CHAPTER - III
REVIEW OF LITERATURE

This chapter presents "review of literature". Since urban finances are popular and problematic areas, extensive work has been done by a number of scholars on urban finances. According to these scholars, finance is the root of good or bad performance everywhere, especially for local bodies. Local finances are necessary to provide basic amenities for the citizens. But these amenities are not provided because of paucity of funds, mismanagement and lack of transparency in operation. Various suggestions were made by the scholars on improvement of urban finances. The role of grants-in-aid, establishment of Municipal Finance Corporation, exploiting the existing sources of revenue, searching new resource generation avenues, monitoring effective recovery of taxes, developing new taxes etc., were discussed by scholars in detail. Some important works were selected for review and the major findings were given in this chapter.

Finances are very important for every government - central, state and local. Urban finance has greater importance in providing basic amenities to the people. If the collection of taxes increases in the local government, then it increases the facilities like supplying drinking water, drainage, sanitation and health to the people. Otherwise, the local government may not be able to fulfill the requirements of the people. Property tax is one of the major sources of municipal income in India. But the basic problem of local governments in India is mobilization of finance. There is a gap between the local resources and needs. Not only lack of resources but also rapid rate of urbanization brings a host of problems such as housing, provision of water supply, provision of health services, etc., and consequently a heavy burden on municipal bodies to make provision of related basic civic amenities. Not only that, urban areas have experienced increasing rates of population growth.

Urban population in India in 1947 was 15.7 per cent of total population. In 1951 17.84 per cent of India’s population was urban. The urban population as proportion of the total population increased from about 18 per cent in 1961 to 27.7 percent in 2001. Presently, India is rapid urbanization Census data 2011 reveals that about 31 per cent (377 million) of India population live in urban areas. Increasing pressure of population has led to serious problems of slums and low level of
municipal services. The municipal bodies are thus not able to mobilize enough resources ever to provide minimum basic services for their inhabitants.

Extensive work has been done by a number of scholars worldwide on urban finances. According to these scholars, finance is the root of good or bad performance everywhere, especially for local bodies. Local finances are necessary to provide basic amenities for the citizens. But these amenities are not provided because of paucity of funds, mismanagement and lack of transparency in operation. So they suggested that the corporations should improve its finances by giving grants-in-aid, establishment of Municipal Finance Corporation, fully exploiting the existing sources of revenue, searching new resource generation avenues, monitoring effective recovery of taxes, developing new taxes etc.,

3.1. **International:**

3.1.a). **Bangladesh:**

Muslehuddin Ahmed (1995) made a detailed study of the Issues and Problems of Local Government Finances of selected City Corporations and Pourashavas in Bangladesh. The specific objective of the study was to assess the performance of the selected Dhaka and Chittagong City Corporations and Barosal, Bogra, Mymensingh and sylhet Pourahavas on the basis of three years budget from 1987-88 to 1989-90 and also to focus on the issues based upon the practical field observations. In DCC (Dhaka City Corporation), actual expenditure was TK. 66,71,77510 and income was TK. 70,32,53,317 in 1987-88. Thus, the actual expenditure consists 95 per cent Cut of the total actual receipts. In 1988-89 and 1989-90, actual expenditure was also found below 78 per cent and 51 per cent respectively than the income. But in CCC (Chittagong City Corporation), the income was TK. 12,6,84,073, TK. 24,20,97,763 and TK. 25,30,80,610, and the expenditure was TK. 13,47,28,320, TK. 189,01,800 and TK. 23,05,75,400 in 1987-88, 1988-89 and 1989-90 respectively. In CCC, actual expenditure was 107 per cent of the actual income in 1987-88 but in 1988 -89, it was only 79 per cent and in 1989-90, it was 90 per cent. Among the four selected Porashavas, excepting Barisal Porashava in 1988-89 and 1989-90 and Mymensingh in 1987-88, the actual expenditure was always higher than the actual income. The expenditure was higher than the actual income in Barisal and Bogra during 1987-88, in Mymensingh from 1988-89 to 1989-90 and in Sylhet from 1987-88, to 1988-89.
In DCC, establishment and salary expenses increased from TK. 25,15,42,981 in 1987-88 to TK. 29,69,81,458 in 1988-89. But the expenditure decreased to TK. 18,53,46,116 in 1988-90 due to loss establishment expenses. In CCC, general establishment and salary expenditure in 1987-88 were just as much as on civic and development activities. But in 1988-89, expenditure on establishment and salary overtook expenditure on civic and civic and development activities. The urban local bodies of Bangladesh can generate their internal resources through taxes, rates, tolls fees, etc. The performance in terms of collections of taxes was of poor standard. A huge amount of taxes remained unrealized for yours together. Actual per capita revenue for the city corporations and the pourashavas was not growing as revenue sources are not responsive to inflation and increased economic activities. He observed in this study that the collection of taxes in Dhaka and Chittagong City Corporations had shown increasing trend from 1987-88 to 1989-90. But in the selected Pourashavas, the realization from this source was not significant because of the lack of tax collection drive and defective tax rebate provisions, and in view of very little legal action taken against the tax defaulters.

The author concluded that the local government has improved its resources even under a restricted parameter in areas where it received support from the higher administration. Gradual and step-by-step adjustment of the existing structure for a more desirable achievement should start immediately. Within the present structure, an elaborate financial inspection system should be introduced. Financial sustainment and self-sufficiency can be improved through rigorous revenue rising of the urban local bodies.

Rokshana Binta Samad (2009) studied the financial capability of Dhaka City Corporation. The major area of investigation was the methods of strengthening the financial capability of City Corporation. Various sources of revenue, existing state of tax base, and various problems pertaining to income and expenditure were carefully studied. The Government grant has not been a major source of finance for Dhaka City Corporation. It formed only 12.59 per cent of total resources in 2001-02, fell to 10.46 per cent in 2002-03 and then declined further in the later years. When compared to the government grant, percentage of revenue from own sources were in better position. In
2001-02 financial year, the share of own revenue was 39.2 per cent of the total resources. It rose to 49.02 per cent within a period of five years. The income from the external sources (i.e. from GOB and the foreign donors) has also been fluctuating. The income from this source was more or less same between 2002-03 and 2005-06. The percentage of special government grant was also nominal of the percentage share of the total resources. Property Transfer Fee tax was levied when any sale or other transfer of immovable property (land, building, etc.) takes place within the City Corporation. The tax was levied at 2 per cent of the value of the property, which was actually collected by the agencies under the Ministry of Land and after deduction of collection charges passed on to the Corporation concerned. This was actually not a local tax. It was levied and collected along with a variety of stamp duties. While there was apparently little problem in realizing the Corporations’ share of the tax, the rate at which it was levied was very low. The total property transfer fees for five financial years, which showed that in the financial year 2001-02, the collection of property transfer fees were only Taka 36000 (in thousands). The collection from fees has improved significantly from Taka 36000 to Taka 315000 in 2005-06. Collection performance has improved somewhat better in five years. The expenditure of the Dhaka City Corporation has been governed by it was annual revenue. After allowing for recurrent expenditure, development and maintenance programs are undertaken. At the end of the year, there was usually some unspent balance known as closing balance. This balance was sometimes a large amount, if the Corporation fails to utilize all the money within the fiscal year that includes own source revenue and government grant. Due to differential rates of grant receipts in different years, the absorption capacity for development projects varies from year to year. The total wage bill of the Corporation along with the repair and maintenance expenses totaled Tk.955000 (in thousands) in 2005-06 financial year.

The author concluded that for the most part, City Corporation remains heavily dependent on the national government for their revenues, and much uncertainty surrounds the levels of this support. The City Corporation faces a lot of problems in carrying out their daily activities, which restrict them from providing services as envisaged under rule to the city dwellers. There was scope for improvement of revenue generation capabilities of the City Corporation. Systematic improvements in every aspect of the local bodies were needed for this. The public representatives will
have to be more dynamic and conscious about the needs of the people and must find out the means to finance the required services and infrastructures. The solution of almost all the problems lie in terms of increased initiative with elected Corporation representatives and the permanent staff within the respective jurisdictions and not outside those. The government should give importance to the issues and take necessary steps for solution.

Amirul Islam Chowdhury, made a detailed study of the Instruments of Local Financial Reform and their Impact on Service Delivery, Institutional and Development Concerns in the Case Study of Bangladesh. The author said that the Dhaka City Corporation (DCC) since 2001-2002 till the last fiscal could nearly 1/3rd of estimated revenue. Chittagong City Corporation (CCC) on the hand has been steady in collecting the current demand at a very high level except in 2003-2004. CCC was collecting the arrear at an increasing rate since 2000-01 (9.25 per cent) till 2003-04 (21.12 per cent). However, there were missing holdings both in DCC and CCC. Regular assessment does not take place. It was estimated that municipal government on an average spend around 40 to 55 per cent of their total expenditure on physical development (roads and drainage) and maintenance of infrastructure and services, 15 to 20 per cent on public health such as garbage disposal and sanitation, 3 to 5 per cent on water supply and 2 to 3 per cent on street lighting. The major share of expenditure on physical development of infrastructure goes to the maintenance of existing roads and drainages. One of the civil society organizations while opposing the self-assessment system also wanted a promise from DCC's side for a guarantee of service delivery to an accepted level. They were asking for a link between tax payment and quality service delivery.

The study records that to promote infrastructural development in Bangladesh Urban sector, government needs to explore ways to facilitate borrowing by municipalities. Borrowing was the appropriate way to finance long-term public infrastructure, particularly when there was a shortage of public funds for such investments. Bangladesh Municipal Development Fund (BMDF). The BMDF was open to finance municipal governments for all most all kinds of urban infrastructure and services. The fund expects particularly of the recipients urban and local government in the project cost. The scale of participation was more in case of richer municipalities. It had the provision for loan from 50 per cent to 90 per cent of the
total cost of a scheme depending on their capacity of generating revenue.

The author found that the on the whole, the revenue collection has gone up, if not significantly. Most of the municipal leaders were ready to accept non traditional methods of financing and service delivery too. This was evident from the fact that large number of municipal governments had shown interest in credit from BMDF. Those selected including a city corporation had already deposited their share of project cost.

3.1.b. Pakistan:

Mohammad Abuser wajidi (1993) made a detailed study of financial position of Karachi Metropolitan Corporation. The author elaborately described the system of local finance existing in Karachi Metropolitan Corporation. He described the nature of financial management, Municipal revenue and expenditure and the system of local fund. He also presented the organizational structure and functions of the finance department of Karachi Metropolitan Corporation. He identified some serious problems like single entry System and offered some solutions. The author than presented the actual financial position of Karachi Metropolitan Corporation. In 1981-82 the budget estimated under the revenue head of Land or Estate Department was originally Rs.34.89million which had to be revised downwards to Rs.7.75million owing to poor recovery. In 198283, impositions of charges of Rs.0.50 per square foot or Rs. 100/00 on permission to sub-lease and Rs.0.50 per square foot on permission to mortgage land were introduced by suitable amendment in rules. The budget estimates of the total receipts from rent of land, building, shops, offices, etc, were Rs. 17.38 million in 1987-88, and the revised estimates for the same year were Rs. 12.95 million, and the budget estimates for 1988-89were Rs.14.12 million. The short fall of Rs. 4.43million in the revised estimates of 1987-88and the budget estimate for the year 1988-89 reflected an increase of Rs. 1.17 million over the revised estimates of 1987-88.

