

Municipal Finance in India

1. Select on cities and choose any four similar Municipal Corporations as peers for comparison. Provide the rationale for it.

Base City: **Surat Municipal Corporation**

Surat has been chosen as the base city due to its strong economic base and the recent issuance of green financial bonds, reflecting its focus on sustainable urban financing and strengthening fiscal capacity. The city has a population of around 44.7 lakh and a total revenue of Rs. 3,538 crore in FY 2022–23.

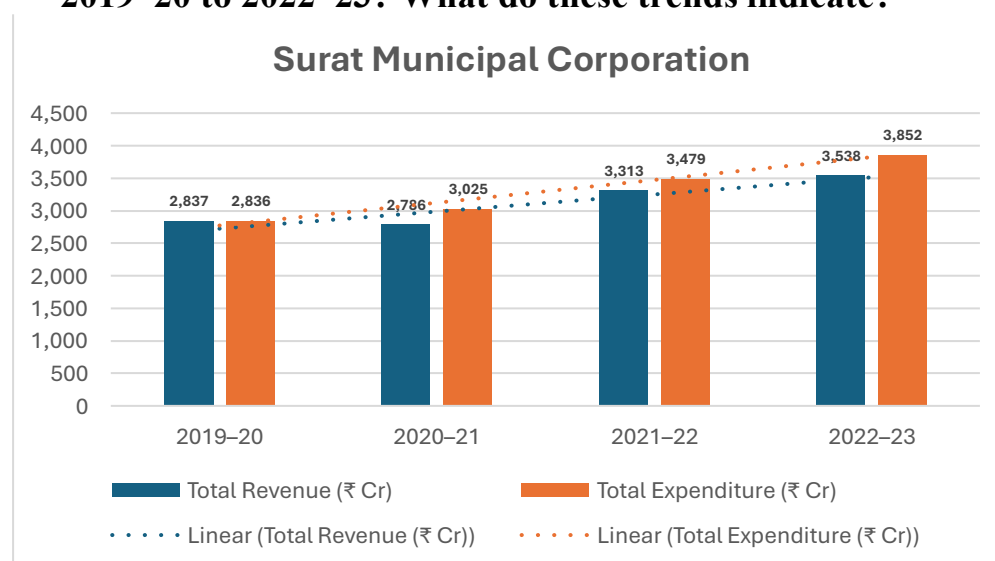
Peer Cities Selected:

