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Research Paper

Municipal Finance: A Study of Meerut Municipal Corporation in Uttar Pradesh

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ABSTRACT
This paper examines the fiscal efficiency of Meerut Municipal Corporation(MMC) after the enactment of the Constitutional Amendment Act(CAA) 1992. CAA was enacted following the axiom of Oates'Decentralisation Theorem.Oates conceptualised the role of local government to provide local public goods because of their superior knowledge of local preferences. Local governments were assigned various functions without giving them commensurate financial resources. Therefore, there is a great mismatch between revenue resources and expenditure responsibilities of local governments. The contribution of this paper is to discuss various sources of revenue and items of expenditureofMeerut Municipal Corporation. The fiscal efficiency of the MMC has been examined by various ratios including dependency ratio, quality of expenditure ratio etc. The main sources of revenue for MMC have been property tax and user charges to finance its expenditure but they are not sufficient and this revenue and expenditure gap is filled by transfers from the upper tiers of government. It results in the high dependency of MMC on state and central governments rendering lesser fiscal and financial autonomy.The paper ends with certain suggestions to improve the fiscal and financial health of the MMC.

KEYWORDS: *local government, propertytax, user charges, fiscal autonomy, fiscal efficiency*

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I. INTRODUCTION

The Indian federal system constitutes three tiers of government structure: Central, state, and local governments. Each layer of government is assigned functional and financial powers by the Constitution of India. The third tier of government received constitutional status after the enactment of the 74th Constitutional Amendment Act (CAA)[i]in 1992. The CAA 1992 was brought into practice following Oates' decentralization theorem(1988) which conceptualises that local government has a better understanding of the needs of the local people.In 1992, the 74th CAA brought with it specifications regarding the responsibilities and the powers of urban local bodies in India. The mandate made it compulsory for the Central Finance Commission (CFC) to take care of the state municipalities in India and provide funds in case of necessity. Besides, Article 243 (I) and (Y)of CAA 1992 necessitated the setting of the State Finance Commission (SFC) once every five years to review the financial position of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and to make recommendations to the governor regarding (i) the taxes, duties, and levies that should be shared between the states and municipalities, and (ii) the grants-in-aid, and suggest measures to improve the financial position of municipal corporations.

In the CAA 1992, there are broadly three forms of urban local bodies, namely Municipal corporations, municipal councils, and Town area/Notified Area Councils. These three forms of ULBs are distinguished based on the population's size and geographical area. Municipal Corporations are set up in the area with a population size of more than one million, Municipal Councils are in the urban area with a population size between 1lakh to 10 lakh andNagar Panchayat / Notified Area Councilsare set up for areas in transition from the rural area to the urban area with a population size between 10 thousand to 1 lakh. Unlike Panchayati Raj Institutions (PRIs), the structure of these ULBs is not hierarchical. Currently, in Uttar Pradesh,there are 734 ULBs, out of which there are 17 Municipal Corporations, 200 Municipal Councils, and 517 Town area/Notified Area Councils.

The 74th CAA has assigned a variety of functions to the Urban Local Bodies but there is anabsence of financial autonomy at their disposal. Out of 18 obligatory functions assigned to the ULBs, very few of them are supported by commensurate financial resources. Besides, most municipal corporations are often reluctant to utilise their financial and fiscal powers related to the imposition of new taxes and fees.

While conceiving about the 74th CAA, the policymakers opined to make local bodies financially sound. BeforeCAA, these local bodies were under the control of the state governments. The CAAs 1992 envisioned that these local governments would bridge the gap between the people of the jurisdiction and the upper layers of the governments. It was conceived that the third tier of the governments would be self-sufficient to undertake the responsibilities assigned to them, and if there is any resource gap, that would be met by the transfers from the upper tiers of the governments and CFC and SFC grants. RBI (2007) broadly categorized the revenue sources of municipal corporations as follows:

