



**Financial Management of Urban Local Bodies in Jammu and  
Kashmir: An Empirical Study of Jammu Municipal Corporation**

**Thesis submitted for the award of the Degree of  
Doctor of Philosophy  
in  
Public Administration**

**by**

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**September, 2022**

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I, Shafiq Ahmed, hereby declare that the Research work entitled “*Financial Management of Urban Local Bodies in Jammu and Kashmir: An Empirical Study of Jammu Municipal Corporation*” submitted to Maulana Azad National Urdu University (MANUU), Hyderabad is entirely prepared by myself and has been the result of my own work after studying the material related to the thesis under the supervision of *Dr. Abdul Quayum, Associate Professor department of Public Administration, MANUU*. The analysis of collected data on the phenomenon being studied is entirely original and the same is not copied from elsewhere. Therefore, I declare that this thesis is my original work and have not been produced in any other university or institute for the award of any other degree.

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# Financial Management of Urban Local Bodies in Jammu and Kashmir: An Empirical Study of Jammu Municipal Corporation

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## **Abbreviations**

- DDC: District Development Commissioner
- PRIs: Panchayati Raj Institution
- CAA: Constitutional Amendment Act
- GOI: Government of India
- IAS: Indian Administrative Services
- ULBs: Urban Local Bodies
- CEOs: Chief Executive Officers
- NITI: National Institution of Transforming India
- J&K: Jammu and Kashmir
- JMC: Jammu Municipal Corporation
- UT: Union Territory
- SOP: Standard of Procedures
- BJP: Bhartiya Janta Party
- SCM: Supply Chain Management
- MSW: Municipal Solid Waste
- SWM: Solid Waste management
- BBMP: Bruhat Bangalore Mahanagar Palike
- TIF: Tax Increment Financing
- GST: Goods and Services Tax
- NGOs: Non-Governmental Organisations
- IFIMS: Integrated Financial Management Information System
- INR: Indian Rupees

- GDP: Gross Domestic Product
- SFC: State Finance Commission
- TMC: Tororo Municipal Council
- NPM: New Public Management
- GRA: Ghana Revenue Authority
- ADB: Asian Development Bank
- OM: Organization and Management
- GIS: Graphic Information System
- SMC: Surat Municipal Corporation
- JNNURM: Jawahar Lal Nehru National Urban Renewal Mission
- MCD: Municipal Corporation of Delhi
- AMC: Ahmadabad Municipal Corporation
- RMC: Rajkot Municipal Corporation
- VMC: Vadodara Municipal Corporation
- IPT: Integrated Property tax
- GHMC: Greater Hyderabad Municipal Corporation
- MCGM: Municipal Corporation of Greater Mumbai
- TMC: Thiruvananthapuram Municipal Corporation
- LBT: Local Body Tax
- PPP: Public Private Partnership
- CFC: Central Finance Commission
- VAT: Value Added Tax
- HPEC: High Power Economic Committee

- MOUD: Ministry of Urban Development
- CAG: Comptroller and Auditor General of India
- NMAM: National Municipal Accounting Manual
- GAD: General Administrative Department
- RTI: Right to Information
- OBCs: Other Backward Classes
- S.T: Scheduled tribe
- S.C: Scheduled Caste
- CNG: Compressed Natural Gas
- MGNREGA: Mahatma Gandhi Rojgar Gramin Yojana
- PHE: Public Health Engineering
- SMC: Srinagar Municipal Corporation
- UEED: Urban Environment Engineering Division
- SDGs: Sustainable Development Goals
- SGST: State Goods and Services Tax
- AMRUT: Atal Mission for Rejuvenation Mission
- MOUs: Memorandum of Understanding
- ICT: Information Communication Technology

# Chapter - I

## 1.1 Introduction

The functions of a State are carried out through the union government, state government, and local government to provide public goods and services to the people. All these levels of government in different countries of the world have their own jurisdiction, authority and powers. The structure, power, and jurisdiction vary from state to state however, the basic functions are more or less remain the same. Amongst the three different levels of government, the local level government is the latest emerging tier particularly in the developing countries. Although the formal setup of local government is of recent origin, but as a practice, these institutions are as old as civilization itself. Across the globe, with the transformation of state from agriculture sector to industrial sector, numerous towns, and cities have come into existence, subsequently, people started moving from rural areas to urban areas in search of better employment opportunities, education and health services, etc. This paradigm shift necessitated to have a setup of urban local level of government that will administer to the local issues pertaining to the people residing in urban areas.

In India, these institutions have great history and importance in as much that the first Urban Civilization of India, i.e., the Indus Valley Civilization was one of the oldest civilizations of the world. Likewise, the institution of urban local government can also be found in the epics, like the Vedas, Ramayana, Mahabharata, Upanishad, and in

Arthashastra of Kautilya. During the Mauryan and Gupta period, the village was the basic unit of local government and there was no demarcation between a town and village. With the passage of time, gramine village developed into large towns and city culture reached its zenith. In their famous cities of Patliputra, Ujjain and Taxila, town administration was well administered and one of the important duties of civic administration was to maintain city's sanitation matters, which includes maintenance of the drainage system and cleanliness of the roads. During Gupta period, town were generally administered by the council called as 'parishad' and there was the provision of elected representative bodies who used to play an important role in the city administration. Another major discovery of the ancient period had been the writings of Megasthenes, the famous Greek traveler, who had visited India during the third century B.C. he had clearly mentioned a detailed system of urban local government and administration consisting of six bodies comprising of five members in each of body who had been entrusted with all kinds of civic responsibilities concerning the city administration. <sup>(1)</sup> The successive regimes also gave importance to the institution of local government. Although the local government existed in India in the Ancient times, in present structure and style of functioning it owes its existence to the British rule in India as the first Municipal Corporation was started by them in 1687 by establishing Chennai Municipal Corporation. Furthermore, the efforts made by Lord Mayo and Lord Ripon, in the form of their Resolutions 1870 and 1882 respectively had further strengthened the system of local government in India. As these two legislations stressed the need of associating Indians in administration, decentralization of certain responsibilities to the provinces and strengthen of municipal government for this purpose. Thereby, Lord Ripon is known as the father of Local Government in India. <sup>(2)</sup>

### **1.1.1 Post -Independence Scenario of Local Government of India**

With the dawn of independence of India in August 1947, four significant committees were instituted between 1957 and 1986 to conceptualize a system of local self-government for India. In 1957, the GOI appointed Balwant Rai Mehta Committee to look into the effectiveness of two of its earlier mega policies, namely, National Extension Service Programme 1953 and Community Development Programme 1952. It turned in its report in November 1957, which is where the phrase "democratic decentralization" first appears. The major recommendations of this committee were the creation of a three-tiered Panchayati Raj structure with direct elections for gram panchayats at the village level, panchayat samitis at the block level, and zila parishads at the district level with the instrument of indirect election. The District Collector will preside over Zila Parishad to ensure the transfer of authority and resources to these bodies. <sup>(3)</sup> The proposals were accepted by the then National Development Council, an important policy circle of India. It did not, however, oblige these organizations be founded according to a specific, singular plan. Instead, it gave states the freedom to create their own patterns while ensuring that the country's main principles were adhered to. The state of Rajasthan was the first to establish this mechanism of governance at local level in 1959, followed by Andhra Pradesh in the same year. Some states went ahead and created a four-tier local self -government system. Another development in this regard was the setting up of the Ashok Mehta Committee (1977-1978) by the then-governing Janata party at center to examine Panchayati Raj institutions. The most crucial recommendations made by it, out of a total of 132, are listed below:

1. A two-tier system would be replaced by a three-tier system and participation of all political parties at each level of election.
2. Local self-governance institutions must be given mandatory taxing authority.
3. Planning process pertaining to local governance at state level needed to be delegated to Zila Parishad.
4. The state Council of Ministers must have a minister of local self-government.
5. The institutions local self-government should be given constitutional status without any delay.

Unfortunately, before these suggestions could be implemented, the Janata government collapsed, thereby, these recommendations were not taken into consideration at large. Due to this, the local self-governance units remained the same, lacking any significant progress causing problems in planning for the development of rural and urban areas. Consequently, the then Planning Commission of India, constituted a committee under the leadership of GVK Rao in 1985. The major recommendations of this committee are as follows:

1. The committee came to the conclusion that the institutions of local self-government were steadily losing control over growth, creating a system akin to "grass without roots."
2. Zila Parishad to be given top priority, and it should get all developmental programmes offered at that level.
3. A new position called DDC (District Development Commissioner) will serve as the Zila Parishad's CEO, and elections of these local self-government institutions should be held regularly. <sup>(4)</sup>

Interestingly, the theories, approaches and models of public administration at that point of time revolved around the concept of decentralization, delegation and democratization. These greatly influenced the Indian governance system to move in tandem with these principles of governance that were gaining popularity world over. Consequently, in 1986, the L M Singhvi Committee was appointed by the then GOI with the objectives of "Revitalization of Panchayati Raj institutions for strengthening Democracy and Development." Among its key recommendations are that PRIs be given constitutional recognition. Furthermore, the Singhvi committee had recommended for the creation of Nyaya Panchayats for the groups of villages. In this regard, the then Rajiv Gandhi government introduced a bill namely 64th Constitutional Amendment which was first presented in the Lok Sabha in 1989. However, the Rajya Sabha refused to support it. Finally, in the year 1991, the Narasimha Rao led government after removing some the previously objected provisions by the lawmakers, accorded Constitutional status to the institutions of Local self-government by introducing the 73rd and 74th C.A.A 1992 for Rural and Urban government respectively. <sup>(5)</sup>

This has perhaps been the most important and revolutionary step in the evolution of local government especially for urban local bodies of India. These legislations incorporated wide-ranging provisions dealing with the electoral process, finances, planning mechanism, and devolution of powers to the people at grass root level. The amendment aimed at transforming into strong and viable units of "self-government" and bringing them into the mainstream of the country's socio-economic development. It must be mentioned here earlier to this act (74<sup>th</sup> CAA), there was no constitutional obligation for urban local bodies even though there was reference to the village panchayat in the Directive Principle of State Policy under Article 40. Thus, the act has



introduced a new era in so far as urban local bodies are concerned, by providing them constitutional status and eighteen functional items pertaining to urban governance. <sup>(6)</sup>

For the sake of uniformity in the constitution of urban local bodies, three types of units have been envisaged in the 74th Constitutional Amendment Act 1992.

**A. Nagar Panchayat (area in transition from rural to urban area)**

**B. Municipal Council for a smaller urban area.**

**C. Municipal Corporation for a large urban area.**

These institutions are politically headed by elected Mayor at Municipal Corporation Level and Chairman or President at Council or Nagar Panchayat level whereas, administratively, Municipal Commissioner (Usually an IAS officer) and Executive Officer (from respective state cadre) at Municipal Corporations and Councils respectively. The entire gamut of these urban institutions in India is collectively called as Urban Local Bodies (ULBs). With the growing importance of cities as the ‘engines of economic growth’, the responsibilities of these institutions have been increasing day by day. In this context the present government views them as “ULBs are at the heart of the delivery of goods and services to people, and it is imperative to strengthen them by greater decentralization and empower them by meaningful devolution of the 3Fs, i.e., funds, functions, and functionaries”. <sup>(7)</sup>

Cities have firmly established themselves as the primary engines of the Indian economy and sources of national wealth. More urbanization is unavoidable in the coming years. Urban municipal governments play a critical role in powering these engines by using the numerous resources available at their disposal and contributing to economic growth.

<sup>(8)</sup> Higher living standards, improved education, public health, medical assistance,

sanitation and conservation, water supply, roads, and a slew of other basic civic facilities and services are all part of economic growth in this country. Over the years, our country's urbanized population has increased dramatically.

**Table-1.1: “The Population of India (2020 and Historical)”**

Year	Population	Yearly Change %	Yearly Change	Median Age	Fertility Rate	Density (P/Km <sup>2</sup> )	Urban Pop %	Urban Population	Country's Share of World Pop
2020	<b>1,38,00,04,385</b>	0.99	1,35,86,631	28.4	2.24	464	35.00%	48,30,98,640	17.70%
2019	<b>1,36,64,17,754</b>	1.02	1,37,75,474	27.1	2.36	460	34.50%	47,18,28,295	17.71%
2018	<b>1,35,26,42,280</b>	1.04	1,39,65,495	27.1	2.36	455	34.10%	46,07,79,764	17.73%
2017	<b>1,33,86,76,785</b>	1.07	1,41,59,536	27.1	2.36	450	33.60%	44,99,63,381	17.74%
2016	<b>1,32,45,17,249</b>	1.1	1,43,64,846	27.1	2.36	445	33.20%	43,93,91,699	17.75%
2015	<b>1,31,01,52,403</b>	1.2	1,51,74,247	26.8	2.4	441	32.70%	42,90,69,459	17.75%
2010	<b>1,23,42,81,170</b>	1.47	1,73,34,249	25.1	2.8	415	30.80%	38,07,44,554	17.74%
2005	<b>1,14,76,09,927</b>	1.67	1,82,06,876	23.8	3.14	386	29.10%	33,44,79,406	17.54%
2000	<b>1,05,65,75,549</b>	1.85	1,85,30,592	22.7	3.48	355	27.60%	29,13,50,282	17.20%
1995	<b>96,39,22,588</b>	1.99	1,81,28,958	21.8	3.83	324	26.50%	25,55,58,824	16.78%
1990	<b>87,32,77,798</b>	2.17	1,77,83,558	21.1	4.27	294	25.50%	22,22,96,728	16.39%
1985	<b>78,43,60,008</b>	2.33	1,70,81,433	20.6	4.68	264	24.30%	19,03,21,782	16.10%
1980	<b>69,89,52,844</b>	2.32	1,51,69,989	20.2	4.97	235	23.00%	16,09,41,941	15.68%
1975	<b>62,31,02,897</b>	2.33	1,35,82,621	19.7	5.41	210	21.30%	13,25,33,810	15.27%
1970	<b>55,51,89,792</b>	2.15	1,12,13,294	19.3	5.72	187	19.70%	10,93,88,950	15.00%
1965	<b>49,91,23,324</b>	2.07	97,15,129	19.6	5.89	168	18.70%	9,34,93,844	14.95%
1960	<b>45,05,47,679</b>	1.91	81,33,417	20.2	5.9	152	17.90%	8,05,65,723	14.85%
1955	<b>40,98,80,595</b>	1.72	67,11,079	20.7	5.9	138	17.60%	7,19,58,495	14.78%

Source: “Worldometer. Available at: <https://www.worldometers.info/world-population/india-population/>”

The above table-1.1 clearly shows in 1955 Indian population was 409,880,595, with a yearly percentage of change was 1.72%, the population median age was 20.7, high fertility rate 5.90, density per kilometer 138, urban population percentage 17.6% with the population was 71,958,495, the share of the world population was 14.78% and

ranked two in the chart of world population meter. Whereas coming to 2020, the whole statistics changed except its global ranking. The density increased almost three times (448), fertility rate reduced fifty percent (2.24). The Urban population nearly six times (483,098,640) increased. And at present, the total urban population percentage with a total population is 35%. This heavily dense country stands in second place in the global population ranking.

**Table-1.2: India's population forecast**

Year	Population	Yearly Change %	Yearly Change	Median Age	Fertility Rate	Density (P/Km <sup>2</sup> )	Urban Pop %	Urban Population	Country's Share of World Pop
2020	<b>1,38,00,04,385</b>	1.04%	1,39,70,396	28.4	2.24	464	35.00%	48,30,98,640	17.70%
2025	<b>1,44,50,11,620</b>	0.92%	1,30,01,447	30	2.24	486	37.60%	54,27,42,539	17.66%
2030	<b>1,50,36,42,322</b>	0.80%	1,17,26,140	31.7	2.24	506	40.40%	60,73,41,981	17.59%
2035	<b>1,55,37,23,810</b>	0.66%	1,00,16,298	33.3	2.24	523	43.50%	67,54,56,367	17.48%
2040	<b>1,59,26,91,513</b>	0.50%	77,93,541	35	2.24	536	46.70%	74,43,80,367	17.31%
2045	<b>1,62,06,19,200</b>	0.35%	55,85,537	36.6	2.24	545	50.10%	81,17,49,463	17.09%
2050	<b>1,63,91,76,033</b>	0.23%	37,11,367	38.1	2.24	551	53.50%	87,66,13,025	16.84%

Source: Worldometer. Available at: <https://www.worldometers.info/world-population/india-population/>

From the above table, it is projected that with the rapid increase of urban population in India even a further increase is expected in the population density per square kilometer. As a result, India is expected to be placed as the world's first ranked in terms of population from 2030 onwards. According to the aforesaid data projection, the population density of India in the year 2020 was 464 and is expected to be around 486 persons per square kilometer by the year 2025. Moreover, this increase is expected to grow at a rate of 13.37% from the base year of 2020-50. The percentage of urban population in India was about 35% in the year 2020 and the same will be 37.6% in

2025, 40.4%, in 2030, 43.5%, in 2035, 46.7%, in 2040, 50.1% in 2045 and 53.5% 2050. The urban population in the total population of India in the year 2020 was 483,098,640 and for the year 2025 is expected to be 542,742,539 that is estimated to grow to 876,613,025 in the year 2050. This is about 18.5% increase in the span of 25 years that results in a massive of 333,870,486 people. By 2050, urban population is expected to account for 53.5 percent of the total population, implying that half of the country's people would live in cities. The preceding data demonstrates the enormity of the burden that local governments will bear in the future. Taking this phenomenon into consideration the ULBs of India are in dire need of upgradation financially, administratively and technically to be well equipped to handle the emerging social, economic and political challenges that lie in the years ahead.

Urban governance is critical for the population residing in the cities because they interact with urban politico-administrative leadership on a daily basis for their fundamental needs such as water, sanitation, housing, entertainment, transportation, and cultural activities. The effectiveness of ULBs has far more implications on the well-being of citizens than that of the Union and State Governments. <sup>(9)</sup> People who live in cities rely on urban governance for the majority of their activities, so there is a need for transparent, efficient, accountable, ethical, and cost-effective administration, as well as public participation, which promotes a sense of belonging among citizens while also reducing the cost of urban government operations. <sup>(10)</sup>

In the context of the Indian scenario, good local governance should be taken into account the following aspects:

The constitutionally guaranteed right to elect Government at different levels fairly and effectively, with meaningful involvement by all people, is a fundamental element of successful governance as a democratic nation. This is a necessary condition for the Government's legitimacy and accountability to the people.

The Government's significant duties of providing social and economic public services must be carried out effectively and efficiently. This necessitates continuous monitoring and attention to our program design. In our scenario, where local governments are responsible for delivering essential services like primary education and health care, maintaining the efficiency and effectiveness of local governments is very important.

Lower-level governments can only operate effectively if they are given the authority to do so. This is especially important for urban local governments, which presently face insufficient devolution of money and officials to carry out the legally mandated duties.

Both elected representatives and the bureaucracy must be held accountable for their actions to function effectively for local Government. On the political and administrative aspects of accountability and their relationship to local government institutions, there is little dispute conceptually. The past several years has seen the democratization of urban municipal governments. Indeed, there has recently been a rising understanding that urban settlements may be successfully managed by local organizations that have elected members, budgetary autonomy, and efficient administration. In addition, public engagement and governance have emerged as critical topics in urban Government. The 74th CAA includes measures for ULB empowerment. However, even after 30 years, it is regrettable that, apart from legislation, state governments have resisted putting the law into effect. The time has come to examine why state governments have been unable

to implement urban reforms and why burdensome regulations/procedures continue to dominate the ULBs.

In these changing circumstances, the importance of urban government has increased dramatically. It has evolved into a dynamic process in which competence and duties are constantly evolving or being added to the work of local governments and their urban management partners. City planners and administrators are likewise under continuous pressure to deliver more efficient and effective solutions to the demands of their communities and people.

Local self-government in cities is not only a practical form of grassroots democracy, but they are also a focal point of public aspirations in cities. <sup>(11)</sup> These institutions are found throughout the globe and are referred to as provinces, regions, departments, countries, communes, prefecture districts, city townships, towns, boroughs, parishes, shires, and municipalities. Municipal corporations, municipal councils, municipal boards, municipal committees, and other terms are used in India to identify them. There are about 4041 ULBs in India, serving approximately 35% of the country's population. <sup>(12)</sup> According to Prof. Nicholas "Municipalities are political entities established for general purpose, local self-government that offers public services for a particular concentration of people in a specified urban area." <sup>(13)</sup>

In today's public management of our nation, urban governance is a complicated problem that presents a difficult task. The activities of urban local authorities, which are self-governing entities, are critical contributors to people's lives. Even though the duties of urban local governments are divided into compulsory and discretionary tasks, they are finding it difficult to expand the former owing to a lack of resources and

technical capabilities. Only by successfully completing the above mandatory and optional tasks can the local body justify its position. Given the complexity of local governments' issues, they should respond by providing new services in both size and direction. These additional responsibilities include assisting people in construction of their houses, improving public health services, providing environmental inputs, and expanding social welfare and recreational activities. Given their increased duties, urban local governments should be reinforced. State governments should assist them in overcoming the challenges they have in carrying out the tasks imbibed in the 74<sup>th</sup> CAA.

Today, urban municipal governments are seen as asset distribution hubs, and every resident expects services without understanding their own responsibilities. The urban citizen's sense of self-worth must be fostered. The municipality's responsibilities will be difficult to accomplish unless each resident understands their obligation. Furthermore, the function of urban municipal governments should not be limited to providing civic amenities. The provision of municipal amenities should not be seen as a panacea; rather, it should be seen as a method of extending local wellbeing. Only a determined political will and honest CEOs can make it happen.

Urban Local Bodies as Municipal Corporations have been a vital unit of Indian administration for quite a while. Under the Indian Constitution, after the 74<sup>th</sup> Constitutional Amendment, Urban Local Bodies presently possess a significant situation with extensive powers and obligations. Cities are the engines of economic growth, drivers of structural and spatial transformation processes, and wealth generators. One of the most important drivers of national economic development job creation, and social advancement is city and town productivity. One of the most basic

requirements in these towns and communities is the provision of vital services. As a result, the development of urban and rural regions is critical for a country's growth. The planning commission was abolished by the central government, which replaced it with NITI Aayog, a strategic planning agency. The dissolution of the Planning Commission means that planning will no longer be done from the top down, but from the bottom up. As a result, the function of municipal governments will become more important in the future. Municipalities, often known as ULBs, are the primary suppliers of essential services at the local level. These local organizations interact directly with the local people and, as a result, are the most informed about the situation on ground. As a result, their ideas and recommendations should be taken into account during planning and execution, and state governments should pay attention to their concerns. The emphasis should be on improving the local governments' organizational and budgetary positions. With the passage of time, technological advancements in the activities and services supplied by these local governments will become necessary, necessitating the expansion of their infrastructure. <sup>(14)</sup>

Financial management involves the adoption of the concepts of general management for financial execution. The following issues may be defined as relevant to the rise of financial management of funds, the profitable usage of these funds, the preparation of potential operations, the tracking of current implementations, and planned changes with the assistance of financial accounting, cost accounting, budgeting, and statistic. Where further investing options are available, it serves as a reference. Based on their significance and repayment ability, financial management is beneficial as a method for allocating capital to different units of the organization to carry out organizational obligations.



It is assumed that financial management is a strong roadmap for allocating an organization's potential capital. Financial leadership may be said to be the planning and execution of such strategies. In other terms, the gathering of funds and their successful usage for the productive operation of an entity is called financial management. Financial control has an impact on many of an organization's operations. It may therefore be assumed to be a significant one. Sound public finance management is a pillar of effective Government and a precondition for successful implementation of public services and economic development. <sup>(15)</sup> As suppliers of municipal utilities, urban public bodies pose several difficulties in handling their budgets owing to unlimited demand for services and restricted financial capital. This needs solid public financial administration or management of municipal financing.

The administration of municipal finance relates to the mechanism through which municipal officials conduct their operations with the available resources. This mechanism covers all types of income from which local authorities receive and generate income, such as grants from central and state governments, taxation, fines, penalties, usage fees, etc., and the manner in which the obtained money is used on urban planning programs is regarded as municipal financial management. <sup>(16)</sup> The Government of India has initiated several urban financial reforms to revitalize all urban local authorities. Both ULBs are expected to show their stakeholders an efficient public financial control scheme, the capacity to deliver cost-effective programs, and an atmosphere of openness and transparency.

### **1.1.2 Significance of Local Government**

Local government, according to D. Lockard, "may be understood as public organization, authorized to decide and implement a small number of public policies within a comparatively smaller territory." Thus, local government can be considered to have its own local region, local authority, local residents, local autonomy, and most crucially, local funding. Local government helps to improve democracy within its designated boundaries because local officials, who are closest to the people, can best formulate and carry out policies. Additionally, it eases the strain on the central and state governments and acts as an effective channel of communication between them. Moreover, it serves as a tool for creating political awareness among the masses at local level and enabling the people of a nation about how to handle and run local affairs. By transferring authority to the local level means ensuring local participation, which, in turn, aids in the empowerment of the underprivileged sections of society. This is because it is the local government that is best able to understand the needs of the community and has a thorough understanding of its residents' economic standing. It is for this reason that the modern theories of public administration promote decentralization and citizen participation in various policy circles and governance institutions.

### **1.2 Statement of the Problem:**

From the review of literature of the second chapter of this study, we can find the research gap, and it reflects in the form of statement of the problem. It can be construed in so much as urban areas increasingly contributing year after year to the national

income. The urban population is also increasing at an alarming rate. People are shifting their base from villages to urban areas in search of jobs. All these developments are enhancing the responsibilities shouldered by the Municipal Corporations, Councils and Municipalities. It is observed that Municipal bodies are unable to cater to the increased demand for providing amenities in a better way. The primary reason is 'paucity of funds' and clear-cut specification of the municipal finances compared to the allotted functions. Furthermore, the area being studied is not being administered to under the 74<sup>th</sup> CAA 1992, but with the J&K Municipal Corporations Act 2000. <sup>(17)</sup> It has enshrined the same functions as in the 74<sup>th</sup> CAA, however, when it comes to implementation only few are being administered by the JMC. Thereby, the financial matters and fiscal health of JMC remains unnoticed by the general population. I was desirous of learning more about Municipal finances especially pertaining to the study area. I felt that this is one such area that is in requirement of immediate attention. Improvements in this area means improvement in the commoner's life and development of urban infrastructure and eventually, urban governance. I think that research in this area could lead us to new avenues of augmenting the resources of Municipal Corporation. It would also help in controlling wasteful expenditure and prevent imbalance in the development of the area. The topic chosen is intended for the welfare of people. It directly or indirectly improves the quality of life of the citizens in the study area. Furthermore, in the study area, most probably this would be the first study of its kind that has touched the aspect of municipal finances. Thus, it will bridge the research gap that prevails in the plethora of available literature pertaining to study area. During the review of literature, it has been seen that there is meagre research dedicated to the ULBs in Jammu & Kashmir and even less on Jammu Municipal Corporation. The

concerned state government and municipal government lacks the intended research, thereby, this study would help in policy circles while shaping the policies related to ULBs with a focus on their finances.

### **1.3 Need for the study**

“The Constitution (74th Amendment) of 1992 formally recognized urban local governments as the third tier of Government and recommended that state governments assign to urban local bodies (ULBs) a set of 18 legitimate municipal functions such as town planning, land use regulation, and building, roads, and bridges, among other things”.<sup>(18)</sup> However, in India, ULBs have been confronted with a significant misalignment between their increasing duties and worsening resources. With India’s urbanization gaining traction, it is evident that Indian cities must be positioned as drivers of the country’s structural change. This would need infrastructure improvement and significant upgrades, which can only be enabled by the financial empowerment of urban local governments.

In this context, we must consider why it is so critical to reinforce the ULBs financially. What is the state of the municipal finances right now? What are the primary sources of funding? What challenges do these organizations encounter in generating and effectively using these funds? What measures have they taken so far to improve their financial situation? The researcher in this study tried to address these issues in India in general and the Jammu Municipal Corporation in particular.

#### **1.4 Scope of the Study:**

The scope of the present study includes urban local bodies of Jammu (UT) with emphasis on Jammu Municipal Corporation. The study is primarily based on the extracts of the records of the last five years and other published statements of the Corporation. It also gathers oral information from the office bearers of the Corporation.

#### **1.5 Municipal Corporation Sources of Income in the study area: -**

- Lorry-Adda Fee.
- Building Permission Fee
- Professional Tax.
- Rent of Assets.
- Premium of Assets.
- Sanitation/User Charges
- Mobile Tower Fee
- State and Central Grants

#### **1.6 Legal Status of Municipalities in Jammu and Kashmir**

- The Municipalities in the erstwhile State of Jammu and Kashmir was laid out after the changes under taken by Lord Rippon in the principal quarter of nineteenth Century.

- The improvement of Modern Municipal Committees of the State was started by First Municipal Act of 1886 A.D. followed by revised demonstration of 1889. Under this Act two Municipalities of Jammu and Srinagar were laid out interestingly.
- Jammu Municipality was first comprised in Phagun in the year 1886. Further in the year in 1893, a different division known as Municipal Administration and Jails was established to manage the working of districts and civic functions of municipalities.
- The Provision of elective component in the Municipalities was incorporated in the Year 1930, by introducing Jammu and Kashmir guideline 1913.
- In the 51st year of Republic of India the State Legislature passed the J and K Municipal Corporation Act 2000 for the capital urban communities of Jammu and Srinagar which got the Status of Jammu Municipal Corporation vide SRO 46 dated 18/2/2003.
- Appropriately chose Jammu Municipal Council was supplanted by the Government in 1960, 1975 and ultimately 1983. Since Independence the Elections of Jammu Municipality have occurred multiple times just i.e., 1956, 1972, 1980 ,2005 and 2018.

## **1.7 Area of Study**

After Lord Rippon's reforms in the first half of the 19th century, the Jammu Municipal Corporation, formerly known as the Jammu Municipality, was founded. In the Municipalities, the elective element was first introduced in the year 1930. The J&K Municipal Act 1941 was passed as the next step in the establishment of the municipality

in the state. The J&K Municipal Corporation Act 2000 was passed by the State Legislature in the 51st year of the Republic of India, renaming it Jammu Municipal Corporation. After being upgraded to the rank of Jammu Municipal Corporation, the city was split into 75 wards, each of which has an about 240 sq km territory. In 1960, 1975, and finally 1983, the Government replaced the lawfully elected Jammu Municipal Council. Only five elections for the Jammu Municipality have been held since independence: in 1956, 1972, 1980, 2005, and 2018. <sup>(19)</sup>

“State Directorate of Urban Local Bodies Jammu was bifurcated in 1982, and 2 Regional Directorates came into being at the provincial level to provide basic amenities to Municipal Committees/Councils”.

There are 19 Municipal Councils, namely Poonch, Udhampur, Samba, Reasi, Doda, Kishtwar, Rajouri, Ramban, and Kathua, along with 27 designated Municipal Committees in Jammu Province to perform various specified functions assigned to each Council/Committee in accordance with Municipal Act 2000.

To carry on the development works at present there are three divisions each headed by Executive Engineer:

(A) Urban Local Bodies Division – I (Districts of Jammu, Samba, Poonch, Rajouri).

(B) Urban Local Bodies Division –II (Districts of Kathua, Udhampur, Reasi, Ramban, Doda, Kishtwar)

(C) Town Drainage Division Jammu (All the towns of Jammu province).

## **1.8 Objectives of the Study**

1. To know about the systematic origin of Urban Local Bodies in India
2. To know about the financial management of Urban Local Bodies with special reference to Jammu Municipal Corporation
3. To study the changing pattern of expenditure in the study area.
4. To know about the changing pattern of revenue in the study area
5. To find out the perception of the taxpayers as regards the services rendered by Jammu Municipal Corporation.
6. To offer suggestions for the better financial management of Jammu Municipal Corporation

## **1.9 Research Questions**

The following research questions have been adopted for the present research study;

- What is the concept of Urban Local Bodies in India?
- What are the practices being followed for the Financial Management of Urban Local Bodies, with special reference to JMC?
- What is the changing pattern of revenue in JMC?
- What is the changing pattern of expenditure taking place in JMC?
- What is the perception of local people (tax-payer) for the functioning of JMC?
- What are the various sources of revenue at the disposal of JMC?
- What are the major areas on which more expenditure is being incurred?

## **Operational Definitions**



Some of the key concepts and terms used in this study were defined and presented below. The scope of these terms pertains to this study.