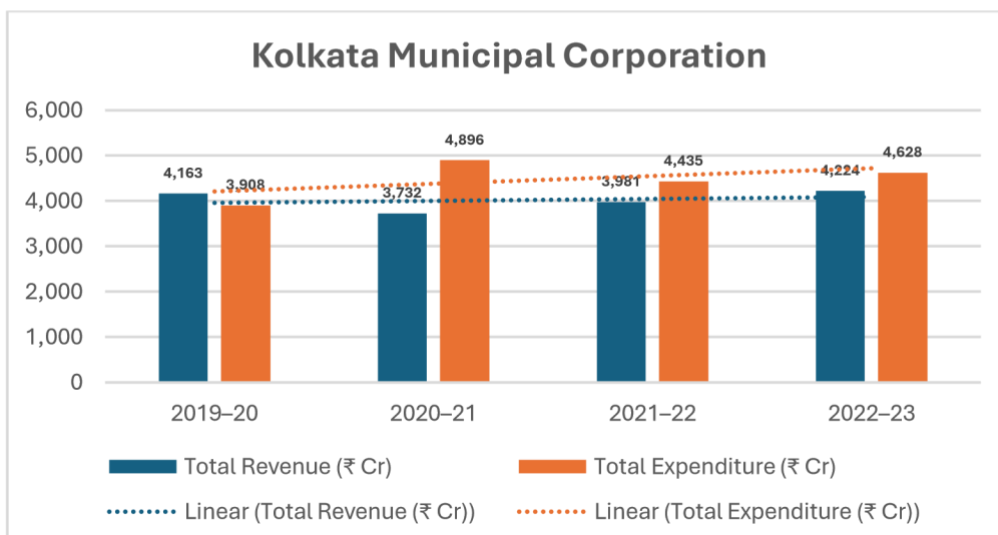
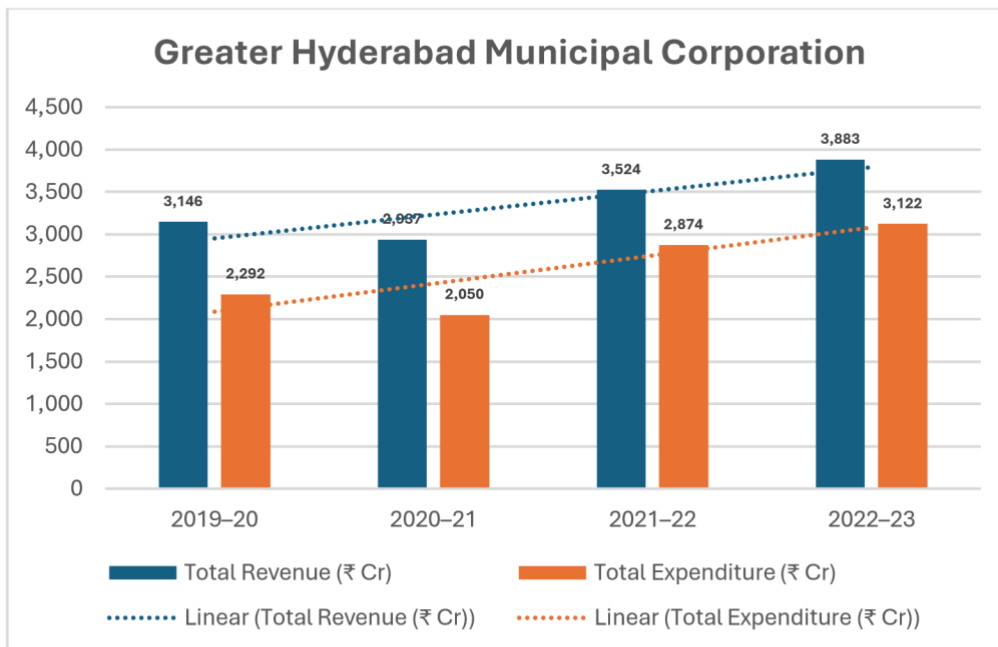
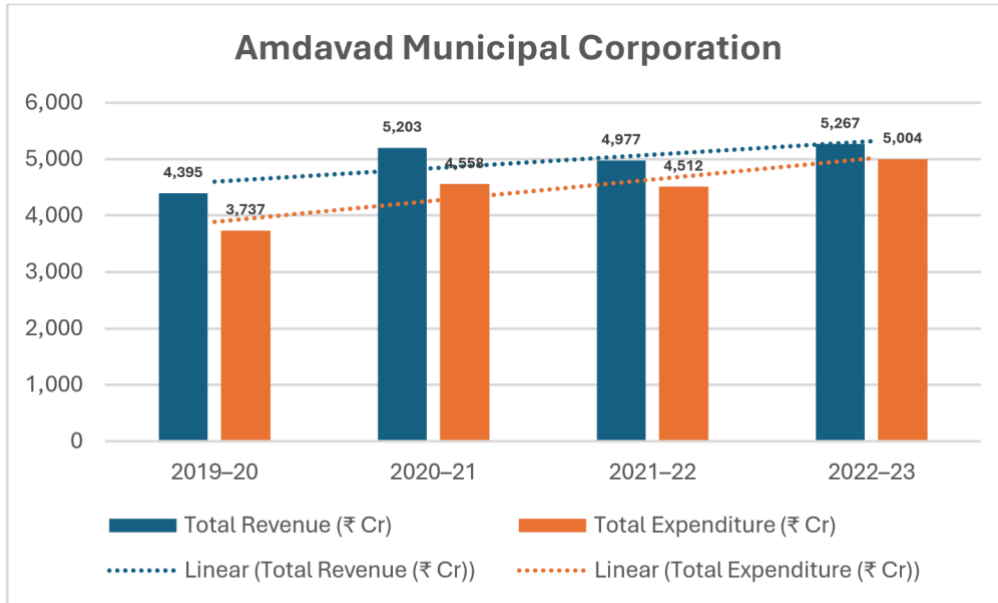
1. **Ahmedabad Municipal Corporation** ○ Population: 55.8 lakh (Approx.) | Revenue: Rs. 5,267 crore
 - Similar economic and administrative profile, located in the same state, with comparable financial structure and reform initiatives.
2. **Greater Hyderabad Municipal Corporation** ○ Population: 67.3 lakh (Approx.) | Revenue: Rs. 3,883 crore
 - Large metropolitan corporation with similar service responsibilities and financial scale.
3. **Kolkata Municipal Corporation** ○ Population: 45 lakh (Approx.) | Revenue: Rs. 4,224 crore
 - Comparable population and revenue base; offers regional diversity and a distinct fiscal approach.
4. **Pune Municipal Corporation** ○ Population: 31.2 lakh (Approx.) | Revenue: Rs. 9,426 crore
 - Slightly smaller population but strong financial performance and high ownsource revenue, useful for benchmarking efficiency.

