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Financing, Management Capabilities, of Urban Local Bodies of Indian States - Impact and Outcomes

Rupal Shaw

Centre for Urban Economic Studies
Department of Economics
University of Calcutta

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Centre for Urban Economic Studies
Department of Economics
University of Calcutta
1 Reformatory Street, Kolkata 700 027, India.
cuescu@gmail.com
+91-33-2479-0156

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1 Reformatory Street
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Preface

The end of the twentieth century was an important time for India. It was the time when economic liberalisation in India was initiated in the year 1991, with the goals of making economy more market and service oriented and expanding the role of private and foreign investment. Specific changes due to the reform included reduction in import tariffs, deregulation of markets, reduction in taxes and greater foreign investment. At the state level, it was seen that complimentary measures were taken for better delivery of infrastructure, education and basic services etc. It was seen that two very important concepts were developed during that period- decentralisation and devolution of power to the local governments as devolution is key to decentralisation. Therefore in 1992, the 74th Amendment Act was included in the Twelfth Schedule of the constitution, where the urban local bodies got due recognition. These local bodies are entitled for the provision of public goods to the society. But over the years, the financial capacity of the local bodies has eroded over time leading to inefficient management and inefficiency in service delivery management. Also there has been a notable increase in the urban population after independence. It is important that these urban local bodies work efficiently so that a standard of the urban areas increases and development continuous. The 74th Amendment Act lays down a list of functions to be performed by the urban local bodies but no finances list has been provided to them. The objective of the study is to see what all factors are responsible for the changes in the income and expenditure of the municipal bodies.

Rupal Shaw, a research scholar qat CUES, has looked into these issues for her MPhil dissertation. She is continuing her studies on the same for her doctoral dissertation.

Mahalaya Chatterjee

Professor and Director

Centre for Urban Economic Studies

Calcutta University

Abstract

The end of 20th century was the time when two very important interrelated concepts were introduced which led to paradigm shifts. One was decentralisation and another was devolution. These two concepts were introduced to strengthen the third tier of governments. Devolution is the key to decentralisation. Devolution and decentralisation of powers in India has not been to a great extent. Urban local bodies still suffer from a lot of problems. Like other countries, it too has to look after the demands and requirements of the people. Outstanding demands and inefficiency in the service delivering management is attributable to insufficient investments. There has been an increasing trend in urbanisation across all states overtime. The level of urbanisation increased from 17 percent to 31 percent in 2011. So as urbanisation is taking place, the demands of the people are increasing and municipal bodies are finding difficult to stand up to the people's expectation regarding meeting their demands. Indian municipalities are weakest globally in terms of financial capacity, it was seen that urban local bodies were not being able to meet their expenditures. Their revenue raising capacity and access to resources have eroded. A low level of revenue means low level of investment. It happens to be such that these revenues get exhausted in maintaining the old infrastructures and no revenue left to create new investments, making them dependant of grants from centre or state. 74h Amendment Act of 1992 marks an important in the history of municipalities. It is in 1992, that the municipal bodies in India got their due recognition. The Act lays down the various functions of the urban local bodies but does not provide for any list for revenue. It is still seen that there is mismatch between the income and expenditure of the bodies.

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1. Introduction

The end of the twentieth century was marked by two very significant and interrelated developments that largely led paradigm shift in the approaches, concepts and thinking about the institutions of local self-government in India. Devolution constitutes the key element of decentralisation. The paper, therefore, discusses approaches and practices for strengthening of decentralisation and the institutions of urban local self-governance. It also analyses leading issues and practices in working out a municipal financial resource mobilisation strategy.

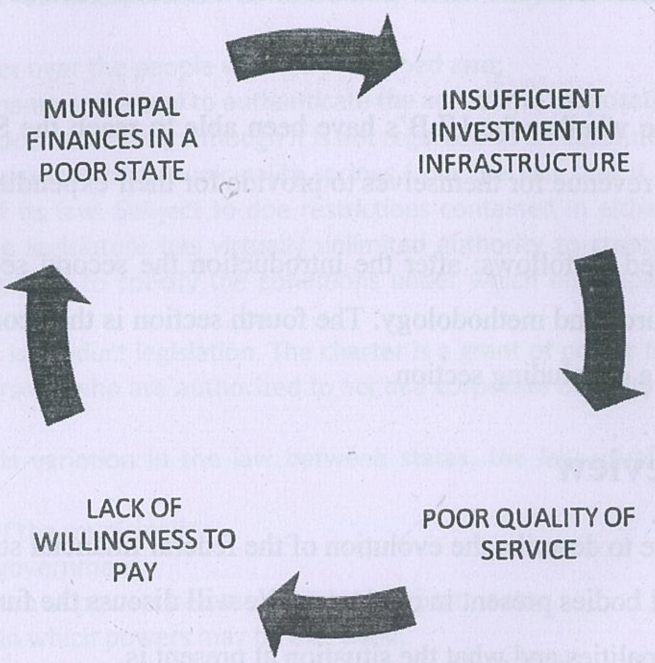
India is a developing country and like every other developing country its need good infrastructure for speedy development of the state which can be provided by the Urban Local bodies. Outstanding demands and inefficiencies in service sector deliver management are attributable to insufficient investment in creating both new facilities as well as maintaining the old ones. Whatever income is generated by the municipalities is spent on the maintenance of the existing infrastructure, therefore they do not have enough to create new infrastructure.

The urban population in India has increased from 62 million in 1951 to 286 million in 2001 and 377 million in 2011. The level of urbanisation increased from 17 percent in 1951 to 28 percent 2001 and 31 percent in 2011.the number of statutory towns increased from 3799 to 4041 between 2001 and 2011. The number of census towns also increased from 1362 to 3894 in the same period. These trends show that there has been considerable urbanisation going on. By international standards the rate of urbanisation has been rather low. Indian municipalities are weakest in terms of access to resources and revenue raising capacity. It's not only the country's municipal sector is very small compared to the international standards but the India have been subjected to significant erosion of their fiscal autonomy overtime.

Cities are the main engine of growth and productive employment. They also generate public finances for socio-economic development. In 2007, urban areas with 30 per cent population contributed to 62-63 per cent of the country's Gross Domestic Product. The contribution is expected to rise to 75 percent by 2021. Over the next two decades cities will create 70 percent of all new jobs in India and will also account for 80-85 percent of total tax revenues.

Cities will not be able to play their fundamental roles as engine of economic growth and structural transformation, unless they fulfil their outstanding demands and meet their growing needs of urbanisation All the cities face a gross mismatch between the responsibility that they have to deliver and their resource base. This revenue and expenditure mismatch leads to a vicious circle as follows.

Fig.1. A vicious circle showing how insufficient investment in infrastructure leads to poor state of municipal finances



Source: Mohanty, P.(2016) Financing cities in India- Municipal reforms, fiscal accountability and urban infrastructure.

To break this vicious circle by addressing few factors responsible for the fiscal gap in cities. These include narrow resource base, inadequate intragovernmental transfers, inefficient collection of taxes, user charges and benefit charges, lack of capacity to borrow and weak service delivery. These particular factors undermine India's competitive strength in the globalising world economy. The unequal way the cities have grown in the contribution of unequal finances.

India is an exceptional country in sense that in spite of increasing urbanisation and rising contribution to GDP the revenue raising powers of the municipalities have gone down. In 1919 Government of India Act, octroy and terminal taxes were reserved for the municipalities apart from property tax and land value tax. In 1951 the local Finance Enquiry Committee added some more tax namely tax on consumption or sale of electricity, advertisement tax other than those published in the newspaper, tax on vehicles, capitation tax and tax on entertainment. In 1953-54, the Taxation Enquiry Committee added duty on transfer of Property to the list.

After the abolition of octroy and states appropriating the local taxes have reached a state where they cannot even meet the elementary expenditures. Non-assignment of tax system as buoyant as the octroy has given a severe blow to the municipal finances of various states. Not only the urban local bodies in India have a narrow tax base but they also do not have access to formula based sharing of major national and state taxes as in multitier countries such as Brazil, China and South Africa.

The scope of study is to see whether the ULB's have been able to reach the SFC mandate and generate enough sources of revenue for themselves to provide for their expenditures.

This dissertation is organised as follows: after the introduction the second section is literature survey followed by data source and methodology. The fourth section is the econometric analysis and discussion followed by a concluding section.

2. Literature review

In this section we would like to describe the evolution of the federal financial structure of India emphasizing the urban local bodies present in our states. We will discuss the functions, powers and problems of the municipalities and what the situation at present is.

Municipalities in India have a history over 300 years which by no consideration is to be compared with the city-state of Athens. Over these hundred years of history the municipalities in India has faced many landmark developments. The first of its kind called Municipal Corporation was set in Madras in 1688, Bombay and Calcutta followed the suit in 1726. The reconstitution of Madras Municipality , the passage Act X of 1842 which provided the first formal measure of municipal organisation and Act XXVI of 1850 under which the municipals were made responsible for conservancy road repairs and lighting.

Samuel Laing, a member of the Viceroy's Council, 1861–2, proposed that the local services should be based on local resources. Lord Mayo resolute the concept of election for selecting heads of municipal bodies and Lord Rippon, otherwise known as the founding father of ULGs, devised the concept of municipal authorities as units of self-government. His Resolution of 18

May, 1882 on local self-government dealt with the constitution of local bodies, their functions, finances and powers and laid the foundation of local self-government in modern India.

WHAT IS A MUNICIPALITY?

In a legal sense, a municipality is a body politic, created by the incorporation of the people o f a Specified jurisdiction and invested with subordinate powers of legislation, for the purpose of assisting in the civil government of the state and of relating and administering its local and internal affairs. There are many other definitions; however, there is consensus on certain characteristics. These are—

(i) A formal act of incorporation in conformity with either the constitutional or statutory requirements;

(ii) Grant of power over the people within a prescribed arm;

(iii) A corporate name and a seal to authenticate the acts of the corporation; and

(iv) The right of local autonomy although it is not regarded as an absolute right

The corporate existence of a municipality springs from the fact that it is a creature of the state and a product of its law. Subject to doe restrictions contained in either the Constitution or the statute, the state legislature has virtually unlimited authority to create such legal entities. The state retains the right to specify the conditions under which municipal corporations come into being.

The municipality is product legislation. The charter is a grant of power from a superior, the state, to a group of persons who are authorized to act in a corporate capacity for the people of a given area.

Although there is variation in the law between states, the law usually contains the following elements:

(i) The powers of the municipality,

(ii) The form of government,

(iii) The distribution of powers between different departments,

(iv) The manner in which powers may be exercised,

(v) The qualifications of the voter and procedure for holding of elections.

Source- India's municipal sector, a study for the 12th Finance Commission by Omprakash Mathur with Sandip Thakur

The Lord Ripon's resolution in 1882 occupies a very important place in the development of a representative municipal in India. A key feature of this resolution lay in its emphasis on political education as the primary function of a local government. The resolution read: "It is not primarily with a view to improvement in administration that this measure is put forward and supported. It is chiefly designed as an instrument of political and popular education".