**Financial Management:** Financial Administration relates to the system which generates, regulates, and distribute the monetary resources needed for the sustenance and growth of an organization. Similarly, municipal financial management refers to the process by which urban local bodies manage its day-to-day activities with the available financial resources. This process includes all sources of revenue from which local bodies earn- like the grants from Central Government, State Government, taxes, fines, penalty, user charges, borrowings etc. and the way in which collected income is being spent on the developmental activities in urban areas is called financial administration of urban local bodies.

**Jammu:** All the Municipal wards falling within the jurisdiction of Jammu Municipal Corporation was the subject of this study. Hence, other areas of Jammu Province and district are not the purview of this study. Likewise, urban local bodies mean Jammu Municipal Corporation only.

## **1.10 Research Methodology**

“The term ‘research’ refers to the systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analyzing the facts and reaching to certain conclusions either in the form of solution towards the concerned problem or in certain generalizations for theoretical formulation.”<sup>(20)</sup> The nature and content of research is impossible to comprehend without an appreciation of method. Scientific research is done by applying scientific methods which consists of three basic

steps, systematic observation, classification and interpretation of data. <sup>(21)</sup> Systematic observation has ordered scientific investigation which leads to critical confidence in their conclusions. <sup>(22)</sup> Hypotheses are tested and standardization of research instruments and analytical tools achieve objectivity of the research. Social sciences primarily deal with complex and dynamic nature of human behavior posing hurdles for a researcher in studying a social phenomenon but scientific research method of social sciences is acceptable as it helps to arrive at valid generalization. <sup>(23)</sup> Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. However, a researcher has to design his/her methodology for his/her problem as the same may differ from problem to problem. <sup>(24)</sup> This part of study accordingly provides detailed account of research design adopted, area of study selected, sample size decided, sampling plan chosen and tools of data collection and analysis used.

### **1.11 Research Paradigm**

The researcher used a qualitative research approach in this research “Qualitative research is intended to investigate the human aspects of a specific topic, with specific methods used to examine how individuals see and experience the world. Although qualitative research is frequently contrasted with quantitative research, many academics and practitioners are now employing mixed methods and interdisciplinary approaches”. “Understanding the goals, intentions, and consequences of various research paradigms is critical when developing and implementing the best research designs. Qualitative methods best address may ‘why’ questions that researchers encounter while developing their research”. <sup>(25)</sup> Qualitative techniques are frequently employed to investigate novel

occurrences and to capture an individual's thoughts, feelings, or meaning and process interpretations. For undertaking sound research, it must start with the topic selection, problem or area of interest, and paradigm. <sup>(26)</sup> A research paradigm is “a basic set of beliefs that guide action”. <sup>(27)</sup> It is a patterning or designing of thinking of a researcher. A paradigm is a principal example, a model that guides the design actions. A paradigm may also be understood as an action of acquiescing to a view. <sup>(28)</sup>

## **1.12 Research Design**

“A research design is the logical and systematic planning and directing the research.” <sup>(29)</sup> The current research is based on a descriptive research design in order to study the financial management of Jammu Municipal Corporation. A descriptive research design is one that looks for information to purposefully portray a peculiarities, situation, or populace. More specific, it helps with giving solutions to the examination issue's what, when, where, and how inquiries instead of its the reason. The unmistakable methodology of exploration takes into consideration the examination of the objective variable to be finished utilizing an extensive variety of examination procedures. Albeit utilized subjective information is utilized for elucidating purposes, it basically utilizes quantitative information. <sup>(30)</sup> It is vital to take note of that the analyst controls or changes no factors while utilizing the enlightening procedure of examination, rather than trial research. The factors are recently named, noticed, and estimated in its place.

## 1.13 Sample Size

The random sampling technique is chosen for the study. The sample is representative of the population in all respects. The filled questionnaires in all regards were obtained from 400 taxpayers of Jammu Municipal Corporation.

### 1.13.1 The Rationale for the Sample:

“Estimation of sample size in research using Krejcie and Morgan could be a commonly used technique. Krejcie and Morgan (1970), used the following formula to work out sampling size:

$$S = \frac{\chi^2 NP(1 - P)}{d^2(N - 1)} + \chi^2 P(1 - P)$$

S = needed sample size

$\chi^2$  = the table worth of chi-square for one degree of freedom at the specified confidence level (3.841).

N = the population size

P = the population proportion (assumed to be 50 since this could give the maximum sample size).

d = the intensity of accuracy depicted as a proportion (.05)”. (31)

Even for a 10 lakhs population, 386 sample sizes are adequate. The JMC population as per the 2011 census (City + outgrowths) is 5, 76, 198.

The “sample size was calculated using the concept of probability sampling. This study assumed that tolerable error (e) is 5-hitter, population proportion (P) is 0.5, and the confidence interval is 95th (Z=1.96). Then the formula of sample size shown as:

$$N = \frac{2(Z)P(1 - P)}{2 * e}$$

$$\frac{(1.96)^2 * 0.5 * (1 - 0.5)}{2 * (0.05)} = 384.16$$

Therefore, 385 could be an appropriate sample size for the questionnaire. Boomsma & Hoogland (2001)” outlined that four hundred is the best and acceptable “sample size.”  
<sup>(32)</sup> Therefore, an adequate sample of 400 responses was collected for the study.

### **1.13.2 Sampling Plan**

The sampling procedures which ensure that the sample statistics will be correct within certain limits are referred to as a ‘representative sampling plan’. <sup>(33)</sup> Here the usage of the word ‘representative’ does not qualify sample, but sampling plan. A representative sampling plan ensures that the selected sample is sufficiently representative of the population to justify our running the risk of taking it as representative. In order to have representative sampling plan to draw the proposed sample (N) of 400, the Multi-Stage Sampling Design was adopted. The step wise process of sampling plan has been outlined.

### **1.13.3 Multi-Stage Sampling Design**

1. Primary data was collected from the study area by using closed ended questionnaire (Due to Covid-19, detailed conversation and interaction were not possible).
2. Total sample size for the study was 400, and the Municipal wards in the study area were 75. The researcher has grouped them into five clusters. Cluster one is comprising of Municipal wards 1 to 15, Cluster two from 16 to 30, likewise cluster four from 31 to 45 and so on. Furthermore, the total 400 sample of the study was divided into seventy-five municipal wards of the study area:  $400/75 = 80$ .

3. Therefore, the researcher extracted the opinion of 80 respondents on the phenomenon being studied from each cluster.
4. By using systematic random sampling technique and to give representation to each municipal ward in the study area, the researcher has further divided  $80/15=$  approximately 5 respondents from each municipal ward through a closed ended structured questionnaire schedule.

### **1.14 Tools of Data Collection**

In this study, both primary and secondary sources of data were used. The primary data related to various civic services provided by the Municipal Corporation was collected from the study area. Closed ended questionnaire schedule was used to know about the opinion of tax payers on the functioning of JMC. This tool was more suitable and reliable to obtain data from the respondents. Due to Covid-19, it was very difficult to interact with the respondents and even to establish a good rapport which is the basic prerequisite to extract data. It was suitable tool as the researcher and respondents had to maintain the Standard of Procedures (SOP) issued by the Government of India, to prevent the spread of Covid 19.

The secondary data which includes the details of expenditure and revenue from the financial year 2015 to 2020 had been obtained from the Jammu Municipal Corporations. Moreover, some required data was also collected pertaining to the devolution of funds to JMC from the officials' websites of Department of Finance and Department of Housing and Urban Affairs, Government of J&K.

### **1.15 Data Analysis**

The presentation of the data from qualitative investigations presents a special problem to the researchers. <sup>(34)</sup> In order to present the collected data in a suitable manner to understand the phenomenon, Descriptive Statistics had been used to analyze and understand the changing pattern of expenditure and revenue in the study area. At the same time, the comparative analysis between revenue and expenditure was also established as per the main principle of financial management of any organization which states that there must be coherence between the income and expenditure. Similarly, primary data had been analyzed to know the perception of citizens on various services provided by JMC as mentioned above. More importantly, all efforts have been made to do justice with the nature of the data analysis.

### **1.16 Ethical Consideration and Challenges**

Participants in human science study are governed by ethical considerations. <sup>(35)</sup> Taking this into consideration, the researcher has ensured the applicability of research ethics in the present study. For primary data collection, a consent form was attached with the schedule for each participant to read over and sign. The basic premise was to inform each participant of the research objectives so that they may choose whether or not to engage in the study. Clear agreements with the respondents were reached, and the relevant ethical criteria were upheld in the current study. Informed consent and confidentiality were emphasized in the study. Another purpose of the aforementioned consent form was to extract proper and authentic opinion of the respondent to the questionnaire schedule. The participants were thoroughly briefed on the nature of the

study, its objectives, and its ramifications. To ensure that the respondents were at ease and understood the goals of the study, the researcher spoke to them in Dogri, Hindi and Urdu during the interaction. Additionally, participants were given the assurance that any information they disclosed would be treated in complete confidence and utilized only for academic purpose. The confidentiality of the participants was guaranteed. All personally identifiable information, including names, addresses, and other contact details, have been kept undisclosed throughout the study. Pseudonyms have been used as a substitute for real names. The respondents were given the assurance that their opinions would be protected during data collection and that only academic research would be done with the statements they provided.

Secondary data was very important for this study. To collect it, the researcher has used an authority letter provided by the Department to take appointment with officials concerned. The Administrative head (Municipal Commissioner) was informed about the study, its objective and its implications. Furthermore, the other officials dealing with financial matters like Chief Accountant, Accountants, and Section Officers were also briefed about the study then the required data pertaining to financial matters (income and expenditure) was obtained.

During this journey, the researcher come across several challenges and it is very pertinent to mention all those obstacles over here. Firstly, while collecting primary data the researcher's own religious and geographical identity was a great challenge to convince the respondents and even to initiate a normal conversation. Another challenge which was mounting pressure on the researcher while collecting data was a misconception amongst the respondents that some elements and organizations in J&K



had started a campaign against all the public offices headed by B.J.P in Jammu and Kashmir. In spite of showing my identity proof and authority letter to many respondents, I was unsuccessful on many occasions to convince them. Apart from this, the eligible women respondents in the study area were not feeling it appropriate to respond. Most of the women said, *“Let my husband come, he only knows about all these things.”* In spite of all these hurdles, the researcher was successful in collection of the opinion of 400 respondents.

The collection of secondary data was another big challenge because the officials were very reluctant to share the financial record of the JMC. Another aspect that has been noticed by the researcher that the then Municipal Commissioner (IAS) of the study area has ordered her concerned subordinate about to share the required information for the present study. However, the Chief Account Officer (from state cadre) delayed it for more than one year. In fact, the provided data was very limited and inconclusive. To overcome these problems and to extract the required data, the researcher has used the option of Right to Information Act on several occasions.

### **1.17 Limitations of the study:**

- Though many factors were incorporated in the study of urban local bodies’ financial management, the present study is confined to only expenditure and revenue of JMC
- The study is confined to taxpayers’ perception of the financial management of JMC.
- The sample is limited to the Metropolitan of Jammu Municipal Corporation.

- Keeping these facts in mind, it is imperative to mention that the outcome of this study cannot be generalized to draw inference about the functioning and financial management of municipal corporations in J&K in general and across the country in particular.

### **1.18 Period of Study**

The primary data is collected from tax payers of JMC from November 2020 to December 2021. The secondary data i.e., JMC financial administration data is gathered from 2015-2020.

#### **Organization of the Study**

**First Chapter** covered introduction of Local self -government and the genesis of Urban Local Bodies in India. It also includes a theoretical understanding about the financial management with special reference to urban local bodies. Further, statement of the problem, need, objectives, research questions and research methodology of the study.

**Second Chapter** constitutes with relevant literature reviews on urban local bodies' financial management models and issues.

**Third Chapter** deals with an overview of urban local bodies with special reference to financial management of ULBs in India. The overall fiscal position of Indian ULBs has been analyzed. Furthermore, the finances of six largest of Municipal Corporations of India and issue urban governance pertaining to them has been discussed. In addition to this, the impact of Goods and services Act 2017, on the finances of Indian ULBs has also been analyzed.

**Fourth Chapter** covers analysis of the data in sequence of description of the sample taken from the tax payers regard various services provided by the Jammu municipal corporation and secondary financial data pertaining to revenue and expenditure of Jammu Municipal Corporation has also been presented by using descriptive statistics tools.

**Fifth Chapter** deals with findings, conclusions and Policy recommendations.

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## **Chapter-II**

### **Review of Literature**

#### **2.1 Introduction:**

In general, municipal governments in the nation have failed to deliver high-quality services to the people under their jurisdiction. The poor performance of municipal organizations has been ascribed, among other things, to inadequate financial management. Because of the importance of municipal bodies in governance for public welfare, governments and academicians have taken a great interest in studying the workings of local bodies to discover viable aspects to the many issues hindering their efficiency. There is a plethora of literature on the operation of municipalities, including government committee reports and studies performed by academicians and other scholars. Academics to committee reports, empirical research to descriptive works, and general to specialized nature studies are available studies on municipal finance. A critical examination of all of these studies is required to summarize the results for generalization and to identify research gaps and inadequacies in the current literature to guide future researchers to the topic studied. As a result, the researcher has critically evaluated all existing studies/reports on municipal financial management in this chapter. A thorough assessment of all research related to the topic has been undertaken. Ample research on the issue has emphasized on multiple municipal finance areas, such as financial resource mobilization, resource use, poor performance, municipal finance difficulties, municipal financial administration, and so on. The studies have been arranged in chronological categories for this review chapter. These dimensional studies

may fill the existing literature gap and help find proper variables, approaches, and methodologies. Let us have a look at the reviews...

## **2.2 Reviews of related literature on financial management in Urban**

### **Local Bodies:**

**Samal, M. (2022).** <sup>(1)</sup> Entitled his work as “**Rethinking the Concept of Municipal Bonds to Improve Urban Governance in India.**” the purpose of this article is to define the challenges associated with urban financing through the municipal bonds, as well as to propose solutions that will not only assist in the development of a more dependable and productive form of urban financing for urban local bodies but will also enhancing economic governance and allow the wider populace to invest in urban infrastructure development. India's urban progress has been slow because of poor project implementation, mismanagement and misapplication of funds, bureaucratic system in the decision-making process, and the dependence of urban local bodies on conventional financing methods such as taxation and government grants unorganized and disorderly. These issues stifle good urban administration and growth and present a slew of problems for more contemporary and efficient urban finance methods. The undesirability and underused capability of municipal bonds for urban finance, even though they were introduced in India in 1997, is a great illustration of this.

**Nurhikmah, N., & Ananda, F. (2022).** <sup>(2)</sup> Entitled their work as “**The Effect of Facilitating Conditions on Implementing a Regional Financial Management Information System (SIPKD) at Padang City Hall Government.**” This research aimed to see how enabling circumstances affected the implementation of a regional

financial management information system (SIPKD). The Padang City Hall government carried out this study. The different factors in, this study notably Facilitating Conditions, have a significant impact on the execution of the Financial Management Information System (SIPKD) in Padang City Government (Ha), with participants believing using the Information System Regional Financial Management will help enhance performance and individuals optimistic while using the mechanism.

**Chadha, S. (2022).** <sup>(3)</sup> Entitled her work as “**People Participation in Governance in the formulation and implementation of Housing Scheme in Haryana: A Study of Municipal Corporation, Panchkula.**” The paper's goals are to investigate Panchkula's municipal government's administrative framework and operations; to assess the variables of good governance in terms of accountability and transparency in the program's implementation; to assess citizen participation, and assess officials' perceptions of the city. The research discovered that the significant issues faced by recipients and authorities are intermittent electricity, officials' behavior toward recipients is low, the ability to function of urban authorities is not satisfied, women's representation is lacking, the ability to perform of urban municipal authorities is opaque, and meeting participation is incredibly low. The research ends with several recommendations for enabling local governments to function as an integral part of smart city governance.

**Abott, C., & Singla, A. (2022).** <sup>(4)</sup> Entitled their work as “**Helping or Hurting? The Efficacy of Municipal Bankruptcy.**” This research uses six municipal bankruptcies from the years immediately after the Economic Downturn to examine the financial health of local governments. "Synthetic control, propensity-score matching, staggered

difference-in-differences, and an event study" are among the empirical methods used to create a counterpart for bankrupt governments and evaluate the consequences of bankruptcy. The findings indicate that bankruptcy is linked with no losses in financial health and some significant gains. These results suggest that the bankruptcy may offer a way ahead for severely strained municipal governments.

**Bigger, P., & Webber, S. (2022).** <sup>(5)</sup> Entitled their work as “**Green structural adjustment in the World Bank’s resilient city.**” Researchers analyze Green Structural Adjustment programs using policy papers, reports, and interviews with key personnel to demonstrate how it seeks to reorganize local governments to capture new funding flows. Green Structural Adjustment reduces adaptation to infrastructure financing and government capacity building, reinscribing both the causes and consequences of unequal growth while providing spatial solutions for excess Northern capital in the Global South. The development of this rhetoric and related behaviors inside the World Bank is traced in this article. Green Structural Adjustment is the name we give to this rescaled and climate-inflicted program of leveraged investments and technical support. In response to these difficulties, the World Bank is trying to redirect return-seeking investment into urban infrastructure. However, to tap into this private capital, cities must be restructured to be more investment-friendly.

**Padovani, E., Iacuzzi, S., Jorge, S., & Pimentel, L. (2021).** <sup>(6)</sup> Entitled their work as “**Municipal financial vulnerability in pandemic crises: a framework for analysis.**” This study examines how global pandemic emergencies influence municipalities' financial vulnerabilities. The study's findings showed that Pandemic Covid-19 had put a lot of strain on local budgets. The use of the analytical methodology

revealed how financially susceptible towns are to pandemic problems across the world. Financial vulnerability encompasses a wide range of issues, including institutional design, internal financial circumstances, and perceptions of crisis preparedness. The findings also show that exposure has an intrinsic time-and-space dependent character, leading to conflicting results.

**Kaye-Essien, C. W. (2021).** <sup>(7)</sup> Entitled his work as “**Donors and local taxation: assessing the influence of development assistance on municipal revenue generation.**” This article aims to investigate the direct impact of financial and technical support from donors on municipality revenue generation. The research was carried out in Afghanistan's Ghana region. Local revenues are critical for fiscal decentralization, according to the report. Municipalities must improve their ability to generate local income to supplement central government funding for fiscal decentralization to function. They went on to say that both technical and financial support have a beneficial impact on local tax collection. Appropriate variables such as intentional enforcement, an excellent local addressing system, and reduced levels of municipal poverty are also essential for local municipal financial sustainability.

**Wallace, A., & Dollery, B. (2021).** <sup>(8)</sup> Entitled their work as “**Municipal Responses to COVID-19: the case of library closures in New South Wales local government.**” The study's primary goal was to determine the effect of municipal library closures owing to Covid-19 on municipalities' economic health. The research discovered that orders made by the New South Whale local government to close municipal libraries had the potential to put a lot of strain on the towns in the study area's economic health. Though it has aided in reducing Covid-19 distribution in the study region, a complete

shutdown of municipal libraries was not the best option; they might have taken a medium ground instead. The authors went on to say that, in light of the scenario in Covid-19, municipal governments across the globe should consider alternative sources of funding that can double their balances in the event of an unexpected event.

**Tirumala, R. D., & Tiwari, P. (2021).** <sup>(9)</sup> Entitled their work as “**Land-Based Financing Elements in Infrastructure Policy Formulation: A Case of India.**” The study's primary goal is to comprehend the role of land-based finance in the policy-making process. According to the findings, laws, and regulations are increasingly pushing cities and project execution bodies to use land monetization methods as a source of funding. However, the method is used with caution, and execution is often found to lag behind real project deadlines. Meanwhile, this method is not widely utilized in the country's metropolitan, municipal governments. It can revive India's financially distressed ULBs.

**Viswanathan, S. (2021).** <sup>(10)</sup> Entitled his work as “**Financing India’s Cities: How the 15th Finance Commission changed the status quo. Mumbai: Forbes India Blog: Economy and Policy.**” The purpose of this research is to determine how India's 15th Finance Commission has affected the financial situation of local governments. The 15th FC awarded Rs 1 55,628 crores in funds to municipalities. Grants to cities are now calculated depending on their population. Cities with populations of 50 million or more will get 38,196 crores, of which 12 139 crores will be used to improve air quality, and 26,057 crores would be used to improve solid waste management practices. All other cities with a population of less than a million people get 82,859 crores. This sum has

been split into three parts: 24,858 crores for drinking water, 24,858 crores for sanitary and solid waste management, and 33,143 crores for other municipal services.

Furthermore, the author claims that 26,123 healthcare services, 450 crores for joint municipal service providers, and 8,000 crores for new incubator cities would be provided. For the first time in the history of the Indian Central Finance Commission, the 15th finance commission has specified how the entire budget would be distributed among the country's urban local bodies. Furthermore, the administration has adopted the Finance Commission's recommendations.

**Sharma, N. (2020).**<sup>(11)</sup> Entitled his work as “**Municipal bonds: a sustainable source of finance for Indian cities.**” The study's primary goal is to compare the condition of India's urban local governments to that of other nations across the globe. India's ULBs face a slew of issues, particularly among the smaller ones, including low credit worthiness resulting from delayed governance changes, weak accounting standards, and sluggish institutional skills. When compared to other nations across the globe, municipal revenue is far behind. It was 1%, compared to 4.5 percent for Poland, 6.0 percent for South Africa, 7.4 percent for Brazil, 13.9 percent for the United Kingdom, and 14.2 percent for Norway. The reliance on higher levels of government has grown from 2012 to 2017, while own income sources have decreased.

**Gupta, M. D. (2020).**<sup>(12)</sup> Entitled his work as “**GST dealt ‘big blow’ to municipal finances; 15th Finance Commission.**” The study's goal is to emphasize the findings and conclusions of the fifteenth finance commission findings. According to the research, after adopting the goods and services legislation in 2017, municipal corporations' income had decreased from 0.49 percent in 2012-13 to 0.45 percent in

2017-18. Furthermore, from 0.33 in 2012-13 to 0.23 in 2017-18, the ability to produce own resources of municipal income has decreased. It has put a lot of strain on the delivery of municipal services throughout the nation.

**Mishra, S., Mishra, A. K., & Panda, P. (2020).**<sup>(13)</sup> Entitled their work as “**What ails property tax in India? Issues and directions for reforms.**” This article attempts to look at the theory and worldwide experience and creative efforts undertaken by select cities and states in India to develop and implement a robust property tax reform strategy. The research demonstrates that the property tax is a symbol of local autonomy and democratic participation. It offers a lot of promise for increasing income and speeding up the development process. Cities in India, on the other hand, have completely disregarded it for decades. Politics and other structural issues and deficiencies in local tax administration continue to prey on property taxes. In India, property tax collection has lagged behind the needs of urbanization and economic development.

**Sibanda, M. M., Zindi, B., & Maramura, T. C. (2020).**<sup>(14)</sup> Entitled their work as “**Control and accountability in Supply Chain Management : Evidence from a South African Metropolitan Municipality.**” This research aims to identify supply chain management (SCM) risk elements that compromise accountability and how they may be mitigated in a traditional South African metropolitan municipality. The study's findings show that inside audit controls and procedures are poorly implemented, making it difficult for internal audit and investigative agencies to promptly detect incorrect, one-sided, unjust, impermeable, non - competitive, and expense SCM activities. All of these things have the potential to breed partiality and corruptible inclinations, jeopardizing municipal accountability.



**Sharma, K. D., & Jain, S. (2020).** <sup>(15)</sup> Entitled their work as “**Municipal Solid Waste Generation, Composition, and Management: The Global Scenario.** The purpose of this article is to describe the current worldwide status of "municipal solid waste management (MSW)" production, composition, management, and associated issues. According to the research, industrialized nations are incredibly efficient at handling MSW and are now focusing their efforts on diminishing, repurposing, and recycling MSW. On the other hand, SWM has taken on a new meaning in low- and low-middle-income nations, where most MSW is dumped publicly, and most countries rely on insufficient waste infrastructures and the informal industry. In these nations, issues such as a lack of finances and proper administration, and innovative technology constitute a limitation in handling MSW.

**Singh, D. (2020).** <sup>(16)</sup> Entitled his work “**Mumbai: Brihanmumbai Municipal Corporation to dip into reserves to deal with the financial crisis caused by Covid-19**”. The study's goal is to identify the financial difficulties that BMC is experiencing due to a variety of factors, including Covid-19. According to the research findings, the country's largest municipal corporation is in a real financial crisis that it lost 41% of its income in the first six months of the fiscal year 2020-21. The municipal body intends to take Rs 5000 crore from its reserves (in fixed deposits). It has failed to meet its revenue collection and revenue-generating goals due to Covid-19 and tight lockdown. However, as a result of the Covid-19 alleviation initiative, spending has increased by approximately 600 crores.

**Nemec, J., & Spacek, D. (2020).** <sup>(17)</sup> Entitled their work as “**The Covid-19 pandemic and local government finance: Czechia and Slovakia.**” The research's goal is to

determine the effect of Covid-19 on the study area's metropolitan, municipal governments, as well as their responses. According to public data on the constitutional provision, the level of municipal monetary disparity as a result of the covid-19 case of emergencies is not comparable to the situation on the national level, and municipal financial means are not equal to their obligations as highlighted by the constitutional provision Czechia and Slovakia. Furthermore, in both nations, the concern of higher tiers of government for municipalities is not as severe. This casual attitude and constitutional mismatch will have an impact on municipal service delivery mechanisms in the future.

**Bhutani, S., & Mishra, A. K. (2020).** <sup>(18)</sup> Entitled their work as “**India’s perverse fiscal federalism: Some suggestions for the 15th Finance Commission.**” The purpose of this article is to examine India's federalism critically and to analyze current fiscal decentralization. And problems relating to the country's metropolitan, municipal governments. According to the research findings, there is a total constitutional mismatch between municipal funds and functions. Even after 28 years after their official recognition (74th CAA), Indian municipalities are the worst in the world when it comes to civic organization and building urban infrastructure. Their funds do not find a spot in India's public finance system.

**Kaur, P., & Gupta, S. (2020).** <sup>(19)</sup> Entitled their work “**Examining local urban governance in India through the case of Bangalore.**” The study's goal is to compare the financial circumstances of Indian metropolitan local governments to those of Bangalore’s municipal corporation. Municipal income in India amounts to just 1% of GDP, according to the findings. It encourages towns to become more reliant on higher

levels of government. Uttar Pradesh, Uttarakhand, Bihar, Jharkhand, Rajasthan, and Haryana's ULBs are in worse financial shape than Karnataka's. Inadequate authorities to generate money and impose taxes and problems in managing existing resources have been blamed. In contrast to them, Karnataka performed better on critical fiscal capacity measures like property tax collection, grants from central finance commissions, and state government transfers. In addition, the Bruhat Bangalore Mahanagara Palike (BBMP) act, 2020, expands the corporation's taxing powers by allowing it to levy taxes on professionals and entertainment.

**Benito, B., Martinez-Cordoba, P. J., & Guillamon, M. D. (2020).**<sup>(20)</sup> Entitled their work as **“Impact of politicians’ salaries and their dedication regime on the efficiency of municipal public services.”** The study's goal is to determine the effect of politicians' salaries and other expenditures on the effectiveness of municipal service delivery systems throughout their tenure. The findings show that the councilors’ commitment to work improves efficiency, most likely due to their additional time. Several variables determine the effectiveness of municipal services. Councilors and mayors with similar views can better lead towns, resulting in a more educated population and a more transparent local government.

Furthermore, it has been seen. More political participation in service delivery mechanisms may often derail them since they need technical knowledge and competence. As a result, only municipal authorities should be allowed to use it.

**Tumanggor, M. S. (2020).**<sup>(21)</sup> Entitled their work as **“Issuance of municipal bonds through capital markets as financial revenue for regional development.”** The main goal of this project is to identify and evaluate the possibilities of regional sources of

financing, such as regional income or other funding bodies from inside or outside Indonesia, to improve the state's regions. According to the research, regional governments may reduce their financial reliance on higher levels of government by issuing municipal bonds. Meanwhile, the national economy may be developed by the central government. However, the paradox is that regional governments, as issuers of municipal bonds, have been unable to attract investors from inside and outside the nation.

**Singh, U. (2020).** <sup>(22)</sup> Entitled his work as “**Mobilization of Financial Resources in Lucknow Municipal Corporation: Status, Trends, and Issues.**” The research aims to understand better and evaluate how financial resources are mobilized in the study region. According to the research, the municipal corporation does not lack money, but it needs effective financial management to preserve fiscal discipline. It's because of mismanagement by authorities, namely tax officials who exclusively deal with local taxes. However, since a significant number of positions are empty, most tax officers have been assigned additional responsibilities via delegation. Poor management of human resources obstructs the imposition and collection of taxes.

**Cirolia, L. R. (2020).** <sup>(23)</sup> Entitled her work as “**Fractured fiscal authority and fragmented infrastructures: financing sustainable urban development in Sub-Saharan Africa.**” The purpose of this article is to investigate African city urbanization problems and municipal budgets. What effect does it have on service delivery mechanisms? According to the research, most African cities are not getting enough attention from higher levels of government, even though city populations are rapidly growing. Furthermore, a centralized funding structure has negative consequences for

local service delivery systems. The study regions' cities' budgetary power is splintered, limiting their ability to serve as development engines.

**Zoładkiewicz-Kuzioła, Krupa, D., & Walczak, D. (2020).** <sup>(24)</sup> Entitled their work **“Financing physical culture by local government units.”** The purpose of this study is to assess the degree of involvement of different kinds of local governments in Poland in performing duties related to physical culture and tourism based on local government budget expenditures. According to the research findings, the municipalities in Poland's major cities get the most funding. Lesser rural towns are getting a smaller piece of the pie to promote tourism in their region. The disparities are considerable, and figures reflecting the mean value of spending on physical culture per one resident of a local government unit show them exceptionally well. The revealed differences did not alter during the period examined in this study (2015-2019).

**Malhotra, a., Mishra, a. K., & Vyas, i. (2020).** <sup>(25)</sup> Entitled their work as **“Financing urban infrastructure in India through tax increment financing instruments: a case for smart cities mission.”** The purpose of this article is to investigate the incremental tax financing (TIF) model for funding designed urban development programs and projects in Indian cities, particularly smart cities. According to the research, the tax increment financing instrument (TIF) was initially utilized in the United States in 1952 to generate local money to match federal subsidies under the Housing Act of 1949. The main result has demonstrated that it has promise if the same method is applied in India's smart city project, which would allow the most significant amount of money to be produced from internal sources. The TIF method provides a great chance for urban local

bodies (ULBs) to create, acquire, and recycle assets in cities to finance essential urban infrastructure sustainably.

**Kundu, D. (2020).** <sup>(26)</sup> Entitled his work as “**Urban policies in neo-liberal India.**”

This research assesses India's post-liberalization urbanization situation and its current urban development programs and governance structure. According to the study, India has seen a more significant change in its urbanization. It was 17.3 percent in 1951, and it was 31 percent in 2011. However, India remains the least urbanized nation in South Asia. He went on to say that the 74th CAA's vision of empowering urban local bodies (ULBs)—i.e., local government modules money, functions, and officials is still a pipe dream. The next step following liberalization, such as the smart cities initiative, focuses more on large cities, weakening the exclusions of small urban centers, which were already weak.

**Govindarajulu, D. (2020).** <sup>(27)</sup> Entitled his work as “**Strengthening institutional and financial mechanisms for building urban resilience in India.**”

Based on statistics and experimental evidence from five major Indian cities, this essay analyses financial and institutional obstacles in urban resilience development. In the five cities studied, namely Chennai (Tamil Nadu), Guwahati (Assam), Kochi (Kerala), Patna (Bihar), and Visakhapatnam (Andhra Pradesh), the research reveals significant infrastructure gaps and insufficient resilience measures that enhance catastrophe risk. According to the study, ULBs should improve their own income-generating methods and invest in essential infrastructure most suited for the kind of climate risk that their jurisdiction area faces. Building urban resilience requires institutional structures to enhance land

use planning and control urban growth while paying attention to the dangers, vulnerabilities, and risks that each city faces.

**Tumanggor, M. S. (2020).** <sup>(28)</sup> Entitled his work as “**Issuance of municipal bonds through capital markets as financial revenue for regional development.**” This study seeks to identify and evaluate the possibilities of localized resources such as regional income or fund-lending institutions to develop the regions of Indonesia, whether from international or local investors. Even though the issuer is a regional government, the research found that the regional government's desire to issue municipal bonds has still not been capable of attracting investors since Indonesia's municipal bond rating is still poor. He went on to say that by issuing municipal bonds, provincial authorities in Indonesia may reduce their reliance on the central government. This kind of indebtedness may also help the government improve the country's economy.

