

ASSESSMENT OF MUNICIPAL FINANCES OF RANCHI MUNICIPAL CORPORATION

A. K. SINGH* AND M. P. SINGH**

***Abstract:** Urban local governments are entrusted with a set of responsibilities of providing basic urban amenities and services to the people. They are dependent on states and centre for grant in aid and loans as the own resources of ULBs are grossly inadequate. There is mismatch between functions and municipal resources. The efforts for additional resource mobilization to fulfil the commitments by the ULBs are not adequate due to various factors. The ULBs are becoming dependent on transfers and fiscal devolution from central and state governments to meet out their financial requirements. Central Government has launched schemes for infrastructure development in selected cities and towns with massive financial investment. These schemes envisage strengthening of urban local bodies through introducing reforms and stepping up concrete efforts for additional resource mobilization. Thus, it is necessary to reduce dependence of local bodies on government support. They should effectively exploit the revenue potential through rationalization of assessment norms, simplification of procedures; rebate on timely payment, revision of old levies and taxes etc. Municipal governments may be allowed to enjoy fiscal autonomy with freedom of choice in regard to imposing new taxes and revising tax rates. Against this back drop, present paper purports to examine trends and patterns in the municipal finances in Ranchi Municipal Corporation, Jharkhand.*

INTRODUCTION

Ranchi is the Capital City of the newly formed state of Jharkhand. The state of Jharkhand is known for its rich deposits of minerals, waterfalls, rivers, streams, lakes, dams and forests. Ranchi situated on the Chotanagpur Plateau. The population of the city has grown from 5.99 to 8.46 lakh during 1991-2001 period recording 41 percent decadal growth rate. The population of the city as per 2011 census in 2011 was recorded 10.73 lakh. About 25 percent of the total population of the city belongs to the Scheduled Caste or Scheduled Tribe (SC/ST). Approximately 34 percent of the total population of the city lives in slums and about 66 percent of the slum dwellers are SC/ST. Ranchi is an important commercial, administrative and educational centre of the region. The city is mainly based on tertiary activity.

* Assistant Director, Regional Centre for Urban and Environmental Studies, Lucknow University, Lucknow.

** Assistant Prof., Faculty of Management, Sri Ramswaroop Memorial Group of Professional Colleges, Lucknow, Uttar Pradesh, India.

The district has about 500 industrial units in close proximity of the city. They are mainly in the field of general engineering, foundry, electrical, steel casting, electronics, chemical, refractory, etc. With the proposal of industrial area of about 350 acres at Tupudana phase III, Namkum and Gitalsud, industrial activity is likely to expand. Creation of SEZ, educational institutions, tourism related activities, health speciality facilities and IT are seen as potential economic development opportunities. The city of Ranchi comprises of 55 wards with a spread of 175 sq km. The land tenure is under the "*Chotanagpur Tenancy Act*" which prohibits transfer of tribal land to non-tribal people. This severely limits overall land supply within the city leading to high-rise infrastructure in an earthquake prone zone.(Kumar, 2015) . The Ranchi Metropolitan Area is proposed to include the Present City of Ranchi along with the cities of Namkum, Hatia, Ratu, Kanke, Ormanjhi and Tatesilwai. The infrastructure requirements of the Ranchi Metropolitan Area were proposed to the tune of Rs. 3, 16,940 lakhs over the period of JNNURM .The total capital investment under JNNURM as per CDP accounted for Rs. 5598.00 crores for the period of 2007 to 2013. Out of total investment, urban transportation, socio – economic growth, Master Plan preparation, sewerage and sanitation as well as water supply constituted major share. Finance is the life blood of ULBs. The municipal sector in India has remained small with its total revenue accounting for less than one per cent of GDP. In terms of both revenue and expenditure they account for a little above 2 per cent of the combined revenue and expenditure of Central Government, state governments and ULBs. The macro overview of municipal finance in India highlights the significance of municipal finance for the overall financial well being of the economy and performing the assigned functions by the ULBs.