The author concluded that Karachi Metropolitan Corporation had been suffering from deficiencies in its system of recovery, collection and exploitation of existing resources. According to the author, scientific ways of financial and executive management were necessary for the Karachi Metropolitan Corporation to generate the financial resources necessary for it was working. If this was neglected the problems
will go on multiplying with the passage of time as the population increased and great demands were made on the civic services.

3.1.c). India, Canada and US:

Rama Krishna Nallatiga (2008) made a comparative study of the Trends and Perspectives of Urban Public Finance in Selected Countries and India. The author said that the in all these countries, tax revenue was the major source although it varied between 30 per cent in Germany and 45 per cent in Canada. However, among the taxes, property tax, which was considered as a stable income source, was an important source in Australia, Canada and the US. Denmark and Germany were characteristically dependent upon income and profit taxes. Tax revenue on roads and services, which was a buoyant tax, was almost zero in all the countries excepting the US, where it was sizable (8 per cent). Non-tax income also contributes to a good amount of revenue in Australia, Germany and the US, where as it contributes modest in Canada (17 per cent) and low in Denmark (8 per cent). Almost a similar pattern of revenue contribution can be found in the case of municipal fees, charges and salaries. Capital revenue was not a revenue source in Canada, Denmark and the US and only marginal revenue source in Australia and Germany. Grants show their relatively greater importance in the total local government revenues of all the countries. Their importance was much stronger in Canada, the US, Denmark and Germany wherein their share was between 32 and 39 per cent of total revenue but it was relatively modest in Australia (17 per cent). Whereas public safety and order has been assigned 11 per cent expenditure in the US, it amounted to less than 1 per cent in Denmark; likewise, spending on education is largest in US (43 per cent) as compared to a very modest spending in Australia (0.4 per cent). The share of local government expenses in the country's GDP gives more or less same Denmark has a large proportion (32 per cent), due to larger size of municipal government and their functions and the US and Canada have modest proportion of expenses (8 per cent) in the GDP which was almost matched by that of Germany (9 per cent) and Australia had the least proportion (2 per cent) due to relatively smaller role played by the local government system there in service delivery. According to the author user charges are grossly under - utilized source of municipal revenues in India in spite of their inherent attractiveness as instruments of charging for the public services. State Governments
mostly provide grants to their local bodies for specific functions. They also provide equalizing grants to tackle the problems of fiscal imbalances between rich and poor Municipalities. In general, the transfer / grant-in-aid systems operating in various states in India are not based on the principles of public finance. Often these are negotiated, distorting the local priorities and constraining the local incentives to raise resources.

The author concluded that the Non- tax revenue income was also important to economically robust countries like the US, Germany and Australia. There was a visible trend in the Organization of Economic Cooperation and Development (OECD) countries towards more effective utilization of user charges and benefit taxes by local governments. This was attributed partly to citizen’s preference for user charges over general taxes. In contexts, user charges in India remain a grossly under exploited source till today, which would require reforming the total government in making them realize the need for reforms. Reforms aiming at better recovery of costs of services provided were still looming around the municipal governments.

3.1.d), South Asia:
Shreekant Gupta and Indu Rayadurgam (2008) made a detailed study of the urban growth and governance in South Asia. The authors observed that the tax base of provincial and local governments was limited due to the control exercised by the federal government over all major tax revenues like import duties, sales tax (levied as VAT), excise duties and income tax (corporate and personal). Provinces receive a share from federally levied and collected taxes as a transfer, which account for 80 per cent of the provincial revenues. In addition to these transfers local governments have other sources of revenue through taxes on property and motor vehicles, etc. They also collect fees for services provided such as education (schools and colleges) and health facilities. The major source of revenue was transfer from higher levels of government. However, this accounts for 0.75% of GDP and approximately 2.5 per cent or less of total government expenditure in India. It was estimated that expand urban local bodies in India derive an average of 40 per cent of their revenue from grants and other transfers from state governments. The authors also discuss the level of under spending by the urban local governments. In this context under spending is understood as the
difference between actual per capita spending and norms on per capita spending on core services laid out by the Zakaria Committee. Thus, it was estimated that the level of ‘under-spending’ on average for the 35 large Municipal Corporations is about 76%, ranging from about 31% in the city of Pune to more than 94% in Patna. The study also noted that cities in economically backward eastern states of Bihar and Uttar Pradesh have the highest level of ‘under-spending’ whereas those in the economically stronger western states such as Gujarat and Maharashtra have the least ‘under-spend.’ Though property taxes comprise of a significant share of tax revenue, their potential was untapped in the absence of comprehensive cadastral surveys and widespread under-valuation and evasion. The authors estimated that the untapped revenue potential of property tax was about Rs. 106 billion. Cost recovery was also extremely weak in Indian Municipal Corporations averaging below 25 per cent of expenditure. According to the authors there was considerable scope for levying user charges and fees with an estimated revenue potential of Rs. 97 billion. In the opinion of authors unproductive expenditure on administration and establishment (overheads) as a proportion of total expenditure was always an important factor in determining the ability of Municipal Corporations to provide Local Public Goods (LPGs). Some Municipal Corporations spent more than 50% of total expenditure on overheads crowding out capital and maintenance expenditures. On average Municipal Corporations spent as much as 36% on overheads and only about 14% and 12%, respectively, on O&M and capital expenditure. For urban local bodies in Bangladesh an interesting feature of urban local finance in Bangladesh is the important role of international donors due to poor cost recovery of user charges at the municipal level. Donor funds are only channeled through the governments. According to the budget of the Dhaka City Council for the 2001-02 the main sources of revenue are taxes (48%) and rent (21%). With regard to expenditure for the same period, salaries constituted a massive 44% of total expenses.

The authors concluded that functional autonomy goes hand in hand with fiscal autonomy. Cities and towns in South Asia have to ‘get their act together’ with regard to mobilizing greater funds through conventional and non-conventional sources and revenue from assets such as land and property tax needs to be effectively tapped. Full cost recovery and levying user charges (keeping in mind vulnerable groups) was another often mentioned revenue enhancing device as was pruning of unproductive expenditure. Tackling these three Fs-Functionaries, Functions and Funds was
imperative to manage urbanization in South Asia.

3.1.e). U.S.A:

Michael E. Bell and Charlotte Kirschner (2009) made a detailed study of effective property tax rates and how they vary across the 50 states in U.S.A. The proportion of total property taxes generated from taxes on personal property varies significantly across these metropolitan areas. Personal property taxes account for 27 per cent of all property tax revenue in the Richmond metropolitan area. 11.6 percent of the property tax revenue in the Las Vegas area, and 15.4 percent in the Baltimore metropolitan area. In San Francisco, Miami, and Milwaukee, personal taxes make up a much smaller proportion of overall property tax revenues, as personal property taxes account for 5.7, 4.3 and 1.6 percent of property tax revenues, respectively. Additional problems interpreting these common measures arise when corporations do business with out-of-state customers. This is because, as in often argued, corporation did not pay property taxes, people do. The share of a state’s property tax base attributable to residential property ranges from 85 per cent in Massachusetts to just 39 per cent in South Dakota. In three of the 20 states listed residential property accounts for 75 percent or more of the total property tax base New Jersey, North Carolina, and Massachusetts. In seven states residential property accounts for 50 percent of the property tax base Colorado, Iowa, Montana, North Dakota, Oregon, South Dakota, and Utah. The variation across the states in the relative importance of commercial and industrial property was not as great as for residential property. The state share of the property tax base attributable to commercial and industrial property ranges from 31 percent in Colorado to 7 percent in Oregon; a 25 percentage-point difference. Approximately 15 percent of the states have commercial and industrial property accounting for 4 25 per cent of the state’s total property tax base Alaska, Colorado, and Iowa. In four states commercial and industrial property accounts for 15 per cent of the state’s property base Florida, Massachusetts, Oklahoma, and Oregon. For the purposes of the AARP study, property tax burdens were defined as the ration of property taxes divided by a measure of family income. Data were obtained from the 2005 American Community Survey (ACS) conducted by U.S Census Bureau.

The authors concluded that the property tax burdens such as generic property taxes per capita and generic property taxes property taxes per USS 1,000 of personal
income; and five major measures of effective property tax rates, including studies by
AARP, NAHB, MTA, the DC government and the DC FPI. The AARP report
expresses property tax burdens relative to personal income, so it was really more of a
property tax burden measure than a measure of effective property tax rates. This
measure can be used to identify situations where the share of income designated for
paying property taxes was particularly high and might suggest the need for some type
of relief. For example, the study documents the relatively high property tax burden on
the elderly.

3.2. Municipal Finances in India:

Srivastava (1980) discussed about municipal government and administration
in India. The author said that revenue was necessary for any institution. He opined
that there was a gap between the local resources and local needs and the Municipal
corporations function under heavy financial strain. Municipal Corporations depend
upon the state government for loans and grants-in-aid. He believed that the Municipal
Corporations do not exploit their financial resources allotted to them. He suggested
that to improve the financial position of Municipal Corporations, the minimum rates
for compulsory taxes should be prescribe by the State Government.

The author concluded that a powerful system of local government - financially
independent and autonomous - would enhance the quality of the life of the citizens.
He also said that the municipal governments must be reorganized.

Abhijit Datta (1984) made a detailed study on the financing of municipal
services. The author said that a major advance in local finance was possible through
intergovernmental co-operation and revenue devolution in a systematic manner.
According to the author the integration of the urban local bodies with the state and
national planning process would shift the responsibility of financing urban
development to the upper tier governments. He opined that the process of
intergovernmental fiscal co-operation would be considerably facilitated by the
creation of local finance commission in each state at five yearly intervals.

The author concluded that the municipal revenue gap could be bridged only
when it was recognized that the municipal authorities had an important role to play.
and consequently, the means for a purposive participation by self-governing institutions in national development must be found.

Thavraj (1984) made a detailed study on the finances of local government in India. He discussed the evolution of local government, patterns of local government, finance of local government, budget accounts and audit. His main emphasis was on local finances. The author said that the problem of local finance cannot be solved in isolation of state finance and the ideal remedy was to review the entire problem of centre-state-local fiscal relations to bring about a radical realignment of their fiscal powers and functional responsibilities.

The author concluded that the municipal revenue gap could be bridged by a substantial degree of fiscal transfer to the municipalities. He also said that there should be a well-conceived system of grants-in-aid, a suitable system of local finances and the need for the development of internal audit.

Pardeep Sachdeva (1991) studied the Municipal Government and politics in India. He described the significance of finance. The author said that the municipal bodies require adequate financial resources to discharge their obligations i.e. the civic amenities and welfare services. But municipal authorities in our country were proverbially deficient in financial resources and these were at the mercy of state government for their finances. The author suggested some measures for augmenting the resources of municipal bodies such as need for maximum economy, revolving fund for the development of land, establishment of Municipal Finance Corporation and Urban Development Finance Corporation.