**Zedan, K., Daas, G., & Awwad, Y. (2020).** <sup>(29)</sup> Entitled their work as “**Municipal bonds as a tool for financing capital investment in local government units in Palestine.**” This research seeks to create and discover local creditworthiness indicators appropriate and relevant to Palestinian local government entities. According to a study, municipal revenue bonds may address the funding problem for local government development projects in Palestine. According to a debt-to-assets ratio study, all Palestinian municipalities have a modest level of debt (less than 1). As a result, there is a possibility of benefiting from certain debts. Local government income and creditworthiness need to be substantially enhanced to issue municipal bonds.

**Wasnik, J. (2020).** <sup>(30)</sup> Entitled his work as “**Local Governance Ethics in India: Issues and Challenges.**” This article aims to learn about the theoretical ramifications

of ethical principles in the Indian local government. The research discovered that the 73rd and 74th amendments to the Indian constitution are based on ethics. On the other hand, the local government has a severe problem due to a lack of ethics in its operations. This resulted in widespread corruption, resource mismanagement, poor public service delivery, dishonesty, and alienation. If the benefits of development reach 65 percent of India's local people in the era of globalization, the local government must be improved ethically and morally.

**Liu, Z. (2020).** <sup>(31)</sup> Entitled his work as “**China’s municipal finance: Issues and options.**” To explain how China's present municipal finance structure works inside the countries inter - governmental fiscal structure and the country's governance structure's uniqueness. China is the world's most populous nation. China's municipalities have significant difficulty in supplying them with a variety of civic services.

On the other hand, owing to a recent change to the land administration legislation, the country's overall tax burden is high, and the government is under pressure to reduce supply-side taxes. Due to new land legislation, local governments are losing income from public property leasing. Other potential sources of revenue, such as public-private partnerships and municipal bonds, aren't helping to shore up the local financial framework.

**Ahluwalia, et al. (2019).** <sup>(32)</sup> Entitled their work as “**State of Municipal Finances in India: A Study Prepared for the Fifteenth Finance Commission.**” The study's goal is to report India's municipal financial condition to a panel of fifteen finance commissioners. The research shows that India's municipalities are suffering from a dire financial need. Municipal own revenues are insufficient, resulting in a loss of financial



independence and increased reliance on payments from the federal and state governments. Property tax has remained static in Indian cities, despite being a significant source of income for metropolitan areas across the globe. The implementation of GST, which has absorbed local taxes like as octroi, local body tax, entrance tax, and advertising tax without giving any compensation at the urban municipal level, has been a recent setback.

**Zamiralova, et al. (2019).** <sup>(33)</sup> Entitled their work as “**State and municipal administration: problems and prospects of development in modern Russia.**” The primary goal of this research is to identify the significant issues that characterize Russia's current condition of state and municipal administration. It was discovered that the municipal administration in the study region is dealing with several problems, including a lack of cooperation between the political and administrative branches, corruption, and waste of public funds, among others. These issues are putting a stain on local government and casting doubt on the legitimacy of local self-government institutions.

**Stick, M., & Ramos, H. (2019).** <sup>(34)</sup> Entitled their work “**Does municipal funding of organizations reflect communities of need? Exploring trends in Halifax.**” An effort was made to determine what role municipalities have in financing organizations and if they step in when the higher tier of government fails to respond in an emergency. NGOs play a critical role in ensuring social justice and giving resources to those in need. The government primarily finances them, but any reduction in financing would obstruct their operations. During these moments, ULBs assist them in a variety of ways. In this context, the total sum given to NGOs by Halifax ULBs in 1996 was \$ 590051; it

dropped to \$486141 in 2006, further decreased to \$335221 in 2011, and a small rise to \$432751 in 2016, but still less than the total of 1996. This demonstrates that municipal responsibilities have been expanded, and there are no resources available to spend on non-essential tasks.

**Gcora, N., & Chigona, W. (2019).** <sup>(35)</sup> Entitled their work as “**Post-implementation evaluation and challenges of Integrated Financial Management Information Systems for municipalities in South Africa.**” The research will concentrate on the post-implementation assessment of "the integrated financial management information system (IFMIS)" in municipalities, as well as the IFMIS's difficulties. The findings indicate that municipalities implemented IFMIS using a top-down strategy that included a linear process in which systems were implemented by outside suppliers and then presented to end-users. The research found that municipal employees were not engaged in the execution. There are problems with system usage due to end-user non-involvement throughout the process.

**Simpson, et al. (2019).** <sup>(36)</sup> Entitled their work as “**Municipal finance and resilience lessons for urban infrastructure management: a case study from the Cape Town drought.**” The study's goal is to look at the public-private partnership that occurred during Cape Town's drought, which resulted in a fiscal "shock within a shock." The research also goes into great detail on the issues and difficulties that the study area's municipal authorities are dealing with. It was discovered that consumers' charges account for the majority of the income in the overall budget of 47.7 billion for the fiscal year 2018-19, with electricity accounting for 32%, property rates for 23.8 percent, and water and sanitation charge accounting for 13.7 percent. However, residents were

unable to pay users levies and other municipal taxes due to the drought's terrible effects. In response, the municipality began providing 100 percent subsidies on specific services, causing the city to become unable to carry out its duties.

**Singh, D., & Satija, A. (2019).** <sup>(37)</sup> Entitled their work as “**Integrated municipal solid waste management in Faridabad City, Haryana State (India).**” This research aims to create a mathematical formula to reduce transportation costs associated with solid waste management in Faridabad, Haryana, India. According to the research, between January 2015 and December 2017, 38,282,022 INR (Indian rupees) were needed to transport 268,478.6 metric tonnes of garbage from municipal ward to solid waste transfer facilities. Between July 2018 and February 2019, a minimum transportation cost of 20,950,922 was needed to carry 153,307.3 metric tonnes of trash from the municipal ward to solid waste transfer facilities in the city. Municipal financial capability is very sluggish, and how they are handling all of these tasks is a sobering experience.

**Garcia, et al. (2019).** <sup>(38)</sup> Entitled their work as “**The unique role of municipalities in integrated watershed governance arrangements.**” The primary goal of this study is to provide a global overview of municipalities' involvement in polycentric and multilayer watershed governance systems. Dissonance and confusions of leadership across hierarchy levels, internal and external hurdles to municipalities willing to engage inadequately managing, obstacles to broadening of conventional municipal affairs, and lack of alignment of physical and biological, institutional, and political interests are some of the critical issues affecting municipalities' involvement in the system of

government at the watershed scale identified by the study. Municipalities will be unable to exist and fairly serve people if these problems are not addressed.

**Liu, Z. (2019).**<sup>(39)</sup> Entitled their work as “**Land-based finance and property tax in China.**” The purpose of this paper is to examine the existing barriers to the adoption of a property tax on the ownership of private residential buildings in China, as well as to offer a few policy suggestions to help pave the way for its implementation. According to the researcher, China has a significant number of municipalities, county capital towns, and administrative townships. Due to a lack of capacity building for property price evaluation and real property administration, most of these towns and cities are not equipped to impose a residential real estate tax. The current municipal budget reform plan calls for the imposition of a property tax on private residential property ownership. However, there are substantial obstacles since most urban families bought housing properties without paying a property tax. In such a scenario, municipal income may be reduced in general, thus disempowering local governments and derailing the urban governance mechanism.

**Grover, et al. (2019).**<sup>(40)</sup> Entitled their work as “**Barriers to the use of property taxation in municipal finance.**” This research seeks to provide the results of a multiple case study that looks into the issues that nations encounter when attempting to replace recurrent property taxes based on area or deals available with value-based reoccurring property taxes. Two of the most significant obstacles, according to the author, are the lack of a complete inventory of taxable assets and insufficient data on transaction costs. All of these can be surmounted with enough resources, but it begs the issue of why governments are hesitant to do so, despite the benefits of doing so.

**Khatua, S. (2019).** <sup>(41)</sup> Entitled her work as “**Municipal finance of suburban municipalities—Kolkata Metropolitan Area.**” The researcher's goal is to examine the municipal finance of the study area's sub-urban towns. According to the author, even after almost two decades of structural reform initiatives in India, the proportion of own income for suburban towns remains low. They are increasingly reliant on federal and state government grants. Because the municipalities are part of the metropolitan region, they remain under the planning authority's jurisdiction. The dependency has stayed strong, even though local self-government is legally recognized.

**Rawlins, J., & Wewege, S. (2019).** <sup>(42)</sup> Entitled their work as “**Municipal Finance Reform: Urban Adaptation Planning in Developing Contexts.**” This research aims to show how climate change affects municipal budgets in Cape Town, South Africa, and Chennai, India. Climate change has a significant effect on municipal financing in both cities, according to the research. Due to the large percentage of income produced from water and energy, Cape Town's municipal financial system is more immediately susceptible to the effects of climate change. In Chennai, however, the direct impact on income is more negligible since tariffs have not risen in over two decades, resulting in a much lower percentage of total revenue. On the other hand, Chennai has substantial budget deficits that are somewhat compensated by other sources of government income.

**Priono, et al. (2019).** <sup>(43)</sup> Entitled their work “**Role of financial management in the improvement of local government performance.**” The purpose of this research was to look at the impact of local government financial management on its performance in terms of internal control and apparatus competency. It has been discovered that human competency directly impacts the functioning of local governments and the delivery of

public services. Internal controls affect the effectiveness of local governments' public services, either direct or indirect, via local financial management, whereas external controls do not affect them.

**Rajhans, R. K., & Halder, A. (2019).** <sup>(44)</sup> Entitled their work as “**Urban infrastructure financing in India: a proposed framework for ULBs.**” This research aims to explain the present state of India's urban local governments, with a focus on urban infrastructures in the age of urbanization. India needs rapid infrastructural development to meet its increasingly urban population demands and more effectively utilize its solid economic contribution. ULBs are mainly responsible for urban infrastructure development. The data indicate, however, that ULBs were not active in developing and managing the necessary infrastructure. There is a significant disparity in ULB performance; Some have done excellent work, while others have fallen well short of expectations. It has also been shown that most ULBs rely on federal and state money since their own income is insufficient to support their activities.

**Manikar S. M. (2019).** <sup>(45)</sup> Entitled his work as “**Restructuring Municipal revenues for the future of sustainable cities.**” The primary goal of this research is to examine municipal income in India and its ability to produce money, and the difficulties that lie ahead. Given the present rate of urbanization, the author emphasized this. By 2030, the country's urban population is expected to exceed 600 million. As per the NITI Aayog, India needs an INR 40-trillion investment to revamp its infrastructure by 2030, even though the combined income of all municipal corporations is less than INR 1.2 trillion, or around 1% of the country's gross domestic product (GDP). He went on to say that even though the federal government has made many steps to improve the income side

of ULBs, they still have a long way to go. On the other hand, these programs offer money from outside sources and do not address the critical problem of municipal corporation income augmentation, which is the lifeblood of these communities.

**Rode, S. (2019).** <sup>(46)</sup> Entitled his work “**Alternative Sources of Financing Capital Expenditure in Navi Mumbai Municipal Corporation.**” This research aims to look at the financial problems surrounding the study region, with a particular emphasis on the municipal bond market. The Navi Mumbai municipal corporation does not get income from the arts, social welfare, fire department, sewage system, women and child welfare programs, or basic education. The revenue expenditure is linked to town planning, roads, livestock markets, and the fire department. General managerial services and other recreation centers account for the majority of capital revenues. Capital revenues from the fire department and water supply are minimal. Environment monitoring, education training, and service centers for people with disabilities have minimal capital expenditures. Administration services, roads, pay and parks, municipal beautification, gardens, and dumping sites account for most capital expenditures. It has been determined that the municipal corporation only spends money on delivering infrastructure services in developed regions in a particular way.

**Gupta, M., & Chakraborti, P. (2019).** <sup>(47)</sup> Entitled their work as “**State Finance Commissions: How successful have they been in Empowering Local Governments?**” The research goal was to find out how state finance commissioners in various Indian states can empower local governments. Even though many states have legislative provisions requiring SFCs to be formed promptly, several states have yet to do so. States have not established their SFCs regularly. According to a study of the most

recent SFC reports from 25 states, the average time to submit a report is approximately 32 months, resulting in an average delay of around 16 months.

Furthermore, states seem to have failed to move quickly on SFC recommendations by failing to provide an action taken reports to the state legislature in a timely way. As a result, SFCs' recommendations aren't taken seriously. Furthermore, the researchers asserted that most states' SFCs lack sufficient infrastructural support, personnel, and technological knowledge.

**Ndevu, Z. (2019).** <sup>(48)</sup> Entitled his work as “**Municipal Management Reforms for Accountability and Clean Audits.**” The goal of the research is to examine municipal accountability using audit reports from the study region. The empirical research concluded that the municipality of the investigation area's achievement in obtaining a clean audit and registering the excellent outcome in the region resulted from a collaborative effort amongst all participants and role players. Even though there are issues and difficulties in the interactions between elected and administrative officials, this is the case. The research found that municipalities alone would not meet their goals unless and until all participants collaborate on a single platform with similar goals and objectives. The lack of data on local government financial capabilities is also a significant obstacle to enabling them and ensuring that they get their fair portion of the state's revenue.

**Chowdhary, R., & Kumari, A. (2019).** <sup>(49)</sup> Entitled their work as “**Reforming Urban Governance in India: A Contemporary Perspective.**” This article analyses the federal platform's institutional characteristics and devolution procedures, which cities must use to improve the standard of living for their citizens and create an investment



environment capable of sustaining fast development. It has been tried to argue that for India, as one of the world's fastest-growing economies. With only 33% of the population living in cities and towns, planned urbanization is critical for the country's rapid growth to continue and for the 420 million people who live in Indian cities and towns to improve their quality of life. The authors say that Indian cities aren't equipped to deal with the massive difficulties of providing public services. The GST opportunity to guarantee that a modest part of the state government's GST share is designated for transfers to local (rural and urban) governments has not been taken advantage of.

**Bhattacharyya, U. (2018).** <sup>(50)</sup> Entitled his work as “**Financial governance in the municipal corporation of Bengal.**” The study's primary goal is to concentrate on the different problems currently being addressed when it comes to adopting efficient financial governance systems in municipal organizations, with a specific emphasis on West Bengal. In earlier segments, it was discovered that the effective use of financial management technologies could improve the financial situation of ULBs in West Bengal. A frequent problem seen in most ULBs is a failure to maintain appropriate records and a lack of monitoring and management. All of these are required to achieve the impact of efficient resource use.

**Muniswami, S. (2018).** <sup>(51)</sup> Entitled his work as “**Income and disbursement of Urban Local Bodies: A Study of Kurnool Municipal Corporation.**” The primary goal of this study is to examine the revenue and spending patterns of the Kurnool municipal corporation during ten years (2007-08 to 2016-17). According to the statistics, the financial situation in the study region is still highly volatile. Furthermore, it has little

control over its expenditures, even though its own source of income is dwindling. Again, the central grants are not in the best interests of municipal corporations.

**Su, M., & Hildreth, W. B. (2018).** <sup>(52)</sup> Entitled their work as “**Does financial slack reduce short-term municipal borrowing?**” The study aims to investigate the issues that local governments confront during financial crises, particularly when borrowing money from outside sources. When both alternatives are available to surmount the financial crisis, the local governments prefer accumulated economic slack over short-term borrowing. This result shows the utility of monetary laxity as a cash management instrument in municipal finance.

**Mutya, T., & Josephine, A. (2018).** <sup>(53)</sup> Entitled their work as “**Financial Management a Wheel to Financial Performance of Local Governments in Uganda: A Case Study of Tororo Municipal Council.**” The goal of this research was to determine "the impacts of financial management on financial performance," with the Tororo Municipal Council (TMC) serving as the study's backdrop. By investigating the impacts of financial governance on financial performance, the primary goal was to fill a gap, generate new ideas, and validate the findings of other academics. The results show that the TMC has made an overly generous configuration in the brawl to strengthen financial performance by considering the objectives of budgetary administration in the organization, such as sharing resources and policy preparation, setting organizational goals, and indicating foreseeing expenditures, among other things. In summary, the results show a 0.91 positive correlation between the variables. This demonstrates that TMC has a sound financial management system, which results in improved financial efficiency.

**Arapis, T., & Reitano, V. (2018).** <sup>(54)</sup> Entitled their work as “**A glimmer of optimism in government savings accumulation? An empirical examination of municipal unassigned fund balance in Florida.**” The study's primary goal was to examine the problems that impacted the unused fund balance beforehand, between, and then after the Great Recession. The research was carried out on Florida cities, emphasizing data from 2005 to 2012. Regardless of their origins or economic circumstances, Florida towns have grown used to accumulating and maintaining large sums of money, according to data studies. This study also suggests that depending on the amount of unused fund balance that communities in Florida aim for, they alter their savings accrual method. Consequently, Florida towns always keep their financial affairs in better shape than the financial management officers' organizations recommend.

**Marona, B., & den Beemt-Tjeerdsma, V. (2018).** <sup>(55)</sup> Entitled their work as “**Impact of public management approaches on municipal real estate management in Poland and the Netherlands.**” The purpose of this research is to demonstrate the role of unique public management ideas in the administration of "municipal (public) real estate in Poland and the Netherlands." The study shows that in "Poland and the Netherlands," the ideas of N.P.M. and good governance are utilized to collect instruments rather than be fully functioning. Most municipalities opt to use some of these tools in their "municipal real estate (mrem)." Nonetheless, the findings suggest that in "Polish municipal real estate" management, good governance principles are applied a bit more widely than in the Netherlands. When it relates to N.P.M. principles, mrem standards are implemented to a comparable extent in Poland and the Netherlands. Furthermore, it was discovered that the application portion of these two methods in mrem in the

research region largely depends on the magnitude of the municipalities. However, Poland's circumstances are better than the Netherlands'.

**Fletcher, J. (2018).** <sup>(56)</sup> Entitled her work as “**Opportunities for Lean Six Sigma in public sector municipalities.**” This research aims to look at the responsiveness and possibilities for "lean six sigma in public sector" municipalities that want to enhance the performance and timeliness of services and products, resulting in improved user satisfaction and budget savings. According to the survey findings, there is widespread interest in "lean six sigma" and how it can be used to update and develop organizational processes, save money, enhance organizational culture, and improve the quality of products and services. This research also reveals many possibilities for "lean six sigma in the public sector," with municipalities being able to use its concept and methodology to streamline and enhance organizational efficiency, cost savings, and credibility in the delivery of products and services.

**Agyapong, S. (2018).** <sup>(57)</sup> Entitled her work as “**Evaluating the Effectiveness and Efficiency of Tax Administration System in Ghana, Case Study of Sunyani Municipal Assembly.**” The purpose of this research is to assess the efficiency and efficacy of the Ghana Revenue Authority's tax administration system (GRA). In their findings, the researchers identified many factors that impede the effectiveness of tax administration in the study region, including a lack of capacity development and appropriate tax administration education. Political interference in official municipal appointments has an impact on the merit system. As a result, worthy authorities were denied the opportunity to serve and govern municipal affairs. Furthermore, individuals

have failed to pay municipal taxes on time, while municipal authorities have also failed to collect taxes and user fees.

**Breuilé, M. L., Duran-Vigneron, P., & Samson, A. L. (2018).** <sup>(58)</sup> Entitled their work as **“Inter-municipal cooperation and local taxation.”** The goal of this research is to look at the financial condition assessment methods that have been developed in the literature and evaluate their implications for governance. According to the study, local governments often confront difficulty in determining their budgetary health. It also demonstrates that, particularly after the Great Recession of 2008, the demand for municipal services has risen, making it difficult for local governments to fulfill their growing responsibilities without levying more taxes. He spoke about a variety of methods that might help with this issue. But, in the meanwhile, he said that each method has its own advantages and drawbacks. As a result, local officials must be attentive and careful while implementing the best strategy.

**Hajilou, et al. (2018).** <sup>(59)</sup> Entitled their work as **“Financial sustainability of municipalities and local governments in small-sized cities; a case of Shabestar Municipality.”** This study aims to plan and evaluate the income sources of the Shabestar municipality from the perspective of sustainability standards from 2004 to 2014. The study's findings revealed that the trend toward financial independence for municipalities and decentralization of sub-national authorities has slowed, and towns increasingly need financial assistance from higher levels of government to carry out their duties. Furthermore, there is a pressing need to discover new revenue streams to help the study area's fiscal health since it is suffering from financial hardship like other municipalities in the region.

**Cebula, R., & Nair-Reichert, U. (2018).** <sup>(60)</sup> Entitled their work as “**Impact of federal income tax rates and government borrowing on nominal interest rate yields on tax-free municipal bonds.**” The impact of federal income tax rates and deficit spending on the interest rate yielded on high-grade municipal tax-free securities (municipals) in the United States is investigated in this research. The 58-year research period spans the years 1959 to 2016. According to the research findings, lowering the top federal individual income tax rate would reduce demand for and price of high-grade tax-free municipal bonds, raising the cost of capital for cities, counties, and states throughout the country. Factors contributing to a rise in the federal deficit boost borrowing costs for cities, counties, and states throughout the United States.

**Te Lintelo, et al. (2017).** <sup>(61)</sup> Entitled their work as “**Wellbeing and urban governance: ¿Who fails, survives or thrives in informal settlements in Bangladeshi cities?**” The researchers of this article have attempted to comprehend human well-being in urban areas. The research discovers that human well-being is a highly dynamic concept that encompasses a wide range of topics. Cities in the study region must concentrate on their budgets and offer various inexpensive municipal services to their people. Otherwise, coping with the world's rapidly growing population would be challenging in the future years. The authors propose a multifaceted paradigm for attaining human happiness.

**Das, M., & Chattopadhyay, S. (2018).** <sup>(62)</sup> Entitled their work as “**Strengthening Fiscal Health of Urban Local Bodies.**” This study aims to evaluate the status of urban fiscal decentralization in West Bengal by conducting a cross-category comparison of relevant indicators. According to this research, large municipalities have generated

more income due to their solid economic foundation and ability to arrange sufficient tax and non-tax revenues. ULBs' own source income, on the other hand, is insufficient to meet revenue expenditure. As a result, ULBs rely heavily on state transfers. As a result, their financial independence is limited. Smaller ULBs with little own-source income have a greater reliance on transfers from higher levels of government.

**Bhutani, S., & Mishra, A. K. (2018).** <sup>(63)</sup> Entitled their work as “**Fiscal federalism and decline of the third tier in India : A case for sharing the new GST.**” In this research, it was shown that Indian municipalities are in poor health. There is a pressing need to reexamine and restructure their financial system. According to the researcher, the GST council should consider how to provide them with alternative sources of income since current sources of revenue, such as octroi, have been taken away from ULBs due to the GST legislation. The degree of fiscal decentralization in India is measured in this research using various quantitative metrics recommended by the International Monetary Fund. The financial condition of ULBs in India has deteriorated as a result of this new trend.

**Rao, N. (2018).** <sup>(64)</sup> Entitled their work as “**Financial Resource Analysis of Urban Local Bodies: A Case Study of Bhopal City.**” This research aims to learn more about Bhopal Municipal Corporation's financial resource management concerning water delivery. According to the findings of this study, the municipal corporation under investigation has received financial assistance from a variety of national and international organizations’, including the ADB, DFID, and the Government of India. In the studied regions, water supply management is severely impacted. One of the leading causes of low water supply sustainability and equality is poor O&M due to a

lack of financial resources. The elected ULBs are usually in charge of the operation, management, and revenue collection, whereas specialized organizations cannot increase the water rate without the permission of provincial governments. This financial dependence puts further strain on the Bhopal municipal corporation's ability to deliver high-quality civic services.

**Mukherjee, F. (2018).**<sup>(65)</sup> Entitled their work as “**GIS use by an urban local body as part of e-governance in India.**” This research aims to learn more about the geographic information system (GIS) utilized by the Surat Municipal Corporation (SMC) in its day-to-day operations, which is a highly creative concept and a first in the history of Indian ULBs. According to the research, SMC is India's first ULB to have used this ground-breaking GIS concept. SMC has put its GIS skills to work to make choices and govern the city. Furthermore, the use of GIS and spatial technology and online web GIS applications is promoted as the most effective way of bringing transparency and service provision to people. This method has a lot of promise for bringing people and local government together, avoiding waste of financial resources, avoiding tax fraud, and promoting the idea of citizen-centric governance at the local level.

**Mishra, A. K., & Mohanty, P. K. (2018).**<sup>(66)</sup> Entitled their work as “**Urban infrastructure financing in India: Applying the Benefit and earmarking principles of Taxation.**” The purpose of this research is to look at urbanization and Indian urban infrastructure and propose how the taxation concept may be implemented in ULBs. India's urban population grew from 62 million people in 1951 to 286 million in 2001 and 377 million in 2011. While cities in India are the accelerators of economic development, they are plagued by the "rich city-poor city administration" problem.



Even wages are reliant on state governments in many towns. They are confronted with a significant misalignment between required duties and available resources. In India, the municipal sector is very tiny. Municipalities in India have a limited, rigid, and non-buoyant income source. The researchers went on to say that municipal income's proportion of total central and state revenue fell from 3.71 percent in 1990–91 to 2.43 percent in 2000–01 and is now less than 2%. In such situations, Indian ULBs should be granted the authority to apply the taxation concept to local regions.

**Moom, A., & Musafir, S. (2018).** <sup>(67)</sup> Entitled their work as “**Decentralization and urban development in India.**” The primary goal of this paper is to explain the problems of decentralization and urban growth in India. With the rapid growth of the urban population, urban decentralization is now front and center. The perception is that living conditions in cities are worsening. Since its inception in 2005, "the Jawaharlal Nehru national urban renewal mission (JNNURM)" has awarded more than \$9 billion in grants for urban infrastructure development. Even though money has been made available via JNNURM and externally assisted projects, most ULBs have not shown that they can oversee the support and maintenance of the significant infrastructure projects that have been funded. The revenue-related changes have not progressed as quickly as they should have.

**Singh, A. K., & Singh, M. P. (2018).** <sup>(68)</sup> Entitled their work as “**Trends in Municipal Finances in Uttar Pradesh.**” The research aims to demonstrate trends in municipal financing in Uttar Pradesh and India in general. According to the authors, the research area's metropolitan, municipal governments are entirely reliant on federal and state government financial subsidies. There is a mismatch between municipal functions and

resources. The researchers say that local governments aren't financially sound enough to access the capital market for infrastructure projects that need a significant upfront expenditure and a lengthy gestation period. However, the availability of marketing lending will undoubtedly encourage local governments to improve their financial health to use market resources. There is also a need to promote private sector participation in urban infrastructure expansion in the study and India.

**Wardhani, R., Rossieta, H., & Martani, D. (2017).**<sup>(69)</sup> Entitled their work as “**Good governance and the impact of government spending on the performance of local government in Indonesia.**” The purpose of this article is to investigate the impact of public expenses and good governance on local government performance, as well as whether good governance might reinforce the effect of government public expenditure on effectiveness. The study's findings provide compelling evidence that local government expenditure in Indonesia is ineffective in improving performance. On the contrary, the result demonstrates that government expenditure has a detrimental impact on performance. According to the experts, there is a critical need to connect government expenditure with effective governance.

**Aditya, et al. (2017).**<sup>(70)</sup> Entitled their work as “**Urban infrastructure development works in India: Delay and difficulties in implementation concerning a water supply project.**” This study aims to investigate the different initiatives initiated by the Indian government in the area of urban infrastructure development. According to the study's findings, the government's projects must complete within a specific period. However, due to ongoing delays on the administrative side, such as land purchase

approval, permits, and so on, these goals are never met. This has resulted in schedule and expense overruns and a delay in the benefits being delivered to commuters.

**Niaounakis, T., & Blank, J. (2017).** <sup>(71)</sup> Entitled their work as “**Inter-municipal cooperation, economies of scale and cost efficiency: an application of stochastic frontier analysis to Dutch municipal tax departments.**” The study aims to assess the relationship between inter-municipal collaboration and cost-effectiveness amongst Dutch municipal tax authorities. Aside from that, the research focuses on and analyses whether inter-municipal collaboration has helped to cost reduction. According to the study's findings, inter-municipal collaboration is not the ideal method since it has failed to achieve the goal for which it was established, namely cost savings and cost-efficiency.

Furthermore, economies of scale are most noticeable at low levels of output. Cost inefficiency is linked with a size of 5000 homes (approximately 10,000 people). Profits decrease as the number of properties increases, and they are depleted mainly by 30,000. (Roughly 60,000 inhabitants). Surprisingly, there was no significant link between inter-municipal collaboration and cost-efficiency.

**Jain, M., & Joshi, R. (2017).** <sup>(72)</sup> Entitled their work as “**Municipal finances in India: Unresolved issues and way forward.**” The goal of this research is to learn more about the financial situation of Indian municipalities. According to this research, India's urban local bodies (ULBs) lost their autonomy and position as self-governing institutions after independence due to increased financial reliance on higher-level administrations due to centralization. After the "74th constitutional amendment act", local organizations'

under the Indian federal system have continued to be degraded both functionally and financially, and they continue to face a slew of unresolved issues.

**Mishra, P. (2017).** <sup>(73)</sup> Entitled their work as “**Financing urban development.**” The study's goal is to determine the effect of different policies implemented by the Indian government on the financial health of urban local governments. The research shows that urbanization is growing at a faster rate than previously thought. Cities today need to expand their financial capacity to continue needed urban initiatives, but they lack the fiscal and technical resources. Furthermore, Indian cities are among the world's worst in terms of resource mobilization and financial autonomy.

**Rajhans, R. K., & Halder, A. (2017).** <sup>(74)</sup> Entitled their work as “**Urban infrastructure financing in India: a proposed framework for ULBs.**” The purpose of this article is to learn about the various current infrastructure financing methods in a three-tier structure: central, state, and local governments (ULBs). According to the research findings, emerging countries such as India, which now has a 31 percent urban population and contributes 63 percent of GDP, are expected to grow their participation to about 40 percent by 2031, with a GDP contribution of 70-75 percent. India's cities must expand their urban infrastructure to accommodate the country's increasing population. However, in the current condition of urban infrastructure development, the three tiers of governance are the center, state, and local governments. ULBs provide a negligible impact. They are unprepared to produce income and raise money effectively.

**Gandhi, V., & Kumbharana, C. K. (2017).** <sup>(75)</sup> Entitled their work as “**E-governance in local bodies in India.**” The goal of this study is to look at how e-governance is being implemented in Indian municipal governments. According to the findings, e-

government is the most effective method for delivering essential services to people at the local level. Different state governments have made various initiatives to integrate e-governance into their local government and public delivery systems. However, due to a lack of capacity and equipment, local governments in India cannot integrate e-governance in their performance management mechanisms.

**Chalam, G., & Ng'eni, F. (2017).**<sup>(76)</sup> Entitled their work as “**Financial Accountability and Financial Reporting in a Decentralized Environment (a Case Study of Tanzanian Local Government Authorities).**” The study's goal is to assess the impact of financial information disclosure in improving local government financial accountability. The study's findings indicate that financial reporting accuracy is at the heart of local government fiscal responsibility for ensuring appropriate use of public funds. Furthermore, the financial reporting quality gives taxpayers' money and other stakeholders' confidence that public funds are being used wisely to improve the delivery of public services. It accelerates local government governance and boosts local officials' morale by placing them in financially secure and well-regarded organizations.

**Poliak, L. (2017).**<sup>(77)</sup> She entitled her work as “**Municipal Tax Policy as a Tool of Local Development.**” The study aims to evaluate local taxes and taxing systems as a tool for economic and social development in the community. The Slovak Republic is the subject of research. The study's findings revealed that the Slovak district town had made several initiatives to promote its local economy. Even though it has a variety of income streams and that different attempts have been made to be double those sources, the findings revealed no link between the local banking system and economic and social growth in Slovak district towns.

**Cook, M. J., & Chu, E. K. (2017).** <sup>(78)</sup> Entitled their work as “**Between policies, programs, and projects: How local actors steer domestic urban climate adaptation finance in India.**” The research uses the case of Surat, India, to show how municipal governments may take a creative approach to local climate adaptation while juggling several financing sources. The research discovers that the study region is purposefully reliant on two kinds of income: intergovernmental monetary policy and, eventually, their respective local revenue capabilities. The capacity of the local government to identify explicit adaptations that assist in enhancing public income leads to such an execution route. From the experience of Surat, it was evident that cities must concentrate on different sources of funding and embrace those sources based on the ease with which money for growth and good governance is available.

