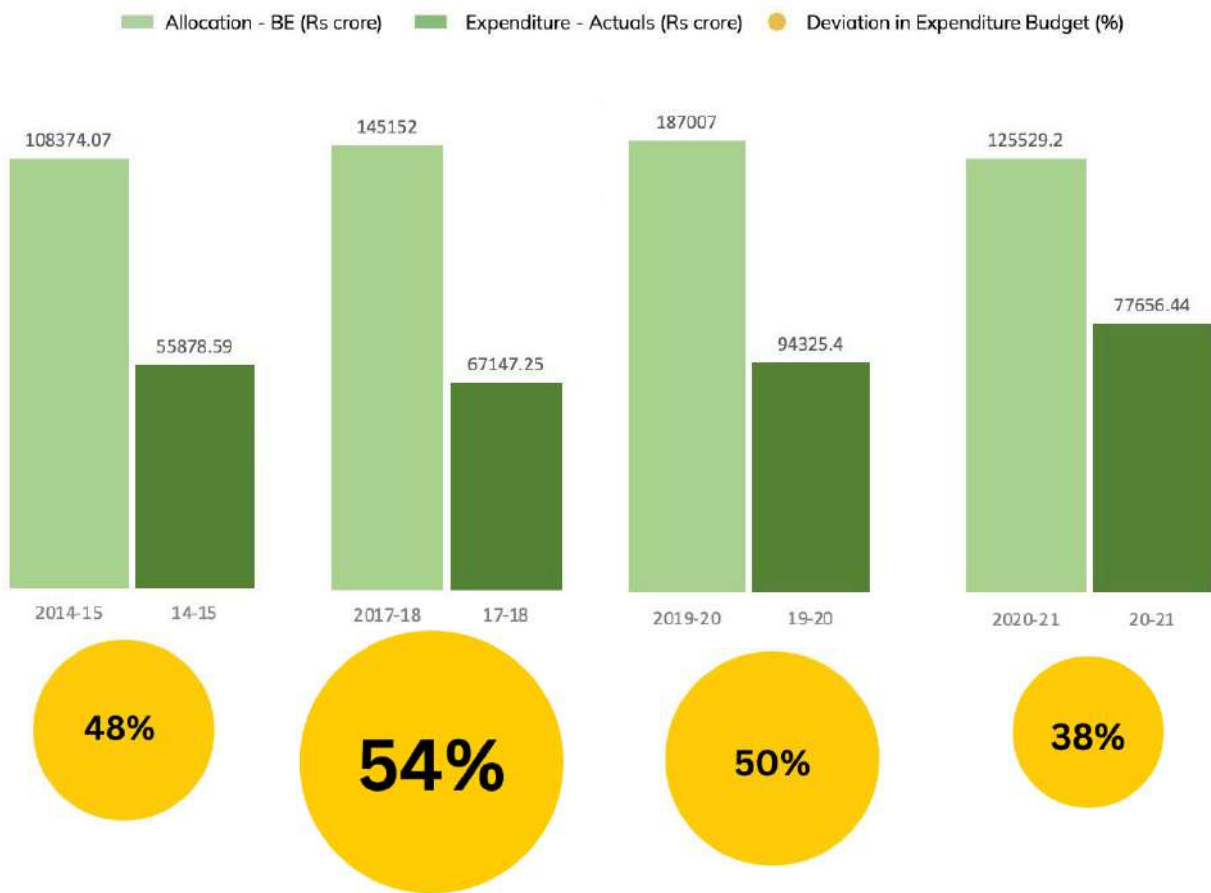


Figure:7 Source; GJMC Budget

Observations

- The estimated budget growth rate has been consistently higher than the actual growth rate.
- The highest estimated growth rate was 54% in 2017-18, but the actual growth rate was only 48 %.
- The lowest estimated growth rate was 38.14% in 2020-21, and the actual growth rate was also 38%.

Greater Jaipur Municipal Corporation (GJMC) has been underestimating their budget growth rates in the recent years. It could be due to various factors, such as unexpected economic shocks, changes in government policy, or just poor planning.

The fact is that the estimated growth rate has been consistently higher than the actual growth rate leading to a number of problems,

- Unrealistic expectations about the amount of money that is available for spending.
- Overcommitment to projects and programs that cannot be funded.
- Shortfalls in revenue, which could lead to cuts in essential services.

Expenditure Credibility

The expenditure credibility of Jaipur Budget is inadequate. The difference between the estimated and the actual expenditure exceeded “10%” for all four years, indicating a huge gap between the projections and reality.

Receipt Credibility

The receipt credibility of the Jaipur Budget is also lacking. The difference between estimated and actual receipts surpassed the “10%” for all four years highlighting a pattern of overestimating revenue generation.

Overall Credibility

If we look at the overall credibility of the Jaipur Budget has been unsatisfactory. The persistent discrepancies between the estimated and the actual expenditure and receipts suggest a lack of accuracy in the budgeting process. This raises a serious concerns about the effectiveness of fiscal management and the ability to achieve budget objectives.



A Factsheet on Budget Analysis and Budget Credibility

Ahmedabad

Municipal Corporation (AMC)

Prepared By -
Kushal Pratap Mall
Aravind Rajeev
Rasbihari Mahto





Profile of Ahmedabad Municipal Corporation (AMC)

About AMC

The Ahmedabad Municipal Corporation (AMC) is the civic body responsible for governing and managing the city of Ahmedabad in the state of Gujarat, India. Established in 1950, it plays a crucial role in providing various municipal services, including water supply, waste management, public health, and urban planning. The AMC is headed by the Mayor of Ahmedabad and is divided into multiple administrative zones to efficiently handle the city's affairs. The corporation works towards the overall development and well-being of the residents by implementing various infrastructure projects and civic initiatives.

Figure 1: Important indicator of AMC



Area
(in Square Km)
466



Population
Census of India, 2011
5577940



Population Density
(people per square km)
11,948



Literacy Rate
89.60%

Sex Ratio

(Females per 1000 males)

Female  **898**

Male  **1000**





Overview of AMC Annual Budget

- The total revenue of the Ahmedabad Municipal Corporation has shown a general upward trend from 3559 crores in 2012-13 to 6369 crores in 2019-20, indicating an overall increase in the financial resources available to the municipality over the years.
- There is a notable peak in total revenue in 2017-18, reaching 7433 crores, which is likely due to increased sources of income or improved collection efficiency during that fiscal year.
- Total expenditure has also increased over the years, from 3334 crores in 2012-13 to 5893 crores in 2019-20, reflecting the municipality's growing financial commitment to providing services and managing the city.
- The year 2018-19 stands out with the highest total expenditure at 5623 crores, indicating a significant allocation of funds for various municipal activities during that fiscal period.

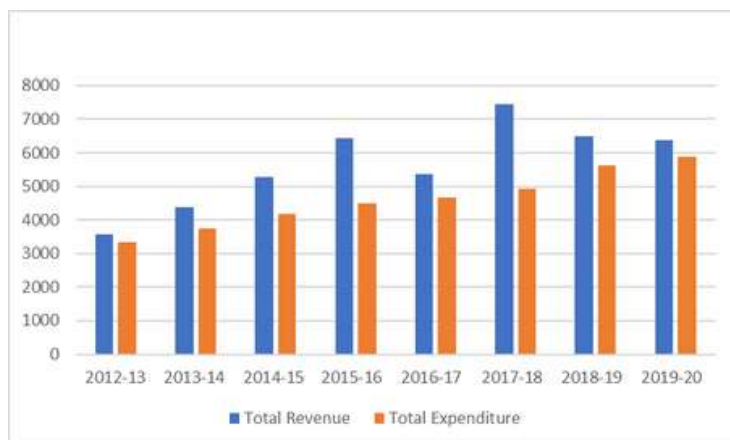


Fig : Total Revenue and Expenditure of AMC

Total Revenue

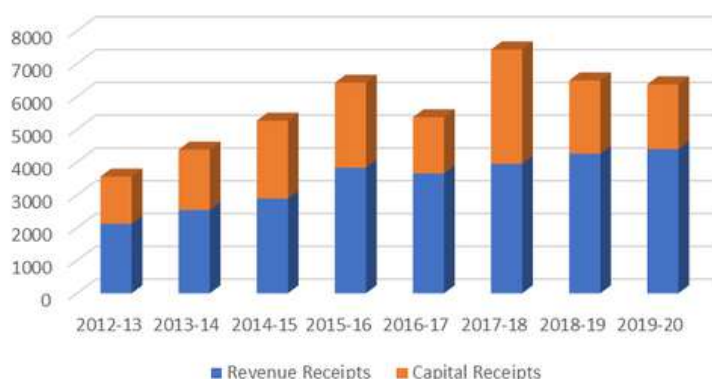


Fig : Total Revenue of AMC

- The total revenue of the Ahmedabad Municipal Corporation has shown a general upward trend from 3559 crores in 2012-13 to 6369 crores in 2019-20, indicating an overall increase in the financial resources available to the municipality over the years.
- There is a notable peak in total revenue in 2017-18, reaching 7433 crores, which is likely due to increased sources of income or improved collection efficiency during that fiscal year.
- Total expenditure has also increased over the years, from 3334 crores in 2012-13 to 5893 crores in 2019-20, reflecting the municipality's growing financial commitment to providing services and managing the city.
- The year 2018-19 stands out with the highest total expenditure at 5623 crores, indicating a significant allocation of funds for various municipal activities during that fiscal period.

