

# **ASSESSMENT OF REVENUE AND EXPENDITURE PATTERNS IN URBAN LOCAL BODIES OF MAHARASHTRA**

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# Assessment of Revenue And Expenditure Patterns In Urban Local Bodies Of Maharashtra

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## ABSTRACT

*This paper is concerned with respect to asses the revenue and expenditure patterns in the various Urban Local Bodies(ULBs) in Maharashtra. The context for this is the finance commissions at the state and central levels as well as the 74<sup>th</sup> constitutional amendment. Without the requisite resources, the de jure transfer of functions to ULBs will be a vacuous exercise with no de facto change. Whilst looking at the aggregate picture is fine, here we look also at the sub-categories of Municipal Corporations and Councils separately. In addition, we also consider the aspect of the quality of service delivery by the corporations. To meaningfully operationalize the spirit and letter of 74<sup>th</sup> CAA, it is necessary that ULBs come out with a serious and innovative action plan to increase their resources. The paper also provides a fairly comprehensive status report on the different aspects related to – revenue expenditure patterns – ULBs in Maharashtra. For the purposes of accountability as well as evaluation, such an exercise is useful as a foundational building block that needs to be replicated across states.*

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# Assessment of Revenue And Expenditure Patterns In Urban Local Bodies Of Maharashtra

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## 1. INTRODUCTION

The main thrust of this paper is to closely examine the expenditure and revenue patterns of ULBs in Maharashtra. This needs to be contextualized within the parameters set by the devolution patterns to local bodies that have been envisaged by Central and State Finance Commissions on one hand and the 74<sup>th</sup> Constitution Amendment on the other. Given the domestic macroeconomic situation that Indian economy is faced with (partly externally and partly policy induced) the scarcity of resources at all levels of government has to be recognized as a stark reality. Of course, the funds flowing from higher level governments are not the only ones available to ULBs. ULBs have revenue generation powers of their own and a measure of sustainability and efficiency of local bodies is how well these match up with their functions. Without this, the *de jure* transfer of functions to ULBs will be a vacuous exercise with no *de facto* change. In this article however, we will not be discussing the important issues connected with the devolution formulae (See Karnik and Pethe 2001 for details specific to Maharashtra) or alternative sources of revenue in any detail. Such a discussion will be a subject fit for a separate paper. Comprehensive treatment of these matters is available to the interested reader in our UNDP/UNCHS study (Karnik et al 2002a).

This paper is specifically meant to be a status report and contains also a prototype exercise that may be gainfully replicated for other states. While the aggregate of ULBs provides a picture of their expenditure and income patterns, it is important to have a disaggregated look at select ULBs. In pursuit of this we studied the finances of three MCs in Maharashtra – Navi Mumbai, Pimpri-Chinchwad and Thane (again, details may be gleaned from Karnik et al 2002a). Bearing in mind that expenditures by ULBs represent only the input side of the process of service delivery, we seek to

have a look at the output side as well viz., actual service delivery to the citizens of these local bodies.

The plan of this paper/article is as follows. In the next section we would briefly comment about the heterogeneity about the ULBs in Maharashtra. Section 3 looks at the powers and responsibilities of ULBs with respect to taxation and expenditures. Section 4 presents an evaluation of ULBs in Maharashtra; this is done separately for Municipal Corporations and Municipal Councils. Section 5 concludes.

## **2. URBAN LOCAL BODIES IN MAHARASHTRA**

The heterogeneity among the ULBs in Maharashtra begins from the variety of Acts that govern them (*A detailed listing of all ULBs in Maharashtra is given in Appendixes 1 and 2*). Unlike other States, where all the ULBs are governed by an uniform act, ULBs in Maharashtra are governed by the following four Acts:

- Bombay Municipal Corporation Act, 1888,
- City of Nagpur Corporation Act, 1948,
- Bombay Provincial Municipal Corporations Act, 1949,
- Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965.

Even though the above Acts have gradually evolved in response to felt needs, it is now that a need to have an uniform Act governing all the ULBs in the State is being recognized. This is especially true in the light of the 74th Constitutional Amendment Act, Schedule 12 which lists out numerous functional responsibilities for ULBs in addition to those which were already being performed. Consequently, State Acts, particularly those aspects relating to obligatory and discretionary functions, need to be appropriately modified to reflect the spirit of the Constitutional Amendments.

The broad division of Local Bodies in Maharashtra, as in other States, is between Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs). The main unit of governance at the rural level is the Gram Panchayat (GP). The

graduation of GP to the smallest ULB, the ‘C’ Class Municipal Council (MC–C), is possible when the population of a jurisdiction exceeds a critical level. However, in some cases an intermediate stage has been imposed in Maharashtra between the GP and MC–C. This is known as the Town Panchayat. As the name suggests, this is a ULB in the making, which has not yet lost its rural moorings.

In the class of Municipal Councils there are two other levels of ULBs: ‘B’ Class Municipal Council (MC–B) and ‘A’ Class Municipal Council (MC–A). The parameters for classification of ULBs have been listed in Section 11 of Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. It is seen that population is the only criteria for classification.

**TABLE 2.1**

**CATEGORISATION OF ULBs AS PER POPULATION**

<b>Population</b>	<b>ULB</b>
Below 25,000	No Municipal Council
Between 25,001 and 40,000	‘C’ Class Municipal Councils
<i>Between 40,001 and 1,00,000</i>	‘B’ Class Municipal Councils
Between 1,00,001 and 3,00,000	‘A’ Class Municipal Councils
Above 3,00,001	Municipal Corporations.

In addition, there are different norms for ‘Town Panchayats’ and ‘Industrial Townships’. An urban area with a population in between 15,000 and 25,000 is declared as Town Panchayat, if the majority of workers are engaged in agricultural activities. There are only two Town Panchayats in Maharashtra and no Industrial Townships.

We will present some summary statistics to convey a flavour of the heterogeneity among ULBs. The heterogeneity of ULBs within each class with respect to population (1991 Census) and area is shown in Table 2.2.

**TABLE 2.2**  
**CHARACTERISTICS OF ULBs IN MAHARASHTRA**

<b>Characteristic</b>	<b>Statistic</b>	<b>MC</b>	<b>MC-A</b>	<b>MC-B</b>	<b>MC-C</b>
Population (lakhs)	Mean	12.89	1.91	0.58	0.21
	Standard Deviation	24.19	0.86	0.14	0.08
	C.V.	1.88	0.45	0.25	0.39
	Maximum	99.1	3.79	0.88	0.42
	Minimum	3.14	0.95	0.37	0.03
Area (sq. km.)	Mean	186.49	26.42	15.92	14.14
	Standard Deviation	152.94	20.05	11.45	19.17
	C.V.	0.82	0.76	0.72	1.36
	Maximum	603.0	81.64	47.26	152.81
	Minimum	13.34	3.94	2.54	0.67
Correlation		0.8227	0.1836	0.0541	0.0478
Notes: C.V. = Coefficient of Variation Correlation has been computed between population and area for each class of ULB.					

If one merely considers the means of population or area the movement from MC-C to MC seems gradual: MC-C has the lowest mean population and mean area followed by MC-B, then by MC-A and finally MC. However, there are wide variations within each level of ULB, with those for area being much greater than those for population. For instance, the minimum size of an MC-C is 0.67 square kilometers while the maximum size is 152.81 square kilometers, which is much larger than the largest MC-A or MC-B. One further indicator of the heterogeneity is the correlation between area and population for each class of ULB. The correlation is the highest for MC at 0.823 and the lowest for MC-C at 0.048.

### **3. POWERS AND RESPONSIBILITIES OF ULBs**

Before we begin our study of the expenditure and revenue profiles of ULBs in Maharashtra we felt it would be better to examine their powers and responsibilities with respect to their taxation and expenditure functions. This would form the backdrop against which we shall be evaluating the functioning of the ULBs with respect to their revenue-expenditure patterns and service delivery performance.

The operations of ULBs are governed by various provisions in the State Acts which are the fountainhead of the powers of local bodies. The sources of revenue are mandated by such provisions and their autonomy in taxation is circumscribed by these. Similarly, their autonomy for deciding expenditure priorities is limited within this framework. Hence it is essential to understand the provisions in the State Acts regarding the revenues and expenditure powers of the ULBs.

### **3.1. Revenues of ULBs in Maharashtra: Taxation Powers of ULBs**

Revenues of ULBs can be broadly classified as revenues from *own sources* and those from *external sources*, such as grants from the State and loans. Again, own sources of revenues can be categorized as *tax revenues* and *non tax revenues*. There are specific provisions in the State Acts, regarding taxation powers of the ULBs. Article 243X of the Constitution, inserted after the 74th Constitutional Amendment Act (CAA) envisages, that States should devolve additional taxation powers to ULBs, so as to make them financially competent for discharging the added functional responsibilities, mandated by the succeeding Article 243W. However, in Maharashtra, there has been no such devolution of taxation powers, which would have been expected since it would have been in consonance with the process of decentralization. Instead, we have seen that taxation powers of small ULBs regarding octroi have been withdrawn by the State in March 1999. Hence, the taxation powers of the ULBs are limited to its traditional sphere and have not gone beyond various existing provisions in the State Acts.

Section 139 of the BMC Act 1888, Section 127 of the BMC Act 1949 and Section 108 of the Councils Act 1965, provides taxation powers of the ULBs regarding following items.

- a) Octroi or Cess on lieu of octroi (Note: This is only for municipal corporations)
- b) Property Tax
- c) Vehicle tax, tax on boats or animals
- d) Sanitary tax upon private latrines cleaned by municipal agency
- e) Drainage tax

- f) Water tax
- g) Educational tax

Thus the above list delimits the tax powers of ULBs. However, even within this list there are provisions in the State Acts that further reduce the flexibility of the ULBs. This can be illustrated by property tax.

Municipal Corporations (MCs) in Maharashtra can levy property tax as a percentage of annual ratable value of the property, and ceilings for such percentages are laid down by the State in three different Acts. They are summarized in Table 3.1.

**TABLE 3.1**  
**RATES OF PROPERTY TAX IN MCs OF MAHARASHTRA**

<b>Components of Property Tax</b>	<b>BMC Act 1888</b>	<b>NMC Act 1948</b>	<b>BPMC Act 1949</b>
<b>General Tax</b>	26 %	12 % to 31%	Maximum 12 %
<b>Fire Brigade Tax</b>	4 %	1 %	Maximum 12 %
<b>Water Tax</b>	65 %	10 % to 15 %	Autonomy of the ULB
<b>Water benefit tax</b>	12.50 %	--	Autonomy of the ULB
<b>Sewerage Tax</b>	39 %	12 %	Autonomy of the ULB
<b>Sewerage benefit Tax</b>	7.50 %	--	Autonomy of the ULB
<b>Education Tax</b>	12 %	2 % to 12 %	Upto 5 %
<b>Street Tax</b>	15 %	--	Maximum 10 %
BMC=Bombay Municipal Corporation NMC = Nagpur Municipal Corporation BPMC=Bombay Provincial Municipal Corporation			

It can be seen that BMC has no autonomy regarding the components and rate for each component of the tax, while Nagpur has limited autonomy. All other MCs (governed by BPMC Act) have autonomy regarding the rate of tax in case of components related to water supply and sewerage only. However, there is no freedom to any MC regarding inclusion of any new component or changing the tax base to



some other, say, area. In the case of Municipal Councils, property tax is levied as a *consolidated* property tax, but different ceilings for tax rate, as a percentage of the annual ratable value, are similarly prescribed by the State vide provisions in Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. These ceiling are listed in Table 3.2.

**TABLE 3.2**  
**RATES OF PROPERTY TAX IN MUNICIPAL COUNCILS OF**  
**MAHARASHTRA**

Type of Municipal Council	Minimum	Maximum
A	23 %	28 %
B	22 %	27 %
C	21 %	26 %

Systematic information is not available for the rate of property tax being actually levied by various municipal councils. Hence we are unable to report details in this regard. However, we believe that many of them have reached or are close to the limit set by the various Acts.

It is clear from the above discussion, that ULBs have a very limited choice regarding taxation, which is further restricted by various regulating principles decided by the State. Even though it is true, that the higher level government should play a supervising and controlling role, the restrictions imposed on ULBs seem to be suffocating them. The important point being made here is, that ULBs have a very limited autonomy about the sources of their revenues, and the entire revenue-expenditure process needs to be assessed bearing this in mind.