**Gandhi, S., & Pethe, A. (2017).** <sup>(79)</sup> Entitled their work as “**Emerging challenges of metropolitan governance in India.**” By studying metropolitan-level infrastructure, regional planning, and metropolitan finances, this study explores issues related to India's metro government. The study's findings show that the current metro government system, such as that in India, is inefficient and requires careful consideration. "The 74th constitutional amendment act" allocated eighteen duties to urban local bodies (ULBs) without specifying funding sources.

As a consequence, state governments continuing to play a vital role in determining which income streams may be passed on to local governments. ULB taxation authorities vary by state, and state governments often remove taxes without compensating for lost income. As a result, cities lack the financial resources to carry out their responsibilities.

**Ahluwalia, I. J. (2017).** <sup>(80)</sup> Entitled their work as “**Urban governance in India.**” This article examines the federal framework's institutional characteristics and devolution process, which cities must use to enhance people's quality of life and establish an investment environment capable of sustaining fast development. The findings show that Indian cities are ill-equipped to handle the fast-growing urban issue, particularly in providing public services, planning, and controlling the urbanization process. The opportunity given by the GST Act of 2017 (GST) has still not been utilized to certify that a tiny part of the state government's GST is retained for distribution to local governments (rural and urban).

**Baxi, H. (2017).** <sup>(81)</sup> Entitled his work as “**Fiscal Decentralization in Gujarat: Challenges for Economic Development.**” The study's goal is to investigate the trend of fiscal decentralization in the research area. According to the research, the state has been neglecting the need to develop local governments to deal with the budgetary pressures of urbanization. It was discovered that ULBs are largely reliant on extremely variable state funds. Improving the efficiency of "state finance commissions" is a pressing issue. To prevent such disruptions in its operations, make it a stable entity. On the other side, the research found that ULB's finances have failed to reflect the city's diverse economic activity. Rather than limiting themselves to traditional revenue sources, ULBs should look for new ways to generate revenue, such as capturing street markets and collecting user fees from them (which would also prevent bribery), instituting differential pricing for accumulating service charges and user charges, and so on.

**Gaubha, R. (2017).** <sup>(82)</sup> He entitled his work as “**Improving Urban Infrastructure.**” The investment needs, achievements of managing the operation for urban development in India, and their funding mechanisms are discussed in this article. The main indices of major urban services show that service delivery is failing to attain even modest performance. Grants and loans from government-owned financial companies based on guarantees have been part of the conventional method of municipal funding services. In India, urban local bodies' (ULBs) ability to generate support and economic autonomy is limited. Given the significant risks involved, the private sector has generally avoided urban infrastructure investments until recently. Consequently, there is a significant disparity between demand and availability for basic urban utilities in India.

**Kapoor, G., & Pati, P. (2017).** <sup>(83)</sup> Entitled their work as “**Municipal Bond Market in India.**” The study's primary goal was to investigate the municipality bond market in Indian ULBs. According to the study on Indian urban infrastructure and services, Indian ULBs are among the world's poorest in terms of financial autonomy and their ability to obtain external financing. In 1997, the first municipality bond was issued. Only 19 municipal securities have been issued in the last nineteen years, 16 of which were for road building and 3 for drainage and sewer projects. Municipal bonds finance just 1% of the overall ULB need in India, compared to approximately 10% in the US. Since 2007, no municipal bonds have been issued, according to the data.

**Bandyopadhyay, S., & Bagchi, D. (2017).** <sup>(84)</sup> Entitled their work as “**Augmenting Revenues from User Charges in Indian Cities: A Case for Delhi.**” The research's goal is to learn more about the study area's potential to produce municipal income through user fees "(Municipal Corporation of Delhi, MCD). According to the findings



of the research," the Municipal Corporation of Delhi (MCD)' planned income increases from six sources in its 2011 budget, including "parking fees," "one-time street charges," "property taxes," "fees from mobile towers," "conservancy costs," and "congestion charges." However, none of these suggestions were followed owing to political opposition. According to the experts, if the recommendations were followed, MCD might have seen a 19 to 21% rises in own revenues and a 13 to 15% increase in overall revenues. In addition, instead of covering 70% of current expenses in the present condition, own income might have supported 77 to 85% of current expenditures. Similarly, the total income capacity to cover estimated worth would have increased from 69 percent (in its current form) to about 74 to 80 percent.

**Kapoor, R. (2017).** <sup>(85)</sup> Entitled their work as “**Reimagining India’s urban future. In Alternative futures: India unshackled.**” This article aims to examine India's urbanization problems and highlight the current state of Indian urban infrastructure. The study's findings revealed that metropolitan India now confronts significant challenges such as poor infrastructure, insufficient water, power supply, slums, garbage management, and inadequate public transportation. Poor administration, financial fragility, and a lack of creativity and execution of populist programs are among the underlying reasons for India's cities' deterioration. Contending that improving the quality of life for Indians, whether urban and rural, requires fundamental changes in existing methods, attitudes, and institutions only through empowering India's urban local bodies (ULBs) can this be possible.

**Valles Gimenez, J., & Zarate Marco, A. I. (2017).** <sup>(86)</sup> Entitled their work as “**Tax effort of local governments and its determinants: The Spanish case.**” The purpose

of this article is to comprehend the local government's tax initiatives in the studied region. The findings indicate that municipalities have generally been responsible (tax efforts ranging from 72 to 85 percent), but most municipalities may improve their tax efforts by using their tax power more effectively and improving their tax collection reliability. To address the funding challenges faced by municipalities nearing the tax threshold, it would be preferable to change the legislative framework to allow for more tax capability while leaving the choice on how to utilize this capacity at the discretion of each government department.

**Zérah, M. H. (2017).**<sup>(87)</sup> Entitled her work as “**Shedding light on social and economic changes in small towns through the prism of local governance: A case study of Haryana.**” The purpose of this chapter is to investigate social and economic developments in Haryana's small towns. The research found that the study area's metropolitan, municipal governments had little control over or oversight of the area's social and economic developments. The researchers stated, quite precisely, that the study area's urban local bodies are limited to solely cleaning duties. They have little to do with social and economic factors since the study area's ULBs only earn a small amount of money from this job.

**Jariwala, V.S. (2016).**<sup>(88)</sup> Entitled their work as “**Analysis of Finances of Some Selected Municipal Corporations of Gujarat.**” The research aims to provide a comparative analysis of financial management of municipal corporations in Gujarat, focusing on "Ahmadabad Municipal Corporation (AMC), Surat Municipal Corporation (SMC), Vadodara Municipal Corporation (VMC), and Rajkot Municipal Corporation (RMC) (RMC)." According to an examination of municipal finances of all chosen

municipal corporations in the research region, the MCS are producing modest income surpluses with minimal resource gaps. Furthermore, they are paying less than is necessary to provide a basic level of civic facilities. There is a lot of variances in the increase rate of the per capita spending in all bodies. Furthermore, the annual growth of per capita spending has a wide range in all MC. This obvious contraction is due to the faulty design and self-determination provided to ULBs for the sake of autonomy, in which they are not self-reliant in their decision-making process, regulation over staff, raising revenue and expenditure, and accessing debt, indicating that true decentralization has yet to arrive.

**Upadhyay, S. P. (2016).** <sup>(89)</sup> Entitled her work as “**Municipal own source revenue management and its potentiality in Nepal.**” The primary goals of this research are to look into possible own-source income and assess municipal revenue conformity in Nepal's Hetauda sub-metropolitan city. The integrated property tax (IPT) of 11.03 percent, business/enterprise tax of 19.75 percent, home rent tax of 34.19 percent, construction permission fee of 21.11 percent, and service charge of 27.08 percent are the main sources of income for Hetauda sub-metropolitan city. According to the statistics mentioned above, home rent tax provides the most to the study area's income. Furthermore, the researchers discovered that a municipality's ability to produce its own source income is irrelevant to tax compliance. Even though only 40% of taxpayers in the Hetauda sub-metropolitan city have contributed minimal tax (i.e., less than rs.1000/- per year), revenue compliance is acceptable. However, the taxpayers find this municipality's service quality moderate, and its service delivery cost is partly satisfactory.

**Lalneihzovi (2016).**<sup>(90)</sup> Entitled her work as “**Urban Local Governing Institutions in North-East India with Reference to Mizoram.**” This article aims to investigate the functioning of urban local governance institutions in India and Mizoram specifically. Although ULBs were granted constitutional status throughout the nation in 1992, the research found that in Mizoram, this structure took more than ten years to achieve success. Because there is already a system in place to manage both urban and rural regions. As a result of the above, it seems that "the state of Mizoram" has yet to establish the administrative structures required by the 74th CAA, 1992, for the administration of both rural and urban issues. However, in 2010, the state government attempted to execute CAA 1992, and in 2015, the Mizoram government amended the act to elevate "the Aizawl municipal council" to the level of Municipal Corporation.

As a consequence, in November 2015, "the second general election" underneath the Mizoram municipalities' legislation was conducted. “The Aizawl municipal corporation” currently governs the city of Aizawl without increasing its authority or functions. However, the Mizoram government should decentralize authority to urban local governments following "the 74th constitution amendment act, 1992, which included a list of 18 duties in the 121-h schedule under article 243-W".

**Bajpai, B. K. (2016).**<sup>(91)</sup> Entitled his work as “**Functional and financial devolution to urban local bodies and their performance in India.**”The study focuses only on the problems of functional and financial devolution and the powers of urban local governments in the Indian state of Uttar Pradesh. The study's findings indicate that local governments have failed to meet the expectations raised by the "74th constitutional amendment." Fundamental obstacles in the process of healthy ULB functioning include

a lack of own revenue sources, non-transfer of all required duties, a poor administrative structure, unfavorable relationships between elected members and officials of ULBs, and inadequate service delivery. The leading cause has been the state government's lack of political commitment and reluctance to transfer money and responsibilities to local governments.

**Biswas, A. R. B. (2016).** <sup>(92)</sup> Entitled his work as “**Budget Making Process in Urban Local Government: A Study of Saver Paurashava in Bangladesh.**” At Paurashava, the research is focused on budgeting and other budget-related processes. The total financial condition of saver Pourashava may be deduced from the analysis of saver Paurashava's budget. Budgeting is inefficient, and the implementation of development initiatives is heavily reliant on government grants. The research found many particular causes for this process, including the fact that property is often undervalued by authorities attributed to the dominance of local oligarchs and official corruption.

As a consequence, the Pourashava had their taxes reduced. It is primarily reliant on government funding. Meanwhile, many are unwilling to pay taxes, preferring instead to get excellent services. The primary reason may be people's lack of trust in politicians. The majority of individuals believe that their taxes are not being utilized effectively for their benefit. Pourashava's corruption also makes it difficult for them to pay the taxes.

**Mitra, S., Gupta, M. P., & Bhattacharya, J. (2016, September).** <sup>(93)</sup> Entitled their work as “**Mobile Governance in Indian Urban Local Bodies: An Exploratory Study.**” This article tries to organize and draw conclusions from different efforts on mobile governance undertaken by Indian cities and local governments. Top 20 Indian urban local governments have proposed a mobile app for governance, citizen

cooperation and grievance resolution, energy consumption, tax collection efficiency, smooth tourism service, and healthcare delivery as part of a smart city concept. These transformation indices indicate changes in governance, funding, and accessibility in urban municipal government. The customer (user) index measures the ease with which urban local government services are delivered and grievances and redress, and officials' responsibility. Furthermore, the research found that if ICT projects are implemented correctly, logically, and on time, they can significantly improve the financial situation of Indian ULBs.

**Gandhi, S., & Phatak, V. K. (2016).**<sup>(94)</sup> Entitled their work as “**Land-based financing in metropolitan cities in India: The case of Hyderabad and Mumbai.**” The experiences of land-based finance in India's major 'cities of Hyderabad and Mumbai' are examined in this article. A variety of land-based funding methods are used by "municipal corporations and metropolitan development agencies." However, in Hyderabad, there is a significant difference between how some instruments are utilized and how they are traditionally used, causing misunderstanding regarding the goals they are intended to accomplish. In terms of collection patterns, we find that land-based financing revenues are somewhat smaller than property tax receipts for GHMC and almost twice the property taxation for MCGM. While this is a good indication, such fees would impact the feasibility of new projects since the end-users cost of payment would be paid. According to the researchers, there is little question that land-based finance offers significant promise for funding infrastructure in extra money Indian cities. Still, more attention must be given to their structure to guarantee that they achieve their goals.

**Anilkumar, C. (2016).** <sup>(95)</sup> Entitled his work as “**A new approach to the estimation of fiscal decentralization.**” The study's goal is to determine the degree of fiscal decentralization among Kerala's urban municipal governments. The low estimated value of "fiscal autonomy" (0.47) discovered in "Thiruvananthapuram municipal corporation (TMC)" demonstrates comparatively limited autonomy in raising resources on its own and ineffective execution of given fiscal authorities, according to the study's findings. TMC's own direct spending on delivery of services and infrastructure building as expressed in terms of "fiscal significance" during the Eleventh Five-Year Plan period, on the other hand, is projected to be just 0.22. As the fiscal significance of TMC's functional area declines, so do the authority over administration and its effectiveness in delivering essential services.

**Patil, G. (2016).** <sup>(96)</sup> Entitled his work as “**A comparative study of select states in India with respect to sources of tax revenue.**” This article aims to look at different sources of tax income utilized in other Indian states in general and Maharashtra in particular. According to the findings of the study, Maharashtra is the second most populous state, the third biggest in terms of geographical area, and the third most urbanized state, with 45.23 percent of its population living in urban areas, behind only Tamilnadu (48.45 percent) and Kerala (47.72 percent). Rapid urbanization in India has raised the financial responsibilities of states and municipal governments (ULBs). Maharashtra's already overburdened ULBs became even more financially strapped following "the 74th constitutional amendment act". Since April 2013, it has been the only state to charge the local body tax (LBT). Since August 1, 2015, the state administration headed by the Bharatiya Janata Party (BJP) has partly abolished the LBT. Maharashtra ULBs had the best financial situation of all the states, but there is a

possibility that this may change now that the local body tax has been abolished. It was LBT that distinguished Maharashtra's ULBs from those of other states' ULBs.

**Hruza, F. (2016).**<sup>(97)</sup> Entitled his work as “**Municipal Bankruptcy: Pilot Experience from the Czech Republic.**” The study's goal is to determine the financial circumstances of Czech municipalities facing bankruptcy or a situation that is exceptionally close to bankruptcy. The research's findings indicate that the delay in implementing accountancy transformation in the Czech government sector is most likely the primary factor driving towns in the study region into bankruptcy. Other factors include increasing urbanization, a lack of self-control over finances, and a lack of capacity development for the personnel and machinery employed in the towns of the research region.

**Mohanty, P. K. (2016).**<sup>(98)</sup> Entitled his work as “**Financing cities in India: Municipal reforms, fiscal accountability, and urban infrastructure.**” The purpose of this book is to explain the problems that affect India's municipal authorities. Municipal reforms and budgetary responsibility are given particular attention. According to the author, Indian municipalities have the worst access to resources, municipal lending, revenue-raising ability, and financial autonomy in the world. He went on to say that the proportion of municipal income to GDP at factor cost is projected to be 1.03 percent in 2012-13, compared to 6.0 percent in South Africa and 7.4 percent in Brazil. Aside from that, due to state governments' overwhelming influence, ULBs in India lacks the authority to alter user fee rates, property tax bases, or make any other financial changes.



**Moller, S. (2016, September).** <sup>(99)</sup> Entitled her work as “**When global finance knocks at City Hall’s door: Derivatives and municipal debt management.**” Between 1995 and 2010, the research aims to map out, compare, and explain the usage of interest rate swaps in the credit management strategies of various European municipalities. According to the research findings, European towns have the authority to change the current structure of municipal tax sources to pay off municipal debt. Furthermore, it has been observed that the public-private partnership (PPP) model is being utilized to address the problem of municipal debt management. On the other end, the researchers discovered that, in most cases, the local tax base remained the same for many years owing to political reluctance. Could ultimately force some towns to use public debt as a financing alternative.

**Smith, R. M., & Afonso, W. B. (2016).** <sup>(100)</sup> Entitled their work as “**Fiscal impact of annexation methodology on municipal finances in North Carolina.**” Between 1990 and 2000, North Carolina towns performed almost 6,000 annexations (mergers of municipalities) to investigate the effect of the annexation technique on local budgetary health. According to the findings, annexation activity was expected to improve redistributive government expenditures based on population, higher property tax receipts, and increased utility income for the annexing municipality. However, according to this study, total annexation activity is linked to a decline in municipal financial situation. Much of the prior research on the economic advantages of annexation for towns in the study region contradicts this result.

**Blanco, A. G., Moreno, N., Vetter, D. M., & Vetter, M. F. (2016).** <sup>(101)</sup> Entitled their work as “**The Potential of Land Value Capture for financing urban projects:**

**Methodological considerations and case studies.”** This book aims to look at non-traditional funding options for public infrastructure construction, emphasizing collecting capital gains from urban property. This research demonstrates that public interventions may substantially contribute to the financing methods of urban initiatives in metropolitan settings by capturing the excess value produced or connected to the urban property. The encouragement of the use of such funding methods increases towns' financial sovereignty and assists in closing the gap in infrastructure, enabling progress toward creating more resilient and efficient cities.

**S Sirengo, E. N. (2016).** <sup>(102)</sup> Entitled her work as “**Minimization of the cost of solid waste management through alternative financing mechanisms in Kajiado County.**” The primary goal of this research was to see whether there was any possibility for utilizing alternative finance mechanisms to manage solid wastes in Kenya's Kajiado County to reduce SWM expenses. Alternative funding has a reasonable chance of lowering substantial waste management expenses, according to statistical research (swm). Alternative funding methods include private sector engagement, microfinance involvement, and a mix of private and public sector engagement. Aside from that, the majority of people believe that municipal solid trash collection is the duty of the local government. Therefore, there is an immediate need to begin education and awareness programs on solid waste disposal in the study region. As a result, all stakeholders may participate in the research.

**Gopi, M. (2016).** <sup>(103)</sup> Entitled his work as “**Urban Local Bodies with Reference to 74<sup>th</sup> Constitutional Amendment Act of 1992.**” The purpose of this essay is to show how much "the 74th Constitutional Amendment Act" has revitalized and strengthened

city governments so that they can operate successfully as local government entities. According to the author, the paper's discovery Municipalities in India became a part of a federal framework following the 74th CAA in 1992. On the other hand, Ward committees are not formed in all municipalities, except for large cities. Officials from the state government must approve the municipality's bylaws or resolutions. The power of repression over municipalities still exists. As a result, even with a constitutional promise to municipalities, local autonomy seems to be fiction.

### **2.3 Summary of Reviews:**

The numerous studies discussed above have shed light on various dimensions/aspects of municipal finance and the gaps and inadequacies in each area. The majority of research on urban local governments has mainly focused on the issue of resource mobilization. Local finance has also been studied in terms of both resource mobilization and resource use. However, neither the income nor the capital expenditures of local authorities have been examined in these researches. In other words, these studies have solely looked at the income side of municipal spending patterns.

Furthermore, none of the research listed above has looked at a critical element of local financial administration, namely municipal budgeting. In addition, the majority of researches have only taken a few years to complete. The inability to examine the finances of local organizations in India in depth has been hampered by a lack of data. In spite of this, these studies have proved invaluable in rendering a detailed understanding of the local municipal bodies, issues pertaining to them, etc.

The topic of local finance has been completely ignored in Jammu and Kashmir, and no significant research on municipal finance has been undertaken especially on the area being studied. Research conducted thus far has solely focused on the administrative aspects of municipal organizations. As a result, the state of J&K felt the necessity to conduct a thorough investigation into the administration of financial resources in municipal corporations. As a result, the current research is anticipated in bridging this gap.

The current research takes a somewhat different approach than previous studies on municipal finance, covering a broader range of topics. Other elements of municipal finance, such as municipal resource mobilization, resource use, and municipal financial management (municipal budgeting), have been examined in addition to the historical organizational structure of municipal government.

To conclude, it is important to focus research efforts in the areas mentioned above, in order to improve the observational framework for investigations in municipal finance.

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## **Chapter-III**

### **Financial Management of Urban Local Bodies in India: An Overview**

#### **3.1 Introduction**

Public finance has perpetually been the backbone of statecraft and recognizes its importance for a state and politics. The fate of organizations irrespective of public or private, large or complex in present-day, largely depends upon their fiscal policies. The financing of government (central, state, and local) is an issue of world-wide apprehension, as every citizen enjoys some benefit from the services of the government and in turn, contributes his/her support to the former. <sup>(1)</sup> Public organizations need finance to provide a wide range of services to citizens. Furthermore, any organizational action relies upon finance. Hence, it is called the life-blood of the organization. <sup>(2)</sup> Moreover, the most important aspect of organizations, whether public or private, is proper financial management, which is an integral part of overall administration and concerned with the efficient use of an important economic resource, namely capital and funds. The terms financial accounting, cost accounting, budgeting, and statistics are used to define the domains of financial management that include raising funds, profitably using these funds, planning future actions, controlling existing implementations, and anticipating future developments.

Local government finance is the branch of public finance that deals with the finances of local governments in both rural and urban areas in relation to the federal and state

governments. <sup>(3)</sup> Financial management is an important aspect of urban local government. It allows the local government to organize, mobilize, and use financial resources efficiently and effectively while still meeting its obligations to be answerable to its clients. The sound management of public sector finance is a cornerstone of good governance and a pre-condition for efficient public service delivery and economic development. <sup>(4)</sup> Urban local bodies, as the providers of urban services, face a lot of challenges in managing their finances because of unlimited demand for the services and limited financial resources. This necessitates sound management of municipal finances or municipal finance management. Municipal finance management refers to the process by which municipalities manage their affairs with the available resources. This process includes all sources of revenue from which local bodies obtain revenue, like the grants of central and state governments, taxes, fines, penalties, user charges, etc. and the way in which the collected revenue is spent on the developmental activities of the municipalities is known as the financial management of the municipal bodies. <sup>(5)</sup> It empowers the ULBs to design, organize, and use funds at their disposal in an efficient and effective way to provide civic services in a time-bound manner. Financial Management, in a broad sense, has four major components: budgeting, accounting, reporting, and auditing. <sup>(6)</sup>

### **3.2 Legislations and Major Administrative Decisions on Municipal Finances in India**

India has a great history of strong and vibrant institutions of local self-government. This can be understood by looking at the special features of Indus Valley Civilization like town planning, drainage system, maintenance of roads and streets, etc. Due to

the well-developed infrastructure, the time period of Indus Valley civilization is known as the First Urbanization of India <sup>(7)</sup>. Henceforth, various successive regimes continued the institution of local government with different approaches, but in the British regime, municipalities were developed on a systematic pattern with the inception of the country's first municipal corporation at Chennai in 1687.<sup>(8)</sup> In 1919, the then government, in their legislation, namely the Government of India Act (GOI) of 1919, had made special procedures for municipal finances, like octroi, terminal tax, tax on trade, profession, and callings were reserved for municipal bodies apart from land and property taxes. Later on, in the GOI Act 1935, the local self-governments received an impediment in comparison with the earlier legislation. Although the 1919 Act had clearly stated the financial resources allocated to urban local bodies, but the GOI Act 1935 mentioned only the centre and province revenue sources, and left local government's functions and tax powers to the will of state and provincial governments. <sup>(9)</sup> The same situation continued even in the post-Independence era.

### **3.2.1 Post-Independence Period**

After the independence of India in 1947, for guaranteeing, protecting, and safeguarding the implementation of democratic ethos in the country, the Indian constitution has extensive provisions for both the national and state legislatures. <sup>(10)</sup> However, the Indian Constitution does not make local governments a clear-cut constitutional requirement, and as a result, democracy in urban local governments has been unstable, negatively impacting governance and financial circumstances. <sup>(11)</sup> As a result, state agencies began to infringe on local governments' powers and

finances, and many of them became weak and unable to execute their duties effectively. Taking the above-mentioned factors into consideration, the Government of India has taken several initiatives to revive democracy at the local level. In 1951, GOI appointed a committee namely Local Finance Enquiry Committee 1951 that recommended the implementation of taxes like tax on consumption or sale of electricity, tax on advertisement other than those published in newspapers. Tax on vehicles, toll tax, and tax on entertainment were allotted exclusively to municipalities. Further, the Taxation Enquiry Commission 1953, added duty on transfer of properties to the municipalities, taxes on land and buildings, octroi, taxes on non-mechanically propelled vehicles, taxes on animals and boats, taxes on professions, trades, callings, employment and on advertisements <sup>(12)</sup>. The Commission also recommended that the local bodies should be permitted to impose a theater or show tax. These recommendations were supported by the Zakaria Committee (Rural Urban Relationship Committee). <sup>(13)</sup> From these sources, octroi was the main source of municipal revenue. It falls under the state list entry 52, which deals with taxes on items entering a local area for consumption, use, or sale (List 11 and Schedule 7<sup>th</sup>). Until the 1950s, octroi was levied in practically all the Indian states. However, later on, a narrative arose against the established procedures for the collection of octroi. <sup>(14)</sup> On this account, different states discontinued this levy at different times. Kerala and Tamil Nadu abolished the same in 1956, Andhra Pradesh in 1965. With the passage of time octroi was abolished from all over the India except Maharashtra. <sup>(15)</sup> However, with the eradication of octroi and other states appropriating local taxes, such as professional tax, motor vehicle tax, entertainment tax and duty on transfer of



property, urban local bodies have reached a state where they cannot even meet the cost of elementary civic functions on their own.

### **3.2.2 The 74<sup>th</sup> Constitutional Amendment Act 1992**

Decentralization is a global trend, with more than 60 countries having implemented decentralization programs in their public setup, trying to reach the doorstep of their citizens. Decentralization can be defined as “any act in which a central government formally cedes powers to institutions at lower levels in a political, administrative and territorial hierarchy” (United Nation Development Programme, 1999). In this context, the government of India enacted the 74th Constitutional Amendment Act (CAA) in June 1993. Part IX-A of the Indian Constitution was added by this measure. It's called the Municipalities, and it is made up of provisions ranging from 243-P to 243-ZG. The Twelfth Schedule was also inserted to the Constitution as a result of this Act. Article 243-W of the Act contains 18 functional components for ULBs. <sup>(16)</sup> Municipalities gained Constitutional Status as a result of the Act but there was no comparable recommendation by the 74th Amendment on the finances of municipal government. They now fall under the jurisdiction of the Constitution's justiciable section as a result of this act. In other words, state governments have a constitutional obligation to implement the Act's criteria for the new municipal organization. The 74th CAA of 1992 began India's democratic decentralization process by giving local administrations legal recognition, increased powers, and functions. The Act, on the other hand, made no changes to the country's fiscal federalism framework. The state (provisional) government retains complete discretion in granting towns such authority while failing to provide necessary funding. Municipalities thus take nothing

from universal sovereignty unless what the central government expressly grants. <sup>(17)</sup> ULBs will be in charge of urban planning, water supply, social and economic planning, slum upgradation, and public health, among other things, according to the 74th CAA. The CAA does not, however, create a revenue basis for ULBs, and the state government retains the ability to do so. <sup>(18)</sup>

**Table 3.1: Functional Aspects of Municipalities Under (Article 243-W)**

	<b>The following are the Eighteen Functional Items of ULBs under 74<sup>th</sup> CAA 1992</b>
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 the environment and promotion of ecological aspects
9	Safeguarding the interests of weaker section of society, including the disabled 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 ponds, 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

**Source:** The 74<sup>th</sup> Constitutional Amendment Act 1992

**Table 3.2: Power and Responsibilities of Municipalities**

	<b>Description</b>	<b>12<sup>th</sup> Schedule (Articles)</b>
1	Levy, collect and appropriate taxes, duties, tolls and fees	243X (a)
2	Assign taxes, duties, tolls and fees levied and collected by State Governments	243 X (b)
3	Grants by State Governments	243 X (c)
4	Providing Constitution of funds	243 X (d)
5	Maintenance of accounts and audit	243 Z
6	Constitution of State Finance Commission to review financial position of Municipalities and to make recommendations for distribution of revenue between State and Municipalities	243 Y

*Source: (Rao & Rosaiah, 2008)*

All the above-mentioned aspects which are highlighting the financial aspects of ULBs like 243 X(a), 243 X(b), 243 X(c), 243 X(d) and 243 Y, all are under the jurisdiction of states government. ULBs without the approval of states government, can neither fix the rates of duties, fees, and taxes, nor can they increase municipal tax or any other aspect which can further contribute to develop the fiscal health of ULBs

<sup>(19)</sup>. However, the responsibilities of municipal corporations across the country have been increased and greater autonomy is given to them but the institutional mechanisms is not in place to guarantee a balance between responsibilities of ULBs and their finances. While having the constitutional status, still Indian ULBs are amongst the weakest all over the world, in terms of financial condition. Their revenue stream is limited, rigid, and unreliable. <sup>(20)</sup> Surprisingly, the proportion of municipal revenue to total Centre and state revenues has decreased from 3.92 percent in 2007-08 to 3.62 percent in 2012-13. The ratio of municipal taxes to combined central and state taxes has gone down from 2.11 percent to 1.79 percent between the two years. These trends are not the signs of urban development as urban population is growing very rapidly. In this context, India is far behind developed and developing countries in expenditure and revenue decentralization to ULBs.

Municipal expenditure GDP ratio was estimated at 10 percent in 2012-13. <sup>(21)</sup> Local spending GDP ratios for OECD countries in 2010 were as follows: Belgium (7.0), Germany (7.9), Austria (8.2), France (11.8), United Kingdom (14.0), Italy (15.9), Finland (22.6), Sweden (25.1), and Denmark (37.3). While cities are expected to be economic engines in the coming decades, India's municipal finances are still underdeveloped.

