

FOREWORD

The Reserve Bank released its maiden *Report on Municipal Finances* in November 2022 followed by a study on the *Finances of Panchayati Raj Institutions* in January 2024, bridging critical data gap in general government finances in respect of finances of local bodies. This Report extends these initiatives and delves into the fiscal position of 232 Municipal Corporations (MCs) from 2019-20 to 2023-24 (Budget Estimates), with a focus on the theme 'Own Sources of Revenue Generation in Municipal Corporations: Opportunities and Challenges'. The analysis in this Report has been widened to cover more MCs and has been strengthened with findings from a primary survey of MCs on property taxes, a significant revenue source for the corporations.

The key highlights of this Report are:

- While the revenue account of the MCs has remained in surplus, their heavy reliance on transfers and grants from upper tiers of government continues.
- The own revenue sources are not adequate for meeting the revenue expenditure of most of the MCs, thereby affecting their functional and financial autonomy.
- Comprehensive reforms, including adoption of technologies like GIS mapping and digital payments, rate rationalisation and their periodic revisions as well as better monitoring to plug leakages can help in the augmentation of their own source revenues.

This Report has been prepared in the Division of Local Finances (DLF) of the Department of Economic and Policy Research (DEPR) under the supervision of Shri Muneesh Kapur, Executive Director and overall guidance of Smt. Rekha Misra, Adviser-in-Charge, DEPR. The DLF team was led by Dr. Somnath Sharma, Director, and comprised Shri Yogesh H. C., Ms. Shivani Agarwal, Ms. Manu Baisla, and Ms. Deepanshi Gilhotra, Managers. Data support provided by Shri Kishan Govind Ambekar, Assistant, is highly appreciated.

The inputs and support received from DEPR units of the Regional Offices of the Reserve Bank, including Dr. Raj Rajesh, Dr. Shromona Ganguly, Shri B.S. Choudhary, Shri T. P. Meitei, Dr. Alice Sebastian, Smt. Upasana Sharma, Shri Kapil Dev Manhas, Shri Nalin Priyaranjan, Ms. Pallavi Bhankhor, Shri Rasmi Ranjan Behera, Shri Prabal Bilantu, Dr. Kirti Gupta, Ms. Sarita Sharma, Ms. Madhuchhanda Sahoo, Ms. Barkha Gupta, Smt. Priyanka Bajaj, and Shri Sudhanshu Goyal are acknowledged.

We value the significant contribution of the MCs in providing detailed and timely information on their finances. We also express our gratitude for the support extended by the finance and urban development departments of State governments and Union Territories.

This Report is available on the Reserve Bank's website (www.rbi.org.in). Feedback/comments to help improve the analytical and informational content of the Report may be sent to the Director, Division of Local Finances, Department of Economic and Policy Research, Reserve Bank of India, 1st Floor, Maratha Mandir Road, Mumbai - 400 008 or through e-mail.

Michael Debabrata Patra
Deputy Governor
November 13, 2024