CHAPTER – I

INTRODUCTION

Urbanization process is associated with the beginning of established life by human beings. Usually the civilization started growing near water bodies, where rivers had prominent role. Urbanization started when people started agricultural practices and wanted to sell surplus produce for getting money for meeting other requirements. Strengthening of urban centers was necessitated for purchase and sale of commodities as finding of a person for exchange became difficult and less remunerative. Division of rural and urban centers was similar process of the civilization. After starting census operations, urban areas were suitably defined mainly with population concentration, density and more prominently the agriculture activity, which is the rural occupation. This process helped in demarcation of urban and rural localities.

Another characteristics of urban and rural area is land use pattern, where urban areas have habitations, marketing centers and civic facilities, rural areas have land use comprising of agricultural land, forest land, pastures, habitation area, barren and waste land. Relationship between urban and rural areas is dependent on mutual needs, managed through forward and backward linkages. One peculiarity of urban area is migration of people in search of employment and desire to have shelter, which is critical factor in view of costly rental accommodation and cost of land. Migration of people from rural to urban areas is mainly for seeking short term and long term employment. Short term employment seekers are persons having single cropped area, who want earning for the duration up to next monsoon, while long term employment seekers are
persons having no agricultural land or quite meager to manage their livelihood. The migration to urban conglomerate was driven by better civic amenities, scope for growth in economic well being and ignited hope for glamorous future.

Pressure of immigration varies between various urban areas depending upon the capacity to absorb people through wage employment, potential of city for economic activities and cost of living vis-a-vis their native rural areas. In addition, new economic activities forced emerging markets to demand cheap labour and skillful workers to get feed from hinterland. In addition to job seekers, daily commuters also add pressure to civic facilities who reach cities for selling surplus produce or providing services of various categories creating large chunk of floating population. Industries, construction sector and trading are the activities, requiring fluctuating number of workers.

The growth of Urban centers in terms of volume depends upon its economic activities, environment for developing new business, existence of governance centers. The larger the potential for growth of urban center more the migration from catchment area happens. The urban areas have larger contribution on the factors of national economy in the form of national domestic product, degree of employment generation and technological advancements.

Urban and rural areas have distinct governance system which is termed as local self governance. In Indian context, these governance institutions have been given constitutional recognition in a bid to decentralize the governance and developmental activities. And these local bodies have certain amount of autonomy. The fund, function and
functionaries are designed to devolve upon these bodies to work effectively. The categorization of particular conglomerate as urban depends upon factors of population, literacy rate and percentage of persons involved in non-agricultural activities

**URBAN SELF GOVERNANCE:**

Urban local bodies are constitutional institutions. The 74th Constitutional Amendment Act, 1992 was milestone in local self governance. In effort to provide grass root democracy and decentralization autonomy of these bodies was given constitutional recognition. In developmental process bottom-up approach was discussed upon many times instead of Top-down approach. This constitutional amendment provided for bottom-up approach where people have direct say in planning, execution and monitoring of developmental activities. Till this amendment these urban local bodies didn’t have proper powers, vision and ability to govern cities. Lack of timely election, paucity of funds and top-down approach for development led to degeneration of institutional framework at local level. This situation started reverse trend after 74th Constitutional Amendment Act 1992.

This amendment along with constitutional status also provided for regular elections, proper representation for weaker sections and women, provision for transfer of fund, function and functionaries, audit mechanism, District planning committees etc. The 12th schedule of constitution of India mentions 18 subjects transferred to urban local bodies. Part IX A and Article 243P to 243ZG mentions about various facets of constitutional validities provided to urban local bodies.
The urban local bodies were categorized into Municipalities, Municipal Council and Municipal Corporation and powers of such categorizations were given to states. The main objective was to provide powers, authority and responsibilities as may be necessary to function as institutions of self government. Urban local bodies are grass root functional democratic institutions.

In Rajasthan state, there are 184 Urban Local Bodies consisting of five Municipal Corporations at Ajmer, Bikaner, Jaipur, Jodhpur and Kota, 13 Municipal Councils and 166 Municipal Boards. The Municipal Corporations and Municipal Councils are first class urban bodies, while other 166 Municipal Boards have been further graded according to population where 36 are class Second (population between 50,000 and 99,999), 58 as Class Third (population between 25,000 and 49,999) and 72 as Class Fourth(population below 25,000) municipal bodies. Class one urban local bodies consist of 5 Municipal corporations having population more than 5 lakhs and 13 other having population more than one lakh but below five lakhs.

Over the years the trend of urbanization in Rajasthan has shown increase. This includes the factors of population growth as well as migration.In year 1951 the total urban population was 29.55 lacs which increased to 170.48 lacs in 2011. While in the same period share of urban population to total population changed from 18.50% to 24.9%. The census towns are 297 while declared municipalities are 184 in year 2011.
Table 1.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population (in lakhs)</th>
<th>Decadal Growth Rate %</th>
<th>Total Urban population (in lakhs)</th>
<th>Decadal Growth Rate of urban population %</th>
<th>No. of Towns/UA in the State</th>
<th>Share of Urban population to total population %</th>
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<tbody>
<tr>
<td>1941</td>
<td>138.64</td>
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<td>21.17</td>
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<td>29.55</td>
<td>39.58</td>
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<td>1961</td>
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<td>1971</td>
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<td>1981</td>
<td>342.62</td>
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<td>2001</td>
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<td>28.41</td>
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<td>2011</td>
<td>685.48</td>
<td>21.30</td>
<td>170.48</td>
<td>29.00</td>
<td>297</td>
<td>24.9</td>
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The population data of municipalities along with their classification is depicted below-

Table 1.2

<table>
<thead>
<tr>
<th>S.No</th>
<th>Category</th>
<th>Population</th>
<th>No.</th>
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<td>2</td>
<td>Municipal Council</td>
<td>1.00-5.00</td>
<td>13</td>
<td>24.22</td>
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<td>3</td>
<td>Municipal Board II</td>
<td>0.50-1.00</td>
<td>36</td>
<td>22.04</td>
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<tr>
<td>4</td>
<td>Municipal Board III</td>
<td>0.25-0.50</td>
<td>58</td>
<td>18.14</td>
</tr>
<tr>
<td>5</td>
<td>Municipal Board IV</td>
<td>&lt;0.25</td>
<td>72</td>
<td>14.48</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td>184</td>
<td>127.71</td>
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</table>
In addition to Municipal bodies, there are 10 Urban Improvement Trusts to share and assist the local governance with the municipal bodies. Jaipur Municipal Corporation is assisted by Jaipur Development Authority, headed by the Minister Local Self Government, Urban Development and Housing. And Jodhpur Municipal Corporation is assisted by Jodhpur Development Authority.