Municipal revenue in India continues to account for a tiny percentage of GDP and has stayed stable at roughly 1% of GDP from 2007-08 to 2017-18 whereas, the same aspects in other countries are completely different. Like in Poland (4.5 percent), South Africa (6.0 percent), Germany (7.3 percent), Brazil (7.4%), Austria (7.8%), the

United Kingdom (13.9 percent), Norway (14.2 percent), Italy (15.3%), Finland (22.4 percent), and Denmark (37.1 percent) all had similar ratios. <sup>(22)</sup>

**Table 3.3: Municipal financial major sources of Revenue in India and their contribution**

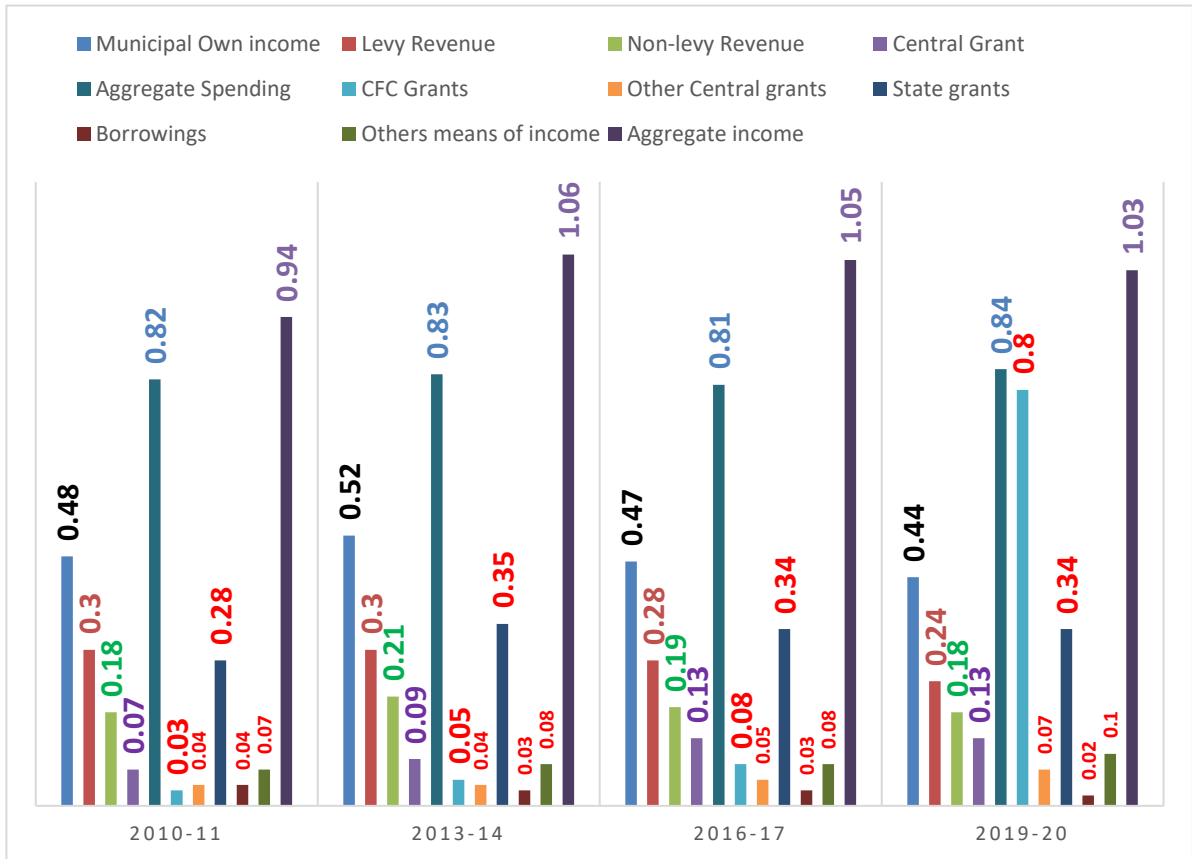
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Municipal Own Income	0.48	0.49	0.53	0.52	0.51	0.51	0.47	0.43	0.47	0.44
Levy Revenue	0.30	0.31	0.32	0.30	0.30	0.30	0.28	0.25	0.26	0.24
Non-levy Revenue	0.18	0.18	0.20	0.21	0.21	0.21	0.19	0.18	0.19	0.18
Central Grants	0.07	0.07	0.08	0.09	0.08	0.10	0.13	0.12	0.15	0.13
CFC Grants	0.03	0.03	0.04	0.05	0.04	0.05	0.08	0.07	0.9	0.8
Other Central grants	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.06	0.07
State grants	0.28	0.30	0.34	0.35	0.35	0.34	0.34	0.33	0.35	0.34
Borrowings	0.04	0.03	0.02	0.03	0.03	0.03	0.03	0.02	0.03	0.02
Others means of income	0.07	0.09	0.08	0.08	0.09	0.08	0.08	0.10	0.11	0.10
Aggregate income	0.94	0.98	1.05	1.06	1.05	1.06	1.05	1.00	1.06	1.03
Aggregate Spending	0.82	0.81	0.83	0.83	0.86	0.86	0.81	0.78	0.80	0.84

**Source: Indian Council for Research on International Economic Relations, Reserve Bank of India, Institute of Urban Affairs, 2019.**

In Table 3, it has been shown that Municipal own revenue as percent of GDP rose from 0.48 in 2010-11 to 0.49 in 2011-12, and 0.53 in 2012-13. However, it has since dropped. Own revenue was 0.43 percent of GDP in 2017-18, the lowest in the prior eight years. Municipal tax revenue to GDP ratio, on the other hand, has decreased from 0.30 percent in 2010-11 to 0.25 percent in 2017-18. Central transfer has increased from 0.7% in 2010-11 to 0.13% in 2016-17, but has declined within one year and reached 0.12% in 2017-18. Grants from the Central Finance Commission (CFC) have also increased from 0.03% in 2010 -11 to 0.07% in 2017-18. With the changing nature of urban demography, all factors more or less are showing increase in their share, but the most critical and stagnant factor is Municipal borrowing which was 0.04% in 2010-11 and 0.02% in 2017-18. <sup>(23)</sup> Of all the municipal sources, grants provided by the central government on the recommendations of Central Finance Commission contributes to a major chunk of the finance for various ULBs in India. Ironically, during 2010-11 to 2019-2020, the total municipal income from all sources has increased from 0.94 to 1.03% whereas, the municipal expenditure has reached 0.82% to 0.84% only. This shows that the municipal bodies in India are not independent in their own financial management. Because, in spite of having funds at their disposal, the ultimate power for taking decisions on financial matters lies with the state government. In the aforementioned table, we have seen that during the time period mentioned, grants recommended by the Central Finance Commission have contributed to the total municipal revenue surpassing the other means of

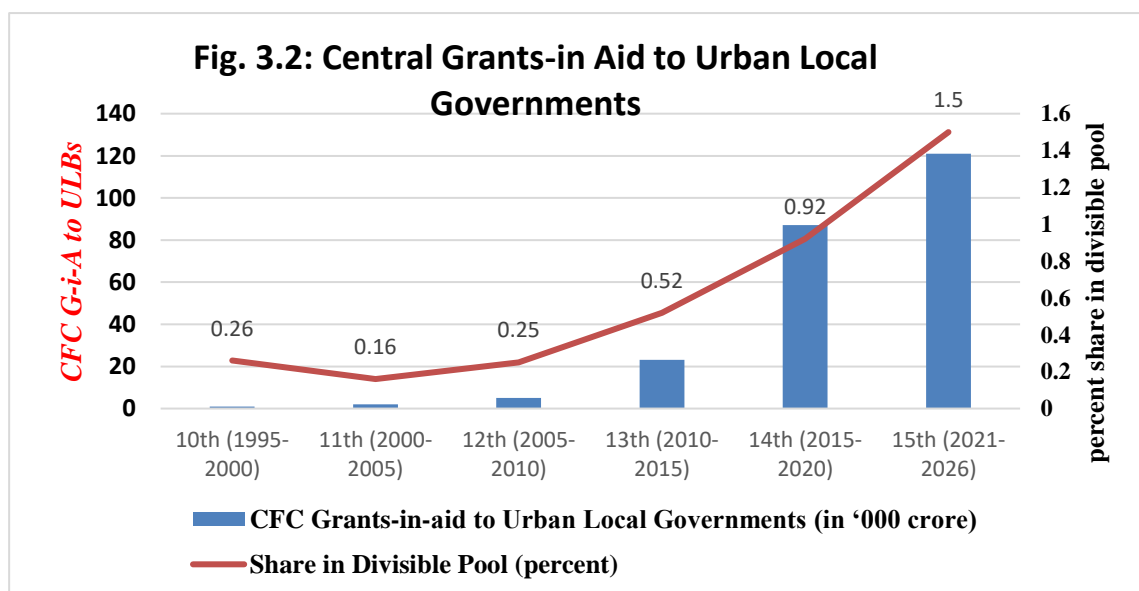
earning. In the below mentioned figure 3.1, an attempt has been to analyze the trends of different sources of municipal revenue and expenditure;

**Figure 3.1 Depicts Municipal Financial Major Sources of Revenue in India and their Contribution**



<b>Table 3.4: Central Grants-in Aid to Urban Local Governments</b>		
<b>Finance Commission</b>	<b>CFC Grants-in-aid to Urban Local Governments (in '000 crore)</b>	<b>Share in Divisible Pool (percent)</b>
10 <sup>th</sup> (1995-2000)	1.0	0.26
11 <sup>th</sup> (2000-2005)	2.0	0.16
12 <sup>th</sup> (2005-2010)	5.0	0.25
13 <sup>th</sup> (2010-2015)	23.1	0.52
14 <sup>th</sup> (2015-2020)	87.1	0.92
15 <sup>th</sup> (2021-26)	121	1.5

Source: Central Finance Commission (various reports)



In Table 3.4, it clearly shows that the CFC grants for the time period of 2010-11 to 2019-20 has increased from 0.52% to 0.92%, which means that in a decade



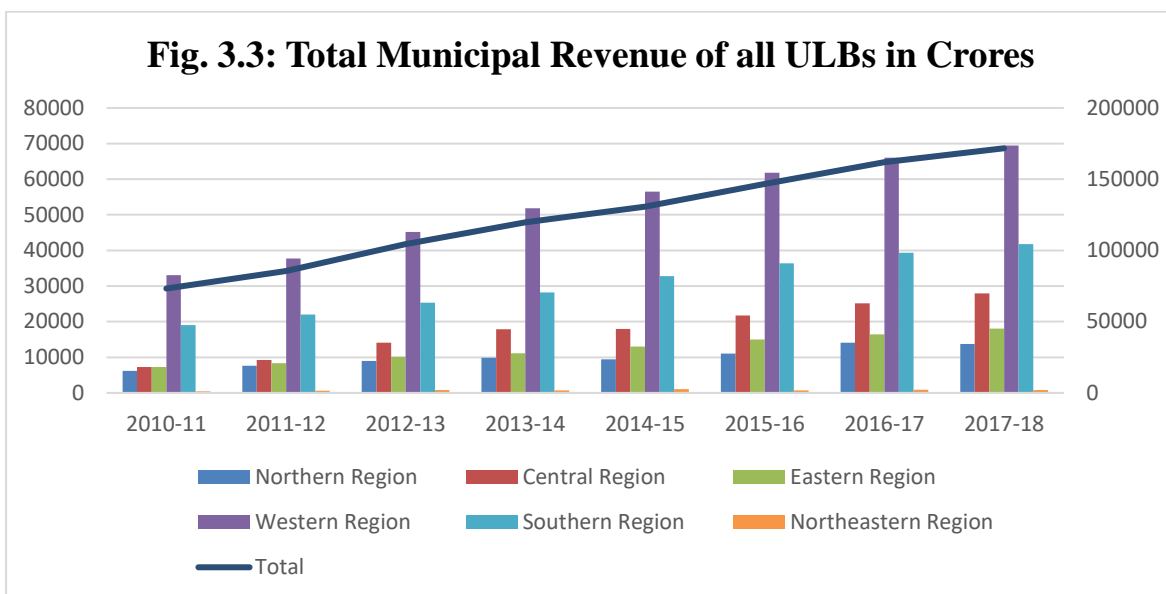
only 40% change has been reported. According to the Economic Survey of India for 2017-18, India will require roughly USD 4.5 trillion in investments over the next 25 years till 2040 to construct enough infrastructure in order to accelerate economic growth. In this context, it is quite obvious that the present approaches and attention towards municipal finance may not serve the cause. In spite of this, a positive ray of hope is being witnessed by the attention and concern shown by 15<sup>th</sup> CFC while granting the sum of Rs. 1,21,005 crores for ULBs in India, which constitutes 1.5% share in the divisible pool. Furthermore, it is 78% more than the previous year grants recommended by 14<sup>th</sup> CFC for the time period of 2015-16 to 2019-2020. This is a positive development to meet the expected requirement of 39.2 lakh crore investment for developing and upgrading urban infrastructure services such as roads, sewerage, street lights, waste management and treatment facilities, and water bodies, as the urban population is expected to double to over 800 billion by 2050.

All Urban Local bodies in India have the provision of their own budgeting system in which local authorities and local representatives decide the planning of an anticipated year. Budgeting is a legal requirement for all Indian local self-governments. The quality of financial planning and the priorities of municipal corporations are reflected in budgets. Despite the growing importance of cities and the increased focus on them, budgeting in local bodies benefits from decentralization and devolution of financial authority, does not receive the kind of attention it deserves. <sup>(24)</sup> The below mentioned table shows the statistics of state wise Municipal Revenue from 2010-11 to 2017-18.

<b>Table 3.5 Aggregate Municipal Revenue across the country (2011-2020)</b>								
<b>(Amount in crore rupees)</b>								
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Andhra Pradesh	1824.3	1746.1	2017.4	2125.5	3142.0	3296.4	3969.6	3886.7
Arunachal Pradesh	0.2	NA	NA	8.9	9.5	6.3	17.1	25.2
Assam	227.1	260.8	255.5	242.6	271.1	144.3	263.2	222.8
Bihar	833.7	1042.2	1389.5	1462.3	1792.8	1884.6	1944.3	2149.8
Chattisgarh	177.0	220.9	823.1	856.9	864.2	1398.1	2074.9	2330.5
Goa	NA	NA	158.6	87.1	87.1	102.7	120.7	174.0
Gujarat	7615.8	7950.3	9573.0	12939.4	13964.0	14068.7	16892.9	20818.1
Haryana	1583.8	2154.4	2457.2	1954.6	1608.9	2437.6	3434.1	3883.8
Himachal Pradesh	135.9	163.4	260.1	312.5	197.3	336.1	671.6	361.6
Jammu and Kashmir	414.0	472.0	397.2	491.5	691.9	687.8	705.4	716.0
Jharkhand	NA	NA	603.7	504.3	1182.5	1653.8	1882.5	1679.1
Karnataka	7585.5	9460.6	10132.9	11154.0	12489.1	13822.2	14274.8	14855.1
Kerala	1265.5	2090.8	1727.2	2160.3	2417.5	3032.3	3461.8	3625.2
Madhya Pradesh	2143.8	2906.4	6051.2	7460.8	7563.8	10335.8	11683.0	12324.5
Maharashtra	25471.1	29814.3	35464.6	38788.3	42494.3	47619.8	48988.3	48484.6

Manipur	34.2	53.2	43.7	30.6	35.9	52.9	19.8	83.7
Meghalaya	19.2	27.4	32.6	19.0	19.8	18.5	23.5	20.2
Mizoram	11.1	15.1	26.3	25.7	42.9	20.4	29.6	40.0
Nagaland	13.9	15.4	10.4	19.5	21.8	17.4	18.2	19.1
Odisha	776.8	925.2	1148.6	1609.1	1419.8	1898.5	1924.3	1759.1
Punjab	2025.2	2327.5	2425.0	3218.9	3214.9	3014.8	3686.9	3394.6
Rajasthan	2065.2	2490.7	3395.7	3875.6	3738.5	4601.2	5552.2	5397.2
Sikkim	NA	NA	8.2	8.4	9.8	17.4	20.3	20.6
Tamil Nadu	6312.1	6493.7	8285.3	9433.5	10956.2	12400.1	13206.0	14892.7
Telangana	2008.7	2224.2	3122.7	3357.5	3799.3	3800.5	4458.5	4502.1
Tripura	164.5	279.7	431.2	368.1	624.6	409.8	540.1	355.9
Uttar Pradesh	4712.9	5914.8	6855.5	9145.4	9085.2	9370.6	10890.2	12238.2
Uttarakhand	200.4	208.5	366.7	410.5	473.7	624.6	533.2	1021.9
West Bengal	5637.9	6369.6	7013.1	7549.3	8575.9	9505.7	10691.9	12415.0
Total	73259.8	85627.2	104476.1	119620.2	130794.0	146578.5	161978.9	171697.1

Source: State of Municipal Finances in India, ICSSR, p 39.



In Table 3.5, the data pertaining to aggregate municipal revenue has been shown from 2010-11 to 2017-18. Moreover, the same has been shown in the figure mentioned above by classifying the states as per the classification of Zonal Councils of India. Subsequently, it has been observed that the growth rate of aggregate revenue of the states in the central region (Chhattisgarh, Uttarakhand, Uttar Pradesh and Madhya Pradesh) is comparatively higher than the other regions. In the financial year 2010-11, the aggregate municipal revenue of this region was Rs.7234.1 crores, which rose up to Rs 27915.1 crore in 2017-18. Overall, this region has witnessed a 286 percent growth of aggregate municipal revenue from 2010-11 to 2017-18. Likewise, the eastern, northern, southern, western and north-eastern regions have witnessed the growth rate of 149, 121, 120, 110 and 63 percent respectively, from the financial years 2010-11 to 2017-18. Besides, the overall fiscal health of ULBs falling in the states of Western region (Goa, Gujarat and Maharashtra) has witnessed a gradual

increase followed by the southern region (A.P, Telangana, Karnataka, Kerala and Tamil Nadu).

<b>Table 3.6: Overall Fiscal Status of Indian ULBs (2002-18)</b>				
<b>Financial Year</b>	<b>Municipal Revenue as % of GDP</b>	<b>Municipal Expenditure as % of GDP</b>	<b>Municipal taxes as % of combined tax revenues of centre, states and local</b>	<b>Municipal own revenue</b>
2002-03	1.05%	1.08%	2.4%	0.37%
2007-08	1.02%	1.09%	1.7%	0.52%
2012-13	1.05%	0.83%	1.8%	0.50%
2017-18	1.00%	0.78%	1.8%	0.50%

Source: 15<sup>th</sup> Central Finance Commission of India

The facts and figures mentioned in the Table 3.6 depicts that municipal revenue as percentage of country's Gross Domestic Product (GDP) was 1.05% in the year of 2002-03 and in 2017-18 it reached 1.00%. Similarly, Municipal combined tax revenue of centre, state and local has declined from 2.4% in 2002-03 to 1.8% in 2017-18. But the ray of hope lies in the Municipal own revenue, as it has increased from 0.37% in 2002-03 to 0.50% in 2017-18.

### **3.3 Urban Governance and Financial Position of Major Urban Local**

#### **Bodies of India:**

To understand this phenomenon, the researcher has chosen the six largest Municipal Corporations (MCs) of the country.

**Table 3.7: Finances of six largest Municipal Corporations of India (in lakh rupees)**

Municipal Corporation	Municipal Revenue		% Change	Municipal Expenditure		% Change
	2012-13	2017-18		2012-13	2017-18	
Mumbai	14104.3	18601.2	31.88%	12598.4	15740.6	24.94%
Bengaluru	3870.0	6371.5	64.64%	4950.0	4476.7	-9.56%
Hyderabad	3375.7	5379.7	59.37%	2587.4	4165.8	61.00%
Ahmedabad	5317.4	8006.5	50.57%	3297.0	4838.2	46.75%
Chennai	4800.5	8704.9	81.33%	4588.3	9444.5	105.84%
Kolkata	7261.8	8976.1	23.61%	6906.8	8468.2	22.61%

**Source: Finances of Municipal Corporations in Metropolitan Cities of India, ICRIER Team, 2019.**

In the above-mentioned table, it is clearly visible that a considerable (31.88%) and almost one fourth (24.94%) percentage change has been witnessed in the total revenue and expenditure of Mumbai Municipal Corporation respectively. Likewise, a considerably good percentage change (64.64%) has been observed in the revenue part of Bengaluru Municipal Corporation. However, very insignificant (-9.56%) fluctuation was noticed in expenditure part. The city of Hyderabad has experienced nearly two thirds (61%) change in its expenditure whereas, the revenue side too has witnessed more than half (59.37%). Ahmedabad, the capital city of Gujarat has witnessed 50.57% change in its total revenue over the years (2012-18), nearly half (46.75%) percentage change was reported in its expenditure. Chennai stood at top with (81.33%) and (105%)

change in its revenue and expenditure respectively. Lastly, the Kolkata Municipal Corporation has witnessed a percentage change of 23.61% and 22.61% in its revenue and expenditure correspondingly.

According to the 2011 census, the Chennai Municipal Corporation had 87.28 lakh population and the same is expected to reach 115.03 lakh in 2022. The rise in population is 31% over a decade. The total revenue and expenditure of the Municipal Corporation has increased by good percentage over the years 2012-18. At the same time, there are various urban governance issues that have suffered a lot due to the increase in urban population in Chennai, namely, drainage problem and scarcity of water. The extent for this was witnessed during the flood of 2020 so much so that the National Green Tribunal of India has taken a *Suo -Moto* action on the same and asked for a report from the State Government. The Government of Tamil Nadu in its report, listed several causing for the same including encroachment, faulty drainage system, rapid urbanization resulting in changing land patterns. Without making the necessary adjustments for an appropriate drainage system to control the flow of excess water from conventional tanks as well as flood waters from catchment areas, the modifications in land use patterns were made subsequently causing major floods. <sup>(25)</sup> The number of water bodies in Chennai have seen a significant decline and reduction in surface area, majorly affecting the city's ability to replenish groundwater as the number of water bodies in 1893 was 60 and in the year 2017, only 28. Consequently, the people residing in the urban areas of Chennai are facing acute shortage of drinking water and water required for miscellaneous purposes. They are completely dependent on water tankers run by private agencies which brought water from other areas, subsequently, becoming a major financial burden on the citizens. Another issue ailing the city of Chennai due to the rise in population is

municipal solid waste management. The identified sites of disposal, Kodungaiyur and Perungudi, have far exceeded their limit proving to be a health hazard. Similarly, when it comes to roads and transport mechanism, according to National Crime Record Bureau, 5880 people died in road accidents from 2015-2019. Furthermore, the number of people injured in accidents were 35,784.

Hyderabad Municipal Corporation is responsible for ensuring governance to 67.31 lakh people according to the census 2011, the same is expected to reach 81 lakhs in 2022. The city is witnessing tremendous rise in urbanization. Although, the financial data provided by the Municipal Corporation shows an increase in its revenue over the years, the issue pertaining to urban governance in Hyderabad remains neglected. The city of Hyderabad has been facing issues with its drainage since many years which is attributed to many factors including unplanned construction, insufficient widening of drainage system, etc. The entire drain and sewerage system has not undergone a significant overhaul since it was modified a century ago after the catastrophic Musi river flooding; rather, successive governments have merely built additions. In 2021, the city has witnessed flood like situation not only resulting in disruption of livelihood but even loss of life. With the increase of industrial sector in the Centre of the city along with the peripheral areas lead to the migration of people from different states which eventually put pressure on the existing transport system in Hyderabad. <sup>(26)</sup> Furthermore, due to the decrease of public transport system, the individual transportation has further deteriorated the already congested roads. Even metro rail is not well-connected or accessible throughout the city. Due to this inadequacy in the transport system and incessant traffic jams makes congestion a common problem on the roads of city. In 2022, according to Hyderabad Metropolitan Water Supply and Sewerage Board, there



has been a decline of water levels in the eight major reservoirs of the city causing a havoc on the citizens, impressing upon them a need to order water through private tankers.

According to the census 2011, the population in the city of Bangalore was 86.35 lakhs that grew tremendously, with the number expected to reach 131.93 lakhs in 2022. The available data shows an increase in revenue and expenditure over the years as well. However, this financial data does not go in tandem with the reality thereby, depicting the miserable condition of the city's management. The city's current sewage system and infrastructure are unable to handle the extra water that is produced once it rains. Originally, Bangalore's storm water models were developed to complement the three valleys that cut across the city. Koramangala-Challaghatta, Hebbal, and Vrishabhavathy. They were effective as long as the city's population remained within a certain range. <sup>(27)</sup> As far as the roads of the city are concerned, the city police had submitted a 567 pages report to state government, citing the reasons of traffic jams and road accidents. According to the report, the city is plagued by the issue of poor roadways and existing roadways are in poor condition. This research also identifies 518 locations with potholes. The traffic police stations at Kumaraswamy Layout, Banaswadi, Whitefield, Mico Layout, Hulimavu, and RT Nagar have the most potholed roads. "Potholes contribute to traffic jams and accidents, primarily for two-wheeler riders. The report advises that such roads be rebuilt as soon as possible. It further said that the 78 highways that should not be used by vehicles until they are maintained properly ensuring safety. Due to the bad conditions of roads, 832 people were died in 810 incidents in 2019, 655 people died and 632 accidents in 2020, with 655 fatalities in 632 accidents in 202. <sup>(28)</sup>

Upon analysing the three other largest municipal corporations of India, the available data shows that both the revenue and expenditure of the municipal corporations is increasing, over the years. With the increase in population and business activities in urban areas in different countries of world, the tax revenue, non-tax revenue, property tax and municipal own revenue also increased but not in accordance with the rise in urban population. <sup>(29)</sup> The biggest reason behind this is the municipal corporation do not have the power to fix their revenue part on their own as this power lies with the state government under Article 243X. <sup>(30)</sup> The population in the Mumbai Municipal Corporation was 184.64 lakh in the year 2011, expected to go up to 209.61 lakh in the year 2022, with Ahmedabad Municipal Corporation being 64.12 lakh in 2011, expected to reach 84.50 lakh in 2022 whereas the figures are 140.85 lakh in 2011 expected to go up to 151.33 lakh for the Kolkata Municipal Corporation. The major urban issues pertaining to these Municipal Corporations include improper drainage system, waterlogging, inundation, inadequate infrastructure to deal with the growing population. Mumbai and Kolkata being some of the oldest cities of India are drowning in an array of problems especially due to slums issues. Mumbai has become synonymous with civic and sanitization issues. The high density of population in the city is plagued by poor mechanism of garbage collection, thereby, leading to numerous health problems. Meagre measures are taken to provide proper sanitation and disposal of garbage. <sup>(31)</sup> According to National Crime Record Bureau, in the year 2019, the city of Mumbai has witnessed the highest number of road accident fatalities across the 53 cities of India – 9246 deaths. Kolkata has been undergoing tremendous strain due to urbanisation. The city also has unsatisfactory solid waste management system where conventional methods need to be modernized in order to deal with the issues at hand.

Furthermore, the Built-up areas in Kolkata increased from 22% in 1990 to 31.4 % in 2000 to 44.2 % in 2010 to 55.7 % in 2020. The heat island effect has been caused by the city's annual mean land surface temperature, which has increased by as much as 4.72 degrees Celsius over the past three decades due to climate change and urbanization. This causes heat distress in both plant and animals. <sup>(32)</sup> In the Ahmedabad Municipal Corporation, the situation is not very different. The city has to deal with the same issues as other corporations including overflow of drainage, inundations, etc., mainly due to urban sprawl. The death rate in road accidents in the city has increased by 6%, indication higher fatalities on the city roads, with as many as 13,456 deaths occurring in the span of two years, 2019 and 2020. Higher ratio of accidents is seen on the eastern parts of the cities when compared to the western parts, attributed to the movement of heavy vehicles. <sup>(33)</sup>

### **3.4 The Era of Goods and Services Tax 2017 and Municipal Finance in India**

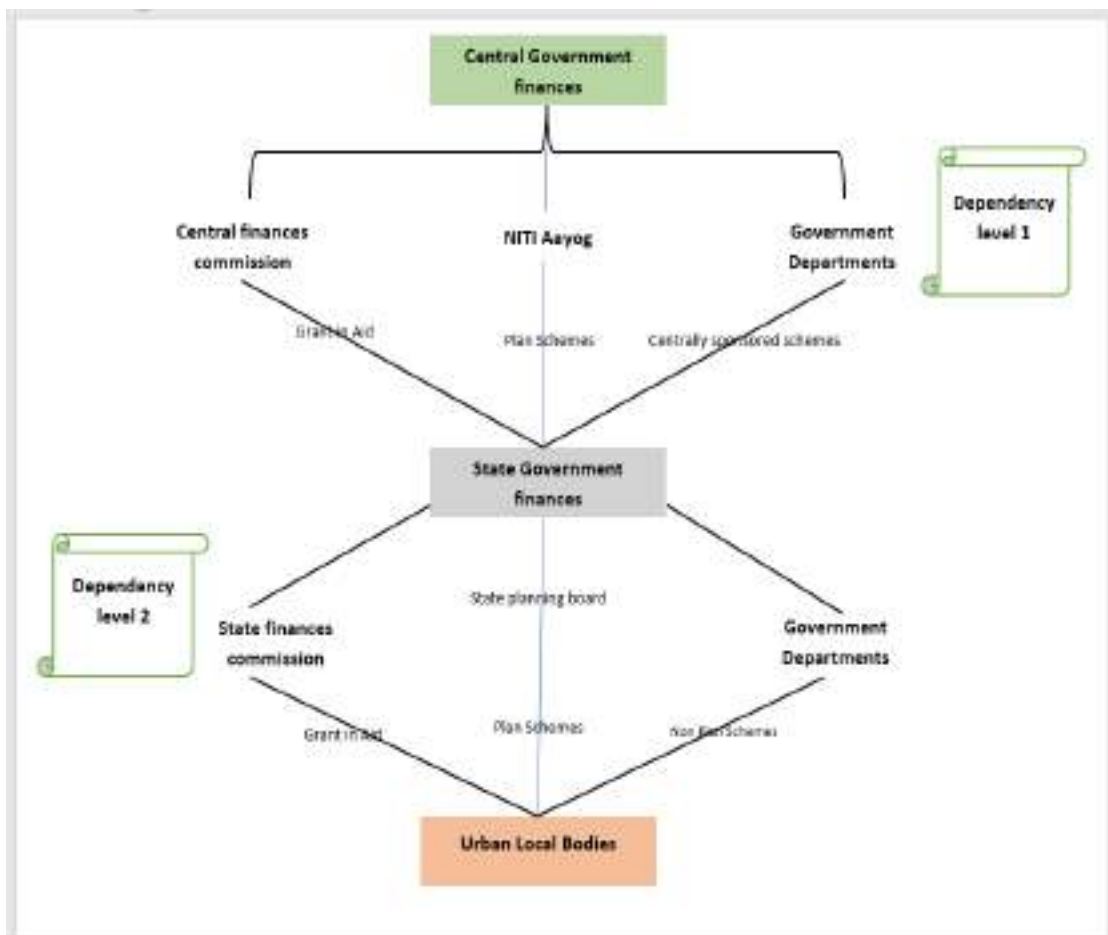
The Goods and Services Tax Act (GST) of 2017 has had an impact on the finances of urban local bodies. The GST was implemented by the Indian government in 2017, as part of the "one nation, one tax" policy. It is a single tax that is imposed on the supply of products and services from the manufacturer to the customer, effectively replacing many indirect taxes. The reform's major goal was to bring various types of taxes under the umbrella of a single tax system. On the one hand, it helps the economy to curtail different types of taxes and subsume them in a single and multistage tax system that is equally across the country. <sup>(34)</sup> On the other hand, it exerted a negative impact on the municipal finances across the country. The severity of its impact on the

municipal bodies can be understood by looking at the facts and figures provided by the Indian Council for Research on International Economic Relations (ICRIER) team in their report which was presented to the commissioned the fifteen-finance commission.

In 2012-13, the Aggregate Municipal Revenue was 0.49%, after the implementation of GST, it decreases to 0.45% in 2017-18. Furthermore, municipalities' ability to increase their own source of revenue as a percentage of GDP has declined from 0.33 percent in 2012-13 to 0.23 percent in 2017-18. Furthermore, the GST reduced the share of municipal revenue made up of "local taxes other than property tax" from 23% in 2012-13 to 8.5 percent in 2017-18. ICRIER also stated and emphasized data from 37 municipal corporations from 53 metropolitan agglomerations and cities with populations greater than one million, suggesting and emphasizing that municipal corporations' share of own revenue decreased from 67.3 percent in 2012-13 to 51.6 percent in 2017-18. As a result, their reliance on state governments or other lenders has grown. <sup>(35)</sup> Besides, the country's best performing ULBs like Greater Hyderabad Municipal Corporation (GHMC) and Municipal Corporation of Greater Mumbai suffered a lot. In the very initial year of GST, GHMC has lost Rs 4,000 Crore as the Value Added Tax (VAT) has gone up from 4% to 18%. Besides, the service tax on all operation and maintenance work had also gone up from 15% to 18%. <sup>(36)</sup> Like GHMC, the Municipal Corporation of Greater Mumbai has had to abolish octroi, its main source of revenue in compliance of GST, which on an average had contributed almost 35% of its revenue. Revenue generated from this source in 2015-16 was Rs.

62,760 million, in 2016-17, Rs. 727,440 million and 2017-18 it was subsumed under GST. (37)

This GST has further increased the dependency level of urban local bodies on higher tiers of government which has been presented in figure (3.4 Dependency of ULBs) mentioned below. In this 21st century where ULBs are given reasonable autonomy across the world, and at the same time, Indian ULBs are passing from different level of dependencies which has been further explained in below mentioned diagram.



In India, urban local governments are overcoming the challenging task of finding effective and inventive solutions to deal with expanding urbanization, rising demand for improved public services, and diminishing financial support from central governments. Additionally, their own sources of revenue are very meager, especially with the small ULBs of the country. On the other hands, in order to strengthen the urban governance in India the required urban infrastructure needs to be developed.