The author concluded that the state governments should be prepared to devote at least a proportionate share from the increased allocations to the urban areas.

Harpreet Kaur (1992) made a detailed study on the administration of Municipal Corporation of India. Her main emphasis was on the importance of local finance. The author said that the sound administration depends on sound finance and sound finance depends upon sound administration. She explained the fluctuations in income and expenditure of the corporation in terms high rising prices of day-to-day commodities.
The author concluded that the Municipal Corporation should function economically and there was need for co-ordination among different departments relating to finance so that it may not function at cross purposes, there by retarding each other’s performance. She opined that there was need for more grants-in-aid by the state government to the corporation.

Srivastava (1993) discussed the sources of municipal revenue. He analyzed the causes of low income and made suggestions for augmenting financial resources. According to the author the causes for low income were poverty, increasing population, rising cost, reluctance to impose new taxes and failure to collect taxes etc. The author gave some suggestions for the improvement of financial resources such as establishment of Local Finance Commission, trading activities by municipalities, assigning share of state taxes to local bodies, cultivation of civic sense among people, and proper audit system.

The author concluded that these steps are likely to go a long way in placing the local bodies on a sound financial footing and making them useful instruments of public service.

Ramachandra Reddy G. (1994) made a study of the Urban Basic Services Programme in India. The author elaborately presented the main a feature of the programme and it was contribution to the development of infrastructural facilities in urban centers in Andhra Pradesh.

The author concluded that the Urban Basic Services Programme has helped easing the pressure on cash trapped municipalities of the state by providing basic civic and social amenities in low income urban slums. According to him the programme was instrumental in bringing about the attitudinal changes, especially among the slum women, though in a small way, regarding the matters influencing their living conditions. Lack of flexibility in the traditional service delivery system was a major obstacle in providing services in slum localities. The Urban Basic Services, with it was flexible informal and user friendly delivery system made it possible to overcome this problem. At the same time, this participatory delivery system helped in minimizing the role of bureaucrats and bureaucratic processes in service administration to a large extent.
Sharma R.D. (1995) made a study of municipal finances of India. According to him local finance was comparatively neglected part of public finance. The author said that the basic problem with the Indian municipal system of government and administration today is “economic chaos” and “financial bankruptcy”. He also studied the sources of income of Indian municipalities i.e., income from taxation, grants-in-aid, loans, profession tax, octroi or terminal tax.

The author concluded that the local finance has not received the attention it deserved at the hands of union and state governments. He opined that the golden principle of urban local finance viz. matching of finance with functions has not been observed and that the state governments were eroding tax base of local bodies. The author said that local finances can be augmented especially in the context of taking appropriate measures in three main sources of revenue – property tax, profession tax and octroi.

Justus Ritcher (1998) discussed the policy options for reforming the system of local government finances in India. The author said that the local finances are crucial for effective functioning of local bodies. He observed that the three taxes namely property tax, octroi and profession tax were highly productive. He examined 4 elements in property tax such as the nature of it was tax base, valuation and assessment practices, rate structure and efficiency in collection. According to him there was need for privatization of octroi and streamlining it was assessment and collection procedures. He opined that profession tax should be transferred to the municipalities on the basis of origin and collection. He also mentioned some innovative proposals such as proper sequencing of State Finance Commission reports, permanent secretariat for the State Finance Commissions to gather necessary data on local government finances, privatization of sanitation. Local development fund should be utilized within the framework of district plan as finalized by the District Planning Committee and Municipal Planning Committee etc.

The author concluded that the success of the local bodies in India will largely depend upon the extent to which allocation of function was matched with the resources within the principal of financial autonomy. He also said that the local bodies have to plan for mobilization of internal resources.
Thimmaiah (1998) made a detailed study on local government finances. The author said that the most of the state governments and central governments tapped the revenue potential available in urban areas and used that money for large scale investment in public sector and welfare. He also said that both governments hardly gave sufficient money to the Urban Local Bodies to provide even the basic urban civic services to the people. So he made some suggestions for strengthening the finances of Urban Local Bodies such as identification of specific user charges, specific practical scheme of property taxation, encouragement in raising loans, giving legal support by amending the existing laws and raise funds through municipal bodies.

The author concluded that the existing financial stipulation of municipalities should always have surplus budget, so it should be removed and it was enough if they balanced their budgets. He also concluded that the municipal bodies should maintain the distribution system.

Shipra Maitra (2001) made a detailed study of the financing of urban development and flow of funds from external sources. The author said that the external assistance had not more than 10 to 12 per cent of domestic investment on a gross basis. The quantum of assistance received from abroad has been registering a steady increase over the years. External assistance was felt even at the earlier stage of economic planning. The earlier external programmes were not specifically earmarked as urban, but many such programmes in the area of health, small scale enterprise promotion, micro credit, environment, etc., helped the urban bodies. External assistance has supported urban management programmes in various ways. The author said that the share of municipal expenditure in the total public sector expenditure in India declined from nearly 8 per cent in 1960-61 to 4.5 1977-78 and 2.87 in 1991-92.

The author suggested that to provide transparency to potential investors, municipalities would need to carry out comprehensive reforms in accounting practices with separation of project and non-project accounts. He also said that they would be required to exercise high degree of municipal management skills to instill investor confidence.
Alok V.N. (2004) assessed the role of State Finance commissions in providing the fiscal health to urban local bodies. The author said that the decentralization of administrative, political and fiscal responsibilities to the local units of government was one of the best ways of deepening democracy and increasing efficiency. The author said that the fiscal decentralization can help mobilize resources by introducing local solutions and promote equitable growth by bringing the poor into mainstream development. The recent past has witnessed many countries including developing countries turning to various forms of decentralization. India was also keeping pace with this trend.

The author concluded that the new legislation had been enacted in almost all states. Finance Commissions of various states made several recommendations in this regard. The author said that the data on municipal finance were still not available from any source, to analyse the impact of State Finance Commission recommendations on the finances of Urban Local Bodies. Prior consultation will be required before any modification was made in the scope of tax or it was rates.

Ramakrishna Nallathiga, argued that the development of cities primarily constitutes the development of land and housing as well as the provision of community infrastructure service (both physical and socioeconomic) for the growing population. The creation of urban development infrastructure (land, shelter and civic services) would require dispensing a large amount of resources by the urban local governments. The levels of income and expenditure of local governments were often abysmally low to take care of these responsibilities. The revenue base and expenditure levels of municipal corporations in India are far less when compared to that of the State and Central government. The revenue of municipal corporation’s accounts for less than 1% of the country’s GDP (Other countries could contribute to 5 per cent of the GDP) and the expenditure incurred by them was far less than the norms of service delivery. So, the task of urban development becomes a difficult task. An important reason for low level of spending on urban development infrastructure was the low importance given to it in the three-tiered system of government, which also affects it, was fiscal base and performance to a good extent. Apart from the fund flows from upper tiers of government in the form of grant or development funds, the ULBs would require adequate funds from their own sources to meet the objectives of facilitating
urban development. Most of the Urban Local Bodies used tax sources and grants to finances their activities while the other sources of revenue were often ignored or not taped to the potential that exists. For example, public debt available from market – both institutional and individual/retail investors – was rarely accessed to finance the creation of new urban development infrastructure. Besides, the Urban Local Bodies need to exploit various land based revenues, which have greater implication to urban growth and development and concomitant problems like slum formation, redevelopment, rehabilitation and resettlement. The funds realized from land based revenue sources can be effectively deployed for the improvement of urban poor people living in the slum areas. Several of these sources may already exist in the Urban Local Bodies but the potential of the same may not have been exploited to fullest extent. Also, there were several other forms of revenues (or, variants of revenues) that need to be tapped and exploited.

The author concluded that resource mobilization was important for meeting the challenges of growing urban population and their needs of municipal services. In the absence of supply of such urban development infrastructure, more number of people was forced to live with poor services and quality of life that hampers the economic and human development. Municipal services were critical for the urban poor, in particular. The municipalities and municipal corporations cannot afford to overlook the resource mobilization function. Although resource mobilization by alternative means of levy or by using different models can be used to generate adequate resources to the city/ urban local body, it was also important to make sure that this was linked to investments for the improvement of urban poor on one hand and to improve the municipal functioning on the other. It was important to come out with ‘ear marking mechanisms’ which ensure that the resources raised were adequately devoted to the up-gradation/ development of poor slum settlements, and equally to ensure that there was no slipping on the undertaking of the municipal reforms that actually drive the improvement in municipal performance with respect to service delivery.
3.3. **Comparative Studies:**

Shyam Nath and Larry Schroeder (1984) made a detailed study of the Property Tax Growth in Metropolitan Cities of India. The authors said that the Several Criteria must be judged while evaluating a property tax system. Among these are the neutrality of the tax, it was equity implications, the certainty of the tax, it was administrative cost and its growth or responsiveness to increases in local incomes and prices. Six major Indian cities had per capita revenue expenditures in 1978-79 three to five times larger than those in 1960. As urban spending continues to grow, it was revenue base must also expend. The cities of Calcutta, Madras and Bombay were especially reliant upon this tax to meet the fast growing local expenditures. According to authors, there were three principal features of property tax system there are: interest definition and determination of the base the rate structure and collection efficiency. The authors examined the performance of the property tax system of Delhi and Madras using 1970-71 to 1977-78 data. They have identified two defects in assessment practices first, the changes in the market rents have not fully reflected in assessments resulting in undervaluation of properties, and second, the degree of undervaluation has risen with the increase in property values which means regressive assessments. The inadequate assessment of properties and collection constraints have caused considerable amount of revenue leakage. They felt that restructuring of the tax rates will help to raise the property tax revenue in both the corporations particularly in Madras.