FISCAL TRANSFERS

Historical factors have played an important role in the adoption of a federal constitution with strong unitary features in India. The centralized governance under the colonial rule was combined with the bias towards a unitary framework in the constitution. There was also considerable fear that in the oligarchic power structure prevailing in rural areas at the time of independence, significant decentralization could entail elite capture public services. Recent economic and political events, however, have paved the way for a greater degree of decentralization. In the economic sphere, the transition to a market oriented liberalization and more open economic environment has necessitated a greater degree of fiscal decentralization. On the political front, factors such as the end to single party rule, the emergence of coalition of parties in power at the center and increasing importance of regional parties in the political affairs of the country have provided a favorable environment for decentralized governance (Rao, 2002). The theory of fiscal federalism deals with efficiency, equity and accountability in public service delivery. The traditional theory of fiscal federalism demonstrates the welfare gains from fiscal decentralization by matching public service provision with the varied preferences of the people living in different jurisdictions. The 'decentralization theorem' states that in the absence of cost savings from the centralized provision of a local public good and of inter-

jurisdictional externalities, the level of welfare will always be at least as high and typically higher (Oates, 1972).

Reliable and effective local taxation is essential to ensure budget constraints in financing local public goods (Oates, 2005). It is important that local governments have adequate tax powers to ensure a strong linkage between revenue and expenditure decision at the margin (Bird and Smart, 2009). In order to avoid distorting the allocation of resources, to the extent possible local taxes should burden *only* local residents, preferably in relation to the benefits they receive from the services provided. The 74th Constitutional Amendment Acts, 1992 made the beginning of urban decentralization in India and for the first time gave the provision for ensuring local self governance through empowering local bodies. The amendment provided a constitutional framework for urban decentralization and mandated that municipalities function as effective democratic institutions. The state of Jharkhand has been lagging behind in its work on state transfers to local bodies.

The 10th Finance Commission recommended an amount of Rs. 1000 crores for the municipalities for the period of 1996-2000. This allocation of funds was based on the ratio of slum population to urban population of 1070's. This transfer was conditional upon the municipalities making matching contribution and was to be used for properly identified projects. The 11th Finance Commission recommended a grant of Rs. 2000 crores for the urban local bodies for the period 2000-2005. The allocation was based on a set of multiple criteria, which includes urban population (40 percent), index of decentralization (20 percent), distance from highest per capita income (20 percent), revenue efforts (10 percent), and geographical area (10 percent). The 12th Finance Commission raised this to a sum of Rs. 5000 crores for the period of 2005-10 (Rai & Singh, 2010).

The Ministry of Urban Development, Government of India highlighted that the rapid the financial requirements emerging from rapid urbanization need to be facilitated to sustain momentum of economic growth. It pointed out that basic services such as drinking water, sewerage, solid waste management, roads and street lights must be provided for all, with services related to water and sanitation meeting the Ministry's service delivery benchmarks. The Ministry observed that while Finance Commission grants to urban local bodies have been growing over a period of time, these are inadequate to meet the operation and maintenance requirements of these bodies. It sought devolution of 3 per cent of the net proceeds of the divisible pool to urban local bodies. The Ministry pointed out that the conditions imposed by the 13th Finance Commission for drawing performance grants were such that States had to fulfil all nine conditions each year. As most of the States were unable to fulfil all the conditions each year, these grants could not be availed. It felt that performance grants should be used for improving performance in the spheres of revenue augmentation, revenue productivity and revenue administration and added that conditions on grants should be limited to the areas of critical importance and should be oriented towards outputs (14th Finance Commission Report, 2014).

The 14th Finance Commission recommend distribution of grants to the States using 2011 population data with weight of 90 per cent and area with weight of 10 per cent. The grant to each State will be divided into two - a grant to duly constituted gram panchayats and a grant to duly constituted municipalities, on the basis of urban and rural population of that State using the data of Census 2011. The Commission worked out the total size of the grant to be Rs. 2,87,436 crore for the period 2015-20, constituting an assistance of Rs. 488 per capita per annum at an aggregate level. Of this, the grant recommended to panchayats is Rs. 2,00,292.20 crore and that to municipalities is Rs. 87,143.80 crore (Table 2.7). The Commission recommended grants in two parts - a basic grant and a performance grant for duly constituted gram panchayats and municipalities. In the case of gram panchayats, 90 per cent of the grant will be the basic grant and 10 per cent will be the performance grant. In the case of municipalities, the division between basic and performance grant will be on the basis of 80:20.