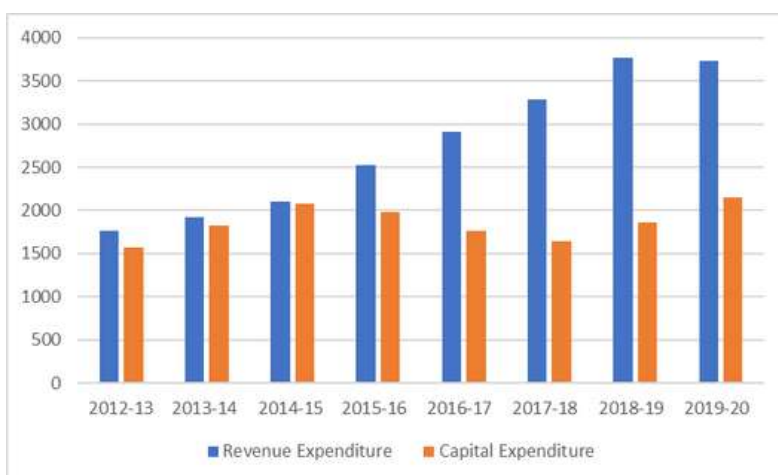


Fig : Total Expenditure of AMC

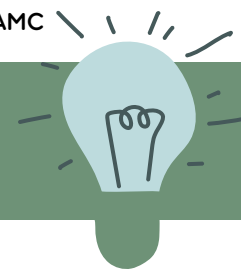




Fig 2: Total Expenditure Trends for BMC since 2015-16

Year	Total Expenditure (in lakh)	Growth	Population	Per capita Expenditure
2012-13	333488.28	-	65,80,181	5066.73
2013-14	375298.05	11.1	67,52,023	5556.85
2014-15	418492.64	10.3	69,28,352	6038.95
2015-16	450200	7.1	71,09,286	6332.56
2016-17	468100	3.8	72,94,945	6416.77
2017-18	493400	5.1	74,85,453	6591.45
2018-19	562300	12.3	76,80,935	7320.72
2019-20	589300	4.6	78,68,633	7489.23

Source: Annual Budget of AMC of various year <https://ahmedabadcity.gov.in/SP/Budget>

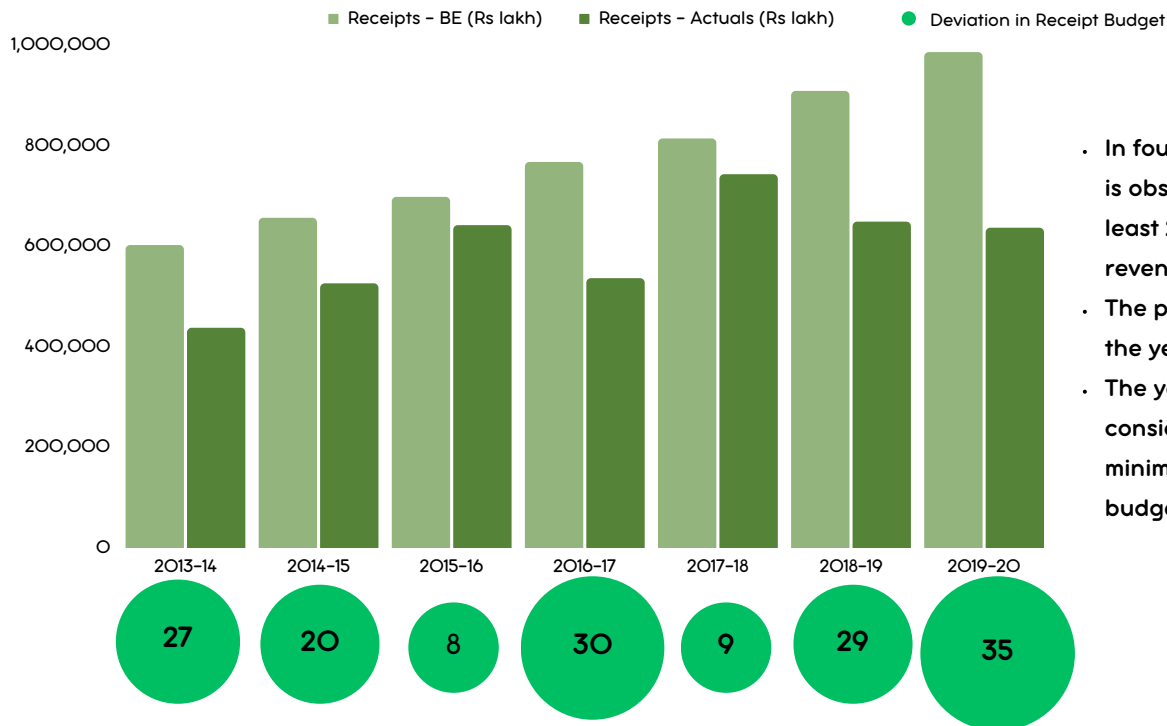
- The total expenditure of the Ahmedabad Municipal Corporation has shown a consistent upward trend over the years, increasing from 333,488.28 lakh in 2012-13 to 589,300 lakh in 2019-20.
- There is a general growth trend in the total expenditure, with varying growth rates. The highest growth rate is observed in 2018-19, where the expenditure increased by 12.3%.
- The population of Ahmedabad has steadily increased from 65,80,181 in 2012-13 to 78,68,633 in 2019-20.
- The per capita expenditure, indicating the average spending per person, has also seen a consistent increase from 5066.73 in 2012-13 to 7489.23 in 2019-20.
- The growth rate in per capita expenditure has not been uniform, with a notable spike in 2018-19, possibly reflecting increased spending per person during that fiscal year.
- The municipal corporation seems to allocate increasing resources to meet the growing needs of the expanding population, as evidenced by the rise in both total expenditure and per capita expenditure.
- The year 2015-16 stands out with a significant growth rate of 7.1% in total expenditure, indicating a notable increase in budget allocation during that period.
- Despite varying growth rates, the total expenditure has consistently risen, showcasing the municipality's commitment to addressing the demands and requirements of the growing population.
- The per capita expenditure has witnessed a substantial increase, more than doubling from 5066.73 in 2012-13 to 7489.23 in 2019-20. This implies a higher level of spending per individual over the years.
- The highest per capita expenditure growth occurred in 2018-19, aligning with the year of the highest growth in total expenditure, suggesting a concentrated effort towards enhancing public services and infrastructure during that fiscal period.





BUDGET CREDIBILITY

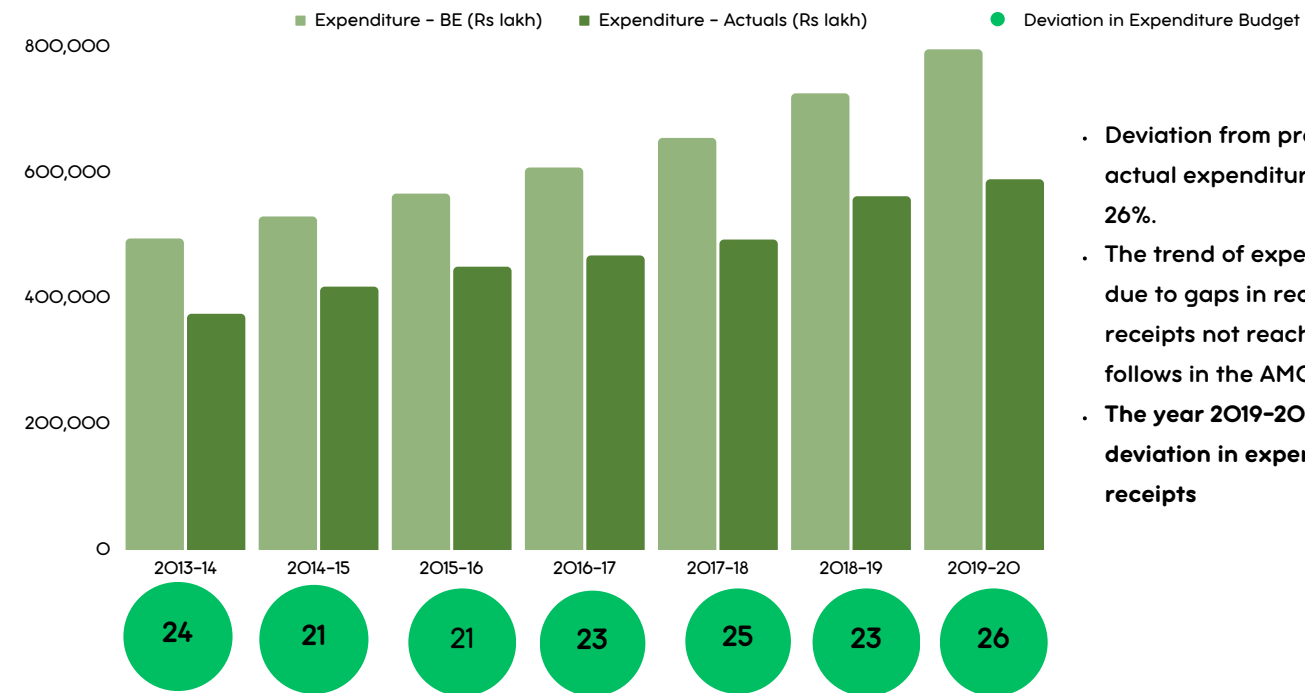
Receipts Budget – Budget Estimates Vs. Actual Receipts



- In four of the seven years analysed, it is observed that there is a gap of at least 20% in revenue projection and revenue realizations.
- The peak in deviation is observed in the year 2019-20 at 35%.
- The years 2015-16 and 2017-18 can be considered anomalies as they have minimum deviation from the estimated budget at 8% and 9% respectively.

Source: Annual Budget of AMC of various year <https://ahmedabadcity.gov.in/SP/Budget>

Expenditure Budget – Budget Estimates Vs. Actual Expenditure



- Deviation from proposed estimate and actual expenditure varies from 21% to 26%.
- The trend of expenditure being low due to gaps in realising resources i.e receipts not reaching the target, follows in the AMC budget as well.
- The year 2019-20 has the highest deviation in expenditure as well as receipts

Source: Annual Budget of AMC of various year <https://ahmedabadcity.gov.in/SP/Budget>





BUDGET CREDIBILITY

Deficits (-)/ Surplus (+) in Revenue and Capital Accounts

Deficits (-)/ Surplus (+) (Rs. Lakh)

Deficits (-)/ Surplus (+) (%)

	Revenue Account	Capital Account	Revenue Account	Capital Account
2012-13 Actuals	35661	-13182.22	11	-4
2013-14 Actuals	61444	1194.93	16	0
2014-15 Actuals	78737	29056	19	7
2015-16 Actuals	130900	60900	29	14
2016-17 Actuals	74200	-5700	16	-1
2017-18 Actuals	65700	184200	13	37
2018-19 Actuals	48700	38000	9	7
2019-20 Actuals	65800	-18200	11	-3

Source: Annual Budget of AMC of various year <https://ahmedabadcity.gov.in/SP/Budget>





BUDGET CREDIBILITY

Deficits (-)/ Surplus (+) in Revenue and Capital Accounts

- A revenue surplus observed throughout all the years will allow AMC to carry out investments in the Capital account.
- There is no clear trend in the utilization of capital accounts. The years 2012-13, 2013-14, 2016-17, 2019-20 have a zero or slightly negative balance.
- The municipality is reluctant to maintain a consistent deficit and is cautious with capital expenditure.
- The year 2017-18 has comparatively high reluctance in utilizing the capital accounts with 37% surplus.





