

An Analysis of Urban Financing in Karnataka

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ABSTRACT

Urbanisation results improvements in standard of living of people and leads to economic growth and development. India has been experiencing rapid urbanisation as 31.15 per cent of people lived in urban area (2011 Census). Karnataka has also been experiencing significant urbanisation (38.67 per cent), in the recent decades. Increased urbanisation necessitates provision of basic services, which in turn demand for higher amount of financial resources for creating infrastructure and other services in urban areas. Both central and state governments are incurring expenditure on urban development. Urban development is an important issue considering increased developmental and environmental challenges of urban areas, which certainly necessitates higher financial resources. In this regard, present paper attempts to understand urbanisation trend, and analyse pattern of public expenditure on urban development in Karnataka. This study uses secondary data from budget documents, Central and State Finance Commission Reports and other Reports. Data have been analysed by applying growth rate and coefficient of variation to understand the expenditure pattern. The study will give insights of different sources of revenues of urban local bodies and pattern in urban financing by government in Karnataka.

Key Words: Urbanisation, Urban Local bodies, Infrastructure Facilities, Urban Finance, Urban Development.

1. Introduction

Public expenditure is the expenditure incurred by public authorities i.e., Central Government, State Government and Local bodies for satisfaction of collective needs of the citizens or for promotion of economic and social welfare (Lekhi, R.K. 2011). In modern era, public

expenditure plays a prominent role in enhancing welfare, development activities like education, public health, social securities, irrigation, drainage, roads, buildings etc., which all have increased expenditure by the government. In this context, “the state regulates its income by its expenditure and not its expenditure by its income” (Plehn C. C. 1902) indicates the importance of public expenditure. Governments at national, state, and local level implement various welfare schemes, which increases expenditure. Local body governments in urban area are crucial in executing and delivering different welfare schemes. Over the period Urban Local Bodies (ULBs) have assumed several responsibilities such as providing basic facilities like drinking water supply, sanitation, roads, drainages parks etc. targeted towards enhancing welfare. Hence, ULBs require to spend more money, indicating increased importance of public expenditure in urban areas. In this regard, the present paper attempts to analyse sources of revenue and expenditure of ULBs in Karnataka. This paper has been divided into five sections including the introduction and literature review, objectives, and methodology; second section depict trends in urbanization, urban challenges; third section depicts revenue sources of urban local bodies; fourth section analyses expenditure on urban development by the Government of Karnataka, while the last section provides conclusion.

1.1. Literature Review

Urban finance in urban local bodies is widely discussed in literature. Studies identify inadequate financial resources of urban local bodies to meet expenditure requirements. Gayatri, K. (2018) identifies, urban local bodies in Karnataka depends in a large scale on the State Government and the Central Government for financial assistance to perform the functions. Geol, M.M., and Garg, I. (2021) identifies own financial resources of municipalities and panchayats in the state of Haryana are inadequate to meet the expenditure requirements and stresses that the government should provide adequate grants. Further, there is a requirement of efficient, responsive man power and elected representatives in municipalities for easy and smooth functioning of municipalities.

Some studies focused on revenue expenditure and capital expenditure and infrastructure development in urban local bodies. Chowdary, P., and Gopa, S. (2021) recognized that the finances of urban local bodies of West Bengal are in a totally unsatisfactory state and revenue expenditures absorbed the almost revenue generated by the urban local bodies and the smaller proportion left over to create basic services. Stated that this tendency makes urban local bodies to depend more on higher tiers and revenue generation by urban local bodies depends on their size, but irrespective of size revenue expenditure is greater than of expenditure on civic basic services. Mathur, O. P. (2018) recognized the lack of adequate basic services like water, sanitation, waste management, electricity, roads etc. and suggested that the municipal bonds,

public-private partnership is playing an important role in infrastructure development of urban local bodies.