The purpose of the basic grant is to provide a measure of unconditional support to the gram panchayats and municipalities for delivering the basic functions assigned to them under their respective statutes. The grant provided is intended to be used to improve the status of basic civic services including water supply, sanitation including septage management, sewerage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths and street-lighting, and burial and cremation grounds. Similarly, the basic grant for urban local bodies will be divided into tier-wise shares and distributed across each tier, namely the Municipal Corporations, Municipalities (the tier II urban local bodies) and the Nagar Panchayats (the tier III local bodies) using the formula given by the respective SFCs. The Commission has recommended performance grants to address the following issues: (i) making available reliable data on local bodies' receipt and expenditure through audited accounts; and (ii) improvement in own revenues. In addition, the urban local bodies will have to measure and publish service level benchmarks for basic services. These performance grants will be disbursed from the second year of our award period, that is, 2016-17 onwards so as to enable sufficient time to State Governments and the local bodies to put in place a scheme and mechanism for implementation.

STATUS OF MUNICIPAL RESOURCES IN JHARKHAND

During 2008-09 to 2012-13, municipal revenue increased 212.89 percent. The growth was recorded significantly higher in case of grants (598.90 percent). The municipal revenue for 20058-2009 was reported Rs. 3287.25 lakh which increased to Rs. 10285.59 lakh in 2012-13. The own revenue increased by 22.19 percent during the corresponding period while there has been decline in the amount of loan during the period. Composition of municipal revenue is shown in Table 4.5. During 2008-09 to 2012-13, grants and devolution accounted for about 40 percent while more than one third revenues comprises of loans. Own revenue constituted of about one fourth. This position changed in 2012-13, as own revenue comprised of less than 10 percent

while large chunk of revenue consisted of grants (89.21 percent). There has been increasing trend in the share of grants in municipal revenue while share of own revenue has drastically declined over the period of 2008-09 to 2012-13. Overall, total municipal expenditure increased by 86.28 percent over the period of 2008-09 to 2012-13. Revenue expenditure recorded slightly higher growth as compared to capital expenditure over the period. Over the period, capital expenditure constituted 67.92 percent while municipal revenue comprised of 32.08 percent. The present institutional arrangements for the provision of urban services is unlikely to sustain in the face of mounting fiscal pressures on municipal bodies and the rapid demand for urban services. The new economic policies, oriented towards market based economy led growth objectives, would also entail a significant contribution of the urban sector and efforts would be needed to reduce infrastructure bottlenecks and increase urban productivity and employment. The growing fiscal stress on municipal bodies will require fiscal corrections, effective fiscal management, and resources mobilization through initiating financing reforms. Moreover, legislative exercises to precisely define the functions and finances of municipal bodies especially after functional devolution as per 74th Amendment Act are needed. Again, there should be re-assessments of finances of municipal bodies after complete functional devolution. (JUIDCO, 2016).

TRENDS AND PATTERNS IN MUNICIPAL FINANCES IN RANCHI

The revenues of Ranchi Municipal Corporation can be broadly classified under six different heads: (1) tax revenues; (2) non tax revenues; (3) assigned revenue (like devolvement from State); (4) grants in aid under various Central and State Government Schemes; (5) loans; and (6) other receipts. *During 1999-2000 to 2004-05, the municipal revenue increased by 334.56 per cent. However, it was reported significantly high in case of growth in non-tax revenue as it grew by 633.33 per cent during 1999-2000 to 2003-04. Tax revenue of the Corporation also increased by 107.98 per cent during the period of 1999-2000 to 2004-05. During post-JNNURM period i.e. 2004-05 to 2009-10, the municipal revenue increased by 456.12 per cent while grants and transfers increased by more than 16 fold. Significantly there was higher growth in non-tax revenue as compared to the tax revenue during post-JNNURM period. Growth of municipal revenue during the period of 2008-09 to 2014-15 is shown in table 2. There has been decline in total revenue while own revenue has witnessed an increase of 342.59 percent during the corresponding period. The amount of grants has also shown an declining trend over the period. Grants constituted 13.49 percent in 2014-15 while it was recorded as high as 72.98 percent in 2008-09.*