In 1906 the Royal Commission for decentralisation was setup and made few suggestions on the decentralisation of functions and powers to the local tiers of the government. These suggestions by the Royal Commission were endorsed by Government of India in 1919. According to the Act of 1919, local government became a government head. The Act laid down the tax powers of the urban local bodies which of comprised toll; land tax and tax on land values; tax on buildings; tax on vehicles and boats; tax on menials and domestics; tax on animals; octroi; terminal tax; tax on trade, professions and callings; tax on private market; and tax on municipal services, such as water supply, lighting, drainage, and public conveniences.

The Government of India Act 1935, ended the diarchic administration and assigned local self-government under a new federal arrangement. This Act listed the powers of the government and provinces entrusting the responsibility of defining functions and tax powers of local government.

Following the model of the Government of India Act, 1935, the Constitution of India, 1951 allocates the powers and functions of the government between the Union (the central) and the state governments. Article 246 relating to the subject-matter of laws states that the Parliament has exclusive powers to make laws with respect to any of the matters enumerated in list 1 in the Seventh Schedule (referred to as the Union list); and that the legislature of any state has exclusive power to make laws for such state or any part with respect to any of the matters enumerated in list 2 in the Seventh schedule (referred to as the state list); and the Parliament and state legislatures have power to make laws with respect to any of the matters enumerated in list 3 of the Seventh schedule (referred to as the concurrent list), with over-riding powers resting with the Union government.

The 74th Constitution Amendment Act of 1992 makes an important landmark in the history of Indian municipal bodies. It was in 1992 when the local self-government got constitutional recognition. This act also lays down the parameters for the constitution of municipalities and defines how these would be composed. Besides acquiring a constitutional status, it has not gone through structural changes like many other social and political institutions which do not change easily. For the growth and development as a third tier of governance, the national commission set up to review the working of the municipalities and it also proposed that the municipalities should have a set of exclusive function and a concept of separate tax domain for themselves.

In India, three types of municipal administrative models are found: one that is found in Tamil Nadu and other southern states and popularly known as the Tamil Nadu model wherein recruited municipal (government) officers are transferable both horizontally and vertically across the three tiers of the government; second one is found in Punjab where the municipal up to the level of supervisors and clerks are recruited by the service commissions and only the lowest level employees are engaged locally; the third and the most unique type of administration is found in West Bengal, Maharashtra and Gujarat where the local governments enjoy exclusive rights in selecting the representatives and officers who constitute the self –government .

Municipal finances in India did not go through much of a structural reform. In order to provide basic urban services the bodies derive their financial resources from the following sources:-

(a) Tax revenue
(b) Non-tax revenue
(c) Shared taxes
(d) Grants in aid

The availability of these sources has great significance in determining the financial strength and management capabilities of a local government. The three major features of Indian local finance during 1960's to 1980's can be stated as:

- Growing dependence of local bodies on grants in aid from state governments. The share of total grant increased from 15 percent to 25 percent in this time frame.
- The share of total municipal tax revenue had gone up from 61 percent to 65 percent and that of non-tax revenue has fallen.
- The low per capita income of the municipality's results in low per capita expenditure by the municipal body which in turn leads to low level of municipal services delivered. Per capita availability of basic municipal services was found to be higher in the octroy states when compared to non-octroy states.

From 1984-87 it was observed that the per capita revenues of big municipalities were higher than those of medium and small municipalities. At times the small municipalities on an average indicated high per capita revenue that medium sized municipalities. This could be because of two reasons. Firstly, low level urbanisation and secondly, out migration.

The tax revenues dominate the total ordinary incomes of the municipalities. The share of tax revenues in total ordinary incomes has indicated a rising trend during 1981-8. The proportion of grants in aid have decreased for bigger municipalities where as it has increased substantially for smaller local bodies. It clearly demonstrates that smaller local bodies are highly dependent on grants in aid from the state governments.

After 1980, local bodies have put in great effort to augment revenues from the non-tax revenue sources with the result that proportion of nontax revenue has increased in total municipal revenues.

In octroy states, octroy is a major source of tax revenue. During 1980-87, a higher growing dependence was observed amongst the municipalities. The reasons for such high rates of growth of octroy could be because of the change in base of octroy levy from specific to ad valorem or because of rapid urbanisation leading to high growth rate of trading activities. The second most important source is the property tax. It was seen that the state's control of municipal taxation had severe constrained on growth of municipal revenue particularly from property tax.

2.1 FACTORS RESPONSIBLE FOR THE POOR FINANCES OF THE URBAN LOCAL BODIES

As we have seen earlier that the urban local bodies in India have faced a deceleration in the growth of revenues overtimes. Below are few factors as to why there has been an erosion of power of the urban local bodies.

1. The mixture of revenue system adopted for the local bodies is not sufficient to cover up the expenditures that they are entrusted with. Property tax is the only major tax and octroy has been abolished in all states except Maharashtra.
2. Vertical imbalance and fiscal dependency are built into India's fiscal federalism. They owe to the non-assignment of revenue sources to local bodies to suffice the financing needs of their mandatory functions.
3. Horizontal imbalances occur between cities of different sizes, with varying composition of economic activity and even within cities in the same population group. Every city is different and each city has a different level of development, therefore their requirements are also different from each other.
4. State governments control municipal authority to levy taxes and charges, and borrow. They post managers to municipalities, set municipal tax rates, grant exemptions, and determine fiscal transfers and conditions of access to market funds.
5. Municipalities face acute systemic problems-lack of professional cadres, absence of robust human resource management, financial management and public accountability frameworks; mismatch between staff needed and available; high administration costs,

large-scale corruption, and inadequate involvement of the community in service delivery.

6. Low level and poor quality of infrastructure and services provided by municipal authorities, adversely affecting the willingness of citizens to pay taxes, charges and fees.

7. Inadequate taxation powers with municipalities, do not commensurate with the financing needs of the functions mandated to them by the 74th Amendment Act.

8. Inappropriate user charges that do not relate to user costs, resulting in insufficient cost recovery to meet operation and maintenance expenditures..

9. 4. Inadequate mobilisation of revenues due to weaknesses in public administration.

10.5. Complex procedures for the assessment and collection of taxes, fees and charges, and settlement of disputes.

11.6. Numerous tax exemptions and subsidies that are wrongly designed or not well-targeted and which lead to corruption.

12.7. Absence of an appropriate intergovernmental transfer system to address vertical and horizontal imbalances, inter-jurisdictional spillovers and needs of urban poverty alleviation, slum up gradation and core infrastructure

13.8. Non-exploitation of borrowing as a versatile instrument to finance long-gestation urban and regional infrastructure projects.

10. Lack of robust budgeting, accounting, expenditure control, performance tracking, auditing, and public disclosure frameworks in municipalities to convince citizens and lenders.

2.2 THE URBAN FISCAL GAP

As the analytical framework suggests, the urban fiscal gap can be bridged by;

(a) Rationalising municipal responsibilities,

(b) Cutting down service costs,

(c) Enhancing municipal revenue base and authority to raise resources,

(d) Stepping up local revenue effort;

(e) Increasing transfers from higher levels of government,

(f) Resorting to larger borrowings by enhancing creditworthiness and

(g) Partnering with the private sector to reduce demand on public resources for civic services and infrastructure.

2.3 STATEMENT OF OBJECTS AND REASONS OF THE 74TH CONSTUTUTION AMENDMENT ACT

In many States local bodies have become weak and ineffective on account of a variety of reasons, including the failure to hold regular elections, prolonged supersession and inadequate devolution of powers and functions. As a result, Urban Local Bodies are not able to perform effectively as vibrant democratic units of self-government. Having regard to these inadequacies, it is considered necessary that provisions relating to Urban Local Bodies are incorporated in the Constitution particularly for-

(i) Putting on a firmer footing the relationship between the State Government and the Urban Local Bodies with respect to-

(a) The functions and taxation powers

(b) Arrangements for revenue sharing

(ii) Ensuring regular conduct of elections

(iii) Ensuring timely elections in the case of supersession

(iv) Providing adequate representation for the weaker sections like Scheduled Castes, Scheduled Tribes and women.

Over the past few years, the Government of India has become concerned with the slow pace of implementation of the Constitution 74th Amendment Act, 1992, especially the provisions relating to fiscal decentralization (Schedule 12 and Article 243 Y of the Constitutional Amendment).Fiscal decentralization in India is unfinished business. In reality, states have made very few changes in functional assignments. Key urban functions either remain at the state level, or are allocated in an overlapping and unclear manner among state bodies, parastatal institutions, and urban local bodies.

The 73rd and 74thAmendments provide for the creation of sub-national institutions—the State Finance Commissions (SFCs)—to help structure intergovernmental fiscal relations at the state level. The SFCs are modelled after India's Central Finance Commission. In reality, however, the two institutions have evolved in very different directions.

The Constitutional amendment mandates that the SFCs recommend the principles for:

i. The distribution between the state and local bodies of the net proceeds of taxes, duties, tolls and fees leviable by the state, and their *inter se* allocation between panchayats and urban local bodies.
ii. The determination of the taxes, duties, tolls, and fees that may be assigned to or appropriated by the local bodies.
iii. The grants-in-aid from the state consolidated fund to local bodies.
iv. The measures needed to improve the financial position of the panchayats and urban local bodies.

This mandate is broad enough for each SFC to focus on crucial policy choices in establishing an approach to fiscal devolution. In practice, however, most states have merely replicated the Constitutional description of the tasks to be undertaken by SFCs without further guidance.

The idea behind setting up SFCs and making recommendations every five years was to bring about certainty, clarity, and consolidation in the transfers to local governments. Certainty could be achieved through ensuring revenue sharing of taxes on goods and services. Clarity could be achieved if SFCs formulated more transparent, formula-based processes for sharing taxes.

There is a widespread perception that SFCs have not played a leadership role in supporting Decentralization. There have been delays in constituting the SFCs. Some states have not constituted SFCs at all. The study shows that many important recommendations of the SFCs have not been accepted by the state governments. Other recommendations have been formally accepted but not implemented. The 12th Central Finance Commission criticized the lack of consistent SFC methodology in estimating urban local body resource needs. Clarification of how the resource gap is to be estimated and what norms are to be used is critical to the future usefulness of the SFC reports and the design of the state–local financial relationship.

Whereas it has become conventional for Central Finance Commission recommendations to be adopted and implemented without modification at the national level, the track record of SFC recommendations is ambiguous. Many of their recommendations have been ignored or rejected by state governments.

At present, there is general disillusionment with the performance of SFCs. They are held partially responsible for the slow progress in implementing the spirit of the 74th Amendment. The quality of SFC reports, the depth of analysis, and the qualifications of SFC members have been questioned by both the Eleventh and Twelfth Central Finance Commissions. However, it is also true that SFCs have been asked to examine some of the most difficult issues in fiscal federalism, for which there are no clear answers.

2.4 DEVOLUTION OF FUNCTIONS

The 74th Amendment provides for a schedule of functions Schedule 12 that are considered appropriate for the ULBs. Many states have incorporated either all or some of the functions listed in into the state municipal statutes. The key lies in the transfer of functions to the ULBs and the evidence does not indicate that significant transfer of Schedule 12 functions to ULBs has occurred. A comparison of the 12th Schedule with the functions assigned by stales to their municipalities following the 74th Amendment Act reveals that there are wide variations in the patterns of expenditure assignment between states.