Empowerment of urban local bodies in terms of finance needs augmentation of own revenue sources to meet the expenditure efficiently. Rao, G.M., and Bird, R. M. (2010) recognizes the ways which enhance the resources of the municipal bodies such as reforms in the property tax system and proper utilization of user charges and fees for various services delivered, effective utilization of public land, borrowing for capital expenditure, development of municipal bond market, encouragement of public private partnership to augment water supply and solid waste management in municipalities. Rao, G.M. (2019) addresses the major issues in infrastructure and public service delivery and problems of raising and collecting own revenues of Municipal Corporation Greater Mumbai and recognizes the ways for enhancement of own revenues. The study points out problems in the delivery of basic services like water supply, sanitation and solid waste management and needs to augment various tax and non-tax revenue sources of the Mumbai City Corporation. Singh, Charan, and Singh, C. (2015) emphasize to encouragement of municipal bonds to augment the financial resources of urban local bodies.

There is a positive relationship between economic growth and public expenditure. Public expenditure on infrastructure facilities cause to better living standard of people which leads ultimately growth of an economy. Maurya, R., and Prathap Singh, B. (2017) examine the relationship between economic growth, public expenditure and inflation in the long run and short run. The study finds that in long run increase in public expenditure cause to increase in economic growth. While in the short run rise in public expenditure cause economic growth but leads to inflationary pressure in the economy. Both in the short run and in the long run inflation negatively impact on economic growth. Due to inflationary effects, in short run, public expenditure fails to achieve welfare of people and growth effects in the economy.

Above literature reviews mainly concentrated on inadequate financial resources of urban local bodies to meet expenditure requirements, lack of provision of adequate basic services, problems of raising and collecting own revenues of urban local bodies, revenue and capital expenditure and infrastructure development in urban local bodies and relations between economic growth and public expenditure. In India even though both Central and State Governments are incurring expenditure on urban development, the challenges of urban areas, which certainly necessitates higher financial resources. In this regard, present paper attempts to understand the trends in urbanisation finance, and analyse pattern of public expenditure on urban development in Karnataka.

1.2. Objectives

Considering the importance of urbanization the present study aims at understanding sources of revenue for urban local bodies in Karnataka and to analyze public expenditure on urban development in Karnataka.

1.3. Methodology

This study is based on secondary data on expenditure by the Government of Karnataka on urban development. Data were collected from the budget documents of the State Government, Economic Survey of Karnataka, Directorate of Municipal Administration, Central Finance Commission Reports India, and State Finance Commission Reports. The study used growth rate and coefficient of variation for analyzing the expenditure patterns by the Government of Karnataka on urban development.

2. Trends in Urbanisation in India and Karnataka

Urbanization is a complicated socio-economic process that modify the built environment, changing formerly rural area into urban settlements, while also carrying the spatial distribution of population from rural to urban areas. It includes changes in main occupations, lifestyle, culture, and behaviour, and thus changes the demographic and social structure of both urban and rural areas. Urbanization in India has expanded rapidly as increasing numbers of people migrate to towns and cities in search of economic opportunity (World Bank Report, 2011).

Table:1 Trends in Urbanization in Karnataka and India (1951-2011)

Year	% of urban population in Karnataka	% of urban population in India
1951	22.95	17.29
1961	22.33	17.96
1971	24.31	19.91
1981	28.29	23.33
1991	30.91	25.71
2001	33.98	27.78
2011	38.67	31.15

Source: Indiatat.com and Census of India 2011.

Table 1 shows the level of urbanization and decadal growth rate of population from 1951-2011 in India and Karnataka. There is increasing trend in level of urbanization in India as urbanization in 1951 was 17.29 per cent, which increased to 31.15 percent in 2011. In the decades 1971,1981, 1991, 2001, and 2011 significant level of urbanization took place. In India, Karnataka is the 7th highest urbanized state. As per 2011 census, 38.67 per cent (i.e. 2.35 crore) of total population in the state resided in urban areas (Government of Karnataka, 2020-21). In 1951 the level of urbanization was 22.95 per cent and in 1961 it was 22.33 per cent, indicating marginal decrease during the period. However, in subsequent years 1971, 1981, 1991, 2001, and 2011 level of urbanization was 24.31, 28.29, 30.91, 33.98 and 38.67 per cent respectively which clearly illustrates rapid increase in urbanization in Karnataka.

According to World Bank, India's urban areas make a major contribution to country's economy and cities in India contribute about 2/3 of economic output (World Bank, 2011). Cities are the locations of economic growth and innovation, where productive firms, better-paying jobs, and key institutions are located. Cities in India occupy just 3 per cent of the nation's land, but their contribution to Gross Domestic Product (GDP) is a massive 60 per cent (NITI Aayog, 2022).

2.1. Urban Challenges

The process of urbanization causes not only development but also poses many unprecedented problems. Increase in the growth of urban population and upcoming new urban local bodies need more resources to meet requirements of people, and to reduce urban infrastructure deficit - improving, monitoring and delivery of public services (Government of Karnataka, 2020-21). Urban Karnataka faces multiple challenges, ranging from public health issues, poverty alleviation, waste management, depletion of natural resources, etc. In this scenario, ULBs have an important role to play, as most of these issues are handled best at the local level (Government of Karnataka, 2020, CAG Report).

2.2. Government Intervention

Government intervention for meeting the needs of increasing urban populations is very essential to tackle urban problems and challenges. The government interventions have taken the form of (a) 74th Constitutional Amendment Act 1993 which aims at decentralization of urban governance in the country; (b) higher financial allocations for urban areas; (c) an effort to develop smaller towns as alternatives to big cities; and (d) urban employment assistance, especially for poor (Government of Karnataka 2009).

In India urban local governments have been recognized as third tier of government by the 74th Constitution Amendment Act, 1992 which came into effect on 1 June 1993. The Act introduced Part IX A (The Municipalities) and provided a constitutional status to Urban Local Bodies

(ULBs). Article 243W of the CAA authorized the State Legislatures to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities (Government of Karnataka 2020, CAG Report).

The Twelfth Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs. The State Government through amendments to Karnataka Municipalities (KM) /Karnataka Municipal Corporation (KMC) Acts transferred 17 out of 18 functions to ULBs. The only function not covered was fire services (Government of Karnataka 2020, CAG Report). The functions are construction and management of burial and cremation grounds, cattle pounds; prevention of cruelty to animals, regulation of slaughter houses and tanneries, urban planning including town planning, slum improvement and upgradation, planning for economic and social development, safeguarding interests of weaker sections of society, urban poverty alleviation, roads and bridges, regulation of land-use and construction of buildings, water supply, public health, sanitation conservancy and solid waste management, urban forestry, parks, gardens, playgrounds, promotion of cultural, educational and aesthetic aspects, vital statistics including birth and death registration, public amenities including street lighting, parking lots, bus stops and public conveniences.

The schemes such as Jawaharlal Nehru Urban Renewal Mission (JnNURM), Smart City Mission Scheme, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Swachh Bharat Mission, Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), Mukhya Mantri Nagarothana Scheme, and other schemes have been implemented by Government of India and Government of Karnataka.

Some problems that cannot be solved at the Central Government or State Government level could be best solved at the local Government level. Therefore, local governments need to assess adequate revenue sources to finance the public services which they are mandated to provide (Rao, G. M., and Bird R. M., 2010). Urban local finance is most crucial in creating adequate infrastructure services in urban areas. The local governments are nearer to the people than state and central governments and they have better assessment of local information that allows them to respond quickly and better to the necessities of people.

2.3. Urban Local Bodies in Karnataka

The Urban Development Department (UDD) Government of Karnataka is the nodal department, headed by the Additional Chief Secretary to the Government, for supervising governance of all urban local bodies. Under the Urban Development Department, Directorate of Municipal Administration (DMA) which established in 1984 acts as an interface between The State

Government and urban local bodies except Bruhat Bangalore Mahanagara Plike (BBMP). The DMA monitors the urban local bodies through District Urban Development Cell (DUDC) directed by a Project Director.