The authors concluded that both in Delhi and Madras, the assessment process need improvement. This suggests better training of assessment officials and the development of data on property values so that the rate able values can more closely reflect the market values and can be altered as the forces of the market drive up these values. They have further concluded that the system of granting exemptions to properties from the property tax shall be reconsidered. It must be accompanied by a two- pronged informational campaign. The first stage of the campaign can concentrate on the elected and administrative officials who should be shown what lagging assessments and property tax collections imply for the future of the city's financial fortunes. The second stage would take that campaign to the people to show them how civic services can be affected by continued resistance to compliance with the tax.
Om Prakash Mathur, Sanjukta Ray (2003) made a detailed study on the finances and functioning of four municipal corporations, namely Agra, Allahabad, Bangalore, and Vadodara. Their objective was with a view to identify the key differences between those corporations that are able to reach out to the capital markets and those that continue or prefer to rely on state government grants for financing their activities. The financial performance of Agra Municipal Corporation (AGMC) showed that the corporation was heavily dependent on state government for meeting its obligations. Grants constituted 74 to 85 per cent of the corporation’s revenue receipts. Own revenues of the corporation were distressingly low, which have ranged between 15 to 25 per cent of the total revenues over a five year period (1995-96 to 1999-00). Although the Agra Municipal Corporation (AGMC) has posted a surplus on revenue account, the surplus is grant-generated. The fact that the Agra Municipal Corporation was unable to spend the grant component on the maintenance of services even when the overall expenditure levels are low, and maintenance of services was poor, speaks of the low level of capacity of the corporation. The financial details of Allahabad Municipal Corporation (AMC) show that with the exception of one year i.e., 1998/99, the corporation has consistently faced a deficit, both on the revenue account and also on the overall expenditure. Tax and non-tax revenues constituted a small proportion of the total revenue account receipts. There was no improvement in the size and structure of the revenue base of the corporation. The ratio of tax to total revenue receipts as well as the ratio of non-tax to total revenues registered a drop in 1998/99 and 1999/00 compared to those observed in 1995/96. Grants from the state government were the mainstay of the Allahabad Municipal Corporation. In 1995/96, grants formed 59 per cent of the total revenues which rose to 79 per cent in 1998/99 and 77 per cent in 1999/00. High dependence on state finances for meeting the recurrent expenditures, in other words, for discharging the obligatory duties specified in the Act, was a major characteristic of the finances of the Allahabad Municipal Corporation. Own revenues of the Bangalore Municipal Corporation were accounted for over 75 per cent of the total revenues. Moreover, the proportion of own revenues has consistently risen over the five year period (1995-96 to 1999-00), indicating a better and fuller use of the potential of own tax revenues by this. Within the own revenue component, improved performance was observed in non-tax revenues whose share in total revenues has jumped from 17 per cent in 1995/96 to about 29 per cent in
Unlike in the case of Agra Municipal Corporation and Allahabad Municipal Corporations, the Bangalore Municipal Corporation has made use of debt funds for financing its activities. Capital expenditure (excluding loan repayment) rose from Rs.738 lakh in 1995/96 to Rs.13261.5 lakh in 1990/00. Debt servicing (loan and interest repayment) ranged from approximately 3.4 per cent in 1995/96 to about 6.7 per cent in 1999/00. In 1998/99, it accounted for 10.4 per cent of the total revenues. The total revenue income of Vadodara Municipal Corporation was Rs.19793 lakh in 1999/00. It rose from Rs.11611 lakh in 1995/96, registering an average annual growth of over 13 per cent. The revenue account expenditure was Rs.18595 lakh in 1999/00, posting a revenue account surplus of Rs.1197.8 lakh. In 1995/96, tax revenues comprising octroi receipts and revenues from taxation of land and property accounted for 80 per cent of the total revenue receipts. It increased to 83 per cent in 1996/97 and began to register a decline. In 1999/00, its share, although significant, dropped to 74 per cent. In 1999/00, the share of non-tax in total revenues was 8.3 per cent as compared to 6.8 per cent in 1995/96. The dependence of the Vadodara Municipal Corporation on state government for meeting the recurrent expenditures has risen slowly over the period 1995/96 and 1999/00. In 1999/00 grants formed 17.4 per cent of the total revenues. The share of grants in 1995/96 was 12.8 per cent. An important feature of the finances of the Vadodara Municipal Corporation was that its capital expenditure has risen at an extraordinarily high rate over the five year period (1995-96 to 1999-00). In 1999/00, the size of capital expansion was of the order of Rs.5782.8 lakh which is 23.7 per cent of the combined capital and revenue expenditure.

The authors observed that the non-tax revenues as a proportion of total revenue receipts were low for all municipal corporations, notwithstanding the fact that they were more elastic compared to property taxes. Bangalore’s performance on this measure has consistently improved over the 5-year period. Low non-tax revenues typically suggest that there was reluctance on the part of municipal corporations to fix charges on the principle of cost recovery. Absence of the application of cost recovery principle was one of the most disconcerting features of the municipal finance system in the country. The proportion of expenditure financed out of state grants was low for Bangalore and Vadodara, and it was extremely high for Agra and Allahabad. Even when income and compensation for octroi was excluded from the financial indicators of Vadodara and Bangalore, grant financing of municipal expenditure was high.
Municipal Corporation and Allahabad Municipal Corporation relied on grant financing of city-based infrastructure. Evidently on account of a better credit performance, Vadodara and Bangalore Municipal Corporations have made use of institutional lending for financing infrastructural services. At the same time, debt financing as an instrument for financing urban infrastructure and services was still in an infant stage even with such municipal corporations as Bangalore and Vadodara.

Pritha Venkatachalam (2007) made a detailed study of the Municipal Finance systems in conflict cities viz. Ahmedabad, Srinagar and India. The author said that the study was largely based on information gathered over short field-studies conducted in Ahmedabad and Srinagar. Ahmedabad, in the state of Gujarat, was one of the largest and more prosperous cities in western India. A study of Ahmedabad municipal corporations sources of municipal revenues since 1991-92 to date, (it shows that) own tax sources from octroi and property tax on average contribute over 55% and 20% of the total revenues respectively. Grants and contributions contribute about 15% of the revenues. In terms of it was expenditure, Ahmedabad municipal corporation spends most of it was revenue and income on establishment and administrative expenses. The municipal finances of Ahmedabad municipal corporation are robust and in surplus. It was also one of the few local government bodies in India that has obtained a strong credit rating. The nature of conflict in Ahmedabad, although certainly devastating in terms of loss of life, property and security, was localized and not protracted over a long period.

Hence, it was difficult to isolate the impact of the 2002 conflict on some of the economic and financial factors of city development in the period. Srinagar municipal corporation local income was spent on establishment, salary and general administration expenses of the municipality, with little surplus for developmental activities. Over the last two years, there have been some surpluses that "he corporation plans to deploy towards the creation of remunerative assets and commercially viable projects. Srinagar's municipal structures and finances were very weak. The local governments were currently almost completely reliant on grants - in-aid and transfers from the Central and State governments. The two case studies highlight that while the Ahmedabad city government enjoys a fair degree of functional and financial devolution, Srinagar corporation is still financially dependent on the Central and State government.
The author categories local sources of funds into economically buoyant, individual's wealth dependent and immobile revenues. The factors that affect each of these categories as well as the basis of assessment and administration of these revenues can provide specific inputs in assessing the impacts of conflict at city level. Economically buoyant sources were most likely to be affected in the event of any conflict destabilizing the local economy. However, the duration of impact depends very much on the nature of conflict. Impact on the economically buoyant sources may have ripple effects on other local sources of revenue. The author felt that conflict adversely impacts the economically buoyant sources of revenue. He further felt that in a conflict situation the city finances become vulnerable to pressure and undermines financial stability and its contribution to national revenues and growth.

Kaustuv K Bandyopadhyay (2008) made a detailed study of the Democratic Decentralization in Urban Governance. The authors conducted a study in four states – Chhattisgarh, Himachal Pradesh, Haryana and Rajasthan to explore these issues in greater detail. In Chhattisgarh, the problem with grants was that most of them are scheme based and hence tied grants. Grants form a significant proportion of the income of smaller municipalities, since their own revenue generation is not satisfactory. Very few grants are in the nature of untied grants, hence municipalities are bound to spend them for the specific purpose for which they have been given, regardless of what their genuine expenditure needs may be. It is for this reason that grant dependence seriously curtails the autonomy of a Urban Local Bodies to act according to local priorities and needs. The taxes imposed by Urban Local Bodies in Haryana were more or less uniform while the non-tax sources showed more variation across Urban Local Bodies. The poor financial situation in turn affected adversely the expenditure priorities of the municipality. Besides the most basic services like solid waste management and streetlights, municipalities have little money to spend on other functions. Like other states, the municipalities in Rajasthan were heavily dependent on state transfers or grants. The dependence on grants was also increased over the years in both the case study towns from 2001-02 to 2004-05. The share of grants in total municipal revenue has increased from 77 percent to 89 percent in Jhunjhunu, while in Karauli it has increased from 80 percent to 94 percent. The state average of 83.3 percent (as per the TFC study) was also among the highest in India. Chhattisgarh had a low revenue-expenditure gap in municipalities with own revenue receipts.
covering 85.5 percent of the revenue expenditure in 2001-02. In per capita terms the gap between income and expenditure had a surplus of Rs.268.79. However, when own revenue was considered, the surplus was reduced to a per capita own revenue deficit of Rs. 54.52. This indicated dependence on grants to fulfill municipal expenditure needs. This was reflected in the municipal budget data of the two case studies as well. The share of grants in total revenue receipts for Janjgir and Kharsia in 2004-05 was 55 and 60 percent respectively. Chhattisgarh had a very heavy load of expenditure on establishment and salaries with 70 percent of its revenue expenditure going into payment of salaries. Consequently expenditure on operation and maintenance of services was 30 percent of municipal expenditure – this is lower than the average for 23 states, which is 39.93 percent. In per capita terms the figure was Rs.112.82 per capita as compared to the national average of Rs.230.31 in 2001-02. According to the author Urban Local Bodies are unable to spend on functions like social development, planning and welfare out of their own funds. Lack of sufficient funds is the main reason why Urban Local Bodies are not able to spend much beyond their essential responsibilities.

Haryana has a very heavy load of expenditure on establishment and salaries – the second highest in India - with 69.7 percent of its revenue expenditure going into payment of salaries. Consequently expenditure on operation and maintenance of services is extremely low at Rs.77.31 per capita – about 30 percent of municipal expenditure. This is lower than the average for 23 states, which is 39.93 percent. Rajasthan has a very heavy load of expenditure on establishment and salaries with 63.25 percent of its revenue expenditure going into payment of salaries. Consequently expenditure on operation and maintenance of services is quite low at Rs.135.28 per capita – about 35 percent of municipal expenditure. This is lower than the average for 23 states, which is 39.93 percent. Municipalities on their own are not able to raise sufficient resources to be able to cover their costs. The main reason for this is poor realization of revenue by municipalities. There is a large gap between the total demand and recovery of various levies i.e. in Narnaul, the collection from house tax was only Rs.30 lakhs in 2006-07 against the demand of Rs.72 lakhs. This shows the poor recovery of taxes. Property tax, in spite of the being the most important tax levy, suffers maximum evasion. The government also launched a scheme in which interest on late payment of tax was relaxed and the taxpayer got an additional ten percent rebate on the actual tax amount. Yet there was no significant gain in terms of tax
recovery. Besides the fact that there is large-scale tax evasion, smaller municipalities also lack in terms of sufficient staff and resources to be able to recover taxes effectively. According to the data relating to Urban Local Bodies which was available from the state Statistical Abstract, the total income from own sources of Urban Local Bodies in the state comprised only 53.5 percent of total income of municipalities in 2001-02 and which increased to 66.8 percent in 2003-04. However, the picture for small and medium towns may be even worse.

According to the author the following features were waiting handles for achieving decentralization. a) Lack of clarity regarding local functional domain, b) Encroachment on local functional domain by Para-stately structures, c) Limited fiscal domains and autonomy at local level d) Lack of orientation towards developmental works, e) Ineffective devolution of welfare and planning functions, e) weak role of municipal elected bodies and last but not the least the lack of people’s participation in over all planning exercise.