1.1.1 Responsibilities of Local Bodies:

In year 2011 urban population of Rajasthan is 24.89% of total state population. Decadal growth rate of urban population for the period 2001-2011 remained at 29.26% which was 31.17% for the period of 1991-2001. The population pressure on urban centers create the need for enhanced civic amenities and infrastructure. Being the center of development and investment, expectations from business quarters also became manifold. Along with this Environmental issues is of significant concern. Ideally, Local bodies had to work like mini-government. Though constraints regarding fund, deficit of skilled man-power and naïve nature of these institutions held them back. The area of urban local bodies where they are functioning or should function is quite wide but formal entitlement of their duties is enshrined in 12th schedule of Constitution of India provided by 74th Constitutional Amendment Act. The functions listed in above schedule is as follows-

(1) Urban planning including town planning.

(2) Regulation of land use and construction of buildings.

(3) Planning for economic and social development.

(4) Roads and bridges.
(5) Water supply for domestic, industrial and commercial purposes.

(6) Public health, sanitation conservancy and solid waste management.

(7) Fire services.

(8) Urban forestry, protection of environment and promotion of ecological aspects.

(9) Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded.

(10) Slum improvement and upgradation.

(11) Urban Poverty alleviation

(12) Provision of urban amenities and facilities such as parks, gardens, playgrounds.

(13) Promotion of cultural, educational and aesthetic aspects.

(14) Burials and burial grounds, cremations, cremation grounds and electric crematoriums.

(15) Cattle pounds, prevention of cruelty to animals.

(16) Vital statistics including registration of births and deaths.

(17) Public amenities including street lighting, parking lots, bus stops and public conveniences

(18) Regulation of slaughter houses and tanneries.
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<th>12th Schedule Items</th>
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</tbody>
</table>

Y – Yes, assigned to Municipalities, N–No, not assigned to Municipalities
(Source:Consultation paper of National Commission to Review the Constitution)

Under the existing arrangements in the state, urban planning including town planning, regulation of land use, roads and bridges, slum improvement and water supply and sewerage systems are attended by respective departmental agencies partly or wholly. Some of the activities
are carried out by the respective departments of the state government on
deposit works from municipalities, while in case of some activities,
government department send respective financial contribution to
municipalities for execution. In some cities where there is Development
Authorities or Urban Improvement Trust also share the developmental
activities of Urban Local Bodies. Developmental Authorities are in Jaipur
(called JDA- Jaipur Development Authority) and Jodhpur (Jodhpur
Development Authority). These institutions supplement and support the
infrastructure development efforts of Urban Local Bodies.

The said Constitutional Amendment Act 1992 had authorized the
respective state government to enact laws in response to the amendment
and entrust the responsibilities as per suitability by the state. However,
the state endows by law the municipalities with such powers and
authority as may be necessary to enable them to function as institution of
self governance and such law may contain provisions for the devolution
of powers and responsibilities upon municipalities, subject to such
conditions as may be specified therein with respect to:

(a) Preparation of plans for economic development and social justice,

(b) Performance of functions and the implementation of schemes as
    may be entrusted to them including those in relation to matters
    listed in the Twelfth Schedule of the Constitutions, and

(c) Committees with such powers and authority as may be necessary to
    enable them to carry out the responsibilities conferred upon them
    including those in relation to the matters listed in the Twelfth
    Schedule.
1.1.2 Financial Management and Resource Mobilization:

The municipal bodies bear constitutional entity and empowered to levy taxes, duties, fees, cess etc for meeting their responsibility. The tasks to be performed by municipal bodies are innumerable and expectations of the urban people grow with the technological advancements and comparative facilities available in other parts of India and abroad. The levy of taxes etc in never welcomed by people and start protesting for withdrawal of such resource measures. Usually the state government provides funds from collection of taxes but those are not sufficient to meet the growing activities and expectations. For this purpose, financial management is most essential and critical task, which covers all modern techniques of working as well accounting as per laid down financial and work practices.

The municipal bodies have been entrusted with various responsibilities. With the increase in population and development requirements, pressure for better and enhanced facilities increased upon municipalities. For discharging these duties urban local body have to have sufficient resources. The constitutional recognition of certain financial powers of these local bodies get reflected in Municipal Acts i.e. Rajasthan Municipalities Act, 2009. The grants which these local bodies receive can be categorized based upon their origin into 3 parts-(a) Grants on the basis of recommendation of Central Finance Commission (b) Grants on the basis of recommendation of State Finance Commission (c) Grants in-lieu of Octroi.

Octroi was major source of revenue till 1998-99.Octroi was abolished from August 1,1998. It was decided to provide grant in-lieu of octroi to ULBs on the basis of income accrued in year 1997-98 under
octroi head plus 10% increment every year. This 10% incremental provision continued except for the years 2001-02 to 2003-04 when 5% increment was given. Under this head in year 2008-09 Rs.657.64 Cr was provided while in year 2009-10 it was Rs 747.16 Cr and in year 2010-11 it was Rs 797.00 cr.

The central finance commission is provided in Article 280 of the Constitution of India. After 74th Constitutional Amendment Act this commission was given additional responsibility to make recommendations about devolution of finances from centre and state to urban local bodies along with the volume of finance and conditions attached with it. 13TH Central Finance Commission has given its recommendations. It provides for two type of grants i.e. General Basic Grant and General Performance Grant. While General Basic Grant is to be provided to all urban local bodies as per decided formula irrespective of any conditions or linkage to performances. But General Performance Grant is to be provided subject to fulfillment of 09 conditions to be fulfilled about financial propriety and service-delivery improvement.

