सत्यमेव जयते

GOVERNMENT OF MAHARASHTRA

REPORT OF THE SIXTH MAHARASHTRA FINANCE COMMISSION

February 2026

डॉ. नितिन करीर
Dr. Nitin Kareer
अध्यक्ष
Chairman

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सहावा महाराष्ट्र वित्त आयोग
Sixth Maharashtra Finance Commission
महाराष्ट्र शासन
Government of Maharashtra

Sixth Maharashtra Finance Commission

In accordance with the provisions contained under Articles 243-I and 243-Y of the Constitution of India and the provisions of the Maharashtra Finance Commission (Miscellaneous Provisions) Act, 1994, and in terms of the notification No.SFC.0624/C.R.52/FCC dated 31st July, 2025, issued by the Government of Maharashtra re-constituting the Sixth Maharashtra Finance Commission, the Commission is submitting the final report for presentation to the Honourable Governor of Maharashtra.

Dr. Nitin Kareer
Chairman

Dr. K. H. Govinda Raj
Member

Shri. Eknath Dawale
Member

Professor Shri. S. Chandrasekhar
Member

Shri. Shanmugarajan S
Member Secretary

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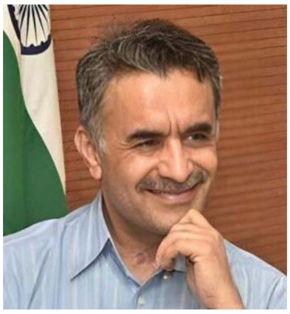
Foreword



It gives me great pleasure to submit the report of the Sixth Maharashtra Finance Commission, covering the period of five years commencing on 1st day of April 2026.

The deliberations of this Committee were guided by the maxim "if it can be measured it can be improved". Broadly we focused on the need to *"Track Funds Flow to the Lowest Spending Unit and Utilization Patterns*", "*Maximize the Return on Spending or Improve Efficiency*", "*Strengthen Accounting Systems*", "*Fill Data Gaps and Strengthen the Management Information System for Monitoring and Evaluation*". Addressing these four issues helps quantify the nature and specificities related to decentralisation and assess the extent and adequacy of funds flow to the local bodies.

Just as we were finalising this report, the report of the 16th Union Finance Commission was tabled in the Parliament on February 1, 2026. Their recommendations are a validation of the approach taken by this Commission and our recommendations for Maharashtra are in line with what the UFC has opined based on their nationwide consultations.

In addition to analysis of data provided to us, we held extensive consultations with stakeholders across rural and urban local bodies, state departments, elected representatives and experts. The consultations ensured that our perspective was based on the realities of local governance in Maharashtra.

On behalf of the Commission, I place on record my sincere appreciation for the cooperation and support extended by the Government of Maharashtra, local governments, and all stakeholders who contributed to the work of the Commission. I also express my gratitude to my fellow Members of the Commission for their commitment, insight and support throughout this process. We consider it a privilege to have been entrusted with this important constitutional responsibility.

As Maharashtra continues its journey of equitable growth and development, we trust that the State Government will accept and implement all the recommendations. This will empower local bodies to function as effective institutions of self-government and fulfil the aspirations of the people they serve.

February 2, 2026

Dr. Nitin Kareer

Details of the Staff who worked in the Sixth Maharashtra Finance Commission:

Sr. No.	Name	Designation	Name of the Office
1	Dr. Karuna A. Juikar	Additional Chief Executive Officer	Rural Development and Panchayat Raj Department
2	Smt. Neetal Lavhale	Deputy Director (Accounts) (Additional Charge)	Directorate of Accounts and Treasury
3	Shri. Sunil S. Hanje	Retired Deputy Secretary	School Education and Sports Department
4	Smt. Vidya V. Yerunkar	Chief Officer	Urban Development Department
5	Smt. Mugdha D. Bane	Desk Officer	Finance Department
6	Smt. Sangeeta M. Jadhav	Assistant Account Officer	Directorate of Accounts and Treasury
7	Smt. Sunita G. Chandane	Statistical Officer	Planning Department
8	Smt. Shraddha S. Ghanekar	Statistical Assistant	Planning Department
9	Shri. Milind Dhagate	Peon	Finance Department
10	Smt. Aarti Harbhajanka	Co-Founder & Managing Director	Primus Partners
11	Smt. Rutuja Karkare	Manager	Primus Partners
12	Smt. Gitika Wahal	Manager	Primus Partners
13	Shri. Dharmesh Minat	Senior Consultant	Primus Partners

Abbreviations

ADTP	Assistant Director of Town Planning
ARV	Annual Rateable Value
ASR	Annual Statement of Rates
ATR	Action Taken Report
BPMS	Building Plan Management System
CA	Chartered Accountant
CAG	Comptroller and Auditor General
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CIP	Capital Investment Plan
CSR	Corporate Social Responsibility
CV	Capital Value
CVM	Capital Value Method
DES	Directorate of Economics and Statistics
DLFAA	Directorate of Local Fund Accounts Audit
DMA	Directorate of Municipal Administration
DPC	District Planning Committee
DPR	Detailed Project Report
DVDF	District Village Development Fund
FY	Financial Year
GDP	Gross Domestic Product
GEM	Government e-Marketplace
GIS	Geographic Information System
GoI	Government of India
GoM	Government of Maharashtra
GP	Gram Panchayat
GRAS	Government Receipt Accounting System
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
IGR	Inspector General of Registration
IT	Information Technology
LB	Local Body
LGCI	Local Government Commercial Identifier
LiDAR	Light Detection and Ranging
MCA	Ministry of Corporate Affairs

MCGM	Municipal Corporation of Greater Mumbai
MFRBM Act	Maharashtra Fiscal Responsibility and Budget Management Act
MJP	Maharashtra Jeevan Pradhikaran
MLBFRBM Act	Maharashtra Local Bodies Fiscal Responsibility and Budgetary Management Act
MMC Act	Maharashtra Municipal Corporation Act
MMCNI Act	Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act
MMPTB	Maharashtra Municipal Property Tax Board
MRSAC	Maharashtra Remote Sensing Applications Centre
MRTP Act	Maharashtra Regional and Town Planning Act
MVP Act	Maharashtra Village Panchayats Act
MZPPS Act	Maharashtra Zilla Parishads and Panchayat Samitis Act
NA	Non-Agricultural
NAKSHA	National Geospatial Knowledge-based Land Survey of Urban Habitations
NDDP	Net District Domestic Product
NDRMF	National Disaster Risk Management Fund
NIPFP	National Institute of Public Finance and Policy
NIRDPR	National Institute of Rural Development and Panchayati Raj.
NMMC	Navi Mumbai Municipal Corporation
NP	Nagar Panchayat
OSR	Own Source Revenue
OTSP	Other Tribal Sub-Plan
PCMC	Pimpri Chinchwad Municipal Corporation
PMC	Pune Municipal Corporation
PPP	Public Private Partnership
PS	Panchayat Samiti
PT	Profession Tax
PTEC	Profession Tax on Enrolment Certification
PTRC	Profession Tax on Registration Certification
PWD	Public Works Department
QR	Quick Response
RDD	Rural Development and Panchayat Raj Department
RLB	Rural Local Body
SE	Superintending Engineer
SCI	Single Composite Index

SCP	Special Component Plan
SDMF	State Disaster Mitigation Fund
SDRF	State Disaster Response Fund
SDRMF	State Disaster Risk Management Fund
SFC	State Finance Commission
SIRD	State Institute of Rural Development
SIUD	State Institute of Urban Development
SOTR	State's Own Tax Revenue
SVAMITVA	Survey of Villages Abadi and Mapping with Improvised Technology in Village Areas
TIN	Taxpayer Identification Number
TMC	Thane Municipal Corporation
TSP	Tribal Sub-Plan
UDCPR	Unified Development Control and Promotion Regulations
UDD	Urban Development Department
UFC	Union Finance Commission
ULB	Urban Local Body
ULBIS	Unified Local Bodies Information System
ULSG	Urban Local Self-Governments
VPDA	Virtual Personal Deposit Account
YASHADA	Yashwantrao Chavan Academy of Development Administration
ZP	Zilla Parishad

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Executive Summary

The Sixth Maharashtra Finance Commission has been constituted vide Notification No. SFC.0624/C.R.52/FCC, under Articles 243-I and 243-Y of the Constitution of India. The mandate of the Commission is to review the financial position of rural and urban local bodies in the State and to recommend measures for strengthening their finances so as to enable effective and efficient delivery of devolved functions.

I. Context and Key Issues

Local bodies play a critical role in providing basic civic and social services that directly affect citizens' quality of life. However, their ability to discharge these responsibilities effectively remains constrained by limited revenue autonomy, uncertainty in fund flows, and capacity-related challenges.

State Finances:

- State's Own Tax Revenue (SOTR) forms the largest component of the State's revenue receipts, increasing from ₹ 1.64 lakh crore in 2020-21 to ₹ 3.67 lakh crore in 2024-25. During this period, the share of SOTR in total revenue rose steadily from about 61% to 68%, reflecting the strengthening of the State's own revenue base.
- In the Devolution Index 2024 published by the Ministry of Panchayati Raj, Government of India, the score for Maharashtra under the parameter 'Money Transfers to Panchayats on account of the SFC recommendations' is zero.[1] This is one of the indicators in the overall index and hence affects the State's devolution score. However, the commission wants to highlight that the State Government does devolve funds to local bodies through multiple heads, irrespective of the SFC recommendation. In 2024-25, approximately ₹ 96,733 crore, equivalent to 26.3% of SOTR, was devolved to urban and rural local bodies through various grants and compensation mechanisms.

Rural Local Bodies (RLBs):

The RLBs are classified into three categories: Gram Panchayats (village level), Panchayat Samitis (block level), and Zilla Parishads (district level).

- Zilla Parishads (ZP) and Panchayat Samitis (PS): Own revenues (tax and non-tax) account for only about 10-30% of total receipts. Consequently, these institutions are heavily dependent on government grants and scheme-based funding. Further, a substantial proportion of expenditure, ranging between 60-70%, is committed towards establishment expenses, leaving limited fiscal space for discretionary spending and prioritisation of development works.

[1] Devolution Index Report 2024, Ministry of Panchayati Raj, Pg. 229

- Gram Panchayats: Gram Panchayats exhibit relatively higher own-revenue generation, primarily due to their authority to levy and collect property tax. Own revenues constitute approximately 40% of total receipts, providing comparatively greater fiscal autonomy at the village level.

Expenditure patterns across RLBs reflect their distinct fiscal structures. Out of the total expenditure, the revenue expenditure is around 93% and 73% for Zilla Parishads and Panchayat Samitis, respectively, while capital spending is minimal. In contrast, for Gram Panchayats, capital expenditure forms the largest share (around 38%) with relatively low establishment expenses.

Urban Local Bodies (ULBs):

The ULBs are classified into three categories: Municipal Corporations, Municipal Councils and Nagar Panchayats

- Municipal Corporations (excluding Mumbai): On average, about 51% of total revenue is derived from own sources, including tax and non-tax revenues.
- Municipal Councils and Nagar Panchayats: These local bodies remain significantly dependent on external transfers, with own revenues accounting for only about 17% of total receipts.

On the expenditure front, Municipal Corporations allocate a major share for capital expenditure (around 48%), and a sizeable share for establishment expenses (around 27%), whereas Municipal Councils and Nagar Panchayats, in comparison to Municipal Corporations, show a similar share of establishment expenditure (around 27%) and relatively lower capital expenditure (around 45%).

The analysis underscores the need to strengthen the financial position of local bodies across tiers to ensure that they are financially capable to discharge their devolved functions effectively. This requires a combination of enhanced devolution, strengthening of own-source revenues, and reforms in expenditure management.

II. Summary of Recommendations

The Recommendations have been categorised into six key areas as follows:

(A)	**Devolution**
#R1 (6.5)	The commission recommends 27.3% of the State's Own Tax Revenue (SOTR) as devolution to local bodies every year. The recommendation covers the award period of five years commencing on the 1st day of April 2026. In the assessment of the Commission, at the moment, the State Government devolves approximately 26.3% of SOTR to local bodies through various transfers. This rate of devolution should continue. Within this devolution, grants of approximately 2% of the SOTR are given on a discretionary basis. Based on the Commission's analysis and a study

	commissioned for this purpose, the Commission observes an average annual underspending of about ₹ 8,217 crore, equivalent to 3.6% of average SOTR, indicating a persistent resource gap in Local Body finances. Of this 3.6% gap, the Commission estimates that about 2.6% will be addressed through the following recommendations: 0.8% through the assignment of Profession Tax, 0.6% through Road grants from Motor Vehicle Tax and 1.2% through an increase in efficiency of collections of Tax & Non-Tax Revenue. The remaining 1.0% of SOTR, therefore requires additional devolution to Local Bodies. The Commission recommends that this additional 1.0% of SOTR, plus the 2% of the SOTR already being devolved in a discretionary manner, be devolved as follows: 1. 55% to Urban Local Bodies (ULBs) and 45% to Rural Local Bodies (RLBs). 2. Within the funds allocated to ULBs and RLBs, 5% will be reserved as performance grants. 3. Within the funds allocated to ULBs and RLBs, another 5% will be reserved for Rural-Urban Transition. Of the amount devolved to RLBs, the allocation shall be as follows: 70% to Gram Panchayats, 15% to Panchayat Samitis, and 15% to Zilla Parishads. Further inter-se distribution among ULBs and RLBs shall be based on a formula: ▪ For ULBs: population (50%), area (20%), and Distance of Per-Capita Own Revenue of Urban Local Bodies from the ULB with the Highest Per-Capita Own Revenue (30%) ▪ For RLBs: population (50%), area (20%), and Distance of District Per-Capita Income from the District with the Highest Per-Capita Income (30%) For all RLBs (ZPs, BPs & GPs), Nagar Panchayats, Councils (Class A, B & C) and Corporations (Class C & D) the funds would be totally un-tied & un-conditional. For Corporations (Class A+, A & B), devolution will be strictly based on reforms as specified separately. The State Government may extend these reform conditions to other municipal corporations and Municipal Councils (Class A) over a period of 3 years.
(B)	**Assignment and Transfers of Taxes**
#R2 (7.6)	Before 1975, Profession Tax was levied and collected by Local Bodies. With the enactment of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975, the collection was centralised with the State. The Commission recommends shifting the collection of Profession Tax to local bodies,

	while allowing the State to continue collecting it from State Government employees and evolving a separate mechanism for multi-location Profession Tax Registration Certificate (PTRC) holders. In line with Article 276 and the Supreme Court order, the State may, if it so decides, continue to levy its own tax, with local bodies collecting the tax on behalf of the State.
#R3 (7.9)	The additional stamp duty for local bodies follows a multi-layered fund flow mechanism, wherein collections are credited to the State's consolidated account. Subsequently, the Urban Development Department (UDD) releases the funds directly to the ULBs, but Rural Development Department and Panchayat Raj (RDD) release the funds to RLBs through the office of the Inspector General of Registration (IGR). This leads to operational delays. The Commission recommends that the term 'Additional Stamp Duty' should be adopted across all the relevant statutes. Transfer of Additional Stamp Duty should happen through an automated direct transfer mechanism by creating separate account heads for local bodies and distinguishing principle, and additional stamp duty at the point of collection through the Government Receipts and Accounting System (GRAS) and the Virtual Treasury should directly transfer the additional stamp duty to the respective local bodies in real time.
#R4 (7.12)	The State Government vide the Gazette notification dated 31/12/2025 decided to completely abolish the Non-agricultural (NA) tax for residential, commercial and industrial buildings and proposed to collect a one-time premium under Section 47 of the Maharashtra Land Revenue Code, 1966, at the time of change of land use from agriculture to non-agricultural. The Commission recommends to mandate levying of an additional cess of 10% of the one-time premium levied and collected on the change of land use. The Commission further recommends that a separate account head must be created, recording the additional cess (10% of the one-time premium) to the local bodies. At the time of collection of the one-time premium through GRAS, the system must identify the one-time premium and the additional cess separately, and the Virtual Treasury should directly transfer the 10% amount to the respective local bodies in real time.
#R5 (7.14)	Though the State laws mandate the transfer of cess on land revenue to local bodies based on amounts *payable*, the State currently transfers the funds based on actual collections. The Commission recommends standardising the term 'Cess on Land Revenue' across respective acts of local bodies, and further releasing 'Cess on Land Revenue' to local bodies on a demand basis, with annual demands incorporated into RDD and UDD budgets as per existing legal provisions.

#R6 (7.17)	Motor vehicle tax is fully levied and collected by the State, with local bodies barred from its collection. The ULBs receive 10% of the Motor Vehicle Tax as road grants. The Commission recommends that 4% of the Motor Vehicle Tax be separately given as road grants to RLBs (only ZPs). Further the inter-se distribution should be as per the devolution formula mentioned in #R1.
#R7 (7.21)	The 15th Finance Commission's National Disaster Risk Management Fund and the State Disaster Risk Management Fund frameworks strengthen state-level disaster funding but provide limited funding support to local bodies despite their critical first-responder role, underscoring the need for prioritised allocations for local disaster preparedness and mitigation. The Commission recommends that the Relief and Rehabilitation Department devolve two-thirds of the State Disaster Mitigation Fund (SDMF) to local bodies, while retaining one-third at the State level. RDD and UDD should apply the Hazard Risk Vulnerability Assessment as the baseline to prepare a Disaster Risk Index (in line with the recommendation of the Union Finance Commission) for risk-weighted distribution of the devolved SDMF to local bodies.
#R8 (7.24)	The Commission notes that about ₹ 12,000 crore flows to local bodies through the District Planning Committee (DPC) mechanism, but the absence of a formula-based rural-urban allocation creates uncertainty in capital planning and hampers balanced regional development. The Commission recommends using the standard devolution formula suggested in Chapter 6 for the distribution of DPC funds among local bodies to ensure equitable and need-based allocation, in a phased-manner over a period of time.
#R9 (7.26)	The Government of Maharashtra introduced a centralised, technology-enabled e-Challan system in 2019 to monitor traffic violations. While this system aims to enhance road safety and ensure transparent enforcement, the average recovery rate remains low at 36% as centralised operations make it difficult to coordinate with local authorities for collecting pending fines. The Commission recommends that the local bodies should be granted statutory authority to recover pending traffic e-challan dues by providing them with login access to the existing MahaTraffic App. The Commission further mandates that the State should make an enabling rule to levy 20% of the dues collected as service charges and the same be retained by the collecting local body as untied grants.

(C)	**Enhancement of Own Tax Revenue**
#R10 (8.5)	The Maharashtra Municipal Property Tax Board Act, 2011 envisaged a specialised authority to strengthen and standardise ULB property tax systems. The Board, however, has not yet been constituted. The Commission recommends constituting the Maharashtra Municipal Property Tax Board (MMPTB) under the Maharashtra Municipal Property Tax Board Act, 2011, immediately.
#R11 (8.6)	The MMPTB's mandate currently does not extend to RLBs (GPs) governed under the Maharashtra Village Panchayats Act, 1959. The Commission recommends extending the Maharashtra Municipal Property Tax Board's mandate to GPs by amending relevant sections of the appropriate laws.
#R12 (8.7)	The current mandate of MMPTB does not cover all local revenue streams like user charges, water and special water tax, development tax and recovery of arrears. The Commission recommends expanding the Maharashtra Municipal Property Tax Board's regulatory role to prescribe mechanisms for the efficient collection of all local revenue streams.
#R13 (8.9)	A few of the larger ULBs have developed independent digital systems for property tax management. Most local bodies continue to rely on fragmented platforms due to limited capacity and financial support, resulting in non-standardised records that further weaken state-level monitoring and revenue reform efforts. The Commission recommends establishing a unified, state-level digital platform for the assessment, levy, collection, and monitoring of all tax and non-tax revenues of ULBs and RLBs.
#R14 (8.11)	A few ULBs have used GIS/LiDAR/drone surveys to improve property assessment. Most local bodies lack such capacity. The Government of India's (GoI) NAKSHA pilot project now seeks to address this gap in selected cities. The Commission recommends mandating the adoption of the NAKSHA scheme as the standardised GIS-based property mapping framework across all ULBs, with UDD providing time-bound budgetary support.
#R15 (8.13)	The SVAMITVA scheme mapped properties in Gaothans, but there has been significant development outside these areas. Currently, these areas remain unmapped and largely untaxed, despite GPs providing civic services. The Commission recommends extending the SVAMITVA scheme to map areas beyond Gaothans through drone-based surveys and GIS.

#R16 (8.14)	The Commission recommends assigning a Unique Property ID to every property mapped under NAKSHA, SVAMITVA and extended SVAMITVA scheme. This should be integrated seamlessly into the Maharashtra Local Government Revenue Portal and linked with other related databases.
#R17 (8.16)	The Capital Value (CV) based property tax system, based on Annual Statement of Rates (ASR) and property-specific factors, enables transparent self-assessment and has proven effective in Gram Panchayats and Urban Local Bodies such as Municipal Corporation of Greater Mumbai, Nanded-Waghala City Municipal Corporation, Kolhapur Municipal Corporation, Badlapur Municipal Council, and Sawda Municipal Council, demonstrating strong revenue gains. The Commission recommends adopting a Capital Value (CV) based property tax system across all ULBs within one year, along with its implementation and ASR linkage overseen by the Maharashtra Municipal Property Tax Board (MMPTB). This CV based system for property tax will be linked to performance grants.
#R18 (8.20)	Trade licensing enables ULBs to regulate hazardous activities, but many commercial establishments and professionals remain unregistered, weakening local planning, service provisioning, risk management, and profession tax collection. The Commission recommends introducing an instant-approval based Local Government Commercial Identifier (LGCI) for all establishments operating within local body limits and mandating its implementation while keeping Trade Licensing focused on risk-/schedule-based categories.
#R19 (8.23)	Smaller local bodies remain dependent on grants due to limited revenue capacity, weak creditworthiness, restrictive land policies, and stagnant rental incomes, underscoring the need to strengthen their ability to attract private investment. The Commission recommends formulating a Local Body Public-Private Partnership (PPP) Handbook within six months to enable PPPs for local bodies, providing standardised frameworks for sectoral prioritisation, clustering, institutional support, approvals, and procurement.
#R20 (8.25)	The stagnation of ULB's rental income highlights significant potential to enhance revenues through Public-Private Partnership (PPP) for more efficient asset management. The Commission recommends amending relevant Acts to allow local bodies to lease properties up to 30 years at the local body level, standardising long-term leases to attract long-term capital, maximise lease premiums, and enable infrastructure development. The local bodies must strictly adhere to public procurement guidelines/tendering processes. Any exception would require prior government approval.

#R21 (8.28)	The dual building permission system restricts GPs authority to the Gaothan area, forcing residents to seek permissions from district offices for areas outside Gaothan, suggesting scope to expand GPs power to improve service delivery and generate additional revenue. The Commission recommends empowering GPs with populations under 2000 and located beyond 5 km from the nearest ULB to grant building permissions beyond the Gaothan area by amending relevant acts. The Commission further mandates that GPs should be provided with separate logins in the Building Plan Management System (BPMS) with simplified workflows and architect requirements for standard G+1 residential buildings below 9 metres height be waived. The GPs should be provided with IT and hardware support and guidelines to enable BPMS operation at the GP level.
#R22 (8.30)	Maharashtra's local bodies rely on manual, fragmented, and cash-based systems with weak enforcement and data gaps when regulating public parking, causing revenue leakages and congestion, underscoring the need for a state-level parking framework. The Commission recommends formulating and notifying a State Parking Policy with a phased rollout plan, providing standard frameworks for parking operations, zoning, digital integration, and vendor management at the local bodies' level. The IT Department should develop and operationalise a state-level digital parking platform.
#R23 (8.33)	Maharashtra's State-wide Outdoor Hoarding Policy and laws empower local bodies to regulate and monetise advertisements. But there are gaps in coverage especially for micro-real estate, that limits the sector's full revenue potential. The Commission recommends developing and mandating Standard Operating Procedures (SOPs) enabling local bodies to lease micro-real estate for advertising, shifting focus from large hoardings to high-frequency street furniture. The Commission further mandates that within 60-days, a GIS-based asset census should be conducted to tag streetlights, bus shelters, public toilets and other similar assets with Unique Digital IDs (QR codes) for licensing and monitoring.
(D)	**Strengthening Institutions**
#R24 (9.8)	The Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act has ensured state-level fiscal discipline. The Commission recommends developing and enacting a Maharashtra Local Bodies Fiscal Responsibility and Budgetary Management (MLBFRBM) Act on similar lines.
#R25 (9.11)	Local bodies prepare budgets, but non-compliance with reporting standards implies that credible audited accounts are unavailable. The Commission recommends strict adherence by local bodies to existing accounting manuals and codes, including a fixed cut-off date for submission of audited accounts and

	publishing of audited accounts of all local bodies online, preferably on both the Government and respective Local Body websites.
#R26 (9.14)	Despite a statutory audit framework, audits of local bodies suffer from delays, high pendency of observations, weak compliance, and limited use of audits as a tool for improving financial governance. A technology-enabled audit platform is already available for RLBs but is not uniformly applied across ULBs. The Commission recommends extending the AuditOnline system currently used for RLBs to ULBs to ensure uniform audit processes, effective tracking of audit observations, and enhanced transparency. The Commission further recommends empanelment of Chartered Accountancy (CA) firms which are certified for local body audits by the District Local Fund Audit Authority (DLFAA), in consultation with the Institute of Public Auditors of India and the Accountant General of Maharashtra. The firms can be empanelled for appropriate geographical clusters.
#R27 (9.16) (9.19) (9.21) (9.23)	With expanding service delivery responsibilities and limited fiscal space, local bodies in Maharashtra need to improve expenditure efficiency to ensure long-term public value, financial sustainability, and effective service delivery. The Commission recommends: - Introduction of a 'Project Prioritisation Matrix', supported by standard evaluation guidelines, to enable objective, impactful and value-based project selection by Local Bodies. - Mandating all ULBs to prepare a 5-Year Capital Investment Plan (CIP) linked to the prioritisation matrix, with biannual monitoring by the District Collector. - Development of a Statewide Works Management System, on the lines of the flow chart shared with the IT Secretary, incorporating a real-time, GIS-enabled dashboard and unique asset IDs to track all works for completion and payment across departments to prevent duplication. - Issuance of a Standardised Procurement Toolkit to institutionalise e-tendering, streamline procurement, and embed sustainability, climate resilience, and resource efficiency in local body practices.
#R28 (9.26)	Ensuring transparency, accountability, and citizen oversight in works undertaken by local bodies requires a structured and institutionalised social audit mechanism. The Commission recommends that UDD and RDD develop a comprehensive Social Audit Framework for works undertaken by local bodies and embed it within the Statewide Works Management System. The Commission further mandates that the local bodies should institutionalise citizen participation by establishing independent Social Audit Units

	in line with the National Institute of Rural Development and Panchayati Raj, and the Comptroller and Auditor General of India guidelines.
#R29 (9.30)	Maharashtra has significant potential to leverage Corporate Social Responsibility (CSR) funds for local development, but local bodies currently lack structured mechanisms to identify priority projects and systematically engage with CSR contributors. The Commission recommends setting up dedicated CSR Cells in Corporations, District Administration Office at the Collector level, and Zilla Parishads, with clearly defined roles and outcomes, to proactively align CSR funding with local development priorities. It further recommends establishing a State CSR Portal to track CSR funds received by local bodies and document CSR-supported activities across the State.
#R30 (9.34)	Rising urban infrastructure needs and limited public funding require ULBs to diversify revenue sources and build capacity to access alternative financing instruments such as municipal bonds. The Commission recommends that the UDD mandate all 29 Corporations to get themselves rated and issue at least one municipal bond by March 2030. YASHADA, in collaboration with SEBI, stock exchanges, credit rating agencies, and merchant bankers, should conduct training programmes for Commissioners and key officials to strengthen institutional capacity for municipal bond financing.
#R31 (9.38)	Effective monitoring and policymaking for local bodies is constrained by fragmented, largely non-digital data systems that require repeated data entry and lead to inconsistencies and higher administrative burden. The Commission recommends that the UDD, RDD and IT Department jointly design and implement a Unified Local Bodies Information System (ULBIS) as a single, State-level data platform for all local bodies, integrated with existing systems to enable reliable monitoring, supervision, and evidence-based policymaking while avoiding data and data entry duplication.
#R32 (9.41)	The growing complexity of local governance has increased the need for stronger administrative, technical, and specialised skills among government officers. The Commission recommends institutionalising a comprehensive training framework for local government officers, with administrative training through YASHADA and technical programmes through the MCGM Centre for Municipal Capacity Building & Research (MCMCR) and specialized training such as fire services from specified institutions.
#R33 (9.44)	Staffing norms for both rural and urban local bodies in Maharashtra are governed by outdated frameworks that do not reflect current service delivery demands, technical requirements, or the growing complexity of local governance, including peri-urban areas.

	The Commission recommends constituting a State-level Expert Committee to review and redesign organisational structures and staffing norms for local bodies, develop tier-wise organograms with appropriate technical and administrative roles, and undertake such reviews every ten years to keep pace with evolving governance needs.
#R34 (9.47)	Rapid population in Maharashtra has outpaced existing rural governance frameworks, highlighting gaps in planning capacity, service delivery, and institutional preparedness. These settlements increasingly exhibit urban characteristics but lack a structured transition mechanism. The Commission recommends constituting a multi-departmental committee comprising UDD, RDD, and the FD to formulate a Rural-Urban Transition Policy, in line with the observations of the Commission. This includes formal recognition of semi-urban GPs; staffing norms; mandatory structure plans; and a time-bound roadmap for transition, along with provisions for asset-liability transfer and transition grants.
#R35 (9.50)	Local bodies often over-commit limited funds by approving multiple projects simultaneously, leading to unfunded liabilities and incomplete works, which weakens their fiscal health. Existing State guidelines already emphasise prioritising completion of ongoing works before taking up new projects. The Commission recommends formally codifying a mandatory framework in the relevant laws governing local bodies to limit financial liabilities. The Commission further mandates, linking new administrative approvals after accounting for ongoing and approved works, with a cap of 1.5 times the residual capacity, to ensure financial discipline and timely project completion.
#R36 (9.54)	Local bodies face governance and compliance challenges due to State Acts, Rules, and Notifications being scattered across multiple platforms, leading to fragmented understanding, inconsistent interpretation, and a higher risk of procedural errors for officials, citizens, and businesses. The Commission recommends establishing a single, unified digital legal platform hosting all State Acts, Rules, Regulations, Government Resolutions, Notifications, and Amendments. The Commission further mandates participation by all departments to provide data/inputs in the development of this digital platform, which will be supported by AI-enabled cross-linking, intelligent search, and continuous updates to improve legal clarity, consistency, and administrative efficiency.
#R37 (9.57)	This Commission conducted consultations with officers from local bodies to identify key financial and operational challenges, which have been consolidated in Appendix A. The Commission recommends that the State Government examine these issues and undertake appropriate measures to resolve them.

(E)	**Strengthening Maharashtra Finance Commission**
#R38 (10.8)	To strengthen the institution of the State Finance Commission (SFC), the Commission recommends the amendment of the Maharashtra Finance Commission (MFC) Act, 1994. The objective of the amended Act should be to strengthen the effectiveness and relevance of SFC by prescribing timelines for its constitution. Additionally, the act should also define clear roles and responsibilities; provide relevant terms of reference (ToR); report time-bound status of acceptance of recommendations and giving reasons for rejection of recommendations; mandatory tabling of Action Taken Report; and provide appropriate monitoring mechanisms.
#R39 (10.9)	The Commission recommends the constitution of a Standing Task Force for monitoring the action taken on the recommendations made by the SFC. The committee will be chaired by a chairperson appointed by the State Government, with UDD and RDD Secretaries as members and the Secretary (Financial Reforms) as Member-Secretary. The requirement for such a task force can be mentioned in the amended Maharashtra Finance Commission Act, 1994.
(F)	**Recommendations on State Finances**
#R40 (11.2)	Maharashtra's borrowing maturity profile indicates a repayment peak during 2030-33. The Commission recommends that the Finance Department develop a Medium-Term Debt Management Strategy, in consultation with the Reserve Bank of India, to smoothen the maturity profile of outstanding securities.
#R41 (11.4)	Departments and local bodies in Maharashtra face difficulties in accessing Central Government grants due to complex procedures, strict timelines, and the absence of real-time compliance tracking, leading to missed funding opportunities. The Commission recommends establishing a dedicated Grant Management and Monitoring Cell in the Finance Department to support scheme identification, project preparation, and timely compliance with Central Government requirements.
#R42 (11.6)	Information on the State's decentralisation initiatives, fund devolution, and financial support to rural and urban local bodies are not consistently or comprehensively documented in official publications. Systematic disclosure in key documents such as the Economic Survey and the state budget is important. The Commission recommends that the Finance Department include a dedicated chapter in the Annual Economic Survey of Maharashtra detailing decentralisation measures; mapping fund devolution to local bodies, with tier-wise information on funds flow to enhance transparency and accountability. Information on funds flow to the local bodies should be made available as a part of the State's budget documents.

1. Introduction

1.1. The Constitution of India, vide 73rd and 74th Amendments enacted in 1992, mandates every state to constitute a State Finance Commission to review the financial position of Panchayats and Municipalities and to make recommendations.

1.2. The Governor of Maharashtra constituted the Sixth Maharashtra Finance Commission vide notification No.SFC.0624/C.R.52/FCC dated 27th March 2025, with late Shri Mukesh Khullar, Retired IAS as Chairman. The Commission places on record its deep sense of loss at his untimely demise and acknowledges his valuable contributions in laying the initial groundwork and guiding the early deliberations of the Commission. Subsequently, the Commission was re-constituted vide notification No.SFC.0624/C.R.52/FCC dated 31st July, 2025.

Constitution of the Commission

The Commission comprised the following members:

S. No.	Members	Designation
1.	Dr. Nitin Kareer (Retd. IAS)	Chairman
2.	Dr. K. H. Govinda Raj, IAS; Additional Chief Secretary (UD-2), Urban Development Department	Member
3.	Shri Eknath Dawale, IAS; Principal Secretary, Rural Development and Panchayat Raj Department	Member
4.	Professor Shri S. Chandrasekhar; Economist, Indira Gandhi Institute of Development Research	Member
5.	Shri Shanmugarajan S, IAS	Member Secretary

Terms of Reference

1.3. The Commission has been mandated to make recommendations on the following matters:

"The Commission shall review the financial position of the Panchayats and Municipalities and make recommendations to the Governor as to

a) The principles which should govern:

   i. The distribution between the State, the Panchayats and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided amongst them under Part IX and Part IX-A of the Constitution and the allocation between the Panchayats and the Municipalities at all levels of their respective shares of such proceeds

ii. The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Panchayats and the Municipalities

iii. The grants-in-aid to the Panchayats and the Municipalities from the consolidated fund of the State

b) The measures needed to improve the financial position of local bodies

The Commission shall also make recommendations relating to the following matters-

a) Better management of fund management in local bodies
b) Other related matters being related to prudent financial management of local bodies."

Methodology

1.4. The Commission, with the objective of strengthening the finances of local bodies, adopted a multi-pronged methodology comprising data analysis, stakeholder consultations, departmental inputs, and field interactions, the details of which are given in the Appendix B.

2. State Economy

2.1. Maharashtra's population in 2011 was 112.3 million, accounting for 9.3% of India's population. In 2026, Maharashtra's population is projected to be 129.3 million, with 63.8 million living in urban areas. The urban population is projected to be around 50% of the total population[2].

2.2. The state has been the engine of growth for the Indian economy. In 2024-25, the state's nominal GSDP is estimated at ₹ 45,31,518 crore, accounting for 14% of India's GDP, the highest share among all states. The state's economy strongly rebounded after the COVID-affected years of 2019-20 and 2020-21. In nominal terms, the GSDP increased by over 1.6 times between 2020-21 and 2024-25. Table 2.1 highlights the growth in India's GDP and Maharashtra's GSDP from 2018 to 2025.

Table 2.1: India's GDP and Maharashtra's GSDP (at Current Prices)

Year	India GDP (₹ Cr.)	GDP YoY % Growth	GSDP (₹ Cr.)	GSDP YoY % Growth
2018-2019	1,88,99,668	11%	25,28,854	7%
2019-2020	2,01,03,593	6%	26,56,806	5%
2020-2021	1,98,54,096	-1%	26,10,651	-2%
2021-2022	2,35,97,399	19%	31,43,821	20%
2022-2023	2,68,90,473	14%	36,41,543	16%
2023-2024	3,01,22,956	12%	40,55,847	11%
2024-2025	3,30,68,000	10%	45,31,518	12%

Source: 1) Budget in Brief 2022-2023, 2023-24 & 2024-2025, Finance Department, Government of Maharashtra
2) Annual Estimates of GDP at Current Prices, Ministry of Statistics and Programme Implementation, Government of India, Released on 29th August 2025

Fiscal Indicators

2.3. In accordance with Section 3 of the Maharashtra Fiscal Responsibility and Budgetary Management Act (MFRBM), 2005, every financial year, the State Government tables before the legislature the Medium-Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement. There is recognition that fiscal prudence and return on government spending are of utmost importance, given the state's vision to grow its economy to $ 1 trillion by 2029 and further to $ 5 trillion by 2047.[3]

2.4. The following findings emerge when the Commission examined the statements over a 10-year period (Table 2.2). From a situation of revenue surplus in 2018-19, the state is now running a revenue deficit. The revenue deficit as a percentage of GSDP in 2027-28 is projected to be higher than in 2022-23. Another area of concern is the increase in the total debt stock as a percentage of GSDP, and this is also reflected in the steady increase in the ratio of interest payments to revenue receipts since 2022-23.

2 Census 2011, Population Projection Report 2011-2036, Table No. 8 & 9
3 Viksit Maharashtra 2047- Citizen Survey, Pg. 3

There is an increase in the total contingent liabilities of the state, both as a proportion of GSDP and percentage of revenue receipts.

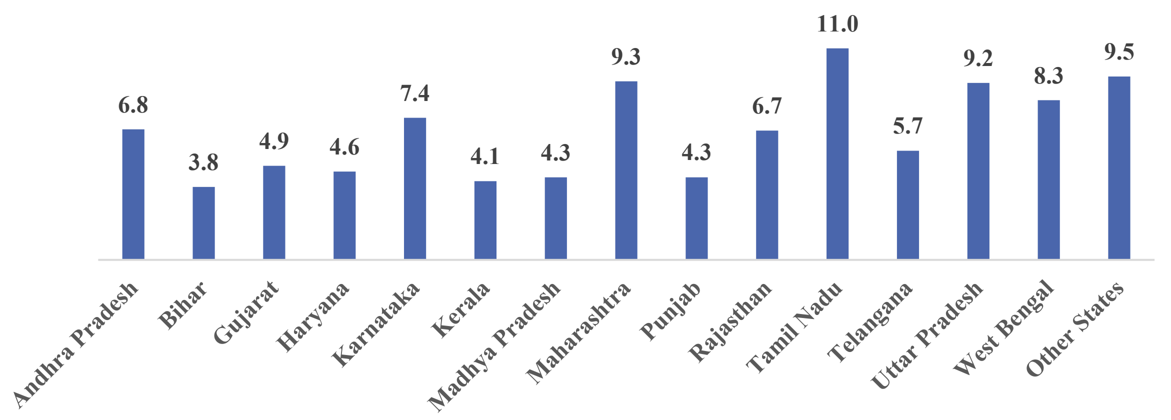
Table 2.2: Key Fiscal Indicators of Maharashtra										
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25*	2025-26@	2026-27#	2027-28#
Revenue Surplus (+)/ Deficit (-) as % of GSDP	0.45	-0.63	-1.57	-0.53	-0.05	-0.34	-0.59	-0.93	-0.83	-0.72
Fiscal Deficit as % of GSDP (-)	0.87	1.97	2.72	2.07	1.86	2.23	2.93	2.76	2.3	1.67
Tax Revenue as % of GSDP	8.72	8.23	7.64	8.86	11.14	10.62	11.84	11.36	11.46	11.56
Total Debt Stock as % of GSDP	15.46	16.5	19.76	18.56	17.28	17.72	18.52	18.41	19.03	18.97
Total Contingent Liabilities as % of GSDP	0.29	1.51	1.58	1.65	1.83	2.01	2.42	2.56	2.68	2.8
Total Contingent Liabilities as % of Revenue Receipts	2.7	14.54	15.43	15.38	16.45	18.93	20.42	22.51	23.42	24.2
Interest payment as % of Revenue Receipts	12.2	11.85	13.72	12.05	10.28	10.6	10.19	11.53	11.42	11.32

** Revised Estimates @Budget Estimates #Target*

Source: Medium Term Fiscal Policy, Fiscal Policy Statement and Disclosures for Maharashtra 2020-2021,2022-2023 and 2023-2024, Form A-1 for those years.

2.5. The total outstanding State Government securities across all the states and union territories was ₹63,99,564 crore as on March 31, 2025. Of this, Maharashtra has issued ₹ 5,93,708 crores of securities, implying that the share of Maharashtra was 9.3%. The share of Tamil Nadu was the highest at 11%[4] (Chart 2.1).

Chart 2.1: Share of States in Outstanding State Government Securities as on March 31, 2025



Source: Reserve Bank of India (2026) State Finances - A Study of Budgets of 2025-26 (Statement 23)

[4] Reserve Bank of India (2026) State Finances - A Study of Budgets of 2025-26 (Statement 23)

2.6. As compared to Andhra Pradesh, Kerala, Madhya Pradesh, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana and West Bengal, the share of long-duration securities, i.e. those maturing between 2040-2064, in the case of Maharashtra, is the lowest at 8.3%. By 2031, 43% of the outstanding securities issued by Maharashtra will become due (Table 2.3). Clearly, Maharashtra needs to increase the share of long-dated securities issued by it.

Table 2.3: Maturity Profile of Outstanding State Government Securities - As % of Total (Outstanding as on March 31, 2025)

in %

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037	2037-2038	2038-2039	2039-2040	2040-2064
Maharashtra	5.5	6.7	6	6.5	6.7	11.7	9.6	9.8	5.8	6.4	3.9	4.3	4.3	2.8	1.9	8.3
Andhra Pradesh	4.6	4.2	3.5	4.7	4.6	5.3	5.4	5.5	5.4	5.4	5.5	5.6	5.5	6.3	5.4	22.9
Kerala	6.6	6.9	6.1	5.4	6.9	3	3.3	3.4	2.9	3.6	3.2	3.2	3.4	2.8	3	36.3
Madhya Pradesh	5.6	6.8	5.7	4.1	4.8	4.3	5.3	5.1	4.5	4.7	4.2	4.2	4.2	4.3	4	28.3
Odisha	5.9	5.9	4.4	4.4	10.2	8.1	9.9	2.9	1.5	8.8	7.3	2.9	1.5	7.3	2.9	16
Punjab	4.9	3.4	7.3	5.3	5.1	4.6	6.4	4	4.3	6.4	4.9	6.9	4.6	4.5	4.1	23.3
Rajasthan	7.6	7.1	6.4	8.5	6.3	7.3	7.8	6.1	7.9	6.9	1.3	1.4	2.6	2.2	2.4	18.4
Tamil Nadu	5.6	6.2	6.8	7.1	6.9	8.6	6.6	5.9	7.1	5.7	0.9	0.1	1.1	0.4	1.2	29.8
Telangana	4.6	5.3	5.3	1.5	1.2	1.9	2.3	2.9	2.2	3.1	4.1	4	6.2	4	2.3	49.1
Uttar Pradesh	5.8	7.7	8.1	8.5	12.4	13.4	10.7	4.4	5.9	6.4	4.9	3	1.4	3.1	2.9	1.3
West Bengal	4.5	6.5	4.8	4.6	6	4.5	4.2	3.5	3.9	4.7	4.3	4.2	4.5	5.5	6	28.4
All States & UTs	5.8	6.6	6.7	6.8	7.5	7.9	7.2	6.4	5.8	5.6	3.6	3.5	3.4	3.4	2.7	17.1

Source: Reserve Bank of India (2026) State Finances A Study of Budgets of 2025-26 (Statement 24)

2.7. Maharashtra's total revenue receipts and SOTR both have doubled (Table 2.4) in the period of the last four years, i.e., between 2020-21 and 2024-25. State's total revenue receipts have grown at a CAGR of 18.8% for the period, while the SOTR has grown at a higher CAGR of 22.3%, showing an upward trend in the State's own revenue mobilisation capacity over the period.

2.8. In 2020-21, the share of central taxes and grants (33%) was one-third of the total revenue. In 2024-25, it has declined to 26%. The share in central taxes has increased consistently. While the share of grants-in-aid declined sharply from 19% to 11%, the grants-in-aid have increased in absolute numbers over the years (Table 2.5).

Table 2.4 State's Own Tax Revenue (SOTR)						
Components		**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
State Goods and Services Tax	In ₹ Cr.	69,949	97,305	1,21,256	1,41,979	1,67,905
	%	43%	44%	44%	47%	46%
Tax on Sales, Trade etc	In ₹ Cr.	33,160	45,924	54,568	53,380	67,375
	%	20%	21%	20%	18%	18%
Stamps and Registration Fees	In ₹ Cr.	25,428	35,594	45,286	50,824	60,000
	%	15%	16%	16%	17%	16%
State Excise Duties	In ₹ Cr.	15,089	17,221	21,507	23,322	30,500
	%	9%	8%	8%	8%	8%
Tax on Vehicle	In ₹ Cr.	6,655	9,080	11,740	12,969	14,875
	%	4%	4%	4%	4%	4%
Taxes and Duties on Electricity	In ₹ Cr.	8,354	8,384	14,721	12,672	14,180
	%	5%	4%	5%	4%	4%
Land Revenue	In ₹ Cr.	2,063	3,065	2,431	2,690	5,000
	%	1%	1%	1%	1%	1%
Other Taxes	In ₹ Cr.	3,584	4,410	6,075	4,593	7,632
	%	2%	2%	2%	2%	2%
Total SOTR	**In ₹ Cr.**	**1,64,280**	**2,20,982**	**2,77,584**	**3,02,431**	**3,67,467**
Source: Budget in Brief 2022-2023; 2023-2024; 2024-2025, Finance Department, Government of Maharashtra						

Table 2.5: Composition of Revenue Receipts of Maharashtra									
Year	**SOTR (₹ Cr.)**	**SOTR as % of Revenue Receipt**	**Non-Tax Revenue (₹ Cr.)**	**Non-Tax Revenue as % of Revenue Receipts**	**Share in Central Tax (₹ Cr.)**	**Share in Central Tax as % of Revenue Receipts**	**Grant-in-Aid (₹ Cr.)**	**Grant-in- Aid as % of Revenue Receipts**	**Total Revenue Receipts (₹ Cr.)**
2020-21	1,64,280	61%	15,975	6%	36,479	14%	52,733	19%	2,69,468
2021-22	2,20,982	66%	19,307	6%	54,263	16%	38,760	12%	3,33,312
2022-23	2,77,584	68%	16,776	4%	59,903	15%	51,414	13%	4,05,678
2023-24	3,02,431	70%	20,858	5%	71,262	17%	36,045	8%	4,30,596
2024-25	3,67,467	68%	30,140	6%	81,163	15%	57,692	11%	5,36,463
Source: Budget in Brief 2022-2023; 2023-2024; 2024-2025, Finance Department, Government of Maharashtra									

2.9. An area of concern is that the ratio of revenue receipts to revenue expenditure in 2024-25 was over 92%. Another concern is that the share of committed expenditure, i.e., expenditure on salaries, pensions, and interest payments, increased from 46% in 2024-25 to 51% in 2025-26. There appears to be scope for a sizable increase in state excise revenue, tax on vehicles and electricity duty, all of which have not shown any increase in their share of total revenue over the last five years.

3. Fiscal Health of Rural Local Bodies

3.1. Maharashtra's Rural Development and Panchayat Raj Department (RDD) oversees a three-tier structure: Gram Panchayats (village level), Panchayat Samitis (block level), and Zilla Parishads (district level).

- Gram Panchayats (GP): They are the basic unit and operate at the grassroots level, governing individual villages or cluster of villages.
- Panchayat Samitis (PS): They are the block-level governing bodies responsible for supervising and coordinating developmental activities across the villages in a district.
- Zilla Parishads (ZP): The District Panchayat is the apex rural governance entity at the district level, responsible for policy formulation, resource allocation and overall supervision of Panchayat Samitis and Gram Panchayats.

There are a total 29,298 number of local bodies across three-tiers as seen in the Table 3.1 below.

Table 3.1: Number of RLBs in Maharashtra

Tier	Total
Gram Panchayats	27,913
Panchayat Samitis	351
Zilla Parishads	34

Source: Economic Survey of Maharashtra 2024-25, eGramSwaraj.gov.in (accessed on 20/01/2026)

3.2. The Zilla Parishads and Panchayat Samitis are governed by the Maharashtra Zilla Parishads and Panchayat Samitis (MZPPS) Act, 1961, whereas the GPs are governed by the Maharashtra Village Panchayats (MVP) Act, 1959. These acts specify the administrative structure, revenue and expenditure powers, fiscal duties and responsibilities of these RLBs.

3.3. Maharashtra is characterised by a large number of small GPs (Table 3.2). In the case of 6.3% of GPs, their population is above 5,000, and these panchayats account for 24% of the rural population. It is seen that 63% of the GPs have a population of less than 2,000 and cater to 35% of the actual population. The financial viability of the smaller local governance units needs to be examined in terms of their financial ability to provide necessary amenities.

Table 3.2: Distribution of Gram Panchayats by Size of Population in Maharashtra			
Population	**No. of GPs**	**Share in Total GPs**	**Share in Total Population**
0 to 1,000	5,692	20.4%	7%
1,001 to 2,000	11,884	42.6%	28%
2,001 to 3,000	5,313	19.0%	21%
3,001 to 4,000	2,246	8.0%	13%
4,001 to 5,000	1,018	3.6%	7%
5,001 to 6,000	610	2.2%	5%
6,001 to 7,000	334	1.2%	4%
7,001 to 8,000	228	0.8%	3%
8,001 to 9,000	146	0.5%	2%
9,001 to 10,000	113	0.4%	2%
10,000 or above	329	1.2%	8%
Total	**27,913**	**100%**	**100%**
Source: Rural Development and Panchayat Raj Department, Government of Maharashtra (GoM)			

Revenue Trends and Composition

3.4. The Commission requested the RDD to provide the data on revenues and expenditures submitted earlier by RLBs to the office of the CAG for the purpose of audit. Accordingly, the data was iteratively refined and verified by RDD and shared with the Commission.

3.5. Based on the data shared, there are four sources of revenue for the RLBs:

- **Tax Revenue:** Includes property taxes and other tax revenue
- **Non-Tax Revenue:** Includes fees and user charges, revenue from municipal property, assigned revenue, revenue grants, contributions and subsidies and other income
- **Grants:** Includes UFC grants along with grants for centrally sponsored schemes, state schemes and other grants
- **Borrowings/Loans:** All borrowings and loans of GPs.

3.6. The total revenue for ZPs has consistently risen at a CAGR of 8.9% from 2019 to 2024 (Table 3.3). Both ZPs and Panchayat Samitis' remain highly grant-dependent for both administrative and developmental expenditure, with negligible own tax revenue and borrowings. GPs have demonstrated healthy total revenue growth of 9.3% from 2019 to 2024. The revenue composition is more balanced in the case of GPs, as GPs have the power to raise property taxes, which contributes significantly to the share of own tax revenue. While grants form the largest share in total revenue of GPs, tax revenue and non-tax revenue together make up a significant share (approximately 37%).

Table 3.3: Total Revenue Trends and Composition Across RLB tiers in Maharashtra					
					in ₹ Crores
Zilla Parishads					
Year	**Tax Revenue**	**Non-Tax Revenue**	**Grants**	**Borrowings /Loans**	**Total**
2019 - 2020	124	1,589	48,373	0	50,086
2020 - 2021	140	3,484	49,115	0	52,738
2021 - 2022	141	4,002	52,119	0	56,262
2022 - 2023	204	3,847	56,370	0	60,421
2023 - 2024	189	3,858	66,328	0	70,375
Average	**159**	**3,356**	**54,461**	**0**	**57,976**
% of Average	**0.3%**	**5.8%**	**93.9%**	**0%**	**100.0%**
Panchayat Samitis					
Year	**Tax Revenue**	**Non-Tax Revenue**	**Grants**	**Borrowings /Loans**	**Total**
2019 - 2020	53	121	102	0	276
2020 - 2021	38	83	723	0	844
2021 - 2022	59	96	632	0	788
2022 - 2023	74	118	371	0	563
2023 - 2024	75	94	203	0	372
Average	**60**	**102**	**406**	**0**	**569**
% of Average	**11%**	**18%**	**71%**	**0%**	**100%**
Gram Panchayats					
Year	**Tax Revenue**	**Non-Tax Revenue**	**Grants**	**Borrowings /Loans**	**Total**
2019 - 2020	1,528	1,314	5,435	13	8,289
2020 - 2021	1,690	1,451	5,988	8	9,138
2021 - 2022	1,992	1,582	5,709	20	9,303
2022 - 2023	2,194	2,361	6,662	17	11,233
2023 - 2024	2,333	2,055	7,428	25	11,841
Average	1,947	1,753	6,244	16	9,961
% of Average	**19.5%**	**17.6%**	**62.7%**	**0.2%**	**100%**
Source: Rural Development and Panchayat Raj Department, Government of Maharashtra					

Expenditure Trends and Composition

Table 3.4: Expenditure Trends of RLBs in Maharashtra					
Zilla Parishads					
Year	**Revenue Expenditure**				**Capital Expenditure**
	Establishment Expenditure	**Operation & Maintenance**	**Interest & Finance**	**Other Expenses**	
2019 - 2020	64%	5%	0%	23%	8%
2020 - 2021	65%	5%	0%	23%	7%
2021 - 2022	62%	5%	0%	25%	8%
2022 - 2023	64%	6%	0%	23%	6%
2023 - 2024	64%	6%	0%	24%	6%
Average	**64%**	**6%**	**0%**	**23%**	**7%**
Panchayat Samitis					
Year	**Revenue Expenditure**				**Capital Expenditure**
	Establishment Expenditure	**Operation & Maintenance**	**Interest & Finance**	**Other Expenses**	
2019 - 2020	0%	17%	0%	50%	33%
2020 - 2021	0%	14%	0%	58%	27%
2021 - 2022	0%	15%	0%	58%	27%
2022 - 2023	0%	14%	0%	63%	23%
2023 - 2024	0%	12%	0%	65%	23%
Average	**0%**	**14%**	**0%**	**59%**	**27%**
Gram Panchayats					
Year	**Revenue Expenditure**				**Capital Expenditure**
	Establishment Expenditure	**Operation & Maintenance**	**Interest & Finance**	**Other Expenses**	
2019 - 2020	10%	22%	1%	26%	41%
2020 - 2021	11%	20%	2%	29%	39%
2021 - 2022	11%	23%	1%	27%	38%
2022 - 2023	12%	19%	1%	31%	37%
2023 - 2024	14%	23%	1%	28%	34%
Average	**12%**	**21%**	**1%**	**28%**	**38%**
Source: Rural Development and Panchayat Raj Department, Government of Maharashtra					

3.7. The expenditure pattern reveals different financial priorities across the three-tier Panchayat Raj system (Table 3.4), driven by institutional mandates, capacity constraints, and fiscal realities. The establishment expenditure primarily consists of salaries and pensions, followed by rentals and recurring administrative costs. ZP's expenditure is largely on salaries, administration, and other major development works. Panchayat Samitis mainly supervise and coordinate the funds given by the ZPs to the GPs, with limited grant allocation for themselves. GPs utilise their funds for service delivery, local development and capital works.

In a nutshell,

A. ZPs are largely grants-dependent with limited fiscal autonomy due to large expenditure tied to establishment expenses.

B. Panchayat Samitis have limited scope for revenue mobilisation, and their fiscal autonomy is very narrow.

C. GPs have better fiscal autonomy that is gradually declining as the expenditures due to service delivery demands are outpacing the own-source revenue growth.

3.8. The collective trend across Maharashtra's RLBs highlights the need for expanding avenues for revenue generation and the urgent necessity for capacity building to meet the ongoing challenge of building truly self-reliant rural local governments.

4. Fiscal Health of Urban Local Bodies

4.1. Maharashtra has 424 ULBs, where 45% (Census 2011), or approximately 5.09 crore, of the total population of the state resides. The ULBs are classified into three categories: Municipal Corporations, Municipal Councils and Nagar Panchayats (Table 4.1)

Table 4.1: Classification and Count of ULBs in Maharashtra	
No. of ULBs	**424**
Municipal Corporations	**29**
Class A+ Municipal Corporation	1
Class A Municipal Corporation	2
Class B Municipal Corporation	3
Class C Municipal Corporation	4
Class D Municipal Corporation	19
Municipal Councils	**248**
Class A Municipal Council	15
Class B Municipal Council	77
Class C Municipal Council	156
Nagar Panchayats	**147**
Maharashtra's urban population of 5.09 crores is distributed as follows, 75% of the Urban Population lives in Municipal Corporation, 21% in Municipal Councils and 4% in Nagar Panchayats	
Source: Directorate of Municipal Administration, Population Census (2011)	

4.2. The Municipal Corporation of Greater Mumbai (MCGM) is governed by the 'Mumbai Municipal Corporation Act, 1888', while all other Municipal Corporations in the state are governed by the 'Maharashtra Municipal Corporations (MMC) Act, 1949'. Municipal Councils and Nagar Panchayats are governed by the 'Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships (MMCNI) Act, 1965'. These acts also outline the structure, fiscal duties, revenue powers, and administrative functions of these ULBs.

Classification and Demographic Profile of ULBs

4.3. Maharashtra's 424 ULBs are distributed across the six regions of the state as shown in Table 4.2. Table 4.3 further depicts the region-wise distribution of Municipal Councils. As per the Census 2011, Maharashtra's urban population is heavily concentrated in the western and coastal belt, with Konkan Division accounting for 43.19% and Pune Division for 19.45% of the state's urban population; this is followed by Nashik (11.18%), Chhatrapati Sambhajinagar (10.21%), Nagpur (9.58%), and Amravati (6.39%) divisions.

4.4. Several local bodies in Maharashtra have been newly constituted, merged or transitioned into different categories of ULBs (Table 4.4), reflecting the state's continuing pace of urbanisation. This is an ongoing phenomenon, as population growth, economic activity, and peri-urban expansion continue to push settlements towards urban areas.

4.5. In this context, a predictable and well-defined institutional and fiscal framework is essential to manage such transitions systematically, rather than relying on ad-hoc reclassification. Table 4.4 represents the number of local bodies that have undergone such transitions in the period from 2019.

Table 4.2: Regional Distribution of ULBs in Maharashtra

Sr.No.	Division	Municipal Corporations	Municipal Councils	Nagar Panchayats	Total ULBs
1	Konkan	9	22	22	53
2	Nashik	5	45	16	66
3	Pune	6	50	25	81
4	Chhatrapati Sambhajinagar	5	49	26	80
5	Amravati	2	41	16	59
6	Nagpur	2	41	42	85
Total		**29**	**248**	**147**	**424**

Source: Election Commission of Maharashtra website, accessed in Dec 2025.

Table 4.3: Regional Distribution of Municipal Councils in Maharashtra

Sr.No.	Division	A Class Municipal Councils	B Class Municipal Councils	C Class Municipal Councils	Total Municipal Councils
1	Konkan	2	5	15	22
2	Nashik	2	16	27	45
3	Pune	3	13	34	50
4	Chhatrapati Sambhajinagar	3	14	32	49
5	Amravati	2	18	21	41
6	Nagpur	3	11	27	41
Total		**15**	**77**	**156**	**248**

Source: Election Commission of Maharashtra website, accessed in Dec 2025.

Table 4.4: Newly Formed / Transitioned ULBs in Maharashtra

Newly Formed ULBs	34
Transitioned ULBs	5
ULBs whose boundaries have expanded	4

Source: Directorate of Municipal Administration

Table 4.5: Variations in Own Revenue of ULBs across Regions in Maharashtra			
Division	Total Own Revenue (in ₹)	Population (2011)	Per Capita Own revenue (in ₹)
Konkan	22,36,69,07,90,708	2,19,71,816	1,01,798
Pune	7,51,02,97,27,081	98,93,579	75,911
Nashik	1,80,43,71,02,031	56,88,299	31,721
Nagpur	88,40,53,42,540	48,71,340	18,148
Chhatrapati Sambhajinagar	69,79,87,45,014	51,95,391	13,435
Amravati	34,67,24,20,774	32,52,268	10,661
Source: Directorate of Municipal Administration			

4.6. Urban population is concentrated in the western and coastal regions with a higher number of larger ULBs in three regions, and further, the ULBs in these regions show a much higher per capita own revenue as compared to the ULBs on the eastern part of the State (Table 4.5).

A recent study, on *"Service Provision by ULBs in Maharashtra: Water Supply by Municipal Corporations" by* authors Mala Lalvani, Ajit Karnik, and Abhay Pethe (2025), highlights that this demographic concentration is also mirrored by significant regional disparities in service delivery across the state. The authors observe that the geographical positioning of Best-Performing Municipal Corporations (MCs) aligns with "historically prevalent regional imbalance," where the "Rest of Maharashtra" region, primarily the western and coastal areas, serves as the front-runner in economic and organisational attainment. Conversely, the study indicates a pronounced regional imbalance, with comparatively weaker-performing corporations predominantly located in the lagging regions of Vidarbha and Marathwada, in the eastern part of the State.

Revenue Trends and Composition

4.7. The Commission had requested the UDD to provide the data on the revenue and expenditure of ULBs. Accordingly, the Directorate of Municipal Administration under UDD verified the data and shared it with the Commission.

4.8 The share of non-tax revenue and assigned revenue is 42% and 34% in Class A+ Corporation (MCGM), respectively. In the case of other Corporations, the share of non-tax revenue is 28%, and that of assigned revenue is 29%. In the case of Municipal Councils and Nagar Panchayats, 70% of the revenues come from grants. The share of own tax revenue in total revenue is 20% for Class A Corporations, 23% for other Corporations and 8% for Municipal Councils and Nagar Panchayats.

4.9. The total revenues for Municipal Corporations (Class A, B, C and D) grew at a faster pace (around 11%) compared to the Class A+ Municipal Corporation (MCGM) (around 8.9%) between 2019-20 and 2023-24 (Table 4.6). Own revenues followed a similar trend, growing at about 10% for Municipal

Corporations (Class A, B, C and D) against 8.8% for MCGM. In contrast, the growth in grants, assigned revenues, compensation, and other revenues was highest for Municipal Corporations (Class A, B, C and D), at approximately 12%, outpacing the growth in own revenues. This divergence is even more obvious in Municipal Councils and Nagar Panchayats, where overall revenues grew at rates comparable to Municipal Corporations, but the share of own revenue remained structurally weak and consistently below 20%. In Municipal Councils and Nagar Panchayats, the revenue growth is driven predominantly by transfers and compensations, reinforcing the fact that they are highly dependent on government support.

Table 4.6: Total Revenue Trends and Composition Across ULB tiers in Maharashtra

in ₹ crores

Total Revenue (Class A+ Corporation)						
Year	Own Revenue		Other Revenue			Total
	Tax	Non-Tax	Grants	Assigned Revenue & Compensation	Others	
2019-2020	5,473	10,235	396	9,093	148	25,345
2020-2021	5,808	7,917	1,592	9,806	153	25,276
2021-2022	6,892	21,656	631	10,588	356	40,124
2022-2023	6,471	11,061	653	11,445	445	30,075
2023-2024	7,097	14,921	775	12,357	534	35,684
Average	**6,348**	**13,158**	**810**	**10,658**	**327**	**31,301**
% of Average	**20%**	**42%**	**3%**	**34%**	**1%**	**100%**
Total Revenue (Class A, B, C & D Corporations)						
Year	**Own Revenue**		**Other Revenue**			**Total**
	Tax	**Non-Tax**	**Grants**	**Assigned Revenue & Compensation**	**Others**	
2019-20	6,561	7,960	3,498	8,512	1,572	28,103
2020-21	6,756	6,583	3,394	8,584	2,512	27,831
2021-22	8,347	11,962	3,589	10,261	2,782	36,940
2022-23	9,517	11,064	4,647	10,946	2,838	39,013
2023-24	9,537	11,741	8,667	11,716	1,075	42,736
Average	**8,144**	**9,862**	**4,759**	**10,004**	**2,156**	**34,924**
% of Average	**23%**	**28%**	**14%**	**29%**	**6%**	**100%**
Total Revenue (Municipal Councils & Nagar Panchayats)						
Year	**Own Revenue**		**Other Revenue**			**Total**
	Tax	**Non-Tax**	**Grants**	**Assigned Revenue & Compensation**	**Others**	
2019-20	805	910	8,119	850	461	11,144
2020-21	850	856	7,727	798	392	10,622
2021-22	938	1,133	7,459	963	608	11,101
2022-23	1,084	1,166	11,675	1,150	718	15,793
2023-24	1,127	1,384	8,250	1,361	540	12,661
Average	**961**	**1,090**	**8,646**	**1,024**	**544**	**12,264**
% of Average	**8%**	**9%**	**71%**	**8%**	**4%**	**100%**

Source: Directorate of Municipal Administration

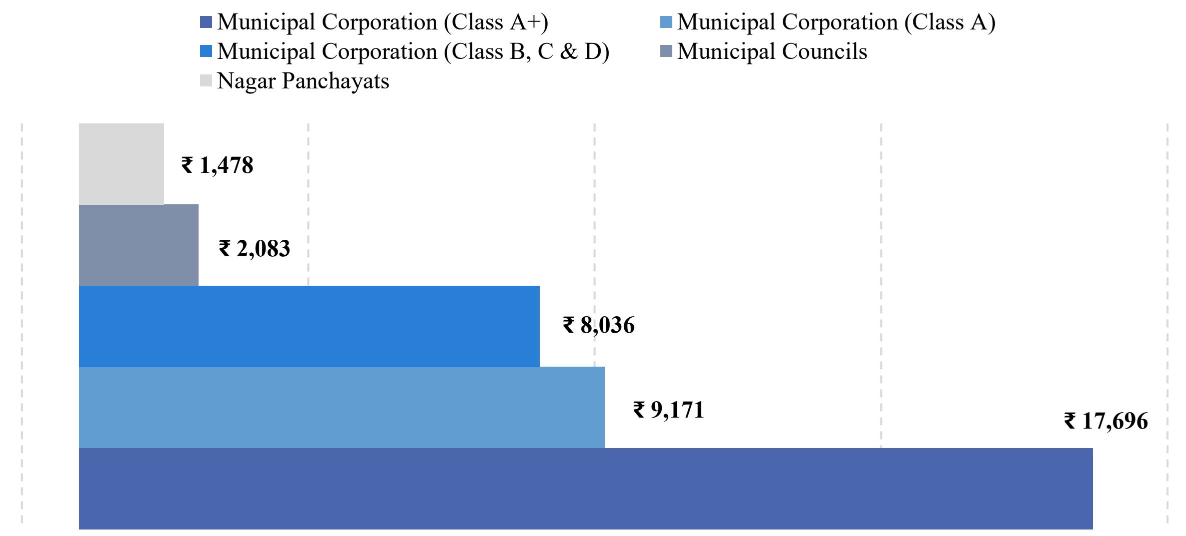
Own Revenue Trends and Composition

Table 4.7: Own Revenue Trends and Composition Across ULB tiers in Maharashtra							
							in ₹ Crores
Total Own Revenue (Class A+ Corporation)							
Year	Tax Revenue		Non-Tax Revenue				Total Own Revenue
	Property Tax	Other Tax	Fees & User Charges	Interest	Others	Rental from Municipal Properties	
2019-20	5,382	91	6,039	54	4,087	55	15,708
2020-21	5,788	20	5,086	64	2,716	51	13,725
2021-22	6,050	842	18,993	96	2,510	57	28,548
2022-23	5,908	564	8,117	38	2,823	82	17,532
2023-24	6,472	625	10,460	87	4,250	124	22,018
Average	**5,920**	**428**	**9,739**	**68**	**3,277**	**74**	**19,506**
% of Average	**30.35%**	**2.20%**	**49.93%**	**0.35%**	**16.80%**	**0.37%**	**100.00%**
Total Own Revenue (Class A, B, C & D Corporations)							
Year	Tax Revenue		Non-Tax Revenue				Total Own Revenue
	Property Tax	Other Tax	Fees & User Charges	Interest	Others	Rental from Municipal Properties	
2019-20	4,726	1,835	3,535	655	3,618	152	14,521
2020-21	4,819	1,937	2,617	527	3,347	93	13,340
2021-22	6,292	2,054	6,537	537	4,753	134	20,309
2022-23	6,989	2,527	5,776	373	4,740	175	20,581
2023-24	6,259	3,278	5,869	384	5,391	96	21,278
Average	**5,817**	**2,326**	**4,867**	**495**	**4,370**	**130**	**18,005**
% of Average	**32.3%**	**13%**	**27%**	**2.75%**	**24.23%**	**0.72%**	**100%**
Total Own Revenue (Municipal Councils & Nagar Panchayats)							
Year	Tax Revenue		Non-Tax Revenue				Total Own Revenue
	Property Tax	Other Tax	Fees & User Charges	Interest	Others	Rental from Municipal Properties	
2019-20	648	157	330	274	303	2	1,715
2020-21	681	169	329	264	261	2	1,706
2021-22	748	189	504	263	364	2	2,071
2022-23	886	198	578	218	368	3	2,250
2023-24	892	235	629	246	503	4	2,511
Average	**771**	**190**	**474**	**253**	**360**	**2**	**2,050**
% of Average	**37.60%**	**9.26%**	**23.12%**	**12.35%**	**17.55%**	**0.12%**	**100%**
Source: Directorate of Municipal Administration							

4.10. There is considerable scope for increasing the share of rental from municipal properties in total own revenues, from the current level of less than 1%, as shown in Table 4.7. Similarly, there is scope for increasing the share of fees and user charges in total own revenues. On property tax, the experience of the MCGM is particularly enlightening. In MCGM, own revenues are strong and predictable, anchored by property tax, which contributes over 90% of total tax revenues, supported by strong user charges (Table 4.7). This high level of fiscal autonomy is closely linked to MCGM's adoption of the Capital Value Method for the property tax system, which has strengthened valuation accuracy and revenue predictability. For Class A, B, C and D Municipal Corporations, tax revenue remains the core of their own revenues, accounting for about 41-50%, with property tax contributing roughly 65-75% of tax revenues, followed by fees and user charges; rentals and other revenues contribute a relatively stable 24-26% of their own revenues. In Municipal Councils and Nagar Panchayats, tax revenue forms the largest component of own revenues (about 45-50%), with property tax contributing over 80% of tax collections, while rentals and other revenues account for about one-fifth of own revenues. The contrast with MCGM suggests that a standardised transition towards CV-based property taxation across other urban local bodies could help significantly strengthen their property tax bases and enhance the predictability and autonomy of own-source revenues.

4.11. An examination of own revenues in per capita terms reveals that there is not much difference between Class A Municipal Corporations on one hand and Class B, C, and D on the other. Not surprisingly, the per capita own revenue is highest in the case of MCGM and lowest in the case of Municipal Councils and Nagar Panchayats (Chart 4.1).

Chart 4.1: Per Capita Own Revenue FY 23-24 ULBs (In ₹)



Source: Directorate of Municipal Administration

Expenditure Trends and Composition

4.12. Across all the ULBs, establishment expenditure and capital expenditure are the two largest components of the expenditure (Table 4.8). The establishment expenditure primarily consists of salaries and pensions, followed by rentals and recurring administrative costs. In the Class A+ Municipal Corporation (MCGM), establishment expenditure constitutes the largest share of total expenditure, with salaries and pensions alone accounting for around 35% of total establishment expenses during the review period. Capital expenditure forms the second major component. In contrast, Class A, B, C and D Municipal Corporations exhibit a different pattern, with capital expenditure emerging as the dominant component accounting for 50% or more of total expenditure, followed by establishment expenditure, wherein salaries and pensions together comprise nearly 88% of establishment costs. In Municipal Councils and Nagar Panchayats, the capital expenditure continues to form the largest share of total expenditure, with salaries and pensions accounting for nearly 94% of establishment expenses.

Table: 4.8: Expenditure Trends Across ULB Tiers in Maharashtra

Expenditure Trends (Class A+ Corporation)						
Year	Revenue Expenditure					Capital Expenditure
	Establishment	Operation & Maintenance	Interest & Finance	Others	Administrative	
2019-20	42%	11%	0%	16%	2%	29%
2020-21	38%	14%	0%	18%	2%	28%
2021-22	36%	13%	0%	15%	2%	35%
2022-23	36%	11%	0%	15%	2%	36%
2023-24	31%	10%	0%	18%	2%	40%
Average	**36%**	**12%**	**0%**	**16%**	**2%**	**34%**
Expenditure Trends (Class A, B, C & D Corporations)						
Year	Revenue Expenditure					Capital Expenditure
	Establishment	Operation & Maintenance	Interest & Finance	Others	Administrative	
2019-20	16%	12%	0%	17%	3%	52%
2020-21	10%	7%	0%	10%	2%	72%
2021-22	12%	7%	0%	11%	2%	68%
2022-23	12%	7%	0%	12%	2%	68%
2023-24	34%	15%	1%	17%	3%	31%
Average	**17%**	**10%**	**0%**	**13%**	**2%**	**58%**
Expenditure Trends (Municipal Councils & Nagar Panchayats)						
Year	Revenue Expenditure					Capital Expenditure
	Establishment	Operation & Maintenance	Interest & Finance	Others	Administrative	
2019-20	27%	8%	0%	18%	1%	45%
2020-21	27%	9%	0%	18%	0%	46%
2021-22	27%	9%	0%	19%	0%	44%
2022-23	28%	12%	0%	17%	1%	42%
2023-24	27%	8%	0%	16%	1%	48%
Average	**27%**	**9%**	**0%**	**18%**	**1%**	**45%**

Source: Directorate of Municipal Administration

5. Devolution and Assessment of Financial Resource Gaps of Local Bodies

5.1. The primary challenge the Commission faced was to determine the total funds flowing to the local bodies. In the absence of accurate data to arrive at the estimates, the Commission undertook a two-pronged approach. In the first approach, the Commission estimated the fund flow from the UFC and State grants, based on the information available in the State Government budget documents. However, during the deliberations with the concerned departments, it was brought to the attention of the Commission that the total fund flow from the state to the local bodies could be much higher than reflected in the line item ‘Grants-in-Aid and Contributions to Local bodies and Panchayat Raj Institutions’. Hence, in the second approach, the Commission requested the finance department to collate and provide information regarding funds flowing to the local bodies.

Estimates based on Published Documents

5.2. The local bodies receive UFC grants, and Grants-in-Aid and Contributions from the State Government. In the Financial Year 2024-25, the local bodies in Maharashtra received a total sum of ₹6,605 crore (Table 5.1) in the form of Grants from the UFC and ₹ 35,899 crore (Table 5.2) from the State Government. ‘Grants-in-Aid and Contributions to Local bodies and Panchayat Raj Institutions’ comes from five departments viz. the Urban Development, Rural Development, Planning, Law and Judiciary, Revenue and Forest. These transfers represent earmarked portions of State revenues derived from Land Revenue; Taxes on Vehicles; Taxes on Professions, Trades, Callings and Employment; Stamp Duty; Entertainment Tax; and further transfers in the form of Assistance to Municipal Corporations & Councils (GST and Octroi Compensation); Assistance to Zilla Parishads/District Panchayats and Other Miscellaneous Compensation and charged Assignment Payments.

5.3. It is evident from the officially published documents that, as a percentage of the SOTR, the grants from the State Government have declined from a high of 12.4% in 2020-21 to 9.8% in 2024-25 (Table 5.2). If one goes strictly by the budget documents, at least 9.8% of the SOTR is transferred either in the form of devolution and/or assignment to the local bodies.

Table 5.1: Union Finance Commission Grants for the Local Bodies of Maharashtra

in ₹ crore

Financial Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Union Finance Commission Grants	7,039	8,633	6,388	6,291	6,078	6,605

Source: Rural Development & Panchayat Raj Department & Urban Development Department

Table 5.2: Maharashtra's Grants-in-Aid and Contributions to LBs and PRIs						
Financial Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25#**
Grants-in-Aid and Contributions to Local bodies and PRIs	21,264	20,396	25,963	32,874	31,889	35,899
State's Own Tax Revenue	1,88,971	1,64,280	2,20,982	2,77,584	3,02,431	3,67,467
as % of SOTR	**11.3%**	**12.4%**	**11.7%**	**11.8%**	**10.5%**	**9.8%**
# Revised Estimates						
Source: Major Head-cum-department wise Summary of Expenditure and Public Account 2021-22, 2022-23,2023-24, 2024-25.						

Alternative Estimates

5.4. The Commission, in the second approach, considering the feedback received during the consultations, attempted to arrive at an alternative estimate of devolution to the local bodies.

5.5. The Commission was informed that there are other funds that are devolved directly to the local bodies from different departments other than the Grants-in-Aid and Contributions mentioned above. After identifying those other funds, the Commission arrived at a reasonable approximation of total funds devolved to the local bodies (Table 5.3). This estimation, in addition to Grants-in-Aid and Contributions, includes the transferred schemes, salary grants, and discretionary funds, and excludes the assignment of taxes to the local bodies. In the Commission's view, inclusion comprises those 'Funds' devolved to perform the 'Functions' through the 'Functionaries' (expenses on the salaries, etc.) of the local bodies, and the exclusion comprises 'assignment of taxes' since these are the own revenues of the local bodies given in their respective acts, but collected by the state and then assigned to the local bodies (Additional Stamp Duty and Cess on Land Revenue).

5.6. Thus, this devolution in totality includes transferred schemes, Grants-in-Aid, salary grants, discretionary funds, Octroi and GST compensation, grants in lieu of previously collected profession tax or vehicle tax or entertainment tax and excludes the assignment of taxes to the local bodies. Also, this devolution does not include any funds from the state as a matching share for the Central schemes or funds from the Central schemes or funds from District Planning Committees.

5.7. This devolution of funds has increased in absolute terms between 2020-21 and 2024-25 (Table 5.3), but as a percentage share of the SOTR, it has declined. This indicates that the SOTR has grown at a faster rate (approximately 12%) than the growth in transfers to local bodies, evident from the GST compensation growth at 8%, Octroi growth at 10% and also salary grants growth at 10%. A substantial portion of this devolved fund is earmarked toward salary expenditures, particularly for teachers and other staff in ULBs and RLBs.

Table 5.3: Alternative Estimates of Devolution for Maharashtra						
						in ₹ Crores
Financial Year	**2019-2020**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
RLBs	31,901	30,831	35,935	42,014	51,993	54,351
as % of SOTR	**16.9%**	**18.8%**	**16.3%**	**15.1%**	**17.2%**	**14.8%**
ULBs	25,009	28,740	35,499	34,288	40,725	42,422
as % of SOTR	**13.2%**	**17.5%**	**16.1%**	**12.4%**	**13.5%**	**11.5%**
RLBs + ULBs	56,910	59,571	71,434	76,302	92,718	96,773
as % of SOTR	**30.1%**	**36.3%**	**32.3%**	**27.5%**	**30.7%**	**26.3%**
Source: Finance Department, Government of Maharashtra						

5.8. In this context, while the absolute devolution figures suggest growth, the declining relative share and the fixed, salary-heavy nature of transfers necessitate a closer examination of the actual fiscal capacity and expenditure needs of local bodies.

Gap Analysis

5.9. The Commission has assessed the gap in financial resources of local bodies using the National Institute of Public Finance and Policy (NIPFP, 2001) methodology for computing the underspending and the technical study titled *"Rationalised Estimate of Financial Resources Required by Urban and Rural Local Bodies in Maharashtra"*. This study was commissioned by this SFC to Prof. Mala Lalvani. The study examined the financial data from 2019-20 to 2023-24 and projected the requirements up to 2029-30, with the objective of estimating the real fiscal gap.

5.10. The study adopted a two-stage approach.

- First, a situation analysis comparing own revenue receipts with revenue expenditure to estimate the own revenue deficit, expressed as a share of SOTR.
- Second, a normative analysis assessing the underspending against multiple benchmarks, including average per-capita expenditure and the top three performers' averages.

5.11. For ULBs, the operation and maintenance norms suggested by the Zakaria Committee (1963) were updated to 2011 prices to assess service gaps.

5.12. A detailed assessment study should ideally be built on detailed service-level benchmarks and cost norms and assess the gap to attain the minimum of these benchmarks for each core function of local bodies, including water supply, sanitation, solid waste management, roads, street lighting, and other basic services, at the level of individual local bodies. However, a detailed study would have taken longer than the term of this Commission. Hence, the Commission relied on the aforementioned study and supplemented it with its own analysis using available financial and population data.

5.13. The local bodies spending below the average per-capita were treated as having a financial shortfall. This gap was then multiplied by the respective population to estimate the total underspending shown in Table 5.4 below.

Table 5.4: Underspending Analysis for Maharashtra					
					in ₹ Crores
Financial Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
ULBs Underspending	2,760	2,997	3,676	4,510	4,063
RLBs Underspending	4,691	4,944	5,179	4,436	3,831
Total Underspending (ULB + RLB)	**7,450**	**7,941**	**8,855**	**8,946**	**7,894**
State's Own Tax Revenue (SOTR)	1,88,971	1,64,280	2,20,982	2,77,584	3,02,431
as % of SOTR	**3.9%**	**4.8%**	**4.0%**	**3.2%**	**2.6%**
Average SOTR (2019-20 to 2023-24)				**2,30,850**	
Average Underspending (ULB + RLB) (2019-20 to 2023-24)				**8,217**	
as % of average SOTR				**3.6%**	
Source: Sixth Maharashtra Finance Commission Analysis.					

5.14. The total average of annual underspending is estimated at ₹ 8,217 crore during 2019-20 to 2023-24. This is equivalent to 3.6% of the State's average SOTR for the same period. The Commission wants to highlight that this estimate reflects only the gap relative to the current average performance; the true requirement for adequate service delivery is likely to be higher when full-service standards are considered.

5.15. The estimated gap appears slightly larger for RLBs than ULBs in the analysis, but this needs to be viewed in the context of the population data used for analysis, i.e., 2011 census figures. Due to rapid and growing urbanisation, the actual financial gap is likely higher for ULBs. Therefore, addressing this gap is essential for ensuring predictable service delivery, improving financial stability, and strengthening decentralised governance in Maharashtra.

6. Devolution

6.1. The local bodies in Maharashtra face a financial gap which is estimated at 3.6% of the average SOTR as assessed in the preceding chapter 5. The Commission recognises that this gap has occurred due to multiple factors, including limited own revenue bases and rising service delivery costs. While a part of this estimated gap can be addressed through the recommended assignment of taxes and improved revenue efficiency, a portion of the gap would still require direct fiscal support from the State Government through predictable and formula-based devolution.

6.2. Of this 3.6% gap, the Commission estimates that about 2.6% will be addressed through following recommendations:

- **Assignment of Profession Tax (0.8% of SOTR):**

The estimate is based on annual Profession Tax collection for FY 2024-25 i.e., ₹ 3,112.8 crore during the same period, which corresponds to approximately 0.8% of the SOTR.

- **Road Grants from Motor Vehicle Tax (0.6% of SOTR):**

The estimate is based on the recommended transfer of Road Grants (#R6) to ULBs and RLBs of the Motor Vehicle Tax collections for FY 2024-25 (₹ 14,875 crore), amounting to ₹ 2,125 crore for the same period, which is equivalent to 0.6% of the SOTR.

- **Improvement in Tax and Non-Tax Revenue Collection Efficiency (1.2% of SOTR):**

The estimated gain of ₹ 4,567 crore is premised on improvements in property tax demand and assessment efficiency driven by enhanced land and property identification and record digitisation as recommended by this commission in the later chapters. In rural areas, this would result in approximately 50% (as seen in Box 8.1) improvement in property tax demand, primarily from the extended SVAMITVA scheme outside Gaothans, leading to improved identification, valuation, and coverage of taxable properties. In ULBs, where baseline property mapping and assessment standards are relatively more mature, the estimate assumes a more conservative, i.e., approximately 20% improvement in demand efficiency, primarily attributable to digitisation of property records and NAKSHA (#R14) coverage scheme.

6.3. After accounting for 2.6% of SOTR through the above measures, the remaining gap works out to 1.0% of SOTR.

6.4. The Commission suggests this gap should be addressed by an additional devolution of 1% of SOTR to the local bodies over and above the existing devolution of 26.3% of SOTR. The Commission further observes that, within the current devolution of 26.3%, a significant amount of funds flow to ULBs (approximately ₹ 5,000 crore) and RLBs (approximately ₹ 3,000 crore) as discretionary transfers, together accounting for approximately 2% of the SOTR. A formula-based devolution would ensure greater equity and predictability in inter se distribution among local bodies, reducing ad-hoc decision-making, and enabling improved financial planning and discipline at the local body level.

#R1

6.5. The Commission recommends 27.3% of State's Own Tax Revenue (SOTR) as devolution to local bodies every year. The recommendation covers the award period of five years commencing on 1st day of April 2026. The Commission further recommends that, a total of 3% of the SOTR (proposed additional devolution of 1% of SOTR, plus the existing discretionary transfers of 2% of SOTR mentioned above) should be brought under a formula-based devolution framework, with an Urban: Rural ratio of 55:45 and further the inter-se distribution based on the Population, Area and Backwardness Index after keeping aside 5% for Performance Grants and another 5% for Transitional Grants.

6.6. The Commission wishes to highlight that the recommended additional devolution of 1% of the SOTR will result in an incremental fiscal outgo for the State Government. However, the net fiscal impact is expected to be largely offset by savings arising from the implementation of the Virtual Personal Deposit Account (VPDA) system. Under the VPDA system, the State Government is no longer required to transfer funds in advance that would otherwise remain unspent with local bodies. Earlier, such funds were borrowed by the State at a higher interest rate and remained idle while earning lower interest at the local body level.

6.7. The average annual unspent balance of all local bodies for the past four years is ₹ 7,474 crore, approximately 2% of SOTR. The actual total savings for the State Government after the implementation of VPDA is higher than the additional 1% of SOTR devolution.

Distribution between ULBs and RLBs

6.8. The total amount devolved under this framework, including both the additional devolution and the rationalised discretionary transfers forming 3% of SOTR, shall be distributed as follows:

This distribution reflects the relative service delivery responsibilities, expenditure requirements, and urbanisation trends in the State.

Performance and Transitioning Grants

6.9. Out of the total devolution to ULBs and RLBs, 5% shall be earmarked as 'Performance Grants'. These grants shall be distributed based on a Single Composite Index comprising measurable and auditable indicators, as developed in the study *"Incentivising Performance by Local bodies through Devolution Criteria"* commissioned by this SFC to the Institute of Public Auditors of India (IPAI). This index comprises of 35 measurable indicators across six core pillars, which include governance, planning, finance, service delivery, transparency, and environmental alignment. Based on this index, the maturity level interpretation table specifically classifies entities scoring 90-100% as Achievers, 75-89% as Front Runners, 60-74% as Performers, 40-59% as Aspirants, and below 40% as Beginners, which determines their eligibility for performance grants and the priority of fund releases. Lower index scores for individual ULBs and RLBs indicate the need for closer examination of weaknesses in scheme and project implementation. In order to maintain accountability, the report emphasizes the necessity of compulsory third-party verification of self-scored data and recommends involving experts in public audit and development administration for ongoing monitoring and validation.

6.10. In addition, 5% of the total devolution shall be earmarked as 'Rural-Urban Transitioning Grants'. These grants shall support local bodies undergoing or preparing for institutional or functional transition, with a focus on capacity building, system strengthening, and preparatory investments. Until a formal Transition Policy is notified, these funds may be utilised as Performance Grants.

Inter-se Distribution within Local Bodies

6.11. The Commission recommends a formula-based inter-se distribution to address regional and economic disparities.

RLBs:

6.12. The rural share shall be distributed across tiers as follows:

Gram Panchayats	Panchayat Samitis	Zilla Parishads
70%	15%	15%

Further, inter-se distribution shall be based on:

- Population (50%)
- Geographical Area (20%)
- Distance of each district's Per-Capita nominal Net District Domestic Product (NDDP) from the highest Per-Capita nominal NDDP in the State (30%)

Note for RLBs: To avoid allocating zero funds to the local body / district with the highest per capita income under the income-distance criterion, this SFC suggests to assign the same distance as calculated for the local body / district with the second highest per capita income.

ULBs:

6.13. Inter-se distribution shall be based on:

- Population (50%)
- Geographical Area (20%)
- Distance of each ULB's Per-Capita Own Revenue from the highest Per-Capita Own Revenue of the ULB in the State (30%)

Note for ULBs: To avoid allocating zero funds to the local body with the highest per-capita own revenue under the income-distance criterion, this SFC suggests to assign the same distance as calculated for the local body with the second highest per capita own revenue.

Applicability and Conditionality

6.14. The devolved funds shall be fully untied and unconditional for all RLBs, Nagar Panchayats, Municipal Councils and Municipal Corporations (Class C and D).

6.15. For Municipal Corporations (Class A+, A and B), devolution shall be linked to reforms across five equally weighted parameters: standardised accounting & auditing and public disclosure, air quality management, achievement of service-level benchmarks, adoption of capital value taxation, and investment-grade rating for municipal bonds. The State Government may extend these conditions to other municipal corporations and Class A municipal councils over a period of 3 years.

6.16. To ensure financial viability of smaller local bodies, the Commission recommends the following minimum assured annual allocations as shown below in Table 6.1:

Table 6.1: Minimum Assured Allocation of Funds for Local Bodies in Maharashtra

Sr. No.	Category of Local Body	Class	Minimum Assured Amount (per annum)
1	Gram Panchayats	—	₹10 Lakhs
2	Panchayat Samitis	—	₹1 Crore
3	Zilla Parishads	—	₹15 Crores
4	Nagar Panchayats	—	₹3 Crores
5	Municipal Councils	Class A, B & C	₹6 Crores
6	Municipal Corporations	Class C & D	₹100 Crores

6.17. This framework enhances transparency, equity, and predictability in fiscal transfers, addresses the assessed financial gap, and strengthens decentralised governance across the State.

6.18. To summarise, the Commission recommends 27.3% of SOTR as devolution to local bodies. Of this, the State Government already devolves approximately 26.3% of SOTR to local bodies through various transfers, which shall continue. In addition, the Commission recommends devolution of an additional 1% of SOTR to the local bodies. Of the already devolved 26.3% of SOTR, some of these funds are released to Local bodies on a discretionary basis by the Government. The aggregate outlay under such schemes (discretionary transfers) is estimated at around 2% of the SOTR. The distribution of these funds (discretionary 2% of SOTR currently being given and the additional 1% of SOTR being recommended by the Commission) shall be governed by the devolution formula.

Note: The Commission notes that the estimate of the existing 26.3% devolution is based on available data collated from different departments and may be revisited by the Finance Department to arrive at a more accurate estimate of the actual devolution. Irrespective of any revision to this estimate, the Commission emphasises that a minimum 3% of SOTR (comprising the 2% discretionary transfers and the additional 1% devolution recommended herein) should be devolved through the recommended formula to local bodies to strengthen transparency, equity, and fiscal certainty.

7. Assignments and Transfers of Taxes

I) Assignment of Taxes to Local Bodies

Assignment of Profession Tax to Local Bodies

Rationale:

7.1. Article 276 of the Constitution of India authorises state legislatures and local bodies to levy a tax on professions, trades, callings, and employments within their respective states. The Sixtieth Amendment Act of 1988 raised the annual limit for Profession Tax to ₹ 2,500 per person, a significant increase from the initial ₹ 250 limit.

7.2. Before 1975, Profession Tax (PT) was collected by local bodies in Maharashtra. However, with the passage of the Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975, the State Government started collecting PT. To compensate the local bodies for loss of Revenue, Section 29 of the Act mandates providing grants to local bodies for loss of revenue whose power to levy such tax has been withdrawn through this Act. The compensation is based on revenue collected by local bodies in 1975, and there is no automatic annual increment considered.

7.3. The PT is collected from all employees by the person who employs them (employer) and remitted to the State Government. This requires a Profession Tax Registration Certificate (PTRC). PT is also collected from people having an independent profession like traders, doctors, Chartered Accountants (CAs) and businessmen. This requires a Profession Tax Enrolment Certificate (PTEC). PT is currently collected by the State GST Department.

7.4. The PT collection in the existing setup is not efficient and far below what can be collected. This is reflected as shown in Table 7.1 below.

Table 7.1: Year-wise Receipts of Profession Tax of Maharashtra

Financial Year	Total receipts (PTRC+PTEC) (₹ Cr)
2019-20	2,122.07
2020-21	2,456.20
2021-22	2,618.07
2022-23	2,605.18
2023-24	2,946.17
2024-25	3,112.25
Source: Data from Department of Goods and Services Tax, Government of Maharashtra	

Note: *PTRC book adjustment on account of State Government employees' salary of around ₹ 318.92 crore and ₹ 318.43 crore is included in the FY 2023-24 and FY 2024-25 respectively.*

Table 7.2: Details of Profession Tax Receipts of Maharashtra for FY 2024-25			
	Registered Live TINs	Payments made by TINs	Revenue (In ₹ Cr)
Profession Tax Registration Certificate (PTRC) (Employers)	6,76,416	2,14,059	2,598.03
Profession Tax Enrolment Certificate (PTEC) (Self-employed / Individual businesses & professionals)	30,52,990	7,56,174	195.79
State Government (Book Adjustment)		-	318.43
Total			**3,112.25**
Source: Data from Department of Goods and Services Tax, Government of Maharashtra			

7.5. As shown in Table 7.2, only ₹ 195.79 crore has been collected from Individual Businesses / Professionals through PTEC i.e. only from 25% of the registered professionals. The real possibility of expanding PTEC is by widening the base by reaching individual businesses like doctors, lawyers, CAs, shops and businessmen who have not effectively come under the ambit of the PT. As local bodies are better aware of their neighbourhood, they can identify and ensure efficient PT collection. Thus, the local bodies will increase their revenue by primarily widening the tax base. Many States like Gujarat, Tamil Nadu and Kerala have assigned PT to the local bodies, enabling them to collect PT as their own tax revenue.

#R2

7.6. The Commission recommends that the collection of Profession Tax (PT) must be shifted from State Government to local bodies.

The State Government may continue to collect and retain the PT from State Govt Employees. The Finance Department may evolve a separate strategy for multi-location PTRC holders.

As per the Article 276 of the Constitution and Supreme Court Order dated 20/12/1973, both the State and the specified local authorities may each levy PT up to the prescribed constitutional limit. So, the State may, if it so decides, continue to levy its own tax, with local bodies collecting the tax on behalf of the State.

II) Seamless, Automatic, and Transparent transfer of Taxes

A. Direct Transfer of Additional Stamp Duty to the Local Bodies

Rationale:

7.7. In Maharashtra, an additional 1% stamp duty is collected on property transactions (such as sale deeds, gift deeds, and mortgages). Under Section 149A of the MMC Act, 1949 and Section 147A of the MMCNI Act, 1965, it is specified that the State Government shall, every year, pay to the Corporation and Council respectively, a grant-in-aid approximately equal to the amount of additional duty realised on account of the 1% surcharge additionally levied. Similarly, in the RLBs context, Section 158 of the MZPPS Act, 1961, specifies that the Joint District Registrar and the Collector of Stamps of a District shall, pay to the ZP an amount, equal to the 1% extra duty realised and every ZP shall, out of the amount received by it, contribute to the village fund of each panchayat within its jurisdiction an amount approximately equal to 50% of the amount received.

7.8. The additional stamp duty process follows a multi-layered structure for the flow of funds from the State Government to the local bodies. Currently, the statutory dues are being collected into a consolidated state account. Further, it is observed that the UDD releases the funds directly to the ULBs, whereas RDD releases the funds to RLBs through the office of the Inspector General of Registration (IGR). There used to be inordinate delays in these transfers. Therefore, the Rural Development and Water Conservation Department issued a GR dated 22/09/2003, after consultation with the Finance department and the Revenue department, to streamline the process of releasing funds within the district at the end of the month. However, this process was also not followed due to various technical and administrative issues that emerged during its implementation. Furthermore, the terms 'Cess' and 'Additional Stamp Duty' are being used interchangeably in the statutes, creating legal ambiguity.

#R3

7.9. The Commission recommends that, the term 'Additional Stamp Duty' should be adopted across all the relevant statutes. The Commission further mandates that the Additional Stamp Duty should be transferred through an automatic, direct transfer mechanism, by establishing a dedicated account head for local bodies. At the time of collection of Stamp Duty through Government Receipts and Accounting System (GRAS) the system must identify the Stamp Duty and Additional Stamp Duty differently, wherein the principal amount (stamp duty) gets credited in the State account and Additional Stamp Duty is credited in the new separate account head for the local bodies through a single e-challan wherein both account heads are shown separately. The Virtual Treasury should directly transfer the additional stamp duty to the respective local bodies in real time. Till this system evolves, the government shall follow the GR dated 22/09/2003 for the RLBs and further extend it to ULBs.

B. Additional Cess on One Time Premium to Local Bodies due to Abolition of NA tax

Rationale:

7.10. The Non-Agricultural (NA) tax was an annual land revenue levied by the State, under the Maharashtra Land Revenue Code, 1966, till the land was used for non-agricultural purposes. According to sections 144 and 155 of the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 and Sections 127 and 131 of the Maharashtra Village Panchayats Act, 1958, a cess on the NA tax was collected and transferred to the RLBs as grants. In the case of ULBs, some proceeds from the NA tax are credited in the Municipal Fund for the municipal corporations under Section 82A of the Maharashtra Municipal Corporations Act, 1949 and a percentage share of NA assessment is transferred to the municipal councils as grants, through GR dated 01/08/1975, notified by UDD.

7.11. However, the State Government vide the Gazette Notification dated 31/12/2025 decided to completely abolish the NA tax for residential, commercial and industrial buildings to eliminate the burden of double taxation on the citizens. The state proposes to collect a one-time premium under Section 47 of the Maharashtra Land Revenue Code, 1966, at the time of change of land use from agriculture to non-agricultural, which is calculated as shown in Table 7.3. This one-time premium is calculated based on the Annual Statement of Rates (ASR).

Table 7.3: One Time Premium Rates in Maharashtra

Land Area	Premium rate in %
Up to 1000 sq. m	0.10%
Between 1,001 - 4,000 sq. m	0.25%
Above 4000 sq. m	0.50%

Source: Gazette notification dated 31/12/2025

#R4

7.12. The Commission recommends amending the Section 47 of the Maharashtra Land Revenue Code (Second Amendment) Act, 2025 or the relevant provisions under the RLB/ULB acts to mandate levying an additional cess of 10% on the one-time premium levied and collected on change of land use.

The Commission further mandates that a separate account head must be created recording the additional cess (10% of the one-time premium) to the local bodies. At the time of collection of the one-time premium through GRAS, the system must identify the one-time premium and the additional cess separately, wherein the one-time premium amount gets credited in the state account and additional cess is credited in the new separate account head through single e-challan wherein both accounts are shown separately. The Virtual Treasury should directly transfer the additional cess to the respective local bodies on real time.

C. Demand Based Release of Cess on Land Revenue to the Local Bodies

Rationale:

7.13. Cess on land revenue is levied by the state, collected by the revenue department machinery and later paid to the local bodies. For RLBs, when the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961, was introduced, one of the major revenue sources was the cess on land revenue. According to Section 144 of the act, the cess should be levied on every sum 'payable' as ordinary land revenue to the state government. This mandates that the transfer of proceeds from the state should be based on demand and not on recovery. Similarly, according to Section 127 of the Maharashtra Village Panchayats Act, 1959, a cess of one hundred paise (1 rupee) shall be on every rupee of every sum 'payable' to the State Government as ordinary land revenue in the area within the jurisdiction of a panchayat. For ULBs, under Section 82A of the Maharashtra Municipal Corporations Act, 1949, the State Government provides a grant to the Corporations every year, determined by the 'proceeds' of land revenue and non-agricultural assessment levied and collected under the Maharashtra Land Revenue Code, 1966. Similarly, through GR dated 01/08/1975, notified by UDD, the State Government was giving a share of NA assessment as grants to Municipal councils. Currently, the state transfers the proceeds based on collections and not on actual demand as mandated in the acts. Further, the terms 'Cess' and 'Additional Charge' are being used in the RLBs and ULBs context to represent 'cess on land revenue', creating legal ambiguity and operational confusion.

#R5

7.14. The Commission recommends that the State Government should standardise the terminology of 'Cess on Land Revenue' across RLBs and ULBs by amending the relevant sections in the local body acts and also amend Maharashtra Municipal Corporations Act, 1949 to classify these funds as 'assigned revenue' rather than 'grants.'

The Commission recommends that the state should release 'Cess on Land Revenue' to both the RLBs and ULBs on a demand basis rather than the actual recoveries, as per the existing legal provisions. The annual land revenue demand for RLBs shall continue to be determined by the Village Talathi by August each year and similarly for the ULBs, the demand will be finalized by the District Collector's Revenue Branch. These figures are to be submitted to the Finance Department by October for subsequent incorporation into the respective RDD and UDD budgets.

D. Road Grants Transfer to Local Bodies

Rationale:

7.15. Under the Motor Vehicle Tax Act, 1958, the levy and collection of motor vehicle tax is entirely with the state government. Under Section 142 of the Maharashtra Municipal Corporations Act, 1949 and Section 108 of the Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965, the ULBs are prohibited from collecting this tax, limiting them to levying tax on non-motor vehicles like bicycles and animal-drawn vehicles. A similar clause exists in Section 124 of the Maharashtra Village Panchayats Act, 1959, wherein the GPs are allowed to levy tax on non-motor vehicles. Historically, the ZP had the power to levy and collect this motor vehicle tax, but the powers were abolished and transferred to the state. Acknowledging these constraints, in the urban context, UDD issued a GR dated 16/01/2016, which provided 'Road Grants' equivalent to 10% of the Motor Vehicle Tax collected by the State. While ULBs receive some share from the vehicle tax collected (Table 7.4), the ZPs are excluded, and they receive only a fixed 'Compensation in lieu of Vehicle Tax Abolition' which is not tied to the Motor Vehicle Tax buoyancy and amounts to around ₹ 35,000 per district[5].

Table 7.4: Bifurcation of Road Grants Allotted to ULB Tiers in Maharashtra

Category of Local Body	Classification	Annual Grant Amount
Municipal Corporations	"A+" Class	175 Lakhs
	"A" Class	150 Lakhs
	"B" Class	125 Lakhs
	"C" Class	100 Lakhs
	"D" Class	75 Lakhs
Municipal Councils	"A" Class	65 Lakhs
	"B" Class	50 Lakhs
	"C" Class	35 Lakhs
Nagar Panchayats	—	20 Lakhs

Source: GR dated 16/01/2016, Road Grant to ULBs

7.16. According to the 2016 GR, in addition to the above, special grants are given to the ULBs, depending on the local body's financial condition, rate of urbanisation, local needs and occurrence of disasters.

#R6

7.17. The Commission recommends adopting a unified transfer mechanism for Road Grants. The ULBs receive 10% of the Motor Vehicle Tax as road grants. The Commission mandates that 4% of this tax be separately given as road grants to ZPs to maintain a 70:30 (Urban: Rural) ratio. The inter-se distribution should be as per the devolution formula (50:20:30) recommended in #R1.

[5] Fifth Maharashtra Finance Commission Report, Pg. 33, 6.14.2.1

E. Allocation of Funds to Local Bodies for Disaster Management and Mitigation

Rationale:

7.18. The 15th Finance Commission had recommended the creation of funds for disaster mitigation along with disaster response, which will now together be called the National Disaster Risk Management Fund (NDRMF) and the State Disaster Risk Management Funds (SDRMF).[6] Under this framework, 80% of the SDRMF is allocated to the State Disaster Response Fund (SDRF), and rest 20% is allocated to the State Disaster Mitigation Fund (SDMF). While this allocation structure strengthens state-level disaster management, it does not adequately recognise the critical operational role played by local bodies in disaster response, recovery and mitigation.

7.19. Local bodies act as first responders due to their strong grassroots presence and proximity to communities, especially vulnerable groups. Their knowledge on local area enables swift mobilisation, community participation, and timely delivery of warnings and relief, while reducing dependence on higher levels of government. However, local bodies face chronic shortages of predictable funding, particularly for the operation and maintenance of assets prone to disaster, often rendering critical infrastructure non-functional during emergencies and thereby weakening overall disaster response.

7.20. There is a clear need for the State Government to prioritise the allocation of funds to local bodies to ensure effective and locally administered disaster mitigation. Such an arrangement would strengthen local preparedness, ensure functional readiness of disaster response infrastructure, and enhance the effectiveness and timeliness of disaster management outcomes across the state.

#R7

7.21. The Commission recommends that Finance Department and Relief and Rehabilitation Department should jointly issue a directive that two-thirds of the SDMF be devolved to the local bodies, and the remaining one-third may be retained at the State level for state-level response and coordination.

The Commission recommends that the RDD and UDD should use the Hazard Risk Vulnerability Analysis (HRVA) as the baseline to prepare a Disaster Risk Index (in-line with the recommendation of the Union Finance Commission) for risk-weighted distribution of the devolved SDMF to local bodies.

[6] Disaster Management Division of Home Affairs, GoI, National Disaster Risk Management Fund (NDRMF) and State Disaster Risk Management Fund (SDRMF)

F. Equitable distribution of District Planning Committee (DPC) Funds

Rationale:

7.22. The Commission observed that apart from the funds flowing directly from the state to the local bodies, there is a significant flow of funds from the Planning Department through the District Planning Committee (DPC). The total amount of funds flowing through this decentralised framework to local bodies amounts to approximately ₹ 12,000 crore (Table 7.5), comprising the General Plan, Special Component Plan (SCP), Tribal Sub-Plan (TSP), and Other Tribal Sub-Plan (OTSP) allocations.

Table 7.5: Distribution of District Planning Committee (DPC) Funds in Maharashtra

in ₹ Crores

Department / Agency	2020-21	2021-22	2022-23	2023-24	2024-25
Rural Local Bodies (RLBs)	6,282	6,750	7,570	7,658	8,815
Urban Local Bodies (ULBs)	1,961	2,195	2,892	3,177	4,113
State-Level Department/ Agencies	6,152	6,532	7,630	9,297	10,371
Total	**14,395**	**15,478**	**18,092**	**20,132**	**23,299**

Source: Planning Department, Government of Maharashtra. Funds are the total of General Plan, SCP, TSP and OTSP

7.23. At the district level, the funds are divided among the RLBs, ULBs and other state agencies/departments. Of the total funds transferred through the DPC mechanism, more than 50% is transferred to the local bodies. It is observed that the inter se allocation between the rural and urban local bodies of these funds does not follow a formula. Thus, in the absence of formula-based sharing, there is uncertainty in the long-term capital budgeting and difficulties in addressing the regional disparities.

#R8

7.24. The Commission recommends using the standard devolution formula based on population, area and backwardness indices (Chapter 6) for the distribution of DPC funds among local bodies to ensure equitable and need-based allocation, in a phased-manner over a period of time

G. Grant of Powers to Local Bodies for Recovery of Pending Traffic Violation Dues

Rationale:

7.25. The Government of Maharashtra has implemented a centralised, technology-enabled e-Challan system since 2019 for monitoring traffic violations through the Home and Transport Departments. While this system aims to enhance road safety and ensure transparent enforcement, recovery performance remains sub-optimal. Unpaid traffic penalties are estimated at approximately ₹ 4,735 crore statewide, which undermines both deterrence and State revenue. The average state recovery rate is of 36% (Table 7.6). This indicates that due to the centralised operations of the state traffic police department, it becomes difficult to recover the violation dues from the local level.

Table 7.6 Annual Statement of e-Challans on Traffic Violation in Maharashtra

Year	Total no. of Challans	Total Penalty Amount (₹)	Paid Amount (₹)	Unpaid Amount (₹)	Recovery (%)
2019	1,21,79,110	3,79,43,17,357	2,23,60,32,457	1,55,82,84,900	58.93%
2020	1,60,43,842	5,78,05,56,010	2,98,88,83,010	2,79,17,68,000	51.70%
2021	2,14,33,666	8,28,31,70,100	4,10,14,75,250	4,18,16,94,850	49.51%
2022	1,57,46,498	12,06,86,09,250	5,33,20,39,200	6,73,65,70,050	44.18%
2023	1,62,38,425	12,57,09,39,300	4,87,42,56,850	7,69,66,82,450	38.77%
2024	1,68,75,135	15,26,93,81,800	4,32,16,38,450	10,94,77,43,350	28.30%
2025	1,67,45,709	16,32,93,52,950	2,89,13,67,600	13,43,79,85,350	17.70%
Grand Total	**11,52,62,385**	**74,09,64,26,767**	**26,74,56,97,817**	**47,35,07,28,950**	**36.09%**

Source: Home Department, Government of Maharashtra

#R9

7.26. The Commission recommends that the local bodies should be granted statutory authority to recover pending traffic e-challans dues by providing them login access to the existing MahaTraffic App. The Commission further mandates that the State should make an enabling rule to levy 20% of the dues collected as service charges and the same be retained by the collecting local body as untied grants.

8. Enhancement of Own Revenues

I) Enhancement of Own Tax Revenue

A. Reforms and Strengthening of Property Tax for Local Bodies

8.1. The property tax system in Maharashtra is a core pillar for Own Source Revenue (OSR) for ULBs and GPs. In the urban context, the Maharashtra Municipal Corporations Act, 1949, the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965 and the Mumbai Municipal Corporation Act, 1888 mandate the levy, assessment, and collection of property tax. In rural areas, the Maharashtra Village Panchayats Act, 1959 requires GPs to levy taxes on buildings and non-agricultural land. However, valuation practices differ widely across these local bodies.

8.2. Following the Government Notification dated 31/12/2015, the GPs have adopted the Capital Value (CV) method for property tax assessment. In contrast, many ULBs still use the Annual Rateable Value (ARV) method for property tax calculations. On the technology front, ULBs like Municipal Corporation of Greater Mumbai (MCGM), Thane Municipal Corporation (TMC), Pune Municipal Corporation (PMC), Pimpri Chinchwad Municipal Corporation (PCMC) and Navi Mumbai Municipal Corporation (NMMC) have adopted Geographical Information System (GIS) or drone-based surveys, and in RLBs, the Gaothan areas in GPs have been mapped through drone survey under the 'Survey of Villages Abadi and Mapping with Improvised Technology in Village Areas' (SVAMITVA) scheme, resulting in more than 100% expansion of the property tax base.

Table 8.1: Property Tax Data for ULBs of Maharashtra			
Year	**Property Tax (₹ Cr)**	**Total OSR (₹ Cr)**	**Share of OSR (%)**
2019-20	10,756	31,944	34%
2020-21	11,289	28,770	39%
2021-22	13,091	50,928	26%
2022-23	13,783	40,363	34%
2023-24	13,623	45,806	30%
Source: Data from *Directorate of Municipal Administration for ULBs*			

Table 8.2: Property Tax Data for RLBs of Maharashtra			
Year	**Property Tax (₹ Cr)**	**Total OSR (₹ Cr)**	**Share of OSR (%)**
2019-20	1,188	2,269	52%
2020-21	1,343	2,606	52%
2021-22	1,551	2,944	53%
2022-23	1,718	3,158	54%
2023-24	1,803	3,458	52%
Source: District-wise data for GPs			

8.3. As shown in Table 8.1 and Table 8.2, the property tax already accounts for a substantial share of OSR i.e., 30-34% for ULBs and over 50% for GPs.

A.1. Establishing and Expanding the Role of the Maharashtra Municipal Property Tax Board (MMPTB)

Rationale:

8.4. The Maharashtra Municipal Property Tax Board Act, 2011, notified the establishment of the Maharashtra Municipal Property Tax Board as a specialised technical authority to guide ULBs in the assessment, levy, and collection of property tax. The Board was envisaged to play a critical role in standardising valuation practices, strengthening administrative capacity, and improving overall efficiency of property tax systems across urban jurisdictions. However, despite the statutory notification of the Act, the Maharashtra Municipal Property Tax Board has not yet been constituted, resulting in the absence of a dedicated institutional mechanism. The jurisdiction of the proposed Board is explicitly limited to property tax levied under the municipal statutes, namely the Mumbai Municipal Corporation Act, 1888, Maharashtra Municipal Corporations Act, 1949, the City of Nagpur Corporation Act, 1948, and the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. This clearly establishes that the Board's mandate does not extend to RLBs or GPs governed under the Maharashtra Village Panchayats Act, 1959.

#R10

8.5. The Commission recommends that the UDD should constitute the Maharashtra Municipal Property Tax Board as per the Maharashtra Municipal Property Tax Board Act, 2011 immediately.

#R11

8.6. The Commission recommends that the RDD should expand the Maharashtra Municipal Property Tax Board's powers to RLBs i.e. GPs by inserting provisions in Section 124(1) of the Maharashtra Village Panchayats Act, 1959 to provide advisory support and guidance for efficient collection, revising rates of taxes and monitoring of property tax.

#R12

8.7. The Commission recommends that the State Government should further expand the Maharashtra Municipal Property Tax Board's powers as a regulatory body by amending Section 12 of the Maharashtra Municipal Property Tax Board Act, 2011. The board should be empowered to prescribe mechanisms for efficient collection of all local revenue streams including user charges, water and special water tax in GPs and development tax/charges.

A.2. Establishing the Maharashtra Local Government Revenue Portal

Rationale:

8.8. A few ULBs in Maharashtra, like the MCGM, PMC, PCMC and NMMC, have developed independent digital systems to monitor and record property tax collection data. Due to limited technical and financial support, the other ULBs and RLBs have not been able to establish such infrastructure and hence rely on multiple state and national-level platforms. This results in non-standardised and fragmented record-keeping practices across local bodies. The absence of an integrated platform creates difficulties for the State Government to obtain authentic, reliable and real-time property tax data across the State, thereby reducing the scope for reforms in augmenting local revenue sources for the local bodies.

#R13

8.9. The Commission recommends that the State establish a unified, state-level digital platform for the assessment, levy, collection, and monitoring of all tax and non-tax revenues of ULBs and RLBs. The platform should be operated under the technical guidance and regulatory oversight of the Maharashtra Municipal Property Tax Board, following an appropriate expansion of its mandate.

In this regard, the Board should undertake the following actions:

- Conduct a comprehensive review of existing local taxation and revenue systems and, in collaboration with the IT Department, prepare a statewide implementation plan for the proposed portal.
- Identify and recommend integration with relevant State and National digital systems, such as the Department of Registration and Stamp's Portal and Building Permission Management System, to enable seamless data exchange and strengthen local revenue administration and enforcement.

A.3. Mandatory Property Mapping via GIS/ LiDAR / Drone Survey of all Local Bodies

For ULBs:

Rationale:

8.10. There are a few municipal corporations like TMC, NMMC, PCMC and PMC that have conducted GIS/LiDAR/drone surveys by appointing vendors to detect new properties and identify unassessed properties. However, many ULBs have not been able to implement a similar initiative to update their property registers, which directly affects their Property Tax collection efficiency. The Government of India has initiated drone-based property mapping programmes in the country. According to the letter issued by the Additional Secretary, GoI on 25th September 2024, a pilot drone survey for creating high-resolution parcel maps under the NAKSHA (National Automated Khasra System for Housing and Assets) scheme is being carried out in 10 urban cities in Maharashtra.

#R14

8.11. The Commission recommends that UDD should mandate the adoption of the NAKSHA scheme as a standardised GIS based property mapping framework across all ULBs to strengthen the foundational Property Tax base. UDD should provide the necessary budgetary support for quick implementation of this scheme in one year through the Settlement Commissioner, Revenue and Forest Department. This expenditure can be recovered through issuance of property cards. The UDD should ensure that Satellite Imagery is obtained from Maharashtra Remote Sensing Applications Centre (MRSAC) at periodic intervals and overlaid on GIS-based mapping so that the local bodies are aware about any unauthorized development in their areas.

For Gram Panchayats:

Rationale:

8.12. The Government of India launched the SVAMITVA scheme in April 2020, which focused on conducting a drone-based survey in the Gaothan areas of the villages to assess the properties in the area. Over the years, there has been considerable development outside the Gaothan areas. Currently, though the building permission for the properties outside the Gaothans is being given by District Collector after the technical sanction of the Town Planning Department, the civic amenities are still being provided by the local GPs. Hence, it becomes important to map these developed properties in the areas outside the Gaothans to bring them under the tax net.

Box 8.1: Pilot Case Study

Increase in Property Tax in Village - Munjavadi, Taluka - Purandar, District - Pune

- Approximately 652 properties were surveyed under the SVAMITVA scheme outside Gaothan limits
- Approximately 77,000 sq. m of additional area was brought under assessment
- Standardized property tax rate of ₹ 1.60 per sq. m was applied, the GP realized a revenue of ₹ 1,23,200 solely from these properties situated outside the Gaothan areas.

Surveying and taxing properties outside Gaothan resulted in approximately 50% increase in property tax revenue for the GP.

Source: State Revenue Department, Government of Maharashtra

#R15

8.13. The Commission recommends that the RDD should extend SVAMITVA scheme to conduct drone-based surveys to map the areas outside the Gaothan in GPs and bring the properties developed in these areas into the property tax net. It further recommends the State should dedicate approximately ₹ 40 crore to implement the scheme through the Office of the Settlement Commissioner within a year from the acceptance of this recommendation, covering a reasonable area beyond the Gaothan limits. The scope of the recommendation includes drone survey along with 2D and 3D mapping, GIS Software development, digital storage systems, plotter facilities and printing expenses.

#R16

8.14. The Commission recommends assigning a Unique Property ID to every property using data mapped under NAKSHA, SVAMITVA and extended SVAMITVA scheme, with seamless integration into the Maharashtra Local Government Revenue Portal and other relevant databases.

A.4. State-wide Adoption of Capital Value (CV) Based Property Tax System across ULBs

Rationale:

8.15. The Capital Value-based property tax system is calculated on the basis of the Annual Statement Rates (ASR), and specific factors like the structures, age and location of the properties, making it a transparent system. The Capital Value-Based tax system has already been adopted in the GPs and in a few ULBs. The proven success of the CV method in municipal corporations such as MCGM, Nanded-Waghala City, Kolhapur City and municipal councils like Badlapur and Sawda, as well as the substantial gains achieved after the mandatory 2015 Government Notification on CV guidelines for Gram Panchayats, further validates this approach.

Box 8.2: Case Study: Transition from Annual Rateable Value (ARV) to Capital Value (CV) Method - Municipal Corporation of Greater Mumbai (MCGM)

Year	Annual Collection (in ₹ Cr)	YoY Increase (%)
2010-11	3,387.03	—
2011-12	3,650.92	7.79
2012-13	3,897.57	6.76
2013-14	4,262.74	9.37
2014-15	4,675.80	9.69
2015-16	4,922.67	5.28
2016-17	5,306.06	7.79
2017-18	5,716.56	7.74
2018-19	6,025.82	5.41
2019-20	6,199.85	2.89
2020-21	6,397.75	3.19
2021-22	6,591.95	3.04
2022-23	6,773.15	2.75
2023-24	7,273.02	7.38
2024-25	7,748.33	6.54
2025-26	9,116.47	17.66

- At the time of transition from Annual Rateable Value (ARV) to Capital Value (CV) in 2010-11, property tax demand increased marginally from ₹3,625 crore (ARV) to ₹3,672 crore (CV), indicating a non-disruptive reform. Hence, the CV method, was easily accepted by the taxpayers.
- Under the CV system, annual Collection rose steadily from ₹3,387 crore (2010-11) to ₹7,748 crore (2024-25) and further to ₹9,116 crore (2025-26) an increase of nearly 2.7 times over 15 years.
- Year-on-year growth largely remained in the 5-9% range, with a sharp 17.66% increase in 2025-26, reflecting the impact of periodic revaluation under the CV framework.
- The table highlights the gradual, sustained revenue growth with periodic step-ups, validating CV method as a superior long-term reform over the ARV system.

Source: Municipal Corporation of Greater Mumbai (MCGM)

#R17

8.16. The Commission recommends adopting a Capital Value (CV) based property tax system across all ULBs within one year, along with its implementation. The implementation/adoption of CV based system for property tax will be linked to performance grants. The Commission further mandates the Maharashtra Municipal Property Tax Board to supervise the technical rollout, standardisation, and automatic linkage of the system with Annual Statement Rates (ASR) across ULBs.

B. Enhancing Own Tax Revenue through Digital registry of all commercial establishments operating within Local Body Limit

Rationale:

8.17. Across Maharashtra's municipal laws, Trade Licensing is mandated for scheduled/notified occupations and activities that may be hazardous to health, life, or the environment or involve storage or handling of dangerous substances or may cause public nuisance. The underlying objective of such licensing is to enable ULBs to monitor potentially dangerous situations, prevent public health hazards, and ensure effective emergency communication.

8.18. However, a large proportion of commercial establishments, including professional offices (Advocates, Chartered Accountants, Company Secretaries, Architects and Consultants), remain outside the ULB ambit. Similarly, GPs often do not have complete visibility of all commercial activities within their jurisdictions.

8.19. This lack of a comprehensive establishment registry limits the local body's ability for local economic planning and provisioning for civic services like solid waste planning, parking and traffic management, and risk management like fire preparedness and emergency response. This also limits and affects profession tax collection, as many eligible establishments and professionals may remain unidentified or not systematically tracked, reducing the tax base and hampering enforcement efforts.

#R18

8.20. The Commission recommends that the UDD and RDD introduce a simple, instant-approval based Local Government Commercial Identifier (LGCI) for all establishments operating within Municipal or Gram Panchayat limits (shops, offices, service providers, and professional offices) and mandate its implementation while keeping Trade Licensing focused on risk-/schedule-based categories as intended under existing Municipal Laws.

The Commission further mandates the development of a state-wide portal, in collaboration with the IT Department, to be adopted by all ULBs and GPs to ensure uniformity, reduce IT-related burdens, and enable state-level analytics and dashboards. Once the LGCI portal is operational, no new Shop and Establishment or Profession Tax registrations should be issued without LGCI, with a 120-day window period for existing establishments to register without penalty. Graded enforcement measures should be followed with adequate safeguards to ensure ease of compliance and prevent harassment.

II) Enhancement of Non-Tax Revenue

A. Strengthening of Public-Private Partnerships (PPP) in Local Bodies

Rationale:

8.21. Smaller local bodies have very limited sources for revenue generation and therefore rely primarily on grants from the State and Central governments. To fulfil their mandates effectively, these entities must shift from dependency on grants to leveraging private capital. Although Maharashtra has demonstrated success with state-level PPP initiatives, most PPP models remain concentrated in larger cities such as Mumbai, Pune, and Pimpri-Chinchwad. Addressing the infrastructure gaps and creating additional sources of revenue requires equipping local bodies with the capacity to attract private investment and independently develop PPP projects.

8.22. Currently, the PPP landscape for smaller municipalities is hindered by high transaction costs and a lack of independent credit rating, making them unappealing to investors without significant State guarantees. This challenge is further intensified by restrictive land-tenure regulations. Additionally, over the years, the rental income of ULBs has remained largely stagnant, as reflected in Table 4.7. This indicates significant scope for enhancing rental revenues through the adoption of PPP models and more efficient asset management practices.

#R19

8.23. The Commission recommends that the UDD and RDD should formulate a specialized "Local Body PPP Handbook" to empower both ULBs and RLBs, within 6 months from the date of acceptance of this recommendation. This handbook should include standard guidelines and frameworks like the following:

- Sectoral Mapping and “Basic Infrastructure First" Approach
- Encouraging "Group Projects" through the Cluster Model
- The District PPP Support Unit (DPSU) and their Role
- Tiered Financial Approvals and Oversight
- Financial Support with Standardized Procurement and Documentation

8.24. The Commission further suggests recruiting Transaction Advisors at the District level to begin the feasibility studies for the first batch of "Pilot Clusters”. The UDD and RDD should provide clear financial guidelines on how revenue from a group project (involving multiple GPs/Councils) is distributed back to individual local funds.

#R20

8.25. The Commission recommends that the State Government amend the relevant Acts to empower local bodies with autonomous authority to lease properties for periods of up to 30 years. Standardising these long-term lease and rental agreements will help local bodies attract sustained private capital, optimise lease revenues, and independently develop financially viable infrastructure projects through Public-Private Partnerships (PPPs). The local bodies must strictly adhere to public procurement guidelines/tendering processes for leasing assets, any exception to this would require prior government approval.

B. Building Plan Approvals outside Gaothan Area

Rationale:

8.26. In the state of Maharashtra, the current regulatory framework separates the approval systems of the 'Gaothan area' (which are called the village settlements) and the area developed outside the existing Gaothan area. Under Section 52 of the Maharashtra Village Panchayats Act, 1959, the GP has been designated as a planning authority only for the Gaothan area of the villages. This emphasises that within the Gaothan area, the GP has the power to grant building permissions for construction-related activities. As per Section 18 of the Maharashtra Regional and Town Planning Act, 1966, the areas that fall outside the traditional Gaothans, must seek building permissions from the District Collector, after being technically approved by the Town Planning Department. While these permissions are granted by the Collector's office, the basic amenities like water supply, internal roads, drainage, etc. are provided by the GPs to the areas outside Gaothans.

8.27. The current system compels the citizens from these small villages to travel long distances to the Town Planning department at the District Collector's office to seek building permissions for areas situated outside the Gaothans, making this process time-consuming and tedious. As GPs are already authorised to issue building permissions within Gaothans limits and are responsible for providing basic amenities and public services even in the areas beyond Gaothans, there is a significant opportunity that exists to expand the GPs' mandate to provide building permissions for the areas outside Gaothans. This shall provide the GPs with an additional revenue at least for the villages having a population below 2,000, which accounts for around 62% (Table 3.2) of GPs in the state.

#R21

8.28. The Commission recommends that the State Government should empower GPs with populations under 2,000 and located beyond 5 km from the nearest ULB to grant Building Permissions for the areas outside Gaothan, along with the formal transfer of this authority from the Assistant Director of Town Planning (ADTP). To facilitate this, the State should amend Section 18 of the Maharashtra Regional and Town Planning Act, 1966 and Section 52 of the Maharashtra Village Panchayats Act, 1959, to designate GPs as the Planning Authority for its entire geographical jurisdiction.

The Commission further mandates that separate login IDs be created for the GPs on the Building Plan Management System (BPMS) to grant approvals for the developments in both Gaothan and outside Gaothan areas. The approval process should be simpler, using checkboxes and drop-downs to make it easy to operate at the GP level. Additionally, for standard residential builds, specifically Ground + 1 structures with a total height of less than 9 meters height, the requirement for a professional architect should be waived. The system should allow applicants to submit local-level drawings after maintaining mandated safety margins. Additionally, the RDD should provide necessary IT hardware infrastructure to the GPs to ensure BPMS can be operated at the local level and must also define guidelines for providing expert resources.

C. State-Level Parking and Unified Parking System

Rationale:

8.29. In Maharashtra, parking management is governed by Section 326A and 326B of the Mumbai Municipal Corporation Act, 1888, Section 243A of the Maharashtra Municipal Corporations Act, 1949, and Section 108A(a) of the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965, for municipal corporations and municipal councils, respectively. While these statutes empower Municipal Commissioners and Chief Officers to earmark parking zones and levy fees via by-laws, the operational reality is defined by short-term, manual, and cash-based contracts with private agencies. This traditional bidding model lacks real-time data on occupancy, resulting in significant revenue leakages and a lack of transparency for local bodies. Furthermore, while the Unified Development Control and Promotion of Regulations - 2020 established off-street parking standards, the absence of a unified on-street policy has led to unregulated zones, haphazard parking, and severe urban congestion. The enforcement of parking regulations also faces critical inefficiencies due to the lack of digital integration. Although Section 127 of the Motor Vehicles Act, 1988, and Rule 222 of the Maharashtra Motor Vehicles Rules 1989 provide the legal basis for wheel clamping and towing, authorities struggle to exercise these powers effectively without real-time tracking. Hence, a comprehensive state-level framework is essential to unify fragmented local practices, mitigate reputational risks from private operations, and create a consistent, data-driven experience for citizens across the State.

Box 8.3: Evidence from Practice: PCMC Smart Parking Success (2025)

The **Pimpri Chinchwad Municipal Corporation (PCMC),** in collaboration with the startup **ParkingPal**, transitioned from a traditional manual vendor model to a 100% digital ecosystem. The results demonstrate that digital transformation is a powerful tool for enhancing own-source, non-tax revenue.

A. Financial Performance and Revenue Growth

Period (April to December)	Previous Manual Vendor	ParkingPal (Digital)	Growth (%)
Total Collections	₹ 8,25,785	₹ 10,30,443	**+ 24.8%**

B. **Elimination of Leakage:** By moving to 100% digital transactions via QR codes and UPI, PCMC achieved total revenue accountability and eliminated cash handling risks.

C. **Monthly Traction:** The system processed over **19,837 bookings** during its pilot phase, reaching a peak monthly revenue of **₹ 1,09,088**.

D. **Trusting Citizens:** The digital model is based on a trust-driven approach, allowing citizens to use parking facilities while **voluntarily paying fair compensation for the service.**

What Changed with Digital, App-Based Parking:

- Revenue visibility improved with 100% digital transactions
- Increase in revenue growth (approximately 25%) from parking fees.
- Administrative workload reduced by approximately 40% through automated reconciliation.
- Enforcement effectiveness improved with approximately 18% non-compliance identified.
- Parking search and payment time for citizens reduced by over 70–90%.

Core Learning: *Reliable, standardised parking data materially strengthens municipal control, enforcement, and revenue planning irrespective of the operating model.*

The PCMC experience proves that parking is a "low-hanging, high-impact" revenue opportunity. When supported by a clear policy and technology enablement, it can transform into a structured municipal utility.

Source: ParkingPal

#R22

8.30. The Commission recommends that the UDD and RDD should formulate and notify a “State Parking Policy” and prepare a phased-wise roll out plan mandating its adoption. This policy should include standard frameworks acting as a guidebook for managing parking operations, zoning, digital platform and vendor integration efficiently at the local body level.

The Commission further mandates that the IT Department should develop and operationalize the digital parking platform for the local bodies.

D. Enhancing Advertisement and Outdoor Media Revenue

Rationale:

8.31. The state of Maharashtra provides strong statutory authority to local bodies for generating non-tax revenues from advertisement and outdoor media through legal frameworks. Under Sections 328 and 328A of the Mumbai Municipal Corporation Act, 1888, the Municipal Commissioner is empowered to regulate sky-signs and advertisements through licensing. Sections 244 and 245 of the Maharashtra Municipal Corporations Act, 1949, grant similar regulatory powers to other municipal corporations.

8.32. The GR dated 15/09/2025 introducing Maharashtra's first State-wide Outdoor Hoarding Policy, marks an important shift towards uniform regulation across districts for outdoor advertisement and media. However, this policy does not cover small advertisements on micro-real estates and therefore full fiscal and governance potential of this sector remains unrealized.

#R23

8.33. The Commission recommends that the UDD and RDD should develop Standard Operating Procedures (SOPs) that allow local bodies to lease "Micro-Real Estate" for advertising. This moves the focus from large hoardings to high-frequency street furniture. The implementation as per the SOPs should be mandated for all local bodies.

The Commission further mandates, that within 60-days, GIS-based asset census should be conducted, to tag streetlights, bus shelters, public toilets and other similar assets with Unique Digital IDs (QR codes) for licensing and monitoring.

9. Strengthening Institutions

9.1. The need to "ensure that decentralisation turns into a reality, in line with constitutional provisions", "establish platforms for citizen participation", "strengthen planning by constituting planning committees", and "improve the financial sustainability of ULSGs", are the important recommendations made by Comptroller and Auditor General (CAG) of India based on the performance audits conducted in 18 states including Maharashtra, on the implementation of the 74th Constitutional Amendment Act, 1992. Across the Indian states, the respective SFCs, in addition to making recommendations on the devolution of funds to local bodies, have also stressed the need to strengthen all aspects related to the functions of the RLBs and ULBs.

9.2. The Commission took note of the recommendations made in the Report of the Comptroller and Auditor General of India on the Efficacy of Implementation of Seventy-fourth Constitutional Amendment Act in Maharashtra. Although this report covered the period 2015-16 to 2020-21, many of the recommendations are still relevant today (as given in Box 9.1). Some of the recommendations relating to the financial aspects have been discussed in the earlier chapters.

9.3. Building on these observations, the Commission highlights that decentralisation cannot be achieved through fiscal devolution alone and must be supported by strengthening the local body institutions. This encompasses a shift towards strengthening accounting systems, outcome-oriented planning and streamlined execution of various works to enhance transparency, efficacy and participatory oversight. There is a need for digital information systems that assist in making informed decisions to promote long-term financial and administrative sustainability.

9.4. These reforms will enable the local bodies to function as resilient and effective institutions of self-government.

Box 9.1: Recommendations Based on the Performance Audit Conducted by CAG

- **Empowerment of ULBs and their Functioning**

  1. *The Government needs to take time-bound action to achieve complete devolution of powers and responsibilities to the ULBs as per the Constitution and provide adequate autonomy in discharging these functions within their area.*
  2. *The State Government should consider the recommendations of the Administrative Reforms Commission for entrusting executive powers to the mayor and direct election of Mayor/President by the people.*
  3. *The State Government should ensure effective functioning of Metropolitan Planning Committee for integrated development of the metropolitan area.*
  4. *The Government should take steps to constitute Ward Committees and Area Sabha and ensure its effective functioning.*
  5. *The State Government should constitute the SFC within the stipulated time frame and ensure that the report of SFC is submitted to Government expeditiously. The State Government should also ensure that the recommendations are considered within a defined time frame, and accepted recommendations are implemented promptly.*
  6. *The State Government may set up a mechanism for collecting data of Profession Tax collection in urban areas and ensure 50% of it is devolved to ULBs in a timely manner.*

- **Financial resources of ULBs**

  7. *The internal control mechanism in the ULBs may be strengthened to ensure that charges in lieu of property tax on Central and State Government properties are levied by all ULBs. The State Government may also ensure that ULBs levy property tax on capital value and complete GIS mapping of properties in a time-bound manner.*
  8. *The Government may consider a mechanism for direct credit of additional stamp duty to the ULBs as recommended by the Fifth SFC and in the interim, arrange to transfer the entire collected proceeds to the ULBs.*
  9. *Government should ensure that assigned revenue and grants to ULBs are disbursed in full without any delay.*

- **Human Resources in ULBs**

  10. *Government may review the sanctioned strength in ULBs considering the recommendation of fifth SFC and ensure that the vacancies are filled in a time-bound manner.*
  11. *Government may take action to assign responsibility to Maharashtra Public Service Commission to function as the Consultative Authority for appointment of staff for common services and take expeditious action for the development of cadre services for Municipal Corporations.*

- **Effectiveness of delivery of water supply, sanitation and fire services**

  12. *The Government may review the poor performance of the ULBs in achieving the service level benchmarks related to water supply and sewage services and take steps for its improvement in a time-bound manner.*
  13. *Government may ensure 100% metering of water connections in all the ULBs to improve the collection efficiency and avoid loss of revenue, thereby increasing the financial resources of the ULBs.*
  14. *The Government may address the shortage of fire stations in the ULBs on top priority.*

Source: Report of the Comptroller and Auditor General of India on the Efficacy of Implementation of Seventy-fourth Constitutional Amendment Act in Maharashtra

I. Adoption of a Standardized Framework for Fiscal Management in Local bodies

Rationale:

9.5. According to the Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act, 2005, it is the responsibility of the "*state government to ensure inter-generational equity in fiscal management, fiscal stability by achieving sufficient revenue surplus and prudential debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the State Government and conducting fiscal policy in a medium-term framework*". This framework has significantly improved the quality of budgeting, strengthened accountability, enhanced transparency of public finances, and ensured the sustainability of public debt.

9.6. Local bodies have been assigned an expanding range of responsibilities under the Constitution and State Municipal Acts; however, they continue to function without a uniform framework for financial responsibility, medium-term planning, borrowing, disclosure, and accountability. This has led to persistent challenges, including weak financial planning, delayed audits, limited public disclosure, and wide variations in fiscal performance across local bodies.

9.7. To strengthen the fiscal framework of local bodies, Maharashtra may consider enacting a Maharashtra Local Bodies Fiscal Responsibility and Budgetary Management Act similar to one enacted in the State of Karnataka. The objective of the Karnataka Local Fund Authorities Fiscal Responsibility Act, 2003 is to:

- Mandate a medium-term fiscal plan for the local bodies
- Lay down principles for financial management
- Ensure transparency in fiscal management at the local level
- Ensure proper procedure for preparation, submission and audit of accounts
- Ensure proper scrutiny and adherence to the audit reports
- Lay down measures to enforce compliance to the provisions of the Act

#R24

9.8. The Commission recommends Finance Department to enact a fiscal responsibility framework for Local Bodies, broadly on the lines of the existing Maharashtra Fiscal Responsibility and Budgetary Management (MFRBM) Act. The proposed legislation may be titled the Maharashtra Local Bodies Fiscal Responsibility and Budgetary Management Act (MLBFRBM Act).

II. Strengthening Financial Accounting Mechanisms in Local bodies

Rationale:

9.9. The Government of Maharashtra mandates local bodies to maintain accounts in accordance with prescribed accounting manuals and codes, including the National Municipal Accounts Manual (2004), Maharashtra Municipal Accounts Code (2013), Zilla Parishads and Panchayat Samitis Account Code (1968), and Maharashtra Gram Panchayat Accounts Code (2011), depending on their category. Despite the existence of these standardised frameworks, the financial statements of local bodies often fail to present a comprehensive and accurate view of their financial position. In many cases, gaps in technical capacity, inadequate staffing, and limited use of accounting software further affect the quality and reliability of financial reporting.

9.10. While most local bodies prepare budgets and undertake budget-to-actual comparisons, financial statements are not adequately utilised for balance sheet management, cash flow planning, asset and liability monitoring, or informed financial decision-making, resulting in inefficiencies in financial management. There is a need for greater discipline in the timely submission of financial statements and strict adherence to prescribed accounting standards and reporting formats. To enhance transparency and public accountability, audited financial statements and key financial disclosures should also be made available on publicly accessible digital platforms. Strengthening accounting practices, building institutional capacity, and promoting the analytical use of financial statements are therefore essential to improve transparency, accountability, and overall fiscal management at the local body level.

#R25

9.11. The Commission recommends that the Rural Development Department (RDD) and the Urban Development Department (UDD) mandate strict adherence by Local Bodies to the prescribed accounting manuals and codes, including the adoption of a fixed cut-off date for the submission of audited accounts. The Commission further recommends that the audited accounts of all Local Bodies be published online, preferably on both Government and respective Local Body websites.

III. Strengthening Auditing Mechanisms in Local bodies

Rationale:

9.12. The Directorate of Local Funds Accounts Audit (DLFAA) is entrusted with the statutory audit of all local bodies in Maharashtra. The DLFAA prepares an Audit Review Report (ARR) annually, containing key audit observations, which is placed before the State Legislature through the UDD and RDD. However, audit outcomes and follow-ups remain a challenge due to systemic issues repeatedly highlighted in audit reviews, including delays in audit of accounts, inadequate internal control, pendency of audit observations and delayed submission of utilisation certificates from field offices. These audit processes are being seen as a compliance exercise rather than a management tool for improving financial governance.

9.13. To improve on these inconsistencies, the Government of India has developed a technology-enabled audit platform 'AuditOnline', which is currently available for RLBs, to strengthen audit processes, enhance compliance with audit standards, and improve transparency and accountability in local body audits.

Box 9.2: Leveraging AuditOnline for ULBs

AuditOnline is a configurable digital platform that enables government entities to conduct internal and external audits in compliance with the Comptroller and Auditor General of India's standards and guidelines. It facilitates end-to-end tracking and monitoring of the audit process, including audit observations, audit paras, and action taken reports. The platform has significantly simplified scheme-based audits of Panchayats at the district, block, and village levels and supports state-specific audit manuals while maintaining comprehensive audit records, auditor details, and audit team information. By strengthening transparency and accountability, AuditOnline has emerged as an effective audit management tool. Given the critical role of auditing in public financial management, the platform's adaptable architecture can be suitably leveraged, with minor modifications, to support audits of Urban Local Bodies and line departments.

#R26

9.14. The Commission recommends the State Government that the AuditOnline system currently used for RLBs should be extended to ULBs, in order to ensure uniformity in audit processes, systematic tracking of audit observations, and enhanced transparency and accountability across local bodies. The Commission further mandates empanelment of Chartered Accountant firms which are certified for local body audits by the District Local Fund Audit Authority (DLFAA), in consultation with the Institute of Public Auditors of India and the Accountant General of Maharashtra. The firms can be empanelled for appropriate geographical clusters.

IV. Strengthening Expenditure Capacities of the Local bodies

A. Better Works Selection

Rationale:

9.15. Local Bodies operate with constrained financial resources while facing increasing responsibilities and service demands. In this context, prudent project selection assumes critical importance. Instead of ad-hoc capital expenditure, public funds need to be directed towards projects that yield clear and durable outcomes. However, project selection is often undertaken without adequate assessment of long-term costs, revenue potential, impact or alignment with local priorities. There is, therefore, a need for an objective and outcome-oriented framework to guide project selection decisions by Local Bodies.

#R27A

9.16. The Commission recommends that UDD and RDD should introduce 'Project Prioritisation Matrix', supported by standard evaluation guidelines, to enable objective, impact- and value-based project selection by Local Bodies.

B. Capital Investment Plan

Rationale:

9.17. In the absence of a medium-term capital investment plan, capital expenditure in ULBs is often fragmented and driven by the availability of schemes or short-term considerations, rather than by a systematic assessment of local development needs and service gaps. As a result, investments may not fully reflect local priorities or long-term infrastructure requirements.

9.18. In this context, the preparation of a five-year Capital Investment Plan assumes importance. Such a plan would enable ULBs to identify and prioritise capital investments based on local development needs, align capital expenditure with medium-term development objectives, and assess overall resource requirements. It would also help ensure that asset creation is consistent with financial capacity and supported by adequate provision for operation and maintenance.

#R27B

9.19. The Commission recommends that the UDD should mandate all ULBs to prepare a 5 Year Capital Investment Plan (CIP) which will be linked to the project prioritization matrix of that ULB. The CIP should be prepared by every ULB, and its implementation should be monitored biannually by the District Collector.

C. State-wide Works Management System and Dashboard

Rationale:

9.20. At present, ULBs and RLBs undertake many works, including capital investment projects, across multiple departments, often without a unified system for tracking and monitoring. Similar activities, such as sanitation, greening, and waste management, are frequently implemented by different departments under various Central and State schemes, increasing the risk of duplication and overlapping responsibilities. The siloed functioning of departments within Local Bodies further contributes to coordination gaps and monitoring challenges. In view of the expanding functions of Local Bodies, there is a need for a technology-enabled works management framework to strengthen coordination, improve accountability, and enhance monitoring efficiency.

#R27C

9.21. The Commission recommends that the IT Department should develop a Statewide Works Management System for project monitoring, on the lines of the flow chart shared with the IT Secretary. The system should include a real-time dashboard and an asset directory capturing all works undertaken across departments and schemes on a single, GIS-enabled platform, aligned with the Gati Shakti framework. Each work should be assigned a unique asset ID to enable tracking of project progress and payments across departments, and to minimise duplication of works.

D. Strengthening e-tendering Processes in Local Bodies

Rationale:

9.22. Procurement practices across Local Bodies vary considerably, with a significant reliance on manual and non-standardised procedures, particularly among smaller Local Bodies. Although digital procurement platforms such as MahaTender and the Government e-Marketplace (GeM) are available, the adoption of the platforms has been uneven in the absence of a common set of procurement guidelines. Larger Municipal Corporations have increasingly adopted e-tendering systems, while Municipal Councils, Nagar Panchayats, and Gram Panchayats continue to follow paper-based processes. In this context, the lack of a standard reference framework limits consistency, efficiency, and transparency in procurement. The development of a Standardised Procurement Toolkit would provide uniform guidance to Local Bodies and support the adoption of efficient and accountable procurement practices.

#R27D

9.23. The Commission recommends that the UDD and RDD should develop a Standardized Procurement Toolkit, to serve as a strategic guide for effective and uniform procurement practices across local bodies.

E. Social Audit of Works

Rationale:

9.24 Social audit structures exist on both the rural and urban fronts. In the case of RLBs, social audits for various government schemes are facilitated by independent Social Audit Units (SAUs), which are registered with the National Institute of Rural Development and Panchayati Raj (NIRDPR). These SAUs serve as a central coordinating agency and conduct social audits through the Gram Sabha to undertake 100% verification of official records at least once every six months. For ULBs, audit guidelines of the Comptroller and Auditor General (CAG) of India are being followed to conduct pilot social audit studies in select urban wards in Maharashtra; however, these have not been implemented in a regular and systematic manner.

9.25. As local bodies undertake multiple works, manage public funds, and are responsible for ensuring transparency and accountability, it becomes essential to maintain citizen trust in governance processes. Continuous public participation becomes important for getting feedback for course correction and quality improvement. Along with the proposed State-wide Works Management System and a real-time dashboard, institutionalising regular social audits would enable structured community oversight, transparent tracking of public works, reduced information asymmetry, and strengthened accountability in public spending.

#R28

9.26. The Commission recommends that UDD and RDD should develop a comprehensive Social Audit Framework for works undertaken by local bodies, and that this framework be embedded within the Statewide Works Management System.

The Commission further mandates that RLBs and ULBs institutionalise citizen participation by establishing independent Social Audit Units similar to the structure given in NIRDPR and adhere to auditing guidelines mentioned in the CAG report. The budget for conducting these social audits can be capped at 0.2% of the budget allocated for projects by the local bodies.

V. CSR Fund Mobilisation at Local Body Level

Rationale:

9.27. Corporate Social Responsibility (CSR) is mandated under Section 135 of the Companies Act 2013, wherein companies are required to spend at least 2% of the average net profit on social activities[7]. The CSR funds should be directed towards activities mentioned in Schedule VII, which includes promoting education, eradicating poverty and malnutrition, promoting healthcare, providing safe drinking water and sanitation, ensuring environmental sustainability and ecological balance, and implementing rural or slum development projects.

9.28. The Ministry of Corporate Affairs (MCA) regulates this framework through a defined CSR Cell at the national level and high-level advisory bodies that provide guidance on monitoring and compliance. The 2021 CSR Amendment Rules (Rule 4, Sub-rule (1), Clause (c)) further strengthened this mandate, allowing statutory bodies or entities established under an Act of Parliament or a State legislature which includes the local government bodies to register and operate as implementors of the CSR activities[8].

9.29. The State of Maharashtra, being one of the biggest industrial and commercial hubs in India, has a great potential to efficiently use the CSR funding for multiple development-related projects. To utilise this potential, the local bodies need systematic mechanisms to identify the relevant and priority projects that fall under the schedule VII of the Companies Act 2013, which will ensure funding through CSR.

#R29

9.30. The Commission recommends the State Government to set up dedicated CSR cells in the Municipal Corporations, District Administration Office (Councils & NPs) at the District Collector level and in the ZPs for conducting CSR activities at the local body level. Further, the State should define the role, functions, and expected outcomes of these CSR cells. These cells shall empower the local bodies to shift from a reactive to a proactive stance by streamlining the process of aligning CSR donations to the local body's with their developmental goals.

The Commission further mandates establishing a State CSR Portal which should capture all the CSR related activities of the local bodies to keep a track of the funding received by the local bodies and document various types of activities carried out by them.

[7] Companies Act 2013, Section 135, Pg. 93
[8] Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 (notified via G.S.R. 40(E) on 22nd January 2021), Rule 7(4) and 8(3)

VI. Municipal Bonds

Rationale:

9.31. Cities are facing a growing demand for better infrastructure and services. Government grants and traditional funding alone are no longer sufficient to meet these needs. Therefore, ULBs must diversify their revenue sources and actively tap into alternative modes of resource mobilisation.

9.32. Municipal bond is a powerful instrument for ULBs to access long-term domestic private capital for infrastructure projects. By raising funds through bonds, ULBs can tap debt markets, reduce dependence on government transfers, and accelerate project execution. At the same time, issuing municipal bonds compels ULBs to adopt higher standards of financial discipline, transparency, and accountability, strengthening their overall governance.

9.33. Municipal bonds may be issued as General Obligation Bonds, backed by overall municipal revenues, or as Revenue Bonds linked to specific income-generating projects. Municipal Corporations should preferably adopt the Revenue Bond route for clearly identifiable and financially viable projects and may also explore Green Bonds for environmentally sustainable initiatives. However, ULBs face capacity constraints in accessing municipal bond financing due to the technical complexity of bond structuring, regulatory compliance, and post-issuance governance requirements. Targeted, short-duration training programmes for senior municipal officials are therefore essential to build institutional readiness and ensure credible, well-governed participation in the municipal bond market.

#R30

9.34. The Commission recommends that the UDD should mandate all 29 Municipal Corporations to issue at least one Municipal Bond by March 2030. The Commission further mandates UDD, in collaboration with YASHADA and specialised institutions such as Securities and Exchange Board of India (SEBI), stock exchanges, credit rating agencies, and merchant bankers, to design and conduct regular training programmes on municipal bond financing. These programmes should be conducted and targeted at Municipal Commissioners and key municipal officials. The objective would be to build institutional readiness and support credible participation of Urban Local Bodies in the municipal bond market.

VII. Data Driven Decision Making

Rationale:

9.35. Data and transparency are important levers to improve the functioning of local bodies. Monitoring, supervision, and policymaking become more effective when reliable and timely information is readily available to the government as well as to local bodies, enabling them to identify issues, evaluate options, and take evidence-based decisions.

9.36. Local bodies generate substantial data as part of day-to-day operations, including:

- Financial Management: Revenue, expenditure, deficit/surplus, liabilities, utilisation certificates
- Scheme Management: Beneficiary details, physical and financial progress, implementation status
- Establishment: Staffing, sanctioned posts, vacancies, payroll information
- Procurement: Tenders, work orders, vendor details, contract milestones, payments
- Social and Economic Infrastructure: Schools, colleges, hospitals, business units, etc.
- Asset Registers: Assets owned, assets leased/rented, upkeep and maintenance records
- Service Delivery and Service Level Agreements: Water supply, sanitation, Solid Waste Management, roads, streetlights, building permissions, trade licenses
- Citizen Interface: Public grievances, service requests, response and resolution timelines

9.37. However, most of this data remains in physical registers/papers and is not available in digital form. The current fragmented IT ecosystem requires local bodies to enter the same data multiple times across different schemes and department-specific government systems, increasing administrative burden and leading to inconsistencies in reporting.

#R31

9.38. The Commission recommends that the UDD, RDD and IT Department jointly design and implement a 'Unified Local Bodies Information System (ULBIS)', a single comprehensive State-level data platform for all RLBs and ULBs. The ULBIS should seamlessly integrate with the existing IT system of the local bodies to prevent duplication in entering the same data.

VIII. Training and Capacity Building

Rationale:

9.39. With the growing scale, complexity, and responsibilities of local governance, government officers are required to possess advanced administrative, technical, and specialised skills. Rapid urbanisation, expanding service delivery mandates, evolving regulatory frameworks, and rising citizen expectations have placed significant pressure on existing institutional capacities. In this context, continuous and structured capacity building is essential to enable officers to effectively plan, implement, monitor, and evaluate development programmes and public service initiatives. Hence, there is a need for a comprehensive and institutionalised training framework for government officers to better contribute to improved governance outcomes.

9.40. Along with Administrative training framework, Technical and Specialised programs can be designed to cover the following broad areas:

Technical / Engineering Streams

- Civil Engineering and Urban Infrastructure
- Water Supply and Sanitation Engineering
- Environmental Engineering
- Electrical and Power Systems Engineering

Specialised / Thematic Programmes

- Fire Safety and Disaster Management
- Municipal Bonds and Infrastructure Financing
- Sustainable and Green Finance
- Climate-Resilient Urban Planning
- Public-Private Partnerships (PPP)

#R32

9.41. The Commission recommends that the State Government institutionalise a comprehensive training framework encompassing administrative, technical, and specialised programmes for government officers. Administrative training may be undertaken in collaboration with YASHADA, while technical and specialised programmes may be organised through the MCGM Centre for Municipal Capacity Building & Research (MCMCR) and special / thematic programmes may be conducted through specified institutions.

IX. Expert Committee for Staffing Pattern

Rationale:

9.42. As per the report of the State Panchayat Expert Committee, established in July 2016, the RLBs collectively employ around 7 lakh personnel across the state, which includes health workers, ASHAs, Gram Sevaks, Anganwadi Workers and Teachers[9]. As per the report of the State Panchayat Expert Committee, a large proportion of this workforce is scheme-specific and may operate outside the direct administrative control of Village Panchayats. Staffing at the Village Panchayat level continues to be governed by the Village Panchayat Staffing GR dated 21/01/2000, which fixes staff strength largely based on population slabs and does not provide for specialised technical or administrative roles.

9.43. Similarly, on the urban side, existing staffing norms were formulated at a time when the scale and complexity of urban service delivery, capital investment planning, e-governance, and financial management requirements were considerably lower. With the expansion of functions and responsibilities of Urban Local Bodies, there is a need to review and realign staffing structures to reflect current operational requirements. This includes the creation of appropriate technical and professional posts, clearer role definitions, and adequate delegation of powers to enable Local Bodies to function effectively as institutions of self-government.

#R33

9.44. The Commission recommends the State Government to establish a State level Expert Committee to review and redesign organisational structure and staffing norms for both ULBs and RLBs. The Commission further recommends that such a review be undertaken at periodic intervals of ten years to address evolving requirements of Local Bodies. The Functions of the State level Expert Committee shall be:

- Reviewing existing staffing frameworks, Acts, rules, norms, and Government Resolutions applicable to ULBs and RLBs.
- Assessing changes in the functional mandates of Local Bodies, including workload, scheme-related responsibilities, and financial and administrative complexity.
- Developing tier-wise organograms for Municipal Corporations, Municipal Councils, Nagar Panchayats, Zilla Parishads, Panchayat Samitis and Gram Panchayats.
- Recommending essential staffing norms including the technical resources for engineering services, financial and account management, town and area planning, e-governance and solid waste management.

[9] Perspective Plan for Panchayati Raj in Maharashtra, State Panchayat Expert Committee, Devolution of Functionaries in Panchayat Raj Institutions pg. 149

X. Rural - Urban Transitioning Policy

Rationale:

9.45. Maharashtra's population in 2011 was 112.3 million, accounting for 9.3% of India's population. It is projected that in 2026, Maharashtra's population will be 129.3 million, with 63.8 million living in urban areas[10]. This growth is not limited to existing cities and towns but is increasingly concentrated in large villages, census towns, and peri-urban GPs. These settlements display urban characteristics such as high population density, diversified livelihood opportunities, and rising demand for civic services, yet continue to be governed under rural institutional frameworks.

9.46. While initiatives such as the District Village Development Fund (DVDF) and land pooling through Town Planning Schemes have supported infrastructure development and local area planning, substantial gaps remain in planning capacity, fiscal autonomy, and institutional preparedness. Rapidly growing peri-urban areas face increasing demand for civic services. Learning from Odisha's Rural-Urban Transition Policy, 2023, which emphasises early service provision, flexible planning, phased fiscal reforms, and dedicated institutional support, Maharashtra requires a similarly structured and forward-looking approach to ensure orderly rural-urban transition and sustainable regional development.

#R34

9.47. The Commission recommends establishing a multi department committee including representatives from UDD, RDD and State Finance Department to develop a Rural-Urban Transitioning Policy for Maharashtra.

- Under this policy, GPs with a population of at least 5,000 should be formally recognised as part of semi-urban areas. A different staffing pattern should be approved for them by the RDD. The Assistant Director of Town Planning should be mandated to prepare a structured plan under the Maharashtra Regional and Town Planning Act, 1966 within two years of the recognition, wherein the plan should focus on future population growth, infrastructure requirements, and service standards.
- A clear transition roadmap should be outlined in the policy for conversion to Nagar Panchayat / Municipal Council or merger with a larger ULB when the population of the GP crosses the threshold population of 10,000. The policy should address, among others, the creation of adequate staff, the modalities and timeline for both transfer of assets and treatment of liabilities. This transition should be completed within a period of five years or less. Transition grants should be allocated as mentioned in the recommendation in chapter 6.

[10] Census 2011, Population Projection Report 2011-2036, Table No, 8 & 9

XI. Guidelines for Limiting Financial Liabilities and Ensuring Fiscal Sustainability of Local Bodies.

Rationale:

9.48. Local Bodies often face significant challenges in project management due to the "thin spreading" of limited financial resources. When local bodies grant administrative approvals for too many projects simultaneously without accounting for existing obligations, it leads to an accumulation of unfunded liabilities and a backlog of half-finished infrastructure. This fragmentation also undermines the overall fiscal health of the local bodies. To safeguard the fiscal health of local bodies, it is necessary to adopt a cautious and organised approach for granting administrative approvals. The Planning Department, via its GR dated 16/02/2008, established a foundational standard for this discipline by requiring that full provision be made for incomplete works before proposing new items.

9.49. The GR further emphasised that new works should only be proposed within a limit of 1.5 times the remaining outlay after accounting for existing liabilities, with a strict expectation that works be completed within two years. Aligning local body practices with these guidelines ensures that new commitments are only made after accounting for existing obligations but also promotes a culture of responsible planning, financial discipline, project continuity, and long-term fiscal sustainability. Thus, by prioritising the delivery of pending assets over the earmarking of new commencements, local bodies can achieve orderly expenditure and provide reliable service continuity to their citizens.

#R35

9.50. The Commission recommends that the State Government formally codify the proposed framework for limiting financial liabilities. This may be done by incorporating the framework into the relevant statutory Acts and rules governing ULBs and RLBs, thereby making it mandatory and legally binding.

The Commission suggests the following calculation method to determine the available residual capacity:

a) Calculate the average financial provision made during the last three years under the relevant head of account from which administrative approval is proposed to be granted.
b) Ascertain the balance cost of ongoing works, along with the cost of works already approved administratively but not initiated.
c) Deduct item (b) from item (a) to determine the residual capacity.
d) The total cost limit for administrative approval of new works in the current financial year shall be 1.5 times the amount derived in (c).

XII. Consolidation and Digitization of Official Government Documents

Rationale:

9.51. Local bodies often face challenges in governance and compliance due to the existence of multiple Acts, Rules, Regulations, Government Resolutions, and Notifications issued from time to time by different departments. These legal instruments are deeply interlinked in their application, while addressing specific subjects. However, they are currently scattered across multiple platforms and repositories, making it difficult to access, read, interpret, and completely apply them.

9.52. Officials are required to manually trace cross-references between Acts, Rules, and Amendments, increasing the risk of procedural errors. This fragmentation also adversely impacts citizens and businesses, who face uncertainty in understanding applicable legal requirements.

9.53. To strengthen legal clarity, administrative efficiency, and compliance, it is necessary to adopt an organised and technology-enabled approach to legal access. Bringing all State Acts and subordinate legislation onto a single digital platform, with intelligent linkages across related provisions, would enable informed decision-making, promote consistency in interpretation, and support long-term governance effectiveness.

#R36

9.54. The Commission recommends the State Government to establish a single, unified digital platform hosting all State Acts, Rules, Regulations, Government Resolutions, Notifications, and amendments. Additionally, the State Government should:

- Compile and digitise all existing State-level Acts and subordinate legislation in a standardised, consolidated format, including historical versions and amendments.
- Deploy AI-based tools to identify, map, and link cross-references, dependencies, and overlaps between Acts, Rules, and related legal instruments.
- Enable intelligent search and navigation features to allow users to read through interconnected provisions across multiple laws from a single interface.
- Mandate the use of the platform for official reference, policy formulation, and administrative decision-making, with continuous updating whenever new laws, amendments, or notifications are issued.

The Commission further mandates, participation by all departments to provide data / inputs in the development of this digital platform.

XIII. Additional Requests and Concerns mentioned by the Local Bodies in the Workshops / Interactions organised by the Commission

Rationale:

9.55. The Commission conducted multiple stakeholder consultations with the representatives of RLBs and ULBs to understand their needs, demands and concerns. These consultations provided valuable inputs such as imposition of green taxes on non-sustainable mobility, promotion of solar power for street lighting, utilisation of vacant government properties for rental income, adoption of value-capture financing, the need for suitable borrowing frameworks, diversification of revenue sources including advertisement tax, burden due to high electricity charges, limited technical and financial delegation powers, rising operation and maintenance costs, multiplicity of IT portals, and monopolies in local contracts. Other concerns raised were on increased administrative costs during transitions from GPs to NPs, restricted revenue bases, rising water supply costs, limited access to government compensation for renewable energy, and delays in the release of State funds.

9.56. The Commission has consolidated the concerns and demands raised by the local bodies in the workshops, in Appendix A.

#R37

9.57. The Commission recommends the State Government should examine and analyse these issues and undertake appropriate corrective measures, in accordance with feasibility and policy priorities, to strengthen the financial sustainability and operational efficiency of local bodies.

10. Strengthening Maharashtra Finance Commission

10.1. The successive Union Finance Commissions (UFCs) have emphasised the need to strengthen State Finance Commissions (SFCs). This concern has also been highlighted by the Comptroller and Auditor General (CAG) of India in its report titled "Compendium of Performance Audits on the implementation of the 74th Constitutional Amendment, 2024". The CAG observed that, on average, States delayed the constitution of SFCs by 412 days[11]. This report also noted the delays by State Governments in responding to and acting upon the recommendations of SFCs.

10.2. The Maharashtra Finance Commissions have made a substantial number of recommendations across successive Commissions, covering financial reforms, administrative reforms, and other measures. A summary of the recommendations made by previous Maharashtra Finance Commissions is presented in Table 10.1.

Table 10.1: Summary Table of Recommendations

Sr. No.	SFC	Total No. of Recommendations	Direct Financial Burden	Indirect Financial Burden	Administrative Reforms	Other Recommendations
1	First	129	21	23	70	14
2	Second	227	31	71	69	56
3	Third	113	23	10	66	14
4	Fourth	118	23	38	57	0
5	Fifth	169	62		107	

Source: 4th & 5th Maharashtra Finance Commission Report; Action Taken Reports on 1st, 2nd, 3rd, 4th & 5th Maharashtra Finance Commission report's recommendations

10.3. As per the Action Taken Reports submitted by the Government of Maharashtra, the status of acceptance of recommendations made by successive Maharashtra Finance Commissions is summarised in Table 10.2:

Table 10.2: Summary of Accepted, Partially Accepted and Rejected Recommendations

Sr. No.	SFC	Total No. of Recommendations	Accepted	Partially Accepted	Rejected
1	First	129	110	14	5
2	Second	227	162	25	40
3	Third	113	50	11	52
4	Fourth	118	1	6	111
5	Fifth	169	91	30	48

Source: 4th Maharashtra Finance Commission Report; Action Taken Reports on Maharashtra Finance Commission report's recommendations

[11] Compendium of Performance of Audits on the Implementation of the 74th Constitutional Amendment Act, 1992, Landscape across India, Vol 1, Comptroller and Auditor General of India 2024, Pg 31

In the case of the Fifth Maharashtra Finance Commission, out of 169 recommendations, 91 were fully accepted, 30 were partially accepted, and 48 were rejected.

10.4. The implementation status of the accepted and partially accepted recommendations of the Fifth Maharashtra Finance Commission is presented in Table 10.3.

Table 10.3: Summary of Implemented, Partially Implemented and Under Consideration Recommendations

Sr. No.	Category	Total Number of Recommendations	Implemented	Partially Implemented	Under Consideration / Yet to be Implemented
1	Accepted Recommendations	91	16	13	62
2.	Partially Accepted	30	1	6	23

Source: Data from Urban Development Department & Rural Development and Panchayat Raj Department

10.5. Out of the total 169 recommendations made by the Fifth Maharashtra Finance Commission, 121 recommendations were accepted or partially accepted (Table 10.2). However, out of these, only 36 recommendations have been implemented or partially implemented (Table 10.3).

10.6. While a significant proportion of recommendations of the Fifth Maharashtra Finance Commission were accepted or partially accepted, the implementation did not progress as intended. A key contributing factor may be the absence of a dedicated institutional mechanism to monitor, coordinate, and drive time-bound implementation.

10.7. Recognising the institutional challenges, the Commission hosted a national-level conference of SFCs on 17/01/2026 at Pune International Centre (PIC) in collaboration with PIC and Janaagraha to draw lessons from the experiences of other SFCs. The deliberations focused on key issues for SFCs, including methodology, approach, data constraints, operational challenges, mechanisms for tracking recommendations and further implementation. The discussions highlighted the need to strengthen the SFC framework and the value of institutionalising such periodic inter-SFC engagements, convened annually or at least once every two years, as a platform for shared learning, convergence of practices, and collective capacity building across states.

#R38

10.8. The Commission recommends that the State Government should strengthen the institution of the SFC by suitably amending the Maharashtra Finance Commission (Miscellaneous Provisions) Act, 1994. The amended Act shall, *inter alia*:

- Specify that the State Finance Commission shall be constituted at least two years prior to the commencement of the award period
- Provide the State Government flexibility to include additional Terms of Reference (ToR), beyond those specified under Articles 243-I and 243-Y of the Constitution of India
- Clearly define the roles, responsibilities, and functional autonomy of the SFC
- Prescribe a time-bound framework for submission of the Commission's report
- Specify a time-period within which the State Government shall accept or reject the recommendations along with giving reasons in cases where the recommendations are rejected
- Provide a prescribed timeframe for Action Taken Report (ATR) on the Commission's recommendations to be tabled before the State Legislature
- Institutionalise mechanisms for structured data access, consultations, and analytical support for the Commission
- Mandate structured follow-up and monitoring of the implementation of the recommendations made by the Commission

#R39

10.9. The Commission recommends that, during the interim period between two State Finance Commissions, a Standing Task Force be constituted for monitoring the implementation of State Finance Commission recommendations. The Task Force shall be chaired by a Chairperson appointed by the State Government, with the Secretaries of the Urban Development Department (UDD) and Rural Development Department (RDD) as members, and the Secretary (Financial Reforms) as the Member-Secretary. The requirement for such a taskforce can be mentioned in the amended Maharashtra Finance Commission (Miscellaneous Provisions) Act, 1994.

10.10. The Task Force shall be responsible for:

- Monitoring the status of implementation of accepted recommendations of earlier State Finance Commissions
- Facilitating inter-departmental coordination for implementation of recommendations
- Ensuring that the annual Economic Survey of Maharashtra and Budget Documents have a chapter providing a detailed mapping of fund flows to RLBs and ULBs
- Commissioning studies related to local bodies requirements and finances.

10.11. The Task Force shall meet at least once every quarter, and its proceedings and recommendations shall be formally recorded and placed in the public domain.

10.12. Further, the Commission faced significant challenges relating to the availability of accurate and up-to-date data. In this context, the Commission recommends that the Yashwantrao Chavan Academy of Development Administration (YASHADA), the State Institute of Rural Development (SIRD), and the State Institute of Urban Development (SIUD) function as designated knowledge partners to the Maharashtra Finance Commission. These institutions should maintain a centralised data repository on the finances of RLBs and ULBs, along with other relevant information required for the functioning of the Maharashtra Finance Commission.

11. Recommendations on State Finances

A. Medium Term Debt Management Strategy

11.1. An assessment of Maharashtra's outstanding debt maturity profile (Table 2.3) indicates a peak in repayments during the 2030-33 period. About 31.1 per cent of the state's outstanding debt falls due during these years, adding to repayment pressures on the state's finances. Accordingly, proactive fiscal planning will be critical to manage these repayment obligations.

#R40

11.2. The Commission recommends that the Finance Department should develop a Medium-Term Debt Management Strategy, in consultation with Reserve Bank of India, in order to smoothen the maturity profile of outstanding securities.

B. Central Grant Management and Compliance

11.3. Central government grants constitute a significant share of Maharashtra's total revenue receipts, as shown in Table 2.5. While substantial Central assistance is available, full utilisation of these funds has remained constrained. This may be attributed to combination of factors, including limited awareness, technical capacity constraints, low prioritisation, and procedural non-compliance, including delays in submission of utilisation certificates (UCs) and non-adherence to scheme milestones. The decline in Central Government grants to local bodies between 2020-21 and 2024-25 (Table 2.5) highlights the need to strengthen monitoring arrangements, including the establishment of a dedicated monitoring cell for tracking fund utilisation and compliance.

#R41

11.4. The Commission recommends that the Finance Department establish a dedicated Grant Management and Monitoring Cell to work in coordination with state departments for the identification of schemes eligible for Central grants and for monitoring the implementation of such schemes.

C. Representation of Fund Transfers to Local Bodies in Economic Survey and Budget Documents

11.5. Information on the total funds released to local bodies, through various schemes, tax devolution, and assignment of taxes is currently not comprehensively captured in official documents. Systematic inclusion of this information in publications such as the Economic Survey and budget documents would enable a clearer presentation of fund flows to urban and rural local bodies separately. Such transparent and structured reporting would strengthen accountability at the local level, improve intergovernmental coordination, and facilitate more effective monitoring of fiscal decentralisation outcomes.

#R42

11.6. The Commission recommends that the Finance Department shall include a dedicated chapter on fund transfers to Local Bodies in the annual Economic Survey of Maharashtra and the State's Budget documents. The chapter should present comprehensive, tier-wise information on fund transfers to Local Bodies from various sources, including scheme-based transfers, tax devolution, and assignment of taxes. Such reporting would enhance transparency, strengthen accountability, and facilitate a clearer assessment of fiscal decentralisation in the state.

Appendices

Appendix A: Suggestions from Stakeholders

The Commission received numerous inputs through various workshops conducted over the course of its study. Many of these suggestions were evaluated and have been incorporated as recommendations in the Commission's report. The Commission suggests that UDD and RDD examine the inputs detailed below, and take appropriate action based on their feasibility.

I. Class A and B Municipal Corporations

- **Value Capture Finance (VCF):** Reliance on state grants alone is inadequate for meeting the needs of rapidly growing cities, making it necessary to explore strategic mechanisms to enhance municipal revenues. Value Capture Finance (VCF) is one such mechanism that urban local bodies can adopt to monetise the increase in land values arising from public infrastructure investments such as roads, water supply, and sewerage networks. To maximise returns, value capture must be implemented at the appropriate stage of urban growth, with all potential areas included early in Development Plans. Fragmented planning or delayed expansion significantly undermines the effectiveness of VCF.
- **Urban Sustainability and FSI maximisation:** Unrestricted maximisation of Floor Space Index (FSI) can be counter-productive, leading to environmental stress, infrastructure overload, and overcrowding, thereby reducing overall urban liveability. To ensure long-term sustainability and quality of life in high-growth areas, it is necessary to review and recalibrate the Unified Development Control and Promotion Regulations (UDCPR).
- **Revenue models that enhance Quality of life:** Strengthening municipal revenues requires moving beyond a reliance on traditional tax collection and adopting revenue models that also prioritise environmental sustainability and social well-being. A comprehensive revenue framework combining instruments such as user charges, environmental taxes, and service-based fees can be designed to support initiatives including clean air and pollution control, smart energy grids, traffic decongestion, integrated waste management, and riverfront development. Such an approach directly links urban growth and revenue generation with measurable improvements in citizens' quality of life.
- **Untapped Revenue from Land Parcels:** Urban development and planned city expansion are often constrained by zoning regulations and reserved lands that remain unusable due to legal and financial limitations. In several cases, reserved lands could not be acquired because of funding constraints, resulting in land parcels being locked and underutilised. These areas represent significant untapped revenue potential, underscoring the need for greater flexibility in the monetisation of amenity spaces.

- **Green Tax on Non-sustainable Transport:** The issuance of green bonds for environmental infrastructure requires a stable revenue source to repay the interest on borrowings, which is often a challenge for municipal corporations. The "polluter pays" principle can be applied to levy a green tax on non-sustainable mobility patterns, and a dedicated fund should be created from the green tax levied to repay the interest on green bonds issued.
- **Annual Health Assessment of Municipal Finances:** The rising expenditures across corporations often outpace revenue growth, creating significant financial instability and making it difficult to engage in long-term planning. An Annual Health Assessment of Municipal Finances as per a prescribed format can be conducted at the local body's level to monitor their fiscal trends accurately and transition toward "spending smarter" by linking expenditures to community priorities.
- **Settlement of Inter-Governmental Dues:** Year-end fiscal discrepancies often arise due to pending financial dues between government departments and local bodies that remain unsettled for extended periods. To address this issue, a structured mechanism for inter-governmental adjustments can be established, such as mandating budgetary provisions within each department or instituting a system of cumulative direct transfers in the form of grants. Such mechanisms would ensure that local bodies receive their rightful payments promptly, after appropriate adjustment of outstanding dues.
- **Management of Unauthorised Development:** A massive volume of unassessed, unauthorised, and illegal properties creates a significant drain on municipal resources while blocking its contribution to the tax net. Periodic intensive drives to identify these properties and impose stronger penalties will result in a substantial one-time revenue gain and a permanent increase in regular income.

II. Class C and D Municipal Corporations

- **Social Sector Prioritisation:** Smaller Class C and D corporations often lack the institutional frameworks and the finances to effectively prioritise social spending. To address this, special grant allocations for health and education can be ensured for the creation of social infrastructure. These sectors can be prioritised through a combination of tied and untied funds.
- **Solar Power Policy for ULBs:** The financial strain of repaying loans for street lighting, water-supply, drainage and other infrastructure projects is significant. The high electricity costs required for street lighting, pumping and operations can be mitigated by executing solar power projects. But there is a technical restriction that limits the consumption to the same survey number or vicinity from where a small solar project is installed, leading to ineffective utilisation of the off-grid generated power in connecting to the nearby pumps or to the streetlights. To address the problem, a dedicated solar power policy is needed that guides the installation of solar power projects in municipal properties, buildings, rooftops, etc., with a clear framework on subsidies and power purchase agreements.
- **GST Compensation and Growth Indexing:** Current GST compensation remains tied to 2017-18 baselines with a fixed annual rise of only 8%, which is significantly lower than the actual pace of

urban expansion and creates a fiscal imbalance for newly created or rapidly growing corporations. To address this, a devolution formula can be developed that covers more buoyant parameters, including current income levels, Human Development Index (HDI), and real-time population figures.

- **Financial Pressure to Clear Water Tax Bills and Irrigation Department Dues**: The ULBs are burdened with high charges billed by the Irrigation department for water consumption, creating huge outstanding liabilities. There is no clear mechanism to determine dues based on actual usage and the differential usage (between commercial and industrial), and the entire amount is often billed to Municipal Corporations without proper attribution (sometimes in the case of MIDC usages too). To reduce the growing burden of pending water bills, a detailed study of existing rates, penal charges, and industrial and commercial tariffs, along with appropriate assessment and billing models, needs to be scientifically undertaken to rationalise the charges.
- **Establishment Issues:**
  - A rigid 35% cap on establishment expenditure prevents smaller corporations from filling critical technical vacancies, leading to vacancy rates as high as 80% that severely hamper service delivery. This cap should be reviewed for smaller corporations and relaxed to allow recruiting at least the essential engineers and tax officers needed for technical work and revenue collection. Also, for corporations that are heavily dependent on government grants, there can be a progressive cap over the years.
  - Also, there is a need for the Urban Development Department-2 (UD-2) to verify and clarify whether municipal employees (excluding contractual staff) are covered under the Maharashtra Civil Services (Pension) Rules, 1982.
- **Standardised Shop Leasing Guidelines for ULBs:** There are no standardised practices regarding shop lease periods, rates and terms across ULBs. This creates a significant blockage of potential non-tax revenues. While current legal constraints limit lease durations to 9 years (3+3+3) for Municipal Councils (MMCNI Act, 1965) and 10 years for Municipal Corporations (MCA Act, 1949), seeking State-level permission for extensions often results in extreme delays. A standard guideline specifying lease durations, revision of lease rates and providing uniform documentation is needed to streamline and simplify this issue.

III. Municipal Councils and Nagar Panchayats (NPs)

- **Compulsory Water Metering**: The current user charges cover less than 20% of the operational and maintenance costs, making the public service unsustainable. In the case of water supply, a mandatory adoption of water metering can link the revenue collection directly to actual consumption, which will result in higher water tax collections and prevent wastage.
- **Ensuring Project Viability through Increased Subsidies**: Municipal councils struggle to mobilise the mandatory 10-20% local share required for state or central projects, which often

results in difficulty accessing the essential funding and thereby stalling development. In the case of solar power projects, the matching contribution to get the subsidy is as high as 50%. The share of government contribution/ subsidy can be increased to make the funding for projects more viable. This matching contribution should be revisited for MUNFRA loans also.

- **Delegating Sanction Powers**: Multi-layered sanction processes for land approvals currently create unnecessary delays and heavy dependence on external agencies like PWD and MJP for technical estimates create high costs for local projects. Land approval powers can be delegated to the District Collector/ Divisional Commissioner, and technical sanction powers can be delegated to ULB engineers, or a project directorate under DMA. This can reduce delays in approval processes significantly for administrative and technical clearances.
- **Property Tax Recovery on Government Buildings**: Over 10% of the total property tax revenue potential is lost because taxes on buildings owned by various government departments remain unpaid for long periods. These funds can be recovered through cumulative direct transfers as grants or mandating budgetary provisions within each department to ensure that local bodies receive these payments systematically without administrative delays.
- **Teacher Salaries and Education Cess:** The heavy financial burden of teachers' salaries and school O&M significantly drains municipal finances, leading to large pending dues. This can be addressed in two ways: either the State government should absorb 100% of these salaries, at least for secondary education or make necessary legal provisions for education cess, so that it will go into a dedicated fund of ULBs for meeting these payroll and maintenance obligations.
- **Operational and Maintenance (O&M) Guidelines for Capital Projects:** The ULBs are more focused on Capital expenditure (Capex) planning and giving little attention to operational expenditure (Opex) planning. This relegates the important need to service those capital projects because of asset depreciation and increases the tendency to take new capital projects instead of repairing the existing ones that need O&M. Therefore, a dedicated O&M guideline is needed to ensure adequate provision for (Opex) and support the ongoing servicing of these already created infrastructure assets.
- **Enhanced Detailed Project Report (DPR) Inclusions for Project Viability:** To reduce delays and prevent cost overrun, technical sanction cost, Project Management Consultancy cost, third-party audit fees and utility shifting should be made as mandatory components of the DPR. In many cases, due to delays in obtaining clearance from MSEDCL with additional fee payment, the shifting of electric poles is treated as a separate project, leading to cost ineffectiveness. The costs of shifting electric poles for all road/ bridges/ water supply/ sewerage works that are burdened on the local bodies should be included as a part of the DPR so that the true cost of the project is accounted for upfront.
- **Empowering the Chief Officers (CO):** The current administrative and financial powers of the Chief Officer are limited to ₹10 lakhs. To improve efficiency, these delegated powers can be

increased. Also, to strengthen local planning and property value assessment, the Chief Officers can be formally included in the Annual Statement of Rates (ASR) revision processes. There is a need to constitute a committee to address this issue.

- **Delay in fund transfer:** ULBs face significant operational uncertainty due to persistent delays in the release of development scheme funds and Union Finance Commission (UFC) grants, which hampers the timely execution of projects. To address this, clear and specific timelines and conditions to be fulfilled for the disbursement of scheme funds and grants need to be notified to ensure timely allocation to ULBs.

IV. Rural Local Bodies (RLBs)

- **Zilla Parishad Revenue Sustainability:** The implementation of the Virtual Personal Deposit Account (VPDA) creates a sustainability crisis for ZPs because these bodies have historically relied heavily on interest income generated from funds held in their accounts, which is lost under these new disbursement models. Unlike GPs, which have more flexibility to generate their own income, ZPs face reduced funding levels. To counter this, ZPs can be encouraged to explore diversified, modern tax instruments like advertisement taxes on highway hoardings, tourism tax and wildlife-related fees rather than relying solely on traditional, stagnating tax bases.
- **IT System Integration and the Samarth Portal:** The current "multiplicity and complexity" of various IT portals and dashboards like e-Gram Soft, Zilla Parishad Financial Management System (ZPFMS) and I-PAS often leads to administrative overload due to repetitive work and data entry. These systems can be integrated into a common Portal, providing a single-window dashboard for more effective monitoring and real-time financial transparency and monitoring.
- **"Tied" Funds and Expanding the Tax Net:** Currently, nearly 70% of ZP cess funds are "tied" to specific expenditures, leaving elected representatives with very little flexibility for local planning. This should be revisited to bring flexibility in planning.
- **Staffing Efficiency and Cluster-Based Deployment:** RLBs face a dual challenge of a high salary burden and a critical shortage of technical expertise (like accountants and engineers) at the village level. A cluster-based model can be proposed, where one trained technical person or accountant is assigned to a group of 10 Gram Panchayats to provide specialised support while controlling direct staffing costs.
- **Carbon Credit Mechanisms:** The RLBs can strengthen their revenue base through a strategic way of promoting the carbon-credit mechanism. It is emphasised that such mechanisms should have a very clear state-notified framework and must be implemented with stronger quality-control standards.
- **Settlement of Irrigation Dues and ZP Liabilities:** ZPs face a recurring fiscal challenge where the State Irrigation Department automatically adjusts funds intended for ZPs to cover the unpaid arrears of water reservation made for water supply schemes of GPs, of which the ZP doesn't have any

knowledge. Sometimes, even the water reservation made under scarcity is also adjusted in the dues instead of being paid from the disaster management fund. There should be a committee of the District Collector, the Chief Executive Officer, ZP and the Superintending Engineer of the irrigation department that reviews this quarterly.

- **Strict Adherence to Prescribed Work Timelines:** As per the Government Circular dated 20/06/2008, timelines were prescribed for the implementation of schemes by ZPs. However, due to administrative reasons, these timelines were not being followed, resulting in audit objections. So, a new Government Circular dated 19/05/2016 was issued which provided the guidelines to be followed for the implementation of schemes for ZPs. There is a need to follow these existing government guidelines to ensure timely approvals and execution of projects, improved resource utilisation, and better coordination among departments.
- **Solar Power Policy for RLBs:** The project cost for street lighting, water supply, drainage, and other infrastructure projects puts considerable financial pressure on RLBs. Although high electricity costs for street lighting, pumping, and operations can be reduced through solar power projects, existing technical restrictions limit power consumption to the same survey number or nearby location where small solar units are installed. This results in inefficient utilisation of off-grid solar power, particularly for connecting nearby (outside the survey number where it is installed) pumps and streetlights. To address this issue, a dedicated solar power policy can be developed to install solar projects on government properties, buildings, and rooftops, along with a clear framework for subsidies and power purchase agreements.

Appendix B: Approach and Methodology

The Sixth Maharashtra Finance Commission adopted a structured approach, keeping in mind the main objective of strengthening local bodies' finances with a strong focus on implementation. The Commission studied the key challenges faced by local bodies. It then worked with concerned stakeholders to develop recommendations along with clear and detailed steps for implementation. This consultative process helped build stakeholder support and ensured that the recommendations reflect ground realities.

The commission undertook the following step,

I. Literature Review

The Commission began its work with an extensive review of existing literature to build on past experience and avoid duplication. This included, inter alia:

- Detailed analysis of the reports of the earlier five State Finance Commissions of Maharashtra.
- Reports of Union Finance Commissions.
- Reports of other State Finance Commissions.
- Maharashtra Economic Survey and related statistical publications.
- Maharashtra Budget documents and Medium-Term Fiscal Frameworks.
- Studies and data published by the Reserve Bank of India.
- Memorandum of the Government of Maharashtra to the Sixteenth Finance Commission
- Relevant State and municipal laws, including the Mumbai Municipal Corporation Act, 1888; Maharashtra Municipal Corporations Act, 1949; Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965; Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961; Maharashtra Village Panchayats Act, 1959; and the Rules framed thereunder.
- Reports of national and state-level committees on urban and rural local governance; and
- Relevant academic and policy literature on fiscal decentralisation and local public finance.

This literature review provided the conceptual and institutional backdrop for the Commission's analytical work.

II. Data Collection

The Commission undertook extensive data collection on:

- Finances of Rural and Urban Local Bodies to understand the Share of their Own Revenue (Tax & Non-Tax) in Total Revenue and their Dependence on State Grants / Schemes.
- State Funds that are already being devolved to Local Bodies, especially untied funds that can be used as per local priorities. Based on this, the Commission assessed the additional share of State's Own Tax Revenue (SOTR) that should be devolved to local bodies.
- Taxes and levies that can be assigned to local bodies to strengthen their revenue base, based on the information received from the State GST department and other officers working in the local government sector.

The Commission acknowledges the active support of the Finance Department, Urban Development Department, Rural Development & Panchayat Raj Department, Directorate of Economics and Statistics (DES), Directorate of Accounts and Treasury as well as other departments and local bodies, in providing and validating this information.

All the data received from various sources, the deliberations along with the minutes of the various meetings and consultations by the Commission, the notes/reports received and the various Acts/GRs referred by the Commission are all enclosed in the Annexures of the report. These have been compiled in a digital format and are being given to the Finance Department as well as to YASHADA for future reference.

III. Workshops and Meetings

The commission organised thematic workshops with key stakeholder groups to obtain systematic feedback from field-level practitioners, including:

1. Municipal Corporations (Class B, C & D) - a workshop on 20th November 2025 at the Urban Research Centre, Thane, with Commissioners and senior officials of Municipal Corporations.

2. Rural Local Bodies - a workshop on 27th November 2025 in YASHADA, Pune, with Chief Accounts & Finance Officers (CAFOs) & Deputy CEOs (Village Panchayats).

3. Municipal Corporations (Class A, B, C & D) - a workshop on 5th December 2025 at the J.W. Marriott Hotel, Shivaji Nagar, Pune, with Commissioners and senior officials of various Municipal Corporations.

4. Municipal Councils and Nagar Panchayats - a workshop on 27th December 2025 in YASHADA Pune, with Chief Officers and key functionaries of Municipal Councils and Nagar Panchayats.

These workshops helped the Commission gather first-hand information and understand operational challenges, capacity gaps and local innovations along with:

1. Identification of key challenges and recommendations to enhance Local Bodies' Own Tax and Non-Tax Revenue.
2. Identification of issues and recommendations for more effective and efficient utilisation of funds by local bodies.

The following Government Officials were also consulted by the Commission to shape the final report.

Sr. No.	Name	Designation
1.	Shri. Om Prakash Gupta	Additional Chief Secretary, Finance Department
2.	Shri. Vikas Rastogi	Additional Chief Secretary (Financial Reforms), Finance Department
3.	Shri. Saurabh Vijay	Principal Secretary (Expenditure), Finance Department
4.	Shri. Virendra Singh	Secretary, Department of Information Technology
5.	Shri. Abhishek Krishna	Commissioner and Director, Directorate of Municipal Administration
6.	Shri. Suhas Divase	Settlement Commissioner and Director of Land Records
7.	Shri. Ravindra Binwade	Inspector General of Registration and Controller of Stamps
8.	Smt. Jyotsna Padiyar	Director, Economics and Statistics
9.	Smt. Deepa Deshpande	Director, Accounts and Treasury
10.	Smt. Ashwini Waghmale	Joint Commissioner, Directorate of Municipal Administration
11.	Shri. Santosh Hingane	Joint District Registrar and Collector of Stamps, Pune
12.	Shri. Vishwas Shankarwar	Joint Commissioner (Assessment and Collection), Municipal Corporation of Greater Mumbai
13.	Shri. Narendra Deshmukh	Joint Commissioner, Profession Tax
14.	Shri. Chandrakant Patil	Deputy Secretary, Rural Development and Panchayat Raj Department
15.	Shri. Rahul Sampat Kadam	Chief Accounts and Finance Officer, Zilla Parishad, Satara
16.	Shri. Prakash Dalpat Rathod	Chief Accounts and Finance Officer, Zilla Parishad, Buldhana

IV. Commissioned Studies and Consultations

The Commission engaged the following external experts to undertake specialised studies:

Sr. No.	Name of Agency / Expert	Subject of Study
1.	Institute of Public Auditors of India (IPAI) through Shri. Sunil Dadhe (Retd. Deputy CAG)	Incentivising Performance by Local Bodies (Self Governments) through Devolution criteria
2.	Prof. Mala Lalvani	Rationalised Estimate of Financial Resources Required by Urban and Rural Local Bodies in Maharashtra.

The findings of these studies have provided critical technical inputs for the Commission's devolution framework and accompanying reforms.

The Commission thanks Shri. Srikant Viswanathan and Shri. K Srinivasan of Janaagraha for extensive discussions and their help in organizing the national-level conference of SFCs in Pune.

V. Drafting of Recommendations

The Commission, based on the evidence gathered from literature, data analysis, multiple stakeholder consultations and commissioned studies, undertook an iterative process of internal deliberation to shape its recommendations. They were examined from the perspectives of:

- Constitutional and legal consistency
- Fiscal realism and sustainability
- Incentives for improved performance and resource mobilisation; and
- Administrative feasibility.

Appendix C: Score-Based Reform-Linked Devolution Framework

I. Applicability

This framework applies to Municipal Corporations (Class A+, A and B). For these local bodies, release of devolved funds shall be linked strictly to reform performance.

II. Reform-Eligible Devolution Amount (REDA)

The Reform-Eligible Devolution Amount (REDA) shall be the annual formula-based devolution amount calculated for each eligible Local Body under this Commission's recommendations.

III. Reform Parameters and Scoring

Reform performance shall be assessed using five parameters, each carrying 20% weight. Each parameter shall be calculated on a scale of 0 to 20, resulting in a total score out of 100.

Reform Parameter	Maximum Score
Standardised Accounting & Auditing and Public Disclosure	20
Air Quality Management	20
Achievement of Service Level Benchmarks (SLBs)	20
Adoption of Capital Value (CV) Taxation	20
Investment-Grade Rating for Municipal Bonds	20
Total Score	**100**

- **Release of REDA Based on Score**

The percentage of REDA released each year shall depend on the total reform score achieved.

Reform Score	Release of REDA
Below 40	Nil
40 - 49	50%
50 - 59	60%
60 - 69	75%
70 - 79	90%
80 and above	100%

IV. Treatment of Unreleased Amount

Any portion of REDA not released in a year shall not lapse and may be released in subsequent years upon improvement in reform score, as decided by the State Government.

V. Assessment and Certification

Scores shall be assessed annually based on verifiable records and certified by the designated State authority. Detailed scoring guidelines shall be notified separately by the state government.

VI. Intent

This framework is intended to provide a simple, transparent, and incentive-based mechanism to link devolution with measurable reforms in governance, service delivery, transparency, environmental management, and financial sustainability.

Annexures

The following list of Annexures in Digital Format are provided to the Finance Department and YASHADA for future reference.

A. Minutes of Meetings of the Commission

- 12th August 2025 at 4:30 pm
- 24th September 2025 at 10:00 am
- 3rd December 2025 at 5:00 pm
- 6th January 2026 5:00 pm
- 21st January 2026 10:30 am

B. Minutes of Meetings of the Workshops

- Municipal Corporations (Class B, C & D) on 20th November 2025
- Rural Local Bodies on 27th November 2025
- Municipal Corporations (Class A, B, C & D) on 5th December 2025
- Municipal Councils and Nagar Panchayats on 27th December 2025

C. Photographs of the Commission & Workshops

D. Presentations Submitted to the Commission in Workshops

- RLBs
- ULBs

E. Data submitted to the Commission

- Rural Local Bodies (RLBs)
- Urban Local Bodies (ULBs)
- Transfers to Local Bodies

F. Notes submitted to the Commission

G. Acts

- The Maharashtra Finance Commission (Miscellaneous Provisions) Act, 1994.
- Maharashtra Fiscal Responsibility and Budget Management (MFRBM) Act, 2005
- Maharashtra Municipal Corporation (MMC) Act, 1949
- Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships (MMCNI) Act, 1965
- Maharashtra Municipal Property Tax Board Act, 2011
- Maharashtra Regional and Town Planning (MRTP) Act, 1966
- Maharashtra Village Panchayats (MVP) Act, 1959
- Maharashtra Zilla Parishads and Panchayat Samitis (MZPPS) Act, 1961
- Mumbai Municipal Corporation Act, 1888
- Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975

- Maharashtra Land Revenue Code, 1966
- Maharashtra Land Revenue Code (Second Amendment) Act, 2025
- Companies Act, 2013
- Motor Vehicle Tax Act, 1958
- Motor Vehicles Act, 1988
- City of Nagpur Corporation Act, 1948
- Karnataka Local Fund Authorities Fiscal Responsibility Act, 2003
- Maharashtra Civil Services (Pension) Rules, 1982
- The Maharashtra Stamp Act, 1958
- The Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) act, 2017
- The Goods and Services Tax (Compensation to States) Act, 2017

H. Government Notifications / Resolutions / Circulars

- Gazette Notification dated 27/03/2025 by Order of Governor of Maharashtra
- Gazette Notification dated 31/07/2025 by Order of Governor of Maharashtra
- Gazette Notification dated 31/12/2025 by Order of Governor of Maharashtra
- GR dated 14/05/2025 issued by the Finance Department
- GR dated 24/07/2025 issued by the Finance Department
- GR dated 01/08/1975 issued by the Urban Development Department, GoM
- GR dated 21/01/2000 issued by the Rural Development and Water Conservation Department, GoM
- GR dated 22/09/2003 issued by the Revenue and Forest Department, GoM
- GR dated 16/02/2008 issued by the Planning Department, GoM
- GR dated 16/01/2016 issued by the Urban Development Department, GoM
- GR dated 15/09/2025 issued by the Revenue and Forest Department, GoM
- Government Notification dated 31/12/2015 issued by the Rural Development and Water Conservation Department, GoM
- Government Circular dated 19/05/2016 issued by the Rural Development and Panchayat Raj Department, GoM
- Government Circular dated 20/06/2008 issued by the Rural Development and Panchayat Raj Department, GoM

I. Commissioned Studies

- Incentivising Performance by Local Bodies (Self Governments) through Devolution criteria by Institute of Public Auditors of India
- Rationalised Estimate Of Financial Resources Required By Urban And Rural Local Bodies In Maharashtra by Prof. Mala Lalvani and Team.

J. Referred Documents