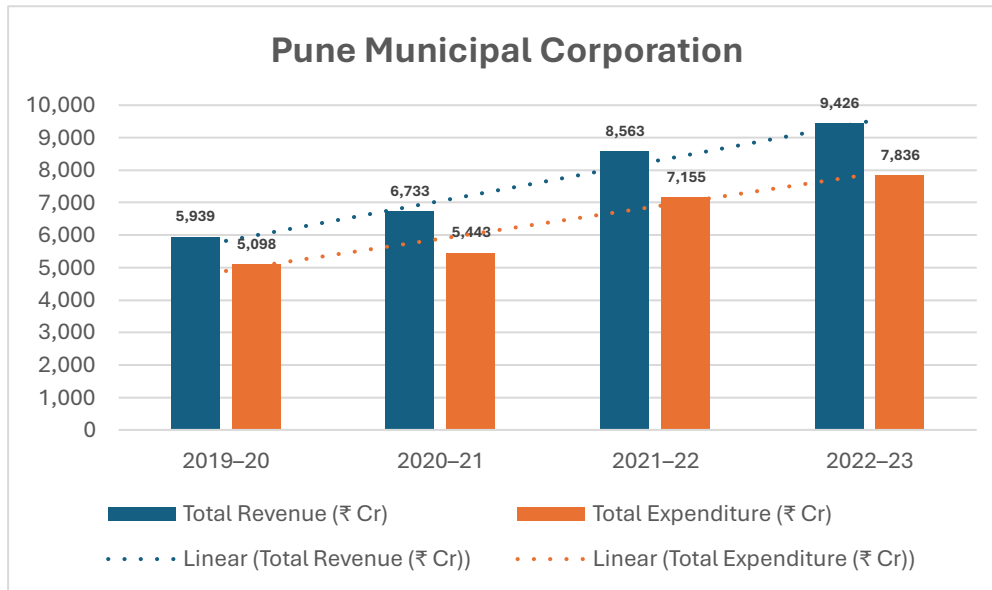
Rationale for Selection

- Similar population size and urban scale.
- Comparable revenue range and service responsibilities.
- All are metropolitan ULBs with strong industrial or service-based economies.

2. Analyse the revenues and expenditures trends of these cities during FY 2019–20 to 2022–23? What do these trends indicate?







Year-on-Year (YoY) Trend Highlights:

Surat

- Revenue grew from Rs.2,837 Cr (2019-20) to Rs.3,538 Cr (2022-23), YoY growth ranged from -1.8% (2020-21) to +18.9% (2021-22).
- Expenditure rose consistently, surpassing revenue from 2020-21 onwards.
- Indicates increasing fiscal pressure and potential reliance on external funding.
- Though Own Source Revenue grew at a CAGR of ~9.7%, reflecting moderate improvement in local revenue generation despite rising expenditure pressures.

Ahmedabad

- Revenue shows moderate fluctuations but remains higher than expenditure across years.
- Fiscal balance remains positive, indicating sound financial management.
- Peak revenue in 2020-21 suggests pandemic-time grants or transfers.
- Own Source Revenue grew at a CAGR of ~6.3%, indicating moderate fiscal autonomy with continued reliance on assigned revenues and grants.

Greater Hyderabad

- Revenue dips in 2020-21 but recovers strongly in 2021-22 and 2022-23.
- Expenditure growth outpaces revenue, gradually narrowing the fiscal surplus.
- Though Own Source Revenue grew at a CAGR of ~9.4%, reflecting strong fiscal selfreliance and minimal dependence on external grants.

Kolkata

- Sharp revenue decline in 2020-21 due to pandemic disruptions, while expenditure spiked, possibly reflecting COVID-related spending.
- Recovery in revenue is weak, pointing to limited buoyancy in own-source revenues.
- Own Source Revenue grew at a modest CAGR of ~1.75%, indicating very limited capacity for internal revenue generation and continued reliance on external transfers.

Pune

- Strong and consistent revenue growth, reflects efficient tax collection, diversified sources, and high Own Source Revenue.

- Expenditure also rising but remains below revenue, leading to healthy fiscal surplus.
- Own Source Revenue grew at a CAGR of ~4.2%, reflecting steady internal revenue generation alongside rapid overall revenue growth.

Total Revenue Growth and Total Expenditure Growth:

City	FY 2019–20 (₹ Cr)	FY 2022–23 (₹ Cr)	Revenue CAGR	Expenditure CAGR
Surat	R: 2,837 / E: 2,836	R: 3,538 / E: 3,852	7.6%	10.7%
Ahmedabad	R: 4,395 / E: 3,737	R: 5,267 / E: 5,004	6.2%	10.2%
Greater Hyderabad	R: 3,146 / E: 2,292	R: 3,883 / E: 3,122	7.3%	10.9%
Kolkata	R: 4,163 / E: 3,908	R: 4,224 / E: 4,628	0.5%	5.8%
Pune	R: 5,939 / E: 5,098	R: 9,426 / E: 7,836	16.9%	15.3%

Key Insight:

- **Pune** shows the strongest revenue and expenditure growth, reflecting a robust fiscal base and expanding service delivery.
- **Surat, Ahmedabad, and Hyderabad** show steady revenue growth, but expenditure has grown faster, indicating rising service costs.
- **Kolkata's** revenue growth is almost stagnant, while expenditure continues to rise, pointing toward fiscal stress.