RamaKrishna Nallathiga (2009) made a detailed study of the finances of urban local bodies in India. The author presented a cross-sectional analysis of the finances of 35 Urban Local Bodies in India in terms of their financial base and it was adequacy Vis-a-Vis norm, and their revenue and expenditure performance. Using certain ratios, the relative performance of municipalities on decentralization and dependency measures was also assessed. The composition of revenues of top five Municipal Corporations on each of the respective parameters indicates property tax share at 38 per cent and shared tax (profession and entertainment taxes) proportion at 12 per cent of total revenue has been the case with a lower reliance on non-tax revenues, whereas those that stood at bottom on each of the parameter have a high reliance on non-tax revenue and low reliance on shared tax. The implications the Urban Local Bodies shall strive to improve their tax share particularly that of property tax by improving revenue mobilization. The revenue expenditure, composing expenditures on establishment and maintenance, assumes importance, as it relates to the provision of civic services and their maintenance. However, very high proportion of revenue expenditure in total expenditure can be detrimental to the expansion of capital assets and generation of future revenues streams. It indicates that many of them actually have very high revenue expenditures as compared to the average of 25 per cent. Patna,
Bangalore, Jabalpur, Greater Mumbai and Faridabad have shown revenue expenditure constituting almost 100 per cent of total expenditure, while Vijayawada, Nasik, and Kochi have shown it at less than 50 per cent of total expenditure. The Municipal Corporations with very high proportion of revenue have to streamline their expenditure by either restructuring staffing pattern or outsourcing some non-core functions to third parties. Cost recovery of services was an important integral measure of the municipal finances and it was linked to the self-sustainability of the Municipal Corporations. Cost recovery has to be an integral part of the service provision, especially when the service costs can be measured and beneficiaries can be identified, such as in the case of water supply, roads, education and health care facilities. The other alternatives like public–private partnerships could be explored for overcoming some of the costs, which requires a particular mention. Public private partnerships ensure that the operating costs of services were recovered and users pay for utilizing these services.

The author concluded that there were regional disparities in finances of Urban Local Bodies: - States like Bihar / Uttar Pradesh were fare worse as compared to Maharashtra and Gujarat. The design of inter–governmental transfers may attempt to address it partly. But there was scope for improving own performance by improving tax collection and raising user charges in the Urban Local Bodies, which also paves the way for public–private partnerships and accessing of market funds for financing their projects.

Govinda Rao M. and Richard M. Bird (2010) made a detailed study of the Urban Governance and Finance in India. The authors discussed a variety of means to augment the resources of the municipal bodies in the country including essential reforms in the property tax system and adequate exploitation of user charges and fees for various services delivered as well as ways of strengthening and improving Central and State transfers to urban local governments. With respect to financing urban infrastructure, development charges should be used more effectively. In most cases, even when the States replaced octroi by entry tax, they did not compensate municipal governments for the loss of revenue. Generally, when States abolished octroi, they provided no alternative source of revenue and simply increased the size of the unfunded mandates confronting municipal governments. In a few States, however, municipal governments have some access to consumption taxes. In Kerala, for
instance, the power to levy entertainment tax was given to the urban local
governments. In Andhra Pradesh, local governments receive a fixed share of the
revenue from entertainment tax. In a few States, urban local bodies collect some
revenue from advertisement tax. Bruhat Bangalore Mahanagara Palike (Greater
Bangalore Municipal Corporation), for example, reformed it was property tax by
revising the area-based values, introducing a self-assessment system and improving
the technology of the payments system with the result that revenue increased from Rs.
4,400 million in 2007-08 to Rs. 7,800 million in 2008-09 and was expected to further
increase to Rs. 10,000 million in 2009-10. Jawaharlal Nehru National Urban Renewal
Mission was clearly a comprehensive specific purpose scheme for urban renewal and
infrastructure support. In the first year (2005-06) of operation, the revised estimate of
grants was just about 15.6 per cent of the budget estimate. In the second year,
although the estimate increased to 78 per cent of budget, the total amount disbursed
was less than Rs. 36 billion. Since 2008-09, however, actual disbursements have
increased sharply. Unfortunately, this increase in part reflects some dilution of reform
content and in part the fact that the funds were liberally used to purchase buses in
municipal corporation areas as a part of the fiscal stimulus to the commercial vehicles
sector. Putting more buses on already overcrowded urban streets was perhaps more
likely to increase than to reduce congestion and other ongoing urban management
problems. More fundamentally, the reluctance of States to undertake the pro-market
reforms called for by Jawaharlal Nehru National Urban Renewal Mission is a matter
for concern.

The authors concluded that the important issues involved in improving
governance system and ensuring adequate finances to transform Indian cities into
centers of economic dynamism. It identifies a number of reform areas in the context
of lessons drawn from fiscal federalism theory and experiences with governance
institutions and financing systems around the world. Implementation of these reforms
was important to ensure competitive standards of urban public services and effective
governance systems that were responsive, efficient and effective.

i.e., User Charges and Local Taxation. The author said that the some states allowed
urban local bodies to levy a tax on the entry of goods into a local area for
consumption, use or sale (octroi). This tax was distortionary and inefficient, but it
also provided a buoyant source of local revenues. Bruhat Bangalore Maharashtra Palike (BBMP), for example, reformed it was property tax by revising the area-based values, introducing a self-assessment system and e-filing and payment of the tax with the result that revenue increased from Rs. 385.3 Crore in 2008-09 to Rs. 795 Crore in 2009-10 and was estimated at Rs. 1500 Crore in 2010-11. Several important lessons from the Bangalore experiment in the reform of property tax were worth nothing. First, the system should be simple and transparent enough to be easily understood by the general public. Second, there should be clearly in the reform process and through public discussion and debate when the reform was adopted. Another major reform needed in the property tax system was the expansion of tax base. The Administrative Reforms Commission (2007) noted that only about 60-70 per cent of the properties in urban areas are actually assessed. A large number of property owners simply do not pay the tax. The commission recommended the matching of the properties paying the tax with those in the Geographical Information System (GIS) to identify those that are not paying the tax.

Another potential source of revenue to municipal governments was the surcharge on the consumption taxes levied by higher levels of government. Firm estimates of GST base are not available but a conservative estimate made at NIPFP for 2007-08 put the GST base at Rs. 16,000 billion after adjusting for the prevailing exemptions. A one per cent levy on this base would yield Rs. 160 billion for municipal governments which was about 0.34 per cent of GDP. Since even the most optimistic estimate of revenue from property tax was just about 0.2 per cent of GDP (Gross Democratic Product) a one per cent levy on the GST could yield vertically double the amount collected from property tax. Among the municipal level reforms associated with JNURM financing were introduction of an accrual based accounting system, reform of the property tax by using GIS information, levying user charges to recover 100 per cent of operation and maintenance charges, provision of basic services to urban poor, and internal earmarking of budget for this purpose. In the first year (2005-06) of operation, only 15.6 per cent of the grants estimated in the budget were allocated. In the second year, although the estimated outlay increased to 78 per cent of budget, the total amount disbursed was still less than Rs. 36 billion. However, with the onset of the financial crisis in 2008-09, disbursements increased sharply.

The author discussed a variety of ways augmenting the resources of the municipal bodies in the country including essential reforms in the property tax
system and adequate exploitation of user charges and fees for various services delivered. The author felt that consideration should be given to the possibility of empowering metropolitan governments to piggyback on the GST when it comes into existence. Even a 1 per cent surcharge on this base could generate one and half to twice the amount of revenue that was being collected from the property tax at present. A critical element in the reform of urban finances was the need to develop a strong information system comprising of GIS, demographic, social, economic and fiscal variables.

Govinda Rao M. and Richard M. Bird (2012) felt that the local governments need access to adequate revenue sources to finance the public services that they were mandated to provide. According to them the lack of adequate resources was one key reason for the dissatisfactory performance of municipal bodies in providing public services. Municipal spending in India was extremely low because both own revenues and transfers from central and state governments were low. In 2001–02, for example, aggregate revenues of urban local bodies amounted to only 0.76 per cent of GDP. About one third of this amount came from transfers. As a consequence the standards of municipal services were generally abysmal. The most important tax levied at the local level was land and buildings tax (real properties). Octroi was used to be an important source of municipal revenue in some states until recently. Some states replaced local octroi with an - entry tax. In most cases, replacement of octroi by entry tax did not compensate the loss of revenue. In a few states municipal governments do have some limited access to consumption taxes. In Kerala, for example the power to levy an entertainment tax was given to the urban local governments. In Andhra Pradesh, local governments receive a fixed share of the revenue from entertainment tax. In a few states, urban local bodies also collect some revenue from advertisement tax. The property tax was by far the most important source of own revenues of municipal bodies although collections were generally poor and the revenue buoyancy of the tax was low. However, initiatives in some municipal corporations have shown that revenue from this tax can be substantially increased with strong local leadership and proper reform of the tax system. Bruhat Bangalore Mahanagara Palike (BBMP; Greater Bangalore Municipal Corporation) was an example. It reformed it was property tax by revising the area-based values. It introduced a self-assessment system. As a result revenue increased from Rs. 4400 million in 2007–08 to Rs. 7800 million
in 2008–09 and increased further the following year. The authors felt that there was a need to revise the unit values periodically in keeping with changes in prices. In the absence of periodic revision, revenues will not respond to changes in the values of properties, and the buoyancy of the tax will depend only upon the addition of new properties.

The authors identified a number of problems like ambiguous expenditure assignment (including independent and higher-level agencies operating under different mandates), inadequate attention to critical issues of public finance management, poorly developed institutions and mechanisms for participatory planning, inadequate and poorly implemented resources with respect to own source revenues, intergovernmental transfers, and methods of financing needed for urban infrastructure development when adversely affect the performance. They argued that essential reforms in the property tax system and adequate exploitation of user charges and fees for various services delivered will solve the problems. More imaginative exploitation of various possible ways to finance urban infrastructure will also help. However, they added that stronger urban leadership and, fundamental changes to governance structures, were essential preconditions for this.

3.4. Andhra Pradesh:

Rama Rao S. (1974) made a detailed study of municipal revenues in Andhra Pradesh. The author said that the composition of municipal taxes in India varied from one state to the other and the same tax was not the leading sources of revenue in all states. He also said that octroi provides the bulk of revenue in some states while in some the property tax. He opined that the revenue from the service taxes was earmarked to meet the expenditure requirements of the services such as water, drainage, education, lighting, public health and libraries.

The author concluded that with imaginative changes in the administration of major taxes, the municipalities could derive substantial revenue. He also said that the suggestions regarding revenue assignments, grants-in-aid and proper capital planning help the municipalities to get out of the current financial problem.

Ramaswamy Naidu (1974) made a detailed study of Hyderabad Municipal Corporation during the years 1952-53 to 1961-62. He described various tax resources of the Corporation. He found that in 8 of the 10 years under reference, the
corporation borrowed altogether a sum of Rs. 62.36 lakhs from the state government and by 1961-62; the corporation had an outstanding debt of Rs. 51.48 lakhs. He also found that on the whole the expenditure increased by 102 lakhs over the decade. He suggested some measures to improve the municipal finances such as standardization of property tax, valuation department to be manned by technical personnel, abolition of appellate authority councils, establishment of a development committee and local finance commission.

The author concluded that the municipality can make use of the existing resources of revenue depending upon the efficiency, integrity and interest of the executive machinery on the one hand and the elected councilors on the other, and upon the revision of the law to suit it to the present day changing conditions.