### **3.2. Revenues of ULBs in Maharashtra: Non Tax Revenues**

Like taxation, the non tax revenues of the ULBs are also limited to conventional sources such as:

- a. Parking fees
- b. Permit fees
- c. Service fees and user charges
- d. Rent from buildings and commercial complexes

- e. Development fees for granting permission to construct buildings on vacant plot
- f. Other fees and charges etc.

The power of ULBs in Maharashtra appear to be highly restricted with respect to both, the tax and the non tax sources of revenues, which constitute their *own* sources. This has forced the ULBs to be dependent on the State for their finances. These constitute external sources of finance, which complement the own sources of ULBs.

### 3.3. Grants from State

The external sources of revenues for the ULBs are grants from the State. There are about thirty types of grants flowing towards the ULBs under different major and minor heads in the State budget. Important among them, with their characteristics, are as follows:

- Dearness Allowance Grant: This grant is given to municipal councils for compensating the expenditure incurred for dearness allowance payable to municipal staff. This grant is linked to the recovery of property tax in the previous year.

**TABLE 3.3  
DISTRIBUTION OF DEARNESS ALLOWANCE GRANT**

Recovery of Property Tax	Admissible Grant
Upto 60 %	70 %
From 61 % to 70 %	80 %
From 71 % to 85 %	85 %
Above 85 %	100 %

There are upper limits as well for the grant receivable from the State, as a percentage of the expenditure on dearness allowance. The limits are as follows:

**TABLE 3.4**  
**LIMITS FOR DEARNESS ALLOWANCE GRANT**

Type of Municipal Council	Maximum Limit for Grant
A Class	90
B Class	100
C Class	100

This is, perhaps, a strange case, where the principle of incentives is applied for the basic receivable by any employee, that is the component of the salary. Further, the ULB has to initially pay the amount to the staff, and then gets compensation in due course, adversely affecting its liquidity position. If a ULB receives lower allocation due to non performance, the ULB gets penalized, and not the concerned staff in taxation wing, as there may not be any deductions in dearness allowance paid to them.

- Grant for reimbursement of salary and leave salary of Chief Officers: Salaries and leave salaries of chief officers are compensated by the State, since chief officers are employees of the State and not of the ULB.
- Land revenue and non agriculture assessment grant: ULBs receive 75 percent of the land revenue and 75 percent of the non agriculture revenue collected in their area by the State.
- Entertainment Grant: This grant, again linked to the recovery of consolidated property tax, is received by the ULBs in proportion to the entertainment tax recovered from their respective areas on the basis of following formula.

**TABLE 3.5**  
**RATES OF ENTERTAINMENT TAX GRANT**

Type of the ULB	Entertainment Tax Grant (% of collection)
Municipal Corporations	10 %
A Class Councils	50 %
B Class Councils	70 %
C Class Councils	90 %

- Stamp Duty Grant: 1 percent of the value of the sale, or mortgage deed in the area of the ULB is given out of the stamp duty collected by the State.
- Pilgrim Tax Grant: Six municipal councils which were places of pilgrimage (Trimbak, Alandi, Jejuri, Pandharpur, Tuljapur and Ramtek) were levying pilgrim tax, which was abolished by the State. Even though these councils, are compensated like octroi, this again, can be cited as a centralizing tendency of the State.
- Minor Mineral Grant: Only C class municipal councils receive this grant, to enhance their meager resources for excavation of minor minerals in their jurisdiction.
- Profession Tax Grant: In Maharashtra unlike in any other States, profession tax is being levied by the State since 1975, and not by local bodies. A few ULBs levied this tax before 1975, but their taxation powers on this score were withdrawn by the State, and now they receive a compensation for it.
- Road Grant: Motor vehicle tax collected within the jurisdiction of an ULB is shared at the rate of 17.75 percent of the net collection. BMC, which used to collect wheel tax, is now prohibited from collecting it since is now being compensated by this grant.
- Octroi Compensation Grant: Since octroi has been abolished from council areas, Municipal Councils are now compensated by this grant.
- Primary Education Grant: There are different criteria for each type of ULB about disbursement of this grant. BMC gets 20 percent of the expenditure on primary education from the State. Other municipal corporations, receive 50 percent of the expenditure incurred.

**TABLE 3.6**  
**PRIMARY EDUCATION GRANT TO MUNICIPAL COUNCILS IN**  
**MAHARASHTRA**

Type of Municipal Council	Grant Receivable
<b>A Class</b>	80 percent of the expenditure
<b>B Class</b>	90 percent of the expenditure
<b>C Class</b>	100 percent of the expenditure

- Other Grants: Apart from the above, there are some other grants - like grants for traffic signals, for catching street dogs, for bleaching powder in water supply schemes etc.

The following observations may be made about the external revenues of the ULBs that have been discussed above:

- All grants are purposive in nature; that is, there are no untied type of grants. The purposes for which these grants are disbursed do not consider assets for infrastructure developments.
- Many grants (octroi, profession tax, pilgrim, road etc.) are *compensatory* in nature. Those grants are given subsequent to withdrawal of respective taxation powers of the ULBs, indicating the centralizing tendencies of the State. In fact, proper revenue-assignment dictates that taxes, which are *local* in nature, should be levied by local authorities and not by the State.
- The distributive principles are not uniform. It is not the case that all ULBs receive all types of grants and each type of grant is often disbursed at varying rates to different ULBs.
- The nature of disbursements grants is purely ad hoc without any legitimate right of the ULB. This affects the planning of expenditure strategies by the ULBs.

In conclusion we might state that grants from the State do not really help the ULBs in major developmental works, but merely support their day-to-day functioning. But more generally, revenues of the ULBs have been throttled by such

inherent structural bottlenecks like, limited autonomy regarding taxation, small bandwidth for non tax revenues, unpredictable nature of funds flowing from the State etc. It is important to remember these handicaps faced by ULBs while evaluating their revenue patterns.

### 3.4. Expenditures of ULBs in Maharashtra

Expenditures by ULBs are basically for providing various services to citizens. The 74th CAA has added a list of 18 services to be performed by local bodies. However, since Maharashtra have a long tradition of ULBs even before its Constitutional recognition by the 74th CAA, many of the functions listed in the Twelfth Schedule were already being performed by them, and ULBs were incurring expenses on these.

There are four State Acts governing ULBs in Maharashtra. Sections of those Acts, which describe the duties and responsibilities of the ULBs, or the items on which the ULBs are expected to spend, are as follows:

**TABLE 3.7  
RESPONSIBILITIES OF THE ULBs IN MAHARASHTRA**

Sr.No.	Act	Responsibility	
		Obligatory	Discretionary
1	Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965 ( <i>Councils Act 1965</i> )	Section 49(2)	Section 49(3)
2	Bombay Municipal Corporation Act, 1888 ( <i>BMC Act 1888</i> )	Section 61	Section 63
3	Nagpur Municipal Corporation Act, 1948 ( <i>NMC Act 1948</i> )	Section 57	Section 58
4	Bombay Provincial Municipal Corporation Act, 1949 ( <i>BPMC Act 1949</i> )	Section 63	Section 66

Some of the duties performed by ULBs are *obligatory* in nature, while others, being *discretionary*, are within the autonomy of the ULB. The following is a list of select important *obligatory* functions, that are traditionally performed by all ULBs.

1. Public hospitals and dispensaries, vaccination, epidemic control and prevention of dangerous diseases, medical relief, family planning and welfare etc.
2. Removing dangerous buildings etc.
3. Solid Waste Management
4. Drainage and sewerage systems
5. Water supply
6. Roads, markets, slaughter houses, washing places, drinking fountains, tanks, wells, etc.
7. Fire Brigade
8. Street Lights
9. Disposal of dead bodies
10. Regulating and preventing offensive and dangerous trades or practices
11. Removing encroachment on Government properties
12. Registering of births and deaths
13. Primary Schools
14. Welfare measures for scheduled castes and tribes, etc.
15. Establishing and maintaining relief work in times of scarcity or for destitute persons residing within Municipal limits

Similarly, the list of a few important *discretionary* functions is as follows:

1. Public hospitals and homes for destitute and disabled persons
2. Grants and donations to privately run primary and secondary schools
3. Treatment of sewerage and waste
4. Town halls, shops, Dharmashalas, open air theaters, stadiums, rest houses
5. Transport
6. Electricity and LPG supply

7. Ceremonies, fairs, exhibitions etc.
8. Destroy harmful animals
9. Grazing ground, dry farm etc.
10. Welfare of municipal employees
11. Sanitary dwellings for the poor
12. Educational institutions
13. Dairies

After the 74th CAA, the following six entries from the Twelfth Schedule have been added to the above described functional domain of the ULBs vide a State enactment in 1994, which modified the provisions in the four above mentioned Acts.

1. Planning for economic and social development (obligatory)
2. Urban forestry, protection of the environment and promotion of the ecological aspects (obligatory)
3. Slum improvement and upgradation (discretionary)
4. Urban poverty alleviation (discretionary)
5. Cattle pounds and prevention of cruelty to animals (discretionary)
6. Regulation of slaughter houses and tanneries (discretionary)

However, in spite of such functional devolution to the ULBs, it has not been matched by supporting financial devolution. This has led to too many responsibilities chasing a narrow resource base. This is further aggravated by the stipulation in the Municipal Acts that ULBs *must* balance their budgets. The plethora of constraints on the ULBs has made assessment of their functioning difficult: it is difficult to establish whether non-performance represents dereliction of duty or inability to perform due to lack of funds. It has also compelled local authorities to be 'creative' in their disclosure of information and in their accounting. The generally observed phenomenon that quality of administration tends to be relatively poor at lower levels of government has added to the difficulties: funds are utilized for non-productive purposes resulting in



poor delivery of services. The end result is a general apathy towards the functioning of ULBs and little hope for any improvement. Naturally, citizens' participation has been conspicuous by its absence not only in Maharashtra but indeed all over India.

#### **4. EVALUATION OF THE GENERAL EXPENDITURE AND REVENUE PATTERN OF ULBs IN MAHARASHTRA**

##### **4.1. An Examination of Expenditure Patterns of All Municipal Corporations in Maharashtra**

This section looks at the financial performance of all Municipal Corporations in the state of Maharashtra. Our approach is to examine the quality of service delivery by the corporations. This can be done by examining the finances of the corporations and trying to identify patterns with respect to various expenditure heads. We do this specifically to isolate expenditures on provision of important services to citizens within the jurisdiction of the corporations. It should also be remembered that the entire exercise of evaluation is on the backdrop of process of decentralisation that accelerated after the 74<sup>th</sup> Constitutional Amendment Act.

The main economic argument in favour of decentralisation is in terms of allocative efficiency. The public sector is best suited to provide goods and services, which have 'public goods' characteristics. A public good (to be distinguished for a publicly *produced* good) has the following characteristics:

*Non-Exclusion (NE)*: Difficulty of excluding a person who does not pay from the benefits of the good or service.

*Joint Consumption (JC)*: The availability of the benefits of the good to more than one individual at the same time.

The classic example is national defence. No individual can be excluded from the benefits of national defence by making enjoyment of benefits contingent on payment. Further, adding one more beneficiary to the services provided by national defence does not involve any additional cost.

However, not all public goods are characterized by NE and JC to the same extent (Oates 1972, 1999). For instance, it may be possible to restrict the use of flyover only to those who pay a toll (thus NE characteristic does not hold), but JC (provided congestion does not set in) is still possible. Further, the benefits of certain public goods are spatially restricted.

The spatial dimension of a public good adds force to the case for decentralisation. Street lighting in Bombay will benefit only residents of Bombay but not the residents of, say, Amravati. Further, the preferences of different localities for public goods may differ substantially. Residents of a remote village may not be as concerned about vehicular pollution (that is, demand clean air, which, in a small town, is plentiful) as might the residents of an urban area (where clean air may be in short supply).

Centralized provision of public goods will in all likelihood ignore the spatial characteristics of these goods as well as the diversity of preferences. The inability of a central body to account for spatial differences is essentially one of information. Local bodies will be better informed about the characteristics of their localities and about the preferences of their citizens. A centralized government, in the absence of this information, will adopt a 'one-size-fits-all' approach and supply a uniform package of public goods to all citizens. When the jurisdiction that determines the level of provision of each public good includes precisely those individuals who consume the good there is 'perfect correspondence' in the provision of public goods. Of course, given the wide diversity of preferences of individuals, the number of jurisdictions that will map all of these preferences precisely is likely to be very large. The situation would get even more complicated as the number of public goods consumed by individuals increases. It seems inconceivable that individuals living in close vicinity of each other that is in a jurisdiction, would have the same preferences over all public goods. Hence, individuals would have to be members of different jurisdictions at the same time to have their needs for public goods to be perfectly satisfied. Clearly, the latter would be an impossibility even assuming complete mobility of individuals. In spite of these conceptual difficulty, the fact remains that local governments being 'closer' to consumers would satisfy preferences of consumers better than a central

government in the provision of public goods with spatial benefits. In fact, this is the implication of the Decentralisation Theorem (Oates, 1972), which states that unless there are significant cost-savings from centralized provision of public goods (which there would be only for pure public goods), decentralized provision will always be Pareto-improving.