Key Takeaways:

- **Surat:** Healthy revenue growth, but expenditure is rising faster, leading to deficits. Focus on cost recovery is needed.
- **Ahmedabad:** Maintains consistent surplus with balanced growth, strong fiscal position.
- **Greater Hyderabad:** Strong revenue recovery post-COVID; expenditure control could improve surplus.
- **Kolkata:** Revenue growth weak and expenditure high, fiscal stress and high grant dependence.
- **Pune:** High revenue growth, controlled expenditure, and consistent surplus, a benchmark for peers.

3. Are the cities' revenues greater or less than expenditures?

•If in surplus, examine the heads that contributed to its increase •If in deficit, analyse the factors contributing to the gap

Revenue–Expenditure Gap (Rs. Crore):

City	FY 2019–20	FY 2020–21	FY 2021–22	FY 2022–23
Surat	2,837 – 2,836 = +1	2,786 – 3,025 = –239	3,313 – 3,479 = –166	3,538 – 3,852 = –314
Ahmedabad	4,395 – 3,737 = +658	5,203 – 4,558 = +645	4,977 – 4,512 = +465	5,267 – 5,004 = +263
Greater Hyderabad	3,146 – 2,292 = +854	2,937 – 2,050 = +887	3,524 – 2,874 = +650	3,883 – 3,122 = +761
Kolkata	4,163 – 3,908 = +255	3,732 – 4,896 = –1,164	3,981 – 4,435 = –454	4,224 – 4,628 = –404
Pune	5,939 – 5,098 = +841	6,733 – 5,443 = +1,290	8,563 – 7,155 = +1,408	9,426 – 7,836 = +1,590

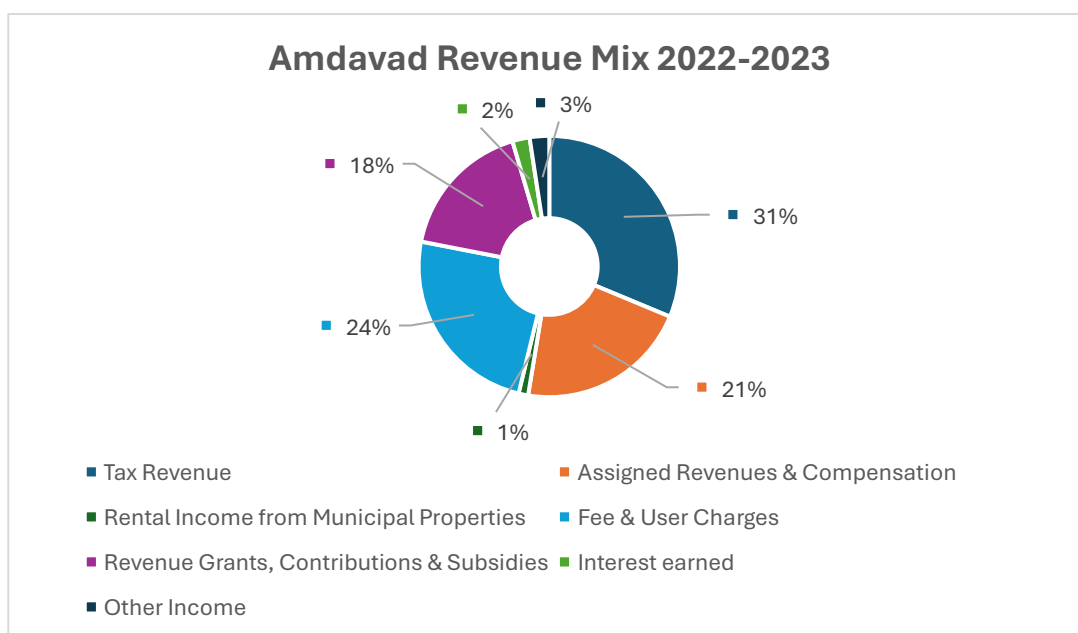
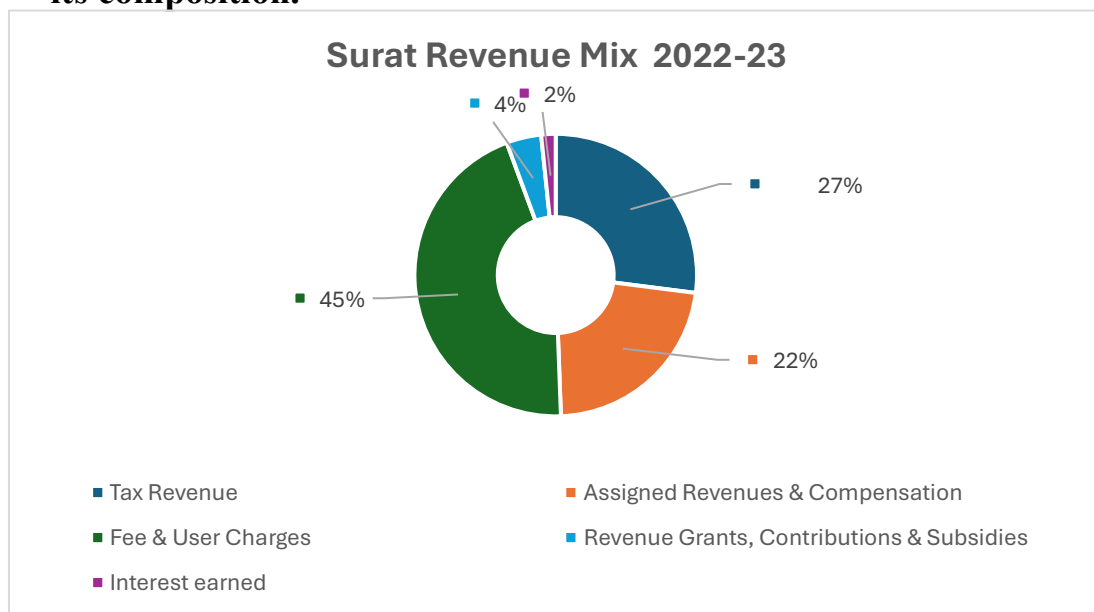
Observations (Referred to Excel sheet data directly):

