PREFACE

The research study with title “Alternative Resource Mobilization for Urban Local Bodies: A Case Study of Rajasthan” has been carried out to analyze the impact on urban local bodies after 74\textsuperscript{th} Constitutional Amendment Act 1992 and corresponding Rajasthan Municipalities Act 2009. The municipal bodies remained weak and ineffective institutions on account of variety of reasons inadequate devolution of powers and functions and weak financial management. As a result, the urban local bodies were unable to perform effectively as vibrant democratic units of self-governance.

Having regard to these inadequacies, necessary provisions relating to urban local bodies have been included in the Constitution for putting them on firmer footing. The relationship between the state government and urban local bodies with respect to the functions and taxation powers clearly defined and arrangement for revenue sharing between state and urban local bodies have been managed through the state finance commission to be constituted after five years. The elections of the urban bodies have been made mandatory and in case of super-sessions, State Election Commissioner is duty bound to conduct timely election.

Efforts have been made to provide adequate representation for the weaker sections comprising of the scheduled castes, scheduled tribes and women in the manner to earmark each seat of urban local bodies to avoid any ambiguity. Accordingly, three types of urban local bodies have been made mandatory comprising of Municipal Corporations, Municipal Councils and Municipal Bodies on the population base of urban areas. In Rajasthan, there are 184 municipal bodies comprising of five Municipal Corporations in the cities having population of five lakhs and above, 13 Municipal Councils having population less than five lakhs but more than one lakh and 166 Municipal Board having population of less than one lakh and more than 10,000 persons.

As per 2001 census, there were 216 urban areas comprising of cities and towns but 32 urban areas could not be deemed proper to form municipal bodies. Urban population of the state is 23.39 percent of total state, where the cities
more than one lakh population have 57.23 percent of urban population and remaining 166 towns have 42.77 percent urban population. As per 2011 census urban population is 24.9% to total population. Another study reveals that contribution of urban areas to gross state domestic product is 60 percent.

Efforts have been made to financially strengthen the urban local bodies through various measures. The central finance commission and state finance commission recommend grants to municipal bodies, which is provided to each municipal body as per laid down criteria and share in state consolidated funds. In addition, the urban local bodies have some own sources of resource generation. In the twelfth schedule of Constitution of India, 18 functions have been entrusted to urban local bodies of which some important functions like urban water supply, town planning, urban forestry, roads and bridges, public health, urban poverty alleviation, etc are still functions of government department or its corporations.

The responsibilities entrusted to urban local bodies are innumerable, but the resources are most limited. In addition, two most prominent sources of municipal income i.e., house tax and octroi duty have been eliminated. The house tax was removed completely but later allowed with some limitations of houses of more than 250 square metres with the name of Urban Development Tax. Income from house tax has been squeezed to about 20 percent of total anticipated. Similarly, the octroi duty was eliminated at the instance of introduction of value added tax (VAT), where the states were suggested to compensate ensuing revenue with ten percent annual increase.

Total funds receivable to urban local bodies from government grant and income from own resources are not sufficient to manage committed liability of salaries of staff, remuneration of elected representatives and maintenance of machinery and equipment required for delivery of services. The situation of municipal boards of smaller towns having population between 10,000 to less than one lakh is quite miserable, as they have no expertise for collection of own taxes, fees and duties and the government receipts are not sufficient to meet necessary requirements. Even maintenance of created assets is problematic and town look like slums creating miserable position.
Collection of own resources remains problematic because of inefficient machinery, lesser coverage, ad-hoc exemptions and drive for populist measures in municipal boards. The municipalities do routine recurrent expenditure from government assistance as fund in-lieu-of octroi, while the development activities remain unattended for lack of funds. There is no systematic approach for collection of municipal funds in the form of tax, duties, fee, user charges, cess etc. Some externally aided and centrally sponsored schemes are implemented in the urban area through various agencies other than municipal bodies and expect beneficiary contribution from municipal bodies as ultimate beneficiary. In addition to this, non-transfer of all the 18 identified functions, parallel system is functional in the form of urban improvement trusts and development authorities, which function independently in urban areas.