Agra Municipal Corporation

*FACTSHEET OF BUDGET TRANSPERANCY
AND BUDGET CREDIBILITY*

SUBMITTED BY-

Srishti Duggal (H2022CG022)

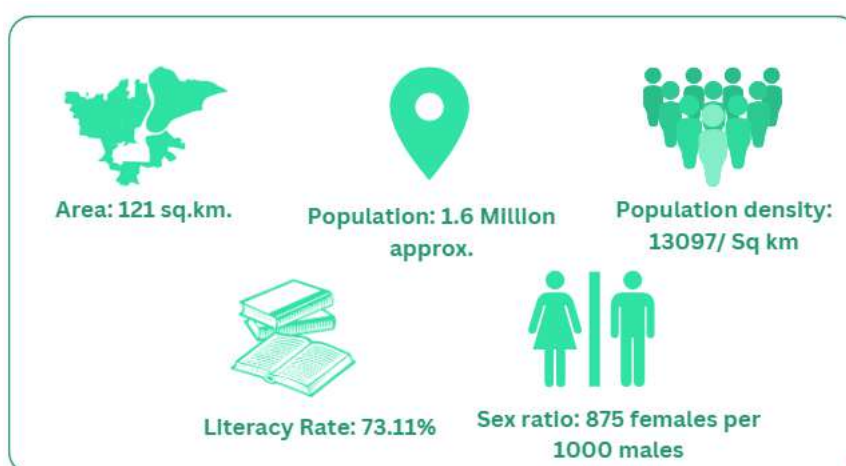
Diptesh Utekar (H2022CG004)

Shubham Yadav (H2022CG006)

PROFILE OF AGRA MUNICIPAL CORPORATION

The historically significant city of Agra is located on the western banks of the Yamuna River along National Highway 2, roughly 200 kilometres from Delhi. Agra, adorned with countless monuments, serves as a witness to its illustrious history. Since its inception in 1952, the Agra Municipal Corporation (AMC) has been the main force behind the city's growth. The AMC, with its 100 wards, successfully maintains the city's infrastructure and assures its continuing expansion by overseeing a varied variety of municipal services like as public health, sanitation, water supply, roads, education, and historical preservation.

Agra has a vibrant population of roughly 2 million people and a wide territory of 126.5 square kilometres. This results in a heavily populated urban area with around 12,535 persons per square kilometre. While the city's literacy rate of 73.11% is significantly lower than the national average, it has enormous development and improvement potential. The current sex ratio of 875 females per 1,000 males highlights the importance of programmes targeted at empowering women.



*Figure 1: Agra city profile
Source: Census of India, 2011*

TREND IN REVENUE AND EXPENDITURE OF AGRA OVER THE YEARS

Tracking revenue and spending changes in Agra over time is critical for evaluating the city's financial health, ability to deliver basic services, and potential for future growth. Analysing these trends can provide insight into the efficacy of the municipal corporation's financial management, the impact of economic factors on the city's budget, and resource allocation for development initiatives.

The ability of the city to generate revenue from different sources, such as property taxes, user fees, and grants, may be assessed by reviewing revenue patterns. Expenditure patterns reveal how the city allocates its financial resources. Examining spending allocation across multiple areas, such as public health, sanitation, infrastructure, and education, can reflect the corporation's goals and commitment to delivering important services. Furthermore, examining the increase or decrease in expenditures in certain areas might reveal changes in the city's requirements or the efficacy of its spending patterns.

Figure 2: Trend of total receipts and total expenditures over the years as per the growth rates

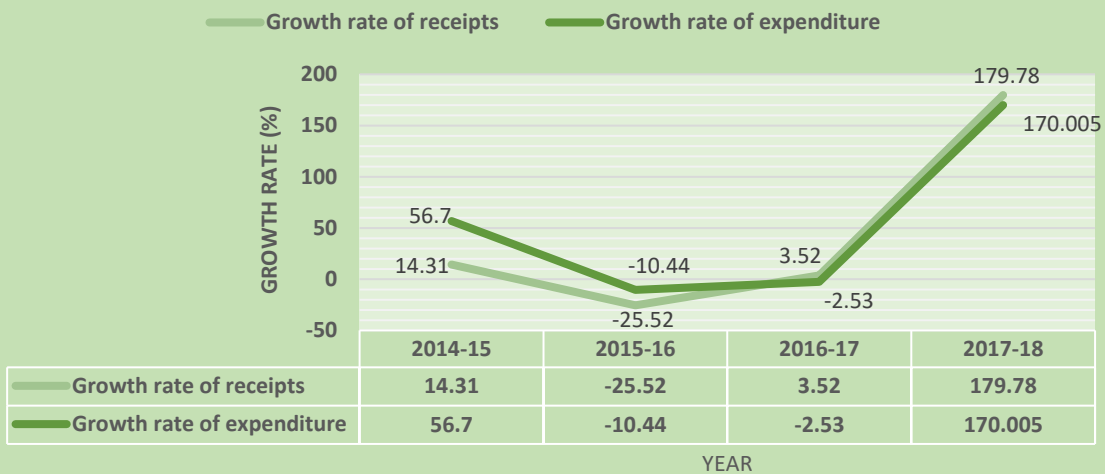
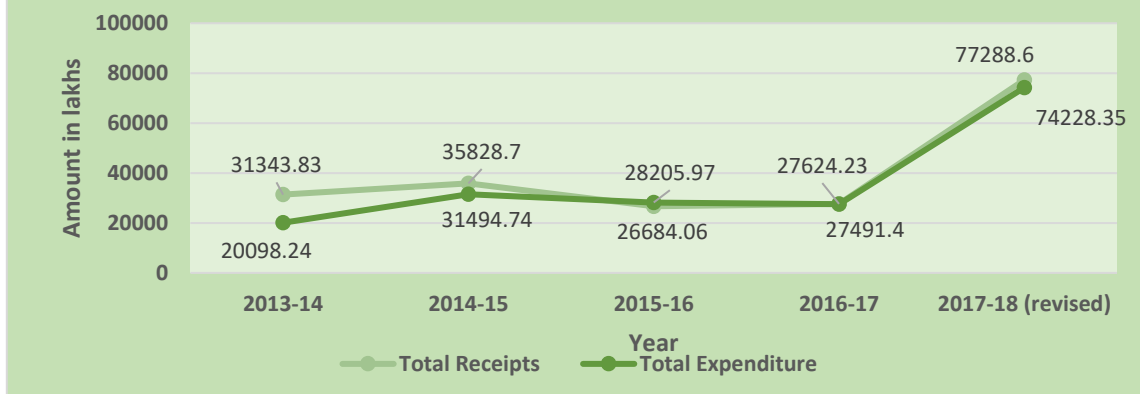


Figure 3: Trend in total receipts and total expenditure in Agra over the years

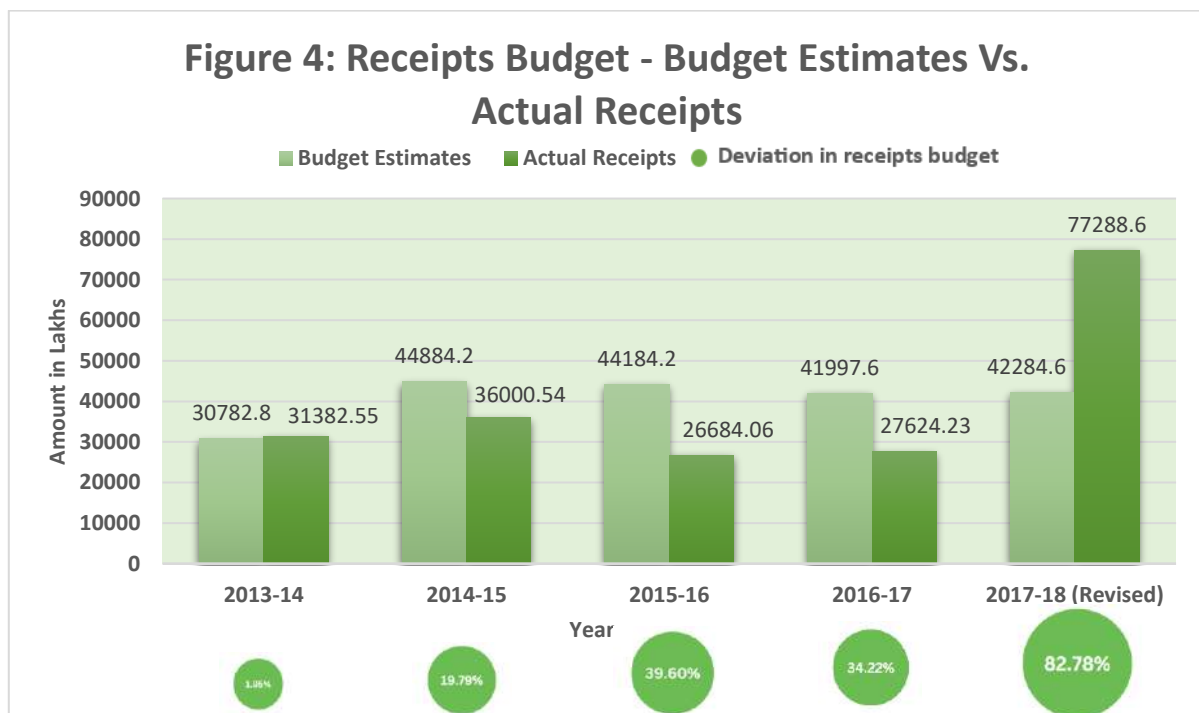


Source: Data from AMC budget

The graph analysis above demonstrates that the growth rate of receipts and spending has been oscillating. For the same patterns, five budget years are considered. i.e. 2013-14, 2014-15, 2015-16, 2016-17, 2017-18. From 2014-15 to 2015-16, there is a consistent decrease. The similar tendency appears to be improving significantly in the 2016-17 fiscal year. The year 2017-18 sees an exponential increase in income and expenditure, with increases of 179 and 170 per cent, respectively. The involvement of Agra Municipal Corporation in the smart city project is the key reason for this astounding growth. Agra Municipal Corporation received 32000 lakh rupees for the project as a result of the smart city initiative. This has increased both revenue and spending for the fiscal year 2017-18.