Ashirvad N. (1995) made a detailed study on revamping municipal finance in Andhra Pradesh. He lamented the inadequacy of finances to cope with the increasing responsibilities of municipal bodies as a result of rapid increase in urbanisation. He made suggestions for augmenting the municipal finances such as provincialisation of services, regular revision of tax, creation of independent central valuation board and town planning board at the state level etc.

The author concluded that the property tax was a pillar of municipal finance and was not fully exploited by municipalities. The author said that enough attention and emphasis should be given for tax administration in municipal organization. He also said that proper steps must be taken to improve the productivity of the municipal staff and organization as a whole. He opined that the active involvement of state government, adequate funds from both centre and the state and proper utilization of every rupee by urban local bodies were necessary.

Appa Rao (2000) made a detailed study of Visakhapatnam and it was municipal government from 1858 to 1998. The author said that the municipal finance in India had been the crucial point of the survival of municipal government. He described the factors leading to the inadequate finances to the local bodies such as lack of adequate funds, negligence of governments at higher level, dependence upon the state and central government and reluctance of people to pay taxes.
The author suggested that the corporations should improve it was finances by getting more grants-in-aid, establishment of Municipal Finance Corporation assistance by state government, imposing better tax, surcharge on sales tax etc. The author concluded that the budget could be framed keeping in view the correlation between the functions and finances, population and volume of work.

Gnaneshwar V. (2003) made detailed study municipal finances in Andhra Pradesh. He felt that urban local bodies in India, as elsewhere in the world, were mandated to undertake certain basic civic functions. To undertake these functions, they were given powers to levy and collect taxes and non-taxes and receive grants and loans from external agencies. His study on municipal finances in Andhra Pradesh covered the revenue and expenditure trends, strategies of financial improvement and the reforms in property tax administration.

The author concluded that as the taxes constituted major portion of the revenue of the municipalities in the state, they need improvement. Internal revenues of the municipalities shall be improved by way of reforming the property tax, enhancement of water charges, commercial ventures and privatization of certain civic services. Initiatives, if continued with more vigor will certainly improve the revenue base of the municipalities in the state.

Mohanty P. K. (2003) studied property tax structure of Hyderabad city one of the major cities of India and also capital of Andhra Pradesh state. According to the author the Hyderabad Municipal Corporation Act of 1955 empowers the city corporation, to undertake general revision of property tax. However, this was never taken up. The tax was organized for more than 20 years. To take a particular case-property tax located was not revised for 23 years. The property owners continued to pay taxes levied decades ago, causing heavy financial loss to the Corporation. The total number of assessments in the Twin Cities was only about 4,10,000 in 1998-1999 with total current demand of about Rs. 490 million as against as estimated number of about 6,00,000 tax payers. Attempts made earlier to rationalize and improve the property tax base in Hyderabad were caught in legal problems. Slab rates of tax per square foot of Plinth area were broad fixed during 1992-93 for types of properties broad located in different zones and devoted to different uses. But the scheme could
not be implemented for 7 years due to litigation. To overcome this problem, the scheme of Self-Assessment of property tax was introduced in 1999-2000. Besides all the Self-Assessment returns along with unique FIN (Property Tax Identification Numbers) were fed into computers and the rates adopted by resident welfare associates in different areas were made open to the public. The corporation issued advertisement thanking those tax payers who came forward to file taxes at correct rates. In response to the Self-Assessment Scheme, about 1,30,000 field self-assessment returns within 3 months of the introduction of the same. This led to an increase in the property tax collection from Rs. 58 crores in 1998-1999 to Rs. 82 crores in 1999-2000 in Just 3 months although the effective tax rate went down by almost two-thirds. Because of this scheme the amount of collected property tax increased to 13,011 Lakhs in 2001-2002 from 2,415 Lakhs in 1991-1992.

The author concluded that the Self-Assessment Scheme of Hyderabad Municipal Corporation has yet fully realized its potential; yield from property tax was going up as more and more corrections of the 20-year old inequality was taking place. The scheme will prove that even with very low rate of tax, the revenues from property tax can up significantly if systemic issues were tackled rather than dealing with traditional economic aspects such as tax rate and tax base. The author also concluded that tax reforms may need to be pursued in an incremental manner. Elaborate and time-consuming design may lead to the bouncing back of effort to clean a tax system.

Surya Rao Kappagantula (2007) made a detailed study of the Municipal Services and Finances in West Godavari District of Andhra Pradesh. In his study he observed all municipalities (Eluru, Bhimavaram, Tadepalligudem, Tanuku, Palkol, Narasapur, Nidadavolu and Kovvur) in West Godavari district. This attempt was made by this author to examine the content and quality of services that were being rendered by local bodies and their financial position. Provision of safe drinking water, sanitary services, solid waste disposal and mosquito eradication, organization of mother and child care centers, provision of education services, maintenance of roads are some important and basic services which should be essentially taken care by the local bodies. The author focused on the information about Municipal Finances-Tax Revenue, Salaries, Debt and Interest Payments. Tax revenue at the district level i.e., all municipalities put together was observed to account for Rs. 34.3 Crores and
resulted in per capita tax revenue of Rs. 476. Based on tax revenue, Eluru was observed to get the highest tax revenue of Rs. 7.85 Crores with a per capita tax burden of about Rs. 364 followed by Bhimavaram (Rs. 502), Palkol (Rs. 6.25 Crores) with a per capita tax burden of about Rs. 1104) and Tanuku (Rs. 4 Crores with a per capita tax burden of about Rs. 583). The analysis indicates relatively a higher tax burden on urban residents in respect of small towns such as Palkol and Kovvur compared to Corporation City Eluru and other big towns such as Tadepalligudem and Bhimavaram. Further, at district level the tax revenue of all municipalities stood at Rs. 34.3 Crores, while salaries of staff stood at Rs. 24 Crores, accounting for about 70 per cent of the tax revenue.

The author concluded that there was relatively a higher per capita tax burden on urban residents in respect of small towns compared to big towns. Further, 70 per cent of tax revenue was observed to be spent for salaries, while only 30 per cent was being utilized for development activities. Consequently to a large extent urban bodies were depending on grants and loans take up development activities.

Navyatha Joginpalli (2010) made a detailed study of the property tax reforms in Greater Hyderabad Municipal Corporation. The major focus of the paper was on strategies for coverage and effective collection. The author said that the property tax was a major source of revenue at the disposal of urban local bodies in India. The government of Andhra Pradesh was the first state in India to introduce plinth area based property tax in all the Urban Local Bodies as early as 1993. Property tax was the main source of income of Greater Hyderabad Municipal Corporation constituting about 27 percent of the total revenue receipts. Of the total estimated 6.041akh properties in twin cities, about 5.74 Lakh properties were assessed and 0.38 lakh properties were exempted from paying property tax. The assessed properties out of estimated total properties work out to be 94 percent approximately. The plinth area concept, though introduced informally via the self assessment scheme, it met with limited success. There has been gradual improvement in the revenue yield over the years even with limited success of the reforms. The property tax revenue which was mere Rs.92/- crore in 2000-01 increased to over Rs.370/- crore by 2008-09, that was over three time increase in less than a decade. However the author said that efforts lack comprehensive data base, revision of residential tax, rationalizing and monitoring exemptions. A little care in these matters will not only increase the tax net
but also yield more revenue.

The author concluded that the property tax reform was one of the core reforms promoted under the Jawaharlal Nehru National Urban Renewal Mission Scheme at Urban Local Bodies level. For instance, the scheme of Self-Assessment was introduced but it was not continued with commitment expect during the initial periods. The initial success, therefore, receded over a period. Again, plinth area based tax was introduced recently but partially covering the non-residential properties only. There was waste scope for revenue improvement if under-assessment and non-assessment were tackled through a proper property mapping and information base. The Greater Hyderabad Municipal Corporation has great potential in property tax collection due to fast expansion and development of the city especially in terms of economic activities and housing. The Greater Hyderabad Municipal Corporation must attempt a comprehensive approach in the assessment and collection which were the crucial components of property tax system to realize the waste potential and achieve the desired results enunciated in the reform agenda.

3.5. Assam:

Nanda kumar Sahu (1991) made a detailed study on municipal finance i.e. the gap between municipal liabilities and assets in the context of the three municipalities viz. Jorhat Municipal Board (JMB), Sibsagar Municipal Board (SMB) and Dibrugarh Municipal Board (DMD) in Assam. The author said that the increased expenditure was not adequate enough to provide even the minimum standard of municipal services to the people. He opined that these three municipalities had not made the best use of their existing tax resources.

The author concluded that it was obligatory on the part of municipalities to utilize their existing resources fully lest they cannot make out a case for allocation of new sources of taxation. Such an obligation will give them some relief and allocation of new sources will help to minimize the gap between their assets and liabilities.

3.6. Bihar:

Mukesh P. Mathur (2004) made a detailed study of Patna Municipal Corporation. The author wrote that the property tax reforms were initiated in the Patna Municipal Corporation in late 1993 and in the first year of the post – reform period,
the corporation could not collect more than 10.28 per cent of the total demand raised because the property tax was assessed on the area-based system of assessment. The new rules of property tax assessment improved the resource generation capacity of the Patna Municipal Corporation as the demanded amount on account of property tax has gone up substantially from Rs. 55.87 million in 1993-94 to Rs.107.48 million in 1994-95, registering an increase of over 90 per cent in a year. But collection efficiency has remained poor. One of the factors for the comparatively high success rate in the yield from property tax in other cities/states where reforms has been initiated was improvement in collections as a proportion of demand. As against roughly 27 per cent efficiency recorded by the Patna Municipal Corporation in property tax collections during the year 1999-2000, Hyderabad has recorded 69 per cent, Bangalore has recorded 64 per cent and Ahmadabad has recorded 78 per cent efficiency. This has resulted in a high yield from this tax resource of municipal revenue both in Proportion as also in Per Capita terms, which has helped the municipalities to strengthen their finances to provide the better services to the citizens. Based on above principles, the Patna Municipal Corporation through state government, notification (order no. 2258 dated 12-08-1993), implemented the new property tax assessments rules in Patna City. Under the new system the tax rate was reduced to 9 per cent from the earlier 43.75 per cent. This provided a big relief to the honest taxpayers and also minimized the discretion of those officials concerned with the property tax collection and its assessment. Significantly, the PMC has no power to revise the tax rates on its own or even to reclassify the categories of different roads, assessment system, etc. They have to take prior approval from the state government to do so. This was contrary to the spirit of the 74th Constitution Amendment Act of 1992 which stressed on the democratic decentralization of functional and financial powers to local bodies of the country with a focus on self-reliance at the local level. When the rule was challenged, the Supreme Court of India upholder the new system. The new rules improved the property tax collections manifold. The new property tax rules in Patna were the frequent change in the leadership at the level of Chief Executive Officer (CEO) in the municipal corporation. During the 1993-94 and 2002-03 period, more than 20 Chief Executive Officer’s have been transferred from the corporation. Thus the average tenure of a Chief Executive Officer worked out to a mere 6-7 months, which was not sufficient to push up the reform agenda by any standards. State control
and interference in the working of local bodies would have to reduce if the objectives of the 74th Amendment of the Constitution have to be truly received.