For Rajasthan, over the period of 5 years (2010-11 to 2014-15) General Basic Grant is Rs. 780.86 Cr and General Performance Grant is Rs.413.40 Cr for urban local bodies.

The State Finance Commission constituted under article 243-I reviews the financial position of the municipalities and make recommendations to the Governor of the state about the measures, which should govern in distribution between state and municipalities of the net proceeds of the taxes, duties, tolls and fees in accordance with such provisions to assign municipalities such taxes, duties tolls and fees levied and collected by the state government and provide making such grants-in-
aid to municipalities from the consolidated fund of the state and provide for constitution of such funds for crediting all moneys received by or on behalf of municipalities and also for withdrawal such moneys there from as specified in the law of state. The principles, which govern are-

(a) Distribution between state and municipalities of the net proceeds of the taxes, duties, tolls and fees levied by the state, which may be sub-divided between the municipalities as per their shares of such proceeds recommended by the state finance commission.

(b) Determination of taxes, duties, tolls and fees, which may be assigned to or appropriated by the municipalities,

(c) Grant-in-aid to municipalities from the consolidated funds of the state in the pattern recommended by the state finance commission and accepted by the state government.

Till now in State of Rajasthan 4 State finance Commissions have been constituted. These commissions have recommendations about various revenue augmentation measures.

The state government is entrusted with the responsibility of taking suitable measures to improve the financial position of the municipalities. The state government has also been entrusted with the responsibility of examining the recommendations of the State Finance Commission and submit along with the explanatory memorandum as to the action taken by it to be laid down before the legislature of the state. Thus the role of state finance commission has been made important, as the state government has to take the legislative assembly in to confidence in taking appropriate decisions.
The other major source of revenue to local bodies was House tax which was abolished and replaced with Urban Development Tax (UD Tax). Though the UD Tax have the potential of revenue rejuvenation of urban local bodies but in most of the local bodies it remained untapped. The realization and effective implementation of this tax remained far from reality. As discussed grants, tax, tolls, fees and penalties are the revenue sources of urban local bodies but because of manifold increase in responsibilities these seems insufficient. The pace of requirement of finances and their generation do not match. This gap was occasionally filled by adhoc sale of land-chunks hence diluting the capital assets without getting proper value. The efforts to invoke Public Private Participation (PPP) at some ULBs in infrastructure projects to fill the resource crunch for specific services.

The scanty nature of resource avenues and lack of effective collection and realization revenue led to resource crunch in liquid form. Though land and tax potential is available in abundance but proper financial management is key to better performance. The quantity and quality of human resources is also important factor for better financial management. Accounting procedure improvement like-Accrual based Double Entry Accounting System is way towards this. Proper survey, identification and need based allocation of various types of assets may lead to better financial health of Urban Local Bodies.

The state government has to manage funding for respective municipal bodies as admissible under centrally sponsored schemes from respective ministries of the Government of India for slum areas, housing facilities of poor and other infrastructure facilities within the cities or towns. For this purpose, the state is require to formulate proposals for the
municipal bodies, where the requisite activities are required. In case of
tribal areas of the state, schemes admissible for urban areas are possible
through submission of state proposals and approved by the ministry
concerned.

1.2 OBJECTIVES OF THE STUDY:

The research study aims to evaluate the responsibilities of urban
local bodies and requirement of funds to meeting such commitments.
This covers the spectrum of urban local bodies in general and a case
study of Rajasthan state in particular. The task is quite gigantic as all the
resources admissible to municipality bodies are in the form of grants and
loans accruing from central and state government as well as donor
agencies as per their terms and conditions. Funds received through loans
become commitment for respective municipal bodies and honouring such
commitments becomes further liability of the state. Funds receivable in
the form of levies, tolls, duties etc are received from state government,
which are quite meager to honour all the responsibilities entrusted over
such urban local bodies.

Therefore, alternative resource mobilization is the mode to fill up
the gap between the commitments and availability of funds. The resource
mobilization through such alternative measures is quite tough as well as
critical task if urban local bodies take innovative routes and courage to
take less travelled paths. People would not mind paying more if quality
services are delivered effectively. And it becomes easy to get extra share
from public if they get convinced that extra realization would surely go
for betterment their amenities. Looking to the availability of existing
revenue sources with urban local bodies it is being felt that these are not
sufficient to cater to increasing demand of urban development sector.
This study aims to focus upon finding the alternate ways of resource mobilization for urban local bodies so that they can discharge their duties comfortably.

Keeping in view all the facts, the main objectives of the study are as under:

(1) Detailed study of responsibilities and working pattern of the municipalities of Rajasthan under different categories.

(2) To examine the existing financial pattern of municipalities in Rajasthan in response to the responsibilities and necessity of such expenditure on existing pattern and mode.

(3) To elucidate the scope of financial reforms in municipalities of Rajasthan and search avenues for alternate resource mobilization.

(4) To examine the policies of State Government towards the financial growth of municipalities in Rajasthan and find alternate means of resource generation.

(5) To evolve various measures of alternate resource mobilization of municipalities through the created assets and properties under the control of municipalities.

(6) To search technological interventions helpful in alternate resource mobilization on sustainable basis.

1.3 REVIEW OF LITERATURE:

The first municipal corporation in India was set up by the British in 1687 on British town council model of the day. The economic growth, livelihood and employment opportunities have remained city driven
particularly since the first industrial revolution, the mindset of elites, planners, civil servants and policy makers in India has continued to have a rural bias. The rural development has received much more attention than urban management and urban development during the first sixty years of the Indian Republic. However, the things are changing fast and at the global level, majority of world population resides in urban areas and India is also likely to follow same lines.

Even today, the urban sector contributes 60 percent of national gross domestic product where the population is 31.16 percent, which is evident that growth of population is significant in metropolitan cities while smaller towns could not get momentum to similar extent. In Rajasthan the urban population is slightly less than 25 percent. The state has various hindrances of urban development but the process of urbanization, growth of new employment avenues, physical infrastructure and urban reforms have helped in easing the existing barriers to significant extent. A well articulated urban policy is helpful to achieve many dimensions such as lack of services, population stress, poverty, congestion, environment deterioration are critical factors of urban areas.