- **Tax revenue:** property tax, vacant land tax, octroi, tax on animals, taxes on carriages and carts, advertisement tax.
- **Non-tax revenue:** municipal fees, sale and hire charges, user charges, lease amounts.
- **Other receipts:** sundry receipts, lapsed deposits, fees, fines and forfeitures, Law charges costs recovered, rent on tools and plants, miscellaneous sales.
- **Assigned (shared) revenue:** profession tax, a surcharge on stamp duty, entertainment tax, motor vehicles tax.
- **Grants-in-aid:** Plan grants are given by planned transfers from the upper tier of Government under various projects, programmes and schemes such as MNREGA, Swachch Bharat Mission, Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and so on, funds obtained as recommended by state finance commission and central finance commission. Non-plan grants are given to compensate against the loss of income and some specific transfers.
- **Borrowings:** Loans undertaken by the local authorities for capital works etc. mainly from LIC, state and central government banks and municipal bonds in select cases.

The present paper focuses on the finances of Meerut Municipal Corporation (MMC). Meerut Nagarpalika was constituted in the year 1892. On June 15, 1982, it was upgraded to MahanagarPalika. It got the status of Meerut Municipal Corporation in 1994 after theenactment of the 74th Constitutional Amendment Act. MMC is governed by the provisions of the Uttar Pradesh Municipal Corporation Act, 1959 (amended by UP Act 12 of 1994) which lays down the responsibilities and tax powers of the municipal corporation. Meerut is one of the fastest developing cities in Uttar Pradesh after Noida and Ghaziabad. Meerut ranks 4th in terms of population in Uttar Pradesh. According to the Census 2011, the population of Meerut was 3,443,689 of which 1,825,743 were male and 1,617,946 were female.[ii] Census 2011 ranks Meerut as the 33rd most populous urban agglomeration in India. The city is administered by the Meerut MunicipalCorporation, which is responsible for performing civic administrative functions administered by the Municipal Commissioner (IAS/Senior PCS Officer) whereasthe Mayoris the elected head of the corporation. Municipal Corporation is constituted once every five years under the chairmanship of theMayor with 90 elected consulates (Paarshads). The Meerut Municipal Corporation is divided into 9 zones. The municipal area of Meerut Nagar Nigam (as per census 2011) is 149 Km^2. In census 2011, the district covered 14 statutory towns[iii] and 4 census towns[iv]. Statutory towns comprise 1 Municipal Corporation, 2 Municipal Councils, 10 Nagar Panchayats and 1 Cantonment Board. Meerut Cantt is a parastatal body whose administration and functions are outside the jurisdiction of Meerut Nagar Nigam.

II. OBJECTIVES

The main objectives of the paper are

1. To review the existing revenue sources of Meerut Municipal Corporation
2. To study the expenditure heads of the Corporation
3. To analyse the fiscal and financial position of MMC by using certain ratios

III. RESEARCH METHODOLOGY

The present study is based on secondary data which have been collected from the office of Meerut Municipal Corporation. Besides, a prolonged discussion has been undertaken with the personnel of the Corporation to get detailed information about the finances of MMC and where these funds are intensively utilized. The data taken for review are for the years from 2013 to 2020.Besides, Meerut is one of the most important growing cities in the NCR region among the 18 Municipal corporations of Uttar Pradesh, therefore Meerut Municipal Corporation has been taken for study. There is a constraint on the availability of reliable and systematic data.

