



Looking into the Finances of the North- Delhi Municipal Corporation (MCD- North)

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Date of Submission: 24-08-2021

Date of Acceptance: 07-09-2021

I. INTRODUCTION

The National Capital Territory (NCT) of Delhi covers an area of 1484 sq. km and has a population of above 11 millions, the second largest population after Mumbai. It has been divided into five municipalities, namely North Municipal Corporation of Delhi (MCD- North), MCD East (EDMC), MCD- South (SDMC), New Delhi Municipal Council (NDMC) and Delhi Cantonment Board (DCB).

The local governance of Delhi has a decades old history. In 1862, a Delhi Municipal Commission was set up under the Improvement in Towns Acts, 1850. Its objective was to look after repairing work, cleaning, lighting, construction, etc. At that time, the commission covered an area of 3.2 sq km and a population of 1.21 lakhs. It was renamed as Delhi Municipal Committee in 1883. After independence, the Municipal Corporation of Delhi was constituted under the Delhi Municipal Corporation Act, 1957. 10 preexisting local bodies and 3 major service agencies were merged under the commission to create a unified local body. So, three bodies came into existence- MCD, NDMC and DCB. In February 2012, the MCD was trifurcated into MCD- North, MCD- East and MCD- South.

The Delhi State Finance Commission gives recommendations to the state government regarding the distribution of taxes, fees, etc. amongst the local bodies. It operates under the Delhi Finance Commission Act, 1994. The Delhi Finance Commissions are set up for a period of five years. Till now, five such commissions have been set up and the sixth commission is underway. The fourth finance commission was formulated, but was not implemented. Whereas, its recommendations were declared 'discretionary' for the local bodies.

I am highly thankful to Mr. Biswajeet Roy, DCA MCD- North, for guiding me and providing valuation suggestions at every stage of this work.

II. RESEARCH METHODOLOGY

The paper provides an account of the income and expenditure of the MCD- North, based on the latest data available in public domain. The data has been collected from the Delhi Statistical Handbook, 2020 and 2019. The data highlights the actual, revised estimates and budget estimates of income and expenditure of various years. The Fifth Delhi State Finance Commission document has also been studied to understand the dimensions of the income and expenditure of the NDMC. The paper also provides recommendations for the upcoming Sixth Delhi State Finance Commission.

INCOME OF THE NORTH DELHI MUNICIPAL CORPORATION

The taxes that are levied by the MCD have been classified into Obligatory taxes and Discretionary taxes. According to the Municipal Corporation Act, 1957 and the New Delhi Municipal Council Act, 1994, Obligatory Taxes include property tax on buildings and vacant lands, taxes on vehicles and animals, theatre tax, taxes on advertisements, duty on transfer of property and tax on building plans, and Discretionary Taxes include education cess, local rate on land revenue (not mentioned in the DMC Act, 1994), professions tax, electricity tax, betterment tax, tax on boats (not mentioned in the DMC Act, 1994) and tolls.

MCD- North is levying all the obligatory taxes. In case of discretionary taxes, it is levying only the electricity tax and tolls. So, it is not levying education cess, local rent on land revenue, professions tax and betterment tax.

The Table 1, taken from the Delhi Statistical Handbook- 2020, shows the Actuals, Revised Estimates and Budget Estimates for various heads of income of the MCD- North, for the years 2018-19, 2019-20 and 2020-21, respectively. The fig. 1 shows the share of each each in the total revenue pool. Table 2, taken from the Delhi Statistical handbook- 2019, also shows the Actuals, Revised Estimates and Budget Estimates of 2017-18, 2018-19 and 2019-20 respectively. Figures 1 and



2 show the share of each income head of actuals of 2018-19 and 2017-18, respectively, in the total share. Figure 3 and 4 show the comparison of

actuals, revised estimates and budget estimates accordingly.

Table-1

IX. व्यापार एवं वित्त			
9.2 राष्ट्रीय राजधानी क्षेत्र में स्थायी निकायों की आय तथा व्यय			
(रु. लाखों में)			
	Actuals	Revised Estimates	Budget Estimates
मदें	2018-2019	2019-2020	2020-2021
1	2	3	4
North Delhi Municipal Corporation of Delhi			
Income			
A. External Revenue	156239.95	82960.00	85000.00
1 Taxes & Rates	190780.74	251782.71	292725.86
2 Rent Fees & Fines	27567.67	320421.68	466000.47
3 Others	24792.96	88388.01	109174.01
B Internal Revenue	243141.37	660592.39	867900.34
C Loan	0.00	0.00	0.00
Total Income	399381.32	743552.39	952900.34

Source- Delhi Statistical Handbook, 2020, pg 183



Table-2

IX. व्यापार एवं वित्त			
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	Actuals	Revised Estimates	Budget Estimates
मदें	2017- 2018	2018- 2019	2019- 2020
1	2	3	4
North Delhi Municipal Corporation of Delhi			
Income			
A. External Revenue	113118.80	299773.64	134700.00
1 Taxes & Rates	170370.07	246735.85	263642.50
2 Rent Fees & Fines	43186.55	111604.30	230973.80
3 Others	22399.03	50194.50	137991.00
B. Internal Revenue	235955.64	408534.65	632607.30
C. Loan	0.00	0.00	130000.00
Total Income	349074.44	708308.29	897307.30

Source- Delhi Statistical Handbook, 2019, pg 171

Figure- 1

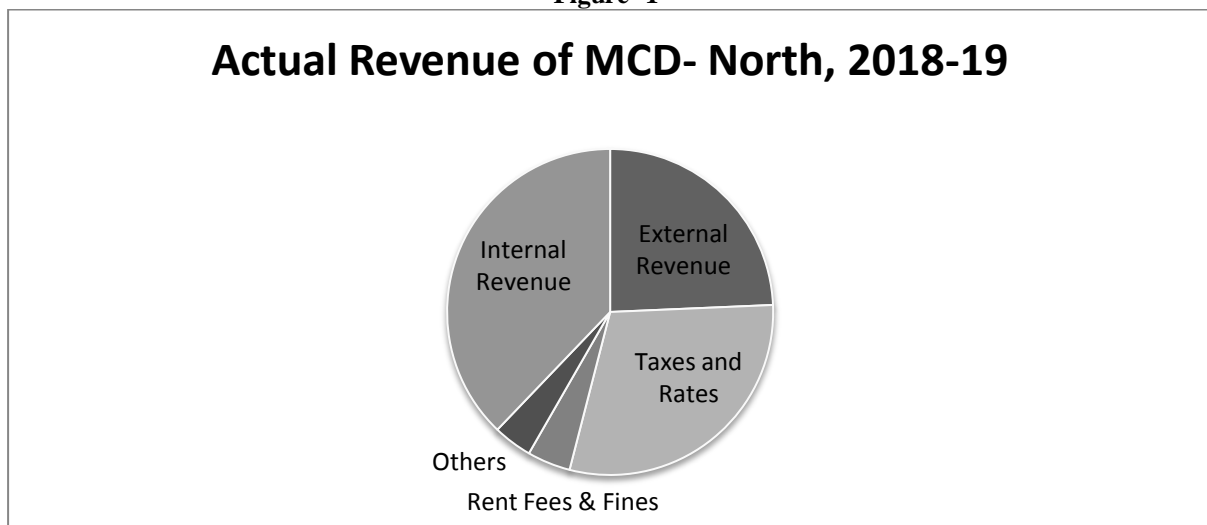
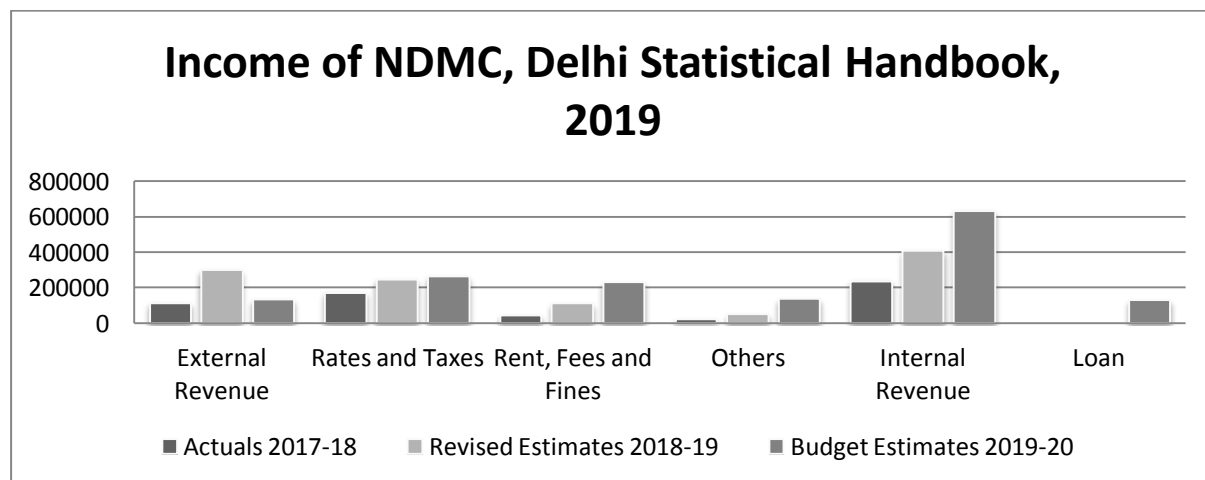
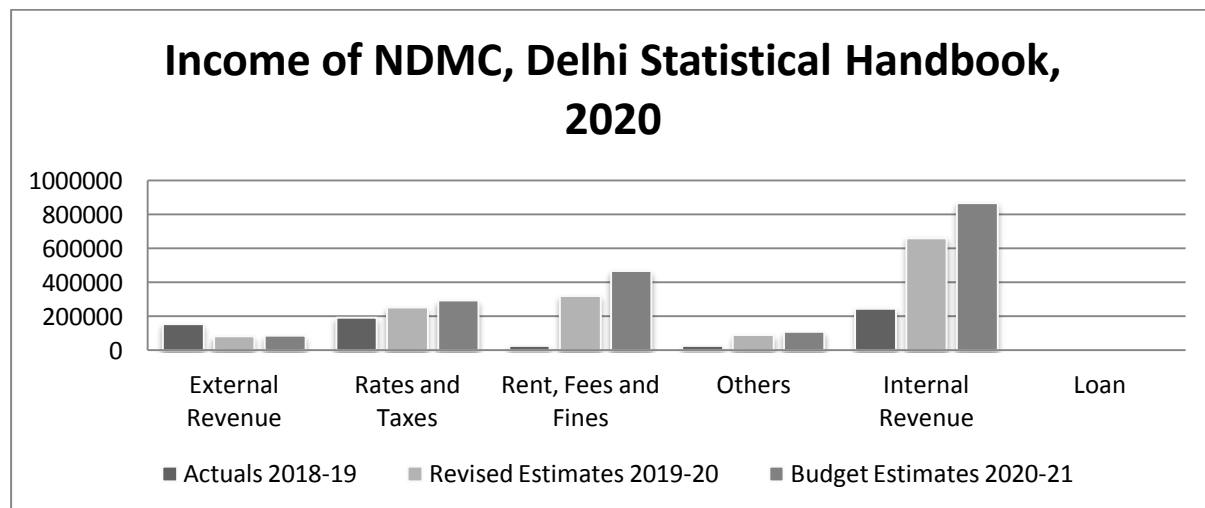
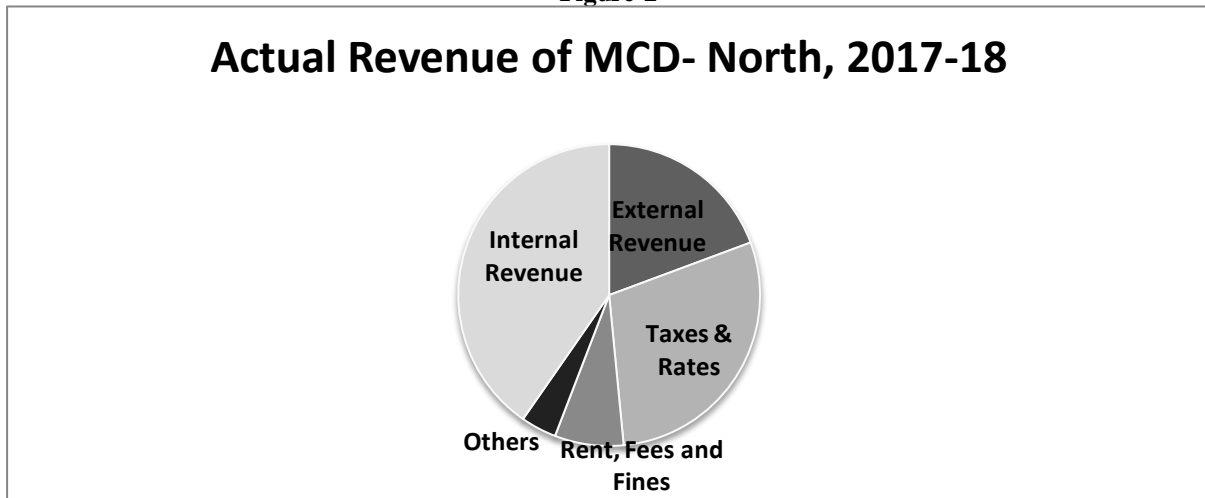




Figure-2



EXPENDITURE OF NORTH DELHI MUNICIPAL CORPORATION

The expenditure of Delhi Municipality has been divided into 14 major heads- General Administration, Licensing, Community Services,



Education, Medical & Public Health, Sanitation, Public Works (Engineering), Veterinary, Horticulture, Land & Estate, Exclusive Development Expenses, Maintenance of Resettlement Colonies, Other Expenditure and Loan Repayment. The Fifth Delhi State Finance Commission report states that- "Municipalities are required to defray expenditure on their obligatory and discretionary functions, as described under their respective Acts."

As per both the Delhi Statistical Handbook, 2020 and 2019, the NDMC incurred expenditure under all the above heads in 2018-19 and 2017-18, except Maintenance of Resettlement Colonies and Other Expenditure.

Similarly for the year 2017- 18, the maximum share is again of Sanitation (26%), followed by

Table-3

IX. TRADE & FINANCE			
9.2 Income & Expenditure of Local Bodies in the NCT of Delhi			
(Rs in Lakhs)			
Actuals	Revised Estimates	Budget Estimates	Items
2018-2019	2019-2020	2020-2021	
5	6	7	1
North Delhi Municipal Corporation of Delhi			
Expenditure			
94674.17	159461.07	160865.70	1 General Administration
334.53	425.20	465.20	2 Licensing
1880.88	6313.74	8507.64	3 Community Services
85425.11	111005.05	112554.05	4 Education
66211.64	84928.70	91683.45	5 Health
101809.49	197096.32	197106.32	6 Sanitation
46386.06	74442.22	77284.27	7 Public Works & Street Lighting
1501.92	3686.50	5144.50	8 Veterinary Services
13365.98	16902.10	16922.10	9 Horticulture
7058.34	4538.40	481.80	10 Land & Estate
9027.28	45926.15	44862.15	11 Exclusive Development Expenses
0.00	0.00	284209.68	12 Loan Repayments
427675.40	704725.45	1000086.86	Total Expenditure

Source- Delhi Statistical Handbook, 2020, pg 184



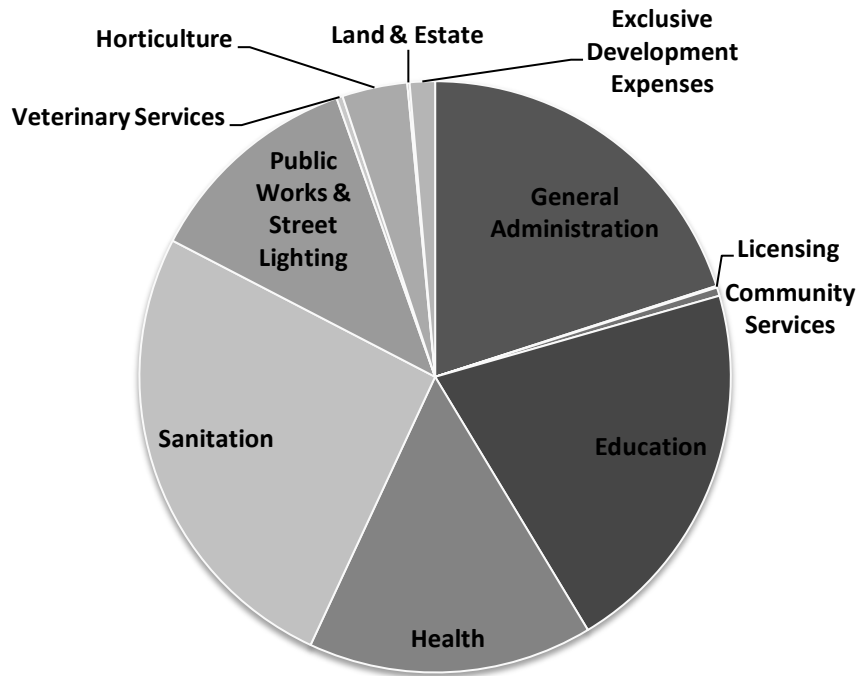
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IX. TRADE & FINANCE			
9.2 Income & Expenditure of Local Bodies in the NCT of Delhi			
(Rs in Lakhs)			
Actuals	Revised Estimates	Budget Estimates	Items
2017- 2018	2018- 2019	2019- 2020	
5	6	7	1
North Delhi Municipal Corporation of Delhi			
			Expenditure
71862.90	225483.17	118953.08	1 General Administration
323.23	566.80	614.20	2 Licensing
1653.35	4280.14	5512.95	3 Community Services
74570.85	107730.65	107907.25	4 Education
55849.72	76763.79	85863.18	5 Health
92198.74	179691.82	194377.32	6 Sanitation
42976.19	73225.60	73239.88	7 Public Works & Street Lighting
1209.81	11186.85	6473.85	8 Veterinary Services
12787.09	18688.10	18888.10	9 Horticulture
457.85	7449.66	855.15	10 Land & Estate
4953.44	29127.75	39994.30	11 Exclusive Development Expenses
0.00	0.00	255413.85	12 Loan Repayments
358843.17	734194.33	908093.11	Total Expenditure

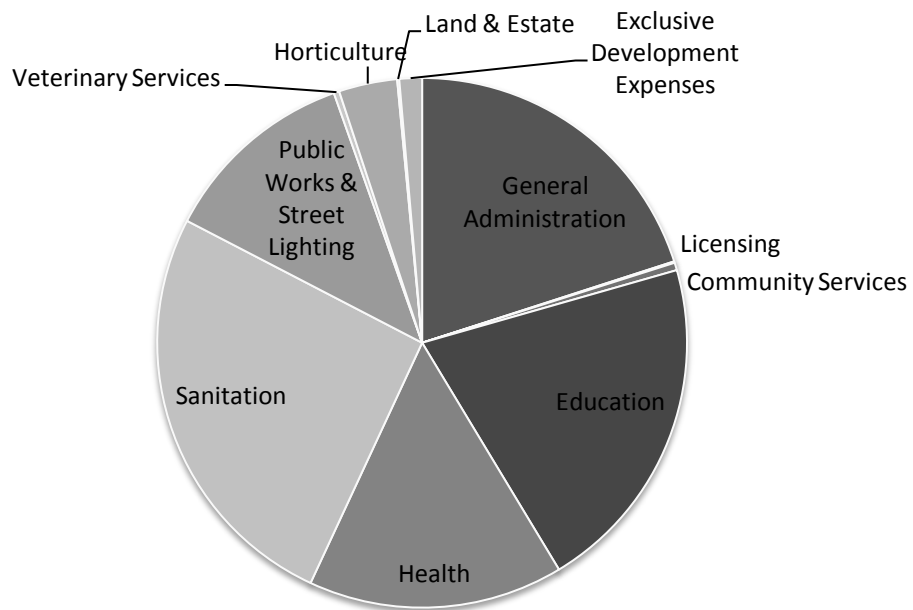
Source- Delhi Statistical Handbook, 2019, pg 172

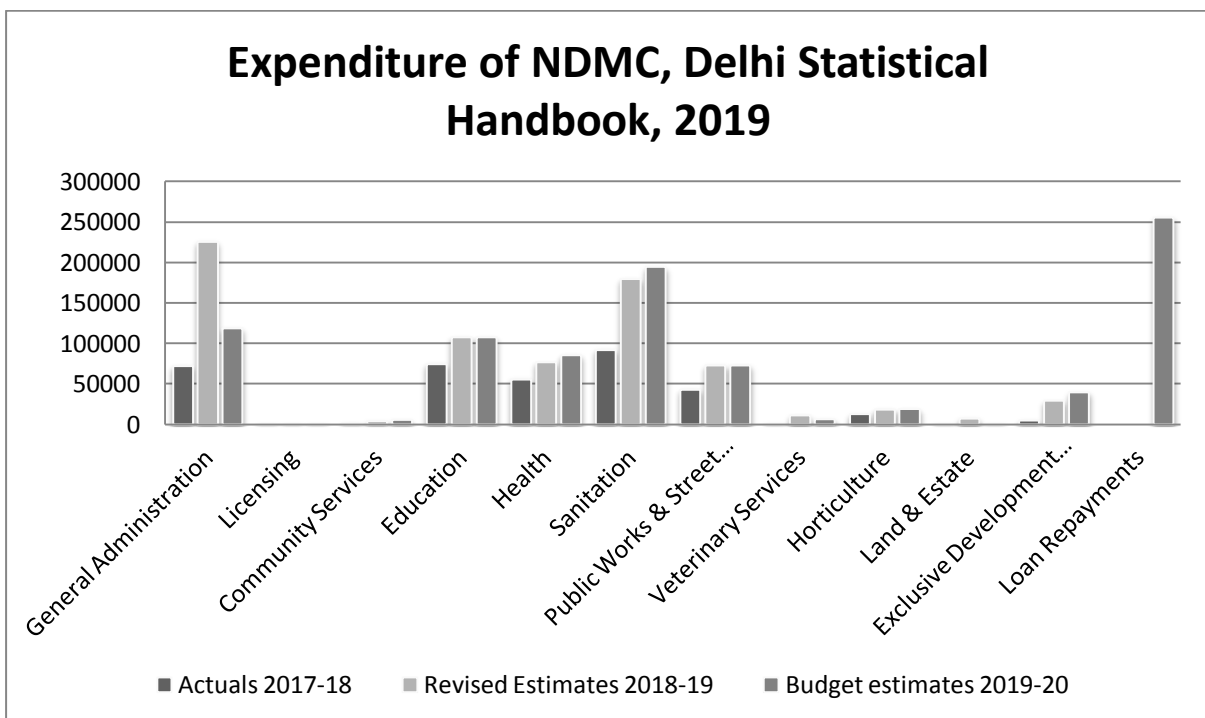
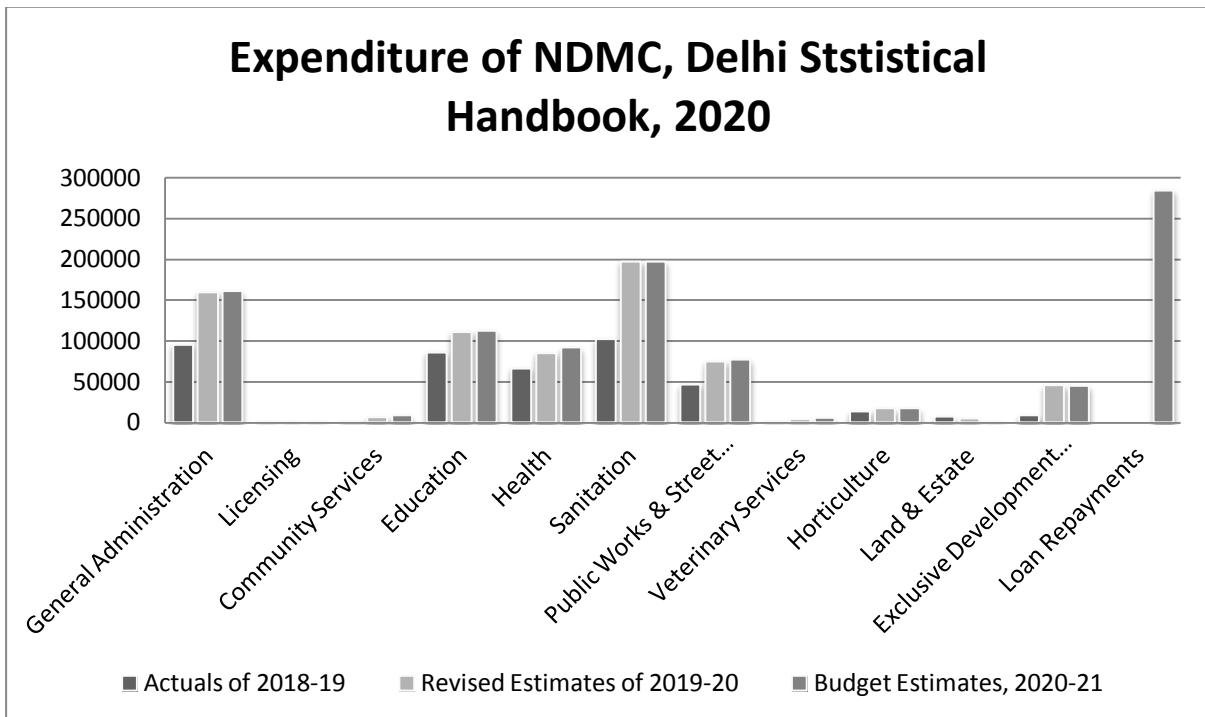


Actual Expenditure of NDMC, 2018-19



Actual Expenditure of NDMC, 2017-18





III. DATA INTERPRETATION

Income

The income tables 1 and 2 show that in 2018-19, increase in the actual External Revenue, Rates and Taxes, Revenue from Other Sources and Internal Revenue were recorded, vis-à-vis that in

2017-18. However, the increase in those incomes are marginal. Whereas, the actual Rent, Fees and Fines in 2017-18 recorded a decrease in 2018-19, vis-à-vis that in 2017-18. Focusing on the actuals of 2018-19, it was found that Internal Revenue has the maximum share of the total revenue (38%),



followed by Taxes and Rates (30%), External Revenue (24%), Rent Fees and Fines and Other Sources (both roughly 4%). Loan Repayment is nil. In case of actuals of 2017-18, the highest share is again of Internal Revenue (40%), followed by Taxes and Rates (29%), External Revenue (19%), Rent, Fines and Fees (8%) and Other Sources (4%). Loans is again nil.

The budget estimates for all the heads of incomes has been higher than the actuals and revised estimates, except the external revenue.

Expenditure

The expenditure tables of NDMC show that the actual expenditure under all heads increased in 2018-19, vis-à-vis that in 2017-18. The expenditure head's actual value having the highest share in 2018-19 was Sanitation (24%), followed by General Administration (22%), Education (20%), Health (15%), Public Work and Street Lighting (11%), Horticulture (3%), Development Expenditure (2%), Community Services (0.5%), Veterinary Services (0.4%) and Licensing (0.1%). Similarly looking at actual expenditure of 2017-18, the maximum share is of Sanitation (26%), followed by Education (21%), General Administration (20%), Health (15%), Public Works and Street Lighting (12%), Horticulture (4%), Exclusive Development Expenditure (1%), Community Services (0.5%), Veterinary Services (0.3%), Licensing and Land and Estate (0.1%). The loan repayment has been nil, except for the budget estimate for 2019-20.

IV. CONCLUSION AND RECOMMENDATIONS

The Delhi State Finance Commission recommends the pattern of devolution of the Net Tax Collected (NTC) of the Government of the National Capital Territory (GNCT), between the GNCT and the local bodies. The major components of NCT are state excise duty and Value Added Tax (VAT). The state finance commission also determines the scheme-based transfers to the local bodies. The Third Delhi State Finance Commission proposed that the 10.5% of the NTC shall be devolved and 6% of it shall be scheme-wise transfer. Out of the devolution of 10.5%, 5% shall be for education, 4% for Basic Tax assignment (BTA) and 1.5% for Municipal Reform Fund (MRF). The MRF shall be provided on a consolidated basis, while the BTA shall be provided in the following ratio- 39.98% for South Municipal Corporation, 38.94% for North Municipal

Corporation and 18.6% for East Municipal Corporation.

The Fourth Delhi State Finance Commission's recommendations were not implemented, because it required fulfilment of certain conditions. The conditions were not found feasible, so the recommendations were made discretionary.

The Fifth Delhi State Finance Commission required transfer of 12.5% of NTC on a consolidated basis, out of which 6% is BTA and 6.5% is scheme-based transfer. Out of the BTA of 6%, 3% shall be transferred on the basis of the recommendations of Third Delhi State Finance Commission (39.98%, 38.94% and 18.6%) and 3% will be transferred in the 65:35 ratio, where 65% will be for EDMC and 35% for MCD- North.

The recommendations of the fifth commission reduced the share for the MCD- North in favour of EDMC. The rationale behind the move was that EDMC was a lesser developed municipality zone, vis-à-vis the other municipalities. The number of workers employed by the MCD- North is the highest amongst the five local bodies of Delhi. Currently, the number of employees is above 57000. The liability of the MCD- North is also the highest. For instance, its monthly salary liability of the employees is above Rs. 350 crores. Whereas, the liability position of EDMC is the lowest.

This is to recommend for the upcoming Sixth Delhi State Finance Commission to increase the share of MCD- North in the devolution, owing to its large liability position and large number of employees. SDMC, being situated in the well-off region of Delhi, is able to raise larger revenue from its internal sources. EDMC undoubtedly needs larger revenue owing to its large population density and being relatively lesser developed than the other municipalities, but its liability is low. Hence, the upcoming Finance Commission should consider increasing the share of MCD- North in the tax devolution.

REFERENCES

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- [2]. Third Delhi State Finance Commission Report
- [3]. Delhi Statistical Handbook, 2020
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