There are visible changes in urban areas of Rajasthan, where common problems cropped up are load on existing infrastructure facilities, acute shortage of housing and rising of real estate prices. Lack of proper vigil to government properties, encroachment over government lands for growth of slums are areas of concern and improvement of such slum areas becomes serious issue. The issues which haunts urban areas includes slum area improvement, sanitation, drainage, sewerage, proper street lighting, roads, bridges, environment etc. Each of these issues needs specific plan and separate resource allocation. Practices have been done
in various urban local bodies across the country where effective handling of these issues have been done. Innovative solution of issues with surplus resource generation has been tried. The literature regarding various urban development issues is available vividly. Best practice’s documentation, narration of processes of effective financial management, innovations and technological intervention for better financial health are some of the key points mentioned across plethora of literature. These literary sources includes books, reports, magazines, government publications, research papers, websites, blogs and data table from reliable sources. Some light is being spread hereinafter about deliberation upon sources of literature.

State Development Report (2007) on Urban Development and Housing, Rajasthan prepared by Centre for Management Studies, HCM Rajasthan Institute of Public Administration has covered all the local governance issues of urban sector. This publication details legal, procedural, administrative, financial and developmental issues of urban areas. Functioning of various agencies for systematic urban development and provision of requisite facilities has been detailed out keeping in view the growth pattern of urban areas of the state. Urban areas face various problems of law and order, conflicts of property, encroachments over government property, tilted land use and super complexes. Crimes and anti-social activities have further aggravated urban problems, which need to be handled to save people from hazardous activities.

Strength, weaknesses, opportunities and threats (SWOT) analysis for functional aspect of agencies working for creating of various facilities in urban areas has been done. The facilities created for weaker sections of societies are siphoned off by various mischievous elements. It has been stressed that various facilities available for people could not be availed by
actual needy persons for lack of awareness and solution of such problem is addressal of the problem in sensitive manner by generation of awareness. Urban management has become most critical issue for administration as there are innumerous problems need quick response before they could flare up.

Prashasnika (2008), a quarterly publication of HCM State Institution of Public Administration has enlightened problems and prospects of Jaipur city, which has been chosen by the Government of India as one of 63 cities under one million population plus cities covered under Jawaharlal Nehru National Urban Renewal Mission (JnNURM). The object of the scheme is to develop the surrounding urban areas to reduce the burden on civic facilities of main city. New master 2025 for city is under preparation based on Geographical Information System (GIS) procured from National Remote Sensing Agency to reduce time and cost of survey to vital extent. GIS based imageries would help in preparation of realistic plan and identify potential areas of growth for shifting burden on main city.

There are total 11 cities and towns in JDA area, which has city population of 89.61 percent of total urban population and remaining 10.39 percent population is shared by 10 cities and towns. It has been stressed that thee are 10 sub-urban areas in the surrounding of main city viz. Chomu, Bagru, Shivdaspura, Bassi, Chandlai, Achrol, Goner, Sirsi-Bindayaka, Jamawa Ramgarh and Kanota. The organized development of sub-urbans of Jaipur would defuse the pressure on main city to significant extent and position would remain manageable from city management point of view.
Prashasnika (2007) reveals that last decade has witnessed many landmark developments in urban sector with the focus shifting towards local bodies and their finances. The 74\textsuperscript{th} Constitutional Amendment Act 1992 has been most important milestone in the evolution of the urban sector in India. This has enabled the financial management of urban local bodies with assured assistance from centre, state and local finances as well as powers for resource mobilization by urban local bodies, which were surviving in uncertain financial and administrative crunch. Cities are emerging as engines of economic growth and contribute major share to gross domestic product. There is necessity for quality urban service delivery and sustenance for greater significance of future development in systematic manner.

India Best Practices Catalogue (2003) has enlightened innovations in municipal budgeting and financial management system of Bangalore Municipal Corporation reiterating the follow up of traditional practices of budgeting systems by most of the urban local bodies in India. Such practices only serve the purpose of expenditure control but do not facilitate managerial efficiency. Similarly the accounting systems of most of urban local bodies are based on cash basis rather than accrual basis. The article enlightens various accounting, budgeting and financial management systems adopted by Bangalore Mahanagar Palika using the principles of enterprise resource planning, which helped in significant improvement in revenue mobilization, expenditure rationalization and performance measurement.

Khan and Jain (2006) have defined the municipal financial management as art and science of monetary system. The major areas of finance are the financial services and management finance, corporate
finance where every aspect is dealt on monetary aspect. According to them, the financial management is concerned with duties of financial managers in the business firms, where the managers are expected to search ways and means of resources mobilization. The financial management deals with the financial affairs of any type of business firm comprising of financial and non-financial, public and private, large and small units, profit and non-profit motives. The authors are of the view that in financial management of urban local bodies all aspects should be left open as there are immense opportunities of generation of resources.

E-Commerce: The Cutting Edge of Business (2008) presents the technology and processes behind e-commerce and e-governance. It highlights importance of security in transactions in the electronic environment. The objective of e-commerce is entailed to guide the trade and commerce, where business expansion is envisaged by using internet and intranet commerce. The business and commerce accept the e-commerce mode of financial functioning for rapid expansion with meager investment. Here new business models are tried and tested for efficient financial management, which is significantly quick and transparent than the conventional mode of functioning. There is necessity to adopt new models for exploiting the internet to make the business survive and thrive in the highly competitive e-marketplace.

CMAR, Jaipur has stressed the necessity to improve the municipal resources and cited references of some urban local bodies in India where financial reforms, management innovations and efforts for resource mobilization have been successfully carried out. Indore Municipal Corporation has made an attempt for sustainable resource mobilization through revenue generation by self assessment of property taxes, focusing
on revenue management, computerization of financial system, decentralization of zonal offices and reorganization of revenue management, capacity building and communication with the citizens. The success story of Indore Municipal Corporation reveals the reformatory efforts which yielded in revenue generation from Rs. 42 crores in 1995-96 to Rs. 126 crores in 2001-02. The replication of success story helped in revenue generation by other municipal corporations and urban local bodies.