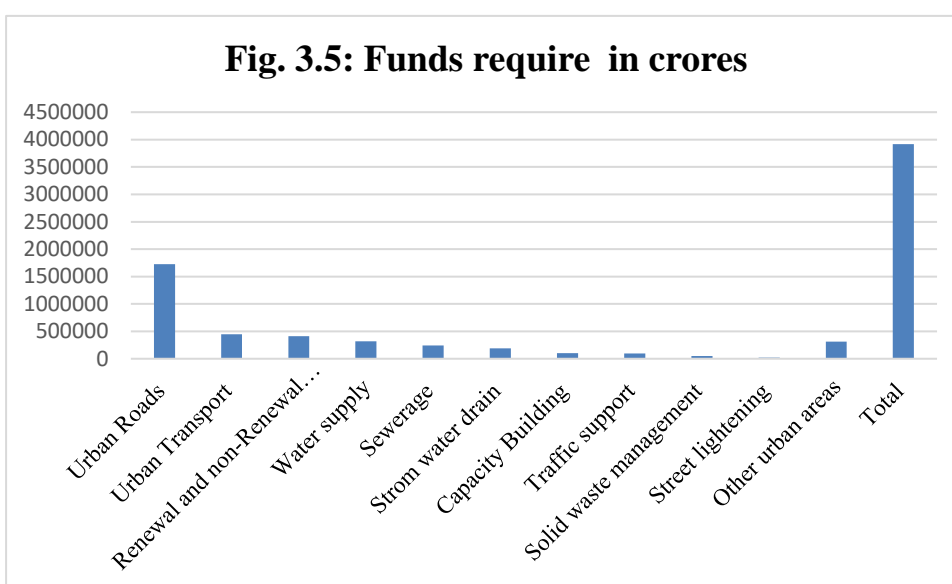
In this regard, the High-Powered Economic Committee (HPEC) constituted by the then United Progressive Alliance (UPA) in 2011 has recommended the following:

**Table 3.8: Urban Infrastructure Investment Requirements (2011-2031) (in Rs. Crores)**

<b>S.no.</b>	<b>Sectors</b>	<b>Funds required</b>
1	Urban Roads	1728941
2	Urban Transport	449426
3	Renewal and non-Renewal energy sources	408955
5	Water supply	320908
6	Sewerage	242688
7	Strom water drain	191031
8	Capacity Building	101759
9	Traffic support	97985

10	Solid waste management	48582
11	Street lightening	18580
12	Other urban areas	309815
13	Total	3918670

Source: High powered economic committee 2011



On the other hand, in the above-mentioned table and figure, it shows how much investment is required to streamline the urban infrastructure across the country. In such a scenario, the higher tier of governments must correct the imbalance of function and finance of ULBs. Besides, the urban governance mechanism should be kept at the disposal of ULBs having full financial autonomy, under a strong check and balance system. In this way, their fiscal health will improve by deciding the local financial mechanism on their own. Hence, the dream of local self-urban governance can be realized in its real sense.

### **3.5 Municipal Accounting and Auditing Mechanism in India**

Accounting and Auditing are the important aspects of financial management and also play a very significant role in strengthening and sustaining the entire gamut of financial management. Further, strong and effective accounting and auditing help in achieving transparency and accountability, considered as the great hallmark of good governance. Municipal bodies are the third tier of Government which are responsible for service delivery mechanisms at urban gross root level. In this process, the ULBs are accountable to the citizens for their financial and fiscal operations at large. In 1992, along with the devolution of powers to municipalities under the 74<sup>th</sup> CAA, the ULBs were also subject to review and redesigned their accounting and auditing system. In spite of this, the age-old traditional practices of municipal accounting and auditing were followed for a long time.

In 2001, the Honorable Supreme Court of India acknowledged the flaws in cash-based accounting in a public interest case and ordered the then Indian government to frame guidelines for an accrual-based accounting system that could capture the entire costs of services. As a result, in June 2001, the Ministry of Finance produced Guidelines for the Use of Local Bodies' Grants. The Comptroller and Auditor General (CAG) of India defined forms for ULB budgets and accounts, accounting policies, and utility and service costing in these recommendations. The Ministry of Urban Development (MoUD) began preparing the National Municipal Accounts Manual based on the recommendations of the CAG task force (NMAM). Based on these recommendations, the states were also directed to prepare the state municipal accounts and training manual. Moreover, the central government made a double entry



accrual-based accounting system in order to receive various funds. <sup>(38)</sup> Since then, all the urban local bodies of India have adopted the double entry accrual-based accounting system. Thereby, this double entry accrual-based accounting system takes into account the time of each occurrence and distinguishes between capital and revenue items as a basic feature. As a result, accrual-based accounting aids in properly evaluating a ULB's financial performance and financial situation at any point in time. On the other hand, with this reform the auditing system too has been strengthened to detect financial irregularities and irrationalities.

### **3.6 Locale of the Study Area.**

The Erstwhile state and present Union Territory (UT) of Jammu and Kashmir (J&K) is divided into Two Administrative provinces (Jammu Province and Kashmir Province) which has been further divided into twenty districts, ten in each province. According to the census of 2011 the total population of J&K is 1.23 crores, from this 72.62% is rural population and 27.38% is urban Population. The population of J&K forms 1.04% of India in 2011. And as per the projection of total population of J&K in 2021 is concerned it will be 1.52 crores. <sup>(39)</sup> The fundamental of local self-government is the government at the local level, often known as the third tier of a country's democratic setup, where choices on the development of local areas are made at the local level. In our country, the second tier of government is called government at the state level, and the first layer is called government at the union level. The genesis of local government in India can be traced back from time immemorial in India. History has witnessed its existence from the Indus valley civilization to the British period, with some modification from time to time. However, the roots of

modern local self-government in our country were sowed in 1687, when the first Municipal Corporation was founded in Madras, and the same was followed in other parts of the country over time. In terms of local self-government institutions, J&K has seen government at the local level since 1886, when the J&K Municipal Act No.16 of 1886 established two municipalities, one for Jammu and one for Kashmir. At present in 2022, there are 78 such Local Self-Governing Institutions, including 19 Municipal Councils and 57 Municipal Committees, and Two Municipal Corporations (Jammu Municipal Corporation JMC, and Srinagar Municipal Corporation SMC) in the UT. Local self-governance is said to be democracy at the grass-roots level, and so plays a critical role in development, upliftment of the poorer sectors, such as slum improvement, better health, hygiene, and civic amenities in local communities. According to 2011 figures, the urban population of Jammu and Kashmir accounts for 33% of the total population. As a result, Local Self Governance has a broad scope. In Jammu and Kashmir, almost all of the major cities, towns, and tourist attractions are under the administration of Local Self Governance. <sup>(40)</sup>

### **3.6.1 Jammu Municipal Corporation (J.M.C)**

The latitude and longitude of Jammu are 32.73°N 74.87°E. It is 327 meters above sea level on average (1,073 ft). The Shivalik hills, where Jammu city is located, have irregular margins of low heights. The Shivalik Range surrounds it to the north, east, and southeast, while the Trikuta Range surrounds it to the north and west. Jammu district is divided into twenty-one Tehsils, Seven Subdivisions, Twenty Rural Development Blocks and Eight Urban Local Bodies including JMC. According to the census of 2011, the district has a population of fifteen Lakh. The Jammu

Municipal corporation falls in the territorial jurisdiction of Jammu district, having the status of autonomous body with effect from 05 September 2003 when it was upgraded from Municipal council to Municipal Corporation vide SRO 46 dated 18/2/2003. JMC has the responsibility to manage the 240 Square Kilometres urban area of Jammu District which comprising of around the Urban population of 5,76,195 i.e., approximately one third of the population of Jammu district. The territorial Jurisdiction of Jammu Municipal Corporation is divided into 75 Municipal wards. According to the 2011 census, the population of JMC's municipal wards totalled 5, 76,195 people. Males accounted for 52.7 percent of the population, while females accounted for 47.3 percent. The city's average literacy rate was 89.66 percent, far higher than the national average of 74.4 percent, with male literacy at 93.13 percent and female literacy at 85.82 percent. In the city, 8.47% of the population was under the age of six. The city's overall working population was 34 percent. Male workers made up 52% of the total workforce, while female workers made up only 15%. Around 86 percent of the working population is employed in the tertiary sector (service sector), whereas only 1% is employed in the primary sector. Around 20% of the city's population is made up of floating residents. Between 1981 and 1994, the population of Kashmir increased by 225.90 percent due to fast industrialisation, urbanization, and mass migration from the valley due to the then-current law and order situation. Apart from the residential population, the floating population in the JMC jurisdictional area increased due to pilgrimage to Mata Vaishno Devi shrine, as well as military, paramilitary forces, and staff of central government institutions stationed in Jammu as well as their families, resulting in a further increase in population. Furthermore, due to the law and- order problems people migrated from

Rajouri, Poonch, Doda Bhaderawh, Kishtwar and from Kashmir and settled down in Jammu city. Subsequently, this led to increase in population of Jammu city, which in turn exerted pressure on the finances and functions of Jammu municipal corporation.

**Table 3.9: Trends of Population in JMC Area since 1961 to 2011**

<i>S.NO.</i>	<i>Year</i>	<i>Population</i>	<i>Increase</i>	<i>% Of Decadal Increase</i>
1	1961	102738	-	-
2	1971	157708	54970	53.505
3	1981	214,737	57029	36.161
4	1991	369960	155223	72.285
5	2001	549791	179831	48.608
6	2011	576195	26404	4.803

Source; Census 2011

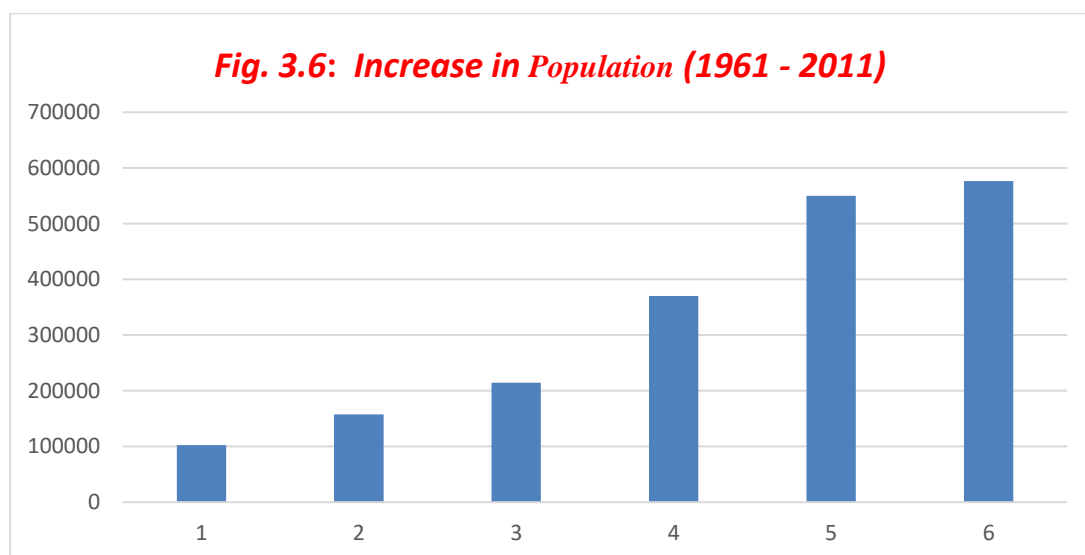


Table 3.9 and figure 3.9 mentioned above clearly indicate how population increase takes place in the territorial Jurisdiction of JMC. In 1961, it was merely around one

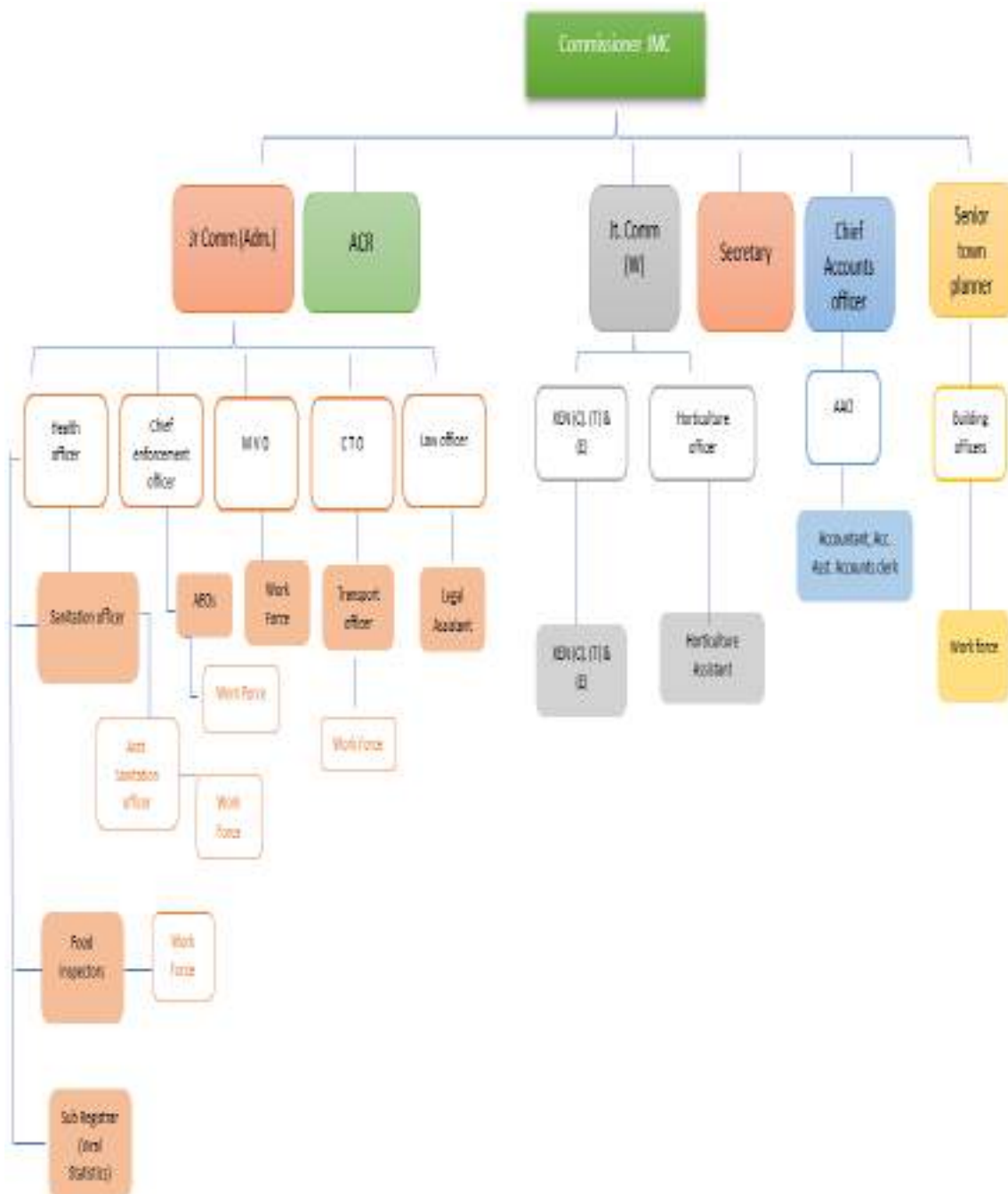
lakh two thousand seven hundred thirty-eight, in 2011, the population of this area reached five lakhs seventy-six thousand one hundred ninety-five. From this above-mentioned data, it is clear JMC's Population is comparatively lower than other neighbouring Municipal Corporation of the country.

According to the 2011 census, Ludhiana Municipal Corporation and Amritsar Municipal Corporation of Punjab state have the population of 16,18,879 and 11,32,383 respectively. Whereas, Gurgaon Municipal corporation of Haryana state has 8,86,519 population. <sup>(40)</sup>

### **3.6.2 The Governing Bodies of Jammu Municipal Corporation**

The governing body is comprising of Hon'ble Mayor, Hon'ble Deputy Mayor, Hon'ble Chairman Swatch Bharat Committee, Hon'ble Chairman of social justice committee, Commissioner secretary Housing and Urban Development Department, Municipal Commissioner J.M. C. In common parlance, JMC is politically headed by elected Mayor and administratively headed Commissioner appointed by the Government usually an Indian Administrative Services (I.A.S) officer.

### 3.6.3 Administrative setup of Jammu Municipal Corporation



**Table 3.10: Population Details of Jammu Municipal Corporation ward wise:**

<b>S. No.</b>	<b>Name of Municipal Wards</b>	<b>Number of House holds</b>	<b>Population in 2011</b>	<b>Population in 2016</b>
1	Panjtirthi	1460	7177	8585
2	JullakhaMohalla	1370	6848	8191
3	Mast Garh	1740	8699	10405
4	Bhabrian	867	4246	5079
5	TalabKhatika	1050	5274	6308
6	Gujjar Nagar	1029	5040	6028
7	Kanji House	1309	6415	7673
8	Dogra Hall	2250	11026	13189
9	MohallaUstad	1713	8393	10039
10	PaccaDanga	1562	7747	9266
11	Mohalla Molhotra	496	2429	2905
12	Krishna Nagar	1435	7031	8410
13	Resham Ghar	1632	7998	9567
14	Bhagwati Nagar	1231	6033	7216
15	Pratap Garh	1066	5223	6247
16	New Plot	2383	11676	13966
17	Ambphalla	1015	4974	5950
18	Sarwal	1941	9510	11375
19	Chand Nagar	1824	8936	10689
20	Gandhi Nagar (N)	2031	9952	11904

21	Gandhi Nagar	1688	8272	9894
22	Shastri Nagar	1174	5752	6880
23	Nai Basti	2471	12110	14485
24	Rehari Colony (N)	1482	7264	8689
25	Rehari Colony (S)	1088	5332	6378
26	Subhas Nagar	2259	11069	13240
27	Bakshi Nagar	1335	6540	7823
28	Gurah Bakshi Nagar	1737	8512	10181
29	Raipur Mangolia	2081	10197	12197
30	Talab Tillo (N)	1552	7604	9095
31	TalabTillo (S)	1840	9014	10782
32	Gole	2608	12778	15284
33	Shiv Nagar	2293	11238	13442
34	Janipur (N)	661	3240	3875
35	Janipur (S)	952	4663	5578
36	Janipur Central	1616	7919	9472
37	Janipur (W)	3231	15830	18935
38	Paloura	1591	7794	9323
39	Top Sherkhania	2106	10320	12344
40	Poonch House	2653	13001	15551
41	Bohri	1982	9710	11614
42	Nanak Nagar (W)	1548	7584	9071
43	Nanak Nagar (E)	1807	8855	10592



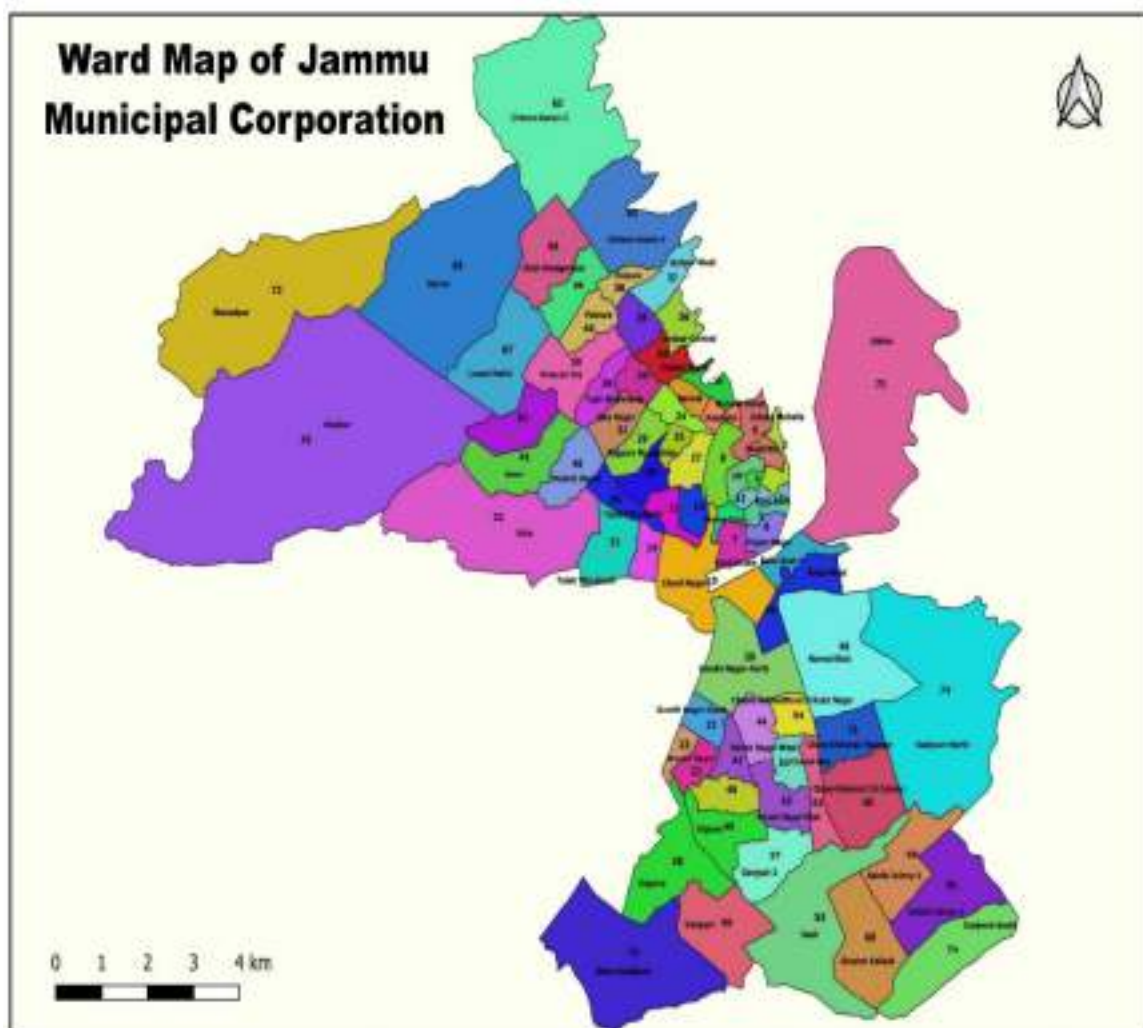
44	Nanak Nagar (N)	2293	11237	13441
45	Digiana	2831	13871	16591
46	Saniav Nagar	1767	8657	10355
47	Bahu (E)	2630	12888	15416
48	Bahu (W)	1071	5249	6278
49	NarwalBala	807	3956	4732
50	Channi Himmat	1930	9457	11312
51	Channi Himmat Thanjar	774	3793	4537
52	Channi Himmat Biza	1991	9757	11671
53	Channi Biza Sec (1 -4)	1657	8119	9711
54	Channi Rama	881	4315	5161
55	Deeli	1662	8146	9744
56	Gangyal -1	1734	8497	10164
57	Gangyal -2	1574	7714	9227
58	Digiana	1824	8940	10693
59	Paloura Top	1860	9115	10903
60	Paloura Centre	1302	6381	7632
61	Patta Paloura	2531	12403	14836
62	Chinor Keran -1	1636	8018	9591
63	Chinor Keran -2	1268	6211	7429
64	Chak Chadwad	2598	12731	15228
65	Barnai Upper Darmal	922	4520	5406

66	Upper Muthi	2827	13854	16571
67	Lower Muthi	1898	9299	11123
68	Greater Kailash	944	4621	5527
69	Sainik Colony	578	2832	3387
70	Chinik Colony -2	1779	8715	10424
71	Tawi Vihar	750	3674	4395
72	Shazadpur	NA	NA	NA
73	Bhour Gadigarh	NA	NA	NA
74	Sunjawan-S	NA	NA	NA
75	Akalpur	NA	NA	NA
	Total	1174,79	576195	689203

Source: Jammu Municipal Corporation <https://www.jmcjammu.org/>

The last four Municipal wards of JMC I.e., Seventy-two, seventy-three Seventy -four and Seventy- five were added in the jurisdiction of Jammu Municipal corporation vide SRO 268, on June, Eleventh 2018 (Government of Jammu and Kashmir). Hence, the population as well as the number of households of above-mentioned Municipal wards are not included in the above given Table <sup>(41)</sup>. Earlier these areas were under the Jurisdiction of Panchayati Raj institutions of the Jammu district. Thus, in 2018, the then government of J&K by exercising powers conferred by sub-section of (3) of section three of Jammu and Kashmir Municipal corporation act 2000, has included some villages under the jurisdiction of JMC.

### 3.6.4 Political Map of Jammu Municipal Corporation as on 2022;



Source: Jammu Municipal Corporation <https://www.jmcjammu.org/>

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## **Chapter IV**

### **Data Analysis and Data Interpretation**

#### **4.1 Introduction**

Any organization's ability to function effectively is contingent on its financial stability. Municipalities' efficiency can be measured by their financial permanency. Local governments, as U.K. Hicks correctly pointed out, must have clear access to substantial funding if they are to play a vital role in economic and social development. To put developmental plans into action, a variety of resources are required, including money, men, materials, technology, and so on. Financial resources are a vital component that sets the tone for flexibility in changing the trajectory of socioeconomic growth. The state of the economy is influenced by economic activity. An adequate financial resource base for municipalities, as well as their flexibility, is a key component in maintaining grass-root democratization of the development process. Another important thing in this regard is the proper management of material and financial resources at the disposal of ULBs. Financial Management as a special field of Public Finance encompasses many aspects but this study and especially this chapter is confined to the income and expenditure of Jammu Municipal Corporation (JMC) and the perception of tax payers. In this unit, the data collected from secondary sources pertaining to revenue, expenditure, grants-in-aid, and expenditure has been analyzed. Furthermore, an attempt has been made to answer the main objective of study.

## 4.2 Income and Expenditure Analysis

The main objective of this study is to know about the financial management of Jammu Municipal Corporation. Within the domain of financial management, exclusive focus has been laid on the change in the pattern of revenue and expenditure of the study area. Moreover, the tax payer's perception has also been recorded to know how the JMC is providing civic services to them. As what takes place in the JMC (change in income or expenditure) is directly or indirectly affecting all the citizens residing in the jurisdiction of JMC. Therefore, what they think and what they expect from the entity being studied must be taken into consideration. The present chapter of the study has been divided into parts viz, the income and expenditure part and citizens perception (Tax Payers).

The Municipal bodies generates income from various sources like profession tax, user charges, advertisement, slaughter houses, grants-in-aid and devolution of funds from the state government, etc. Similarly, the collected funds are being spent for the development of urban local areas, this is collectively called as the expenditure part of the organisation. In order to ensure sound financial administration, there must be a balance between the income and expenditure. If not, to some extent, a little bit of variation in the revenue and expenditure can also be considered that can be met through the mechanism of municipal borrowing. In this regard, one of the most important administrative thinkers and prolific writers, L.D. White has said "*Financial management includes those operations designed to make funds available to officials and to ensure their lawful and efficient use*". He further said, "*Every administrative act has its financial implications, either creating charge on the treasury or making a contribution to it*". According to M.J.K Thavaraj, '*Financial administration is similar*

*to the circulatory system in a complex living organism*".<sup>(1)</sup> In the aforesaid background, an attempt has been made to analyse the income and expenditure of Jammu Municipal Corporation. Additionally, an attempt has also been made to know about the fluctuating pattern of revenue and expenditure in the study area by involving the officials dealing with its financial matters.

**Changing pattern of revenue:** Various sources of revenue and interpretation of the area being studied has been given below:

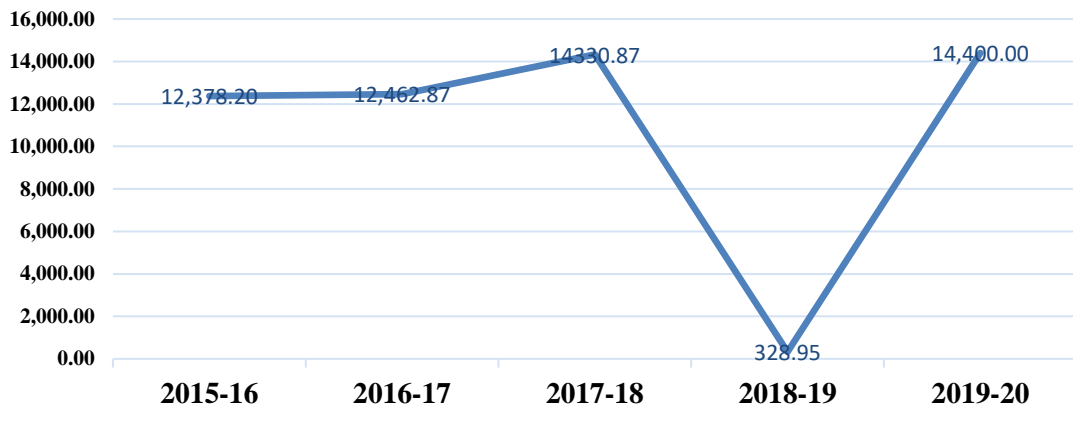
**Table 4.1: Sources of Revenue** *(amount in lakh rupees)*

Year	Devolution of funds	Grants-in-Aid	Expenditure out of grants-in-aid	Own Municipal Revenue
2015-16	12,378.20	10,568.87	10,998.48	952.26
2016-17	12,462.87	12,443.82	12,035.70	1,072.95
2017-18	14330.87	12,520.00	11,515.49	989.42982
2018-19	328.9	12,420.00	12,898.50	834.60566
2019-20	14,400.00	12,692.50	15,299.30	1303.29553

Source: Department of Finance J&K & Jammu Municipal Corporation, Budget

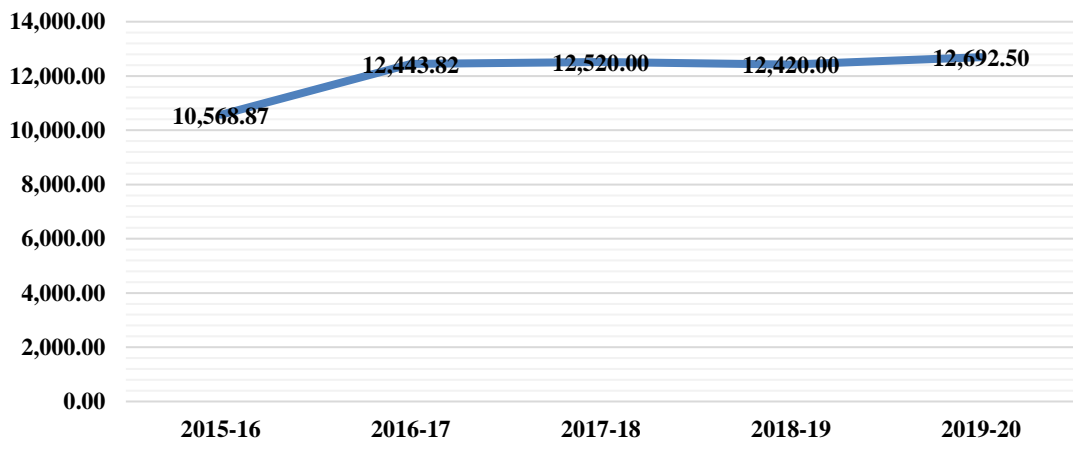
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**Fig. 4.1: Devolution of funds from State Government in lakhs.**

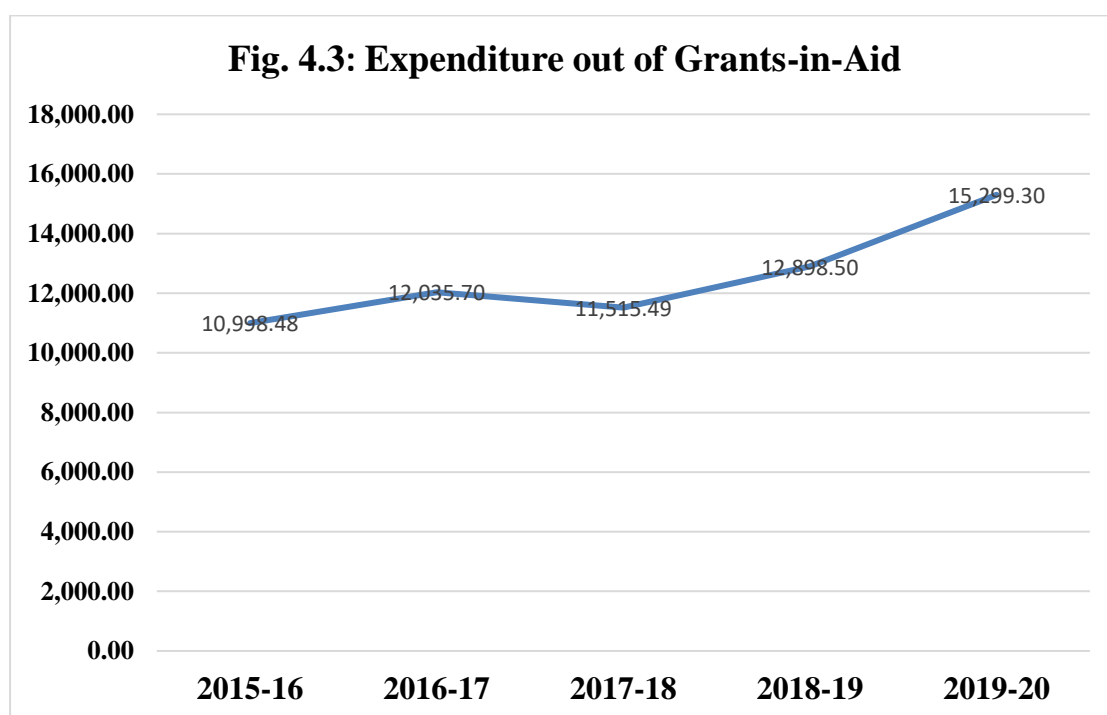


The above-mentioned table denotes the details of the devolution of funds provided by the Department of Housing & Urban Development, Jammu & Kashmir across the years 2015-2020. Upon assessment of the Devolution of Funds, it is noted that there is negligible difference in it across the years 2015-2017 but a steep rise of 14.98% is seen in the year 2017-2018. This is followed by a sudden decline of 97.7% in the following year, leading to a steep rise in the year 2019-2020 of Rs. 14,400.00 lakhs.