*Core Services as defined by Eleventh Finance Commission*

The *Eleventh Finance Commission* has defined *core services* as being inclusive of water, streetlights, roads and sanitation. The expenditure of all corporations on the EFC core services as ratio of total expenditure was 35.87 percent in 1995-6 (Table 4.1).

TABLE 4.1  
**EXPENDITURE HEADS AS PERCENT OF TOTAL EXPENDITURE**

	1995 – 6	1996 – 7	1997 - 8	1998 – 9	1999 – 2000
<b>EFC Core Services</b> (water, street lights, roads, sanitation /total exp)	35.87	38.71	38.85	38.75	39.18
<b>Local Public Good</b> sanitation, fire brigade, roads, st. lighting/total exp	24.14	26.38	25.89	25.09	25.70
<b>Local Public Good (Extended)</b> education, sanitation, fire brigade, water, health, roads, st. lighting/total exp	46.02	48.14	48.47	47.49	48.65
<b>General Administration, Salaries, Pension etc</b>	40.16	37.11	38.66	36.83	37.93
<b>Education, Libraries, Free Reading Halls etc.</b>	4.29	4.01	3.96	3.45	3.86
<b>Sanitation, Solid Waste Management etc.</b>	12.07	14.29	14.01	12.90	13.69
<b>Fire Brigade</b>	0.61	0.51	0.57	0.47	0.58
<b>Water Supply</b>	12.34	12.83	13.53	14.12	14.06
<b>Epidemics and Public Health</b>	5.25	4.91	5.10	4.82	5.04
<b>Roads</b>	8.61	8.64	8.67	9.04	8.81
<b>Street Lighting</b>	2.85	2.94	2.64	2.68	2.62

A very gradually increasing trend is noticed in the proportion of expenditure being incurred on the core services with the exception of a 0.1 percentage point reduction in 1998-9. In 1999-2000 the ratio stood at 39.18 percent.

#### *Local Public Goods*

While provision of core services is a useful way of looking at the performance of MCs, the term 'core services' does not have a precise connotation in economics. A more precise and sound theoretical concept is that of *local public goods* (LPG), the benefits of such public goods which are spatially restricted are known as LPG. LPG shares the characteristic of NE with public goods. For instance, no ULB makes provision of streetlights contingent on payment. However, the number of beneficiaries cannot be increased indefinitely: at some point, an individual reasonably far away from the street light will not receive any benefits at all. The benefits are restricted by considerations of space in a way that benefits of public goods are not: the benefits of defence expenditures are available to any individual, located anywhere in India.

With this definition of *Local Public Goods* being modified, water (which can be metered and charged) is excluded and fire brigade is included. We now find that the proportion of expenditure being incurred on these services is lower than the ratio obtained for the EFC core services. In 1995-6 the proportion of expenditure on these services was 24.14 percent and in 1999-2000 the ratio stood at 25.7 percent (Table 4.1).

#### *Local Public Goods (extended)*

The definition of *Local Public Goods* was *extended* to include Education, Sanitation, Fire Brigade, Water, Roads and Street Lighting. With this extended definition the ratio of expenditure on these services is higher at 46.02 percent in 1995-6 (Table 4.1). The trend pattern continues to remain the same as was observed with the other two definitions. In 1999-2000 the proportion stands at 48.65 percent.

### *General Administration, Salaries etc*

Expenditures on *general administration and salaries* are an essential part of the expenses being incurred by all ULBs. However, burgeoning expenses on this head implies that less remains for spending on public goods. Of the expenditure categories, the highest proportion of expenditure was incurred on general administration, pensions etc. (Table 4.1). It comprised as much as 40.16 percent of total expenditure in 1995-6. It does, however, show a gradually declining trend. It fluctuated by about one percentage point over the next four years and stood at 37.93 percent in 1999-2000. With larger expenditures on this front being at the expense of public goods provision, any effort to reduce expenditures on general administration and salaries is seen to be an indicator of improvement in performance.

### ***Disaggregated Look at Expenditure Categories***

In the sub-section we now look at some of the important expenditure categories for MCs. While some of these categories may have been encountered earlier, we now look at them individually.

### *Education, Libraries etc.*

Education is a public good. Hence, higher the expenditure on education, the better the performance. The proportion of expenditure on *education, free reading halls etc.* has steadily declined from 4.29 percent in 1995-6 to 3.45 percent in 1998-9 (Table 4.1). In 1999-2000 there has been a marginal increase to 3.86 percent in 1999-2000.

### *Sanitation, Solid Waste Management etc.*

*Expenditure on sanitation, solid waste management etc* which stood at 12.07 percent in 1995-6, rose to 14.29 percent in 1996-7 (Table 4.1). Subsequently for the next two years a declining trend was noticed and it fell to 12.9 percent in 1998-9. In 1999-2000 the ratio rose to 13.69 percent.

### *Fire Brigade*

Expenditure on *fire brigade*, which comprised 0.61 percent of total expenditure in 1995-6, fell to 0.51 percent in 1996-7 but again picked up to 0.57 percent in 1997-8 (Table 4.1). In 1998-9 it once again showed a decline by 0.10 percentage point to 0.47 percent, but picked up by 0.11 percentage point in 1999-2000 to reach 0.58 percent.

### *Water Supply*

Expenditure on *Water Supply* as percent of total expenditure comprised 12.34 percent in 1995-6 (Table 4.1). It has shown a steady increase to reach 14.12 percent in 1998-9. In 1999-2000 there has been a marginal decline to 14.06 percent.

### *Epidemics and Public Health*

Expenditure on *epidemics and public health* as percent of total expenditure comprised 5.25 percent in 1995-6. It has fluctuated around the 5 percent mark in the following four years and stood at 5.04 percent in 1999-2000.

### *Roads*

Expenditure on *Roads* comprised 8.61 of total expenditure in 1995-6. A very gradual increase resulted in its proportion going up to 9.04 percent in 1998-9. In 1999-2000 it declined marginally to stand at 8.81 percent.

### *Street Lighting*

Expenditure on street lighting does not command a large proportion of total expenditure. It was 2.85 percent in 1995-6, which has fallen to 2.62 percent in 1999-2000.

### ***Growth Rates of Expenditure Categories***

The exercise in the previous sub-sections was concerned with examining various heads of expenditures as a proportion of total expenditures. This indicated the

relative importance being given to the various heads in the levels of expenditures being incurred. In this section we look at the way in which various heads of expenditures have grown over time. We look at this in the context of nominal (that is uncorrected for inflation) expenditures. *Growth rates* were computed for all expenditure categories for all MCs.

In 1996-7 the highest growth rate was recorded by expenditure on sanitation and solid waste management of 46.04 percent (Table 4.2).

**TABLE 4.2**  
**GROWTH RATE OF EXPENDITURE HEADS**

(%)

	1996 – 7	1997 - 8	1998 – 9	1999 – 2000
<b>General Administration, Salaries, Pension and Pensionary Benefits etc</b>	14.05	19.04	11.92	14.69
<b>Education, Libraries, Free Reading Halls etc.</b>	15.53	12.64	2.40	24.52
<b>Sanitation, Solid Waste Management and Drain, Mechanical and Electrical etc</b>	46.04	12.01	8.19	18.20
<b>Fire Brigade</b>	3.50	27.89	(3.97)	38.50
<b>Water Supply</b>	28.34	20.46	22.60	10.88
<b>Epidemics and Public Health</b>	15.33	18.66	11.15	16.28
<b>Roads</b>	23.86	14.66	22.51	8.51
<b>Street Lighting</b>	27.27	2.66	19.37	8.59
<b>Total Expenditure</b>	23.40	14.28	17.46	11.37

The next highest growth rate of 28.34 percent was recorded by water supply. Street lighting too did not fare too badly and registered a growth rate of about 27 percent. Expenditure on roads recorded 23.86 percent. The lowest growth rate of 3.50 percent was recorded for expenditure on fire brigades. This was followed by 14.05 percent rate of growth for general administration, salaries etc. which seemed to suggest that MCs as a whole seemed to be aware that administration and salaries needed to be de-emphasized. Education, libraries etc seemed, however, to have taken a back seat with a growth rate of only 15.53 percent being registered.

In the very next year 1996-7, the growth rate of expenditure on administration and salaries picked up to 19.04 percent, that is an increase of about 6 percentage points. Expenditure on education, libraries etc. further fell to 12.64 percent. The sharpest fall was registered by the expenditure on sanitation and solid waste management, a fall of 34 percentage points. The growth rate of expenditure on streetlights registered a fall of about 25 percentage points. The growth rate of expenditure on water supply fell to 20.46 percent and that of roads to 14.66 percent. Growth rate of expenditure on epidemics and public health increased by about 3 percentage points and that of fire brigades by 25 percentage points. Growth rate of total expenditures declined from 23.4 percent in 1996-7 to 14.28 percent in 1997-8.

1998-9 saw a drop in the growth rates of general administration and salaries by 7.5 percentage points, education and libraries by 10 percentage points, sanitation and solid waste by 24 percentage points, epidemics and public health by 7.5 percentage points. Growth rates of expenditures on water supply have risen by about 2 percentage points, roads by 8 percentage points and street lighting by about 17 percentage points. Growth rate of total expenditures showed an increase of about 3 percentage points.

In 1999-2000, the highest growth rate has been recorded by fire brigades, that is 38.5 percentage points. Education and libraries too have fared very well with a growth rate of 24.5 percent. The growth rate of expenditure on salaries has increased to 14.69 percent, that of sanitation to 18.2 percent and on epidemics and public health to 16.28 percent. Growth rate of expenditure on water supply has halved to 10.88 percent and that on roads has fallen by 14 percentage points and that on streetlights by 11 percentage points. Growth rate of total expenditures has fallen by 6 percentage points.

### ***A Detailed Look at Municipal Corporations***

Having looked at the overall picture of the expenditure pattern of MCs, we now seek to take a detailed look. The detailing will be in terms of examining specific expenditure heads.



Maharashtra, is a highly urbanized State, and within the urban population of Maharashtra, the majority is from a selected few towns, declared as MCs by the State Government. This makes MCS a distinguished set of ULBs. In this section we look more closely at the financial position for this set of ULBs for the period 1995-6 to 1998-9. The reason for excluding the year 1999-2000 in this section is that for this year the expenditure figures for BMC were available only in a provisional form. This lack of precision in the data for BMC was found to be distorting our evaluation.

In 1995-6 the total number of MCs in the State was 12. In the year 1997-8, Ulhasnagar and Nanded-Waghala were added and in 1998-9 Sangli-Miraj-Koopwad was added. Very recently, the State Government has announced the conversion of seven, 'A' class municipal councils into MCs, making a total figure of 22. However, for our analysis we work with only 15 MCs that existed in 1998-9.

The 15 MCs in Maharashtra are heterogeneous in many respects, such as population, geographical area, civic facilities provided by them etc. (Note that we are not considering the 7 proposed MCs in our discussion here). Hence, for assessing the general revenue and expenditure pattern of MCs in Maharashtra, the following three different scenarios have been created:

- *Scenario (A) : Considering 15 MCs together*
- *Scenario (B) : Considering only 14 MCs, that is excluding BMC*
- *Scenario (C) : Considering only 12 MCs, that is excluding BMC, Pune and Nagpur*

An interesting aspect of the finances of the MCs needs to be pointed out before we proceed to the detailed examination. The Municipal Acts stipulate that ULBs *must* balance their budgets. However, in spite of this stipulation we find that MCs are running up deficits. Tables 4.3, 4.4 and 4.5 make this amply clear.