The74th Constitutional Amendment Act mandated that the ULBs been owed to perform the following 18 functions which are considered core:

(1) Urban planning including town planning
(2) Regulation of land use and construction of buildings
(3) Planning for economic and social development
(4) Roads and bridges
(5) Water supply for domestic, industrial and commercial purposes
(6) Public health, sanitation, conservancy and solid waste management
(7) Fire services
(8) Urban forestry, protection of the environment and promotion of ecological aspects
(9) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
(10) Slum Improvement and up gradation

(11) Urban poverty alleviation

(12) Provision of urban amenities and facilities such as parks, gardens and playgrounds

(13) Promotion of cultural, educational and aesthetic aspects

(14) Burials and burial grounds; cremations, cremation grounds and electric crematoriums

(15) Cattle pounds, prevention of cruelty to animals

(16) Vital statistics including registration of births and deaths

(17) Public amenities including street lighting, parking lots, bus stop sand public conveniences and

(18) Regulation of slaughter houses and tanneries.

Table 1. Devolution of 12th Schedule Functions under the Constitution to ULBs

#	State	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Andhra Pradesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	[illegible]	Y	Y	Y	Y
2	ArunachalPradesh*																		
4	Gujarat	Y	Y	Y	Y	Y	Y	Y	[illegible]	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Haryana****																		
6	Himachal Pradesh	[illegible]	NA	N	[illegible]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
7	Karnataka	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Kerala	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	MadhyaPradesh	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	Y	Y	Y	NA	Y	NA
10	Manipur	Y	NA	NA	NA	NA	NA	Y	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA
11	Odisha	Y	Y	Y	Y	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	NA
12	Punjab	NA	NA	NA	NA	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
13	Rajasthan	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
14	Sikkim	NA	NA	NA	Y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
15	Tamil Nadu	Y	Y	Y	Y	Y	Y	Y	[illegible]	Y	Y	Y	Y	Y	[illegible]		Y	Y	Y
16	Tripura	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
17	Uttar Pradesh	NA	NA	Y	Y	[illegible]	NA	Y	Y	Y	Y	Y	Y	NA	[illegible]		[illegible]	NA	Y
18	Uttarakhand	NA	Y	NA	Y	Y	Y	Y	Y	Y	Y	Y	NA	NA	NA	Y	Y	Y	Y
19	West Bengal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	[illegible]	Y	Y	Y	Y

Source: Topic, Notes and Statements submitted by State Governments to the Fourteenth Finance Commission
Y- Transferred
N- Not transferred
P- Partially transferred
NA- Not Available
Bihar, Chhattisgarh, Goa, Jammu and Kashmir, Jharkhand, Maharashtra, Meghalaya and Mizoram did not provide any data.

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1. Regulation of land use and construction of buildings
2. Roads and bridges

3. Water supply for domestic, industrial and commercial purposes

3. Water supply for domestic, industrial and commercial purposes
4. Public health, sanitation, conservancy and solid waste management
5. Slum Improvement and up gradation
6. Urban poverty alleviation programme
7. Provision of urban amenities and facilities such as parks, gardens and playgrounds
8. Cattle pounds, prevention of cruelty to animals
9. Vital statistics including registration of births and deaths
10. Public amenities including street lighting, parking lots, bus stop sand public conveniences
11. Regulation of slaughter houses and tanneries.
12. Urban planning including town planning
13. Planning for economic and social development
14. Fire services
15. Urban forestry, protection of the environment and promotion of ecological aspects
16. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
17. Promotion of cultural, educational and aesthetic aspects
18. Burials and burial grounds; cremations, cremation grounds and electric crematoriums

*Municipal election was held on May 16.2013 and till date no function or staff has been transferred to ULB's.

**Main roads and bridge under PWD

***Public health with State Department

2.5 FISCAL POWERS OF THE URBAN LOCAL BODIES

The recent fiscal powers of ULBs have typically comprises of property taxes (49); a tax on the entry of goods into a local area for consumption, use, and sale, known as octroi (52); advertisement taxes (55); taxes on non-motorized vehicles (57); entertainment taxes (55); taxes on animals and boats(58); and taxes on professions, trades, callings and employment (60). The general condition underlying the assignment of fiscal powers is that the revenue yields from these taxes should be adequate to meet the operational expenditures of ULBs. Given the relative inflexibility and low buoyancy of many of these taxes and the difficulty in adjusting local tax rates, state governments have traditionally used a system of grants-in-aid and a tax-sharing arrangement for bridging the revenue gap faced by the ULBs. Also with grants and tax sharing, the state governments utilize the instrument of specific-purpose grants, for specific objectives.

The primary task of the SFCs under the Constitution is to design and structure a fiscal system that would meet the financial requirements of ULBs. The design of the fiscal system consists of:

(i) tax assignment or devolution to the ULBs,

(ii) a revenue-sharing system,

(iii)grants-in-aid for the ULBs,

After the expenditure is taken care of, the next step is revenue assignment. Finances follow functions; revenues follow responsibilities. As the European Charter of Local Self-Government (Article 9) states: 'Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law' (Council of Europe 2010).The revenues assigned to a tier of government should match, as far as possible, the expenditures required so as to induce 'fiscal responsibility' (TerMinassian 1997).The Constitution (74th Amendment) Act, 1992 does not provide a 'municipal finance list' corresponding to the Twelfth Schedule. Article 243X of the Constitution leaves the authorisation of taxes, tolls, charges and fees, assigned revenues, grants-in-aid and so on to states. While very few states have assigned been additional sources to ULBs to match the responsibilities included in the 12th Schedule, some states have even curtailed the powers of municipalities to levy taxes after the enactment of the 74th Amendment. The current sources of revenues of municipalities in India are grossly inadequate for their mandated functions.

Octroi which was one of the most buoyant tax sources yielding a substantial amount of revenue have been abolished in all states except Maharashtra and it is still now that none of the states have been able to assign a revenue source as buoyant as octroi to the urban local bodies. The states have not been able to replace the loss from abolition of octroy with any other form of tax which would be as buoyant as the octroy. Also it is seen, compensation made to the urban local bodies from the states due to the abolition of octroi has been really low. Municipalities largely depend on property tax and intergovernmental transfers. Only a few states share stamp duty, profession tax, entertainment tax and motor vehicles tax with ULBs. User charges are not imposed on many services even where such levy is feasible. Borrowing through municipal bonds and other forms of debt has not been exploited due to poor credit-worthiness of municipalities and restrictions imposed by state governments.

The Constitution (74th Amendment) Act provides for two ways through which the revenue and expenditure mismatch can be corrected. First, Article 243Y of the Constitution mandates the SFC to review and recommend the principles of devolution of state revenues to municipalities, determination of revenue sources to be assigned to or appropriated by municipalities, provision of grants-in-aid to municipalities and 'measures' needed to improve their finances.

Second, amendment to Article 280 of the Constitution mandates the CFC to recommend, `measures needed to augment the Consolidated Fund of a State to supplement the resources of its Municipalities on the basis of the recommendations made by the Finance Commission of the State. A robust revenue structure is a must for meeting the expenditure requirements.

To correct the vertical imbalance in the functions and finances of ULBs and in line with the recommendations of the Thirteenth CFC, the High Powered Expert Committee recommends strengthening of own revenues of ULBs through state governments sharing revenue with ULBs. The Committee recommends more broad-based revenue sharing by states with ULBs through appropriate amendments of the Constitution, they are:

1. Insert a Local Bodies Finance List (LBFL) along the lines of the Union and State Lists;
2. Empower ULBs to exclusively levy property tax, profession tax, entertainment tax, and advertisement tax and retain the whole of their proceeds (referred to as 'exclusive taxes').

3. Constitutionally ensure sharing of a pre-specified percentage of revenues from all taxes on goods and services including motor vehicle tax and stamp Duty which are levied by states to enable ULBs to meet their functional (collectively referred to as 'revenue-shared taxes');
4. Provide for formula-based sharing of the divisible pool with the ULBs and also grants-in-aid to ULBs from the divisible pool for bridging, wherever necessary, horizontal fiscal imbalance;
5. Provide that the devolution in above shall be on the basis of a formula designed by the SFC, taking into account the level of economic activity, population levels, extent of poverty, capacity to mobilise resources, and other factors as may be necessary over time.

Property tax

The most important tax levied at local level is property tax. The responsibility of designing the property tax rest with the state government whereas the ULB are allowed to fix tax rate within a band, prepare collection strategy. Since it's controlled by the state government, this takes away the most important funding instruments from the control of the ULB. Property tax revenues in different states of India range between 0.16 per cent - 0.24 per cent of the total GDP which is much below the other developing countries which collect about 0.6 percent of the GDP. The reasons for low realisation from property tax are poor assessment rate, weak collection efficiency, flawed methods of property tax evaluation and poor enforcement. Vacant land tax, a variant of property tax is not levied in most of the Indian. Key elements of property tax reform are as follows:

1. Property tax should decompose in a general tax and a service component.
2. Property tax should be retained as a general benefit tax.
3. Property tax should be levied on all immovable properties that is building and vacant land.
4. Property tax on constructed property should be levied under an ABS system whereby there is a slab rate per square foot based on location, type of construction and use.
5. Base for levying property tax should be revalued every 5 years.
6. ULB should have the flexibility with respect to constructed buildings, subject to a floor specified under the law.
7. Maintain an accurate and active register of tax payers to minimise leakages.
8. A property tax board should be setup in all states as recommended by the 13th finance commission.

Profession tax

Profession tax is levied by 24 states. It is collected by state governments and shared with ULBs very reluctantly. In Andhra Pradesh, a major share of the revenue from profession tax was passed on to local governments. A number of states, e.g. Bihar, Kerala, and Rajasthan, have delegated levy of profession tax to ULBs. The Committee recommends that in cases where state governments collect profession tax, the proceeds net of administrative costs should entirely devolve to ULBs.

Entertainment tax

Entertainment taxes which include taxes on cinemas, amusement, and betting are mostly levied by state governments, and a portion of the revenue is transferred to ULBs. At all-India level, entertainment taxes yielded Rs1080crore in 2007-08. The Committee recommends that the entire collection from this tax net of collection charges should be passed on to ULBs, until the time it is subsumed under the GST.

Advertisement tax/fee

ULBs are empowered to levy taxes on advertisements excluding those in print or electronic media. In the path of India's transition to a high growth economy with much larger market orientation, advertising assumes a very important role, particularly in cities where the middle classes tend to converge. Beneficial both for the advertiser and the ULB, advertisement tax/fee for public places is convenient to administer, and unlikely to face much opposition. Advertisement potential from urban transport infrastructure should also be tapped, especially in the larger cities. Bus stops, metro terminals, and corridors offer excellent scope for advertising. The Hyderabad Municipal Corporation witnessed unprecedented increase in its collection of advertisement fees by more than 230 per cent during the period 1998-2000, demonstrating the potential of this instrument for ULBs (Mohanty 2003). The High Powered Expert Committee recommends that the exclusive power to levy advertisement fees should rest with ULBs till such time that the GST is introduced.

Octroi and entry taxes

Octroi was an important source of municipal revenue in many states of India. Since this tax is distortionary and is a hindrance to free inter-state trade and commerce, besides being a major source of corruption, all states except Maharashtra have abolished it. Some states have experimented with entry tax which is as much an impediment to internal trade.

Even in the few cases where state governments have compensated ULBs for the loss of revenue from octroi, the payments have been too small and not indexed for inflation.