Some of the non-tax revenues, which are not effectively tapped include:

- Trade License Fee
- Fee on issue of birth, death, income and other statutory certificate
- Fee for transfer of property

Table 1
Growth of Municipal Revenue in Ranchi Municipal Corporation

Year	Total	Grants	Own Revenue Including Other Receipts
2008-09	6554.52	4783.79	961.07
	100.00	72.98	14.66
2009-10	3533.83	1659.79	928.76
	100.00	46.96	26.28
2010-11	6795.75	5060.60	1343.00
	100.00	74.47	19.76
2011-12	11391.85	8877.70	2110.00
	100.00	77.93	18.52
2012-13	4941.60	1893.62	3047.98
	100.00	38.32	61.68
2013-14	3782.54	787.27	2995.27
	100.00	20.81	79.19
2014-15	4241.70	572.07	3669.30
	100.00	13.49	86.51
Growth (%)	35.29	- 80.04	342.59

Source: Municipal Corporation, Ranchi.

- Fee on sanction of building plan and issue of completion certificate.
- Fee for Municipal license for various non-residential use of land and building.
- Surcharge on taxes and fees.
- Offensive and dangerous trade.
- Solid Waste Management.
- Drainage & Sewage.
- Water Supply.
- Parking Fee.
- Rental on shops, buildings, commercial space owned by Municipal Corporation.
- Health Cess (ULB gets 10 percent share for collection of Health cess on behalf of Government).
- Education Cess (ULB gets 10 percent share for collection of Education cess on behalf of government).
- Library Cess (Not levied in Jharkhand).
- Revenues from Advertisement in properties including bus shelters, lamp posts, bus stand and other public places.

Property Tax is the major revenue for Urban Local Bodies in India. However, Ranchi Municipal Corporation does not have a complete list of assessment of properties in its Jurisdiction. Corporation has not been able to optimally tap the Holding Tax potential due to administration laxity not only in terms of poor / low property tax assessments, but also due to poor collection efficiency. Last assessment was carried out in 1992-93. The municipal records show that there are 95470 holdings; however, Corporation is collecting holding tax from 1.40 lakh households.

Jharkhand Municipal Act provides authority to Urban Local Bodies of the State to levy many other taxes / user charges including:

- Surcharge on Entertainment Tax
- Surcharge on Electricity Consumption within the Municipal Area
- Tax on Congregations
- Tax on Pilgrims and Tourists
- Toll on roads and bridges and on heavy trucks and buses
- Fire Tax
- Surcharge on transfer of lands and building

Besides the taxes indicated above, there are many other taxes like show or theatre tax, library cess, and many non-tax revenues such as right of way from telecom and cable operators are being levied by many ULBs in different states, but no such attempt has been made in Ranch so far to improve its own revenues. Corporation has not been periodically revising the tax rates and user charges, despite rising operations & maintenance (O&M) costs. Further, no penalty is levied on non-payment of taxes as well.

There has been significantly higher growth rate in municipal income during post-JNNURM period as compared to the growth rate in pre-JNNURM period. Municipal income grew by 334.56 per cent during 1999-2000 to 2004-05 while it was reported significantly high in case of plan income of the Corporation during the period (394.38 per cent). Interestingly, central assistance grew by 113.27 per cent during the period. During the post-JNNURM period i.e. 2004-05 to 2009-10, the municipal revenue grew by 456.12 per cent while it was reported much higher in case of central assistance as it increased by more than 17 times. Interestingly, the plan income of the Corporation also witnessed more than 15 times increase over the period. The non-plan income during the corresponding period was reported 296.69 per cent.