CREDIBILITY IN AMC BUDGET OVER THE YEARS: ESTIMATED VS. ACTUALS

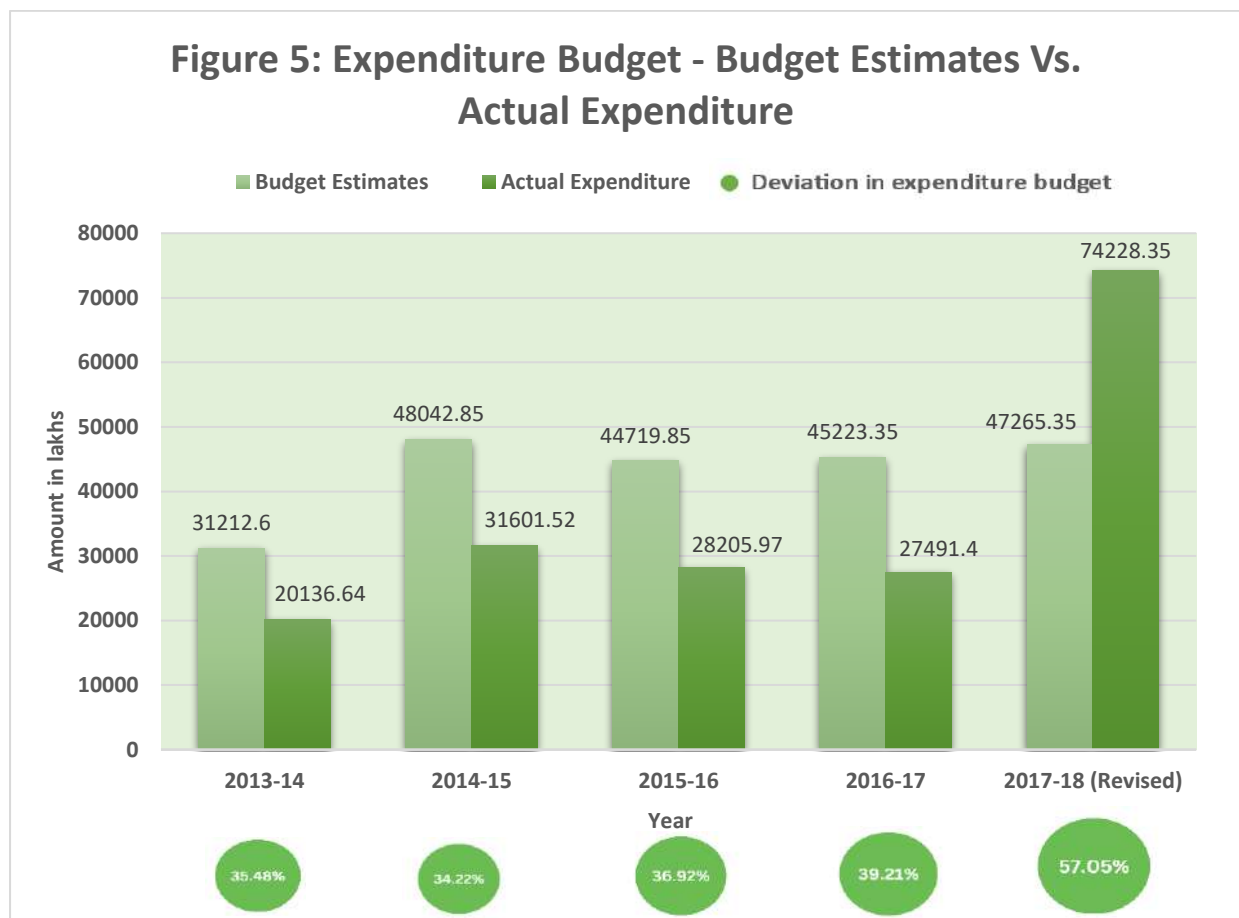
Evaluating the reliability of the Agra Municipal Corporation's (AMC) budget over time by comparing estimated and actual revenue and expenditure is critical for establishing financial responsibility and transparency for the corporation. Analysing these differences can disclose information about the accuracy of financial estimates, the efficacy of budget planning, and the possibility of financial misconduct. The capacity of the ULB to effectively anticipate its income sources may be assessed by comparing the variations between estimated and actual revenue. Similarly, examining the differences between estimates and actual expenditure might demonstrate the efficiency with which budget allocation and resource utilisation are carried out.



Source: Data from AMC budget

The graph below highlights the difference between budget estimates and actual receipts. A general pattern that has been noted is an overestimation of revenue receipts when the budget is presented. The actual revenue obtained for the fiscal year is significantly less than the estimated revenue. 2017-18 is the only year that is an exception. Due to the lack of availability of the 2017-18 budget actual, we have used revised projections for the same fiscal year. Because of the inclusion of the smart city initiative, the revised estimates have seen a higher revenue collection than the expected revenue collection.

Furthermore, a lack of revenue generation might be attributed to the municipal corporation's inability to satisfy revenue collection forecasts. Many reasons contribute to inefficient revenue collection, such as a decreased percentage of user charges, an update to the property tax collecting mechanism, and so on.



The graph comparing the estimated and actual expenditure reveals the credibility of expenditure for the successive fiscal years. From the fiscal year 2013-14 to 2016-17, there is an average deficit in expenditure of approximately 35-36%. This numerical value elucidates the overall inefficiency of the municipal corporation in underestimating or collecting revenue. Furthermore, the municipal corporation's overestimation of expenditure at the commencement of the fiscal year can also be attributed as a contributing factor. Additionally, delays in project implementation within the municipal corporation can result in a reduction of funds allocated for expenditure, consequently diminishing the actual expenditure. Lastly, an

external factor such as an economic slowdown can exert a direct or indirect impact on the revenue and expenditure of the municipal corporation

DISTRIBUTION OF AMC EXPENDITURE BUDGET ACROSS ACCOUNTS AND DEVELOPMENT HEADS

Year	2013-14	2014-15	2015-16	2016-17
Property Tax	5.93	5.30	8.39	9.16
Advertisement Tax	0.88	0.83	1.13	0.93
Infrastructure Fund (Stamp Duty fee)	7.68	4.29	6.44	9.24
Rental Income from Municipal Properties	0.53	0.32	0.95	0.51
Slaughter House Fee	1.30	1.18	1.68	1.71
User Charges	0.00	0.00		
Income from State Finance Commission	62.20	58.05	56.52	55.04
Other Income	4.70	5.20	7.70	4.03
Central Finance Commission	10.87	10.85	5.47	14.67
JNNURM/AMRUT/Smart City	5.44	12.54	0.37	2.73
Others	0.33	0.98	1.23	1.56
Suspense Account	0.12	0.48	7.07	0.41
TOTAL RECEIPTS	100	100	100	100

Source: AMC budget

This chart depicts the proportion of total receipts acquired by the Municipal Corporation from different origins during the time span of 2013-14 to 2016-17. It offers valuable insights into

the revenue sources for the corporation and the alterations it has undergone over time. Presented below are a few noteworthy observations:

PRIMARY SOURCE:

State Finance Commission Income: This serves as the principal revenue stream for the corporation, consistently making up more than 50% of the total receipts throughout all the years. This underscores the corporation's reliance on grants from the state government for financial sustenance.

Finance Commission Grant: The contribution of this grant increased from 10.87% in 2013-14 to 14.67% in 2016-17, implying a growing dependence on grants from the central government.

Infrastructure Fund (Stamp Duty fee): This source witnessed fluctuations, ranging from 4.29% to 9.24%, indicating a possible dependence on infrastructure development as a source of income.

POTENTIAL REVENUE ENHANCEMENTS:

Property Tax: The contribution varied between 5.30% and 9.16%, signifying the need for enhancements in the mechanisms for property tax collection.

Rental Income from Municipal Properties: The contribution ranged between 0.32% and 0.95%, indicating a limited income from property rentals.

	2013-14	2014-15	2015-16	2016-17
Expenses on salaries, bonuses	37.79	30.92	36.78	39.70
Expenses other than salaries	47.82	33.15	53.01	53.21
Capital Expenditure	14.20	25.60	9.90	6.89
Suspense Account	0.19	0.34	0.31	0.21
TOTAL EXPENDITURE	100	100	100	100

Source: AMC budget

The expenditure part here consists of revenue expenditure, capital expenditure and suspense account. the revenue expenditure is higher than that of the capital expenditure. the revenue expenditure here consists of salaries, bonuses and other day to day municipal expenses. in the graph above we can see that the revenue expenditure contributes to more than 75 per cent of the expenditure. whereas the capital expenditure has never crossed more than 30 per cent in these fiscal years.

DEPENDENCY RATIO:

Based on an analysis of the comprehensive revenue and expenditure data across various budget categories, it can be deduced that the Agra Municipal Corporation relies significantly on grants provided by the state and the Central Finance Commission. These grants constitute a substantial portion, averaging over 70 percent, of the total revenue received by the municipal corporation throughout the five fiscal years taken into the study. This evident reliance on grants and subsidies from the state and central government demonstrates the heavy dependence of the corporation on external financial support.