**TABLE 4.3**  
**PATTERNS OF INCOME AND EXPENDITURE (SCENARIO A)**

*(Rs Crores)*

Financial Year	Total Income from all Sources	Total Expenditure	Surplus/ (Deficit)
1995-6	3226.44	3092.69	133.76
1996-7	3703.81	3806.56	(102.76)
1997-8	4189.69	4426.84	(237.15)
1998-9	4958.47	5208.70	(250.24)

**Note:** Figures in brackets indicate deficit

**TABLE 4.4**  
**PATTERNS OF INCOME AND EXPENDITURE (SCENARIO B)**

*(Rs Crores)*

Financial Year	Total Income from all Sources	Total Expenditure	Surplus/ (Deficit)
1995-6	1198.51	1038.70	159.81
1996-7	1350.44	1307.79	42.64
1997-8	1621.68	1486.58	135.10
1998-9	1825.27	1886.46	(61.19)

**Note:** Figures in brackets indicate deficit

**TABLE 4.5**  
**PATTERNS OF INCOME AND EXPENDITURE (SCENARIO C)**

*(Rs Crores)*

Financial Year	Total Income from all Sources	Total Expenditure	Surplus/ (Deficit)
1995-6	786.91	643.16	143.75
1996-7	888.61	842.30	46.31
1997-8	1097.34	1014.65	82.69
1998-9	1228.98	1247.36	(18.38)

**Note:** Figures in brackets indicate deficit

The following inferences may be drawn from the three tables 4.3, 4.4 and 4.5:

- As per Scenario A, *BMC has been consistently running large deficits throughout the period, since deficits vanish dramatically in Scenario B and C (For more details on BMC finances the interested reader is referred to Karnik 2002).*

- The financial size of all other MCs together is less than one third the financial size of BMC.
- Year 1998-9 seems to be a bad year for all the MCs.
- 1997-8 was comparatively better than the previous year, the reasons for which would become clear in due course.

*Overall Expenditure Pattern in MCs of Maharashtra*

The overall expenditure pattern of MCs in Maharashtra can be summarized in Table 4.6.

**TABLE 4.6  
EXPENDITURE PATTERN OF MCs IN MAHARASHTRA**

(%)

Scenario	Admn.	Education	Sanitation and SWM	Water Supply	Public Health	Roads	Street Lights	Others	Total
<b>A</b>	38.32	3.94	13.36	12.92	5.04	8.77	2.79	14.86	100.00
<b>B</b>	17.72	6.80	9.40	18.96	4.20	8.86	4.55	29.51	100.00
<b>C</b>	13.92	8.53	10.88	17.95	5.77	11.52	5.42	26.01	100.00

The following observations may be made:

- Except for BMC, the administrative costs of all other MCs are in the range of 13.00 percent to 18.00 percent. This again, confirms the general observation that the BMC is spending much more on salaries.
- Smaller MCs are spending more on education, water supply, roads and street lights, which are priority areas of civic services.
- Pune and Nagpur seem to be spending less on sanitation, sewerage and solid waste management and comparatively more on water supply.
- As we go from larger to smaller ULBs across the scenarios, the proportion of expenditure on education increases, indicating that the smaller MCs are spending more on education.

- Expenditure on roads and street lights for smaller cities is a sizable proportion of the total expenditure, which is a healthy sign in infrastructure development.

*Per Capita Expenditure on Civic Services by MCs in Maharashtra*

Apart from above, some other observations can be made from the analysis of per capita expenditure by various MCs on civic services. The analysis is tabulated in Table 4.7.

**TABLE 4.7  
PER CAPITA EXPENDITURES**

(Rs.)

<b>Scenario A</b>							
<b>Financial Year</b>	<b>Education</b>	<b>Sanitation, SWM etc.</b>	<b>Water Supply</b>	<b>Public Health</b>	<b>Roads</b>	<b>Street Lights</b>	<b>Total Expenditure on Six Civic Services</b>
1995-6	61.83	174.15	162.94	75.77	124.17	41.09	639.95
1996-7	69.39	247.08	199.53	84.89	149.42	50.81	801.12
1997-8	75.92	268.79	268.20	97.84	166.40	50.66	927.81
1998-9	75.49	282.38	322.58	105.59	197.96	58.71	1042.71
<b>Scenario B</b>							
<b>Financial Year</b>	<b>Education</b>	<b>Sanitation, SWM etc.</b>	<b>Water Supply</b>	<b>Public Health</b>	<b>Roads</b>	<b>Street Lights</b>	<b>Total Expenditure on Six Civic Services</b>
1995-6	75.58	84.09	176.80	38.98	74.72	41.99	492.16
1996-7	83.34	98.35	205.44	49.36	107.54	53.39	597.42
1997-8	83.85	130.46	251.17	53.86	103.51	54.79	677.64
1998-9	79.29	147.17	290.54	61.64	150.23	71.50	800.37
<b>Scenario C</b>							
<b>Financial Year</b>	<b>Education</b>	<b>Sanitation, SWM etc.</b>	<b>Water Supply</b>	<b>Public Health</b>	<b>Roads</b>	<b>Street Lights</b>	<b>Total Expenditure on Six Civic Services</b>
1995-6	93.01	85.73	150.40	51.52	94.85	49.89	525.40
1996-7	103.86	110.02	188.69	66.29	131.02	62.10	661.98
1997-8	101.35	155.63	241.43	72.50	135.62	64.38	770.91
1998-9	93.88	175.48	282.13	83.65	193.34	80.88	909.36

The following observations can be made from the Table 4.7:

- Per capita expenditure on education is more in smaller MCs. This needs to be appreciated and encouraged. However, bearing in mind the fact that prices have

been rising throughout this period, it is likely that in real terms expenditure on education may have been declining across all ULBs.

- Per capita expenditure on water supply is roughly similar for all MCs. Hence the reasons for scarcity of water in some cities are other than sufficient level of spending. The reasons for such scarcity may be due to high distribution costs given the large geographical areas of some MCs. In such cases, higher per capita expenditure is necessary, though this is not the case as can be observed from scenario C.
- Similar inference can be made regarding per capita spending on roads, which are more or less, similar for all cities. In large cities, though the geographical area available for roads is small, the type of roads being constructed and the higher maintenance costs brings the per capita expenditure on par with other cities.
- Larger cities are definitely spending more for keeping the city clean, that is on solid waste management, sewerage and sanitation.
- Larger cities are also spending more for health facilities. This may be the reason, why patients from distant places seek admission to public hospitals in large cities. This would be an inevitable phenomenon, as smaller cities would never be able to afford expensive medical facilities, particularly when they are not able to spend on other priority items.
- Smaller cities are spending more on street lights than the larger ones, which is surprising.
- It is interesting to note that there is not much of a wide difference in total per capita expenditure for providing selected civic services, among the three scenarios.

#### **4.2. An Examination of Income Patterns of All Municipal Corporations in Maharashtra**

Good governance involves not only adequate provision of services to citizens, but also generating sufficient revenues to cover the cost of providing these services. In

the previous section we have examined the expenditure patterns of all MCs with respect to various budget heads. In this section we now look at the other side of the budget and examine the income patterns of MCs.

**TABLE 4.8**  
**PERCENTAGE REPRESENTATION OF INCOME HEADS**

(%)

	1995-6	1996-7	1997-8	1998-9	1999-2000
<b>Grants from State Govt./total income</b>	5.09	5.21	4.76	4.80	4.92
<b>Loans / total income</b>	4.75	5.91	6.99	9.83	11.73
<b>Octroi / own income</b>	50.98	49.37	47.79	46.96	47.72
<b>Property Tax / own income</b>	17.91	19.17	20.81	21.29	21.15
<b>Water Charges/ own income</b>	10.86	13.20	14.55	13.67	13.43
<b>Conservancy and Sanitation / own income</b>	0.59	0.65	0.66	0.62	0.67
<b>Street Lights / own income</b>	0.00	0.00	0.00	0.00	0.00
<b>Licence Fees and Entertainment/ own income</b>	0.77	0.65	0.63	0.62	0.74
<b>Building Rents/own income</b>	0.59	0.49	0.51	0.51	0.49
<b>Own Income /total income</b>	90.16	88.87	88.25	85.37	83.35

Table 4.8 presents various sources of income as ratios to total income and own income. The salient points to emerge are the following:

- Grants from the State government as a ratio to total income have hovered around the 5 percent mark between 1995-6 and 1999-2000 (Table 4.8).
- The share of loans in total income was 4.75 percent in 1995-6. It has risen steadily to reach 11.73 percent in 1999-2000.
- Of the own sources of income, the share of octroi has been the highest at 50.98 percent in 1995-6. It has registered a gradual decline and stood at 47.72 percent in 1999-2000 but still comprises the largest share of own income.

- The share of property tax was 17.91 percent in 1995-6. It has rose gradually and stood at 21.15 percent in 1999-2000.
- Water charges comprised 10.86 percent of own income in 1995-6. It gradually rose to 14.55 percent in 1997-8. A declining trend is noticeable since then. In 1999-2000 it comprised 13.43 percent of own income.
- Conservancy and sanitation comprized a mere 0.59 percent in 1995-6. It fluctuated marginally and stood at 0.67 percent in 1999-2000.
- No income is earned from streetlights.
- Licence fees and entertainment comprised 0.77 percent of own income. This showed a steady decline over the next three years to reach 0.62 percent in 1998-9. In 1999-2000, however, there was a marginal increase to 0.74 percent.
- Building rents comprised 0.59 percent of own income in 1995-6. This declined marginally to 0.49 percent. It rose by 0.02 percent and formed 0.51 percent in 1997-8 and 1998-9. In 1999-2000 it once again declined marginally to 0.49 percent.
- Own income as a whole as percent of total income comprised 90.16 percent in 1995-6. This has shown a steady decline and stood at 83.35 percent in 1999-2000.

### ***Growth Rates of Income Categories***

In 1996-7 the highest growth rate of 46.6 percent was registered for loans (Table 4.9).

**TABLE 4.9**  
**GROWTH RATES OF INCOME SOURCES**

(%)

	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-2000</b>
<b>Grants from State Government</b>	20.83	3.48	18.45	17.84
<b>Loans</b>	46.61	33.89	65.50	37.01
<b>Octroi</b>	12.51	8.93	11.74	14.00
<b>Property Tax</b>	24.35	22.19	16.34	11.41
<b>Water Charges</b>	41.19	24.04	6.87	10.17
<b>Conservancy and Sanitation</b>	26.88	15.32	5.78	22.22
<b>Street Lights</b>	--	--	--	--
<b>Licence Fees and Entertainment</b>	-1.62	9.81	10.72	34.59
<b>Building Rents</b>	-3.13	17.48	13.38	8.48
<b>Other Income</b>	4.60	2.78	23.45	8.50
<b>Total Income from Own Sources</b>	16.18	12.54	13.71	12.18
<b>Grand Total Income from all Sources</b>	17.86	13.33	17.56	14.89

Grants from state governments grew at a much lower rate of 20.83 percent. Income from water charges also grew at a high rate of 41.19 percent. Income from Conservancy and sanitation recorded a growth rate of 26.88 percent and that of property tax at 24.35 percent. The performance of income from octroi was not particularly good. It registered a growth rate of only 12.51 percent. Licence fees and entertainment and building rents both registered negative growth rates in 1996-7. Total income from own sources recorded a growth rate of 16.18 percent in 1996-7 and income from all sources grew at 17.86 percent.

In 1997-8 grants from state governments fell sharply and recorded a growth of merely 3.48 percent, a fall of 17 percentage points. The growth rate of loans also fell to 33.89 percent. Income from octroi, property Tax, water charges, conservancy and sanitation all recorded lower growth rates. However, income from licence fees and building rents rose from negative to a positive of 9.81 and 17.48 percent, respectively.



Total income from own sources registered a lower growth rate of 12.54 percent. Total income from all sources also grew at a lower rate of 13.33 percent.

In 1998-9 the growth rate of grants from state government shot up to 18.45 percent and that of loans doubled to 65.5 percent. Only income from octroi grew at a higher rate of 11.74 percent while all other sources of income including property tax, water charges, conservancy and sanitation, and building rents grew at lower rates than the previous year. Total income from own sources and total income from all sources grew at higher rates of 13.71 and 17.56 percent, respectively.

In 1999-2000 the growth rate of grants from state government was marginally lower rate of 17.84 percent. The growth rate of income from loans was lower by 28 percentage points, property taxes and building rents by 5 percentage points. The growth rate for income from octroi was about 2 percent higher and that from water charges about 3 percent more. The income from conservancy and sanitation and licence fees and entertainment grew at high rates of 22.22 and 34.59 percent. Total income from own sources grew at a marginally lower rate of 12.18 percent, lower by 1.5 percentage points. Total income from all sources grew a 14.89 percent, which was lower by 2.6 percentage points.