During 1999-2000, grants, loans and assistance constituted 53.72 per cent while own sources of income constituted only 46.26 per cent. Income from taxes accounted for 39.62 per cent while non-tax revenue accounted only for 6.64 per cent. During 2003-04, the major source of municipal income was reported grants and central transfers as it constituted 76.70 per cent. There has been drastic decline in the ratio of tax revenue in total municipal income however; there was significant increase in the ratio of non-tax revenue. During 2009-10, the own resources of the Corporation

accounted only for 6.66 per cent and major income source was reported to be grants, loans and assistances. Thus, the composition of the municipal revenue simply demonstrates that the share of grants and transfers is gradually increasing while the share of own resources is shrinking. Thus, the Corporation is becoming dependent on grants and transfers from state and central government for meeting out its municipal expenditure. During 2000-01, house tax constituted 36.36 per cent while sewerage tax accounted for 22.82 per cent followed by health cess (18.94 per cent), education cess (14.60 per cent) and water tax (6.02 per cent) in the total municipal taxes of the Corporation. During 2008-09, house tax accounted for 34.56 per cent while water tax accounted 22.22 per cent and sewerage tax constituted 17.28 per cent in the total tax revenue of the Corporation. During the period of 2008-09 to 2012-13, total municipal revenue has increased by 120.99 percent. It was recorded high in case of own revenue (198.98 percent). During 2012-13, own revenue constituted 19.70 percent while grants accounted for 72.50 percent. There have not been major changes in the share of grants over the period.

Pattern of municipal revenue during the period of 2012-13 to 2014-15 is shown in table in 2. During 2014-15, tax revenue accounted for 74.50 percent while it was recorded 14.50 percent in 2012-13. Rental income from municipal properties constituted about 9 percent while revenue grants, contribution and subsidies comprised of 38.32 percent in 2012-13 and 13.49 percent in 2014-15. There has been drastic decline in the share of grants in total municipal income over the period. Income from fees and user charges accounted for one third of municipal income.

Table 2
Composition of Municipal Revenue in Ranchi Municipal Corporation
(Rs. Lakh)

<i>Particulars</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
Tax Revenue	716.47	1532.49	2014.65
	14.50	40.51	47.50
Rental Income from Municipal Properties	433.82	8.38	117.55
	8.78	0.22	2.77
Fees and User Charges	1741.37	1294.36	1421.62
	35.24	34.22	33.52
Sales and Hire Charges	21.99	22.91	3.13
	0.44	2.61	0.07
Revenue Grants, Contribution and Subsidies	1893.62	787.27	572.07
	38.32	20.81	13.49
Income from Investments	24.81	38.55	38.40
	0.50	1.02	0.90
Interest Earned	109.51	98.16	73.62
	2.22	2.59	1.73
Other Income	0.06	0.41	0.32
	0.00	0.00	0.00
Total	4941.60	3782.54	4241.37
	100.00	100.00	100.00

Source: Municipal Corporation, Ranchi.

Composition of tax revenue of the Corporation is shown in table 3. Cess and holding tax are the major sources of tax revenue. Other important taxes include water tax, latrine tax and advertisement tax. During 2012-13, holding tax accounted for more than half of the tax revenue however; it declined to 30.43 percent in 2014-15.

Table 3
Composition of Tax Revenue in Ranchi Municipal Corporation

Particulars	(Rs. Lakh)		
	2012-13	2013-14	2014-15
Holding Tax	383.49	358.69	612.79
	53.52	23.40	30.42
Water Tax	100.73	90.99	240.85
	14.06	5.94	11.45
Latrine Tax	87.04	79.88	187.13
	12.15	5.21	9.29
Advertisement Tax	-	85.52	90.72
	-	5.68	4.50
Cess	131.17	917.31	883.04
	18.31	59.85	43.83
Other Tax	3.99	0.06	0.12
	0.56	0.00	0.00
Total	716.46	1532.45	2014.68

Source: Municipal Corporation, Ranchi.