KEY FINDINGS

1. Over the five budget years, the growth rate of income and spending has fluctuated. From 2014-15 to 2015-16, there was a steady reduction, but there was a big recovery in 2016-17. In 2017-18, revenues and spending increased by 179% and 170%, respectively, owing partly to Agra Municipal Corporation's engagement in the Smart City initiative and receipt of 32,000 lakh for the project.
2. Except for 2017-18, there is a typical tendency of overestimation of revenue receipts in budget predictions compared to actual revenues. This might be attributed to a failure to reach revenue collection objectives.
3. From 2013-14 to 2016-17, there is an average shortfall of 35-36% in estimated vs real spending, suggesting general inefficiency in revenue collection and expenditure calculation and execution by the municipal corporation.
4. State Finance Commission grants account for more than half of overall receipts, showing a strong reliance on state government support. Property tax and rental revenue contributions are modest, with room for growth.
5. Revenue expenditure accounts for more than 75% of overall expenditures, owing to salaries, wages, and everyday municipal expenses. Capital expenditure accounts for less than 30% of total spending, indicating an imbalance in spending priorities.
6. On average, state and central finance commission grants account for more than 70% of total revenue, illustrating Agra Municipal Corporation's reliance on external financial support rather than internal revenue streams.

Kochi Municipal Corporation, Kochi

Submitted by

Niketan Ambade (H2022CG015)

Prajna Kolisetti (H2022CG008)

Snehal Jangam (H2022CG025)



Tata Institute of Social Sciences, Hyderabad

Date: 26/11/2023

I. PROFILE OF KOCHI MUNICIPAL CORPORATION

Kochi was also known as Perumpadap Swarupam, which is located in the Ernakulam district of Kerala. Kochi municipality was established through the amalgamation of three ancient municipalities, Ernakulam, Mattanchery, and Fort Kochi, and the four panchayats of Willingdon Island, Pallurthy, Vennala, Vaytila, and Edappally, as well as the small islands of Gundu Deepu and Ramanthuruth in 1st November 1967, with an area of 94.88 sq. km. Kochi Municipal Corporation has 74 divisions. It has 6 zonal offices, with 1 head office. In the Kochi it is different from the Country a slight inclination toward females, with sex ratio of 1027 females for every 1000 males, and the literacy rate is 97.36% which is the highest in the country.

Figure 1: Important Indicators of KMC



Area
(In Square Km)
94.88



Population (2021)
6,02,046



Per capita GDP
(Rs) (in 2018)
32,408.00

Sex ratio

(Females per 1000 males)

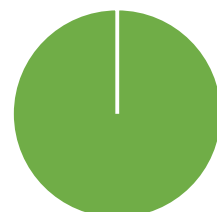


Male 1000



Female 1027

literacy rate



97.36%

Sources: 1. <https://knoema.com/data/kochi+gdp+per-capita?unit=>
2. <https://cityfinance.in/dashboard/city?cityId=5fa2465e072dab780a6f11d2>

II. Broad Composition of Expenditure and Receipt Budget of Kochi Municipal Corporation

A. Budgetary Expenditure Trends of KMC:

Particulars	2012-13 Actuals	2013-14 Actuals	2014-15 Actuals
Revenue expenditure	14,295.64	15,891.61	17,561.60
Capital Expenditure	9,773.19	19,537.05	20,669.77

The revenue expenditure of KMC has increased steadily over the three years, while the capital expenditure has fluctuated. In 2013-14, the capital expenditure was almost double that of 2012-13, but it fell back in 2014-15.

The overall budgetary expenditure has also increased steadily over the three years. In 2014-15, it was ₹38,231.37, which was ₹23,952.83 more than in 2012-13.

The increase in expenditure is likely due to a number of factors, including inflation, population growth, and the increasing cost of providing services. The Kochi Municipal Corporation is responsible for a wide range of services, including water supply, sanitation, waste management, roads and bridges, and education and healthcare.

III. Receipts Budget of KMC from FY 2012 to 2015:

Receipt Budget of Kochi Municipal Corporation			
	2012-13	2013-14	2014-15
Total for Tax Revenue	8,237.28	10,105.78	10,486.78
Total for Rental Income From Municipal Properties	391.33	271.84	316.76
Total for Fees & User Charges	1358.6331	1,122.11	2,625.54
Total for Sale & Hire Charge	70.04	112.18	83.8
Total for Revenue Grants, Contribution & Subsidies	8,396.79	11,007.30	13,099.15
Total for Income from Investments	0.2118	0.1	0.259
Total for Interest Earned	0.48	14.54	10.07
Total for Other Income	3.63	17.12	65.13
Total Revenue Receipts	18,458.40	22,650.96	26,687.49
Capital Receipt			
	2012-13	2013-14	2014-15
Total for Loans, Advances and Deposits	450.86	833.85	198.17
Total for Grants & Contributions for Specific Purposes	5,299.86	13,005.06	6,481.67
Total for Secured Loans	0	0	0
Total for Deposit Received	303.74	238.78	1,677.20
Total for Other Liabilities (Sundry Creditors)	264.56	339.26	395.08
Total Capital Receipts	6,319.01	14,416.96	8,752.12

Total revenue receipts for the Kochi Municipal Corporation have increased steadily over the three financial years, from ₹18,458.40 in 2012-13 to ₹26,687.49 in 2015-16. This increase is due to a number of factors, including:

Increase in tax revenue: Tax revenue is the largest source of revenue for the Kochi Municipal Corporation, and it has increased from ₹8,237.28 in 2012-13 to ₹10,486.78 in 2015-16. This increase is due to a number of factors, including an increase in the tax base and an increase in tax rates.

Increase in fees and user charges: Fees and user charges are the second largest source of revenue for the Kochi Municipal Corporation, and they have increased from ₹1,358.63 in 2012-13 to ₹2,625.54 in 2015-16. This increase is due to a number of factors, including an increase in the number of users and an increase in the fees charged.

Increase in revenue grants, contributions, and subsidies: Revenue grants, contributions, and subsidies are the third largest source of revenue for the Kochi Municipal Corporation, and they have increased from ₹8,396.79 in 2012-13 to ₹13,099.15 in 2015-16. This increase is due to a

number of factors, including an increase in the number of grants received and an increase in the amount of grants received.

Capital Receipts

Total capital receipts for the Kochi Municipal Corporation have fluctuated over the three financial years, from ₹6,319.01 in 2012-13 to ₹8,752.12 in 2015-16. This is due to a number of factors, including:

Fluctuations in loans and advances: Loans and advances are the largest source of capital receipts for the Kochi Municipal Corporation, and they have fluctuated from ₹450.86 in 2012-13 to ₹198.17 in 2015-16. This is due to a number of factors, including the availability of funds and the need for borrowing.

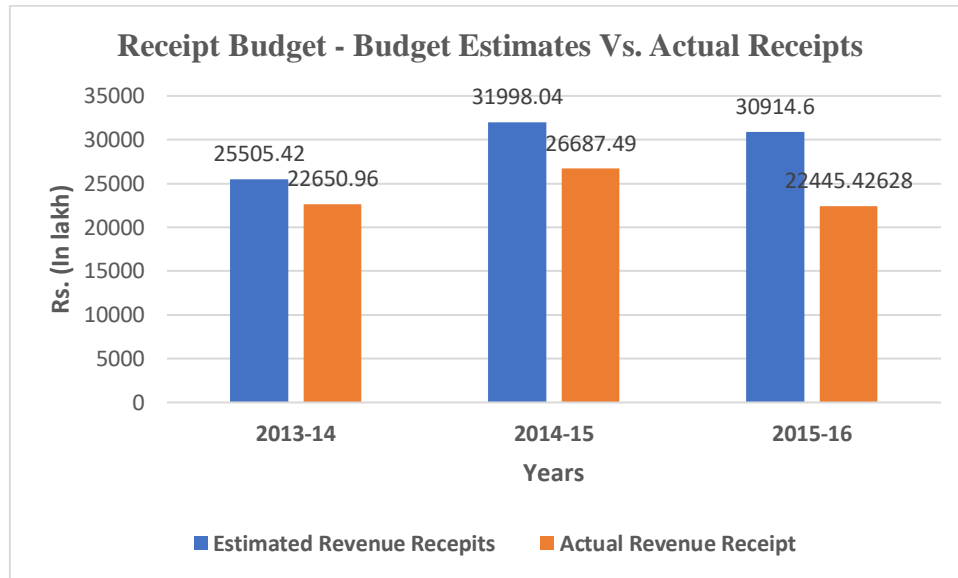
Fluctuations in grants and contributions for specific purposes: Grants and contributions for specific purposes are the second largest source of capital receipts for the Kochi Municipal Corporation, and they have fluctuated from ₹5,299.86 in 2012-13 to ₹6,481.67 in 2015-16. This is due to a number of factors, including the availability of funds from the government and the need for funding for specific projects.

Overall Budget

The overall budget for the Kochi Municipal Corporation has increased steadily over the three financial years, from ₹24,777.41 in 2012-13 to ₹35,439.61 in 2015-16. This increase is due to the increase in both revenue receipts and capital receipts.

IV. CREDIBILITY IN KMC BUDGETING OVER THE YEARS: PROJECTED VERSUS ACTUALS

Receipt Budget:



Growth Rate:



Observations:

In each year, the Actual Revenue Receipts are less than the Estimated Revenue Receipts. This indicates a consistent underperformance in revenue generation compared to the initial budget projections.

The Receipt Budget (%) represents the percentage by which the Actual Revenue Receipts fall short of the Estimated Revenue Receipts.

In 2013-14, the shortfall was 11.19%.

In 2014-15, the shortfall increased to 16.60%.

In 2015-16, the shortfall further increased to 27.40%.

The increasing percentage indicates a growing gap between the estimated and actual revenue, suggesting a trend of the revenue falling increasingly short of the budgeted expectations.

There is a noticeable trend of a widening gap between Estimated and Actual Revenue Receipts over the three years. This could be indicative of challenges in revenue collection or a potential mismatch between revenue projections and economic realities.

The consistent underperformance against revenue estimates may pose challenges for budgetary planning and the funding of various projects and services. It may lead to limitations in the municipality's ability to execute planned initiatives.

