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संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

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## Report on Municipal Finances

Today, the Reserve Bank of India (RBI) released the [Report on Municipal Finances](#). Compiling and analysing budgetary data for 201 municipal corporations (MCs) across all States, the Report explores 'Alternative Sources of Financing for Municipal Corporations' as its theme.

### Highlights:

- a) The rapid growth of urbanisation in India has not been accompanied by a corresponding increase in urban infrastructure, which is reflected in the performance of the urban local bodies, especially MCs.
  - i) While the size of the municipal budgets in India are much smaller than peers in other countries, revenues are dominated by property tax collections and devolution of taxes and grants from upper tiers of government, resulting in lack of financial autonomy.
  - ii) MCs' committed expenditure in the form of establishment expenses, administrative costs and interest and finance charges is rising, but capital expenditure is minimal.
  - iii) MCs mostly rely on borrowings from banks and financial institutions and loans from Centre/State governments to finance their resource gaps in the absence of a well-developed market for municipal bonds.
- b) MCs need to adopt sound and transparent accounting practices with proper monitoring and documentation of various receipt and expenditure items, and explore different innovative bond and land based financing mechanisms to augment their resources.

This Report has been prepared in the Division of State Finances of the Department of Economic and Policy Research. The Report is accessible on the Reserve Bank's website ([www.rbi.org.in](http://www.rbi.org.in)). As this is the first edition, readers and stakeholders are requested to send their valuable comments and suggestions to The Director, Division of State Finances, Department of Economic and Policy Research, Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai – 400 001. Comments can also be forwarded *via* [e-mail](#).