### ***A Detailed Look at Municipal Corporations***

Just as we had done for expenditures of MCs, we seek to examine in greater detail the revenue side of MCs. The detailing is in terms of specific revenue items as well as commentaries on specific MCs.

#### ***Revenue Pattern of MCs in Maharashtra: General Observations***

The revenues of MCs comprize those obtained through own sources, such as property tax, octroi etc., and those available through external sources like grants received from the State and loans. The following is a summary picture for all three scenarios (Table 4.10).

**TABLE 4.10**  
**FOUR AVERAGE INCOME PATTERN OF MUNICIPAL CORPORATIONS**  
**IN MAHARASHTRA (1995-6 TO 1998-9)**

(%)

Scenario	State Grants	Octroi	Property Tax	Water Charges	Others	Total
A	5.11	44.30	18.49	8.35	23.75	100.00
B	7.90	49.58	11.47	6.30	24.75	100.00
C	6.78	56.20	13.13	5.93	17.96	100.00

We draw the following inference from Table 4.10.

- The share of grants in the total revenues of MCs is limited in the range of 5 percent to 8 percent, indicating the self reliant nature of finances. The share of octroi in total revenues is observed to be between 44 percent and 57 percent. As a share of own revenues, octroi accounts for 58 percent and is clearly the major source of income for the MCs. Property tax contributes about 11 percent to 19 percent and around 6 percent to 8 percent of revenues are received through water charges.
- As we proceed from scenario A to scenario C, we observe, that the proportion of octroi in the overall income pattern increases, while that of water charges diminishes. This not only indicates that the smaller MCs are more reliant on octroi, but also indicates that effective steps are necessary regarding water charges in smaller cities. The steps can be in two directions, viz., widening the source base and improving recoveries. We would comment about this while assessing the income - expenditure pattern about water supply.
- Pune and Nagpur has received comparatively more grants from the State than other MCs, during the period under consideration.

*Revenue Pattern of MCs in Maharashtra: Loans*

Apart from above, the role of loans in overall income pattern of all MCs, that is in scenario A, also provide some interesting insights. The share of loans in the

revenues has been increasing steadily from 4.80 percent (1995-6) to 10.15 percent (1998-9). See Table 4.11.

**TABLE 4.11**  
**GRANTS, LOANS, OCTROI AND OWN SOURCES IN TOTAL REVENUES**  
(%)

<b>Financial Year</b>	<b>State Government Grants</b>	<b>Loans</b>	<b>Octroi</b>	<b>Total Revenue through Own Sources</b>
1995-6	5.14	4.80	46.45	90.06
1996-7	5.41	6.13	45.52	88.46
1997-8	4.95	7.26	43.83	87.79
1998-9	4.95	10.15	41.39	84.89
<b>Average</b>	<b>5.11</b>	<b>7.08</b>	<b>44.30</b>	<b>87.80</b>

It can be observed that with the average share of the grants remaining almost constant at roughly 5 percent and the share of loans increasing steadily, the share of revenues from own sources, particularly octroi, has diminished, indicating an inverse correlation between the two income sources. Similar behavior is observed in other scenarios. It is not clear if revenues from octroi shrink in anticipation of loans or whether loans are taken as a gap-filling measure due to insufficient collection from octroi. Both situations are equally plausible. However, this needs detailed scrutiny, or perhaps, self assessment by the MCs.

*Revenue Pattern of MCs in Maharashtra: Grants from the State*

It can also be observed that the pattern of funds flowing from the State by way of grants has been varying widely. Such varying growth rates are summarized in Table 4.12.

**TABLE 4.12**  
**GROWTH RATES OF GRANTS DISBURSED TO MCs**

(%)

Financial Year	Scenario A			Scenario B			Scenario C		
	Plan	Non plan	Total	Plan	Non plan	Total	Plan	Non plan	Total
1996-7	54.22	(8.95)	20.83	(19.87)	(4.29)	9.32	(1.96)	(19.83)	(11.02)
1997-8	(4.74)	15.91	3.48	45.31	8.15	18.75	42.30	18.59	31.47
1998-9	(11.44)	55.57	18.45	(25.18)	55.54	27.38	(27.99)	78.43	15.86
<b>Note:</b> Bracketed figures indicate negative growth rates									

The disbursement of grants from the State appears to be totally unpredictable with even negative growth rates being observed. Such unpredictable behaviour is more or less equally spread over all scenarios, that is all MCs, and further, to both types of grants, that is plan and non plan. With such arbitrary nature regarding receivable from the State, it is difficult for any ULB, not only to formulate developmental activities, but even to formulate their annual budgets.

It is also worth estimating the proportion of grants received from the State by all the MCs, with the revenue receipts of the State. Table 4.13 gives these details.

**TABLE 4.13**  
**DEVOLUTION TO MCs IN MAHARASHTRA BY THE STATE**

(Rs.  
crore)

Financial Year	Revenue Receipts of the State*	Grants Disbursed to MCs	% Devolution
1995-6	13,710.00	165.80	1.21
1996-7	15,470.00	200.33	1.29
1997-8	17,363.00	207.31	1.19
1998-9	17,776.00	245.56	1.38
<b>Average</b>			<b>1.27</b>
*While calculating the revenue receipts of the State, as per the verbatim provisions of the Article 243I and 243Y, only the net proceeds of taxes, duties, tolls and fees levied by the State are considered and all other revenues like grants from the central government, share in central taxes in lieu of recommendations of the Central Finance Commissions etc. are excluded.			

It can be observed that, on an average, the State has been sharing only 1.27 percent of the revenues with MCs, which constitute about 75 percent of the urban population. Needless to mention, this pattern needs to be changed.

*Revenue Pattern of MCs in Maharashtra: Octroi*

Growth rates for octroi in overall income indicates a diminishing trend. This is more prominent for smaller MCs, especially since smaller MCs are more dependent on octroi. Table 4.14 summarizes the observations in this respect.

**TABLE 4.14  
GROWTH RATES OF INCOME FROM OCTROI**

(%)

Financial Year	Scenario A	Scenario B	Scenario C
1996-7	12.51	18.68	19.17
1997-8	8.93	14.56	16.28
1998-9	11.74	6.05	4.25

If octroi is the main source of revenue for the smaller towns, then the situation is alarming for their fiscal health, particularly, if it is seen against the backdrop of unpredictable nature of funds flowing from the State. Year 1998-9 seems to be especially bad and the reasons for this can be due to the omnipresent economic recession in all sectors of the economy.

*Revenue Pattern of MCs in Maharashtra: Property Tax*

Followed by octroi, property tax is the next significant source of revenues for MCs. Table 4.15 describes the pattern for all scenarios.

**TABLE 4.15  
PROPERTY TAX IN MCs**

(%)

Scenario	Increase in Number of Properties	Average Recovery from Demand	Average Recovery from Demand in Arrears
A	9.38	57.83	34.90
B	10.68	50.28	40.03
C	14.40	46.05	34.14

It can be observed that the increase in number of properties is more for the smaller MCs, resulting in widening of the tax base, but simultaneously, since the efficiency in recovering property tax diminishes, the advantage for revenues gets nullified. Pune and Nagpur could have monitored the recoveries from arrears more effectively, as being indicated from scenario B. Both, the total recovery position and the recoveries from arrears, can clearly be improved in all MCs, which would help in enhancement of their revenues. This, perhaps, could be complemented by initiatives from the State regarding delegating more autonomy about fixing the tax rates, as also, with the initiatives regarding changing over the tax base towards some source other than the annual rental value.

It is also worth further scrutinizing the growth in number of properties, and its relation with the increase in demand for property tax and recoveries from the current demand. Table 4.16 does so.

**TABLE 4.16**  
**GROWTH IN NUMBER OF PROPERTIES, DEMAND AND RECOVERY**  
**FROM CURRENT DEMAND OF PROPERTY TAX**

(%)

<b>Scenario A</b>			
<b>Financial Year</b>	<b>Number of Properties</b>	<b>Demand</b>	<b>Recovery from Current Demand (%)</b>
1996-7	5.06	24.00	67.67
1997-8	15.30	21.76	69.68
1998-9	7.77	20.06	69.22
<b>Scenario B</b>			
<b>Financial Year</b>	<b>Number of Properties</b>	<b>Demand</b>	<b>Recovery from Current Demand (%)</b>
1996-7	5.79	14.85	53.90
1997-8	17.66	34.63	60.44
1998-9	8.60	13.59	60.73
<b>Scenario C</b>			
<b>Financial Year</b>	<b>Number of Properties</b>	<b>Demand</b>	<b>Recovery from Current Demand (%)</b>
1996-7	6.97	19.53	51.00
1997-8	26.43	38.15	59.66
1998-9	9.79	16.64	58.19

The following inferences can be drawn from Table 4.16:

- The year 1997-8 was a flourishing year for the real estate sector, even though many other sectors of economy were entering into a phase of recession. This aspect of the real estate market is reflected in the abnormal increase in the number of properties and the increase in demand for tax. But the real estate market seems to have flourished relatively more in smaller towns than in large cities like Mumbai. This also supports a general conclusion about the growth of urban sector in Maharashtra namely that smaller towns are expanding more rapidly than larger towns. This has been observed in the case of population as well.
- It is also observed that as number of properties increases, the recovery from current demand, that is recovering the property tax on the newly created properties also increases, but the larger cities are more effective in this than the smaller ones.
- There appears to be some problem with assessment of new properties in Mumbai. When the growth in number of properties in 1996-7 was observed to be 5.06 percent, the corresponding increase in demand was 24 percent. However, for the next year, though the number of properties increased by 15.30 percent, or almost three times than the previous year, the correlating demand increased only by 21.76 percent.

Apart from all above, following general observations are also noted from the overall data regarding property tax :

- In case of BMC, recovery appears to be steadily declining from 64.50 percent (1995-6) to 56.27 percent (1999-2000).
- In case of Navi Mumbai, recovery is only around 35 percent, and it is still lower for Ulhasnagar, Aurangabad and Nanded-Waghala (around 30 percent).
- Thane appears to have steadily raised the recovery of property tax: In the year 1997-8, recovery has been at its maximum, that is 89.68 percent. It has maintained a recovery rate above 75 percent over the next few years as well.

### *Revenue Pattern of MCs in Maharashtra: Water Charges*

Unlike octroi and property tax, water charges can be directly linked to consumption. Generally taxes are collected for meeting the cost of such services the benefits of which cannot be calculated on per capita basis. For example, it is not possible to arrive at the quantitative benefit received from roads and street lights by an individual user-citizen and accordingly charging the beneficiary. Taxes are tools for raising such funds which can be spent on providing civic facilities of group consumption. Since, providing water stands on a different footings than other civic amenities in this respect, ideally it is expected that the collection towards water charges should be sufficient, to at least meet the operations and maintainance cost. To ensure transparency regarding self sufficiency of water supply schemes it is, generally expected that the budgets and accounts of water supply schemes be separate from general budgets and accounts. However, except for large MCs, such as Mumbai, Pune etc., water supply is found to be a part of the general budget. In fact, the performance of Mumbai in collection of water charges has been exemplary. Over the period 1995-6 to 1998-9, the average ratio of 'Demand created towards water charges to Revenue Expenditure on Water Supply' was 134 percent that is the demand created exceeded revenue expenditure. Since recovery from demand was only 68 percent, the high ratio of 134 percent ensured that a significant proportion of revenue expenditure (91 percent in this case) was covered by water charges. However, considering total expenditure (revenue plus capital) on water supply recoveries covered only 59 percent over this period. The cost effectiveness of water supply schemes in MCs can be seen in Table 4.17.

**TABLE 4.17**  
**COST EFFECTIVENESS OF WATER SUPPLY SCHEMES IN MCs OF**  
**MAHARASHTRA**

(%)

<b>Scenario</b>	<b>Ratio of Demand to Expenditure</b>	<b>Recovery from Demand</b>	<b>Ratio of Recovery to Expenditure</b>
<b>A</b>	93.43	68.05	63.71
<b>B</b>	55.23	68.13	37.65
<b>C</b>	58.38	61.46	35.86



It can be observed that in case of smaller MCs the demand created is not sufficient to cover expenditure. Further, since the efficiencies regarding recoveries are lower than those for larger cities, only around 35 percent of the expenditure is recovered from user charges. The gap has to be subsidized from revenues generated by other sources, such as octroi and property tax.