Composition of fees and user charges is shown in table 4. During 2012-13, user charges accounted for 36.06 percent however; it increased to 40.18 percent in 2014-15. Other major fees and charges include fee for grant or permission, regularization fee license fees etc.

During 1999-2000, non-plan expenditure constituted 58.16 per cent while it decreased to 42.07 per cent during 2004-05 and further to 20.21 per cent in 2009-10. Plan expenditure constituted 41.84 per cent in 1999-2000 and increased to 57.93 per cent in 2004-05 and further increase to 79.79 per cent in 2009-10. Thus, plan expenditure has grown both in absolute terms and proportion of total expenditure during the post-JNNURM period.

Growth of plan and non-plan expenditure is shown in Table 5.12. There has been higher growth in plan and non-plan expenditure during post-JNNURM period as compared to the growth rate in pre-JNNURM period. During 1999-2000 to 2004-05, municipal expenditure grew by 334.56 per cent while it was reported comparatively high in case of plan expenditure as compared to non-plan expenditure. Similarly, during the post-JNNURM period the growth in plan expenditure was reported 672.02 per cent as compared to only 169.28 per cent growth in non-plan expenditure. There has been many fold increase in central assistance during the post-JNNURM period.

Table 4
Composition of Fees and User Charges in Ranchi Municipal Corporation

<i>Particulars</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
Empanelment and Registration Charges	14.16	4.02	5.67
	0.81	0.31	0.39
License fees	3.92	195.74	127.08
	0.22	15.12	8.94
Fee for grant or permit/permission	29.09	10.58	0.43
	1.67	0.81	0.03
Fee for certificate or extract of records		34.64	5.58
		2.67	0.39
Regularization fees		453.74	313.67
		35.06	22.06
Development charges		22.61	6.82
		1.75	0.48
Penalty and fines	0.15	10.27	1.81
		0.79	0.13
Other fees	1062.94	25.31	389.31
	61.04	1.95	27.38
User charges	637.93	534.56	571.24
	36.06	41.29	40.18
Entry fees		1.90	
		0.00	
Service/administration charges		0.96	
		0.00	
Total	1741.37	1294.36	1421.62

Source: Municipal Corporation, Ranchi.

A capital receipt in Corporation during 2012-13 to 2014-15 is shown in table 5. During 2012-13, grants, contribution and subsidies accounted for 96.56 percent; however it showed an declining trend in the successive years. Secured loans accounted for 4.28 percent in 2014-15.

Establishment expenditure has grown many folds during the 1999-2000 to 2009-10. Establishment expenditure constituted 48.27 per cent in 1999-2000 against the total expenditure of the Corporation while during 2004-05, its share was reported 30.29 per cent only. During 2009-10, establishment expenditure as against the total expenditure of the Corporation accounted only for 5.37 per cent. It is because of the fact that central assistance was mainly provided for capital expenditure. During 1999-2000 to 2004-05, establishment expenditure grew by 54.38 per cent while it was reported significantly high during 2004-05 to 2009-10 (144.61 per cent). There has been growth of 146.03 per cent in the total expenditure of the Corporation during 1999-2000 to 2004-05 while total expenditure of the Corporation increased

Table 5
Capital Receipts in Ranchi Municipal Corporation

<i>Particulars</i>	(Rs. Lakh)		
	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
Grants, Contribution for Specific Purposes	9951.27	9694.96	10050.45
	96.56	94.51	94.51
Secured Loans	243.44	477.96	454.99
	2.36	4.66	4.28
Deposits Received	110.79	84.85	128.32
	1.07	0.83	1.21
Other Receipts	0.42	—	0.41
	0.00	—	0.00
Total	1305.93	10257.78	10634.17
	100.00	100.00	100.00

Source: Municipal Corporation, Ranchi.

by more than 13 folds during 2004-05 to 2009-10 . Expenditure pattern in Municipal Corporation is shown in table 6. Revenue expenditure constituted about half of the total expenditure in 2015-16, however it was recorded as high as 64.53 percent in 2008-09. Capital expenditure accounted for 35.47 percent in 2008-09 while it increased to 49.53 percent in 2014-15.