In addition to urban local bodies, the UDD has setup key parastatal agencies to facilitate infrastructure and other services in urban areas such as Karnataka Urban Water Supply and Drainage Board (KUWSDB), Karnataka Urban Infrastructure Finance Corporation (KUIDFC), Urban Development Authorities (UDA), Town Planning Authorities (TPA), Bangalore Water Supply and Sewerage Board (BWSSB), Bangalore Development Authority (BDA), and Bengaluru Metropolitan Regional Development Authority. Karnataka Slum Development Board (KSDB), Karnataka Industrial Area Development Board (KIADB) and State Road Transport Corporations under the departments of Housing, Industries and Commerce and Transport respectively also deliver services in urban areas.

Table 2 indicates categories and number of urban local bodies in Karnataka. Urban local bodies in Karnataka categorized as City Corporation (CC), City Municipal Council (CMC), Town Municipal Councils (TMC), Town Panchayats (TP) and Notified Area Committees (NAC). As shown in the table there are total 314 ULBs including 11 CCs, 61 CMCs, 122 TMCs, 116 TPs, and 4 NACs.

Table 2: Category-wise ULBs in Karnataka State

Type of ULB	Number of ULBs
City Corporations (CC)	11
City Municipal Councils (CMC)	61
Town Municipal Councils (TMC)	122
Town Panchayats (TP)	116
Notified Area Committees (NAC)	4
Total	314

Source: Urban Development Department, Karnataka, Annual Report 2021-22.

The number of urban local bodies in Karnataka increased from 214 during 2014-15 to 314 in 2021-22. Karnataka has witnessed continuous growth in number of ULBs showing significant urbanization and thus adding demand for urban services and finance (Table 3).

Table 3: Number of Urban Local Bodies in Karnataka from 2014-15 to 2021-22

Year	No. of Urban Local Bodies	Growth Rate
2014-15	214	0.00
2015-16	271	26.64
2016-17	271	0.00
2017-18	279	2.95
2018-19	280	0.36
2019-20	280	0.00
2020-21	294	5.00
2021-22	314	6.80

Source: Urban Development Department, Karnataka.

Census of India, classified the towns, based on population, into six categories as Class-I (population of 1,00,000 and above), Class-II (population between 50,000 and 99,999), Class-III (population between 20,000 and 49,999), Class-IV (population between 10,000 and 19,999), Class -V (population between 5,000 and 9,999), and Class -VI (population of less than 5000). Table 4 depicts the class wise number of towns from 1971 to 2011 in Karnataka. Number of towns of all classes increased from 229 in 1971 to 347 in 2011. According to these data rapid urbanization is experienced in every decade in Karnataka.

Table 4: Number of Towns of All Classes in Karnataka

Towns/ Years	Class I	Class II	Class III	Class IV	Class V	Class VI	Total
1971	12	10	42	95	44	26	229
1981	17	12	71	98	40	15	253
1991	21	17	82	70	40	24	254
2001	30	28	106	61	37	8	270
2011	26	39	105	82	81	14	347

Source: India Stat.com and Census of India.

3. Revenue Sources of Urban Local Bodies

Sustainable financing is most important to discharge functions of urban local bodies. They need financial resources for provision of municipal services, operation, and maintenance of assets (O&M), infrastructure development and debt servicing. Urban local bodies carry out their functions effectively when they are supported with adequate financial resources (Economic Survey of Karnataka, 2019-20). Revenues of urban local bodies in Karnataka primarily include property tax, other taxes including advertisement tax, toll tax, fees, and user charges; other non-tax revenues like income from renting of municipal properties, other revenue receipts which primarily include income from investments, interest income etc., transfers, grants and assigned revenues which are funds received from the State and Centre in the form of tied and untied grants (Chandrashekar Mathangi, CMAK Report)

Table 5 indicated the details of revenues of urban local bodies in Karnataka during the period from 2014-15 to 2018-19. Own revenues of ULBs are 37 per cent and grants from state and central governments is 63 per cent of the total revenues during the period 2014-15 to 2018-19. As can be seen from the table grants from the Governments formed the highest portion of revenues of urban local bodies.

Table 5: Details of revenues of ULBs during the period 2014-15 to 2018-19

(Rs. in crore)					
Year	Grants	Own Revenue	Assigned Revenue	Total Revenue	Percentage of own revenue to total revenue
2014-15	1,640.80	1,022.82	1.30	2,664.92	38
2015-16	2,644.17	1,191.04	1.42	3,836.63	31
2016-17	2,302.67	1,352.53	9.85	3,665.05	37
2017-18	2,493.07	1,517.60	18.56	4,029.23	38
2018-19	2,300.01	1,586.38	23.19	4,029.23	41
Total	11,380.72	6,670.37	54.32	18,105.41	37

Source: Report of the Comptroller and Auditor General of India, 2020.

3.1. Own Revenue Sources

The property taxes and advertisement taxes are the main own tax revenue sources of the Urban Local Bodies. The ULBs were empowered to levy property tax every year on all buildings or vacant lands or both situated within their jurisdiction under section 103/108A of the KMC Act

and Section 94 read with Section 108 of the KM Act and Section 103 of KMC Act and Section 94 of KM Act provides for levy of tax on advertisement by ULBs (Government of Karnataka, 2020, CAG Report of India).

Water charges, rent from commercial establishments, trade licences, fee for sanction of plans/mutations, etc. are the main own non-tax revenue sources the Urban Local Bodies. As per Section 144 of the KMC Act and Section 139 of KM Act, the CCs/Municipalities may fix water rates not exceeding the rates specified in the rules in force under Section 421 of KMC Act and Section 323 of KM Act, Section 103B (2) of KMC Act, 1976 provides for levy of solid waste management (SWM) cess for the purpose of collection, transportation and disposal of solid waste, Section 369 of the KMC Act and Section 256 (a)-Part I of Schedule XIII of KM Act specify that trade license fee should be obtained by ULBs from all business establishments who intend to carry out any trade in the municipal areas and The ULBs were empowered to collect rent from the buildings let out to private agencies and the rent was to be revised periodically (Government of Karnataka, 2020, CAG Report).

3.2. Grants from Governments

Besides their own revenues the urban local governments receive revenues from Central and State Governments in the form of Grants-in-aid through Central Finance Commission (CFCs) and State Finance Commissions (SFCs) which is discussed below.

3.3. Central Finance Commission Grants

By the 73rd and 74th amendments to the Constitution, two new sub-clauses (bb) and (c) have been introduced in clause 3 of article 280. These sub-clauses make it obligatory upon the Commission to recommend “the measures needed to augment the Consolidated Fund of a State to supplement the resources of the panchayats/municipalities in the State on the basis of the recommendations made by the Finance Commission (FC) of the State.” (10th Central Finance Commission Report, 1995-2000).

Table 6 reveals recommended, released, percentage of released amount by 10th to 15th Finance Commission to urban local bodies in Karnataka. Following the 74th constitutional amendments, until now six Finance Commissions (FC-X to FC-XV), have given their recommendations for local bodies. Amount recommended by FC's has increased over the years, but percent of released amount stays between 83 and 89. It indicates that entire recommended amount has not been released by the Central Government.

Table 6: Grants Recommended and Actual Releases to Urban Local Bodies in Karnataka

(Rs. In Crores)

Finance Commissions	Recommended	Released	Released in Per cent
FC-X (1995-2000)	1000	834	83.4
FC-XI (2000-05)	2000	1752	87.6
FC-XII (2005-10)	5000	4470	89.4
FC-XIII (2010-15)	23111	18980	82.1
FC-XIV (2015-20)	87144	74259	85.2
FC-XV (2021-26)	121055	-	-

Source: 15th Central Finance Commission Report, India.