- **Surat** ○ Only FY 2019–20 had a tiny surplus (+1 Cr).
○ Remaining years ran a deficit, with the largest gap in FY 2022–23 (–314 Cr). ○ Rising establishment and administrative expenses, combined with modest revenue growth, are the main contributors to the deficit.
- **Ahmedabad**
 - Consistently maintained a surplus in all four years. ○ The surplus is gradually declining, indicating expenditure is catching up with revenue.
 - Revenue is diversified across taxes, user charges, and grants, while expenditure growth remains moderate.
- **Greater Hyderabad**
 - Always in surplus, showing strong and stable fiscal health.
 - Slight dip in FY 2021–22, but surplus remains high.
 - Main expenditure drivers are establishment and O&M, with tax and user-charge revenues ensuring sustainability.
- **Kolkata**
 - Experienced a large deficit in FY 2020–21 (–1,164 Cr), likely due to pandemic-related expenditures and high administrative costs. ○ Subsequent years show smaller but persistent deficits. ○ Heavy reliance on grants, combined with moderate tax revenue, makes the city vulnerable to revenue shocks.
- **Pune**
 - Strong and growing surplus throughout FY 2019–20 to FY 2022–23, reaching +1,590 Cr in FY 2022–23. ○ Revenue growth significantly outpaces expenditure, reflecting effective fiscal management. ○ Tax and user charges dominate revenue, while administrative and operational costs remain controlled.

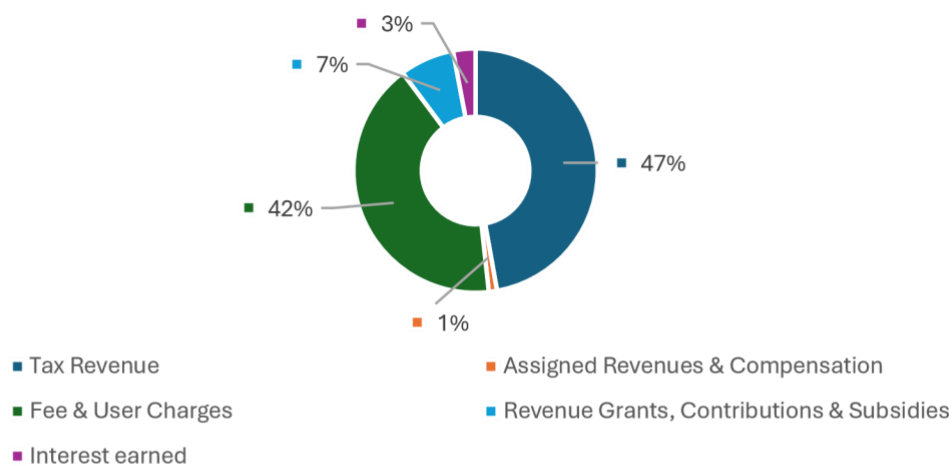
Overall Insights:

- Surplus cities: Ahmedabad, Greater Hyderabad, and Pune; Pune has the strongest and most growing surplus.
- Deficit cities: Surat and Kolkata; deficits driven by rising establishment/admin expenses and revenue constraints.
- Revenue–Expenditure gaps are closely linked to own-source revenue growth, grant dependence, and expenditure management.