**Fig. 4.2: Grants -in -Aid**



The data extracted from Jammu Municipal Corporation pertaining to Grants-in-Aid and expenditure out of the same is shown in the table above. The revenue from this source witnessed a 15% rise in 2016-2017 over the previous financial year (2015-2016). This is followed by minor increase of 0.6% in 2017-2018. In the year 2018-2019, there is a reduction of 0.79% followed by an increase of 2% in the year 2019-2020.



As per the data provided by the Municipal Corporation being studied, it has been seen that the expenditure made out of the grants-in-aid exceeded the provided amount in the years 2015-2016 and 2018-2019 raising questions upon the legitimacy of expenditure. Nonetheless, in the other years, the expenditure was well within the amount granted for the said year.

When it comes to the own revenue of Municipal Corporation, in 2015-2016, it has earned 952.26 lakh rupees and in 2016-2017, 1072.95 lakh rupees. The year-wise breakdown of own revenue of the corporation in the subsequent years is 989.42 lakh rupees, 834.60 lakh rupees and 1303.29 lakh rupees for the years 2017-18, 2018-19 and 2019-20 respectively. Upon closer inspection of the figures provided a varying pattern emerges across the five-year study period. A rise of 12.6% change is observed from the base year of the study period to the subsequent years immediately followed by two years of decline of 8.44% in the year 2017-2018 and 15.65% in the year 2018-2019. This is followed by a substantial increase of more than 56.14% in the year 2019-2020. The same has been shown in the below mentioned figure:

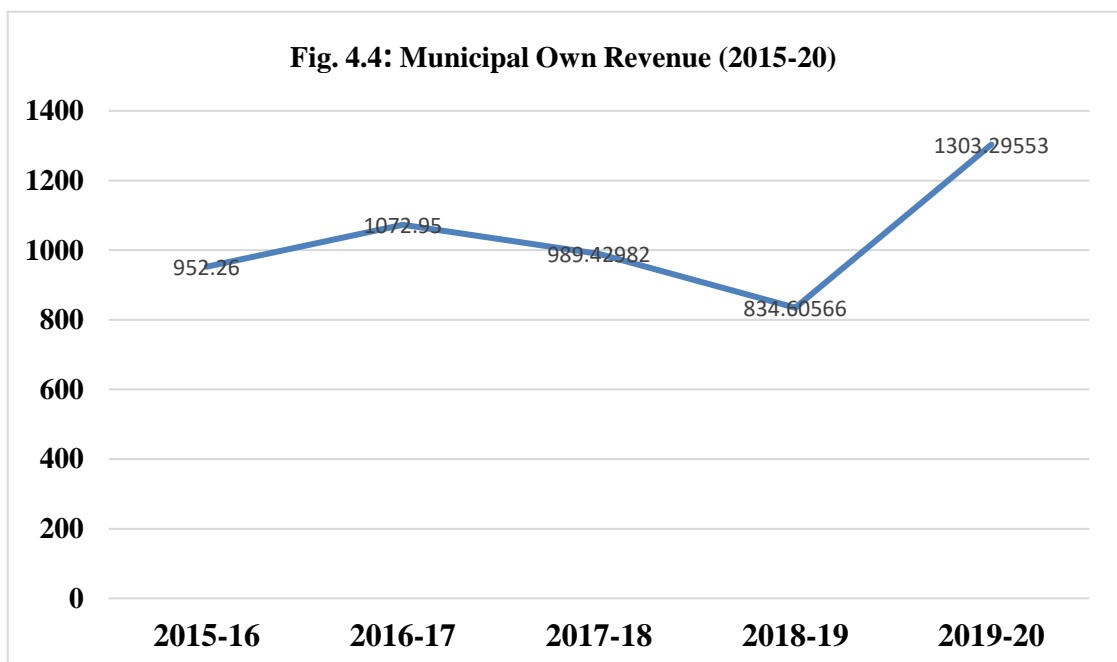


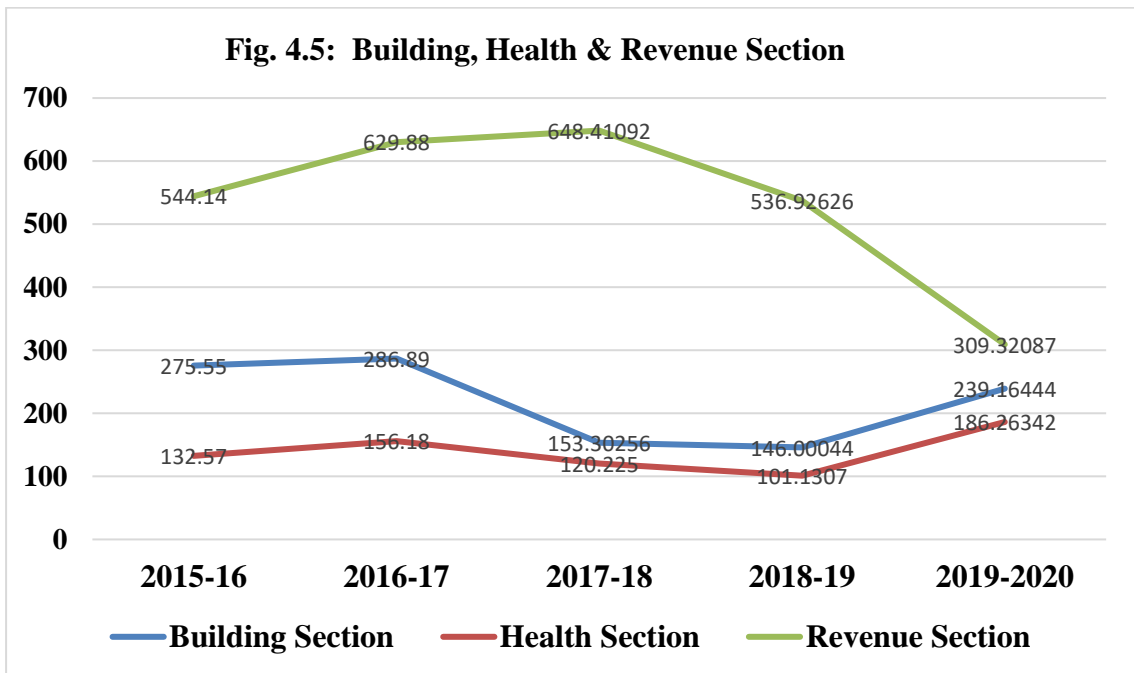
Table 4.2 :Shows a Detailed Analysis of Municipal Own Revenue of JMC from its different sections. Furthermore, the same has been presented graphically as well:

*(Amount in lakh rupees)*

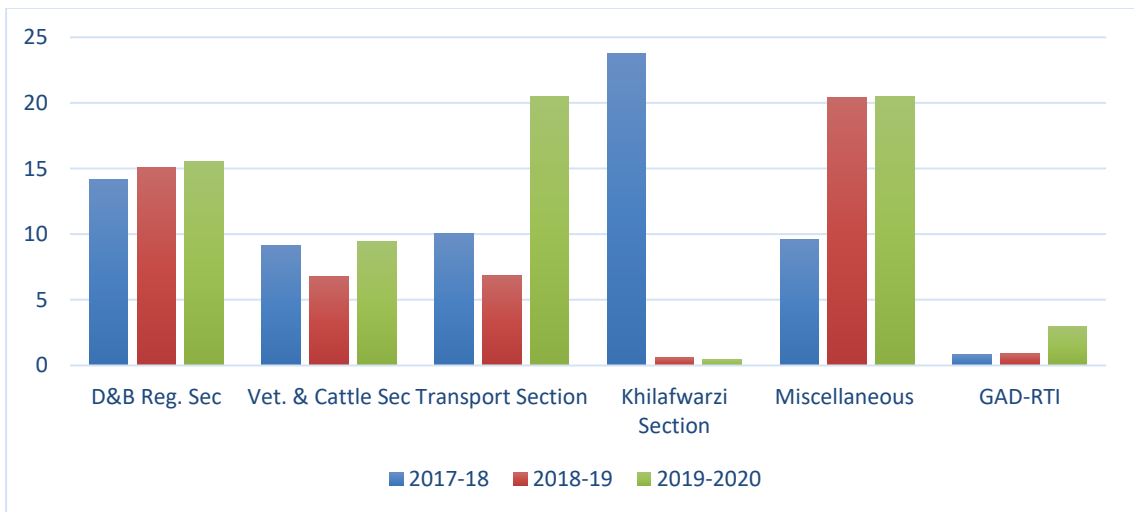
<b>Particulars</b>	<b><u>2015-16</u></b>	<b><u>2016-17</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>	<b><u>2019-2020</u></b>
<b>Building Section</b>	275.55	286.89	153.30256	146.00044	239.16444
<b>Health Section</b>	132.57	156.18	120.225	101.1307	186.26342
<b>Revenue Section</b>	544.14	629.88	648.41092	536.92626	309.32087
<b>D&amp;B Reg. Sec</b>	NA	NA	14.17395	15.0522	15.5272
<b>Vet. &amp; Cattle Sec</b>	NA	NA	9.1061	6.7554	9.4259
<b>Transport Section</b>	NA	NA	10.01774	6.84	20.52278
<b>Khilafwarzi Section</b>	NA	NA	23.75925	0.595	0.4775
<b>Miscellaneous</b>	NA	NA	9.61625	20.4067	20.52278
<b>GAD-RTI</b>	NA	NA	0.81805	0.89896	3.0003

Source: Abstract of Expenditure Jammu Municipal Corporation 2015-2020





**Figure 4.6 Depicts the Statistics of Revenue Generated from other Major Section of JMC**



The above-mentioned table and diagram depict the changing pattern of Municipal Own Revenue of Jammu Municipal Corporation from 2015-2020. There is great variation witnessed in the building section over the five years of the study period. A minor rise

of 4.11% is seen from the base year 2015-16 to the next year followed by an abrupt drop of 46.56% in the subsequent year, 2017-18. There is a further decrease in 2018-19 of 4.76% followed by a sudden rise of 63.81% in the last year of the study period, i.e., 2019-20 with amounts reaching closer to the base year.

Upon closer inspection of the data on Health section, there is an irregular pattern of change with a minor rise of 17.8% from base 2015-16 to 2016-17 followed by a 23% drop in the year 2017-18 to a further reduction of 15.88% in the 2018-2019. There is a steep rise of 84% in the year 2019-20, with the health section revenue reaching its peak in the final year of study amounting to Rs. 186.26342 lakh rupees.

A haphazard change in revenue section is observed from the years of 2015-2020, the study period. There is a consistent rise from the years 2015-2018 of about 19.16% followed by a slight decline in the year 2018-19 and an even further significant drop in the last year of study period, namely, 2019-20. It is observed that the highest amount in the revenue section is seen in the year 2017-18 of Rs. 648.41092 lakh rupees and the least in the year 2019-20 with Rs. 309.32087 lakh rupees. This means a decline of 52.29% in just over a period of two years.

The above-mentioned table denotes the details of Municipal own revenue of JMC across the years 2015-2020. Upon assessment of the sources of own revenue, it has been found that there are several important sections of revenue in the study area that contributes immensely to it. However, the record of revenue generated from the date of birth and registration section, veterinary services treatment of cattle cell section, transport section Khilafwarzi sections, GAD-RTI and others have not been maintained by the JMC from 2015-16 to 2016-17.

Irrespective of the reasons behind this negligence, this raises several questions on the financial management of JMC as these sections have contributed significantly in the last two years of study, i.e., the GAD-RTI section contributed 88896 lakhs rupee in the year 2018-19 and the same has increased at the rate of 233.7% in the year 2019-20.

Similarly, revenue from Miscellaneous section has increased with the rate of 112.2% from 2017-18 to 2018-19. Likewise, Khilafwarzi sections (Anti Encroachment Section) has witnessed near about 97% decline from the year 2017-18 to 2018-19 which further reduces in the subsequent year. Revenue from Transport sections has also increased with the rate of 104.8%. Moreover, a minor change of 3.5% and 9.54% change has been witnessed in veterinary services treatment of cattle cell section and date of birth and registration section respectively. The overall changing pattern of own revenue has witnessed a great variation from lakhs to crores over the year. The same has been clearly depicted in the above table.

It is very eye opening that these sections like Date of Birth and Registration section, Veterinary services treatment of Cattle cell section, Transport section Khilafwarzi sections, GAD-RTI and Miscellaneous have contributed zero amount in the years 2015-16 and 2016-17. Building section, the biggest contributor section of JMC has witnessed a rise in its percentage increase by 112% from the base year 2015-16 to 2016-17 whereas it has relatively declined by 95% in the year 2017-18 to 2018-19 then a considerable increase of 163% from 2018-19 to 2019-20. Similarly, the health and

revenue section too has contributed immensely in the overall revenue of study area as mentioned in the above table.

### 4.3 Changing pattern of Expenditure

The municipal bodies incurred funds on various developmental and non-developmental activities to remain operative and functional for their administrative and political mandate. In the same way the public entity being studied has incurred funds at its disposal funds in lakhs during the time period of 2015-2020 which has been presented below:

**Table 4.3: Total expenditure on all particulars over the years**

**Amount in lakhs Rs**

<b>Particulars</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Allied Salary and Components</b>	5125.03	5286.62	5514.46	7864.9	8261.15
<b>Honorarium, Councilors, exp, allowance, Tours and seminars</b>	0	0	0	42.44	190.35
<b>Telephone/ Page/ Mobile</b>	7.86	8.75	10.42	10	15
<b>POL</b>	372.95	518.87	609.94	840	900

<b>Repair, Machinery /Tyres/ Tubes</b>	186.72	226.92	199.21	220	100
<b>Stationery</b>	13.75	14.68	11.82	11.5	8
<b>Legal Expenses</b>	23.39	22.22	24.72	45	20
<b>Uniform</b>	53.5	39.09	106.67	162	160
<b>Food Samples</b>	1.21	0	0	0	NA
<b>Electric Charges</b>	24.16	22.88	27.69	30	3819.17
<b>Out sourcing sanitation</b>	0	166.42	573.53	865	900
<b>Travelling allowances</b>	7.93	4.75	10.99	11.5	9
<b>Printing Charges</b>	2.19	9.85	9.12	10	10
<b>Refund of Security of Mulba and septic</b>	8.66	10.26	6.69	20	7
<b>M/R work</b>	4025.02	4344.03	2800.65	3500	5000
<b>Office Expenses/ Contingencies</b>	25.41	64.11	18.46	20	25
<b>Disinfectant Material</b>	13.44	17.99	44.51	50	60
<b>Sanitation Charges</b>	9.4	0	46.27	0	0
<b>Nallah Clearance</b>	186.93	219.69	234.8	300	203
<b>Advertisement Charges</b>	50.15	35.33	14.08	30	10
<b>Donation</b>	0.61	1.39	0.61	1	2

<b>Animal Care Centre/ Cattle pond/ Feed &amp; Fodder</b>	11.2	20.65	6.6	15	65
<b>Furniture and Fixtures</b>	9.04	7.59	5.43	30	10
<b>Deployment of Casual Safaikaramcharies</b>	592.33	612.69	615.77	630	957
<b>Purchase of Vehicle</b>	0	0	0	125	125
<b>Hire charges of Machinery/ Vehicles</b>	81.86	125.08	108.75	9035	1084.12
<b>Purchase of White Lime</b>	16.5	8.87	44.51	25	25
<b>Purchase of Machinery &amp; Equipment</b>	0	45.45	62.14	15	15
<b>Maintenance of Lift</b>	1.25	0.68	0	2	3
<b>Insurance of Vehicle</b>	27.61	4.06	11.4	20	8
<b>Computer items</b>	33.24	28.06	15.76	30	35
<b>Tools and plants</b>	13.07	21.09	6.64	34.4	80
<b>Purchase of Reharis/ Plates</b>	12.52	0	0	5	NA
<b>Reserve/ Helpline</b>	5.04	0	0	0	NA
<b>Medical Reimbursement</b>	14.98	16.58	7.61	20	20

<b>Animal Birth Control</b>	0	0	97.75	3	45
<b>Audit Fee</b>	0	0	0	10	5
<b>Total</b>	10956.95	11904.65	11247	15088.09	22176.79
<b>Leave Encashment</b>	39.93	129.45	264.34	300	221.11
<b>Pension</b>	0	0	0	2000	132.67
<b>Ex- Gratia</b>	1.6	1.6	4.15	2	6
<b>Grand Total</b>	<b>10998.48</b>	<b>12035.7</b>	<b>11515.49</b>	<b>17393.09</b>	<b>22536.57</b>

Source: Abstract of Expenditure of Jammu Municipal Corporation 2015-2020.

In the above-mentioned Table (4.3), the amount incurred by JMC across its different activities from 2015-2020 has been presented. There are forty particulars of expenditure in total, in each year in the study area. From a financial administration point of view, an economy's growth is influenced by the type of spending and how it affects society. Examining the allocation of amount on development and non-development expenditure is the most effective technique to assess the structure of government spending. <sup>(2)</sup> On the basis of this principle, the researcher has grouped different items of expenditure on the basis of their nature into two different groups namely (Developmental and Non-Developmental Expenditure). Moreover, to analyze the changing pattern of expenditure in the study area, Descriptive Statistics have been used to show the percentage change in expenditure over the years. Total particulars in developmental expenditure are twenty, which are further have been grouped into two groups (Group A & B) for further clarity and for a deeper understanding of the data. Each group is comprising of ten items that are listed below:

**Table 4.4 A: Abstract of Developmental Expenditure Group A2015-2020 (Amount  
in lakh rupees)**

Particulars	2015- 2016	2016- 2017	%Change	2017- 2018	%Change	2018- 2019	%Change	2019- 2020	%Change
Repair, Machinery /Tyres/ Tubes	186.72	226.92	21.53%	199.21	-12.21%	220	10.44%	100	-54.55%
Electric Charges	24.16	22.88	-5.30%	27.69	21.02%	30	8.34%	3819.17	12630.57%
Out sourcing sanitation	0	166.42		573.53	244.63%	865	50.82%	900	4.05%
Refund of Security of Mulba and septic	8.66	10.26	18.48%	6.69	-34.80%	20	198.95%	7	-65.00%
Maintenance and repair work	4025.02	4344.03	7.93%	2800.65	-35.53%	3500	24.97%	5000	42.86%
Disinfectant Material	13.44	17.99	33.85%	44.51	147.42%	50	12.33%	60	20.00%
Sanitation Charges	9.4	0	-100.00%	46.27		0	-100.00%	0	
Nallah Clearance	186.93	219.69	17.53%	234.8	6.88%	300	27.77%	203	-32.33%
Animal Care Centre/ Cattle pond/ Feed & Fodder	11.2	20.65	84.38%	6.6	-68.04%	15	127.27%	65	333.33%
Furniture and Fixtures	9.04	7.59	-16.04%	5.43	-28.46%	30	452.49%	10	-66.67%

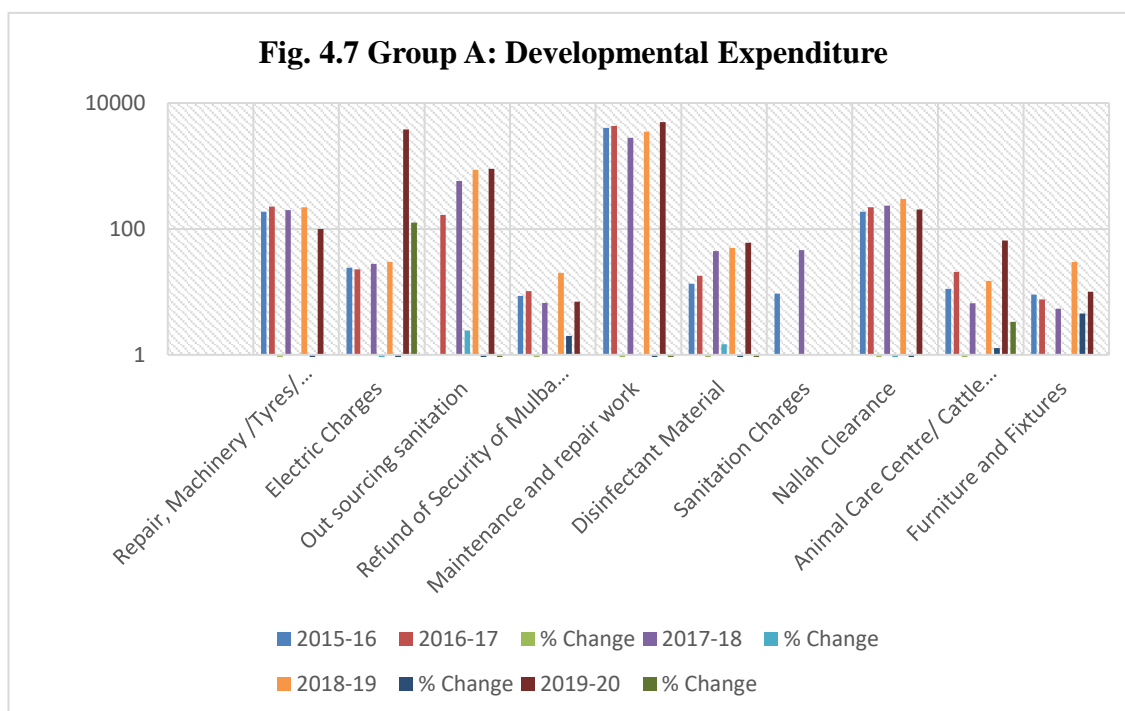


**Table 4.4 B: Abstract of Developmental Expenditure Group B 2015-2020**

Particulars	2015-16	2016-17	%Change	2017-18	%Change	2018-19	%Change	2019-20	%Change
Deployment of Casual safaikaramcharies	592.33	612.69	3.44%	615.77	0.50%	630	2.31%	957	51.90%
Purchase of Vehicle	0	0		0		125		125	0.00%
Hire charges of Machinery/ Vehicles	81.86	125.08	52.80%	108.75	-13.06%	9035	8208.05%	1084.12	-88.00%
Purchase of White Lime	16.5	8.87	-46.24%	44.51	401.80%	25	-43.83%	25	0.00%
Purchase of Machinery & Equipment	0	45.45		62.14	36.72%	15	-75.86%	15	0.00%
Maintenance of Lift	1.25	0.68	-45.60%	0	-100.00%	2		3	50.00%
Insurance of Vehicle	27.61	4.06	-85.30%	11.4	180.79%	20	75.44%	8	-60.00%
Computer items	33.24	28.06	-15.58%	15.76	-43.83%	30	90.36%	35	16.67%
Tools and plants	13.07	21.09	61.36%	6.64	-68.52%	34.4	418.07%	80	132.56%
Animals Birth Control	0	0		97.75		3	-96.93%	45	1400.00%
<b>Total</b>	<b>5240.43</b>	<b>5882.41</b>	<b>12.25%</b>	<b>4908.1</b>	<b>-16.56%</b>	<b>14949.4</b>	<b>204.59%</b>	<b>12541.29</b>	<b>-16.11%</b>

Source: Abstract of Expenditure of Jammu Municipal Corporation 2015-2020.

Graphical Representation of Group A has been presented below:

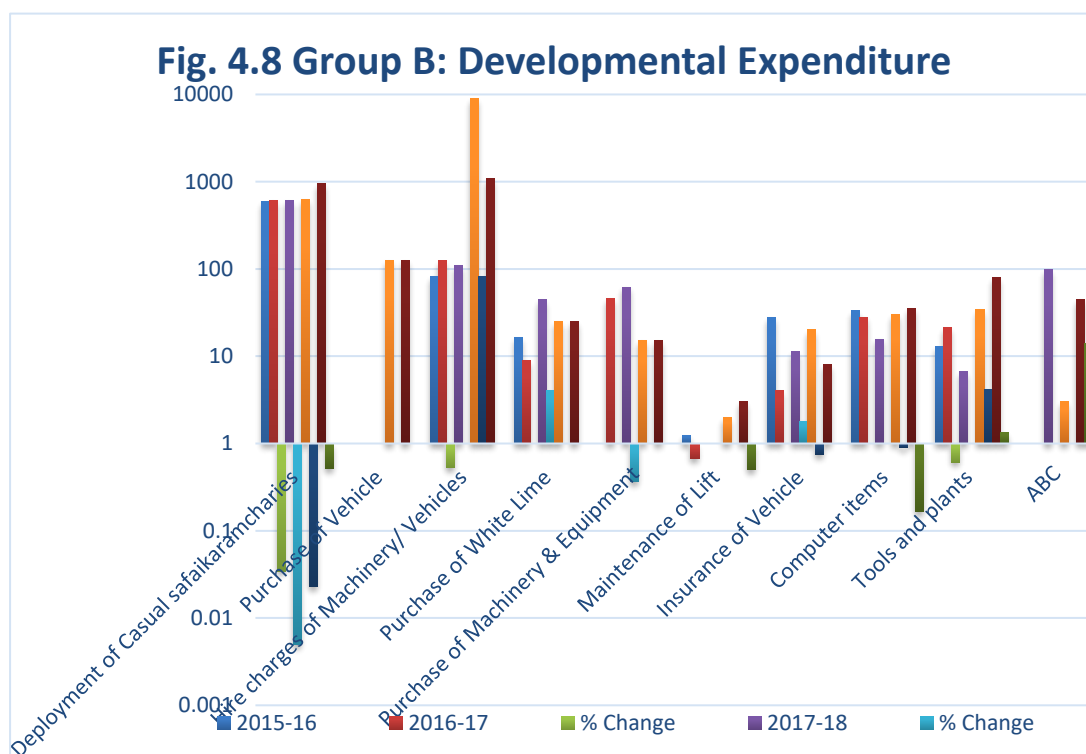


#### 4.4 Interpretation

The Expenditure on Repair of Machinery, tyres and tubes was little more than one fifth (21.53%) between the financial year of 2015-16 to 2016-17. The same item experienced an insignificant decline (10.44%) in percentage in the 2017-18, and an increase of more than half (54.55%) in the fiscal year of 2019-20. Similarly, the percentage change in electricity expenses was 5.30% in 2016-17. Almost one fifth (21.02%) in 2017-18, then a sharp decline of 8.34% in 2018-19, and a sudden increase of more than hundred percent in 2019-20. Likewise, different developmental activities which are directly related to urban infrastructure has faced fluctuation in the change of growth rate of expenditure. Comparatively, the percentage increase in the growth rate of maintenance

and repair work of streets, lanes and drains has faced a continuous change except in 2018-19 where a decline of 24.97% is seen but in the other four years of study, it was 7.93% in 2016-17, 35.53% in 2017-18, and nearly half (42.86%) in 2019-20. The graphical representation of data shows this very clearly. On the other hand, outsourcing of sanitation work, repair of machinery and refund of security too has experienced a slight change in expenditure percentage across different years.

**Group B comprises of ten different developmental activities which has been presented below in the graphical chart:**



The above-mentioned figure clearly shows that expenditure on deployments of Safaikaramcharis across different Municipal wards was high in 2015-16, 2016-17 and 2017-18 whereas, purchase of vehicle, hire charges of Machinery/Vehicles was high in 2018-19. From the data analysis of ‘Group, A and Group, B’ one thing has been noticed

which is very significant from the viewpoint of local self-governance. In Jammu Municipal Corporation as seen in the other urban local bodies of J&K, the tenure of last elected government ended in 2010. From 2010 to 2018, there was no elected local government in JMC and in other ULBs of the erstwhile state. Eventually, in the year 2018, when the ULBs election was conducted, local representatives took over the charge of local administration from the bureaucratic setup of JMC. The expenditure of various developmental activities increased manifold like expenditure of Animals Care Centre, Cattle, Pond, Feed and Fodder was 11.2 lakhs in 2015-16, 15 lakhs in 2018-19, grown up to 65 lakhs in 2019-20. Likewise, Computer items expenditure from 33.24 lakh in 2015-16 to 35 lakhs in 2019-20. Hire charges of machinery and vehicles increased from 81.86 lakhs in 2015-16 to 1084.12 lakhs in 2019-20.

Although, the decline too has been experienced in several activities as depicted in the graph above that includes Deployment of Casual Safaikaramcharies, Hire charges of machinery/vehicles, Purchase of machinery & equipment, Maintenance of lift, Insurance of vehicles, Computer items and tools & plants. Irrespective of the fact, the increase of funds from 2018 onwards in the above-mentioned aspects of urban governance reiterates the efforts made by local representatives to ensure the prime spirit of local government.

#### **4.5 Expenditure on Non-Developmental Activities**

Though the non-developmental expenditure has no direct link with the development of local areas, yet it plays a very important role in planning, executing, evaluating, and channelizing the funds spent on developmental activities of any area. Hence, we can say that directly or indirectly both the aspects (developmental expenditure and non-

developmental expenditure) play a pivotal role in carrying out administrative activities at each level of government viz Union, State and Local level to ensure good governance.