IV. REVIEW OF LITERATURE

Wallace E.Oates (1972) has been the pioneer in advocating the role of multilevel government in undertaking a variety of functions. According to him, the Central government plays a vital role in macro-economic stabilization, while decentralized government should 'focus on providing public goods whose consumption is limited primarily to their own constituencies. He emphasized'local matters in local hands'. Oates (2006) focused on intergovernmental transfers which have been a major source of revenue for local governments. These transfers fulfil two objectives: one is the gap-filling between revenue and expenditure, and another is fiscal equalization. Jai Bhagwan(1983) stipulated local government as a 'Nursery of Democracy'. According to him, local government plays an important role in economic development by providing socio-economic services like health, education, water, electricity, etc., and working as an agency executing the development plans of the higher tiers of government in its own area.Bagchi (2000) examines whether decentralization has been successful in empowering the local governments. He has constructed a decentralization index to study the impact of decentralization and found that the decentralisation initiative has improved thetax-generating capacity of ULBs.RBI's Development Research Group chaired by Mohanty(2007) in its working paper on municipal finance in India has shortlisted some ratios to measure the efficiency of 35 Metropolitan Municipal Corporations.The Group applied the holistic approach to review the finances of local government and suggested that the ULBs must have a sufficient number of local taxes to make them financially sound to meet out their assigned responsibilities.Chandrakala (2017) intensively studied the administration of ULBs historically from the British period to 1992 when the 74th Constitutional Amendment Act was implemented and found that there has been a resource gap between functions and responsibilities and before 1992 these local bodies were dependent on state governments for funds. The CAA 1992 tried to provide these local bodies with various sources of revenue. Singh (2020) has undertaken an analysis of the financial position of Lucknow Municipal Corporation and found that the corporation is doing good in enhancing its revenue sources still there is a need for intensive vigilance for utilising its available tax and non-tax revenue sources. The entire literature on the finances of local bodies concludes that there is a need to improve efficiency so that the dependency of municipal administration on the upper level of governments for financial needs can be minimized.