The municipal resource generation is possible by management of assets of the municipal bodies as various assets remain unknown and people use those assets as their personal property. There is felt need for asset management and their valuation for using or charging suitable charges from users, which have captured such assets for long and earning enormous profit from locational advantages. The slums dwellers occupy such lands in case the administrative machinery is not aware of the assets and present status.

Urban India (1999), a journal published by National Institute of Urban Affairs has depicted and analyzed the financial implications of upgrading the municipal services. It describes the resource mobilization and financial management for standardization of municipal services. A case study of Surat urban water supply and sanitation has been cited as modal of financing and cost recovery in most judicious manner, where people gave their full support in realization of user charges regularly, which helped in cost recovery in stipulated manner. This is an excellent example of participation of people in urban facilitation activities, which is possible when the people treat their own responsibility to adhere to their commitment in lieu of better services.
In January-June edition of Urban India (2000) an study made of declining of resources of inner city of Hyderabad due to abolition of octroi duty, which was major source of resource generation. The alternative methods evolved by the municipal body gave encouraging results. These efforts of few innovative urban local bodies are helpful in replication in other similar bodies, where it is necessary to assess the local situations in detail before initiating such reformatory measures. Various urban local bodies could manage their finances with the help of state government in formal support for implementation of reforms. The big projects of infrastructure needs can be managed with the state support where financing agencies want state guarantee for repayment of loans. In some infrastructure activities, repayment is not possible like city roads but in sewerage system, the realization is possible along with water supply.

Upgrading Municipal Services: Norms and Financial Implications (1989) has undertaken study of 157 municipal bodies within the population size category of one to 7.5 lakhs, where financial resources were required for upgradation or augmentation of urban water supply, environment and sanitation, street lighting, roads and preventive medical facilities. The study analysis of problems confronted by municipal bodies and measures for adopting policy issues to overcome the financial stringency. It has further revealed that every service rendered by municipal bodies are cost effective and realization from users is tedious task but in case the people are convinced for associating in the responsive manner. Resource Mobilization by Local Bodies in the National Capital Region (1989) examines the financial position of municipal bodies and identifies the factors responsible for their weak financial position. The recommendation for resource mobilization in the form of comprehensive
package covers the augmentation of the capacity through maintenance of services at upgraded level. It has also been stressed that each and every municipal body need not to appoint consulting firm for suggesting ways and means but minute observation of success measures can also be helpful for better financial position as the consulting agencies are not always capable to suggest feasible measures. Some of the measures are protested by the people, while others are accepted without any protest. This depends on the selection of measures, which are not the direct burden on various sections of society.

The National Institute of Public Finance and Policy (2005) had prepared Report on Restructuring State and Local Finances for Rajasthan Augmenting of Municipal Finance for Urban Development has suggested various measures within the framework of urban local bodies, where the new and innovative measures are cited for additional resource mobilization. It has been cited that octroi and various taxes have large evasion capacity due to connivance of the collection machinery. The conventional measures are not sustainable resource generation measures, whereas various new measures can yield better results with assured availability of resources on regular basis. With the addition of urban activities of business and trade, new avenues have been generated which need to be explored for smooth functioning of urban local bodies.

The Planning Commission of India (2006) had prepared Rajasthan Development Report: Infrastructure and Basic Services, which narrates the expectations of urban people from local bodies and ready to pay for better and efficient services. The economic liberalization has created smooth environment for better resources generation and every urban local body should avail this opportunity. Charging fees for any service is not
bad if the services are efficient and time bound. People do not bother to pay charges if the task is carried out without any significant problem or repeated visits.

Prof. Om Prakash (2006) has dealt urban finances in Indian Infrastructure Report, which reveals feasible mode of revenue generation through innovative modes and collection is quite significant. The author is of the view that payment of service charges is not pinching to people as this helps in efficient service management and accountability of persons. Transparent financial management is effective tool for smooth flow of funds and daily stocktaking is possible. This helps in decreasing the paper work in matters where policy issues and responsibility of the decision is not involved. The infrastructure creation is costly affair which can be managed with quality work. Various services can be procured on consultancy basis and similarly the assessment of taxes can be made easy with suitable norms, where discretion of individuals is eliminated to most possible extent.

Ghosh Soumya Kanti and Newar Sanjeev (2006) of Management Consultancy Services with the title Big Push to Urban Infrastructure, where technological support is helpful in quality improvement of infrastructure creation resulting into recurrent repairs. Five year maintenance by the construction agency is one of the suitable options for urban local bodies as people of urban areas are not accustomed to adhere to civic norms and create various sort of disruption with civic facilities. The density of population and spread of urban areas are challenging tasks to municipal bodies and burden on civic facilities which gets intensified with increase of population through immigration. Urban areas provide
employment opportunities to the people coming in search of their livelihood and seek shelter in slums creating further problem.

First to Third Reports of State Finance Commission are worth reference as these reports shares which indicators were taken into consideration for devolution of financial resources from state to urban local bodies. After 74th constitutional amendment act it became constitutionally mandatory to deliberate upon revenue resources of urban local bodies in their reports. The state government has constituted the 4th State finance commission and it has submitted its interim report which was also taken into consideration.

The financing institutions also provide loan for various infrastructure activities but repayment is managed from the state government out of the funds to be given to municipal bodies. The financing agencies want state guarantee for repayment of loan and interest, which is provided by state government out of the funds to be given to urban local bodies in individual capacity. The urban local bodies have to manage the repayment mode of such funds invested for the benefit of the urban people.

The World Bank assistance for urban water supply was received under the multilateral agreement between the World Bank, Department of International Development, Government of United Kingdom, Ministry of Urban Affairs and Employment, Government of India and Government of Rajasthan making party to concerned Municipal bodies. The funding pattern and repayment mode is evident that the world bank assistance is not any type of grant but loan from donor agencies repayable in time bound manner along with interest, where the mode of payment from Government of India to donor agency remains in the respective foreign
currency and value of the currency is rated on the day of payment. The repayment from state government to Central Government remains in the form of 70 percent loan and 30 percent grant, where rate of interest is 12.5 percent.