The authors concluded that the new method attempted by the Patna Municipal Corporation to measure the base for property tax was multidimensional and should have been simple and transparent. The total collections rose dramatically in a couple of years as people responded to the low and fair rates. But then it stagnated. Low rates in it did not improve matters, since compliance remained low. Cases filed in courts by vested interests, disputes arising out of confusion in the determination of the base, interference of the state government, very short tenures of the Chief Executive Officer’s of the Patna Municipal Corporation, all worked to deny success to an attempt at reform.

Prem Pangotra and Astha Govil (2008) made a detailed study of the Urban Development Strategy for Bihar: A Management perspective. The authors said that the one important aspect of the four stage spiral growth strategy was augmentation of the municipal revenues to facilitate increased expenditures on urban services. To analyze the fiscal powers and capacity utilization by municipalities in Bihar, internal resource generation by the Urban Local Bodies is analyzed, which includes both tax and non-tax revenues generated by the municipalities in Bihar. The average per capita owns a resource generated by municipalities in Bihar was more than ten times lower than that of India. The capital city Patna has a higher per capita own resources; however it has a negative growth rate. The higher average for Bodhgaya as compared to Bihar as a whole indicates that the situation was still worse in other urban local bodies. Another major of the efficiency and autonomy of Urban Local Bodies was their Tax revenue are to be. In India, the growth rate in tax revenue of municipalities was only 6.41 percent as compared to that for non-tax revenue, which was 12.14 percent. Bihar has 3.56 percent growth both in tax and non-tax revenues. However, Patna Municipal Corporation’s show cause of concern, as it has negative growth in tax revenue. Bodhgaya shows a rapid growth in both tax and non-tax revenue sources. Dependency of Bodhgaya on state transfers was 45%, whereas for Bihar it was 63%, almost double of that for India. This represents a pessimistic situation for the municipalities in Bihar as they have low revenues, and transfers from state governments was growing at a very low rate, although the dependency of
municipalities on these transfers was high. This indicates the failure of objective of devolution of power to municipalities, suggested by 74th Constitutional Amendment Act (CAA). The expectation that functional devolution would lead to enhancement of fiscal powers of the municipalities has not been met. The revenue expenditure showed higher level and quality of municipal services. For municipalities across India, the average per capita revenue expenditure for the period 2001-2005 is Rs. 646, only Rs. 95 for Bihar. Annual growth rate of per capita expenditure was also lower for Bihar than India taken as a whole. On the other hand, Patna has performed much better than rest of Bihar, though still very low as compared to rest of India. Bodhgaya, has a higher average than that of Bihar as a whole, reflecting still worse condition of other municipalities in Bihar.

The authors concluded that the augmenting revenues of the Urban Local Bodies are a major requirement for the state. Adequate charges for the services provided by the Urban Local Bodies are one option to increase the fiscal independence of the Urban Local Bodies. The quality of services was badly affected by the lack of sufficient revenue. In future, the requirements of the Urban Local Bodies would further increase, with the increase in services demanded and upward movement in the level of urbanization. Therefore it was essential for the state government to think of ways and means of dispensing Urban Local Bodies with sufficient fund. Another important aspect was development of cities as urban hubs, providing employment opportunities, attracting migration and providing facilities. Mechanization and specialization in primary activities were essential to increase productivity, so that the sector can contribute positively towards economic growth and urbanization. Focused efforts to develop services, trade, and commerce and transport sectors will certainly provide impetus for development to the state.

3.7. Delhi:

Nimish Jha (2002) made a detailed study of urban growth and finances of Municipal Corporation of Delhi (1985-99). The author said that the economic growth and prosperity as well as problems are of unprecedented nature. The bodies governing it had to provide a wide variety of services to it was residents. Because of rapid demographic growth and consequential functions and responsibilities, the civic bodies were finding it difficult to maintain the services leave aside the commensurate
development of the growing needs. The problem was the result of its own structures in the city. The inter-governmental externalities, spilling over of cost and benefits, floating population, suburban growth had depleted the fiscal health of the city. An analysis of finances of Municipal Corporation of Delhi (MCD) brings out corresponding results.

The author suggested that the Municipal Corporation of Delhi should develop new taxes for mobilization of resources. The Delhi Finance Commission had recommended levy of new taxes such as tax on profession, trade, and entry tax. The author suggested that the decline in fiscal dependence on higher levels, increase in own tax sources of Municipal Corporation of Delhi, etc., were indicators of improved fiscal health. The context of growing population, increasing prices the situation appears to be quite challenging.

3.8. Gujarat:

Mahesh Bhatt and Bharadwaj (1979) made a detailed study of municipal finances in Gujarat. They analyzed the problem of imbalance between needs and resources of municipal bodies of Gujarat and discussed the ways and means to fill up the gap mainly in the light of existing tax structure of the local bodies. They opined that spread of industrialization and urbanization brings a host of urban problems and consequently a heavy burden on municipal bodies to make provision of related basic civic amenities. The authors found that indirect taxes predominate in the tax structure of Municipal bodies.

The authors concluded that the municipal bodies had to intensify their own tax efforts for attaining minimum standards of civic amenities. They also said that the grants-in-aid from higher layers and concerted effort on the part of both local bodies and state governments were essential.

Mehta, L.R. Bharadwaj V.P. (1983) made a detailed study of the Municipal Finances of Gandhidham Municipality. The authors said that in decentralized economy, local government bears the responsibility of providing the local services to their residents. These services were financed with the help of local taxes. Therefore, it becomes essential to study individually the finance of municipalities to know
whether they were providing services sufficiently or not. Gandhidham municipality, situated in kuchh district, was established in the year 1958. Rapid growth of Gandhidham town was due to some developments in nearly areas, such as the establishment of IFFCO, Free Trade Zone and development of Kandla port. These factors have affected both revenue as well as expenditure of the municipality. Financing expenditure and their contribution reveals that major portion of expenditure was financed through tax revenue. Out of ten years, only in two years budget had shown deficit. Regarding capital expenditure, Gandhidham municipality has constructed roads, bridges, drainage lines and water lines, at the time of allocating the plots (land), and the Sindhu Resettlement Authority charged the development cost from plot holders. Revenue from own sources increased faster than the increase of expenditure. It also shows that Gandhidham municipality was self-sufficient in providing local services to its residents.

The authors concluded that the municipal body was self-sufficient over the period because of special features of its capital expenditure financing arrangements. The policy implication for other municipalities emerging from this experience was that they may establish an independent authority to build capital works, viz., roads, water lines and drainage lines. These authorities may have powers to collect the cost of construction from the beneficiary residents. This will reduce the burden of municipalities and they may provide services more efficiently. In the long run, this will give incentive to such bodies to raise their own finances to provide better civic amenities and will encourage other municipalities also in this direction.

3.9. Haryana:

Partap Singh (1978) made a detailed study of grass root institutions of urban government in Haryana. According to the author, municipal bodies in India were proverbially deficient in financial resources. So he made an attempt to assess the gap between municipal obligations and resources. He also examined how the gap could be bridged and municipal finances linked with those of the central and state governments. According to the author, to bridge the gap the municipal bodies should exploit the allocated resources, sharing of taxes and a well defined system of grants-in-aid administered by a Municipal Finance Commission.
The author concluded that the municipal committees could increase the revenue from the tax by eliminating malpractices of arbitrary assessment and under assessment. He also opined that an active and sustained part of the state government was required for transforming the municipal committees into effective instruments to deal with the challenges and complexities of civic life.

Subhash, C., Arora and R.K. Prabhakar (1999) studied the finances of Rohtak Municipal Council. According to these authors the finance, more than anything, was the root of good or bad performance everywhere and in every sphere. Local bodies because in their case it was both a poor finance and poor financial administration, which have been responsible for the sorry state of affairs they have fallen in. The relation between local functions and local finance was inseparably interlinked. The authors said that the municipal finance had played a leading role in the development and growth of local self-government in India. Prior of Lord Ripon’s Resolution of 1882 which in fact marked the beginning of local self-government in India, the local financial resources were completely under state government control and administration of these resources lacked the very spirit of local self-government.

The author suggested that the municipal bodies must exploit fully the existing sources of revenue strong will power leaving aside petty politics and at the same time the government should expedite finalization of the recommendations of the State Finance Commission.

Hardeep Singh and Ashok Purohit (2012) made a detailed study of the Finances local government bodies: in Panchkula District. The purpose of the study was the analysis of income and expenditure of municipal council of Panchkula from 1996-1997 to 2009-2010. Taxes and non-taxes were the two main sources of revenue of the municipal council. During the study period the contribution of tax revenue was more than that of the non tax revenue. The tax revenue, on an average, was 52.99 percent and non tax revenue, on an average, was 47.01 percent of the total revenue. The contribution of house tax to the total tax revenue had been at peak. On an average, it was 52.42 percent of the total tax revenue. But it suffered from fluctuations. The second major component of tax revenue was octroi duty on an
average its contribution to the total tax revenue was 24.01 percent, during the study period. The municipal works revenue i.e. registration fees and stamp duty has also been a major source on average it was 38.92 percent, during the study period. Among the non-tax revenue rent on buildings and lands are also of highest value. It was percentage share was 14.69 percent on an average, during the study period. Out of the total expenditure of the municipality, the expenditure on municipal work was highest. It was 47.30 percent, on average, of total expenditure during the study period. The percentage share of expenditure on general department was the second highest after expenditure on general. It was 29.72 percent on average, of the total expenditure over the period 1996-97 to 2009-10. The balance was positive during the period covered by the study felt. They have also suggested that the yield from taxes, particularly from house tax, can be increased if fearless, impartial and uniform assessment was secured all steps shall be taken to check the tax evasion.

The authors concluded that the indices of both income and expenditure showed an increase of order of 46 and respectively over the entire period covered by the study. Both tax revenue and non-tax revenue also showed a significant increase over the period. Before the abolishment of octroi duty in 1999, relative share of tax-revenue was found more than that of non-tax revenue; while after 1999, shares of non-tax revenue become more than that of tax revenue. However, considering the entire period i.e.1996-97 to 2009-10 as one entity, than mean % share of tax revenue (52.99) was more than that of non-tax revenue (47.01). The octroi duty used to be one of the major sources of income of municipality till 1999. Therefore, government should evolve and alternate the abolished tax so as to compensate the local bodies in Haryana.