Apart from cost effectiveness in supply of water, some other observations about good and bad cases regarding efficiencies in recoveries were also observed. They are as follows:

- A *bad* case is that of Navi Mumbai, which has shown a deteriorating position, with a consistent diminishing trend of recoveries from 63.36 percent (1995-6) to 33.80 percent (1999-2000).
- The *worst* case is Ulhasnagar, which recovers only around 37 percent of the demand generated.
- As against this, a *good* case is Thane, which has maintained recovery above 85 percent in 1997-8 and in subsequent years. Prior to this period as well recovery was satisfactory that is 67.85 percent (1995-6) and 79.27 percent (1996-7).
- The *best* case is Nagpur, which has consistently recovered over 80 percent, and particularly in 1997-8 there was a record recovery of 92.74 percent.

#### **4.3. An Examination of Expenditure Patterns of All Municipal Councils in Maharashtra**

This section looks at the financial performance of all Municipal Councils in the state of Maharashtra. This can be done by examining the finances of the Councils and trying to identify patterns with respect to various expenditure heads. We do this specifically to isolate expenditures on provision of important services to citizens within the jurisdiction of the councils.

*Core Services as defined by Eleventh Finance Commission*

With the EFC definition of core services we find that A class councils performed the best between 1995-6 and 1998-9. In 1995-6 A class councils incurred 36.21 percent of its total expenditure on these services (Table 4.18).

**TABLE 4.18**  
**EFC CORE SERVICES**  
**(WATER, STREET LIGHTS, ROADS, SANITATION /TOTAL EXP)**

	1995-6	1996-7	1997-8	1998-9	1999-00
<b>A class</b>	36.21	33.73	31.76	30.34	24.60
<b>B class</b>	28.98	29.83	29.50	28.70	31.05
<b>C class</b>	28.63	26.46	26.57	26.32	25.43

(%)

Both B and C Class councils were very close with 28.98 percent and 28.63 percent respectively. In 1996-7 there was a decline in the ratios of A and C class councils and a marginal increase for B class councils. In 1997-8 the ratio for A class fell further but it continued to do better than the other two categories although the gap had narrowed significantly. In 1998-9 all three council categories witnessed a reduction in their ratios. Finally in 1999-2000 B class councils out performed the other two and A class councils registered the lowest ratio of 24.6 percent.

#### *Local Public Goods*

With this definition of public goods, which excludes water supply but includes fire brigades, the proportions of expenditure are much smaller than those obtained with the EFC definition. With this definition too A class continues to be the best between 1995-6 and 1998-9 and C continues to be the worst between 1995-6 and 1997-8 (Table 4.19).

**TABLE 4.19**  
**LOCAL PUBLIC GOOD**  
**SANITATION, FIRE BRIGADE, ROADS, ST. LIGHTING/TOTAL EXP**

(%)

	1995-6	1996-7	1997-8	1998-9	1999-00
<b>A class</b>	23.43	21.98	21.86	20.30	17.25
<b>B class</b>	17.32	18.13	18.20	17.20	16.21
<b>C class</b>	18.52	16.48	17.11	18.49	18.21

In 1998-9 the relative ranking of B class and C class councils differ. With the EFC definition, C class had the lowest ratio, but with this definition, it is B class with the lowest ratio. In 1999-2000 too the relative rankings differ from the EFC definition. By this definition A class has the lowest ratio while B class had the highest ratio as per the EFC definition.

*Local Public Goods (extended)*

The extended definition of Local Public Goods comprises education, sanitation, fire brigade, water, roads and street lighting. With this extended definition too A class continues to be the best between 1995-6 and 1998-9 and C continues to be the worst as was observed with the EFC definition (Table 4.20).

**TABLE 4.20**  
**LOCAL PUBLIC GOOD (EXTENDED)**  
**EDUCATION, SANITATION, FIRE BRIGADE, WATER, HEALTH, ROADS,**  
**ST. LIGHTING/TOTAL EXP**

(%)

	1995-6	1996-7	1997-8	1998-9	1999-00
<b>A class</b>	45.37	42.30	42.11	37.79	36.18
<b>B class</b>	40.43	41.53	40.23	38.74	41.11
<b>C class</b>	38.63	37.89	37.21	36.24	36.28

Also in 1999-2000 we find B class to be the best performer and A class the worst as was observed with the EFC definition.

*General Administration, Salaries etc*

As mentioned in case of the discussion on corporations, expenditures on general administration and salaries are incurred only at the cost of public goods provision. Hence, those councils that incur the lowest amount of expenditure on this category of expenditure are seen to be the best performers. In each of the years between 1995-6 and 1999-2000 A class councils have been the best performers with the lowest proportion of total expenditures of being incurred on general administration and salaries (Table 4.21).

**TABLE 4.21**  
**GENERAL ADMINISTRATION, SALARIES, PENSION and PENSIONARY**  
**BENEFITS ETC/TOTAL EXP**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	29.85	30.49	28.43	27.84	25.23
<b>B class</b>	34.12	32.72	31.81	31.14	30.79
<b>C class</b>	33.83	35.24	36.25	32.41	33.09

Not only have the A class councils outperformed the other categories but they have also bettered their own performance by reducing the proportion of their expenditure going to general administration and salaries from 29.85 in 1995-6 and 30.39 percent in 1996-7 to 25.23 percent in 1999-2000. Although C class councils performed better than B class in 1995-6, since 1996-7 B class councils have consistently fared better than C class. Thus C class councils have been the worst performers since 1996-7.

*Education, Libraries etc.*

In 1995-6 B class councils fared the best with the largest proportion (9.25 percent) of total expenditure being spent on education (Table 4.22).

**TABLE 4.22**  
**EDUCATION, LIBRARIES, FREE READING**  
**HALLS ETC./TOTAL EXPENDITURE**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	6.69	6.47	6.34	5.65	10.17
<b>B class</b>	9.25	9.20	8.19	7.89	8.10
<b>C class</b>	8.20	9.68	8.84	8.08	8.87

A class councils performed the worst with the lowest proportion of 6.69 percent. In 1996-7 while A class councils continued to fare the worst, the expenditure proportion of C class councils just marginally surpassed that of B class. In 1997-8 and 1998-9 the relative positions of the three council categories remained unchanged with C, B and A in that order. In 1999-2000 A class councils, which had been the worst performers suddenly, outperformed the others by incurring 10.17 percent of total expenditures on education. B and C class followed in that order with 8.87 percent and 8.10 percent.

*Sanitation, Solid Waste Management etc.*

On this front A class councils have consistently performed the best although its own performance has deteriorated (Table 4.23).

**TABLE 4.23**  
**SANITATION, SOLID WASTE MANAGEMENT ETC/TOTAL EXP**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	8.82	7.68	7.67	7.13	5.92
<b>B class</b>	5.08	4.73	4.78	5.16	4.90
<b>C class</b>	6.91	5.58	5.92	5.91	5.81

While 8.82 percent of total expenditures were being incurred on sanitation and solid waste management in 1995-6, its proportion stood at 5.92 percent in 1999-2000.

Also it is seen that B class councils have all through been the worst performers. Thus relative positioning of the three categories of councils on this front has remained unchanged between 1995-6 and 1999-2000.

*Fire Brigade*

In 1995-6 C class councils incurred the largest proportion of expenditure on fire brigades of 0.47 percent (Table 4.24).

**TABLE 4.24  
FIRE BRIGADE/TOTAL EXP**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	0.24	0.27	0.31	0.24	0.18
<b>B class</b>	0.44	0.51	0.52	0.38	0.38
<b>C class</b>	0.47	0.31	0.35	0.32	0.31

A Class councils incurred the lowest proportion of 0.24 percent. Between 1996-7 and 1999-2000 B class councils have recorded the largest ratios while A class councils have continued to register the lowest ratios.

*Water Supply*

In 1995-6 A class councils have continued to incur the highest expenditures on water supply of 13.02 percent and C class councils the lowest of 10.58 percent (Table 4.25).

**TABLE 4.25  
WATER SUPPLY/TOTAL EXP**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	13.02	12.01	10.21	10.28	7.53
<b>B class</b>	12.10	12.22	11.82	11.88	15.22
<b>C class</b>	10.58	10.29	9.80	8.15	7.52

Since 1996-7, however, the proportion of expenditure on water supply has been the highest for B class councils. C class councils have consistently remained in third position.

*Epidemics and Public Health*

In 1995-6 A class councils were the best performers with the highest ratio of 2.23 percent and C class the worst with 1.33 percent (Table 4.26).

**TABLE 4.26  
EPIDEMICS and PUBLIC HEALTH /TOTAL EXP**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	2.23	1.84	3.70	1.56	1.23
<b>B class</b>	1.75	1.99	2.02	1.77	1.57
<b>C class</b>	1.33	1.43	1.46	1.52	1.67

In 1996-7 B class councils outperformed A class, while C class continued to fare the worst. In 1997-8 once again A class councils reverted to being on top of the list with 3.7 percent, B class councils followed with 2.02 percent and C class with 1.46 percent. In 1998-9 while C class councils continued to remain at the bottom of the list, the first position was again that of B class. In 1999-2000 there was a complete turnaround with C class, the worst performers so far, topping the list with a ratio of 1.67 percent. A class councils fared the worst in 1999-2000 with a ratio of 1.23 percent.

*Roads*

In 1995-6 and 1996-7 A class councils have fared the best with the largest ratio of expenditure on roads (Table 4.27).

**TABLE 4.27  
ROADS/TOTAL EXP**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	10.03	9.81	9.08	8.32	7.85
<b>B class</b>	8.57	8.90	9.34	7.88	7.45
<b>C class</b>	8.43	8.01	7.74	9.26	9.15

C class councils have been the worst performers in both the years. In 1997-8 B class councils outperformed the other two while C class continued to remain at the

bottom. In 1998-9 and 1999-2000, C class, the worst performers so far, surpassed the performance of the other two and B class fared the worst.

### *Street Lighting*

A class councils have consistently fared the best and recorded the highest ratios in each of the years between 1995-6 and 1999-2000 (Table 4.28).

**TABLE 4.28  
STREET LIGHTING/TOTAL EXP**

	(%)				
	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	4.35	4.22	4.81	4.60	3.30
<b>B class</b>	3.22	3.98	3.56	3.77	3.48
<b>C class</b>	2.71	2.58	3.10	3.00	2.94

C class councils have recorded the lowest ratios in each of the years. Hence relative rankings of the three council categories have remained unchanged between 1995-6 and 1999-2000.

### *Growth Rates of Expenditure Categories*

The exercise in the previous sub-sections was concerned with examining various heads of expenditures as a proportion of total expenditures. This indicated the relative importance being given to the various heads in the levels of expenditures being incurred. In this section we look at the way in which various heads of expenditures have grown over time. We look at this in the context of nominal (that is uncorrected for inflation) expenditures. *Growth rates* were computed for all expenditure categories for all three levels of municipal councils A, B and C (See Table 4.29).



**TABLE 4.29**  
**GROWTH RATES OF EXPENDITURE HEADS**

(%)

	1996-7	1997-8	1998-9	1999-00
<b>GENERAL ADMINISTRATION, SALARIES, PENSIONS ETC.</b>				
<b>A class</b>	15.97	11.82	9.63	10.06
<b>B class</b>	13.60	11.54	10.12	9.07
<b>C class</b>	12.75	13.78	8.60	10.51
<b>EDUCATION, LIBRARIES, FREE READING HALLS ETC.</b>				
<b>A class</b>	9.72	17.51	-0.22	118.65
<b>B class</b>	17.85	2.08	8.37	13.29
<b>C class</b>	27.87	0.93	11.04	18.87
<b>SANITATION, SOLID WASTE MANAGEMENT ETC</b>				
<b>A class</b>	-1.08	19.71	4.11	0.81
<b>B class</b>	10.29	15.82	21.52	4.61
<b>C class</b>	-12.59	17.39	21.18	6.50
<b>FIRE BRIGADE</b>				
<b>A class</b>	27.01	37.29	-10.37	-10.72
<b>B class</b>	36.21	17.48	-17.54	10.20
<b>C class</b>	-27.82	22.47	13.51	3.39
<b>WATER SUPPLY</b>				
<b>A class</b>	4.80	1.86	12.80	-11.02
<b>B class</b>	19.61	11.01	13.00	41.33
<b>C class</b>	5.26	5.38	1.01	-0.13
<b>EPIDEMICS and PUBLIC HEALTH</b>				
<b>A class</b>	-6.38	141.51	-52.96	-3.93
<b>B class</b>	34.42	16.94	-1.82	-2.08
<b>C class</b>	17.02	12.30	27.01	18.94
<b>ROADS</b>				
<b>A class</b>	11.09	10.96	2.61	14.52
<b>B class</b>	23.01	20.34	-5.06	4.33
<b>C class</b>	2.87	6.86	45.38	6.90
	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>STREET LIGHTING</b>				
<b>A class</b>	10.14	36.68	7.18	-12.95
<b>B class</b>	46.32	2.58	19.16	1.87
<b>C class</b>	2.99	33.20	17.38	6.23
<b>TOTAL EXPENDITURE</b>				
<b>A class</b>	13.53	19.91	11.96	21.44
<b>B class</b>	18.47	14.72	12.47	10.31
<b>C class</b>	8.24	10.62	21.48	8.23

#### 4.4. An Examination of Income Patterns of All Municipal Councils

In this section we now look at the other side of the budget and examine the income patterns of Municipal Councils.