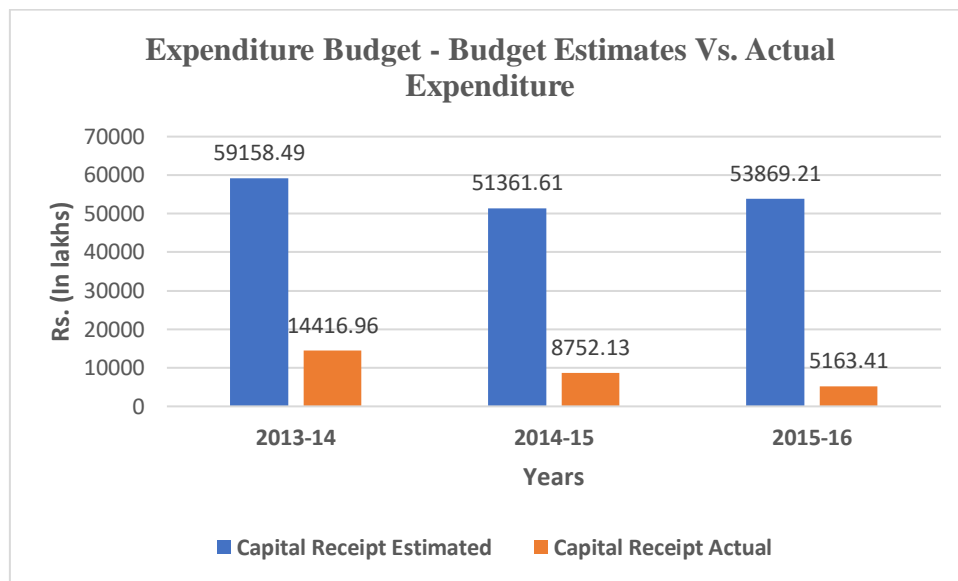
The municipality might need to review its revenue-generating strategies and explore reasons for the persistent shortfalls. It could involve examining the effectiveness of tax collection, exploring alternative revenue sources, or reassessing economic assumptions used in budgeting.

The shortfall in revenue can have implications for planned expenditures. If the revenue falls short, the municipality may need to either cut spending, find alternative funding sources, or potentially accumulate debt to cover the gap.

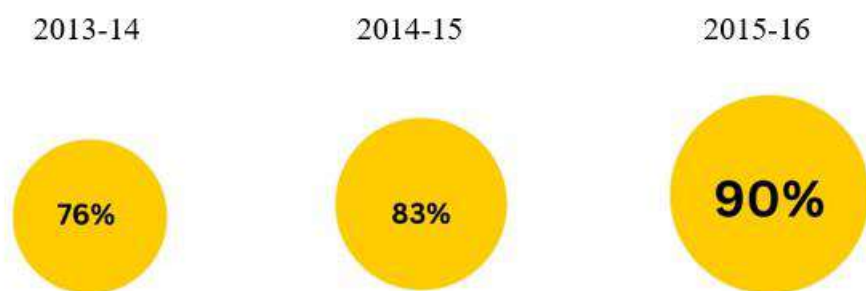
Understanding the economic context during these years, such as economic growth, industry trends, and employment rates, would provide additional insights into why revenue receipts might have deviated from estimates.

In summary, the observations suggest a consistent underperformance in revenue generation compared to budgeted estimates, and further investigation into the reasons behind this trend would be necessary for effective financial management and planning.

Expenditure Budget:



Growth Rate:



Observations:

In all three years, the Actual Capital Receipts are significantly lower than the Estimated Capital Receipts, resulting in substantial differences.

The Difference between Actual and Estimated Capital Receipts increased from 2013-14 to 2015-16, indicating a widening gap between expectations and actual outcomes.

The Difference Actual vs Estimated represents the variance between the estimated and actual capital receipts. This difference is substantial and shows that the actual capital receipts fell far short of what was initially anticipated.

The increasing trend in the difference suggests a consistent challenge in achieving the projected capital receipts.

The Expenditure Growth Rate is the percentage increase in expenditure from the previous year. In all three years, there is a high expenditure growth rate.

The expenditure growth rates are substantial, indicating a rapid increase in expenditure over the years.

The significant difference between estimated and actual capital receipts suggests a potential challenge in funding capital expenditure. This could impact the municipality's ability to invest in infrastructure projects and other capital-intensive initiatives.

The widening gap between estimated and actual capital receipts, coupled with high expenditure growth rates, raises concerns about the financial sustainability of the municipality. There may be a need to reassess capital budgeting strategies and explore alternative sources of funding.

The large difference in capital receipts may limit the municipality's capacity to undertake planned capital projects. It might result in delays or a need to explore external funding sources.

Consideration of external factors such as economic conditions, changes in government policies, or shifts in funding mechanisms could provide insights into the reasons behind the observed trends.

In summary, the observations suggest a consistent challenge in achieving the projected capital receipts, leading to potential limitations in funding capital expenditures. Further analysis and a detailed examination of the factors contributing to the observed patterns would be essential for effective financial management and planning.

City Lab Exercise - 3rd Semester Assignment
Municipal Finance of Gaya Municipal Corporation



Tata Institute of Social Sciences, Hyderabad

And

Centre for Budget and Governance Accountability

Submitted by

Nagesh Magare (H2022CG007)

Atri Ray (H2022CG019)

Surabhi Yadav (H2022CG023)

Date - November 26th, 2023

City Profile - Gaya Municipal Corporation

Gaya is the administrative center of the Gaya district in the Magadh division. It is located in the Indian State of Bihar. It was established in 1983 under the Gaya Municipal Corporation Act. The corporation is divided into 53 wards, each represented by a councilor elected by the local residents. These wards are further grouped into four zones: Gaya Sadar, Bodh Gaya, Manpur, and Begusarai.

City at a Glance

Population: 468,614

Area: 49.76 square kilometre

Population Density: 9,490 people per square kilometer

Sex Ratio: 896 females per 1000 males

Literacy Rate: 81.63%

Availability of Financial Data and its Significance

Gaya Municipal Corporation has no financial statements available on its website, in the public domain. Only a few financial datasets are accessed through the 'Open Budgets India' dashboard. It had financial statements from the financial year 2014-15 to 2016-17, which is three years.

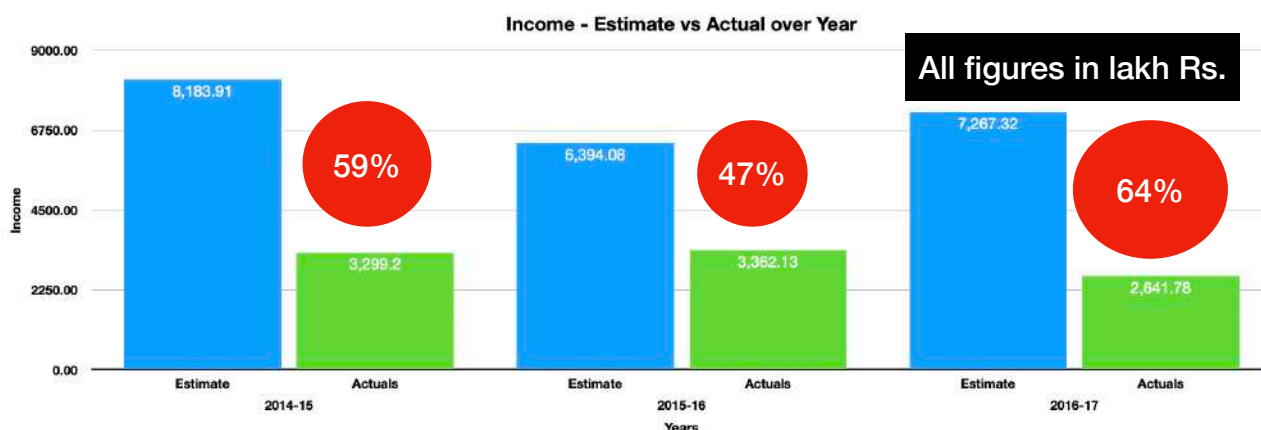
The non-availability of financial statements for a municipality raises significant concerns about transparency, accountability, and the overall quality of municipal governance. This lack of transparency can erode public trust, hinder informed decision-making, and increase the risk of financial mismanagement or malpractices.

Analysis of Revenue Income and Expenditure

Income Estimate and Actual Income

	2014-15 Budget Estimate	2014-15 Actuals	2015-16 Budget Estimate	2015-16 Actuals	2016-17 Budget Estimate	2016-17 Actuals
Tax Revenue	2,256.00	540.46	2,448.16	916.21	2530.00	619.67
Assigned revenue and compensation	1,100.00	777.44	1,150.00	882.58	1150.00	462.00
Rental income from municipal corporations	328.00	236.37	275.80	288.07	444.00	187.61
Fees and User Charges	694.50	337.29	574.50	184.74	443.50	299.60
Sale and Hire charges	5.50	6.11	1.50	1.76	0.74	4.40
Revenue, Grants, Contributions & Subsidies	3,333.40	1,401.53	1,944.12	1048.33	2699.08	1068.50
Others	466.51	0.00	0.00	40.44	0.00	0.00
Total	8183.91	3299.20	6394.08	3362.13	7267.32	2641.78