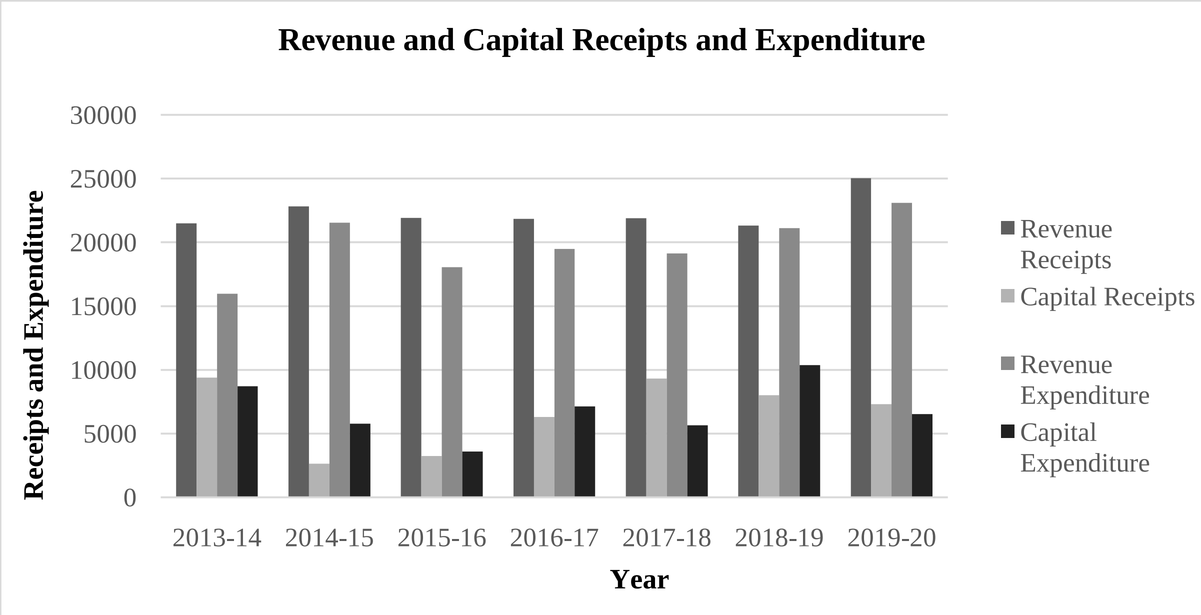
V. THEORETICAL FRAMEWORK

The economic theory of municipal finance suggests that the major role assigned to local government is to provide goods and services within a particular geographic area to the residents who are willing to pay for those goods and services (UN Habitat,2009). The theory of municipal finance is based on three principles: the principle of subsidiarity, the principle of fiscal equivalence, and the principle of correspondence. The principle of subsidiarity implies that the central government should perform subsidiary functions,that is, to undertake only those tasks which cannot be performed at the local level. According to Cambridge Business English Dictionary, "the principle states that the decisions should always be taken at the lowest possible level or closest to where they will have effect in a local area rather than for a whole country." The principle of fiscal equivalence states that the people who get the benefits of public goods and services must pay for that. The concept of fiscal equivalence was coined by Mancur Olson in 1969.The principle implies that the public goods with externalities should be supplied and financed by the higher level of government while the responsibility of supplying goods and services with little and no externalities should be given to the lower level of government. The principle of correspondence focuses on the jurisdiction for making provision of the public good for the individuals who consume that good. The principles of fiscal equivalence and correspondence are the basis of fiscal decentralization which discusses the efficient distribution of responsibilities between different layers of the government. Thus, the literature suggests that the local government must undertake the functions for the well-being of the individuals of its ownjurisdiction.

VI. FINANCIAL RESOURCES OF MEERUT MUNICIPAL CORPORATION

The financial resources of Meerut municipal corporation are categorised between revenue account and capital account (both on receipt and expenditure side)

Figure 1: Revenue and Capital Receipts and Expenditure (in Lakh Rs.)



Revenue Receipts:

Revenue receipts constitute tax and non-tax revenue. Tax revenue includes own revenue and shared revenue. Ownsources of revenue include general tax/House tax, Water tax, Sewer tax, Theatre tax, Vehicle tax (Other than mechanically propelled), Advertisement tax and other taxes. Property tax, the main source of own revenue, is calculated by including house tax, water tax and sewer tax. In India, Property tax is levied on real estate, consisting of buildings or land attached to the buildings. It is an ad valorem tax assessed by a local government that is paid by the owner of the property. The Municipal Commissioner is required to revise the minimum rental value once in two years period as mentioned in Article 174 of UP Municipal Corporation Act 1959. But there has been a continuous reluctance for doing so and no revision takes place on regular basis. Other taxes that MMC uses to collect tax revenue are advertisement tax (tax on hoardings etc), show tax/Theatre tax (imposed on Theatres) Entertainment tax (imposed on cable TV, internet, cybercafé, amusement park etc). Entertainment tax isset by the state government but its proceeds are shared with urban local bodies. The 2% surcharge on stamp duty is a shared tax, not levied by MMC but collected and assigned to the MMC by the state government. Article 39 of UP Urban Planning and Development Act 1973 makes provision to increase stamp duty on the transfer of immovable property by 2% and the state government transfers this increased percentage to the urban local bodies (Singh, 2020). This component constitutes a sizable part of shared revenue for MMC. Non-tax revenues comprise rental income, parking fees, water and sanitation charges, license fees (a total of 39 items come under the purview of license fees in MMC), user charges, income from road cutting, interest income, fines and charges concerning the performance of statutory and regulatory functions. Non-tax sources and taxes other than property tax have been neglected as potential revenue sources in Indian cities (Bandopadhyay, 2014). Apart from its own revenue, MMC depends largely upon grants from state governments, mainly intended to compensate for the mismatch of functions and finance.

Table 1: Composition and Trends of Revenue Receipts of Meerut Municipal Corporation (in Lakhs)

Sources of Revenue	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1.Own tax revenue								
i)Property tax	2213.95	2171.18	2745.16	2621.06	2821.96	3541.48	3632.16	3794.7
ii)Advertisement tax	184.22	164.32	134.78	148.52	157.3	165.45	163.08	153.36
iii)Show tax	2.75	6.72	3.45	6.05	3.34	5.32	3.54	0.28
2.Shared tax								
2%additional stamp duty	2517.15	2660.25	2805.6	2275.61	2202.96	645.41	*******	******
3.Non-tax revenue	1281.27	711.2	876.94	881.6	1513.43	1335.81	1693.46	1969.62
4.SFC Grants	15257.43	17118.16	15337.63	15894.13	15187.87	15463.04	19514.84	20228

Revenue receipts (1+2+3+4)	**21486.98**	**22831.83**	**21908.39**	**21836.06**	**21885.95**	**21315.44**	**25033.76**	**20229.24**

Source: Data are obtained from various budget documents of Meerut Municipal Corporation
******* no data in the budget document