##### *Grants*

The share of grants in total income has been the largest for C class councils and the lowest for 'A' class councils in each of the years (Table 4.30).

**TABLE 4.30**  
**GRANT/TOTAL INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	16.00	15.70	17.24	19.49	52.14
<b>B class</b>	29.40	26.94	28.36	30.16	58.83
<b>C class</b>	36.98	35.62	38.15	39.67	63.21

For each of the council categories we observe that the share of grants in total income declined in 1996-7. Since then the share of grants for each of the council categories has shown an increasing trend. The year 1999-2000 has witnessed a sharp increase in the share of grants for each of the council categories. The increase has been of the order of 23.5 percentage points for C class, 28.67 percentage points for B class and of 32.65 percentage points for A class councils. Thus A class councils have registered the largest increase in their share of grants in 1999-2000.

##### *Loans*

The share of loans in total income has been the largest for A class councils and the lowest for B class councils (Table 4.31).

**TABLE 4.31**  
**LOAN/TOTAL INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	3.18	3.89	9.30	4.90	12.77
<b>B class</b>	2.31	1.04	2.11	0.98	1.19
<b>C class</b>	3.01	2.43	2.11	1.81	1.23

The share of the loan component for A class councils in their total income shows an increasing trend while the share of loans in their total income for B class councils shows a declining trend. A declining trend is also noticed for C class councils.

*Own Income*

The share of own income in total income is seen to be the largest for A class councils and the lowest for C class councils in each of the years between 1995-6 and 1998-9 (Table 4.32).

**TABLE 4.32  
OWN INCOME/TOTAL INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	80.82	80.41	73.47	75.61	35.09
<b>B class</b>	68.29	72.02	69.53	68.86	39.98
<b>C class</b>	60.01	61.95	59.74	58.52	35.57

Between these years the share of own income for A class councils is seen to decline steadily from 80.82 percent in 1995-6 to 75.61 percent in 1998-9. C class councils registered slight increase in the ratio in 1996-7 but since then a steady decline is observed for them too.

In the last year 1999-2000 a sharp decline in the share of own income is registered for all categories of councils. A 40.5 percentage point reduction is seen for A class councils, 28.41 percentage point decline for B class councils and 22.95 percentage point reduction occurs for C class councils. In this year A class councils, which had so far had the largest share of, own income slips to third position with B class councils recording the largest ratio of 39.98 percent.

*Octroi*

The share of Octroi in own income has been the largest for A class councils in each of the years between 1995-6 and 1999-2000 (Table 4.33).

**TABLE 4.33  
OCTROI/OWN INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	62.83	65.91	64.41	59.78	8.80
<b>B class</b>	52.61	53.13	51.83	50.99	8.03
<b>C class</b>	50.80	51.46	53.33	50.94	8.36

C class councils recorded the lowest share in 1995-6 and 1996-7. Since then its performance has been marginally better than B class councils.

In the year 1999-2000 a sharp decline was registered for all council categories. A 50.58 percentage point reduction is recorded for A class councils, 42.96 percentage point fall for B class councils and 42.58 percentage point drop for C class councils.

*Property Tax*

A class councils have consistently been the worst performers on this count with the lowest share from property tax in own income although its own performance has improved in 1997-8 and again in 1999-2000 (Table 4.34).

**TABLE 4.34  
PROP.TAX/OWN INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	9.07	8.85	10.07	9.95	20.98
<b>B class</b>	12.79	13.35	13.45	13.57	27.88
<b>C class</b>	12.32	12.30	12.33	12.38	22.74

B councils have fared the best in each of the years and its own performance too has steadily improved from the share of property tax in own income increasing from 12.79 percent in 1995-6 to 27.88 percent in 1999-2000.

*Water Charges*

The share of water charges in own income has been the highest in C class councils and the lowest in A class councils in each of the years between 1995-6 and 1999-2000 (Table 4.35).

**TABLE 4.35  
WATER CHARGES/OWN INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	3.68	3.44	3.94	4.22	9.05
<b>B class</b>	5.19	5.21	5.45	7.48	16.00
<b>C class</b>	5.87	5.60	5.80	7.14	16.66

Both A and C class councils registered a marginal decline in this share in 1996-7 but since then a gradual and steady increase has been observed. B class councils have shown a steady increase in their income from this source. The largest increase of income from water charges for each of the council categories has been observed in 1999-2000. A class councils recorded an increase of 4.83 percentage points, B class councils 8.52 percentage points and C class councils registered the largest increase of 9.52 percentage points.

*Conservancy and Sanitation*

The share of own income conservancy and sanitation was the highest for B class councils in each of the years except 1998-9 (Table 4.36).

**TABLE 4.36  
CONSERVANCY AND SANITATION/ OWN INCOME**

(%)

	<b>1995-6</b>	<b>1996-7</b>	<b>1997-8</b>	<b>1998-9</b>	<b>1999-00</b>
<b>A class</b>	0.21	0.21	0.18	0.46	0.38
<b>B class</b>	0.34	0.35	0.36	0.35	0.67
<b>C class</b>	0.29	0.29	0.27	0.63	0.45

In that year the share of C class councils was seen to be higher than that of B class councils. The share of A class councils has been the lowest in each of the years.

*Street Lights*

All three council categories earned a very small proportion of their own income from street lights. In each of the years the largest share of own income from street lighting has been that of B class councils (Table 4.37).

**TABLE 4.37**  
**STREET LIGHTS/ OWN INCOME**

(%)

	1995-6	1996-7	1997-8	1998-9	1999-00
<b>A class</b>	0.0000	0.00004	0.0001	0.0017	0.0001
<b>B class</b>	0.0035	0.0017	0.0372	0.0032	0.0109
<b>C class</b>	0.0000	0.0000	0.0000	0.0089	0.0000

*Licence Fees and Entertainment*

The share of licence fees and entertainment in own income has been below the 1 percent mark for both A and B class councils in all years except 1999-2000 (Table 4.38).

**TABLE 4.38**  
**LICENCE FEES AND ENTERTAINMENT/ OWN INCOME**

(%)

	1995-6	1996-7	1997-8	1998-9	1999-00
<b>A class</b>	0.59	0.61	0.62	0.65	1.43
<b>B class</b>	0.68	0.59	0.70	0.68	1.42
<b>C class</b>	0.92	0.95	1.20	1.05	1.76

The largest share of own income from Licence fees and entertainment has been earned by C class councils in each of the years. Its share was close to the 1 percent mark in 1995-6 and 1996-7. Since then it has exceed 1 percent and in 1999-2000 it stood at 1.76 percent.

*Building Rents*

The largest share of own income from Building Rents has been that of C class councils in each of the years (Table 4.39).

**TABLE 4.39**  
**BUILDING RENTS/ OWN INCOME**

(%)

	1995-6	1996-7	1997-8	1998-9	1999-00
<b>A class</b>	1.05	1.22	1.51	1.15	2.43
<b>B class</b>	2.68	2.50	2.49	2.47	4.47
<b>C class</b>	3.56	3.60	3.47	3.20	5.67

The lowest share has been that of A class councils. In 1998-9 all three council categories registered a marginal decline in their shares and in 1999-2000 all three experienced their largest increase. The share of A class councils increased by 1.28 percentage points, B class councils by 2 percentage points and C class councils by 2.47 percentage points.

*Growth Rates of Income Categories*

The previous section looked at the relative importance of various income categories in either total income or on own income. Here we present in table form (Table 4.40) the growth rates of various income categories.

**TABLE 4.40  
GROWTH RATES OF INCOME SOURCES**

(%)

<b>GRANTS FROM STATE GOVERNMENT</b>				
<b>A class</b>	1.26	33.58	26.20	222.15
<b>B class</b>	-0.35	23.08	19.38	111.53
<b>C class</b>	6.43	24.88	22.44	77.95
<b>LOANS</b>				
<b>A class</b>	26.00	191.07	-41.16	213.78
<b>B class</b>	-51.25	138.32	-47.96	31.94
<b>C class</b>	-10.79	1.31	0.98	-24.31
<b>OCTROI</b>				
<b>A class</b>	7.69	8.63	6.64	-91.78
<b>B class</b>	15.77	10.14	9.39	-90.08
<b>C class</b>	15.57	16.52	10.16	-88.86
<b>PROPERTY TAX</b>				
<b>A class</b>	0.11	26.58	13.49	17.79
<b>B class</b>	19.67	13.70	12.17	29.33
<b>C class</b>	13.86	12.76	15.80	24.68
<b>WATER CHARGES</b>				
<b>A class</b>	-3.91	27.22	23.15	19.71
<b>B class</b>	15.18	18.12	52.55	34.62
<b>C class</b>	8.89	16.53	41.95	58.31
<b>CONSERVANCY AND SANITATION</b>				
<b>A class</b>	5.05	-2.39	185.72	-53.98
<b>B class</b>	20.92	16.34	6.79	19.72
<b>C class</b>	15.57	2.55	171.93	-51.21

**TABLE 4.40 (continued ...)**  
**GROWTH RATES OF INCOME SOURCES**

(%)

<b>STREET LIGHTS</b>				
<b>A class</b>	N.A	150	2850.00	-96.61
<b>B class</b>	-44.90	2425.93	-90.32	112.12
<b>C class</b>	N.A	N.A	N.A	N.A
<b>LICENCE FEES AND ENTERTAINMENT</b>				
<b>A class</b>	5.44	13.28	19.97	23.84
<b>B class</b>	-0.99	34.21	8.74	30.96
<b>C class</b>	17.57	42.30	0.77	13.69
<b>BUILDING RENTS</b>				
<b>A class</b>	19.88	37.41	-12.17	17.63
<b>B class</b>	7.09	12.14	10.50	13.84
<b>C class</b>	15.40	8.26	6.48	20.31
<b>TOTAL INCOME FROM OWN SOURCES</b>				
<b>A class</b>	2.65	11.15	14.90	-44.13
<b>B class</b>	14.65	12.89	11.19	-37.06
<b>C class</b>	14.08	12.44	15.32	-32.11
<b>TOTAL INCOME FROM ALL SOURCES</b>				
<b>A class</b>	3.17	21.66	11.63	20.39
<b>B class</b>	8.72	16.94	12.27	8.43
<b>C class</b>	10.50	16.60	17.74	11.69

## 5. Conclusion

The time has now come to conclude this paper. Some broad observations are in order to begin with:

- Sans all rhetoric and political posturing it is incontrovertible that the future of India is decidedly Urban. This implies that substantively greater resources must be devolved to the urban sector than has been the case in the past. The needs of urban infrastructure (even restricted to consideration of basic services we have considered) are huge and there is an accelerating divergence between the revenues and expenditures of the ULBs across board. Greater resources must simply be forthcoming (devolved or raised).
- To meaningfully operationalize the spirit and letter of 74<sup>th</sup> CAA, it is necessary that ULBs come out with a serious and innovative action plan to increase their



resources. There is an obvious limit to the extent of devolution from above. While we have already said that we cannot go into the detailed discussion of alternative ways of tapping such resources a mention here would perchance, not be out of place.