Table 6
Expenditure Pattern in Ranchi Municipal Corporation

<i>Year</i>	(Rs. Lakh)		
	<i>Revenue Expenditure</i>	<i>Capital Expenditure</i>	<i>Total Expenditure</i>
2008-09	1939.15	1066/05	3005.20
	62.53	35.47	100.00
2009-10	2791.22	1372.44	4163.66
	67.04	32.96	100.00
2010-11	3051.69	9781.71	12833.40
	23.78	76.22	100.00
2011-12	3377.43	5350.21	8727.64
	38.69	61.31	100.00
2012-13	5869.36	6672.35	12541.71
	46.80	53.20	100.00
2013-14	4961.48	4038.73	9000.71
	55.13	44.87	100.00
2014-15	5834.72	9226.41	15061.13
	38.74	61.26	100.00
2015-16 (Estimated)	8503.72	8344.46	16848.18
	50.47	49.53	100.00

Source: Municipal Corporation, Ranchi.

Pattern of revenue expenditure is shown in table 7.. During 2012-13, more than half of the expenditure accounted for establishment expenditure. However,

establishment accounted for 80.22 percent in 2014-15. Expenditure on operation and maintenance constituted 25.38 percent in 2012-13 and 10.98 percent in 2014-15.

Table 7
Pattern of Revenue Expenditure in Ranchi Municipal Corporation

<i>Particulars</i>	(Rs. Lakh)		
	2012-13	2013-14	2014-15
Establishment Expenses	3108.71	2973.13	4680.47
	52.96	59.92	80.22
Administrative Expenses	825.19	274.31	417.26
	14.06	5.53	7.15
Operations and Maintenance	1489.58	1486.78	640.47
	25.38	29.96	10.98
Interest and Finance Charges	0.04	0.35	0.03
	0.00	0.00	0.00
Programme Expenses	140.50	227.40	90.49
	2.93	4.98	1/55
Revenue Grants, Contribution and Subsidy	304.33	—	6.00
	5.18	—	0.10
Total	5869.36	4961.98	5834.72
	100.00	100.00	1000.00

Source: Municipal Corporation, Ranchi.

The financial performance of an Urban Local Body is indicated by a set of closely interrelated factors and not merely by income expenditure balance. Municipalities in India cannot be simply compared on the basis of absolute or per capita amounts of non-revenue receipts and revenue expenditure because of difference in population size, functional domain and fiscal powers. It has been found that merely more fiscal powers as per the Municipal Acts have not guaranteed better revenue generation because of partial or non-implementation of these powers to their capacity. The major differences among various municipalities are due to absence of octroi and due to exclusion of the functions of water supply and sewerage. The cities where octroi has been abolished and property tax has not been implemented in its full spirits are facing more problems and the property tax has a long way to become a potential tax revenue component for the financial sustainability of the cities. No doubt launch of JNNURM and other centrally sponsored schemes have improved the fiscal health of the ULBs however; several state governments have not framed any rule for proper and effective implementation of devolution of functions, functionaries along with funds besides effective implementation of municipal reforms as envisaged in JNNURM and AMRUT.

The size of the municipal fiscal sector in India is very small compared to the many developed and developing countries in relation to public services being