The Central Government has made provision for payment to urban local bodies on the basis of recommendations of the Finance Commission, where the terms of reference remain for the duration of five years and every municipal body remains aware of their share receivable as their own resources. It is worthwhile for the urban local bodies to search new opportunities of resource mobilization as the responsibilities thrust upon them are multifarious. Edadan Narayanan and Sharma Atul (2003) in their publication on Restructuring Urban Finances by Accessing Capital Market is innovative idea to evolve the resources out of the capital market transactions being held in the location of urban local bodies. Resource mobilization from such sources is not difficult and burdensome as such transactions are worth substantial resources generation to urban local bodies. The urban areas are trade and business centers where the business transactions are significant including exports and imports. Tapping such resources are most feasible but mode of imposition of tax or similar duties can be possible after interaction with the business groups for knowing their reactions as such acts are part of their profits. The resource mobilization from such means are tedious in the beginning but after acceptance by the business community in the best interest of the area, later course becomes easier and perennial.

India is an sincere effort to associate private sector in delivering of services smoothly. As people would happily share the cost for assured water and sanitation facilities. The water problem is becoming most acute in view of tremendous growth of population and concentration of persons in urban areas. The water supply norms in urban areas are 100 litres per capita per day in comparison to 40 litres per capital per day in rural areas. Increase of population density because of high birth-rate and migration-pressure upon cities create burden upon existing limited infrastructure.

Report on Resource Mobilization for Rajasthan Urban Infrastructure Development Project implemented with the assistance from Asian Development Bank in six cities at divisional headquarters in the state viz. Ajmer, Bikaner, Jaipur, Jodhpur, Kota and Udaipur where the funds received as loan need to be repaid through the infrastructure creation. The donor agency remain vigilant that the involved cities need to spell out the measures of collection of funds from improved services. The municipal bodies have to manage the realization method for repayment of funds without affecting the functioning of the municipal bodies. The direct and indirect methods have been applied for realization of funds in appropriate manner. Additional resource generation has become necessity to meet the growing requirement.

Rao PNS and Srivastava GC (eds) have elaborated the avenues made possible with the funding to urban bodies from Finance Commission of India. In addition to assured funding, the municipal bodies have become capable to generate their own resources for better services to the people. The authors have highlighted the importance of central funding to urban local bodies, which is assured and recurring with increasing trends and compelled the local bodies to search their own
resources for better performance. The awareness generation and right to information act have created revolutionary changes in the mindset of the people and functioning of elected representatives has become accountable for their performance and non-performance. Fulfillment of the genuine aspirations of the people is becoming cumbersome and assurance is not enough to satisfy the people.

Tiwari Ramanand has cited innovative approach in municipal finances. Solid waste and city waste are helpful in energy generation or bio-fertilizer preparation, where Government of India provides substantial assistance for installation of electricity generation units. There is necessity to hand over the task to private sector, which include collection and use of city waste and solid waste for purposeful use and maintaining cleanliness. Treatment plants for chemical exhausts can be managed with cost sharing pattern and control of water and land pollution in the surrounding area. Carcass plants for availability of non-edible oils can be entrusted to private parties quoting a number to collect dead animals within the stipulated time. There are various activities helpful for environment management and pollution control, where municipal bodies can control the situation effectively without creating burden over their own finances.

An assessment made by the Reserve Bank of India for Municipal Finance in India, which is an innovative approach to help financing through various credit institutions. General Insurance Corporation, Life Insurance Corporation of India and Housing and Urban Development Corporation of India are among pioneer institutions financing for urban infrastructure. After availability of central and state funds to urban local bodies on assured basis, creditability of municipal bodies has been
increased, as funds are secure for regular repayment from state government. Thus municipal bodies have started systematic development of urban areas for showing their performance and efficiency.

Bhagwan Jai in his publication on Municipal Finance in Metropolitan cities has stressed the need of financial management in view of increased workload of the municipal bodies. The traffic, congestion and pollution free environment is the added responsibility besides city management, housing and uninterrupted business and trading activities. Industrialization and safety measures are the areas where pollution and natural disasters create serious problem. Terrorist activities are risk to the life and property of the people and every crowded place need strict vigil. Disruption in civic services create problem to the people and infrastructure creation remains the recurrent feature of such areas. Financial management of urban bodies is challenging task to match all the expectations of people of various sections of society.

Bhambhri Chandra Prakash has written book on Municipalities and their finances, which elucidates the ways and means for effective functioning of these bodies. The municipalities with meager population and millions of population have their specific problems from financial management point of view. The smaller municipalities have limited scope of resource generation while the metropolitans have significant measures with added responsibilities. It has been viewed that each municipal body has its own problems and responsibilities, where tailor made approach cannot function. The replication of success stories of other places need cautious approach keeping in view the local conditions and nature of business and trade.
Mehta MR (1998) has prepared notes for Municipal Finance, Accounts and Audit for trainees of Local Self Government personnel, who have to function in the environment where some of the municipal board members want every work to be carried out as per their wishes and entrusted powers to get specific activities carried out in their wards. The finance, accounts and audit needs transparent system as the personal entrusted to handle the task need to face the audit, where members of municipal boards are not held responsible for their acts, while persons handling various tasks of finance, accounts etc have to face the situation. A balancing approach is necessary for functioning in the environment different from government department. Following the rules and procedures is inevitable along with honouring the wishes of elected functionaries, where chairperson is also a elected person and convincing them becomes difficult while working in transparent manner.