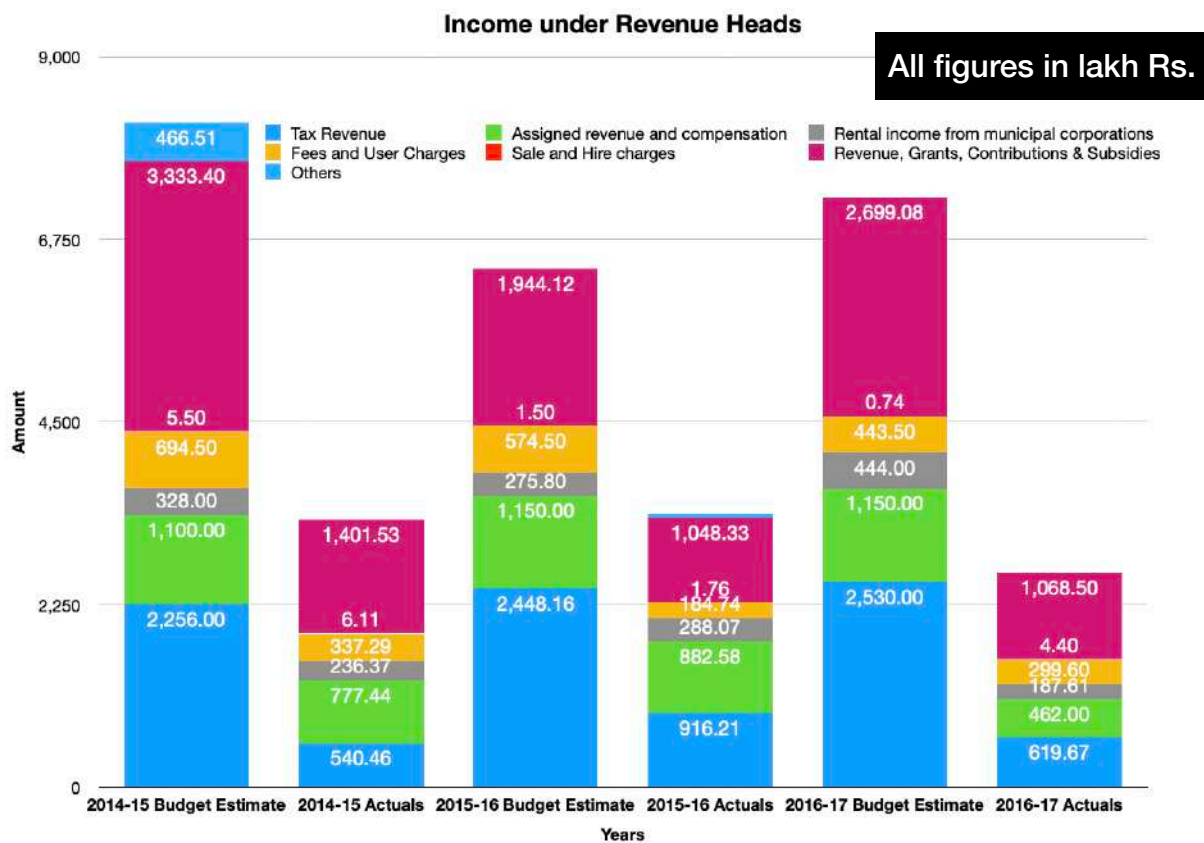
All figures in lakh Rs.



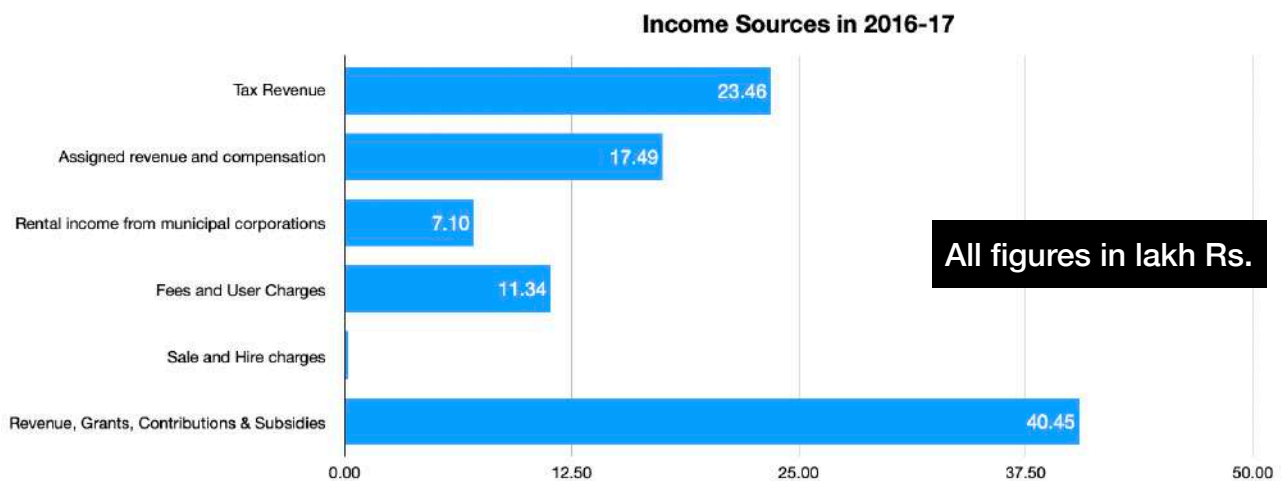
The Total income of the municipality has shown a significant decrease in the total revenue over the year, which is against the trends that the estimated income suggests. The total actual income of the municipal corporation has been overestimated by 59%, 47%, and 64% from the financial years 2014-15 to 2016-17, respectively. Thus signifying the municipality's inability to predict the expected income. Over the years, the municipal corporation has been dependent on revenue, grants, subsidies from higher tiers of government, tax revenue (of which property tax forms a major chunk), and assigned revenue. Fees and user charges have almost remained stagnant all these years.

Actual Income Percentage Share

	2014-15 Actuals percentage	2015-16 Actuals percentage	2016-17 Actuals Percentage
Tax Revenue	16.38	27.25	23.46
Assigned revenue and compensation	23.56	26.25	17.49
Rental income from municipal corporations	7.16	8.57	7.10
Fees and User Charges	10.22	5.49	11.34
Sale and Hire charges	0.19	0.05	0.17
Revenue, Grants, Contributions & Subsidies	42.48	31.18	40.45
Others	0.00	1.20	0.00

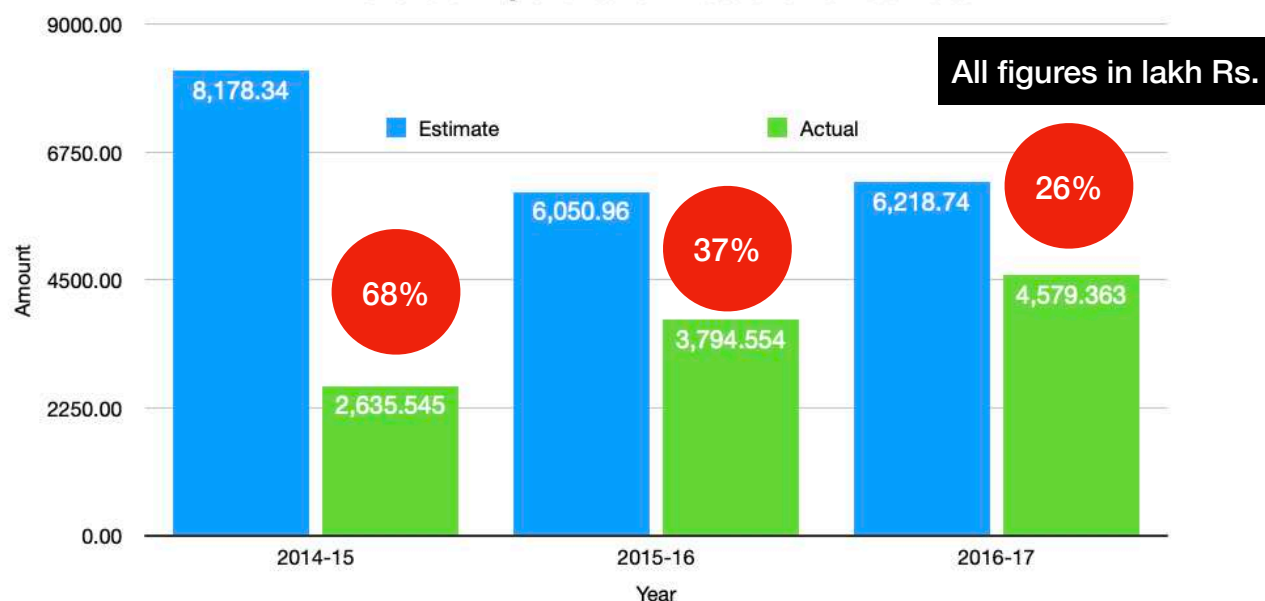


For the year FY 2016-17, only 23% of the income came from tax revenue, while 58% of the revenue came from the central and state governments as assigned revenue grants, contributions, and subsidies. Showing their sheer dependence on the higher level of government. This directly hinders the motive of economic and political decentralization.



On the expenditure side, the problem of overestimation still persists; some of this can be attributed to the root problem of overestimation of revenue income. The budgets were overestimated by a margin of 68%, 37%, and 26% from the years FY 2014-15 to 2016-17, respectively. There has been a steady decline in the amount of expenditure, signifying the increasing fiscal marksmanship of the ULB.

Revenue Expenditure - Actual and Estimate



Gaya Municipality's budget allocation is heavily skewed towards establishment expenditure, with an average of 72.53% over the three financial years. This prioritization of employee-related expenses has limited the funding available for program expenses, infrastructure development, and social welfare initiatives.

To address these concerns, the municipality should rebalance its expenditure priorities, enhance revenue generation, prioritize public welfare, and ensure transparency and accountability in its financial practices. By optimizing its resource allocation, Gaya Municipality can effectively serve the needs of its citizens and promote sustainable growth.