The Report of the Committee on The Abolition of Octroi (1985), constituted by the then Ministry of Urban Development, Government of India, had recommended that 'Octroi should be replaced with taxes, the incidence of which would be on the transport sector. The alternatives are surcharge on sales tax, entry tax, terminal tax, road tax, tax on motor vehicles, etc. even if revenues from these accounts are inadequate, augmentation measures through property tax, entertainment tax, profession tax, would be considered. If the revenue remains inadequate even after the imposition of these taxes, only then special grants-in-aid should be provided.

In some states like Andhra Pradesh, entry tax has been declared unconstitutional by the High Court, and the state government has appealed to the Supreme Court. At the same time, Orissa continues to levy entry tax. In Orissa in 2009-10, entry tax yielded Rs 802 crore which is about 10 per cent of the total yield of value added tax (VAT), entry tax, and central sales tax. Discussions with ULBs in Orissa suggest that they cannot function without entry tax which brings in revenues that are much larger than those from property tax. In Maharashtra, which is still levying octroi, the collection from octroi was Rs 9100 crore, about 30 per cent of the VAT collection which amounted to Rs 32,153 crore in 2009-10.The High Powered Expert Committee is of the view that both octroi and entry tax are undesirable and distortionary and therefore need to be completely abolished in all states. After abolition ULBs in India need to be given access to an alternate major source of revenue which would adequately compensate them for the revenue loss on account of such abolition.

Other taxes

Motor vehicle tax

Motor vehicle tax was a tax levied by local bodies in many states. Subsequently, partly because of challenges in collection, it was taken over by state governments and the proceeds were shared with local bodies. The Report of the Committee on the Abolition of Octroi on sharing motor vehicle tax with ULBs was largely ignored. While motor vehicle tax in almost all the states is with the state government, only Andhra Pradesh, Karnataka, and West Bengal share the tax with local bodies.

Stamp duty

Stamp duty on registration of land or property is levied by state governments and shared with ULBs in some states. While some states have abolished property tax levied by ULBs, they continue to derive significant revenues from stamp duty on transfer of property. The Committee recommends that, in any case, a major portion of the stamp duty should be devolved to ULBs because it is their activities towards developing infrastructure which lead to increases in land values and consequently to registration of land and property, on which stamp duty is charged.

Tax Revenues: Revenue-Shared Taxes

The principal taxes on goods and services levied by the Government of India are excise duties, service tax, customs duty, additional customs duty, and a number of surcharges and cesses. The principal taxes levied by states are VAT/sales tax (including central sales tax and purchase tax), stamp duty, taxes on vehicles, goods and passengers, and on electricity, entertainment, entry taxes not in lieu of octroi, purchase tax, luxury tax, taxes on lottery, betting and gambling, and a number of cesses and surcharges.

There is no constitutional mandate for sharing of states' own tax revenues with local bodies except on the basis of the recommendations of SFCs. For providing a predictable and stable own source of revenue to the third tier of government is extremely critical for sustainable development and institutional capacity building at grassroots level which is also recommended by High Powered Expert Committee. The Committee recommends that local bodies (both Panchayats and ULBs) should be partners in constitutionally guaranteed revenue sharing with the states with respect to revenues arising from taxes on all transactions in goods and services levied by states, irrespective of the form of such taxes.

Non-Tax Revenues: User Charges and Fees

If own tax revenues of ULBs are much below their potential, the performance with respect to user charges is not good. User charges are the first-best instruments for meeting the cost of public services provided by the ULB's. User charges for the services delivered by ULBs in India are far below their operating costs. Since municipal finances cannot bear this costs it results in poor service delivery and inadequate maintenance, thus decreasing asset life and adding to the pressures for further asset creation. User charges are of utmost importance to an urban local body. Urban services such as water supply, sewerage, and garbage collection require not only major investments in urban infrastructure assets but also regular maintenance for efficient operation and effective delivery. User charges for these services ensure that the assets are maintained and delivery of services sustained. Because the services are delivered directly to households, and there is no spill over effects, levying user charges is eminently desirable. User charges are especially important as they signal to consumers the scarcity value of the services and to service providers the quantum of demand that needs to be met. But user charges have typically not been used by ULBs in India to cover costs.

Inter-Governmental Transfers

Even after correcting the vertical fiscal imbalance, there will remain horizontal fiscal imbalance between different local entities, e.g. fiscal disability arising from poor taxable capacity, large presence of the poor slum dwellers in some jurisdictions necessitating disproportionately larger transfers for these jurisdictions, historic backlog in infrastructure and service provision, and difficult geographic terrain, which would require intervention through transfers. Inter-jurisdictional spillovers of costs and benefits also justify transfers. Transfers from SFCs and the CFC will be needed to address horizontal imbalance, and correcting new vertical imbalances arising with the passage of time.

Inter-governmental transfers not only play an important role in ensuring a national minimum standard of public services, eradicating poverty, and reducing regional disparities, but they can also play an important role in urban development through facilitating the development of city, peripheral and inter-city infrastructure. The key principles for a good inter-governmental transfer system for local governments include the following:

1. Local governments must be an integral part of revenue mobilisation
2. Local governments should have clearly defined responsibility, performance framework, and accountability.
3. Medium-term expenditure and revenue frameworks should be put in place for all ULBs.
4. The quantum and frequency of inter-governmental transfers should be predictable.

The High Powered Expert Committee recommends that regardless of the revenue adequacy or otherwise of 'exclusive taxes' and 'revenue-shared taxes' of local bodies, the states should continue to set up SFCs every five years to recommend a formula-based devolution, and grants-in-aid. Even after allowing for transfers through the CFC and SFCs, there is need for the Government of India to use additional tansfers as mechanisms for helping speed up the process of development, rejuvenation, and renewal of the cities and towns of India.

2.6 Summary of the report by HPEC

The Report on Indian Urban Infrastructure and Services is a result of over two years' effort on the part of the High Powered Expert Committee (HPEC) for estimating the investment requirement for urban infrastructure services. The HPEC was set up by the Ministry of Urban Development in May, 2008, and Isher Judge Ahluwalia was invited to be the Chairperson of the Committee. The Report documents the nature of the urbanisation challenges facing India. Its central message is that urbanisation is not an option. It is an inevitable outcome of the faster rates of growth to which the economy has now transited. Indeed, urbanisation is itself a process that will support growth The Committee has projected very large investment requirements for providing public services to specified norms and also supporting the growth process. The challenge of financing these investments is linked with the challenge of governing the cities and towns of India. The Committee has proposed a framework for governance and financing which will enable the municipal corporations, municipalities and nagar panchayats to discharge their responsibilities of delivering public services of specified standards to everyone.

The 74th Constitutional Amendment Act did not provide for a 'municipal finance list' in the Constitution to match the municipal functions listed, thereby resulting in 'incomplete devolution'. The delegation of tax revenue powers has not been in synchronisation with the expenditure needs of municipal bodies, thereby increasing the vertical fiscal imbalance. Devolution from state governments to ULBs in a structured and predictable manner is absolutely necessary if ULBs are to perform the functions that have been assigned to them by the 74th Amendment to the Constitution in 1992.

The Thirteenth CFC has made a bold recommendation in facilitating devolution of funds. It has recommended that funds be automatically transferred to local governments through a percentage of the divisible pool of taxes being converted into a grant-in-aid. Under this system, state governments should make an unconditional, consolidated, and formula-driven basic grant available to all local governments.

STATE OF INDIAN MUNICIPALITIES

According to Mohanty (2016), the revenue base of the municipalities are narrow and do not have much autonomy in the functions they perform, also their fiscal capacity is very low. Their revenue base is narrow, inflexible and non-buoyant. The ratio of municipal revenues to combined central and state revenues has declined from 3.92 per cent in 2007-08 to 3.62 per cent in 2012-13. The ratio of municipal taxes to combined central and state taxes has gone down from 2.11 per cent to 1.79 per cent between the two years. Municipal expenditure-GDP ratio in India is estimated at 1.0 per cent in 2012-13.8 whereas these ratios in other countries are much higher for example, Belgium (7.0), Germany (7.9), Austria (8.2), France (11.8), United Kingdom (14.0), Italy (15.9), Finland (22.6), Sweden (25.1). The ratio of municipal revenue to GDP in India is estimated at 1.03 per cent for 2012-13, compared to Poland (4.5), South Africa (6.0), Germany (7.3), Brazil (7.4), Austria (7.8), and United Kingdom (13.9) .In 2002-03, own revenues accounted for 63 per cent of total municipal revenues in India. The share declined to 55.7 per cent in 2007-08 and 51.6 per cent in 2012-13. The share of tax revenues declined from 37.2 per cent to 32 per cent between 2007-08 and 2012-13. There had been a slight increase in the share of non-tax revenues, it accounted for 18.5 per cent in 2007-08 and 19.7 per cent in 2012-13. The share of central transfers increased marginally from 9.1 per cent to 9.5 per cent and that of state government sources went up from 32.4 per cent to 34.5 per cent between the two years. All the key municipal fiscal autonomy ratios, own revenues-GDP, own taxes-GDP and property tax-GDP, has declined between 2007-08 and 2012-13.1.Between 2007-08 and 2012-13 the ratio of 'own revenues' to total revenues declined in all groups of ULBs, that is, municipal corporations (tier I), municipalities (tier II) and nagar panchayats (tier III), indicating an erosion in municipal fiscal autonomy across the country. The smaller the size of ULB, the greater is the dependency on intergovernmental transfers to finance civic services and facilities

While 'own' taxes accounted for 32 per cent of municipal revenues in India in 2012-13, the country's municipal tax–GDP ratio is very small. The figure, which was 0.39 per cent in 2002-03 and 0.40 per cent in 2007-08, has also declined to 0.33 per cent in 2012-132 This is low compared to central tax–GDP ratio of 10.3 per cent and state tax–GDP ratio of 6.8 per cent in 2012-13.

Unlike developed countries, municipalities in India do not have access to a broad array of versatile on-property taxes such as income tax and GST. Municipal taxation in India suffers from two basic problems. First, municipalities do not have access to a broad basket of 'own' taxes, corresponding with their mandated responsibilities. Second, even the potential of assigned taxes, such as property tax, is not fully exploited by municipalities due to poor design of tax mobilisation instruments and inefficiency of tax administration.

Octroi, a major tax has been abolished in all cities of India excepting Mumbai. However, states that abolished octroi have not been able to assign to their municipalities an alternative source as high-yielding and buoyant as octroi. In fact, octroi accounted for up to 70 per cent of municipal revenues before abolition, compared to a 20 per cent share of property tax (Rao and Singh 2005). Also, compensations from state governments to municipalities for the loss of octroi have remained at abysmally low levels. In a few states, 'own' municipal taxes include profession tax, entertainment tax and advertisement tax. In a few others, profession tax, entertainment tax, motor vehicles tax and stamp duty are collected by state authorities and shared with municipalities. Unlike developed countries, municipalities in India do not have access to taxes with income, business, sales, value added or goods and services as a base that keeps pace with economic growth. VLT is a separate tax under municipal statute in states like Andhra Pradesh. Even without a separate legal provision, VLT can be levied as a variant of property tax. However, most municipalities in India, including those in Maharashtra and Gujarat, which benefited significantly from octroi for long, do not levy VLT.