3.10. Jharkhand:

Simanti Bandyopadhyay (2011) made detailed study of the finances of Urban Local Bodies in Jharkand. The author evaluated the performance of the Urban Local Bodies on the basis of actual revenues and expenditures. The expenditure is also compared with the financial norms estimated for different urban services for India cities according to different size classes. A broad comparison on finances and service delivery indicators of these Urban Local Bodies with those in the Urban Local Bodies of the eight adjacent districts of West Bengal was also attempted. Total
revenue shows a falling trend across the first three size classes (in 75,000 to 1,00,000 population class) rises and falls again when population exceeds 1,00,000. Maximum is recorded for the below 25,000 size class at Rs. 758 per capita and minimum at Rs. 182 per capita in the 1 lakh plus cities. Average for all the cities was recorded to be Rs. 176 per capita. Revenue expenditure was an amount that is expensed immediately -thereby being matched with revenues of the current accounting period. Routine repairs were revenue expenditures because they were charged directly to an account such as Repairs and Maintenance Expense. A capital expenditure was an amount spent to acquire or improve a long term asset such as equipment or buildings. Revenue expenditure was the highest in 1 lakh plus cities while capital expenditure was the highest in 75,000-1 lakh population size classes. In absolute terms revenue expenditures show a rising trend across the first these size classes, falls in the 75,000 to 1 lakh size class and then again size in the 1 lakh plus size class. Own Revenues of Jharkand Urban Local Bodies on the sufficient to met only 17 per cent of Revenue Expenditures. In West Bengal the Urban Local Bodies can finance 43 per cent of Revenue expenditure. Bigger Urban Local Bodies are in a better analysis of finances in the Urban Local Bodies of the two states reveals that West Bengal was in a better position than Jharkand as far as the performance according to indicators related to finances were concerned. A brief analysis in terms of some coverage indicators of municipal services, infrastructure, employment, socio-demographic indicators and some standard of indicators can throw light on the outcomes of the generating of revenue and expenditures.

The author concluded there was an overdependence on grants from the upper tiers of the government. Many of the sources of revenues while were shared with the upper tiers of the government in other states were not present. The expenditures incurred on core services also were lower than those prescribed by the norms for Indian cities. The performances of the Urban Local Bodies by all indicators show a very low standard. The services delivery and other indicators, most of which record a lower standard than many of the states arid also all India averages, can somewhat be explained by the low levels of revenues and expenditure levels and vice versa.
3.11. Karnataka:

Nageswara Rao M. (1985) made a detailed study on the municipal governments of Karnataka. An attempt was made to examine the inadequate financial resources of municipal governments in Karnataka. The author suggested that territorial expansion, remunerative enterprises, introduction of financial and physical planning system, creation of special agencies for special functions, qualitative improvements in public health services and publication of “civic Journal” for educating and enhancing the civic consciousness among the citizens and keep it open to express grievances, views, suggestions, complements and brickbats from the tax payers, would help to overhaul and improve the financial position.

The author concluded that periodical review of finances and functions of the corporation was important in the frame work of National Development and at local level and encroachment of fiscal and functional powers of local government by the higher tier.

Odeyar D. Heggade (1997) made a detailed study of the Finances of Mangalore city of Karnataka state. The total revenue under municipal taxes and rates of Mangalore City Municipal Corporation had increased from Rs.340.46 lakh during 1980-85 to Rs.457.64 lakh by 1985-89. The income under property tax had been growing slowly, from Rs.31.58 lakh in 1965-70 to Rs. 42.41 lakh in 1970-75 and Rs. 75.89 lakh during 1975-80. The revenue derived under property taxation had increased from Rs. 269.78 lakh during 1980-85 to Rs. 370.70 lakh by 1985-89. The reasons for remarkable increase in property tax revenue in the post-corporation period are: (I) the income in the property tax rates, (11) allied water tax, (III) lighting tax rates, and (IV) improvements made in the assessment of the value of new properties. After 1980, the Mangalore had experienced an increase in the building activity, particularly by way of growth of private commercial complexes, five and three star hotels and lodges and also flat constructions by land developers and builders. The revenue collected under the head of assigned revenue, shared taxes and profits from the remunerative enterprises had increased from Rs. 1056.23 lakh in 1980-85 to Rs. 1651.62 lakh in 1985-89. The increase was slightly more than 50 percent. The total receipts of Mangalore Urban Local Bodies had increased remarkably as a corporation. It has shown more dynamism in revising property tax and tax collection, user charges collection during 1980-89. But like other
corporations, Mangalore Corporation also faced financial inadequacy to meet it was growing expenditure obligations in the wake of increasing urban growth of the city.

The author concluded that the urban governments are facing some problems in Karnataka. According to the author not only the supply of various types of urban amenities was quantitatively inadequate, but they were also very poor in quality. In addition, the maintenance of assets of the different urban amenities system was also very poor. To solve this problem, the finances as well as organizational skills and efficiency of the Urban Local Bodies along with the measures for improving the productivity of municipal labour were recommended by the author. The author also concluded that the relative shares of Urban Local Bodies revenue under shared taxes has to be stepped up and the Urban Local Bodies shall be allowed to raise local public debt to finance their capital projects at the city level.

Sanjay Banerji, Krishna Gangopadhyay, Ashok Thampy, and Zilong Wong (2013) made a detailed study of the constraints and prospects of financing via Municipal Bonds in India. This was a study of two major municipal corporations, Kolkata Municipal Corporation (KMC) and Bruhat Bangalore Mahanagar Palike (BBMP). The authors felt that the study of this nature will help to draw lessons for other municipal corporations for both efficient implementation of infrastructure projects and means to finance such activities via multitude of platforms including placement of municipal bonds. Own source of revenue had been consistently declining for Kolkata Municipal Corporation and government grants increasingly comprised a higher share of overall income. An assessment of own source of revenue of Kolkata Municipal Corporation as the share of tax revenue was consistently on decline while the share of non-tax revenue has been rising. Analysis of revenue resources of Urban Local Bodies carried out by the Third Karnataka State Finance Commission showed that over 60 per cent of their revenues came from government grants, the dependency ratio of city corporations and city municipal councils was less than 50 per cent compared to town municipal councils and town panchayats where it was more than 50 per cent. In the case of Bangalore however, government grants constituted only 26 per cent of total revenues.

The authors concluded that Municipal Bond Market was in its lowest phase. To rejuvenate the market, the next key idea would be to select revenue enhancing and politically least resistant reforms and successfully lock a part of the fund for the credit
enhancement of the infrastructure projects via efficient institution specialized in infrastructure finance.

3.12. Maharashtra:

Abhay Pethe and Mala Lavani (Working Paper No. 16) made a detailed comparative study of Municipal Finances in Maharashtra. Both B and C class councils were very close. Finally in 1999-2000 B class councils outperformed the other two and A class councils registered the lowest ratio of 2.4.6 per cent. For local public goods too A class continues to be the best between 1995-96 and 1998-99 and C continues to be the worst. In 1999-2000 A class has the lowest ratio while B class had the highest ratio. For extended Local Public Goods too A class continues to be the best between 1995-96 and 1998-99 and C the worst. However, in 1999-2000 we find B class to be the best performer and A class the worst as was observed with the EFC definition. In 1995-96 B class councils fared the best with largest proportion of total expenditure being spent on education. In 1995-96 A class councils have continued to incur the highest expenditure on water supply and C class councils the lowest of 10.58 per cent. Since 1996-97, however, the proportion of expenditure on water supply has been the highest for B class councils. C class councils have consistently remained in third position. The share of grant in total income has been the largest for C class councils and the lowest for A class councils in each of the years. The share of loans in total income has been the largest for A class councils and the lowest for B class councils. The share of own income in total income was seen to be the largest for A class councils and lower for C class councils in each of the years between 1995-96 and 1998-99. During 1999-2000 a sharp decline in the share of own income was registered for all categories of councils. The own source revenue show a marked depletion for A and B type of councils. Taking away of significant taxation powers like octroi by the state government was the reason for it. C type councils were the smallest and have the smallest resource base.

The authors concluded urgent and serious attention was the data gaps, especially with reference to quality of service delivery as well as the unavailability of disc-aggregate data requires urgent and serious attention. These need to be collected uniformly for all Urban Local Bodies as a matter of standard practice to facilitate
analysis, prognosis, and diagnosis of well funded, techno-sway and autonemics urban observatories must be set up.

3.13. Punjab:

Ranjit Singh Ghuman (1995) studied the municipal finances in Punjab during 1971-91. According to him municipal administration was a primary unit of democracy for the urban population in India. He opined that the absence of the institution of the local self-government, it would not have been possible to mobilize people’s participation and interest in the management of local issues. It was only these institutions, which provide basic amenities to the ever-rising urban population in India. He believed that the rapid growth of urban population would prove a serious strain on the already meager resources of municipal administration in Punjab as in other states of India and would reduce the quality and quantity of public utility services.

The author concluded that the municipal administration must see to it that the revenue was collected very efficiently and economically and advocates proper utilization of funds for provision of maximum services to the people.

3.14. Shimla:

Meenakshi Sooden, Poonam Kaushal and Monju Bali (2006) made a detailed study of finances of Municipal Corporation of Shimla. According to these authors development role of local bodies had acquired a new significance and meaning. Local governments help in accelerating the process of physical and human capital formation in a region. The Shimla municipality was the oldest in Panjab and it was made a Municipal Corporation on 27th June 1969. According to these authors population of the town tends to get almost doubled during the tourist season, putting lots of pressure on already over strained municipal services for any meaningful discharge of obligations by an institution, there arise the needs of smooth flow of sufficient resources. According to these authors Shimla Municipal Corporation was not only averse to levy new taxes but also managing it was financial affairs in a poor manner.

The authors suggested that the improvement of finances of the Corporation was related to exploitation of new sources of revenue. They also felt that share in state
taxes shall be reconsidered. Increase in the rates of the existing taxes and more grants-in-aid were necessary steps. The Corporation should go for rationalization of it was present policy of user charges.

3.15. West Bengal:

Asish Kumar, Bhattacharya and Kanchan Kumar Purohit (2001) made a detailed study of the financing the urban local government. This was case study of Calcutta Municipal Corporation. According to these authors the corporation was entrusted with providing not only the basic services and utilities, but also overall civic well – being of the people living in the city. According to these authors there were many hurdles and paucity of funds was ranked at the top. The research works covering the various aspects of financing of Calcutta Municipal Corporation were very few and far between. Local government finance was concerned with rising it was resources necessary to meet the expenditure needed to provide local government services.

The authors suggested that the Chief Executive Officer (C.E.O) of the Corporation must be made fully responsible for tax collection as per the estimate. A monthly review of tax receipts of the Corporation should be made by the council and directions issued to office and persons concerned. The state government, the controlling authority, should also be rational in tax-sharing function to ensure the due share of the grants. The authors said that the strict financial control ensure timely financial reporting and auditing of accounts. This will be helpful in improving the financial condition of this civic body.

The methodology of the present study, its objective and scope of the study, statement of problem, questions raised for the study, selection criteria, and parameters in the research will be discussed in the next chapter.

Kanchan Kumar Purohit (2002) made a detailed study of the budgetary practice of Calcutta Municipal Corporation. The author said that the budget, like motherhood was something that we would argue against. It was a quantitative expression of a plan of action and an aid to coordination and implementation, financial management of the government, which gradually paved it, was way to different types of public bodies, commercial and industrial enterprises and even to
non-trading concerns. The author said that the local government budget helps planning, management and control of it was affairs. It was called the heart of municipal machine not only because it provides finances for expenditure on different activities but also because it serves as a powerful tool of coordination.

The author suggested that the analysis of budgetary practice of Calcutta Municipal Corporation (CMC) bring some important features of it to limelight. The author said that the more than one function was assigned to some portfolios at present, it was necessary to open separate account for each function and allocate funds for each of them separately. Such change will definitely add to the quality to present system of budgeting of Calcutta Municipal Corporation.

The methodology of the study, its objectives and scope of the study, statement of problem, questions raised for the study, selection criteria and parameters in the research will be discussed in the next chapter.

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