delivered by urban local governments. There has been mismatch between the functions and finances of the ULBs, which primarily shows the vertical imbalance. The vertical imbalance is constitutionally inbuilt and correction needs to be achieved through reforms in the structure of fiscal federalism, revenue assignment and inter-governmental transfers. There has been tremendous increase in per capita municipal income of the Corporation. Per capita municipal revenue was Rs. 112 in 2000-01 to Rs. 395 in 2014-15. However, per capita revenue expenditure was reported Rs. 78 in 2000-01 to Rs. 792 in 2014-15. Thus, Corporation has witnessed phenomenon growth in per capita municipal income and expenditure over the period of pre JNNURM and post JNNURM. Growth of tax revenue was also recorded high in the period of 2012-13 to 2014-15 (181.19 percent) from 59.87 percent during 2001-02 to 2003-04. However, non tax revenue recorded negative growth during post JNNURM as compared to pre JNNURM period. Composition of municipal revenue also shows that there has been higher share of own revenue (86.51 percent in 2014-15 from 46.92 percent in 2003-04. The share of grants has declined from 53.08 percent in 2003-04 to 13.49 percent in 2014-15. However, establishment expenditure accounted for 80.22 percent in 2014-15 as compared to 30.29 percent in 2003-04. Thus, overall, municipal finances have shown impressive progress over the period. The Corporation has also introduced mandatory installation of rain water harvesting structure in urban dwelling units, failing to comply the instruction, the household has to pay 50 percent additional house tax. The state government has also assigned the task of implementation of accounting reforms and augmentation of municipal resources in the state to Earnest and Young. The Company is conducting such study in each ULB of the state. Moreover, in order to augment the municipal resources, the state government has issues orders time to time for levying user charges and fees as well as involvement of private organizations in collection of municipal revenue.

SUGGESTIONS

- It is necessary to reduce dependence of local bodies on government budgetary support. They should effectively exploit the revenue potential through rationalization of assessment norms, simplification of procedures; rebate on timely payment, revision of old levies and taxes.
- There is also need to encourage private sector involvement in the development, strengthening and creator of urban infrastructure. The conducive investment climate has to be created for encouraging the greater participation of private sector through introduction of suitable package of incentives. The concept of commercialization of urban infrastructure is very successful in developed countries. It can be also adopted in India with judicious mix.
- The tax bases of ULBs are narrow and inflexible and lack buoyancy, and they have also not been able to levy rational user charges for the services they deliver. Thus, it is imperative to broaden the tax net and effective implementation of user charges by the ULBs through administrative and political will.

- Property / holding tax is one of the major revenues of Urban Local Bodies. However, there are significant weaknesses and deficiencies in the current Holding Tax system which restricts the full exploitation of revenue potential of Holding Tax. There should be focused attention to ensure that there is a thorough review of the process of identification, valuation, assessment, collection, discovery and enforcement of holding tax levies. Such review should broadly focus on the : a) rate and base structure, b) valuation and assessment systems, c) tax administration and; d) citizen interface mechanisms.
- There is a strong need to use information technology to improve the information base, and also enhance the collection efficiency of holding tax revenues. Similarly, there is a need to computerize tax record, conduct physical survey of properties, compare data from different sources like revenue records, records with electricity boards, building plan approvals to identify non-assessed and / or under assessed properties. The greatest deficiency in proper assessment of Property tax is the lack of adequate database giving details of properties. This needs to be addressed first, through the judicious use of Information Technology, as well as implementation of GIS mapping.
- User charges need to be structured to meet operation and maintenance cost, debt servicing, and depreciation towards the cost of the project. In addition, they must also generate some surplus to enable building the equity base of ULBs, supported. Moreover, levying of water and sewerage charges, parking, etc. is imperative to increase the net of user charges and non-tax revenue of the ULBs. The user charges are also required to be assessed on regular basis for rationale increase depending on the cost of operation and maintenance and other necessary financial requirements.
- Property tax is collected under various municipal Acts with components such as water tax, drainage tax, lighting tax, conservancy tax and general tax. It is desirable that services like water supply, sewerage, solid waste management, drainage may be financed or maintained through user charges as the property tax denotes creation of infrastructure not for delivering of services and therefore delivery of basic services to the citizens may be operated and maintained through rationale user charges.
- The Municipal Corporation may revise taxes ,non taxes and user charges. Advertisement tax should be dynamic while tax on theatre, shows, surcharge on entertainment tax, entry fees for vehicles, tax on animals, parking fees, etc. may be imposed by the Corporation. In order to reduce the losses of water and non revenue water, all water connections should be made regularized while there should be increasing block tariff structure for using water for different purposes. The metering should be made compulsory. Similarly, the development charges and mutation fees should be revised time to time.

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