Revenue from property tax has been gradually increasing in absolute terms since 2016-17 (Table 1). This is so because MMC is making strong efforts to increase its own revenue. To bring new properties under the purview of property tax, a GIS survey is being conducted. But the growth rate of revenue from property tax is still fluctuating (though being positiveafter 2016-17). **SFC grants are basically to solve the vertical imbalance, which arises because of the inability of the corporation to raise revenue from its own sources.**

Table 2: Annual Growth Rates of MMC Revenue (tax and non-tax)

Year	Property tax growth	Own Revenue Growth	Non-tax revenue growth
2014-15	-1.9%	-17.96%	-46.8%
2015-16	26.4%	22.78%	21.0%
2016-17	-4.5%	-2.97%	0.1%
2017-18	7.7%	23.82%	78.6%
2018-19	25.5%	15.97%	-1.2%
2019-20	2.6%	6.29%	16.3%

The sudden increase in non-tax revenue in 2017-18 is attributed to the road-cutting compensation receipts and interest income of MMC. The MMC has been receiving interest income from the funds obtained under the scheme of JNNURM. The revenue growth rate of property tax and non-tax receipts has been fluctuating over a study period.**Own revenue consists of own tax revenue and receipts from non-tax sources of revenue.**

Capital Receipts:

Capital receipts include grants from CFC and funds obtained under various central government schemes like Jawahar Lal Nehru National Urban Renewal Mission (JNNURM), Swachch Bharat Mission (SBM), Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Scheme and so on by the central and state governments. Tenth Central Finance Commission allocated funds for rural and urban local bodies for the first time and then consecutive CFCs are continuously making provisions for these local governments. JNNURM was launched by the Government of India (GoI) in 2005 with the objective of urban development which continued till 2014. In 2015 GoI launched the AMRUT scheme as a successor of JNNURM which focuses on the basic services required in urban areas such as water supply, sewerage, urban transport etc. MMC has also received grants underthe Abdul Kalam Solarpunj scheme which was launched by the UP government in 2016 to install solar power plants and solar street lights in all the municipal corporations of the state to illuminate the city. The basic objective was to reduce the electricity bill of the corporation. Besides, MMC has also obtained funds for RannBasera, MukyamantriSaamuhikVivaah Yojana (under this scheme a sum of Rs 35000 is spent on the marriage of the girls whose parents are residents of Uttar Pradesh and belong to the BPL family), Smart City mission (the scheme was initiated in the year 2015 with the objective to develop smart cities across the country) etc. But it constitutes a very small proportion of total receipts. MMC has beenreceiving funds from the CFC transfers regularly but funds obtained from other schemes are not regular (shown in table 3).

Table 4: Components of Capital Receipts of Meerut Municipal Corporation (in Lakhs)

Items	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
CFC Devolution	3516.4	1126.69	3228.72	3444.31	7707.45	4970.14	6585.19
JNNURM	5879.6	1394.18		1003.08		2645.38	
AMRUT				1345.3	137.18	164.41	604.83
SBM				169.9	1076.6		
Others		103.26		338.75	389.43	116.77	69.97
Total	9396	2624.13	3228.72	6301.34	9310.66	7896.7	7259.99

Source: Budget documents of Meerut Municipal Corporation

14th Finance Commission (2015-20) increased the awards for Urban Local Bodies (ULBs) which is reflected in the growth of CFC grants in 2015-16.The main objective of CFC and SFC transfers to the local governments is to supplement their own sources of funds and reduce vertical and horizontal imbalances.

Table 3: Some Important Ratios to Assess Financial Position of MMC (in percent)

Ratios	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Share of property tax in tax revenue	44.69	43.12	47.74	51.19	53.95	80.44	94.76
Own tax revenue to total revenue	3.98	3.89	4.81	4.51	4.31	5.83	4.76
Share of own revenues to total revenue	9.45	7.58	9.81	8.08	9.09	9.62	9.92
Share of total transfers to total receipts	70	56.4	56.82	55.22	54.51	45.05	48.62

Source: Author's own calculation from the data obtained from MMC budget documents

The financial position of MMC is measured on the basis of the following indicators:

1. The share of property tax in tax revenue is consistently rising over the study period, indicating that MMC has property tax as the most important source of revenue in its basket to raise its own resources to meet its responsibilities. The increase in the share of property tax in tax revenue is attributed to the intensive efforts made by the MMC officials. New properties have been brought under the purview of the property tax regime by the GIS survey and by the transfer of new colonies from the Meerut Development Authority(MDA) to MMC.
2. A very important indicator to measure the performance of MMC is the **ratio of own tax revenue to total revenue**; it measures the **fiscal autonomy** of a municipal corporation (Mathur and Ray, 2003), which shows the revenue-raising capacity of the municipal corporation. This small proportion (it ranges from 3.98% in 2013-14 to 4.76% in 2019-20) suggests that the MMC has a very limited degree of fiscal autonomy and it is highly dependent on the sources of revenue other than the municipal own revenue for undertaking its expenditures.
3. Own revenue consists of own tax (of which property tax is the main source) and non-tax revenue. Own revenues as per cent of total revenue show the revenue-raising capacity of the corporation. This is distressingly very low indicating less utilization of MMC's potential to raise revenue by tax and non-tax sources.
4. Total transfers constitute shared tax revenue, SFC and CFC devolution and grants received from upper tiers of governments. MMC is highly dependent on transfers as indicated by a high percentage of transfers to total receipts. It implies that MMC lacks its own commensurate resources at its disposal to meet its expenditure.
5. MMC's own revenue lacks buoyancy leading to a reduction in its financial autonomy and thus the corporation is highly dependent on transfers from upper tiers of government.

The revenue component of municipal revenues has witnessed no sign of buoyancy or vitality (NIPFP, 2011). Greater dependence on the upper tiers of the government causes the ULB vulnerable in respect of spending on basic infrastructure and developmental services.There is a need to ensure that each function of the municipal corporation should be backed by corresponding financial sources. MMC is reluctant to utilize its sources of revenue,though there is a good scope for raising revenue from tax and non-tax revenue. The dependence of the municipal sector on the higher levels of government has increased as manifested in a high value of transfers as a proportion of total municipal revenue (ICRIER, 2019).

Heads of Expenditure of MMC

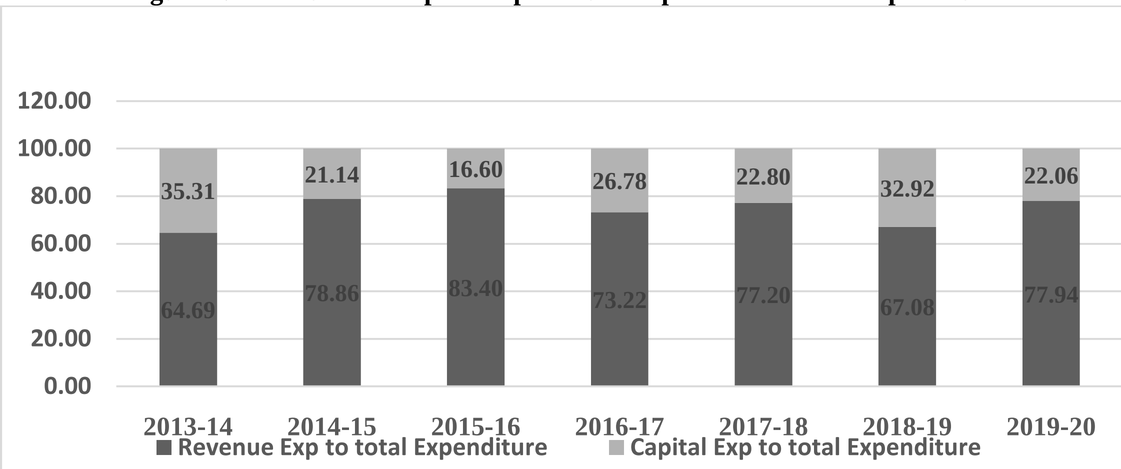
Municipal expenditure includes revenue expenditures and capital expenditures. Revenue expenditure prominently covers staff salaries, pensions, operational expenses like repairing of machines and buildings, stationery, and grants to various institutions like VaishyaAnathashram, Sanatan Dharma Aushdhalaya, GopalGaushala etc. Revenue expenditure is recurring in nature.Revenue expenditure is divided into Establishment expenditure and Operation and Maintenance expenditure. Establishment expenditure covers the payment of salaries and pensions to the Nigam employees while Operation and Maintenance expenditure covers the expenses to maintain the services rendered by the Nigam. Under the capital expenditure comes the expenditure incurred on the central and state government schemes such as AMRUT (Atal Mission for Rejuvenation and Urban Transformation), JNNURM, Swachch Bharat Mission, Solid Waste Management etc. Capital expenditure is meant to create infrastructure.