3.4. State Finance Commissions Grants

The Article 243 (I) and (Y) of the Constitution of India read with the section 267 of the Karnataka Grama Swaraj and Panchayat Raj Act 1993 as amended in 2015 and section 503C of the Karnataka Municipal Corporation Act, 1976 and section 302B of Karnataka Municipalities Act, 1964 provided for the formation of SFCs to address the financial issues confronted by the PRIs and ULBs. The SFCs must look after the fiscal problems of both PRIs and ULBs. The Governor of a State constitute State Finance Commission to review the financial position of panchayats and municipalities and make recommendations (Government of Karnataka,2018).

Table 7 shows the 3rd State Finance Commission grants allocation, releases, and expenditure for urban local bodies in Karnataka. The State Finance Commission allocated Rs. 3,456.64 crores from 2015-16 to 2019-20. Out of total released amount 87.21 per cent has been spent by urban local bodies. During 2019-20 significant decline in released and spent amount is observed due to the covid epidemic.

Table 7: 3rd State Finance Commission Grants to Urban local Bodies of Karnataka

(Rs. In Crores)

Year	Allocation	Releases	% of releases to allocation	Expenditure	% of expenditure to releases
2015-16	812.54	599.19	73.74	592.73	98.92
2016-17	701.84	524.33	74.71	514.27	98.08
2017-18	701.83	540.09	76.95	526.39	97.46

2018-19	666.05	503.25	75.56	379.73	75.46
2019-20	574.38	281.46	49.00	122.16	43.40
Total	3456.64	2448.32	70.83	2135.28	87.21

Source: Economic Survey of Karnataka, 2019-20.

4. State Government Expenditure on Urban Development

In order to analyze the expenditure pattern on urban development in Karnataka, the study considered budget documents of State government from 2018-19 to 2022-23. The expenditure comprises revenue expenditure and capital expenditure on water supply, sanitation, and urban development. Revenue expenditure involves wages, allowances, benefits, office maintenance charges, stationery charges, program expenses etc. Capital expenditure involves expenditure on office equipment, construction of buildings, roads, bus shelters, bridges, flyovers, parks, purchase of vehicles, installation of street lights, purified drinking water units, drilling of borewells, investments in public sector undertakings and expenditure urban development schemes etc.

Table 8 shows the expenditure on urban development in Karnataka from 2018-19 to 2022-23. As can be seen in the table during this period the Karnataka Government made an average of Rs.14,33,634.23 lakhs of expenditure on urban development and it grew at an average of 9.23 per cent. An average of Rs.8,71,563.68 lakhs of revenue expenditure has made on water supply and sanitation, urban development and compensation and assignments to urban local bodies and grew at an average of 2.99 per cent. Revenue expenditure on urban development grew at an average of 10.45 per cent, followed by expenditure on compensation and assignments to urban local bodies. But, revenue expenditure on water supply and sanitation gradually decreased at an average of -42.78 per cent during 2018-19 to 2022-23.

An average Rs.5,62,070.55 of capital expenditure has been made by the government on water supply and sanitation and urban development and it grew at an average of 28.06 per cent. Capital expenditure on water supply and sanitation grew at an average of 285.79 per cent, followed by urban development grew at an average of 33.80 per cent. And the government raised loans for expenditure on water supply and sanitation, grew at an average of 38.61 per cent and urban development, grew at an average of 19.18 per cent during 2018-19 to 2022-23 (Table 8).