Kharge Mallikarjun M had submitted Report of the Municipal Finance Enquiry Committee as Chairman, which is worth studying in view of areas where manipulations are materialized. The functional system of municipal agencies is elected representative on the top of the bureaucratic system, where the elected persons remain interested in fulfillment of the aspirations of their electors, while the bureaucratic machinery has to adopt system and procedures as per laid down manner. In many cases in general and in the enquiry case in particular, the bureaucratic functionaries crossed their limit to meet the wishes of elected persons as well as served their own interests without adhering the rules and procedures. The bureaucracy at the top level has to opt from the manipulations and strict following the rules and procedures. The report has given various instances where irregularities have been occurred as increased finances create temptations among many of the functionaries.
Datta Abhijit (2001) has written a book on Urban Government Finances and Development, which narrates the development-financing pattern for various infrastructure projects with funding from assistance from donor agencies. In such projects the financial management is most critical aspect as carrying out work while following the tender process, land acquisition and initiation of work to minimize the interest and ensuing funds utilization within time. The gestation period limitation of project is helpful in managing ways and means for extra financial burden due to repayment of loan and generation of resources from asset creation is helpful in easing the extra financial burden on urban local bodies. The financial management is most challenging task as the municipal bodies have known resources for development and recurring expenses. Development process need to continue in view of growing requirements and availability of land remains most critical issue for development venue.

Dash Gukulananda (1996) in his book on Municipal Finance in India has narrated the situation of municipal bodies in the 1980s and 1990s where limited funds could be generated by municipalities, which were quite insignificant to meet the growing needs of urban areas. After 1992, the Government of India took policy decision to strengthen the financial position of municipal bodies and made mandatory for the state government to provide funds to urban local bodies on the recommendations of state finance commission reports. Growth of urban population and requirement of land for development activities puts pressure on municipal bodies to ease the situation through various means, which include expansion of area by the state government. Mushrooming of housing societies for allotment of land without suitable title of land remains problem on regulatory aspect about land, while the municipal
bodies or other urban agencies do not make much efforts to provide land for construction of new houses or providing residential amenities.

Narayanmurty Rajgopal Rao (2003) has described the problems in municipal financing in India as sanctioning of loan to urban local bodies was quite difficult task in view of recovery problems. Now the state government has started guarantee system as the release of funds to municipal bodies is helpful in deduction of repayment of loans. The municipal bodies have limited sources of their own for resource generation. Payment of staff and elected members is quite significant and remaining funds can be used for development activities. Construction of over bridges, under bridges and flyovers have become necessary for smooth flow of traffic. Congestion in main city is main cause of increased pollution in air, land and water. Even children are not safe from city smoke creating various problems in lungs and respiratory system.

Venkatachalam Pritha (2000) has narrated the financing problems in conflicting cities in case studies of Srinagar, where the country’s financial agencies hesitate for financing in view of growing conflicts, which can be problematic for recovery. The municipal bodies suffer from destruction creating severe financing problems to urban local bodies. Author has cited various problems posed by financial agencies in view of growing unrest and serious law and order situation. Even the contractors avoid working in such cities, where life and property remains at risk. Law and order is the state subject and unless the environment of such conflicting cities is fully controlled, there remains no work environment and putting money at risk is not justified for financial agencies. Thus the state administration remains helpless for helping such cities.
Ian Blore, Nick Devas and Richard Slater (1986) has written Municipalities and Finance: A Source Book for Capacity Building, which has stressed the need of capacity building of the functionaries mainly on finance for resource generation through conventional and innovative aspects. The municipal bodies of European countries are well managed in finance, city administration and environmental issues. In India, the state governments have their reservations for entrusting the critical tasks like drinking water and sewerage management. Urban local bodies situated in hilly and cold regions have to create all the infrastructure facilities keeping in view the temperature and slopes as construction and maintenance is costly in comparison to plain areas.

Sarma KSRN (2001) has described the necessity for financing urban development in India, where population pressure is increasing at tremendous rate and instant solution of all the urban problems is needed to maintain cleanliness and peaceful life of the people. Urban areas are prone to various natural and human induced disasters, where impact of earthquake and fire is highest in dense populated areas and evacuation of people becomes problem. There is necessity to initiate precautionary measures in advance to minimize risk of all types. All the civic facilities need to be managed as disruption in such services can create law and order problem where miscreants get opportunities to play their destructive role. High concentration of population needs early solution by increasing the area of various cities, which is the only measure to establish people in systematic manner.

Kushal Talaksi Shah and Gulestan Jamshedji Bahadurji (2004) have written book on Constitution, Function and Finances of Indian Municipalities, which covers various aspects of urban local bodies. The
municipal bodies have constitutional entity, which allows them to regulate various practices as authorized in state Municipal Act. The financing of municipal bodies is associated with the performance of these institutions. It has been revealed that development process helps in further concentration of people and helpful in employment generation to new entrants. Development and inflow of population are correlated factors and once the wage earners enter into city for work, they prefer to remain there for longer duration. This is the cycle of population concentration, which accelerates with the fast development of urban area.

Pande Vinayak Krisharao (2005) has written book on Municipal Finances in Marathwada region of Maharashtra, which helped fast development of business and trade with industrialization mainly of rural produce. Municipal financing is essential for creation of civil facilities, which are possible with internal and external finance as municipal resources are not sufficient to start large construction activities from their own funds. Reorientation and reorganization are necessary to cope up increased load of people and traffic. Municipal finances require technological support for managing funds received from various sources for specific activities.

George E Peterson and Patricia Clarke Annez have written book on Financing Cities: Fiscal Responsibility and Urban Infrastructure in Brazil, China, India, Poland and South Africa. The book covers urban problems in different countries. Brazil has highest concentration of population in urban areas up to 90 percent of country population and immigrants have settled down in cities. Proportion of urban population is comfortable if the rural areas have mechanized farming and urban people are fully absorbed in livelihood activities. High population concentration has
created fiscal responsibilities in Brazil, China, Poland and South African countries. India has three metropolitan cities with more than 10 million population and such cities need specific financial management for urban infrastructure creation.

For systematic conduction of research study, the methodology has been adopted to cover all the related issues contained in the objectives of the research study. The study on ‘Alternate Resource Mobilization for Urban Local Bodies: A Case Study of Rajasthan’ covers 184 municipal bodies comprising of Municipal Corporations, Municipal Councils and Municipal Boards. The problems and prospects are most varied, different from others and alternate resource mobilization has different approach in view of nature and scope. The urban local bodies are constitutional entity having elected persons and bureaucratic set up to manage all the activities incorporated in Rajasthan Municipal Act 2009 as well as responsibilities entrusted under 74th Constitutional Amendment Act 1992.