Table 4:Heads of Expenditure of Meerut Municipal Corporation (in Lakh Rs.)

Heads of Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1.Revenue Expenditure	15957.57	21528.7	18057.3	19469.6	19118.6	21105.5	23098.3
i. Establishment Exp.	8896..08	11432.9	10684.3	11178.2	12970.5	15603.8	17343.7
ii. Operation and maintenance exp	7061.19	10096.3	7372.8	8291.44	6147.44	6147.81	5825.11
2.Capital Expenditure	8710.29	5771.51	3594.77	7121.69	5646.59	10358.6	6538.52
Total Expenditure(1+2)	24667.86	27299.8	21652.5	26591.5	24764.5	31464.1	29636.2

Source: Various years ofBudget Documents of MMC

Figure 2: Revenue and Capital Expenditure as per cent of Total Expenditure



Capitalexpenditure is incurred to develop new infrastructure.**Low capital expenditure to total expenditure ratio** indicates that the process of creating new infrastructure assets either rests on other agencies (that is central or state government agencies) or has been kept secondary. This ratio is abysmally low, ranging from 16.6% in 2015-16 to 35.3% in 2013-14.A low level of capital expenditure is a symptom of the poor performance of MMC in terms of its disability of undertaking infrastructure development.

The Quality of expenditure is measured in terms of the share of revenue expenditure in total expenditure. Figure 2 shows that a large share of total expenditure goes to meet day to day functioning of the municipal corporation and for its maintenance (as reflected by revenue expenditure). A large proportion of total expenditure constitutes revenue expenditure (almost 3/4th of total expenditure). Within the revenue expenditure, **establishment expenditure (on salaries and wages, pensions, gratuity, retirement benefits etc)** has been very high ranging from 55.75 per cent in 2013-14 to 75 per cent in 2019-20, showing the unproductive nature of the revenue expenditure.A high ratio of revenue expenditure to total expenditure indicates the poor fiscal health of MMC.

Table 5: Fiscal Efficiency Indicators of MMC (in per cent)

Ratio	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Own Revenue to Rev Exp	39.04	26.54	36.39	30.52	35.03	27.73	23.89
Transfers to total exp	70.00	56.41	56.82	55.23	54.51	45.05	48.62
Rev. exp to rev receipt	74.27	94.29	82.42	89.16	87.35	99.01	92.27

Sources: Calculated from the data obtained from the office of MMC

Revenue of MMC is declining in percentage and it is becoming increasingly dependent on the central and state governments. Moreover, the introduction of GST in 2017 struck a major blow to the financial position of all municipal corporations including MMC also. GST has subsumed many local taxes including octroi, entry tax, and advertisement tax, without making provisionfor sharing GST proceeds between state governments and municipal corporations. From the above analysis, certain conclusions can be drawn to understand the financial position of MMC:

- Own revenues of MMC constitute mainly property tax. There has been a reluctance on the part of the corporation to use non-tax sources of revenue to finance at least revenue expenditure. Own revenue has beenan internationally accepted measure of decentralisation. Revenue receipts constitute own revenue (tax and non-tax), shared revenue and receipts from SFC grants.**The ratio of own revenue to revenue expenditure shows the level of decentralisation and financial autonomy of the corporation**.
- **The dependency ratio** (Mohanty, 2007) is shown by the share of inter-governmental transfers[v] to its total expenditure. Table 5 shows a very high value of this ratio over the entire period of study, indicating a greater dependency on the upper tiers of governments. It renders the local government vulnerable regarding spending on the provision of basic infrastructure and services.
- A large part of the revenue expenditure is met by revenue receipt (reflected by a sufficiently high share of this ratio). But the distressing fact is that SFC transfers constitute a big fraction of total revenue receipts. By law, municipal corporations have to balance their budget.

