

**GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 938
TO BE ANSWERED ON FEBRUARY 05, 2026
STRENGTHENING OF URBAN LOCAL BODIES**

NO. 938. PROF. SOUGATA RAY:

Will the Minister of HOUSING AND URBAN AFFAIRS be pleased to state:

- (a) the steps taken to strengthen the fiscal capacity of Urban Local Bodies (ULBs) across the country;**
- (b) whether the Government has noticed that a large number of ULBs are facing a severe financial crisis and if so, the details thereof; and**
- (c) whether some ULBs have demanded direct transfer of Central funds and if so, the details thereof?**

ANSWER

**THE MINISTER OF STATE IN THE
MINISTRY OF HOUSING AND URBAN AFFAIRS
(SHRI TOKHAN SAHU)**

- (a) The Government has undertaken a series of structural and reform-linked measures to strengthen the fiscal capacity of Urban Local Bodies (ULBs). These include:**
- i. Implementation of the Fifteenth Finance Commission (15th FC) framework through a transparent, rule-based and digital mechanism for release of grant and monitoring reforms undertaken by ULBs.**
 - ii. Mandating property tax reforms such as notification of minimum floor rates, improvement in assessment systems, and ensuring year-on-year growth in collections linked to States' average 5 years GSDP growth.**
 - iii. Introduction of the Municipal Shared Services Centre (MSSC) scheme to strengthen municipal finance systems, shared services, and institutional capacity at scale.**
 - iv. Promoting municipal borrowing and bond financing through incentives under AMRUT and AMRUT 2.0, including support for green bonds issuances.**
 - v. Incentivising user charges reforms for water supply and sewerage services to improve cost recovery and operational sustainability.**
 - vi. Large-scale capacity building of State and ULB officials on financial management, budgeting, data reporting, and grant compliance.**

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- vii. **Establishment of the CityFinance portal (<https://www.cityfinance.in>) as a national platform for publishing audited financial statements, standardising ULB financial data, and enabling transparency and benchmarking.**
- viii. **Linking all ULBs bank accounts to the Public Financial Management System (PFMS) for real-time fund tracking and improving the timeliness of transfers.**

These measures aim to improve own-source revenue mobilisation, fiscal transparency, financial discipline, access to market finance, and overall sustainability of ULB finances.

(b) The Government is aware that a number of ULBs specially in tier-II and tier-III cities face financial stress due to limited own-source revenues, high dependence on grants, rising expenditure responsibilities, legacy liabilities, and weak budgeting and financial management systems. Smaller and emerging ULBs are relatively more dependent on inter-governmental transfers.

To address these challenges, the Government has adopted a reform-oriented approach through:

- i. Performance-linked Finance Commission grants**
- ii. Property tax and user charge reforms**
- iii. Digital financial reporting and transparency mechanisms**
- iv. Capacity building and institutional strengthening**
- v. Support for municipal budgeting, shared services, and long-term financial planning under Municipal Shared Services Centre (MSSC).**

These interventions are designed to shift ULBs from grant dependency to a sustainable own source revenue generation.

(c) In the context of the 15th Finance Commission, the grants are released to the States strictly in accordance with the conditions and procedures stipulated in the operational guidelines. Funds are released to the States, for transferring to ULBs within the prescribed timelines through the Public Financial Management System (PFMS). Since the 15th FC framework is built on a conditional, reform-linked and State-routed mechanism, the question of direct transfer of Central funds to ULBs does not arise.