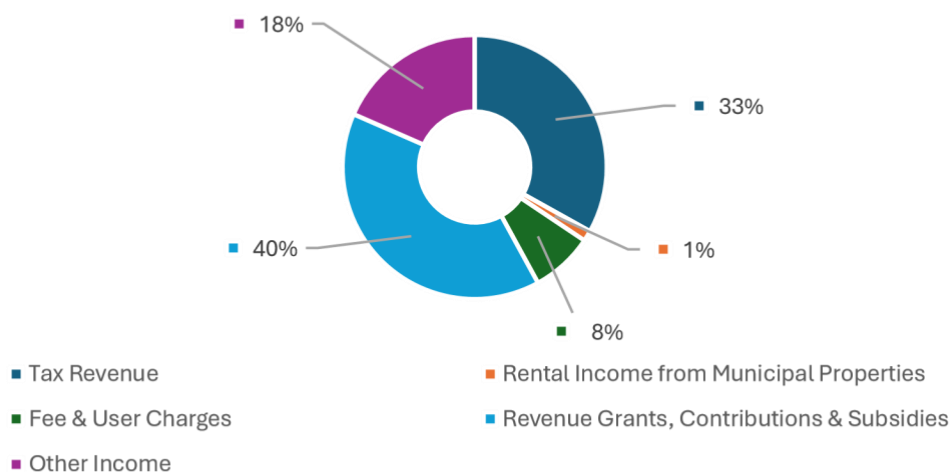
4. Identify the main sources of revenue for each Corporation and interpret its composition.



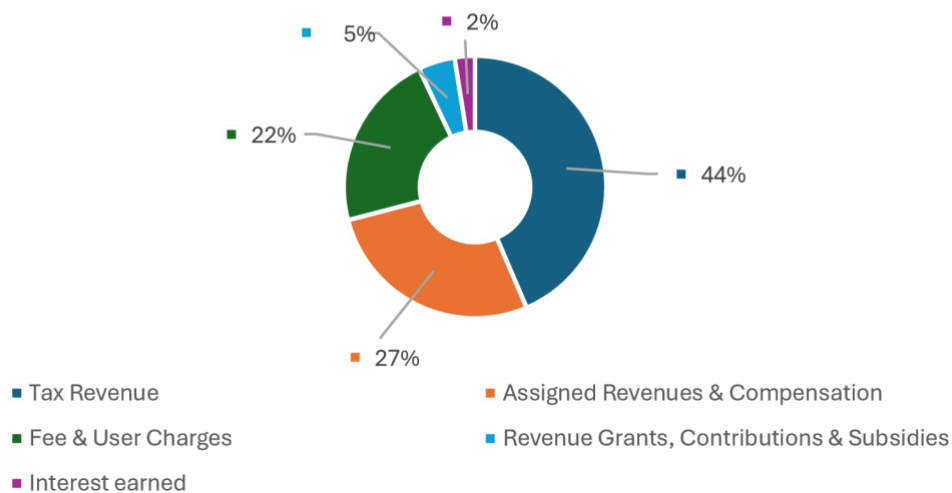
Greater Hyderabad Revenue Mix 2022-2023



Kolkata Revenue Mix 2022-2023



Pune Revenue Mix 2022-2023



The analysis focuses on **FY 2022–23** as it represents the latest audited financial year, capturing the most current fiscal position and providing a consistent basis for comparing the five Municipal Corporations.

Surat Municipal Corporation

- Key contributors: Fee & User Charges (44%), Tax Revenue (26%), Assigned Revenues & Compensation (22%), and Grants (4%).
- The city shows a balanced mix between tax and non-tax sources, with user charges emerging as the largest contributor.
- Own Source Revenue accounted for approximately 74% of total income, reflecting high financial autonomy and reduced dependence on state or central grants.

Ahmedabad Municipal Corporation

- Key contributors: Tax Revenue (31%), Assigned Revenues & Compensation (21%), Fee & User Charges (24%), and Grants (18%).
- Ahmedabad has a diversified revenue base, reducing fiscal risk.
- Own Source Revenue contributes around 61% of total income, indicating reasonable fiscal autonomy yet notable dependence on external transfers.

Greater Hyderabad Municipal Corporation

- Key contributors: Tax Revenue (47%), Fee & User Charges (42%), and Grants (7%).
- The revenue base is dominated by own-source revenues (91%), particularly property tax and user charges.
- This structure reflects strong fiscal autonomy and effective local resource mobilization, with minimal grant dependence.

Kolkata Municipal Corporation

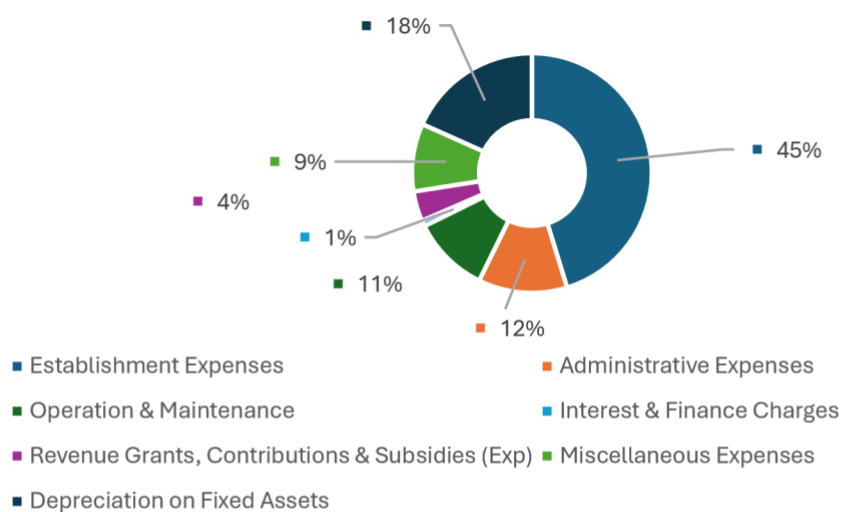
- Key contributors: Grants and Subsidies (40%), Tax Revenue (33%), and Other Income (18%).
- The city is highly dependent on intergovernmental transfers, with grants forming the single largest source.
- Heavy reliance on grants, coupled with moderate tax recovery, reflects fiscal vulnerability and limited local revenue generation.
- Own Source Revenue contributes around 60% of total income, indicating reasonable fiscal autonomy yet notable dependence on external transfers.

Pune Municipal Corporation

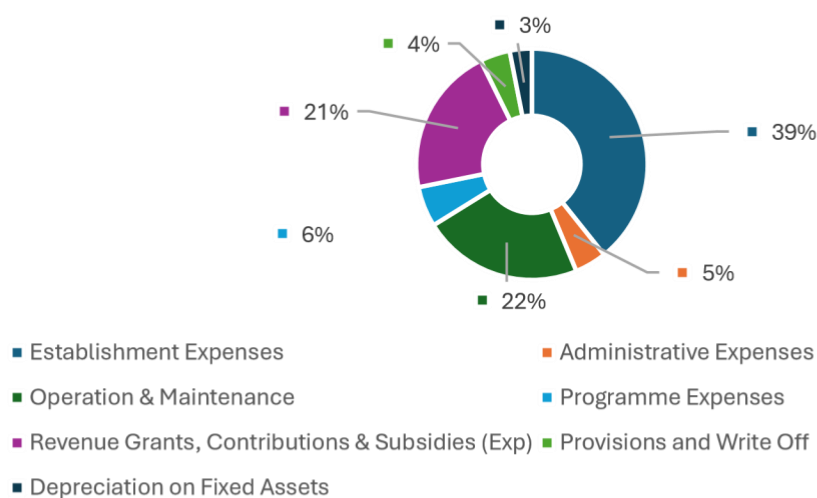
- Key contributors: Tax Revenue (44%), Assigned Revenues & Compensation (27%), and Fee & User Charges (22%).
- Own Source Revenue accounts for about 68% of total income, reflecting moderate fiscal autonomy with some reliance on assigned revenues and grants.
- Pune demonstrates strong financial independence, with Tax Revenue and User Charges contributing the majority of income.

5. Analyse their spending pattern across the Corporations. What does the expenditure mix suggest about the quality of expenditure in each city?

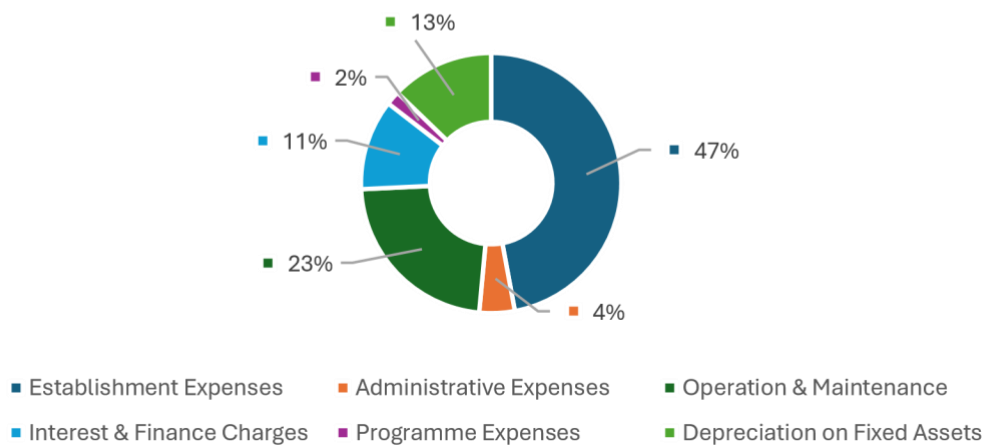
Surat Expenditure Mix 2022-2023



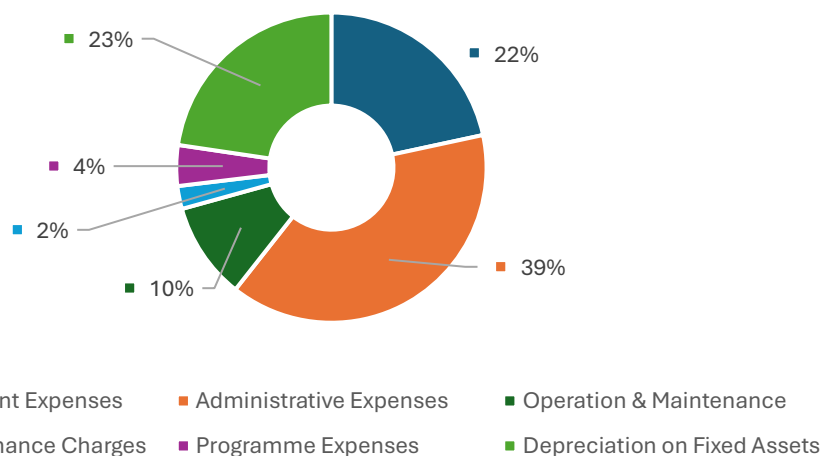
Amdavad Expenditure Mix 2022-2023



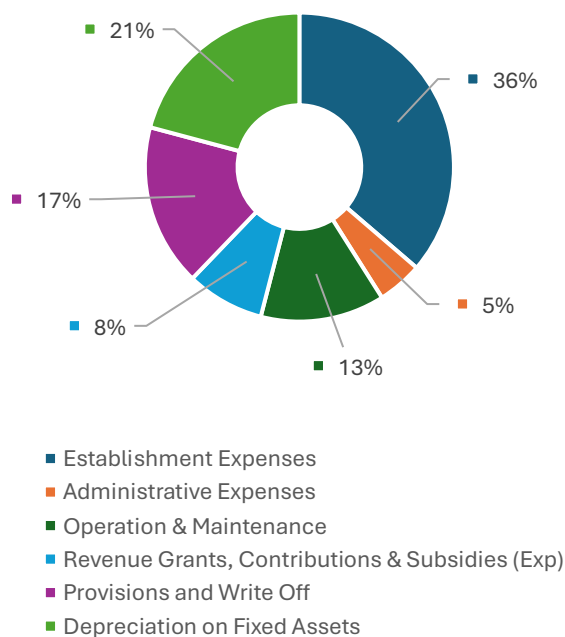
Greater Hyderabad Expenditure Mix 2022-2023



Kolkata Expenditure Mix 2022-2023



Pune Expenditure Mix 2022-2023



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Surat Municipal Corporation

- Key contributors: Establishment Expenses (~45% of TE), Depreciation on Fixed Assets (~18%), Administrative Expenses (~12%), Operation & Maintenance (~10%).
- Interpretation: High share of establishment and administrative costs (~57% of TE) indicates personnel-heavy expenditure, limiting flexibility for operational or developmental programs.

- Operational and program spending is relatively modest, reflecting constrained service delivery capacity.

Ahmedabad Municipal Corporation

- Key contributors: Establishment Expenses (~39%), Operation & Maintenance (~22%), Programme Expenses & Grants (~26%), Administrative Expenses (~4%).
- Interpretation: Administrative/Establishment costs (~43% of TE) are moderate, allowing substantial allocation to O&M and programs.
- Expenditure mix reflects a balanced focus on staff, operations, and service delivery, supporting fiscal efficiency.

Greater Hyderabad Municipal Corporation

- Key contributors: Establishment Expenses (~47%), Operation & Maintenance (~23%), Depreciation & Interest (~26%), Administrative Expenses (~4%).
- Interpretation: High establishment and administrative cost share (~51% of TE) indicates significant personnel overhead.
- While own-source revenues are strong, expenditure is skewed toward staff and noncash items, with less emphasis on service expansion.

Kolkata Municipal Corporation

- Key contributors: Administrative Expenses (~39%), Establishment Expenses (~22%), Depreciation (~23%), O&M (~10%).
- Interpretation: Heavy reliance on administrative and establishment costs (~61% of TE) constrains funds for operations and developmental programs.
- The expenditure pattern suggests limited service delivery focus and efficiency challenges.

Pune Municipal Corporation

- Key contributors: Establishment Expenses (~36%), Provisions & Depreciation (~38%), O&M (~13%), Administrative Expenses (~5%).
- Interpretation: Administrative/Establishment costs (~41% of TE) are moderate, but depreciation and provisions dominate, indicating accounting-heavy expenditure.
- Operational and programmatic spending is smaller, reflecting a focus on asset management and financial prudence rather than immediate service delivery.