VII. SUGGESTIONS AND CONCLUSION

Since MMC is suffering from low revenue and high dependency on the upper tiers of government.A good way to improvise the fiscal health of MMC is to have access to municipal bonds.To float bonds in the open market, there is a need to get credit ratings from designated agencies. This practice has been followed by many developed municipal corporations including Ahmadabad, Bangalore, Indore, Bombay etc. Recently Lucknow Municipal Corporation has listed itself on the Bombay Stock Exchange to arrange funds for developmental purposes from the market by issuing bonds etc.

MMC may impose user charges such as betterment levy, land value increment charge etc. to meet its developmental expenditure. Considering the Benefit Principle, the local government may impose user charges for the services rendered by it to cover the cost. Another suggestion is related to the water charge, there is a difference between water tax and water charge. Water tax is levied for developing water supply infrastructure while the water charge is the value of the usage of water by the people in the municipal area. People privately bore hand pumps and submersible pumps for getting underground water. The MMC needs to penalise such misuse of water.

There is a need for property tax reforms by using Geographic Information System (GIS) technology to get much better coverage of properties. GIS technology is used to locate the properties and thereby cover them in the purview of property tax.In MMC **ITI Ltd company** got the contract forthe GIS survey but the pace of the survey is very slow therefore new properties have not been covered in the purview of property tax. A large number of properties are left outside the tax net and many properties are either not assessed or under-assessed. Moreover, the rental value of the properties is not revised regularly, despite the provision of revising ARV every two years.Pune Municipal Corporation (PMC) is doing a door-to-door collection of property tax, so the recovery rate has improved. Besides, PMC has set up a Digital Payment Platform to improve timely payment of tax, E-bills are sent to property owners and multiple reminders are sent through emails and SMS. By doing so, MMC may also improve the tax collection rate. Currently, MMC has also started collecting property tax through E-POS machines but coverage is very limited.

The analysis of the structure and trends of Municipal finance is hindered by the non-availability of systematic and organized data on regular basis. After the enactment of the 74th CAA, five SFCs have been constituted in Uttar Pradesh and the award period of the 5th SFC was 2015-2020. But the irony is that availability of data for the resources transferred by the SFC is very limited.

The state government must increase the transfers to all municipal corporations, taking into account their losses of revenue from local taxes in the GST regime.The former chairman of the 14th CFC, Vijay Kelkar advocated for the allocation of2% of GST revenue to the local bodies, though it has not been accepted yet. Besides, SFC must also make recommendations to cover revenue losses of Urban Local Bodies due to GST.

There is an absence of uniformity in classification and common Heads of Account in the accounting and budgetary structure across all corporations of Uttar Pradesh as well as of the country. Therefore, it is difficult to make a comparison of the budgets of the local bodies. There is a need to have a prescribed format for the Heads of Revenue and Expenditure which must be followed by all the local bodies as happens with the central and state governments.

Hence, our policymakers dreamt of a decentralised economy while enforcing the 73rd and 74th CAA but still the dreams are unrealised and local bodies are not sufficiently strong on the two grounds (i) they lack fiscal as well as financial autonomy (ii) they lack decision making power for setting upof rates of different taxes and user chargesto cover the cost of various services, even now ULBs are at the mercy of the state governments (Ahluwalia, 2019).

Endnotes

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[i] The 74th CAA, 1992 came into force on 1st June 1993 and all the states must have to pass the legislation within the constitutionally stipulated deadlines of 1st June 1994

[ii] Census of India, 2011

[iii] Statutory town is defined as a place that comes under any municipality, corporation or cantonment board

[iv] Census town is an urban area with a minimum population of 5000, with at least 75% of the male workforce engaged in non-agricultural activities and a population density of 400 per sq. km.

[v] Intergovernmental transfers are calculated by adding SFC transfers, CFC transfers, shared tax revenue receipts and grants from upper tiers of government for various schemes

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