3. Data and Methodology

The objective of my study is to find out that are the factors responsible for the changes of municipal finance from 2001 to 2011 and also how the expenditures have changed overtime and whether it has any relation with the variables taken up. To know better about the relation I have carried out my study on two aspects:

1. A study with a view to understand those factors which have contributed to the change in the income of municipalities
2. Conducted a study to see the impact on financing and budgeting of the municipal reforms agenda of the 74th Amendment Act 1992 that has been implemented by the urban local bodies in India.

The method of study chose is exploratory type of research where I am trying to establish relationship amongst different variables on the basis of their priorities. This may throw light upon the extent to which the municipal reforms of early nineties have been incorporated in the system.

The method of analysis that I have chosen for carrying my study is a classical linear regression model. This technique will allow and review the study of the process of causal relationship between the dependent variables which are the targeted variable and the explanatory variables. In my study I have used three different models to understand the causal relationship between income and expenditure on one hand and economic and demographic variables on the other hand

The data that I have used in my study is of secondary in nature. They have been gathered from different reports of the central and state governments. The data on state revenue has been taken from the accounts report of Comptroller and Auditor General of India. The data for population growth and number of total towns have been derived from Provisional Population Totals, Census 2011. The data for net state domestic products and their growth percentages for the year 2001 and 2011 have been taken from the reports namely, 'A study of Indian States Budgets' and Handbook of Statistic of Indian states by Reserve Bank of India. The data for the state wise share of employment in different sectors has been collected from NSSO, 61st round working on Employment and policy. The data for municipal income and expenditures have been obtained from Economic Survey 2012-13,13th Finance Commission and Handbook of Urban Statistic by Ministry of Urban Development.

The expenditure on collection of property tax, commodity and service tax has been derived from the reports of different states by Comptroller and Auditor General of India. The data for municipal incomes and expenditures was available for the years 2003-05 and 2006-08, so to get the values for 2001 and 2011 I have taken help of interpolation (see Appendix).

India is a country where there are small states as well as big states but the 74th Amendment Act is uniform all across the states. All the states are different but the reforms are same for all, that is the reason for state wise analysis was taken up to understand whether the uniformity was maintained or not. The Standard Deviation for the states in regards of the variables would be very high due to the high variation in size and performance of the states. The total number of observations that I have worked with is twenty three. Only twenty three states are taken into account namely, Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana, Delhi, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Tripura, Assam, West Bengal, Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, Gujrat, Maharashtra, Andhra Pradesh, Karnataka, Goa, Kerala and Tamil Nadu and the rest have been dropped from our analysis because of the absence of basic income and expenditure data for few states. This could have been because of not proper recording or collection of data from source in these states.

4. Econometric Analysis

The method of analysis that I have chosen for carrying my study is the OLS technique. This technique will allow and review the study of the process of causal relationship between the dependent variables which are the targeted variable and the explanatory variables.

Model 1 – Dependent Variable: Per Capita State's Own Revenue (Y)

$$Y_{2001} = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + Ui \ldots (1)$$

$$Y_{2011} = \alpha_0 + \alpha_1X_1 + \alpha_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + Ui \ldots (2)$$

The description of the variables, the coefficient value and the z-statistic along with the confidence level is presented in the table below:

Dependent variables:	Y_{2001}: Per Capita State's Own Revenue in 2000-01 Y_{2011}: Per Capita State's Own Revenue in 2010-11			

Explanatory Variables:					
Variables	Description	2001		2011	
		Coeff.	t (sig)	Coeff.	t(sig)
urb_pop (X_1)	Total percentage of urban population	-0.001	-2.19**	-0.0008	-3.33***
Pc_nsdp(X_2)	Its is the Per Capita Net State Domestic Product	0.0001	3.53***	0.00001	4.24***
Nsdp_gr (X_3)	It is the growth in the Net State Domestic Product	0.00004	0.40	-0.0006	-1.10
prm(X_4)	It's the percentage of workers in the primary sector.	-0.000001	-0.48	0.00001	0.51
Ter(X_5)	It's the percentage of workers in the tertiary sector.	0.00001	0.65	0.0002	1.15
Stat_prop(X_6)	It's the statutory towns as a proportion of total number of towns	0.00069	3.14***	0.0004	0.45
_cons (β_0,α_0)	Constant Term	0.000278	-0.89	0.0004	0.38

Model Summary			
		2001	2011
1.	Total Number of Observations	23	23
2.	R^2 (Adjusted R^2)	0.5124	0.4388
3.	Variance Inflation Factor test for multicollinearity	2.79	3.38
4.	Breusch-Pagan / Cook-Weisberg test for		
5.	heteroskedasticity: Chi^2	2.07	11.68
6.	Prob> Chi^2	0.1499	0.0006

Results and Discussions

The 74th Amendment Act marks an important date in the history of federal structure of India. The most important agenda was to devolute powers to the ULBs it was during this time that the municipalities got due recognition. This act jots down the characteristic that is required to compose a municipality. It lists the functions and responsibility to be delivered by them. From the studies it was seen that the municipalities in India did not go through much of a reform which could be the reason of low income or low level of expenditures.

The objective of the study was to understand the causal relation between income and expenditure on one hand and economic and demographic variable on the other hand. One of the economic variables is the per capita states own tax revenue i.e. the tax revenue collected by the state governments. This is important as it forms the revenue base of the states. Revenues are important as it is these revenues that help them to perform various functions. It is a fact that higher the urban population higher would be the tax yield because the incomes of the population residing in the urban areas tend to have a higher income than those in the rural areas. But, in this case it is seen that the percentage of urban population in both the years 2001 and 2011 have a negative causation as well as significant with states own the states own revenue. The reason could be that taxes are not being paid by the city dwellers. Since the reforms were not incorporated into the systems the way it should have been, it could be inefficient techniques used in collection of revenue which do not generate proper amount of revenue or there could be evasion of taxes or lack of willingness to pay or lack of awareness.

The next variable that we have considered is the per capita net state domestic product and its growth over the years. As we know, that state domestic product is total value in monetary terms of volume of goods and services produced within the domestic territories of a country during a given period of time after providing for depreciation. There is very close relationship or we can say cyclic relationship between per capita states own revenue and per capita net state domestic product. It is seen that if the state domestic product increases it would also increase the revenue of the states. It happens in the following ways, if the net state domestic product increases then this in turn would to lead to an increase in the income of the employees which would further help them to pay taxes and therefore there will be an increase in revenues of the state. Therefore there exists a positive causation between these parameters.

In our model it is seen that the per capita net state domestic product is positively related to per capita revenue and is significant in both the years 2001 as well as 2011. But the growth is the net state domestic product does not have any relation with revenues of state.

An important variable when we are considering the revenue of states is the number of statutory towns that collect taxes for the states to perform their functions. It is seen that in 2001 there were 3799 statutory towns and 1362 census towns where as the number increased to 4041 and 3896 respectively for both in 2011. There has been a blast in the number of census towns as compared to the number of statutory towns. And we know that census towns falls in the rural jurisdiction and hence do not collect taxes. In our analysis we have taken statutory towns as a proportion to total number of towns just to normalise on quantum urbanisation on same footing. From the study it is seen that there is a positive and significant causation in 2001 between proportion of statutory towns and revenues of the state. But this significance is lost in 2011 due to the tremendous increase in the total number of census towns.

When we are talking about income of the states it straightaway comes to our mind as to from where does this income come? Who pays the taxes and where do these people belong to? For this study it is important to know from where the taxes come. Therefore we have incorporated a very crucial factor that has a positive relation to revenues of the state and it is the occupational structure. The primary sector includes mining, quarrying and agriculture. The secondary sector includes the industries- the agriculture based industry and the manufacturing industry. The tertiary sector comprises of the service sector for example- transport communication etc. We know that India's growth in the recent years have been contributed by the tertiary sector. India's growth pattern is different from most countries- there has been a service led growth. In our study we have incorporated only the percentages of population working in the primary and the tertiary sector. I chose because these two are the most prominent sectors and provide for maximum employment of the total workforce and can generate a good amount of revenue. When considering the primary sector they do not fall under the jurisdiction of the statutory bodies and my not have any impact on the states revenue but in case of the tertiary sector, they are concentrated and operating in the urban areas and are under the jurisdiction of the statutory bodies. It also provides employment to a large part of the people living in the urban areas. So, the tertiary sector should have at least a positive causation with the states own revenue. If the tertiary sector expands in a city it will led to an increase in employment thereby increasing their remuneration which would ultimately lead increase in payments of tax by the locals.

We have not incorporated the secondary sector because of two reasons. Firstly, the number of workers is this sector is relatively small as compared to primary and tertiary sectors. Secondly, there can arise a problem of overlapping because the secondary sector includes both agriculture based

The description of the variables, the coefficient value and the z-statistic along with the confidence level is presented in the table below

Dependent variables:		Y_{2001}: Municipal Income in 2000-01 Y_{2011}: Municipal income in 2010-11			
Explanatory Variables:					
Variables	Description	2001		2011	
		Coeff.	t (sig)	Coeff.	t(sig)
urb_pop (X_1)	Total percentage of urban population	5.2542	0.26	43.115	2.15**
Pc_tx(X_2)	It is the stateper Capita own tax revenue.	-14546.43	-0.02	-766622.7	-2.22**
Exp_prop_tx (X_3)	It's the expenditure on collection of property tax.	-0.7242	-0.60	-0.5210	-0.75
Exp_com_tx(X_4)	It's the expenditure on collection of commodity and service tax.	0.187	0.19	-0.0407	-0.06
Ter(X_5)	It's the percentage of workers in the tertiary sector.	13.458	0.75	61.189	2.92***
Stat_prop(X_6)	It's the statutory towns as a proportion of total number of towns	1007.9	0.81	4231.687	4.07***
_cons (β_0, α_0)	Constant Term	76.48	0.07	-2735.83	-2.26
Model Summary					
				2001	2011
1. Total Number of Observations				23	17
2. R^2 (Adjusted R^2)				-0.2019	0.5802
3. Variance Inflation Factor test for multicollinearity: Mean VIF				2.37	1.96
4. Breusch-Pagan / Cook-Weisberg test for heteroskedasticity: Chi^2				5.20	0.42
5. Prob> Chi^2				0.0226	0.515

Results and Discussion

Now coming to second regression, where the dependant variable is the municipal incomes which form the revenue base of the municipalities in the urban areas. Here the urban population is positive in both the years and significant only in 2011. It implies that an increase in urban population would result in an increase in the incomes of the municipalities. And showing significant in 2011 implies that the above reason is true.

expenditures made on it, more income is going out and collection of property tax reducing the incomes of the states and also not generating sufficient revenue. It is the same for expenditure on the collection of commodity and service tax for the year 2011 where it is negatively related to the municipal income but for 2001 it is positively related which means that increase in the expenditure on collection of commodity and service tax led to the increase in the municipal incomes.

Statutory bodies play a very important role in the collection of the municipal taxes. As it is noted earlier there has been an increase in the number of statutory towns from 2001 and 2011 but there has been a blast in the total number of census towns from 2001 to 2011. Here, in our analysis it is seen that in 2001 the proportion of statutory towns is positively related to municipal incomes but insignificant (increase in number of statutory town would increase income) but in 2011 it is seen that the results are positive and significant indicating that increase in the number of statutory towns had led to an increase in the incomes of the municipalities. This result could be a contribution of different reforms and schemes like centrally sponsored schemes, JNURM etc. post 2000 has been incorporated into the mechanism and has improved the efficiency of the municipalities. This was not evident in 2001 but some changes were seen in 2011.

Model 3- Dependent Variable: Municipal Expenditure (Y)

$$Y_{2001} = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + Ui \ldots (1)$$

$$Y_{2011} = \alpha_0 + \alpha_1X_1 + \alpha_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + Ui \ldots (2)$$

The description of the variables, the coefficient value and the z-statistic along with the confidence level is presented in the table below:

Dependent variables:		Y_{2001}: Municipal expenditure in 2000-01 Y_{2011}: Municipal expenditure in 2010-11			
Explanatory Variables:					
Variables	Description	2001		2011	
		Coeff.	t (sig)	Coeff.	t (sig)
urb_pop (X_1)	Total percentage of urban population	2.233	0.16	27.023	0.76
Pc_tx(X_2)	It is the state per Capita own tax revenue.	145840.4	0.21	-321450.5	-0.52
Exp_prop_tx (X_3)	It's the expenditure on collection of property tax.	-0.279	-0.33	-0.717	-0.58
Exp_com_tx(X_4)	It's the expenditure on collection of commodity and service tax.	0.1125	0.16	0.7362	0.59
Ter(X_5)	It's the percentage of workers in the tertiary sector.	12.464	0.99	10.757	0.29
Stat_prop(X_6)	It's the statutory towns as a proportion of total number of towns	890.4414	1.02	295.918	0.16
_cons (β_0, α_0)	Constant Term	-94.090	-0.12	857.921	0.40

Model Summary

	2001	2011
1. Total Number of Observations	23	17
2. R^2 (Adjusted R^2)	-0.1621	-0.2901
3. Variance Inflation Factor test for multicollinearity: Mean VIF	2.37	1.96
4. Breusch-Pagan / Cook-Weisberg test for heteroskedasticity: Chi^2	2.13	4.11
5. Prob> Chi^2	0.1441	0.0427

Results and Discussions

Coming to the third regression here the dependant variable is the municipal expenditure. It is seen that the urban population does not have any significant causation with municipal expenditure in both the years but is positively related exhibiting that if the population increases the municipalities have to incur higher expenditures to provide for service for the increased population.

We know that there has been an increased in the number of statutory towns which have led to an increase in the municipal incomes. Municipalities collect income to make expenditure and income increases there would be an increase in expenditures to deliver the population the services. From the regression it is seen that statutory towns have a positive causation but not significant with the municipal expenditures in both the years, indicating that increase in the statutory bodies has led to an increase in the expenditure of the municipalities.

Tertiary sector is the main sector operating in the urban areas. Since it has maximum population working under this sector the revenue from this sector forms a major part of the municipal incomes. Therefore it is the duty of the municipalities to provide them better infrastructure. This income and expenditure from and for the tertiary sector follows a cycle- income generated from this sector-increases the income of the working class who pay taxes which results in incomes for the municipalities – municipalities then uses this income to provide better infrastructure to the sector, this induces the tertiary sector to take up more projects thereby expanding the sector and so on. Form our analysis it is seen that the tertiary sector has positive relation if not significant in both the years signifying that expenditures of the municipalities will increase if the tertiary sector expands.

For any municipalities to make some income in order to perform their functions have to make additional efforts on expenditure to attract revenue. One such effort is the expenditure on collection of property tax, commodity and service. Increase in the expenditure on collection of these taxes would also increase the municipal expenditures i.e. there is a positive relation between them, because these efforts would raise the income of the municipalities and therefore increases its expenditure. But there can also be a case whereby increase in the expenditure on collection of these taxes would reduce capacity of the municipalities to spend more on provision of the services for which they are accounted. In our analysis none of the variables regarding expenditure on collection of property tax and tax on commodity and services hold significant. It is seen that the expenditure on collection of property tax is negatively related to municipality expenditure and expenditure on collection of commodity tax is positively related to municipal expenditures in both 2001 and 2011 respectively.

5. Conclusion

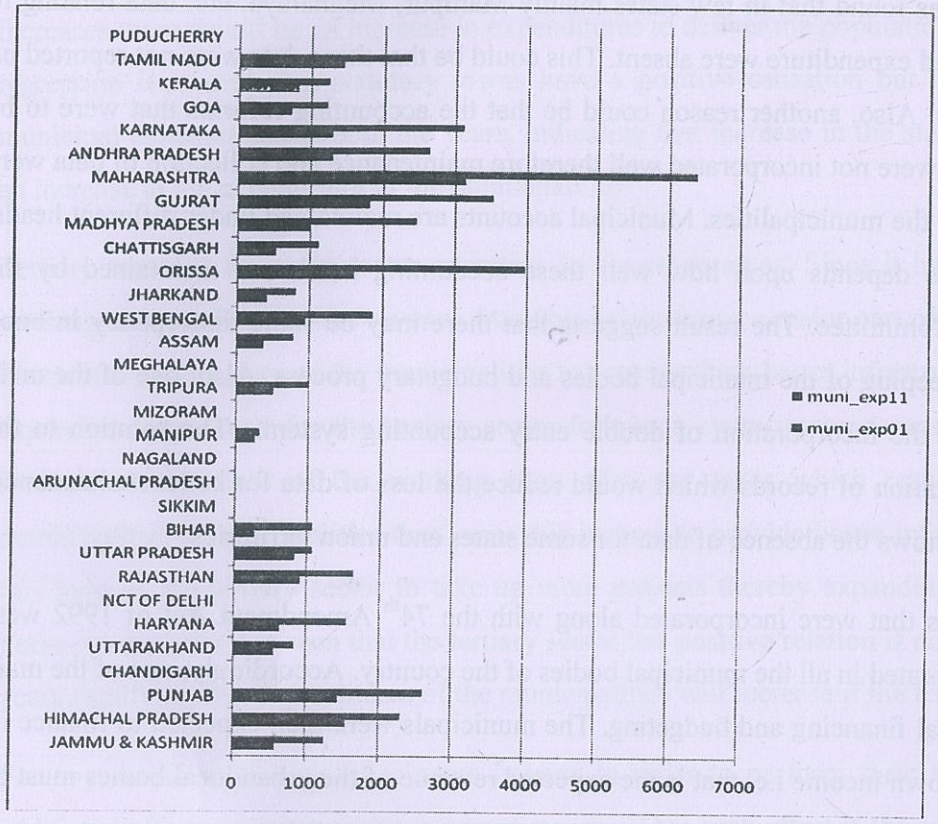
During the study, it was found that in few states mainly Manipur, Meghalaya, etc. data relating to the revenue, income and expenditure were absent. This could be that these data were not reported on time to the institutions. Also, another reason could be that the accounting reforms that were to be adopted by the system were not incorporated well therefore maintenance and collection of data were not done efficiently by the municipalities. Municipal accounts are maintained under different heads. Our budgetary process depends upon how well these accounting heads are maintained by the Municipal Accounts Committee. The result suggests that there may be some discrepancy in book keeping or accounts keeping of the municipal bodies and budgetary process. Also, one of the main financial reforms was the incorporation of double entry accounting system. The solution to the problem can be digitization of records which would reduce the loss of data for better maintenance. Figure 2 and 3below shows the absence of data for some states and union territories.

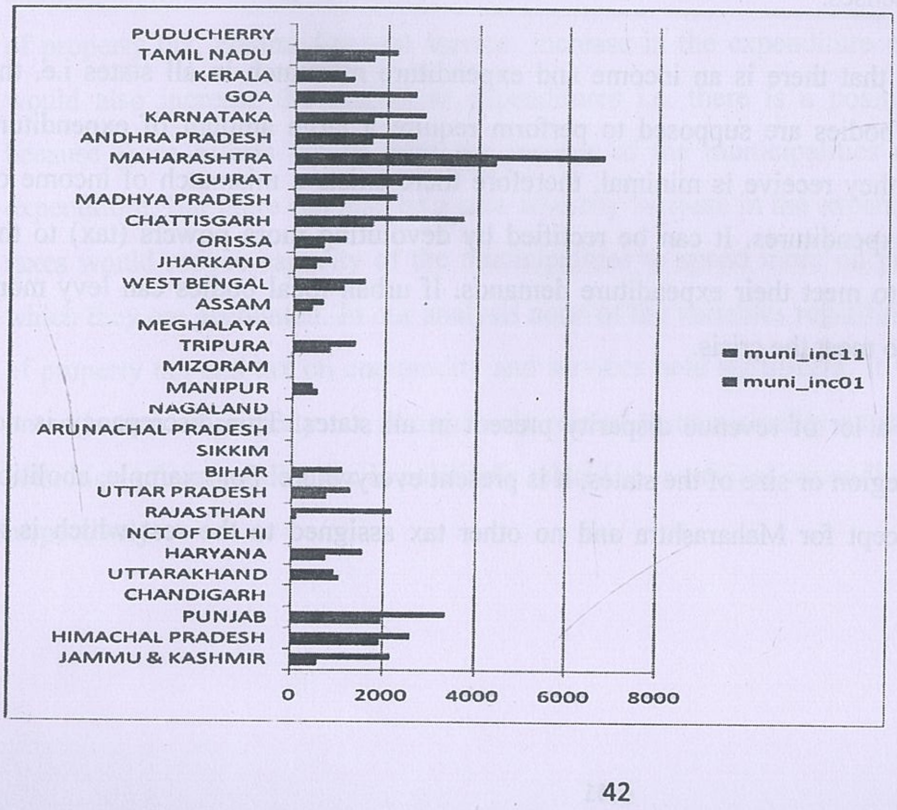
The municipal reforms that were incorporated along with the 74^{th} Amendment Act of 1992 were supposed to be incorporated in all the municipal bodies of the country. Accordingly, one of the main agenda's was municipal financing and budgeting. The municipals were then expected to finance its expenditure out of its own income i.e. that is the expected revenue of the urban local bodies must be able to cover up all its expenses.

Another major finding is that there is an income and expenditure mismatch in all states i.e. the functions that municipal bodies are supposed to perform require a large amount of expenditure whereas the income that they receive is minimal, therefore there exists a mismatch of income of income no meeting the expenditures. It can be rectified by devoluting more powers (tax) to the urban local bodies so as to meet their expenditure demands. If urban local bodies can levy more taxes it would help them to meet the crisis.

It was seen that there is a lot of revenue disparity present in all states. This discrepancy is not aligned according to the region or size of the states, it is present everywhere. For example, abolition of octroi in all states except for Maharashtra and no other tax assigned to the rest which is as buoyant as octroi.

Fig 2-The figure below is showing the per capita municipal expenditures of all states in year 2001 and 2011 in Rupees.





Source- Ministry of Urban Development.

Fig 3-The figure above is showing the per capita municipal income of all states in year 2001 and 2011 in Rupees

Source- Ministry of Urban Development

Since most of the urban local bodies do not have any alternative left with them, they should try to take initiative to increase its revenue base to pay for the infrastructure and services. It is seen that the managerial and administrative efficiency is lacking behind. The main powers of an urban local body are the administrative powers and financial powers apart from the other executive and legislative powers that they have. When we club the administrative and financial powers, it is then the devolution of powers take place. If the municipalities were given sufficient liberty to execute their administrative and financial functions to bring about economic sustainability, then some powers of the state/ central governments is necessary to be transferred to the lower levels of government. For example, if a municipal body want to levy a particular tax then it has to look up to the state government for permission and the state government cannot take that unnecessary step towards it because of the political consideration and long term economic goals, as a result of which counteraction to decision making process the actual power of the municipal bodies or the local bodies jeopardize. Therefore it is very important to grant the local bodies autonomy of power for better functioning in all aspects.

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Appendix

In mathematical field of numerical analysis, interpolation is a method of constructing new data points within the range of a discrete set of known data points. Often it has a number of data points, obtained by sampling and experimentation which represents the value of function for a limited number of values of independent variable. It is often required to interpolate the value of that function for an intermediate value of the variable.

The formula for interpolation for population growth is:-

$P_t = P_0(1+r/100)^n$.....(1) Where

Pt = population at time t, Po= population at present, r = rate of change/growth, n = difference in number of years.

Equations (1) can be written as $\ln Pt = \ln Po + n \ln (1+r/100)$ by taking log transformation

There are two variables X and Y in different time periods. First we have to take log values of both X and Y. after log transformation we need to find out the difference in them and then divide it by the difference in their time periods. This gives us the rate of change or growth i.e. 'r'. After rate of change is known substitute r into the formula and then a value is generated, suppose C is the generated value. Thereafter the log values of X or Y needs to be divided by C in case we need to find the past values and if case we need to find the future values the log values of X and Y needs to be multiplied by C.

For example, in 2011 value of X = 77 and 2014 value of Y=102

Now, log x = 3.344 and log y = 4.625. Taking difference of both—log y – log x= 1.281

Dividing this difference by the in the number of years between x and y, i.e. 1281/3=0.094

R = 0.094, putting the value of r in $(1+r/100)^n$, suppose n=10 years, value would be 1.0094

Trying to find values 10 years back and forward.

So 10 years back from 2011 means 2001- this can be calculated by multiplying log X with 1.0094 and take the exponential of it.

So 10 years forward from 2014 means 2024- this can be calculated by dividing log Y by 1.0094 and take the exponential of it.

Annexure

Table 2.The table below shows the per capita state's own revenue and states tax revenue.

STATES	PER CAPITA TAX REVENUE		TAX REVENUE (cr)	
	2001	2011	2001	2011
JAMMU & KASHMIR	0.0002	0.0010	746	3482.58
HIMACHAL PRADESH	0.0012	0.0052	728.42	3642.38
PUNJAB	0.0005	0.0016	4895	16828.18
CHANDIGARH	NA	NA	NA	NA
UTTARAKHAND	NA	NA	NA	NA
HARYANA	0.0007	0.0019	4310.55	16790.37
NCT OF DELHI	0.0003	0.0010	4400.62	16477.75
RAJASTHAN	0.0004	0.0012	5299.96	20758.12
UTTAR PRADESH	0.0003	0.0009	10979.97	41355
BIHAR	0.0003	0.0008	2809.23	9869.85
SIKKIM	0.0010	0.0018	65.39	279.54
ARUNACHAL PRADESH	0.0042	NA	961.41	NA
NAGALAND	0.00013	NA	46.25	NA
MANIPUR	NA	0.0003	NA	267.05
MIZORAM	NA	NA	NA	NA
TRIPURA	0.0002	0.0006	125.58	622.34
MEGHALAYA	0.0003	NA	119	NA
ASSAM	0.0004	0.0013	1409.69	5929.84
WEST BENGAL	0.0002	0.0007	5944.72	21128.74
JHARKAND	0.0001	0.0007	697.1	5716.63
ORISSA	0.0004	0.0016	2184.03	11192.67
CHATTISGARH	0.0001	0.0015	749.69	9005.15
MADHYA PRADESH	0.0004	0.0011	5639.58	21419.33
GUJRAT	0.0005	NA	9046.83	NA
MAHARASHTRA	0.0005	0.0015	19726.94	75027.09
ANDHRA PRADESH	0.0005	NA	10552	NA
KARNATAKA	0.0005	0.0016	9042.68	38473.12
GOA	0.0008	0.0024	514.8	2139.57
KERALA	NA	0.0014	NA	21721.69
TAMIL NADU	0.0004	NA	12282.24	NA
PUDUCHERRY	0.0004	0.0013	291.86	1074

Source-Reports by Comptroller and Auditor General of India for all states, 2010, 2014 and 2015.

Table 3. The table below shows the state's non tax revenue, share in central taxes and grants in aid.

STATES	NON-TAX REVENUE(Cr)		SHARE IN CENTRAL TAXES(Cr)		GRANTS IN AIDS (Cr)	
	2001	2011	2001	2011	2001	2011
JAMMU & KASHMIR	444	1093.11	675	3066.98	3795	14590.98
HIMACHAL PRADESH	176.96	1695.31	330.34	1715.35	1809.86	5657.57
PUNJAB	2935	5330.17	720	3050.87	827	2399.25
CHANDIGARH	NA	NA	NA	NA	NA	NA
UTTARAKHAND	NA	NA	NA	NA	NA	NA
HARYANA	1439.39	3420.94	345.81	2301.75	478	3050.62
NCT OF DELHI	548.35	4188.95	NA	NA	495.02	4357.4
RAJASTHAN	1687.98	6294.12	2836.61	12855.63	2577.23	6020.33
UTTAR PRADESH	1944.65	11176.21	9045.47	43218.9	2773.18	15433.65
BIHAR	711.68	985.53	6575.63	23978.38	1080.78	9698.56
SIKKIM	289.02	1137.76	72.2	525	435.99	1105.02
ARUNACHAL PRADESH	63.65	NA	115.67	NA	761.46	NA
NAGALAND	39.23	NA	96.48	NA	1072.14	NA
MANIPUR		259.88	NA	990.57	NA	3912.44
MIZORAM	NA	NA	NA	NA	NA	NA
TRIPURA	94.51	131.79	236.22	1122.36	1181.75	3292.11
MEGHALAYA	87	NA	164	NA	762	NA
ASSAM	526.77	2373.33	1682.93	7968.62	2018.25	6733.15
WEST BENGAL	1214.53	2380.49	4208.44	15954.95	3154.49	7800.02
JHARKAND	348.59	2802.89	582.42	6154.35	336.06	4107.25
ORISSA	685.47	4780.37	2603.97	10496.86	1428.55	6806.25
CHATTISGARH	288.23	3835.32	509.94	5425.19	335	4453.89
MADHYA PRADESH	1724.33	5719.77	3955.51	15638.52	1519.88	9076.56
GUJRAT	3349.14	NA	1573.75	NA	1769	NA
MAHARASHTRA	5579.26	8213.1	2781.01	11419.79	1462.71	11195.89
ANDHRA PRADESH	2743	NA	3979	NA	2201	NA
KARNATAKA	1659.97	3358.29	2573.83	9506.32	1546.24	6868.51
GOA	769.14	2268.6	105.34	584.21	66.95	449.56
KERALA	NA	1930.79	NA	51411.5	NA	2196.62
TAMIL NADU	1710.78	NA	2783.75	NA	1539.89	NA
PUDUCHERRY	255.13	743	NA	NA	400	1383

Source- Reports by Comptroller and Auditor General of India for all states, 2010,2014 and 2015.

Table 4. The table below shows the demographic structure of all states.

STATES	PERCENTAGE SHARE OF URBAN POPULTION		URBAN POPULATION		RURAL POPULATION		TOTAL POPULATION	
	2001	2011	2001	2011	2001	2011	2001	2011
JAMMU & KASHMIR	24.81	27.21	2,516,638	3433242	7,627,062	9108060	10,143,700	12541302
HIMACHAL PRADESH	9.8	10.04	595,581	688552	5,482,319	6176050	6,077,900	6864602
PUNJAB	33.92	37.49	8,262,511	10399146	16,096,488	17344192	24,358,999	27743338
CHANDIGARH	89.77	97.25	808,515	1026459	92,120	28991	900,635	1055450
UTTARAKHAND	25.67	30.55	2,179,074	3049338	6,310,275	7036954	8,489,349	10086292
HARYANA	28.92	34.79	6,115,304	8842103	15,029,260	16509359	21,144,564	25351462
NCT OF DELHI	93.18	97.5	12,905,780	16368899	944,727	419042	13,850,507	16787941
RAJASTHAN	23.39	24.89	13,214,375	17048085	43,292,813	51500352	56,507,188	68548437
UTTAR PRADESH	20.78	22.28	34,539,582	44495063	131,658,339	155317278	166,197,921	199812341
BIHAR	10.46	11.3	8,681,800	11758016	74,316,709	92341436	82,998,509	104099452
SIKKIM	11.06	24.97	59,870	153578	480,981	456999	540,851	610577
ARUNACHAL PRADESH	20.75	22.67	227,881	317369	870,087	1066358	1,097,968	1383727
NAGALAND	17.23	28.97	342,787	570966	1,647,249	1407536	1,990,036	1978502
MANIPUR	25.11	30.21	575,968	834154	1,590,820	2021640	2,166,788	2855794
MIZORAM	49.63	51.51	441,006	571771	447,567	525435	888,573	10972[illegible]6
TRIPURA	17.06	26.18	545,750	961453	2,653,453	2712464	3,199,203	3673917
MEGHALAYA	19.58	20.08	454,111	595450	1,864,711	2371439	2,318,822	2966889
ASSAM	12.9	14.08	3,439,240	4398542	23,216,288	26807034	26,655,528	31205576
WEST BENGAL	27.97	31.89	22,427,251	29093002	57,748,946	62183113	80,176,197	91276115
JHARKAND	22.84	24.05	5,993,741	7933061	20,952,088	25055073	26,945,829	32988134
ORISSA	14.99	16.68	5,517,238	7003656	31,287,422	34970562	36,804,660	41974218
CHATTISGARH	20.09	23.24	4,185,747	5937237	16,648,056	19607961	20,833,803	25545198
MADHYA PRADESH	26.46	27.63	15,967,145	20069405	44,380,878	52557404	60,348,023	72626809
GUJRAT	37.36	42.58	18,930,250	25745083	31,740,767	34694609	50,671,017	60439692
MAHARASHTRA	42.43	45.23	41,100,980	50818259	55,777,647	61556074	96,878,627	112374333
ANDHRA PRADESH	27.3	33.49	20,808,940	28219075	55,401,067	56361702	76,210,007	84580777
KARNATAKA	33.99	38.57	17,961,529	23625962	34,889,033	37469335	52,850,562	61095297
GOA	49.76	62.17	670,577	906814	677,091	551731	1,347,668	1458545
KERALA	25.96	47.72	8,266,925	15934926	23,574,449	17471135	31,841,374	33406061
TAMIL NADU	44.04	48.45	27,483,998	34917440	34,921,681	37229590	62,405,679	72147030
PUDUCHERRY	66.57	68.31	648,619	852753	325,726	395200	974,345	1247953

Source- Census of India, 2011. Provisional Population Totals.

Table 5. The table below shows the number of statutory towns and census towns.

STATES	STATUTORY TOWNS		CENSUS TOWNS		STAT PROP	
	2001	2011	2001	2011	2001	2011
JAMMU & KASHMIR	72	86	3	36	0.96	0.71
HIMACHAL PRADESH	56	56	1	3	0.98	0.95
PUNJAB	139	143	18	74	0.89	0.66
CHANDIGARH	1	1	0	5	1	0.17
UTTARAKHAND	74	74	12	42	0.86	0.64
HARYANA	84	80	22	74	0.79	0.52
NCT OF DELHI	3	3	59	110	0.048	0.03
RAJASTHAN	184	185	38	112	0.83	0.62
UTTAR PRADESH	636	648	66	267	0.91	0.71
BIHAR	125	139	5	60	0.96	0.70
SIKKIM	8	8	1	1	0.89	0.89
ARUNACHAL PRADESH	0	26	17	1	0	0.96
NAGALAND	8	19	1	7	0.89	0.73
MANIPUR	28	28	5	23	0.85	0.55
MIZORAM	22	23	0	0	1	1
TRIPURA	13	16	10	26	0.57	0.38
MEGHALAYA	10	10	6	12	0.63	0.45
ASSAM	80	88	45	126	0.64	0.41
WEST BENGAL	123	129	252	780	0.33	0.14
JHARKAND	44	40	108	188	0.29	0.16
ORISSA	107	107	31	116	0.78	0.48
CHATTISGARH	75	168	22	14	0.77	0.92
MADHYA PRADESH	339	364	55	112	0.86	0.76
GUJRAT	168	195	74	153	0.69	0.56
MAHARASHTRA	254	256	127	279	0.67	0.48
ANDHRA PRADESH	117	125	93	228	0.56	0.35
KARNATAKA	226	220	44	127	0.84	0.63
GOA	14	14	30	56	0.32	0.2
KERALA	60	59	99	461	0.38	0.11
TAMIL NADU	721	721	111	376	0.87	0.66
PUDUCHERRY	6	6	0	4	1	0.6

Source- Census of India, 2011. Provisional Population Totals.

Table 6. The table below shows per capita net state domestic product and the growth in it.

STATES	PER CAPITA NSDP (Rupees)		NSDP GROWTH PERCENTAGE	
	2001	2011	2001	2011
JAMMU & KASHMIR	12,781	37593	1.93	5.72
HIMACHAL PRADESH	19,784	68020	5.1	8.37
PUNJAB	24,283	68998	1.3	6.46
CHANDIGARH	46,498	130461	8.77	-0.02
UTTARAKHAND	12,689	72093	4.74	10.51
HARYANA	23,286	94464	7.68	6.78
NCT OF DELHI	42,378	150653	3.85	8.29
RAJASTHAN	12,570	42434	11.39	15.02
UTTAR PRADESH	9,178	26903	1.82	7.99
BIHAR	5,333	18928	-5.73	15.27
SIKKIM	16,658	104506	8.23	10.08
ARUNACHAL PRADESH	14,683	55789	15.99	4.3
NAGALAND	17,629	52966	10.42	9.5
MANIPUR	10,658	29684	6.22	-2.95
MIZORAM	18,491	48591	6.29	18.45
TRIPURA	15,253	44965	13.71	7.55
MEGHALAYA	14,654	47164	6.69	9.89
ASSAM	10,718	30569	2.58	7.23
WEST BENGAL	16,146	47738	7.22	6.06
JHARKAND	8,749	31993	6.89	14.55
ORISSA	9,281	40412	6.11	6.3
CHATTISGARH	9,922	41167	14	9.64
MADHYA PRADESH	10,704	32253	7.15	5.25
GUJRAT	18,560	75115	8.13	10.94
MAHARASHTRA	21,871	87686	3.53	11.39
ANDHRA PRADESH	16,708	62912	4.53	11.36
KARNATAKA	17,806	59975	1.81	10.28
GOA	48,582	159244	3.38	19.69
KERALA	19,951	71434	4.87	6.4
TAMIL NADU	20,361	75449	-1.94	13.64
PUDUCHERRY	35,190	98719	6.78	6.69

Source-Databook for PC; 22nd December, 2014. Directorate of Economics Statistics of respective State Governments, and for All-India. Central Statistical Organisation; Released on 1st March, 2014. Page 159

Table 7. The table below shows the average per capita municipal incomes and expenditure.

STATES	AVERAGE PER CAPITA MUNICIPAL INCOME (Rupees)		AVERAGE PER CAPITA MUNICIPAL EXPENDITURE (Rupees)	
	2001	2011	2001	2011
JAMMU & KASHMIR	593.01	2177.86	566.92	1251.75
HIMACHAL PRADESH	1918.99	2584.95	1542.93	2294.13
PUNJAB	1958.371	3343.01	1439.43	2603.47
CHANDIGARH	NA	NA	NA	NA
UTTARAKHAND	1031.67	931.72	539.58	825.71
HARYANA	749.92	1534.96	623.57	1547.26
NCT OF DELHI	NA	NA	NA	NA
RAJASTHAN	99.78	2157.75	909.52	1638.56
UTTAR PRADESH	747.89	1276.27	826.55	1064.23
BIHAR	245.93	1083.20	267.84	1063.14
SIKKIM	NA	NA	NA	NA
ARUNACHAL PRADESH	NA	NA	NA	NA
NAGALAND	NA	NA	NA	NA
MANIPUR	524.73	434.03	249.71	319.71
MIZORAM	NA	NA	NA	NA
TRIPURA	794.93	1359.52	510.15	995.22
MEGHALAYA	NA	NA	NA	NA
ASSAM	396.56	645.54	363.27	766.91
WEST BENGAL	1092.1	1541.01	924.24	1864.73
JHARKAND	484.11	793.91	392.45	794.05
ORISSA	635.49	1103.91	1599.35	3969.42
CHATTISGARH	1699.36	3664.99	513.35	1103.91
MADHYA PRADESH	1063.05	2189.38	986.63	2457.42
GUJRAT	2314.098	3469.57	1805.83	3521.08
MAHARASHTRA	4375.41	6779.85	3140.11	6386.79
ANDHRA PRADESH	1672.26	2605.85	1288.63	2635.51
KARNATAKA	1692.4	2821.51	1288.19	3106.94
GOA	1022.01	2613.38	716.72	1213.04
KERALA	1276.84	1043.48	804.59	1230.98
TAMIL NADU	1692.69	2199.37	1429.98	2360.95
PUDUCHERRY	NA	NA	NA	NA

Source- Handbook of urban Statistics 2016, Ministry of Urban Development, Government of India

Table 8. The table below shows the expenditure made on collection the collection of property tax and tax on commodity and service.

STATES	EXPENDITURE ON COLLECTION OF PROPERTY TAX (Crore)		EXPENDITURE ON COLLECTION OF COMMODITY AND SERVICE TAX (Crore)	
	2001	2011	2001	2011
JAMMU & KASHMIR	73.95	100.68	52.18	69.23
HIMACHAL PRADESH	NA	NA	NA	NA
PUNJAB	210.18	209.05	146.34	165.09
CHANDIGARH	NA	NA	NA	NA
UTTARAKHAND	126.49	152.70	55.73	77.01
HARYANA	112.61	138.71	124.18	144.99
NCT OF DELHI	NA	NA	NA	NA
RAJASTHAN	445.54	539.29	623.46	579.35
UTTAR PRADESH	1600.51	1919.03	1288.1	688.75
BIHAR	398.05	518.41	127.58	145.16
SIKKIM	9.75	13.87	28.11	71.3
ARUNACHAL PRADESH	8.42	10.97	132643.5	17.36
NAGALAND	NA	NA	11.92	12.97
MANIPUR	NA	NA	NA	NA
MIZORAM	13.21	16.33	20.69	41.48
TRIPURA	NA	NA	NA	NA
MEGHALAYA	12.48	14.91	41.24	47.16
ASSAM	161.94	169.32	109.83	137.03
WEST BENGAL	653.05	707.75	211.17	1151.55
JHARKAND	167.95	188.95	72	72
ORISSA	275.06	426.8	135.69	159.8
CHATTISGARH	187.91	390.59	279.38	242.13
MADHYA PRADESH	700.5	1015.97	1509.72	1540.07
GUJRAT	144.15	205.48	243.89	352.18
MAHARASHTRA	NA	NA	NA	NA
ANDHRA PRADESH	206.77	221.28	621.62	841.87
KARNATAKA	238.02	354.54	261.62	1312.89
GOA	NA	NA	NA	NA
KERALA	446.37	490.75	371.01	433.76
TAMIL NADU	NA	NA	NA	NA
PUDUCHERRY	NA	NA	NA	NA

Source- Reports by Comptroller and Auditor General of India, 2014-15

Table 9. The table below shows the occupational structure of all states.

STATES	OCCUPPATIONAL STRUCTURE (Percentage)					
	PRIMARY		SECONDARY		TERTIARY	
	2001	2011	2001	2011	2001	2011
JAMMU & KASHMIR	66.14	61.59	9.62	7.6	24.25	30.81
HIMACHAL PRADESH	63.59	64.20	6.12	3.9	30.29	31.90
PUNJAB	33.52	45.03	15.93	12.69	51.48	42.28
CHANDIGARH	NA	NA	NA	NA	NA	NA
UTTARAKHAND	68.66	60.48	4.29	6.30	27.06	33.21
HARYANA	54.89	44.78	12.18	15.40	32.95	39.81
NCT OF DELHI	1.013	0.2	24.78	27.41	74.11	72.39
RAJASTHAN	65.97	47.67	8.32	5.9	25.78	46.45
UTTAR PRADESH	66.45	60.39	11.11	9.59	22.45	30.01
BIHAR	76.61	63.78	4.99	5.12	18.42	31.13
SIKKIM	NA	NA	NA	NA	NA	NA
ARUNACHAL PRADESH	NA	NA	NA	NA	NA	NA
NAGALAND	NA	NA	NA	NA	NA	NA
MANIPUR	NA	NA	NA	NA	NA	NA
MIZORAM	NA	NA	NA	NA	NA	NA
TRIPURA	NA	NA	NA	NA	NA	NA
MEGHALAYA	NA	NA	NA	NA	NA	NA
ASSAM	71.37	62.88	3.59	4.10	24.95	33.02
WEST BENGAL	49.04	43.39	16.68	18.40	34.17	38.20
JHARKAND	65.55	49.07	7.91	6.7	26.59	44.24
ORISSA	67.14	62.19	8.90	8.29	23.96	29.51
CHATTISGARH	79.44	63.17	4.09	5.01	16.41	31.84
MADHYA PRADESH	63.8	64.40	8.92	6.3	27.59	29.3
GUJRAT	62.19	52.18	12.59	13.70	25.23	34.12
MAHARASHTRA	45.65	52.92	14.84	10.79	40.54	36.29
ANDHRA PRADESH	52.81	51.19	11.91	11	35.079	37.81
KARNATAKA	64.46	57.29	9.4	9.90	26.1	32.01
GOA	NA	NA	NA	NA	NA	NA
KERALA	40.17	32.08	13.51	12.4	46.33	55.5
TAMIL NADU	46.44	41.79	19.62	17.19	34.04	41.02
PUDUCHERRY	NA	NA	NA	NA	NA	NA

Source-Data book for PC, 22nd December, 2014. NSSO 61st and 66th Round Survey (2009-10).