1. Property tax rationalisation represents a huge avenue of improving the revenue position of many ULBs. However, given the dearth of reliable information and the lack of political will, the ULBs will have to (cutting across party lines) make concerted effort for this potential to be effectively tapped (TISS-UoM, 2001).
  2. Creation of Pooled fund bank like institutional arrangement is the way to go in an era of market driven economy. Again, regulatory changes will have to be brought about in the financial sector (especially in the mandate and conduct of Bank and Fis) for this to materialize (Pethe and Ghodke, 2001).
  3. Getting the ULBs rated and floating of Muni Bonds is another modern method of raising resources. Efficiency and accountability as well as transparency in terms of maintaining accounts (in conformity with uniform and best established practices) is essential. For this to be successful, there is also a need for macro level policy initiative by way of facilitating existence of deep, thick and hence vibrant secondary market in such paper (muni bonds) (Pethe and Ghodke, 2002).
  4. Making innovative use of land as an asset is very important. FSI banks are already in existence elsewhere and that experience needs to be put to good use (Jha and Siddiqui, 2001).
- These are only some of the ways that one can think of. Again, for details in this regard interested readers are referred to Karnik et al (2002a).
  - The one thing that needs urgent and serious attention is the data gaps especially with reference to quality of service delivery as well as the unavailability of disaggregate data on many items. These need to be collected uniformly for all ULBs

as a matter of standard practice to facilitate analysis, prognosis, diagnosis and hence remedial policy recommendations.

Finally, we believe that in this article, we have provided a fairly comprehensive status report on the different aspects related to – revenue expenditure patterns – ULBs in Maharashtra. For the purposes of evolving objective criteria for devolution of funds from centre to the states as well as further down and conducting a comparative analysis between states, such an exercise is useful as a foundational building block. Hence, this needs to be replicated across states. This involves a major exercise especially in terms of major data gaps that we have pointed out in the body of the text. With hope we sign off.

**APPENDIX 1**  
**NUMBER OF URBAN LOCAL BODIES IN MAHARASHTRA**

Division	District Code	District	Type of the ULB					Total
			A	B	C	Town Panchayat (D)	Municipal Corporation (E)	
Kokan	1	Mumbai City	0	0	0	0	1	1
	2	Mumbai Suburban						
	3	Thane	4	4	1	0	6	15
	4	Raigad	1	1	9	0	0	11
	5	Ratnagiri	0	2	2	1	0	5
	6	Sindhudurg	0	0	3	0	0	3
	<i>Total for Kokan Division</i>			<i>5</i>	<i>7</i>	<i>15</i>	<i>1</i>	<i>7</i>
Nasik	7	Nasik	0	2	6	0	2	10
	8	Ahemadnagar	0	3	5	1	1	10
	9	Nandurbar	0	2	2	0	0	4
	10	Dhule	0	2	0	0	1	3
	11	Jalgaon	1	4	7	0	1	13
	<i>Total for Nasik Division</i>			<i>1</i>	<i>13</i>	<i>20</i>	<i>1</i>	<i>5</i>
Pune	12	Pune	0	4	7	0	2	13
	13	Sangli	0	2	2	0	1	5
	14	Satara	1	2	5	0	0	8
	15	Solapur	1	1	7	0	1	10
	16	Kolhapur	1	1	7	0	1	10
	<i>Total for Pune Division</i>			<i>3</i>	<i>10</i>	<i>28</i>	<i>0</i>	<i>5</i>

Division	District Code	District	Type of the ULB					
			A	B	C	Town Panchayat (D)	Municipal Corporation (E)	Total
Aurangabad	17	Aurangabad	0	1	5	0	1	7
	18	Parabhani	1	1	6	0	0	8
	19	Hingoli	0	2	1	0	0	3
	20	Jalana	1	0	3	0	0	4
	21	Nanded	0	1	10	0	1	12
	22	Latur	1	1	3	0	0	5
	23	Osmanabad	0	1	7	0	0	8
	24	Beed	1	3	2	0	0	6
	<i>Total for Aurangabad Division</i>			<b>4</b>	<b>10</b>	<b>37</b>	<b>0</b>	<b>2</b>
Amaravati	25	Amaravati	1	2	7	0	1	11
	26	Buldhana	0	5	6	0	0	11
	27	Yavatmal	1	2	5	0	0	8
	28	Akola	0	1	4	0	1	6
	29	Vashim	0	2	2	0	0	4
	<i>Total for Amaravati Division</i>			<b>2</b>	<b>12</b>	<b>24</b>	<b>0</b>	<b>2</b>
Nagpur	30	Nagpur	0	2	8	0	1	11
	31	Bhandara	0	2	1	0	0	3
	32	Gondia	1	0	1	0	0	2
	33	Wardha	1	2	3	0	0	6
	34	Chandrapur	1	3	3	0	0	7
	35	Gadchiroli	0	1	1	0	0	2
	<i>Total for Nagpur Division</i>			<b>3</b>	<b>10</b>	<b>17</b>	<b>0</b>	<b>1</b>
<b>GRAND TOTAL FOR</b>			<b>18</b>	<b>62</b>	<b>141</b>	<b>2</b>	<b>22</b>	<b>245</b>

**APPENDIX 2**  
**Urban Local Bodies In *KOKAN Division* Of Maharashtra**

NAME OF THE DISTRICT	DISTRICT CODE	ULB CODE	SR. NO.	Name of the ULB		
Mumbai City	1	E	1	Brihanmumbai		
Mumbai Suburban	2		2	Bhivandi-Nijampur		
Thane	3	E	3	Kalyan-Dombivli		
			4	Mira-Bhayander		
			5	Navi Mumbai		
			6	Thane		
			7	Ulhasnagar		
			8	Ambernath		
			9	Nalasopara		
		A	10	Navaghar-Manikpur		
			11	Virar		
			B	12	Dahanu	
				13	Vasai	
		14		Kulgaon Badalpur		
		C	15	Palghar		
		Raigad	4	A	16	Jawhar
				B	17	Panvel
C	18			Khopoli		
	19			Alibag		
	20			Karjat		
	21			Mahad		
	22			Matheran		
	23			Murud		
	24			Pen		
	25			Roha		
	26	Shriwardhan				
27	Uran					
Ratnagiri	5	B	28	Chiplun		
			29	Ratanagiri		
		C	30	Khed		
			31	Rajapur		
		D	32	Dapoli		
Sindhudurg	6	C	33	Malawan		
			34	Sawantwadi		
			35	Vengurla		

### Urban Local Bodies In *NASIK DIVISION* Of Maharashtra

NAME OF THE DISTRICT	DISTRICT CODE	ULB CODE	SR. NO.	NAME OF THE
Nasik	7	E	36	Malegaon
			37	Nasik
		B	38	Manmad
			39	Yeola
		C	40	Bhagur
			41	Igatpuri
			42	Nandgaon
			43	Satana
			44	Sinnar
			45	Trimbak
Ahemadnagar	8	E	46	Ahemadnagar
		B	47	Kopargaon
			48	Sangamner
			49	Shrirampur
		C	50	Deolali-Pravara
			51	Pathardi
			52	Rahata-Pimpalas
			53	Rahuri
			54	Shrigonda
		D	55	Shirdi
Nandurbar	9	B	56	Nandurbar
			57	Shahada
		C	58	Navapur
			59	Taloda
Dhule	10	E	60	Dhule
		B	61	Dondaiche-Waravade
			62	Shirpur-Waravade
Jalgaon	11	E	63	Jalagaon
		A	64	Bhusaval
		B	65	Amalner
			66	Chalisgaon
			67	Chopada
			68	Pachore
			69	Dharangaon
		C	70	Erandol
			71	Faizpur
			72	Parola
			73	Raver
			74	Sawada
			75	Yaval

**URBAN LOCAL BODIES IN PUNE DIVISION OF  
MAHARASHTRA**

NAME OF THE DISTRICT	DISTRICT CODE	ULB CODE	SR. NO.	NAME OF THE ULB
Pune	12	E	76	Pimpri-Chichawad
			77	Pune
		B	78	Baramati
			79	Daund
			80	Lonawala
			81	Talegaon-Dabhade
			82	Alandi
		C	83	Bhor
			84	Indapur
			85	Jejuri
			86	Junnar
			87	Saswad
88	Shirur			
Sangli	13	E	89	Sangli-Miraj-Kupwad
		B	90	Islampur
			91	Vita
		C	92	Ashta
			93	Tasgaon
Satara	14	A	94	Satara
		B	95	Karad
			96	Phalatan
		C	97	Mahabaleswar
			98	Mhasavad
			99	Panchagani
			100	Rahimatpur
		101	Wai	
Solapur	15	E	102	Solapur
		A	103	Barshi
		B	104	Pandharpur
		C	105	Akkalkot
			106	Dudhani
			107	Karamala
			108	Kurduwadi
			109	Maidargi
			110	Mangalvedhe
			111	Sangole
Kolhapur	16	E	112	Kolhapur
		A	113	Ichalkaranji
		B	114	Jaisingpur
		C	115	Gadhinglaj
			116	Kagal
			117	Kurundwad
			118	Malakapur
			119	Murgud
			120	Panhala
			121	Wadgaon

**URBAN LOCAL BODIES IN AURANGABAD DIVISION OF  
MAHARASHTRA**

NAME OF THE DISTRICT	DISTRICT CODE	ULB CODE	SR. NO.	NAME OF THE ULB
Aurangabad	17	E	122	Aurangabad
		B	123	Sillod
		C	124	Gangapur
			125	Kannad
			126	Khulldabad
			127	Paithan
			128	Vaijapur
			129	Parbhani
Parabhani	18	A	129	Parbhani
		B	130	Gangakhed
		C	131	Jintur
			132	Manawat
			133	Pathari
			134	Purna
			135	Sailu
			136	Sonpeth
Hingoli	19	B	137	Hingoli
			138	Bsamatnagar
		C	139	Kalamnuri
Jalana	20	A	140	Jalana
		C	141	Ambad
			142	Bhokardan
			143	Paratur
Nanded	21	E	144	Nanded-Waghala
		B	145	Deegloor
		C	146	Biloli
			147	Dharmabad
			148	Hadgaon
			149	Kandhar
			150	Kinwat
			151	Kundalwadi
			152	Loha
			153	Mudkhed
			154	Mukhed
155	Umri			
Latur	22	A	156	Latur
		B	157	Udeir
		C	158	Ahemedpur
			159	Ausa
			160	Nilanga
Osmanabad	23	B	161	Osmanabad
		C	162	Bhum
			163	Kalamb
			164	Murum
			165	Naldurg
			166	Paranda
			167	Tulajapur
			168	Umaraga
Beed	24	A	169	Beed
		B	170	Ambejogai
			171	Manjalegaon
			172	Parali
		C	173	Dharur
	174	Gevarai		



**URBAN LOCAL BODIES IN AMARAVATI DIVISION OF  
MAHARASHTRA**

NAME OF THE DISTRICT	DISTRICT CODE	ULB CODE	SR. NO.	NAME OF THE ULB
Amaravati	25	E	175	Amaravati
		A	176	Achalpur
		B	177	Anjangaon
			178	Varud
		C	179	Chandur Budruk
			180	Chandur Railway
			181	Chikhaldara
			182	Daryapur
			183	Dhamangaon
			184	Morshi
			185	Shendurjana
Buldhana	26	B	186	Buldhana
			187	Chikhali
			188	Khamgaon
			189	Malakapur
			190	Shegaon
		C	191	Deulgaon Raja
			192	Jalagaon-Jamod
			193	Lonar
			194	Mehekar
			195	Nandura
Yavatmal	27	A	197	Yavatmal
		B	198	Pusad
			199	Vani
		C	200	Darvha
			201	Digras
			202	Ghatanji
			203	Pandharkawada
			204	Umarkhed
Akola	28	E	205	Akola
		B	206	Akot
		C	207	Balapur
			208	Murtizapur
			209	Partur
			210	Telhara
Vashim	29	B	211	Karanja
			212	Vashim
		C	213	Mangalurpir
			214	Risod

**URBAN LOCAL BODIES IN NAGPUR DIVISION OF  
MAHARASHTRA**

NAME OF THE DISTRICT	DISTRICT CODE	ULB CODE	SR. NO.	NAME OF THE ULB
Nagpur	30	E	215	Nagpur
		B	216	Kamathi
			217	Umred
		C	218	Kalameshwar
			219	Katol
			220	Khapa
			221	Mohapa
			222	Mowad
			223	Narakhed
			224	Ramtek
Bhandara	31	B	225	Sawner
			226	Bhandara
		227	Tumsar	
Gondia	32	C	228	Pauni
		A	229	Gondia
Wardha	33	C	230	Tirora
			231	Wardha
		B	232	Arvi
			233	Hinganghat
		C	234	Deoli
			235	Pulgaon
Chandrapur	34	A	236	Sindi
			237	Chandrapur
		B	238	Ballarpur
			239	Bhadravati
			240	Varora
		C	241	Brahmapuri
			242	Mul
243	Rajura			
Gadchiroli	35	B	244	Gadchiroli
		C	245	Desaiganj

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