Therefore there is absence of conducive environment for helping the urban local bodies as there is no centre of excellence in the form of institution which can handhold and guide ULBs to achieve desired goals with perfection. The budget passed by municipal body as per proviso of the Act, is approved by the state government or can be reduced as per liking. The proposals for revision of rates of taxes, duties, fees etc remain unattended for years causing serious problem in financial management of activities. The municipal bodies are presently functioning in the restricted and guided environment, even after more than 18 years of enactment of 74th Constitution Amendment Act 1994. The state government constituted four state finance commissions for recommending the municipal grants and share in consolidated funds for the duration of 1995-2000, 2000-05 and 2005-10 and 2010-2015. State government devolves finances based upon state finance commissions’ reports.

In such a dwindling environment, the municipal bodies find it difficult to fulfill the aspirations of the urban people, who had elected them to provide all requisite infrastructure facilities and civic amenities to the people. The municipal bodies are also incapable to collect the own resources, which is a matter of concern.

In this background, efforts have been made to identify alternate resources, which can be mobilized with the support of the state government, as
many tasks in the suggested list need government action at the administrative department level and sorting of legal issues. The suggested alternate resources are assured and sustainable to provide significant finance to each municipal body, even equal to existing government assistance and own resources. There are no consequences of state financial liability or conflict with other department or agencies. Most of the alternative resources are based on the potential of respective urban local bodies, where better management would yield the resources as well as create new opportunities for emerging other avenues of similar assured resources. The main task to be fulfilled by urban local bodies is to provide requisite facilities and assured services to the people, who are subject of their actions and expectations. The alternate resource mobilization is possible to attain as some of the activities are suggested to be carried out through contractual arrangement, while others as inflow from the respective agencies. Betterment duty is suggested to be shared from all the urban people for empowerment in urban development and better services to the people.

The research study has been divided into six chapters, where chapter one is introduction to the subject comprising of the identification of problems, review of literature, objectives of the study, hypothesis framed to be proved through the research, methodology of the research and scope of the study, i.e., urban institutions of the state. Chapter two is the introduction of finance, which covers meaning of finance, objectives of finance, scope of finance, importance of finance in urban management, limitations of finance and need for multi-level strategy of financial approach.

Chapter three of the research study is related to urban local bodies of Rajasthan, where demographic features of urban areas have been analyzed. Classification of municipal bodies has been dealt as per existing pattern and state domestic product has been analyzed at current and constant rates to enlighten urban contribution. Urban governance, municipal powers and offices have been described as per prevalent Act along with regulations of certain trades envisaged from urban local bodies. There is provision of formulation of state municipal union to discuss difficulties and prospects of urban local bodies. The state control
over urban local bodies has been described as per Rajasthan Municipalities Act 2009.

Chapter four of the research study contains financial aspects as per enacted state Act, financial position of urban local bodies and factors responsible for weak financial position of the urban local bodies has been analyzed. Importance of house tax and octroi duty in urban financial system has been described along with the impact of waiver of these resources. Financial compressions of third tier urban local bodies have been elaborated to enlighten the problems of these institutions. In addition, ways to improve the financial position of urban local bodies have been attempted in detail.

Chapter five of the research study is related to potential resources prevailing at the urban local bodies level, other urban development activities carried out by the urban local bodies and urban development activities implemented by state line departments and organizations of the state government. Alternate resource which are possible at the state level have been elaborated in detail along with their mode of execution. Chapter six is the concluding part of the research study where summary of the research study, conclusions arrived at have been detailed along with their consequences. The suggestions for alternate resource mobilization have been discussed along with its potential equal to existing municipal resources.

In each chapter of the research study, conclusion of the contents has been given in brief and references, which remained the guiding factor of the study, have been stated. Attempt has been made to conduct the research study within the framework of the objectives and hypotheses drawn for the study have been proved at appropriate places. Attempt has been made to remain focused to the study without any biasness or prejudice. All the suggestions made for betterment of urban local bodies are original as outcome of the research study and not borrowed from any earlier attempt. The alternate resource mobilization efforts would help in prospering the urban local bodies true to the central act and vision of urban development.

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