Expenditure Share by Year

	2014-15 Expenditure percentage	2015-16 Expenditure percentage	2016-17 Expenditure percentage
Establishment Expenditure	63.08	71.22	75.38
Administrative Expenses	0.66	1.08	1.52
Operation and maintainance	12.50	12.52	17.35
Programme expenses	23.11	13.90	3.90
Miscellaneous Expenses	0.15	0.30	1.85
Prior period item	0.49	0.99	0.00

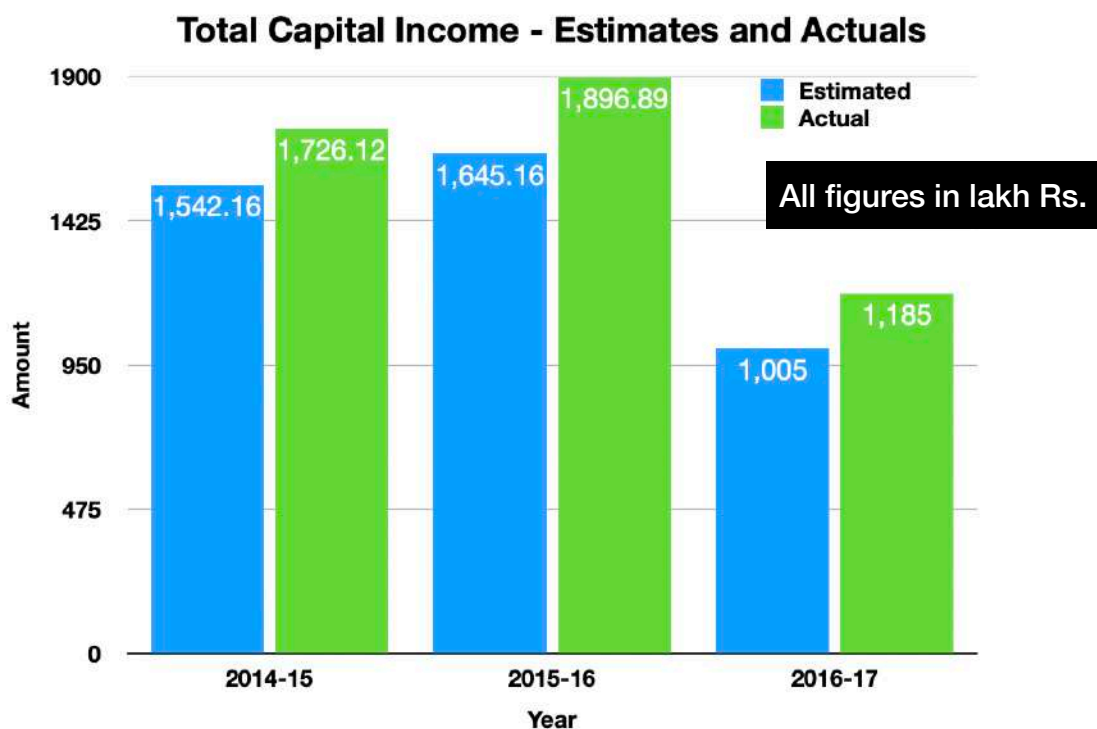
Operation and maintenance expenses, which cover the upkeep of infrastructure like water supply, sanitation, and roads, have been allocated an average of 14.42% of the budget. While this share is higher than program expenses, it still falls short of the level needed to address Gaya's growing infrastructure needs.

Analysis of Capital Income and Expenditure

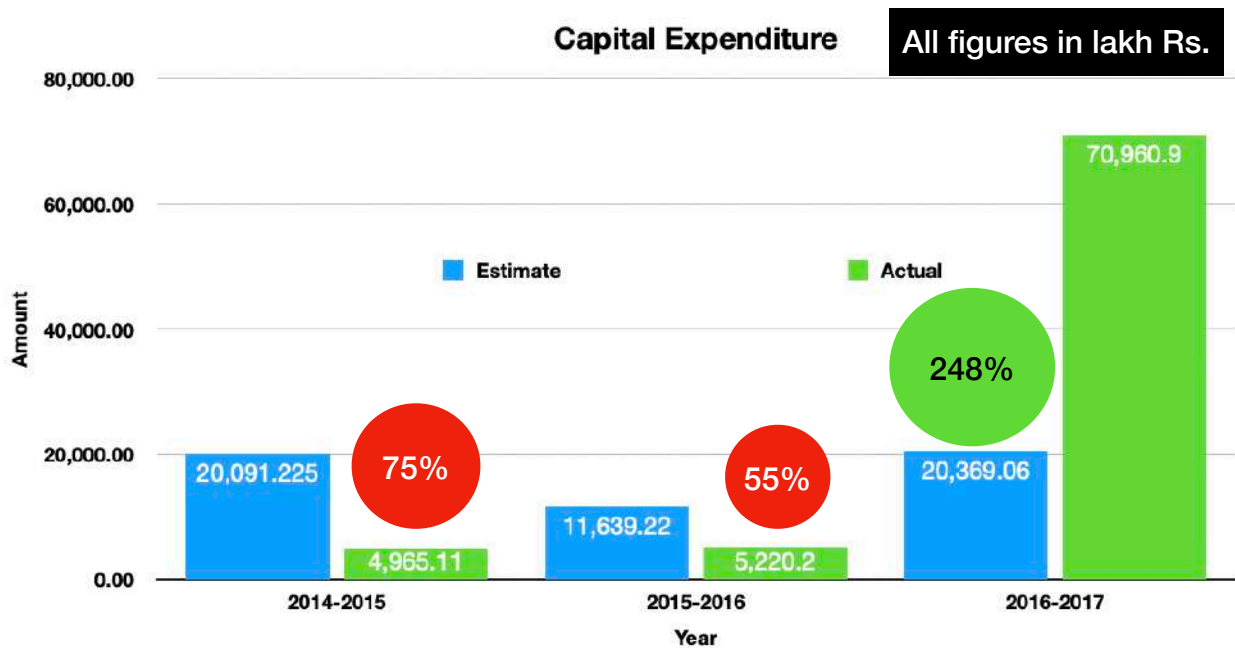
Capital Income by Percentage

	2014-15 Actual	2015-2016 Actual	2016-2017 Actual
Capital Income	17.27	42.07	15.53
General	50.23	37.38	50.72
Loans, Advances & Deposits with others	32.50	20.55	33.76

The capital income of Gaya Municipal Corporation (GMC) has fluctuated over the three years from FY 2014-15 to FY 2016-17. It was highest in 2015-16 at 42.07% and lowest in 2016-17 at 15.53%. The General category is almost constantly the largest contributor to the capital income of GMC. It accounted for 50.23% of the total capital income in 2014-15, 37.38% in 2015-16, and 50.72% in 2016-17. The Loans, Advances & Deposits category is the second largest contributor to the capital income



of GMC. It accounted for 32.50% of the total capital income in 2014-15, 20.55% in 2015-16, and 33.76% in 2016-17.



The above figure shows the capital expenditure of Gaya Municipal Corporation (GMC) from 2013-14 to 2016-17. The data shows that the capital expenditure has been increasing steadily over the four years, from Rs. 1,190.04 crores in 2013-14 to Rs. 6,903.7 crores in 2016-17.

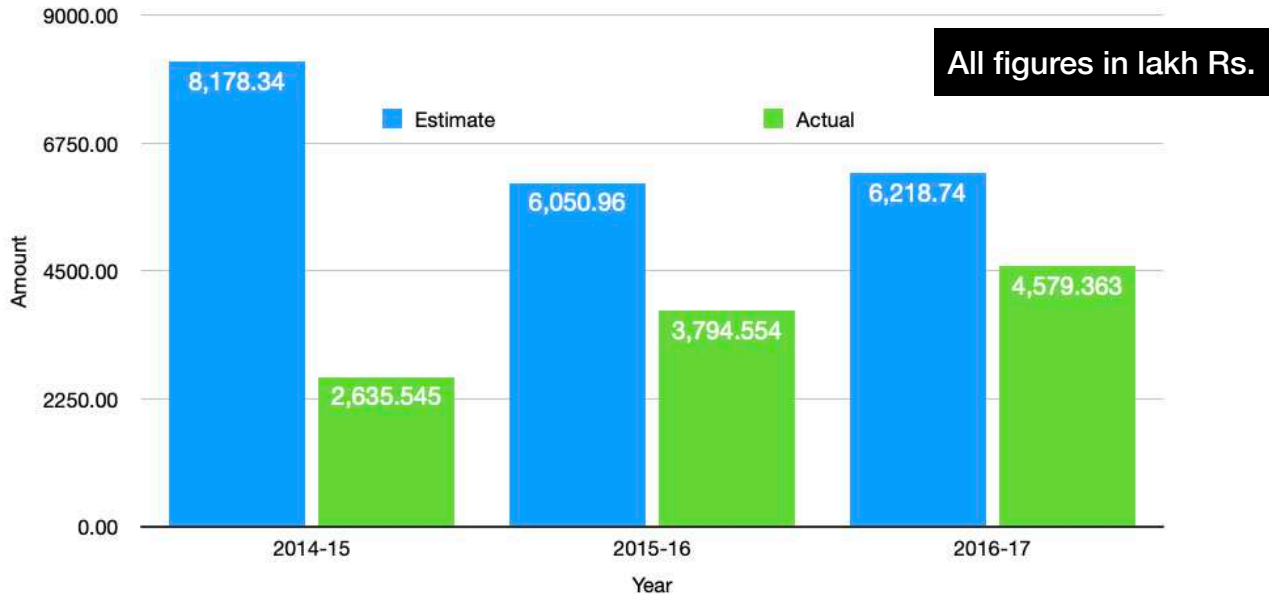
This increase in capital expenditure is a positive sign, as it indicates that the municipality is investing in the development and maintenance of its infrastructure and services. This is essential for ensuring the long-term sustainability and growth of the city.

The data also shows that the actual capital expenditure has mostly been consistently lower than the budget estimate. On the other hand, it is much higher, showing the

Capital Expenditure by Percentage

	2014-15 Actuals percentage	2015-16 Actuals percentage	2016-17 Actuals Percentage
Capital Expenditure	47.93	78.33	97.29
Capital works in progress	44.80	10.33	01.14
Public Works	05.54	08.24	00.91
Expence	00.42	01.13	00.05
Fixed Asset	01.31	01.97	00.61

Revenue Expenditure - Actual and Estimate



inability to estimate the Capital Expenditure, which may lead to financial distress in the upcoming Financial years.

The capital expenditure percentage has been increasing steadily over the three years, from 43.03% in 2014-15 to 97.29% in 2016-17. It indicates that the municipality is investing in the development and maintenance of its infrastructure and services. This is essential for ensuring the long-term sustainability and growth of the city. But on the other side, this also shows the skewness in the capital investment patterns into the city infrastructure.



**School of Public Policy and Governance
Tata Institute of Social Sciences, Hyderabad
cg.secretariat@tiss.edu**