Table 8: Expenditure on urban development by Karnataka Government

(Rs. In Lakhs)

Major Head	2018-19 Accounts	2019-20 Accounts	2020-21 Accounts	2021-22 Accounts	2022-23 Accounts	Mean	SD	CV	Growth Rate
Water Supply and Sanitation	52150.00	52074.44	1837.00	677.00	600.00	21467.69	27978.81	130.32	-42.78
Urban Development	239285.80	211738.27	203780.10	305811.65	327263.98	257575.96	55930.14	21.71	10.45
Compensation and Assignments to Local Bodies and Panchayat Raj institutions	541416.35	639974.48	562591.49	657254.24	566186.07	593484.53	51571.73	8.68	2.27
Capital Outlay on Water Supply and Sanitation	3360.00	11067.90	118360.00	99515.00	59999.93	58460.57	51375.86	87.88	285.79
Capital Outlay on Urban Development	214478.46	175567.19	332326.09	453219.13	578839.00	350885.97	167423.7	47.71	33.80
Loans for Water supply and Sanitation	46278.36	62594.15	45054.37	117842.97	100957.40	74545.45	33105.33	44.40	38.61
Loans for Urban Development	97324.00	43021.00	91720.36	158827.44	73322.00	92842.96	42539.94	45.81	19.18
Revenue	832852.15	903787.19	763386.13	963742.89	894050.05	871563.68	76226.58	8.74	2.99
Capital	361440.82	292250.24	587460.82	829404.54	739796.33	562070.55	232784.2	41.41	28.06
Total	1194292.97	1196037.43	1350846.95	1793147.43	1633846.38	1433634.23	269223.4	18.77	9.23

Source: Budget documents of Government of Karnataka.

Table 9 shows the percentage of revenue, capital, and total expenditure on urban development from 2018-19 to 2022-23. From the table it is reveal that, major portion of total expenditure occupies revenue expenditure (60.79 per cent) than capital expenditure (39.21 per cent) during the period from 2018-19 to 2022-23. Compared to revenue expenditure there has been no significant capital expenditure on urban development by the government.

Table 9: Share of Revenue and Capital Expenditure on Urban Development in Karnataka

(Rs. In Lakhs)

Year	Percentage of Revenue expenditure	Percentage of Capital Expenditure
2018-19	69.73	30.26
2019-20	75.56	24.43
2020-21	56.51	43.49
2021-22	53.74	46.25
2022-23	54.72	45.28
TOTAL	60.79	39.21

Source: Budget documents of Government of Karnataka.

5. Conclusion

Karnataka is experiencing rapid urbanization in recent decades. As per Census of India, urbanization level in Karnataka is increasing from 22.95 per cent in 1951 to 38.67 per cent in 2011. Like the number of categories of urban local bodies are increasing from 214 in 2014-15 to 314 in 2021-22 and class wise towns are from 229 in 1971 to 347 in 2011. Karnataka has witnessed continuous growth in number of urban local bodies and class wise towns showing significant urbanization and thus adding demand for urban services and finances.

Urban local bodies raise revenues from own revenue sources and from Central and State governments in the form of grants. The property taxes and advertisement taxes are the main own tax revenue sources and water charges, rent from commercial establishments, trade licences, fee for sanction of plans/mutations, etc. are the main own non-tax revenue sources of the Urban Local Bodies. Besides their own revenues the urban local governments receive revenues from Central and State Governments in the form of grants-in-aid through Central Finance Commission (CFCs) and State finance commissions (SFCs). Own revenues of urban local bodies are not sufficient to meet the demand of urban population. Therefore, urban local bodies are more reliant on State and Central governments grants for their financial needs (during 2014-15 to 2018-19, 63 per cent of fiscal transfer from government formed the major portion of the revenues of ULBs).

In analyzing the expenditure on urban development by the Government of Karnataka during the period from 2018-19 to 2022-23 the study focused on revenue expenditure and capital expenditure. During this period major portion of the total expenditure involved revenue expenditure (60.79 per cent) followed by capital expenditure (39.21 per cent).

Therefore, the capital expenditure on provision of adequate and clean water supply, sanitation and sewerage system, urban development programs such as metro rail services, rapid transit systems, Bangalore sub urban rail system, augmentation of city bus services, construction of sufficient roads etc. need to be augmented for better urban services. This might ensure economic development of urban areas and improvement of standard of living of urban people.

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