

### Debt Position and Performance Analysis of ULBs

#### Storyline...

The Commissionerate of Municipal Administration (CMA) monitors the performance of nine Corporations and 125 Municipalities in Tamil Nadu.

MaGC® (formerly NCRCL®) helped CMA's office in consolidating the outstanding loan balances as at the end of March 2012 for all the Corporations and Municipalities and in analyzing the debt position of Urban Local Bodies (ULBs).

#### Once upon a time...

Earlier, CMA's office had a Debt Monitoring Cell (DMC) to collect the data related to the debt of each ULB and consolidate the collected information. Once the DMC stopped functioning, the need arose for collecting and consolidating the data related to the debts of ULBs and analyzing the data. Suggesting options for debt restructuring was also a key requirement of this analysis.

#### Moving on...

MaGC designed the template for analysing the debt position of the ULBs in Tamil Nadu. The template was designed to carry out two types of analysis namely: Debt position analysis and Performance analysis.

**Debt position analysis:** In this analysis, the components of the debt of the ULBs, namely TUFIDCO loan, TNUIFSL loan, Government loan and DTCP loan were studied. The consolidated loan balance as at the end of March 2012 for each ULB was arrived at with details of breakdown for outstanding principal, overdue interest and overdue penal interest.

**Performance analysis of ULBs:** In the performance analysis, the following parameters were analyzed for data over the period of five years from 2007-08 to 2011-12:

1. Revenue – value analysis, percentage analysis, trend analysis, per capita analysis
2. Expenditure – value analysis and percentage analysis
3. Efficiency analysis – Ratio analysis

A loan repayment factor was developed to measure the loan repayment potential of the ULBs. Different options for debt restructuring were suggested by:

1. Identifying factors for debt restructuring
2. Identifying ULBs requiring help
3. Identifying options for debt restructuring

#### Finally...

The framework for analyzing the debt position and performance of ULBs along with the loan repayment factor helped the CMA in planning for a debt restructuring exercise. The analysis tools used gave the government the wherewithal to conduct analyses in future also. The performance analysis which was a first of its kind attempt provided valuable lessons to the CMA to put in place a regular system of performance analysis and performance management for ULBs in Tamil Nadu.