The research study is based on primary and secondary data, where secondary data has been collected from municipal bodies, Directorate of Local Self Government Department, Local Self.Government, Urban Development and Housing Department as administrative department, other government departments of central and state government, books, magazines, print and electronic media, internet. The primary data collection sources include personal observations, discussions with top and middle management of the organizations, interactions with operational managers, consumers and people of various sections of society. Sources of secondary data have been given in requisite manner and qualitative as well as quantitative data has been collected from different sources.
After collection of all requisite data, it has been condensed into few meaningful groups and tables for further analysis. All the collected data has been classified in purposeful and functional categories for incorporating at appropriate places. Coding operation has been done at the stage to transform into symbols, which have been tabulated and counted. The coding refers to the process of assigning numerals and other symbols to respond in easy and accessible manner. Analysis of all given data has been done suitably to cover the objectives of used data and arriving at various conclusions as per requirement of the research study. Analysis and interpretation has been done in absolute and reflective manner as required in the study.

Tabular presentation has been made at relevant places where narration needs further supplementation for making the factual conditions clear and elaborative. Tabulation has been done in simple and complex manner as per requirement of the research study. Efforts have been made to make tabular presentation to stress the analytical findings of the research study. Units of figures have been mentioned at all the relevant tabular forms to avoid any ambiguity in analysis and arriving at the conclusions. Efforts have been made to use tabular form where narration of facts becomes lengthy and easy to make comparative presentation wherever required.

Analysis and interpretation of data is based on all statistical presentations to make uniformity and arriving various conclusions. The financial position of various urban local bodies has been discussed to narrate problems and prospects for fast development and meeting the aspirations of the people, state and various stakeholders. Comparison of public and private sector organizations has been made to search various
avenues of alternative resource mobilization from the people who are capable to pay for systematic development of urban local bodies.

1.4 METHODOLOGY OF THE STUDY:

The present study mainly involves financial data, therefore valid and reliable secondary data have been used for analysis. The primary data required for the study were obtained through personal visits and discussions with senior officials of the concern. On the other hand, secondary data has been acquired through periodicals, newspapers, government publications and reports, published and unpublished financial and other reports of the urban local bodies and urban development department. The data thus collected, has been classified and grouped under suitable heads. The balance sheets and working capital statements have been recorded in standard formats, various selected statements have been prepared and ratios calculated and the same have been interpreted and conclusions drawn.

Trend percentage analysis makes it easy to understand the changes in an item or group of items over a period of time. “The trend percentage is the percentage relationship which each item of different years bears to the same item in the base year. Any year may be taken as the base year, but generally the starting/initial year is taken as the base year.” It is used to determine the tendency regarding changes in data relating to a business. It is a dynamic method of analysis showing the changes over a period of time. In order that we gain a better idea of financial analysis, it is also necessary to go into the financial analysis of other similar corporations, besides having an idea of framework.
For the purpose of the analysis of financial structure, the following process has been followed:

- **Collection of Information**

  The annual reports, annual accounts, audit reports, published articles etc. constitute the secondary source of data for this study. The primary source of information mainly includes the personal contact with urban local bodies’ human resource. Personal contacts have been made with the employees of different fields like accounts department personnel, men engaged in highway projects, bridge projects, construction activities etc., workshop and the administration. The performance data of various urban local bodies projects have been obtained from the Director Local Body, Government of Rajasthan. Information with regard to working and progress of different urban local bodies project has also been obtained from the published data by Local Self Governance Department of GoR, such as monthly progress reports on various schemes, annual progress report on finances, monthly/quarterly reports of CMAR etc.

- **Tabulation of Data**

  The collected data has been suitably grouped, tabulated and organized in standard formats and statements so as to enable further processing, evaluation and interpretation.

- **Analysis and Interpretation** of data has been primarily through the following techniques:
  - Ratio analysis
  - Trend analysis
- Common size statements
- Mathematical techniques

**Hypothesis:**

The research study has been conducted for assessment of the responsibilities entrusted to urban local bodies under legal provisions and financial requirements to meet those obligations. The alternative resource mobilization has been necessitated to perform the requisite tasks, where urban development has become essential in view of tremendous population concentration creating various problems for administration and management in most challenging manner. Hypotheses are principal research instruments to be tested through the study and arrive at requisite conclusions. Hypothesis can be termed as null hypothesis and alternate hypothesis. The hypotheses are framed as guiding point of the research study. For this research study following alternative hypothesis have been made, which have been tested and addressed in suitable manner:

(1) Municipal bodies are part of governance where support of state government is necessary for improving financial conditions of urban local bodies in Rajasthan.

(2) Responsibilities of urban local bodies are increasing very fast and meeting all such development activities are not possible with mere central and state assistance.

(3) Municipal bodies are constitutional bodies having requisite rights to raise their financial resources through alternate resource mobilization.
(4) State support is necessary for receiving credit from financial agencies of the country and also from external agencies providing such assistance.

(5) A strong financial management is necessary including transparent accounting and audit system, which is pre-requisite for loans from various agencies, where support of state government is necessary.

(6) Central government provides funds under various centrally sponsored schemes and such funding is routed through state government and matching share is to be provided by urban local bodies and state government for getting such assistance. The matching share becomes difficult to mobilize because of financial crunch at urban local body.

(7) Municipal bodies need to manage their own funding for speedy development of urban areas.

1.5 STUDY AREA:

The research study has vast coverage of urban area comprising 184 municipal bodies of the state, comprising of 5 Municipal Corporations, 13 Municipal Councils and 166 Municipal Boards spread over the urban areas of 33 districts of the state. The study in brief covers municipal bodies functional at global level, within India and in the state to elaborate the financing pattern and possibilities of alternate resource mobilization with the successful efforts made by various municipal bodies in India and abroad. The municipal bodies are assisted by Urban Improvement Trusts and various state department in providing requisite support in areas of their expertise to have systematic approach of urban development and technical support helpful in avoiding all the delicacies.
REFERENCES: