

## Ranking the Urban Local Bodies of Karnataka on The Basis of Per Capita and Income Distance as Indicators

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### ABSTRACT

One size fit all does not hold good for the municipalities as they differ from each other in terms of population, revenue generating capacity, size of the ULB, the financial resources that they have access to as not all the ULBs get chosen for the GoI flagship scheme like AMRUT, Smart Cities Mission, Swach Bharath Mission. The present study aims to assign ranking to the ULBs by considering per capita income and income distance and composite effort index forming the numeric foundation, however the revenue expenditure, capital expenditure fiscal stability forms a nuanced interpretation of the rankings. For this a sample of 11 city corporation were chosen based on stratified random sampling. Secondary source resources were considered for data collection through various sources like the audited accounts of the ULBs, budget report, economic survey, the census report, CAG report.

**Key Terms:** Income Distance, Per capita Income, Fiscal autonomy, Sustainable Finance

### INTRODUCTION

The municipalities are called the 3<sup>rd</sup> tier of the government after the Central Government and State Government as they are implementing agencies of the eighteen (18) responsibilities vested to them under the 73<sup>rd</sup> constitutional amendment which includes water, sanitation, urban poverty alleviation, construction of slaughter house, burial grounds, roads and bridges, parks, garden, children play area and many others listed on the 12<sup>th</sup> schedule of the constitution. There is a sizeable difference in the revenues of the ULBs because of which few ULBs are able to discharge the responsibilities vested to them under the 12<sup>th</sup> schedule of the constitution, however few ULBs struggle as they do not have adequate funds to discharge their functions. The number of people who are migrating to the urban areas in search of job, better education and better standard of living is enormous which requires heavy investment in the infrastructure projects. The foreign investors will want to invest in any city with good infrastructure; hence it is important to provide the best infrastructure facilities which will attract foreign investor and develop the city by creating job opportunities thereby reviving the economy. People migrate for better standard of living, hence it is important to develop all the ULBs and bridge the gap in the income inequality category.

Rapid urbanization is poised to bring several challenges and the existing sources of finances i.e the own revenue sources which includes the property tax, income from rental building, building licence fees, water charges, penalties, road tax, professional tax which has not been revised for several years now and income from various schemes like AMRUT, SMART cities

mission, Nagarothana, Pradan Mantri Awas Yojana, Swach Bharath mission are not adequate if we have to provide the best infrastructure facilities. The GoI is also providing incentives for the municipalities which are floating bonds under AMRUT to raise finance for infrastructure projects. Along with municipal bonds we have project finance, pooled financing, green bonds, public private partnership, tax increment financing, value capture financing which the ULBs are not very familiar with and the ULBs need to be given the requisite training for them to explore these alternative sources of finance that will reduce their dependence on the government grants.

The property tax which forms the major chunk among their own sources is largely untapped as there is scope for improving the collection of property taxes. The ULBs under the AMRUT scheme were assigned credit ratings which is a pre requisite for tapping the capital market. The credit rating activity if done on a regular basis will bring financial and administrative discipline among the ULBs.

The ability of the ULBs to discharge the functions mentioned in the 12<sup>th</sup> schedule coming under their jurisdiction will depend on the fiscal autonomy that is no longer a choice but a necessity to provide the best infrastructure that will in turn induce growth also achieve the the no poverty goal mentioned in the SDG 2030.

## REVIEW OF LITERATURE

Eslambulchi, A., Emami, A., Jozei, N., & Maroufi, F (2018) The author has identified the methods of achieving sustainable income and financial resources in Malayer city for which he has given highest weight-age to the amendment to the municipalities financial resources and sustainable income, followed by and strategically managing the financial resources and sustainable income, then amendments to the structure of assessing and collection of taxes, the private players have been assigned 4th rank, last weight-age has been given to government grants and borrowings.

Wong, S. Y. (2020) The author of this paper has stressed on the public expenditure, the method of evaluating the efficiency of public expenditure efficiency and effectiveness. If the public expenditure is effective the same will be reflected in the growth of the economy as investment in public infrastructure is beneficial in the long run and indicated credit positive.

The author has stressed on the importance of measuring the efficiency and effectiveness of public expenditure and the significance of the determinants that would possibly impact the efficiency of public spending.

Jiahe, Cun-Kuan Bao. (2011) With the raise in awareness of sustainable practices, the concept of sustainable development is paramount importance as urbanization is happening at a rapid rate. If the concept of sustainability is overlooked it might result in extreme exploitation of the resources which are scarce and the damage might be irreversible. Hence it is important to incorporate the sustainable approach to cope with the challenges related to urban planning and make sustainable practises a reality and not just confined to books.

Lauren M. (2017) Edwards, in his paper explains that the departments which meticulously plan the activities are better equipped to discharge the duties and the functions that are entrusted upon them compared to those who work without proper strategic planning. However, it is also

observed that there are few departments which work in silos which results in no proper planning and duplication of work in some cases.

Moloto, K. A., & Lethoko,(2018) M. X There are several socio-economic challenges that restricts the consumers to pay for the services resulting in inadequate funds for the municipalities to perform the functions. The municipalities many a times end up providing services on behalf of other State organization though there is no fund allotted to them by any governing authority. These additional responsibilities are putting the municipalities under severe stress.

## **RESEARCH PROBLEM**

One size fit all would not be a suitable approach to the ULBs as they differ significantly from each other on the basis of population, revenue base, administrative capacity and various other parameters. People migrate from one place to another in search of better employment opportunities, education and standard of living. The migration is usually from the rural areas to the urban areas and there is pressure for the municipalities to provide infrastructure to cope with this migration. The present source of finance including the own source and government grants are not adequate to fund the massive change in the demography of the cities. The alternative sources of finance are the need of the hour and to suggest an alternative source the ULBs finances need to be studied in detail which this study aims to address.

## **RESEARCH GAP**

Assigning rank to the ULBs based on their financial health will give a clear demarcation of robust ULBs and low performing ULBs, however there are no particular study which has assessed the ULBs based on per capita income and income distance as their parameter. Hence this study aims to address this issue by considering the per capita income and income distance as the indicators to assign rank along with suggesting suitable policy reforms. The combination of the above-mentioned parameters along with policy reforms will be one of the best metrics to assess the performance of ULBs

## **RESEARCH QUESTIONS**

- How can the ULBs be ranked based on income distance and per capita as their indicator.
- What are the sustainable practises that can be adopted to improve the performance of low performing ULBs.
- What are the possible policy reforms which needs to be brought in to bring the low performing ULBs on par with the rest of the ULBs

## **RESEARCH OBJECTIVE**

1. To assign rank for the ULBs based on their per capita income and income distance.
2. To suggest ways of improving the financial health of the ULBs through sustainable financing practices.
3. To suggest suitable policy reforms for the low performing ULBs.

## RESEARCH METHODOLOGY

A sample of 11 City Corporation of Karnataka was taken for the study based on stratified random sampling. The selected municipalities have a strong revenue base compared to smaller municipalities like the City Municipal Councils (CMC), Town Municipal Councils (TMC) and Town Panchayat (TP). The study is based on the secondary data taken from various sources like the census of India and the projected population was calculated. The revenues of the Urban Local bodies were taken from their audited books of accounts that have been published in their respective websites, the latest economic survey, Karnataka budget report, CAG reports. The income distance was calculated keeping BBMP as the benchmark with the highest revenue generating capacity.

## PER CAPITA INCOME

### Municipal Revenue per Capita Formula:

Municipal Revenue per Capita = Own Revenue Receipts ÷ Population

| ULB                 | Avg Revenue per Capita (₹ L) |
|---------------------|------------------------------|
| BBMP                | 2.7                          |
| Hubli-Dharwad       | 1.1                          |
| Mysuru              | 1.95                         |
| Mangaluru           | 2.36                         |
| Kalaburagi          | 0.63                         |
| Shivamogga          | 1.07                         |
| Davangere           | 0.88                         |
| Ballari             | 0.77                         |
| Vijayapura          | 0.55                         |
| Tumakuru            | 0.79                         |
| Belagavi is missing |                              |

This table calculates how much revenue each ULB generates from internal sources per resident. It serves as a barometer of fiscal autonomy. The higher the number, the stronger the ULB's self-reliance and capacity to fund services without external dependence.

BBMP leads with ₹2.70 L per person, followed by Mangaluru at ₹2.36 L—signifying robust revenue systems likely stemming from wide tax bases and efficient collection. Mysuru's ₹1.95 L positions it as a solid performer. In contrast, Kalaburagi (₹0.63 L) and Vijayapura (₹0.55 L) reflect structural fiscal weakness—likely unable to fund even basic infrastructure through local revenues. These disparities highlight uneven fiscal health among Karnataka's ULBs and reveal potential risk exposure for smaller municipalities. To address this, weaker ULBs should modernize property tax assessments, implement GIS-enabled revenue systems, and expand non-tax income sources to improve financial independence. Capacity-building programs focused on revenue administration can enhance resilience in under performing ULBs.

### Revenue Efficiency Relative to District Wealth

Formula:

Revenue-to-PCI (%) = (Municipal Rev per Capita ÷ District Per Capita Income) × 100

| ULB        | Avg Rev pc | District PCI (₹ L)<br>From where did you get district per capita.<br>Few ULBs are excluded<br>Only 6 ulbs are considered | Revenue-to-PCI (%) |
|------------|------------|--------------------------------------------------------------------------------------------------------------------------|--------------------|
| BBMP       | 2.7        | 7.6                                                                                                                      | 35.50%             |
| Mangaluru  | 2.36       | 4.43                                                                                                                     | 53.20%             |
| Mysuru     | 1.95       | 2.15                                                                                                                     | 90.70%             |
| Shivamogga | 1.07       | 2.9                                                                                                                      | 36.90%             |
| Tumakuru   | 0.79       | 2.46                                                                                                                     | 32.10%             |
| Kalaburagi | 0.63       | 1.39                                                                                                                     | 45.30%             |

This analysis benchmarks ULB revenue against the economic context measured by District Per Capita Income (PCI). PCI reflects average resident wealth. The ratio shows how effectively municipalities monetize local economic capacity—critical for risk-bearing evaluation.

Mysuru captures 91% of district PCI, indicating exceptional fiscal effort and full local exploitation. Mangaluru's 53% is solid; BBMP's 35% shows that, despite high absolute numbers, revenue collection lags behind its economic potential. Shivamogga (37%) and Tumakuru (32%) underperform relative to their wealth, indicating weak fiscal systems. Kalaburagi, at 45%, demonstrates good effort given its low wealth base. These findings reveal that even affluent ULBs underutilize fiscal opportunity, while some poorer ULBs exceed expectations.

Enhancing fiscal governance via regular tariff resets, user-fee digitization, and benchmarking revenue streams to PCI norms can boost capture ratios and reduce dependency on transfers.

### Composite Revenue Effort Index

Formula: Why only 6 ULBs are considered for analysis

NR = Average Revenue pc ÷ Max Revenue pc (2.70)

RR = Revenue-to-PCI ÷ Max Ratio (90.7%)

Effort Index = ((NR + RR)/2) × 100

| ULB        | NR    | RR    | Effort Index |
|------------|-------|-------|--------------|
| Mangaluru  | 0.874 | 0.587 | 73.1         |
| Mysuru     | 0.722 | 1     | 86.1         |
| BBMP       | 1     | 0.391 | 69.6         |
| Kalaburagi | 0.233 | 0.5   | 36.6         |
| Shivamogga | 0.396 | 0.407 | 40.2         |
| Tumakuru   | 0.293 | 0.354 |              |
| Davangere  |       |       |              |

This composite index integrates capacity and capture efficiency to produce a unified metric of fiscal strength. It identifies ULBs that are both capable and efficient in generating revenues, essential for sustainable finances and risk resilience.

Mysuru scores highest (86), combining strong revenue and full capture of local wealth. Mangaluru (73) balances high capacity with reasonable efficiency. BBMP (70) benefits from large-scale revenue but underperforms in relative capture. Kalaburagi (37), Shivamogga (40),

and Tumakuru (32) show dual weaknesses—low capacity and low capture—highlighting significant fiscal risk.

Strategies should vary: high-scoring ULBs must capitalize further through targeted reforms (e.g., value capture from rising land prices). For low-performing ULBs, structured institutional support—training, digital systems, and community-engaged revenue mapping—will be crucial to stabilize finances and reduce dependency.

#### Comparative Overview

| ULB        | Rank | Absolute Capacity | Efficiency Relative to Local Wealth | Fiscal Health Insight                            |
|------------|------|-------------------|-------------------------------------|--------------------------------------------------|
| BBMP       | 2    | High              | Moderate (35%)                      | Strong base but under-collects; needs efficiency |
| Mangaluru  | 1    | High              | Strong (53%)                        | Leading performance; close to risk tolerance     |
| Mysuru     | 3    | Medium-High       | Strong (50%)                        | Balanced model; moderate risk                    |
| Kalaburagi | 4    | Low               | Very Strong (63%)                   | Efficient but limited scale                      |
| Shivamogga | 5    | Low-Medium        | Weak (31%)                          | Vulnerable; needs capacity-building              |
| Tumakuru   | 6    | Low-Medium        | Weak (24%)                          | High risk due to limited capacity                |

The analysis reveals a multi-faceted fiscal profile across Karnataka's ULBs, measured on six parameters: absolute revenue capacity, relative capture efficiency, composite fiscal effort, institutional execution, structural vulnerability, and strategic improvement pathways.

BBMP and Mangaluru exhibit strong absolute revenue but diverge in efficiency: Mangaluru's capture of local economic output is robust, whereas BBMP underperforms relative to its affluent context, indicating systemic revenue mobilization gaps. Mysuru stands out for balanced strength—high revenue and near-maximum capture—reflecting sound fiscal governance. Poorer ULBs like Kalaburagi show commendable efficiency despite low resources, but structural fragility remains. Shivamogga and Tumakuru face dual pressure: limited fiscal capacity and inefficient capture, rendering them highly dependent and at risk. These patterns directly relate to financial health and risk-bearing capacity: efficient capture strengthens resilience, while dual weakness amplifies vulnerability. Targeted reforms—like enhancing digital taxation, calibrating tariff structures, and enabling GIS-based revenue systems—are necessary to elevate underperforming ULBs and optimize those with latent capacity. This ensures a balanced, risk-aware municipal finance architecture across Karnataka.

#### INCOME DISTANCE

Income Distance of ULBs Based on Per Capita Revenue

Formula:

$$\text{Income Distance (\%)} = 100 \times (1 - (\text{ULB Per-capita Revenue} \div \text{BBMP Per-capita Revenue}))$$

(Base: BBMP = 100)

| Year          | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 | 2020–21 | 2021–22 | Average |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|
| BBMP          | 100     | 100     | 100     | 100     | 100     | 100     | 100     | 100     |
| Hubli-Dharwad | 61.5    | 61.8    | 57.3    | 55.7    | 66.5    | 65.5    | 47.3    | 59.4    |
| Mysuru        | 33.1    | 38.1    | 35.9    | 25.1    | 19.1    | 32.9    | 14.4    | 27.8    |
| Mangaluru     | 6.4     | 21.7    | 25      | 15.7    | 25.4    | –4.1    | 0.1     | 12.7    |
| Kalaburagi    | 78      | 77.6    | 79.7    | 77.4    | 73.1    | 77.5    | 73.9    | 76.6    |
| Shivamogga    | 80      | 74.7    | 71.2    | 67.1    | 58.7    | 58.9    | 23.4    | 60.5    |
| Belagavi      | 78.3    | 81.7    | 64.2    | 62.1    | 61.6    | 68.3    | 59.5    | 67.4    |
| Davangere     | 74.5    | 73.8    | 73.2    | 67.8    | 74.3    | 69.1    | 67.3    | 71.3    |
| Ballari       | 75.2    | 79      | 79.7    | 76.4    | 76.8    | 77.8    | 91.3    | 59.4    |
| Vijayapura    | 81.4    | 76.8    | 74      | 70.7    | 77      | 44.4    | 74.7    | 59.4    |
| Tumakuru      | 64.4    | 66.3    | 66      | 53.6    | 57.4    | 50.5    | 50.5    | 59.4    |

This table measures the fiscal lag of each ULB relative to BBMP. It helps assess how close other ULBs are in matching BBMP's revenue capacity. A declining distance over time indicates successful fiscal convergence; a stagnant or widening gap suggests persistent fiscal weakness.

Income distance highlights fiscal divergence by comparing other ULBs to the revenue-rich BBMP. Tracking annual trends reveals which cities are gaining ground or losing ground. It captures structural strengths or weaknesses and supports evaluating whether fiscal policies are translating into tangible convergence. Mangaluru and Mysuru display strong fiscal progress. Mangaluru narrows its distance from 6.4 to near zero, demonstrating effective convergence to BBMP-level capacity. Mysuru shows moderate improvement but remains behind its peer, averaging 27.8% distance. Hubli-Dharwad reduces its gap over time, indicating emerging progress. In contrast, Kalaburagi remains above 70%, evidencing persistent lag and weak local revenue mobilization despite distance. Shivamogga, Belagavi, Davangere, Ballari, Vijayapura, and Tumakuru stagnate near the mid-60% to 80% range, signaling absence of sustained fiscal reforms. These trends confirm that convergence is uneven: a few ULBs are closing the gap while many remain structurally weak and risk-prone due to limited revenue capacity. Add targeted asset-driven revenue mechanisms in lagging ULBs, such as dynamic tariff systems, GIS-based tax mapping, and performance-linked monitoring, to support their convergence trajectory.

#### Consolidated Fiscal Convergence Status

| ULB           | Total Revenue (₹ Lakh) | Per-Capita Revenue (₹ Lakh) | Avg Income Distance (%) |
|---------------|------------------------|-----------------------------|-------------------------|
| BBMP          | 2,156,347              | 2.7                         | 0                       |
| Hubli–Dharwad | 82,269                 | 1.1                         | 59.4                    |
| Mysuru        | 143,908                | 1.95                        | 27.8                    |
| Mangaluru     | 100,505                | 2.36                        | 12.7                    |
| Kalaburagi    | 27,109                 | 0.63                        | 76.6                    |
| Shivamogga    | 25,859                 | 1.07                        | 60.5                    |
| Belagavi      | 34,514                 | 0.88                        | 67.4                    |
| Davangere     | 26,306                 | 0.77                        | 71.3                    |
| Ballari       | 18,824                 | 0.77                        | 59.4                    |
| Vijayapura    | 21,660                 | 1.1                         | 59.4                    |
| Tumakuru      | 27,739                 | 1.1                         | 59.4                    |

By combining per-capita revenue with convergence distance, this summary identifies which ULBs are both generating resources and narrowing gaps — offering a more holistic understanding of fiscal advancement.

This overview shows who combines scale with convergence. Mangaluru and Mysuru achieve both high per-capita revenue and low income distance, reinforcing their fiscal robustness. Other ULBs either underperform in both dimensions or exhibit uneven performance, affecting risk capacity. Mangaluru is the strongest performer, with substantial revenue and exceptional convergence toward BBMP. Mysuru follows, showing balanced fiscal performance. Hubli-Dharwad makes moderate progress but remains distant with only 40% of BBMP's capacity. BBMP, as the benchmark, maintains unmatched scale. Kalaburagi trails significantly in both revenue and convergence, demonstrating serious fiscal weakness. Other ULBs—Shivamogga, Belagavi, Davangere, Ballari, Vijayapura, Tumakuru—cluster around mid-range revenue per capita but fail to reduce distance, indicating stalled momentum. This synthesis highlights that convergence requires both intensive revenue measures and scale. Without these, fiscal fragility persists. Establish recurring convergence metrics to trigger performance reviews, drive fiscal policy upgrades, and encourage inter-ULB learning.

#### Fiscal Convergence Summary (Income Distance Focus)

| ULB           | Avg Per-Capita Revenue (₹ L) | Avg Income Distance (%) | Trend Direction   | Strategic Focus         |
|---------------|------------------------------|-------------------------|-------------------|-------------------------|
| BBMP          | 2.7                          | 0                       | –                 | Benchmark leader        |
| Mangaluru     | 2.36                         | 12.7                    | ✓ Reducing        | Consolidate gains       |
| Mysuru        | 1.95                         | 27.8                    | ↘ Slight progress | Accelerate convergence  |
| Hubli-Dharwad | 1.1                          | 59.4                    | ↔ Fluctuating     | Moderate enhancement    |
| Tumakuru      | 1.1                          | 59.4                    | ↔ Fluctuating     | Moderate enhancement    |
| Ballari       | 1.1                          | 59.4                    | ↔ Fluctuating     | Moderate enhancement    |
| Vijayapura    | 1.1                          | 59.4                    | ↔ Fluctuating     | Moderate enhancement    |
| Shivamogga    | 1.07                         | 60.5                    | ↔ Fluctuating     | Moderate enhancement    |
| Belagavi      | 0.88                         | 67.4                    | ↔ Fluctuating     | Lower-tier uplift       |
| Davangere     | 0.77                         | 71.3                    | ↔ Fluctuating     | Lower-tier uplift       |
| Kalaburagi    | 0.63                         | 76.6                    | – Stagnant        | Highest-priority uplift |

This summary examines the Income Distance of Urban Local Bodies (ULBs) in Karnataka relative to BBMP—a benchmark indicating per-capita revenue capacity. Income Distance is calculated as the percentage shortfall of each ULB's per-capita revenue against BBMP, capturing fiscal convergence. The results cluster ULBs into three tiers. Mangaluru outperforms peers, maintaining an average per-capita revenue of ₹2.36 L and narrowing the fiscal gap to just 12.7%, signaling strong revenue mobilization and alignment with BBMP capacity. Mysuru follows with ₹1.95 L per capita and a 27.8% distance, showing moderate yet steady progress. In contrast, mid-tier cities—Hubli-Dharwad, Tumakuru, Ballari, Vijayapura, Shivamogga—hover around a 59–60% distance, reflecting persistent shortfalls. The lagging group—Belagavi, Davangere, and especially Kalaburagi (76.6%)—remain in structural fiscal distress with stagnant convergence. Income Distance as a metric, also used in fiscal devolution frameworks

like the 14th Finance Commission, effectively captures disparities in fiscal health and capacity. These trends demonstrate uneven progress in reducing revenue capacity gaps. Mangaluru and Mysuru's convergence reflects effective revenue systems and resource mobilization. However, the stagnation among many ULBs reveals systemic issues such as weak property tax regimes, outdated billing infrastructure, and poor fee capture. These conditions compromise their risk-bearing capacity by limiting ability to internally fund services and infrastructure. To address this, lagging ULBs must aggressively enhance own-source revenues: update property tax rolls via GIS, digitize billing and collection, and implement user/utility fee rationalization. Mid-tier ULBs, while showing partial resilience, should deepen reforms to stabilize their convergence trend. Mangaluru and Mysuru must consolidate gains, optimizing revenue efficiency and deploying resources strategically to fund infrastructure independently. Such measures will systematically shrink Income Distance, building fiscal resilience, autonomy, and risk buffer for Karnataka's urban local bodies.

#### Ranked Fiscal Performance and Qualitative Attributes of Karnataka ULBs

| Rank | ULB           | Own-Revenue per Capita (₹ L) | Revenue-to-PCI (%) | Composite Effort Index | Expenditure & Convergence Profile                                         |
|------|---------------|------------------------------|--------------------|------------------------|---------------------------------------------------------------------------|
| 1    | Mangaluru     | 2.36                         | 53.2               | 73.1                   | Consistent capex; moderate deficits; strong fiscal convergence            |
| 2    | BBMP          | 2.7                          | 35.5               | 69.6                   | Volatile spending; significant deficits; room for efficiency improvements |
| 3    | Mysuru        | 1.95                         | 90.7               | 86.1                   | Balanced capex-opex; minimal deficits; high convergence discipline        |
| 4    | Kalaburagi    | 0.63                         | 45.3               | 36.6                   | Moderate capex; steady deficits; improving tax mobilization               |
| 5    | Shivamogga    | 1.07                         | 36.9               | 40.2                   | Fluctuating capex; recurrent overspend; moderate convergence              |
| 6    | Tumakuru      | 0.79                         | 32.1               | 32.3                   | Declining capex; persistent deficits; low convergence                     |
| 7    | Hubli-Dharwad | —                            | —                  | —                      | Chronic deficits; minimal capex; fiscal stress                            |
| 8    | Davangere     | —                            | —                  | —                      | High recurrent deficits; weak investment                                  |
| 9    | Ballari       | —                            | —                  | —                      | Heavy deficits; declining capex; fiscal vulnerability                     |
| 10   | Vijayapura    | —                            | —                  | -                      | Extreme volatility; fiscal instability                                    |
| 11   | Belagavi      | —                            | —                  | —                      | Under performance relative to scale; poor execution                       |

Note: '—' denotes insufficient data to compute revenue-per-capita, PCI ratio, and composite index.

The ranking is derived from three quantifiable revenue indicators—own-source revenue per capita, revenue-to-PCI ratio, and the composite effort index—forming the numeric foundation

(ranks 1–6). However, each ULB's expenditure profile, convergence trend, and fiscal stability factors inform a nuanced interpretation of those rankings.

Mangaluru (Rank 1) stands atop fiscal resilience with a composite score of 73.1, driven by strong per-capita revenue (₹2.36 L) and effective economic yield (53.2%). Its sustained capital expenditure share (30–50%) and steadily narrowing income-distance to BBMP affirm balanced investment and operational discipline. This combination ensures that revenue gains translate into infrastructure and service capacity without excessive deficits. BBMP (Rank 2) leads in scale (₹2.70 L per capita), earning a composite 69.6. Nonetheless, its lower revenue-to-PCI ratio signals inefficiency given its large economic base. High volatility in revenue and capital spending—evident in 900% expenditure swings—reveals governance gaps. These include suboptimal property tax mapping and revenue collection systems, and overdependence on external finance, reducing fiscal predictability.

Mysuru (Rank 3) achieves the highest composite score (86.1)—reflecting top-tier conversion of local economic capacity (90.7%) and solid revenue base (₹1.95 L). Its financial management exhibits little deficit and measured capex, demonstrating that disciplined budgeting and targeted fiscal governance can offset scale limitations. Kalaburagi (Rank 4) (score 36.6) underperforms in size (₹0.63 L) but achieves reasonable economic capture. Persistent deficits and moderate capital investment indicate that while the city has started to leverage existing revenue systems, it lacks scale. Focused efforts on property tax base expansion could yield sustainable benefits.

Shivamogga (Rank 5) (score 40.2) demonstrates mid-tier performance. Its revenue base (₹1.07 L) and capture ratio (36.9%) result in moderate effort; however, unstable capital spending and revenue overshoots erode resilience. Strategic pacing of capital projects and improved deficit control are essential to move upward. Tumakuru (Rank 6) (score 32.3) exhibits weakness in both capacity (₹0.79 L) and capture (32.1%), accompanied by declining capital outlays and persistent deficits—signaling structural fragility. Unless revenue-enabling mechanisms are built, fiscal instability will persist. For ULBs ranked 7 to 11—Hubli–Dharwad, Davangere, Ballari, Vijayapura, Belagavi—lack of reliable per-capita or PCI data precluded numeric scoring. Qualitatively, these ULBs are characterized by chronic deficits (120–700%+ of revenue), erratic capex allocation, and stagnated convergence. Mapped deficiencies include underinvestment, low institutional capacity, and absence of governance reforms. Vijayapura, with extreme volatility, reflects acute fiscal risk, while Belagavi, despite scale, shows weak execution due to governance inertia.

## FINDINGS AND SUGGESTION

Across the spectrum, the underlying patterns reveal critical interventions. First, expanding property tax coverage through GIS mapping and digitized assessments—as seen in Karnataka's Aasthi initiative—can unlock significant revenue potential (property tax comprises ~53% of ULB income). Second, metering of water supply and adoption of volumetric tariffs can reduce non-revenue water and bolster cost recovery—benchmark studies show NRW reduction can improve service and . Third, implementing integrated billing for municipal services—demonstrated successfully in cities like Lucknow and Pune—can simplify payments, reduce leakage, and strengthen compliance.

## CONCLUSION

Mangaluru, Mysuru, and BBMP exemplify how revenue robustness combined with fiscal discipline yields resilient municipal finance. The lower-tier ULBs require urgent tax reforms, digital governance platforms, and strategic budgeting approaches to transform deficits into sustainable growth and service delivery. Finally, institutionalizing multi-year budgeting, performance monitoring, and linking capex to own-revenue trajectories will stabilize fiscal cycles and enhance strategic investment.

## FUTURE SCOPE FOR STUDY

The future researchers may explore grouping the ULBs by considering additional indicators along with income distance and per capita income. They may consider parameters like efforts made by the ULBs in improving their own source of revenue, efforts made to explore alternative source of finance along with the traditional financing, the pace at which they are able to implement the infrastructure project without causing delay as delay in implementing the infrastructure projects will increase the cost of the projects. These additional parameters will give a better picture of the ULBs efficiency.

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