**Table 4.5: Non -Developmental Expenditure (2015-2020)**

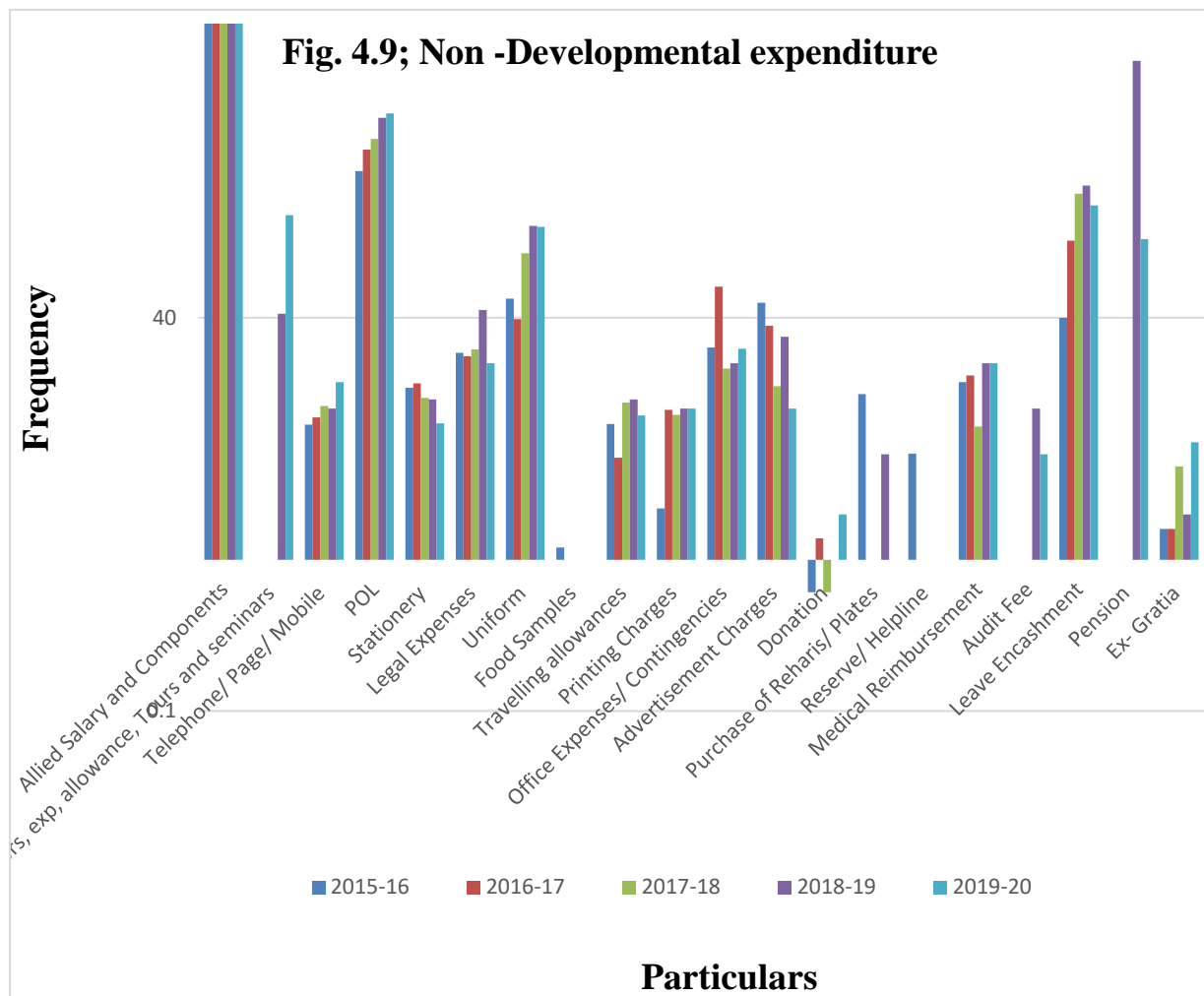
Particulars	2015-16	2016-17	% Change	2017-18	% Change	2018-19	% Change	2019-20	% Change
Allied Salary and Components	5125.03	5286.62	3.15%	5514.46	4.31%	7864.9	42.62%	8261.15	5.04%
Honorarium, Councillors, exp, allowance, Tours and seminars	0	0		0		42.44		190.35	348.52%
Telephone/ Page/ Mobile	7.86	8.75	11.32%	10.42	19.09%	10	-4.03%	15	50.00%
POL	372.95	518.87	39.13%	609.94	17.55%	840	37.72%	900	7.14%
Stationery	13.75	14.68	6.76%	11.82	-19.48%	11.5	-2.71%	8	-30.43%
Legal Expenses	23.39	22.22	-5.00%	24.72	11.25%	45	82.04%	20	-55.56%
Uniform	53.5	39.09	-26.93%	106.67	172.88%	162	51.87%	160	-1.23%
Food Samples	1.21	0	-100.00%	0		0		NA	
Travelling allowances	7.93	4.75	-40.10%	10.99	131.37%	11.5	4.64%	9	-21.74%
Printing Charges	2.19	9.85	349.77%	9.12	-7.41%	10	9.65%	10	0.00%
Office Expenses/ Contingencies	25.41	64.11	152.30%	18.46	-71.21%	20	8.34%	25	25.00%
Advertisement Charges	50.15	35.33	-29.55%	14.08	-60.15%	30	113.07%	10	-66.67%
Donation	0.61	1.39	127.87%	0.61	-56.12%	1	63.93%	2	100.00%

<b>Purchase of Reharis/ Plates</b>	12.52	0	- 100.00%	0		5		NA	
<b>Reserve/ Helpline</b>	5.04	0	- 100.00%	0		0		NA	
<b>Medical Reimbursement</b>	14.98	16.58	10.68%	7.61	-54.10%	20	162.81%	20	0.00%
<b>Audit Fee</b>	0	0		0		10		5	-50.00%
<b>Leave Encashment</b>	39.93	129.45	224.19%	264.34	104.20%	300	13.49%	221.11	-26.30%
<b>Pension</b>	0	0		0		2000		132.67	-93.37%
<b>Ex- Gratia</b>	1.6	1.6	0.00%	4.15	159.38%	2	-51.81%	6	200.00%
<b>Total</b>	<b>5758.05</b>	<b>6153.29</b>	6.86%	<b>6607.39</b>	7.38%	<b>11385.34</b>	72.31%	<b>9995.28</b>	-12.21%

Source: Abstract of Expenditure of Jammu Municipal Corporation 2015-2020.

In the aforementioned table, expenditure on allied salary and components has witnessed a great flow of funds in 2015-16, 2016-17 and 2017-18 whereas, salary and honorarium to elected councilors started to increase when elected representatives took charge of JMC. It was 4244 Lakhs in 2018-19, and 190.35 lakhs in 2019-20. The JMC officials have spent 13.75 lakhs on stationery items in 2015-16 whereas, it reached merely 8 lakhs in 2019-20. Similarly, a small decline in legal expenses was also realized, that was 23.39 lakh in 2015-16, and 20 lakhs in 2019-20. Leave encashment expenses has witnessed an increase from 39.93 lakhs in 2015-16 and 221.11 lakh in 2019-20. An amount of 2000 lakhs for Pensions of retired officials was also released in 2018-19, and 132.67 lakhs in 2019-20 while nothing was spent on this part in 2015-16, 2016-17 and 2017-18. This matter itself is a witness of the concern of elected local government towards its stakeholders. The other particulars too have witnessed a changing pattern

over the years. The same have been presented in the graphical representation given below:



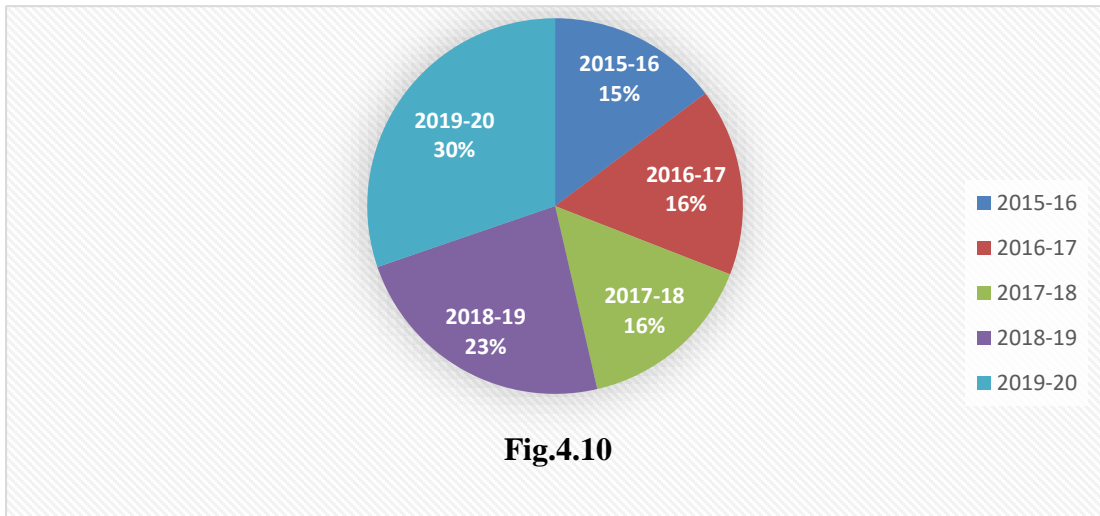
**Table 4.6: Changing pattern of Expenditure over the years (2015-2020)**

S. No	Year	Expenditure (In Lakhs)
1	2015-16	10998.48
2	2016-17	12035.7
3	2017-18	11515.49
4	2018-19	17393.09
5	2019-20	22536.57

Source: Abstract of Expenditure of Jammu Municipal Corporation 2015-2020.

The above table represents the total expenditure from 2015-2020 year wise. The highest expenditure is seen in the year 2019-2020, followed by 2018-19 and the least in the year 2015-2016, followed by 2016-17. In a short and precise manner, we can say that there is a slight increase in expenditure from the year 2016-2017 leading to a drop in the following year. There is a significant increase in the consequent years. There might be several reasons behind this but the most apparent is the conduct of local bodies election in 2018, that consequently transferred the administrative powers and authority of JMC to the local elected representatives. This accelerated the developmental activities in the study area, as various political parties during the local bodies' election in 2018 had promised to start various developmental work in order to ensure good urban governance. *The change in pattern of overall expenditure has been shown in the below mentioned figure 4.10 in the form of a pie chart.*



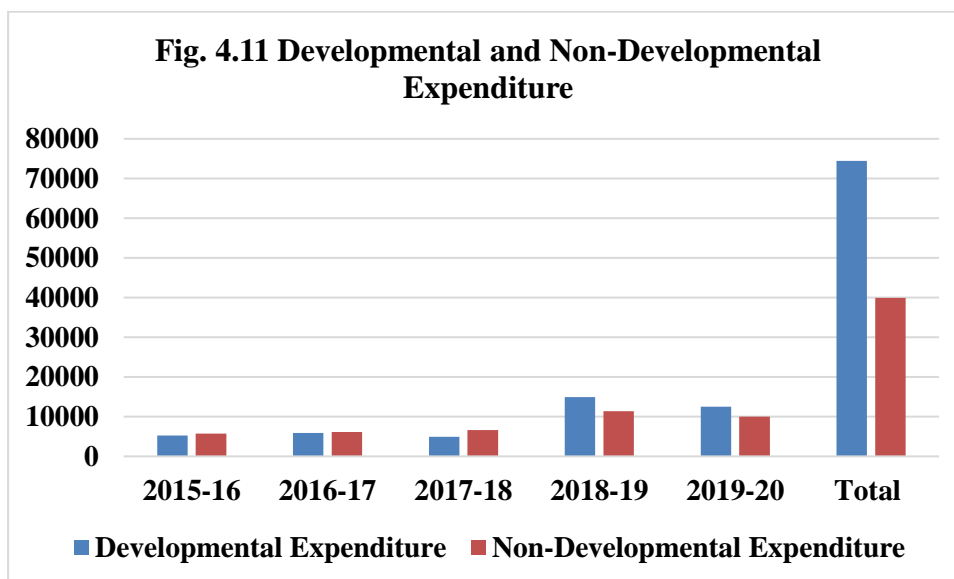


**Fig.4.10**

**Table 4.7 Development and Non-developmental Expenditure**

Year	Developmental Expenditure	Non-Developmental Expenditure
2015-16	5240.43	5758.05
2016-17	5882.43	6153.29
2017-18	4908.1	6607.39
2018-19	14949.4	11385.34
2019-20	12541.29	9995.28
Total	74479.33	39899.35

Source: Abstract of Expenditure of Jammu Municipal Corporation 2015-2020.



The above-mentioned bar chart clearly shows that the non-developmental expenditure exceeded that of the developmental expenditure from the years 2015-2018. A huge change in this trend can be seen in the subsequent years with an increase in developmental expenditure by nearly 204% within a span of just one year, i.e., 2017-2018 to 2018-2019 while a minor decrease of 24% is witnessed from 2018-2019 to 2019-2020. On the other hand, there is a steady increase in non-developmental expenses from the years 2015-2018. This is followed by a fluctuation in the year 2018-2019 to 2019-2020. But the overall picture depicts the developmental expenditure sees an increase of 86% when compared to non-developmental expenditure from the years 2015-2020.

#### 4.6 Summary

The expenditure of JMC on its different activities is not following similar pattern from 2015-2018. In spite of this, from the available data, it has been seen that more funds have been spent for developmental expenditure. This is a promising sign in favour of

the citizen and fund linked to urban infrastructure. In the context of Indian urbanization and required urban infrastructure, the Mckinsey Global Institute (2010) has projected that \$1.2 trillion capital investment is necessary to meet projected demand in Indian cities by 2030. Looking at the change in expenditure pattern in the institution being studied, efforts are being made to channelise the funds to realise the requirement of urban infrastructure in the coming years.

During field visits, review of reports, legislation, articles in newspapers, it has been seen that there are various domains mentioned in the 74<sup>th</sup> CAA and J&K Municipal Corporation Act 2000 which have been placed under the jurisdiction of local bodies including roads, big public parks (Maharaja Hari Singh Park, Baghe- Bahu, Green belt park etc) schools, health, etc. Although practically these domains have not been transferred to JMC and are being administered by the concerned state administrative departments (Floriculture department) and development authority like Jammu Development Authority. Consequently, overall local urban infrastructure in the study area is not being developed when compared to the other cities of India. Furthermore, the matter of widening roads, issue of recreational facilities, strengthening of educational and health infrastructure etc. is not under the appropriate body. Hence, the attention of local representatives is lacking on the development of those domains. Subsequently, there is an ambiguity threat to urban infrastructure.

Revenue generated by the Municipal Corporation over the years has remained steady and no considerable change. The expenditure exceeded the provided grants-in-aid in two financial years, namely, 2015-2016 and 2018-2019. This precedent raises a question on the appropriation of financial management by the corporation. Moreover,

the overall revenue has not grown significantly. Efforts should be made to make a noteworthy boost the revenue of the organisation but in the study area, no such efforts probably have been rendered. Property tax constitutes the major source of revenue (60%) for the municipal own revenue in India in the year 2017, thereby, it always remains a significant contributor to the own revenue. While collecting the data from Jammu Municipal Corporation and tax payers, it is surprising to see that JMC has not been authorised to impose property tax on its residents since its inception. This hampers JMC from reaching its full potential as implementation of collection of the major source of own revenue is not under its jurisdiction. It is a high-handed task to ask of JMC to sustain itself based on the revenue generated from the other sources which contributes only a meagre amount in comparison to property tax. Until the year 2020, JMC had no power to grant permission for construction of buildings which would have strengthened its feeble fiscal health.

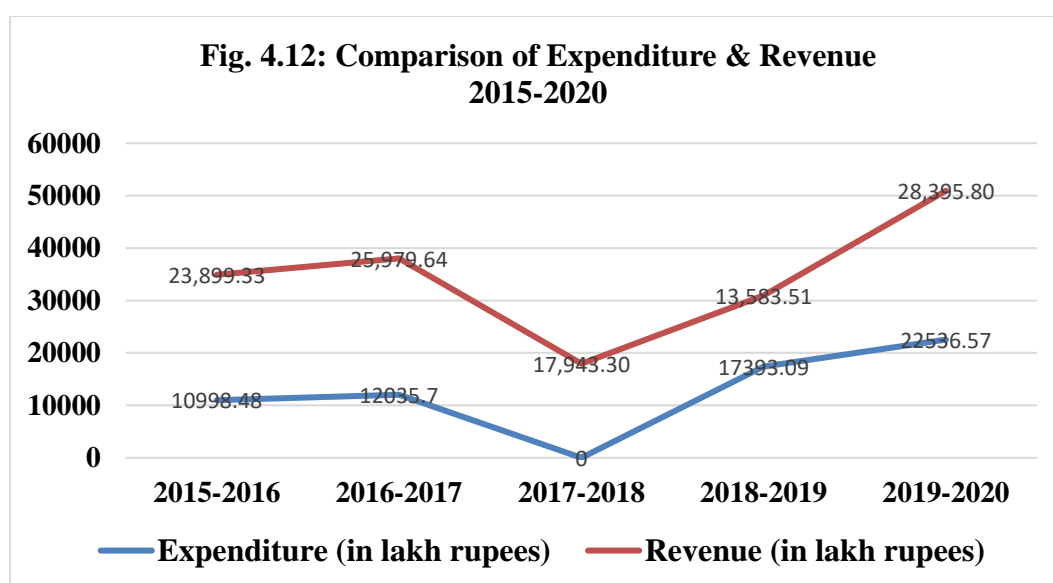
Since India gained its independence, the erstwhile state of Jammu & Kashmir has only had municipal elections five times, I.e., 1956, 1972, 1980, 2005 and 2018. The tenure of the last elected body was completed in 2010. From 2010 to October 2018, no elections were conducted. Due to this, the revision of user-charges and other own municipal fee, taxes, etc, were not re-examined according to the norms further weakening the revenue base. Over the years, this absence of revision did not go in tandem with the overall increasing expenses in its various activities causing a major dearth of finances.

## 4.7 Comparison of Revenue and Expenditure of JMC

The comparison of revenue and expenditure over the years 2015-2020 has been depicted in the table 4.8 mentioned below:

**Table 4.8: Comparison of Revenue and Expenditure**

<u>Year</u>	<u>Expenditure (in lakh rupees)</u>	<u>Revenue (in lakh rupees)</u>
2015-2016	10998.48	23,899.33
2016-2017	12035.7	25,979.64
2017-2018	11 515.49	17,943.2998
2018-2019	17393.09	13,583.5057
2019-2020	22536.57	28,395.7955



Looking at the gap between revenue and expenditure over the year in the study area, it appears that the JMC has failed to utilize the available revenue on the development of urban areas. In spite of not having power to impose property tax and change in the revision of tax rates, user charges etc. for a long time. However, its revenue pattern was at an all-time high when compared to the expenditure pattern over the year. In this context, we can say that the financial management practices followed by JMC are unseemly and even contrast with the basic principles of financial management of public organisations. Wherein, the organisations are committed to ensure welfare and growth and development of every section of the society.

#### **4.8 Perception of Tax Payers**

In the public institutions of a democratic countries, the involvement of citizens plays a very important role. The maximum involvement of local citizens in the decision-making process of public organization is called citizen centric administration and citizens pro administration. <sup>(3)</sup> Hence, the perception of citizens about the administrative processes occupies a central position in determining the notion of governance. Moreover, by taking or recording the perception of citizens about any organization in a systematic way helps in assessing the administrative effectiveness, efficiency, transparency and other hallmarks of Good Governance. On the basis of the citizens opinion, public organization's functioning, process can be corrected, reorganized and desirable changes or reforms can be initiated. In the aforesaid background, in this part of chapter an attempt has been made to extract the perception of tax payers of Jammu Municipal Corporation about its functioning, one of the objectives of the present study. For this purpose, a closed-ended questionnaire comprising of different aspects of urban

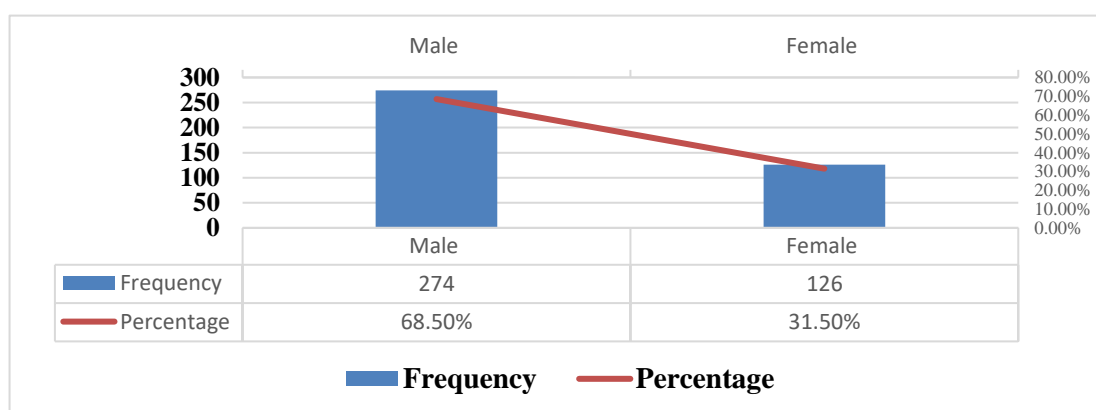
governance has been used. Moreover, as it very clear that information cannot be extracted until and unless a researcher is not establishing good rapport with the respondents. In order to make sure to get the response of respondents on determined aspects of urban governance like street lightning, drainage, solid waste management, traffic management, etc. and to ensure the ethics of research, the researcher has taken their permission by clearing the purpose of the study and maintenance of their confidentiality. Further, in the opening of the questionnaire, some questions are there about their personal details, age, profession, income, social background and number of family members etc. Once the required information was collected on urban governance, the qualified respondents from the study area were selected by using simple random sampling techniques of probability sampling process. The extracted information by this means is further analyzed by applying descriptive statistics which have been shown below in the form of table and charts along with their interpretation.

**Table 4.2.1: Showing the Particulars of Tax Payers of Jammu Municipal Corporation**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Male</b>	<b>274</b>	<b>68.5%</b>
<b>Female</b>	<b>126</b>	<b>31.5%</b>
<b>Total</b>	<b>400</b>	<b>100</b>

In Table 4.2.1 it is mentioned that out of the 400 Tax payers who were interviewed from the Seventy-five Municipal wards of JMC, a considerably good number of respondents were male (68.5%) and near about one-third of respondents were female.

While collecting the primary data, the researcher come across a problem that is the most probably the exact reason behind this low percentage of women. In the study area, whenever a female respondent was approached (through the decided sampling technique) to get their opinion on the phenomenon being studied, maximum women said *“Let our husband or any other male member come, he will say whatever is the matter”*. In spite of making various efforts the researcher could not convince them to get their perception on JMC. Moreover, the conditions prevailing due to the Covid-19 were also a great challenge to ensure the participation of all sections of society. The above-mentioned facts and statistics are further elaborated in the below mentioned figure number 4.13.

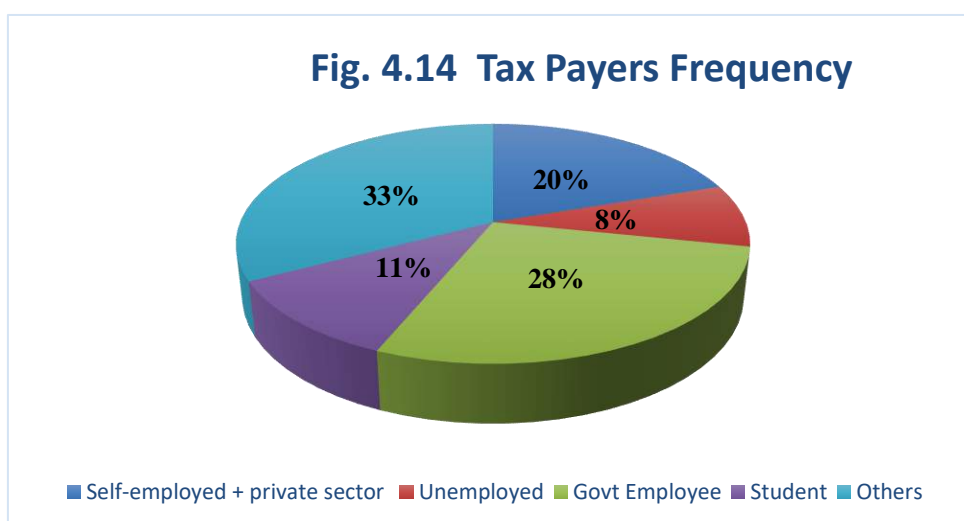


**Table 4.2.2: Showing the particulars of Professions of Tax payers of JMC**

Type of Profession	Frequency	% Percentage
Self-employed + private sector	79	19.8%
Unemployed	34	8.5%
Govt Employee	112	28.0%
Student	44	11.0%
Others	131	32.8%
Total	400	100%



In Table 4.2.2 it represented the profession of taxpayers of Jammu Municipal Corporation. Considerable number of respondents (32.8%) were engaged in other profession viz. casual labourers, daily wagers, street vendors where they do not have work security, hence, keep changing their job as per the availability of work. Few numbers of respondents (28%) were working in different departments of government sector. Very few respondents (19.8%) were self-employed and worked in private sector. Near about one fourth of respondents (32%) were students and insignificant respondents (8.5%) were not working (Unemployed). In this part it was observed that maximum respondents are working in unorganized sector. Furthermore, government employees were also more than other professions mentioned in the above table as in Jammu and Kashmir the private sector is very less comparatively than other areas of India. So maximum people remain dependent upon the public sector for employment. Meanwhile, the percentage of unemployed tax payer was merely eight percent. Moreover, the above said information about the profession of the qualified respondents is being shown in the below mentioned pie chart, clearly displaying the percentage of each profession.



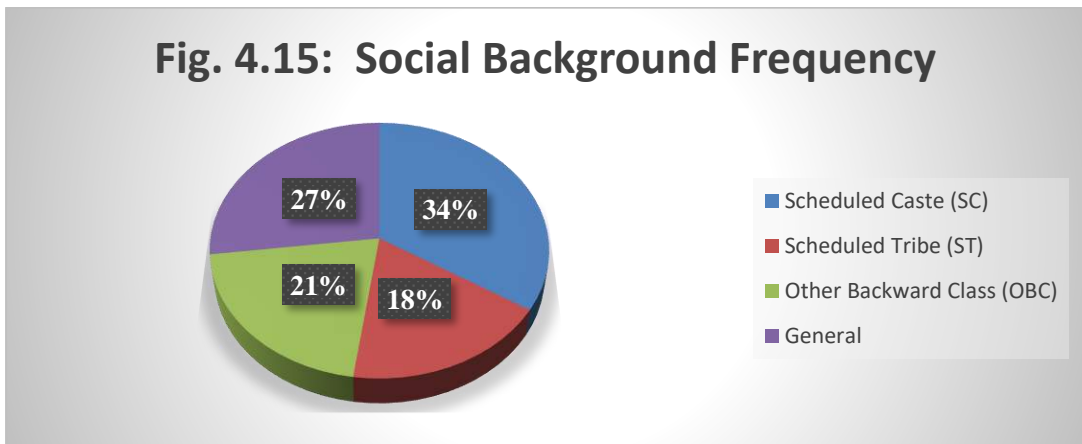
Coming to the social background of the tax payers Scheduled Tribe (ST), Scheduled Caste (SC), Other Backward Class (OBCs) and General were also analyzed which is listed below:

**Table 4.2.3: Social Background of the Tax Payers of JMC**

<b>Social Background</b>		
Particulars	Frequency	Percentage%
Scheduled Caste (SC)	136	34.0%
Scheduled Tribe (ST)	73	18.0%
Other Backward Class (OBCs)	83	20.8%
General	108	27%
Total	400	100%

The Table 4.2.3 showed the social background of the respondents. Considerable number of respondents belonged to the Scheduled caste (34%). Very few respondents belonged to the Scheduled tribe. Near about one-fourth of the respondents belonged to the General category. Few respondents (20.8%) were from Other Backward Class. The same facts have been illustrated in the below mentioned pie chart:

**Fig. 4.15: Social Background Frequency**

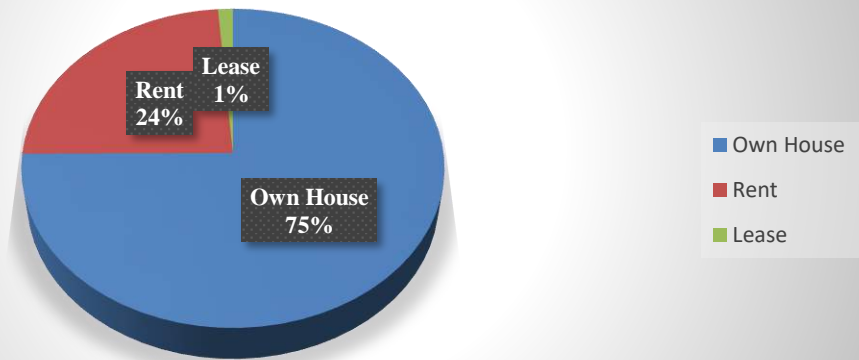


**Table 4.2.4: Particulars of the Possession of House of tax payers**

Particulars	Frequency	Percentage%
Own House	302	75.5%
Rent	96	24.0%
Lease	5	1%
Total	400	100%

The Table 4.2.4 represented the possession of the house of taxpayers. Good number of respondents (75.5%) have their own house and close to one fourth of the respondents (24%) have resided in rented houses. Insignificant respondents were staying on lease basis. The below mentioned pie chart depicts the same information pertaining to possession of household.

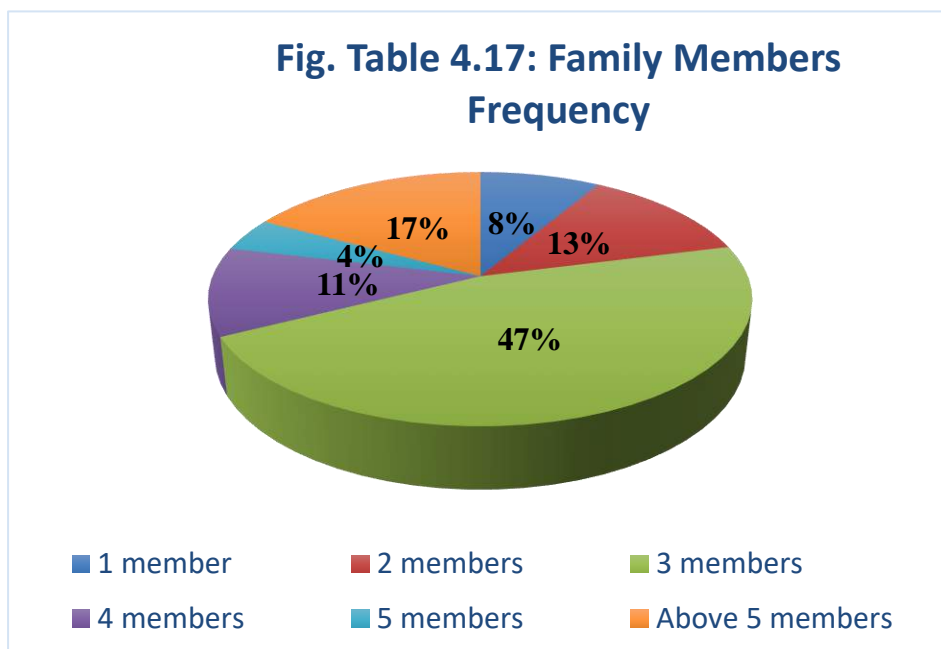
**Fig. 4.16: Possessions of House %**



In every household, different types of family live, like nuclear families and joint families. Keeping in mind the rapid increase in urban population across the world, efforts were made to know about the number of family members living in each household. In this regard, the provided information by the respondents has been included in the table listed below:

<b>Table 4.2.5: Number of Family Members of Respondent</b>		
<b><u>Particulars</u></b>	<b><u>Frequency</u></b>	<b><u>Percentage</u></b>
1 member	34	8.5%
2 members	50	12.5%
3 members	186	46.5%
4 members	45	11.3%
5 members	17	4.3%
Above 5 members	68	17.0%
Total	400	100%

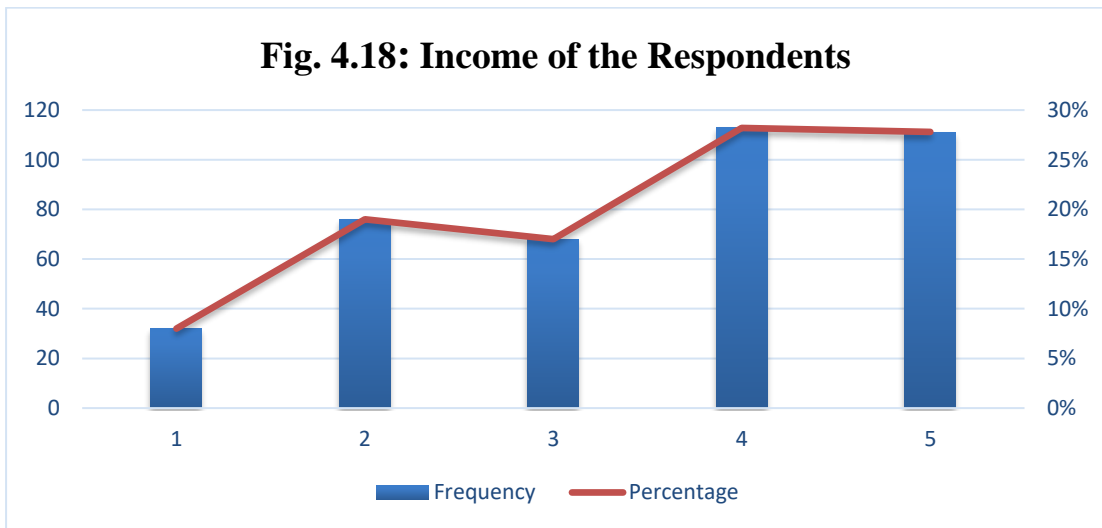
Table 4.2.5 representing the details of number of family members of respondents in the territorial jurisdiction of JMC. In this context it was seen that nearly half (46.5%) of the respondents have three members in their family. Very few (17%) families have above five members in their families. whereas insignificant number (8.5%) and (4.3%) families have one member and five members families respectively. That shows, that up to some extent, people are aware about the family planning, and economics burden of having more family members in the family. Further, respondents having only member in the family were maximum those who has come from other adjoining districts for educational purposes and job purposes. The aforesaid things have further elaborated in the below mentioned diagram;



**Income of the tax payers has also been analyzed which is listed below;**

<b>Table 4.2.6: Annual Income of the Tax Payers</b>				
<b>Particulars</b>	<b>in Lakhs</b>	<b>Coding</b>	<b>Frequency</b>	<b>Percentage</b>
50,000 to one lakh		1	32	8%
One - Two		2	76	19%
Two – Three		3	68	17%
Three – Four		4	113	28.2%
Four – Five & Above		5	111	27.8%
<b>Total</b>			<b>400</b>	<b>100%</b>

Table 4.2.6 presents the annual income of the tax payers. In this part, it has been seen that, more than one fourth (28.2%) respondents earn three to four lakhs per year. Few (27.8%) earn four to five or above five lakhs per year. Whereas, little less than one fifth (19%) respondents earn one to two lakhs. Similarly, almost one sixth (17%) earn two to three lakhs. Further, insignificant (8%) respondents only earn fifty to one lakh per year. This shows maximum people residing in the JMC are not economically well off. Hence, maximum people belong to middle class families. This has been further explained in the chart below.



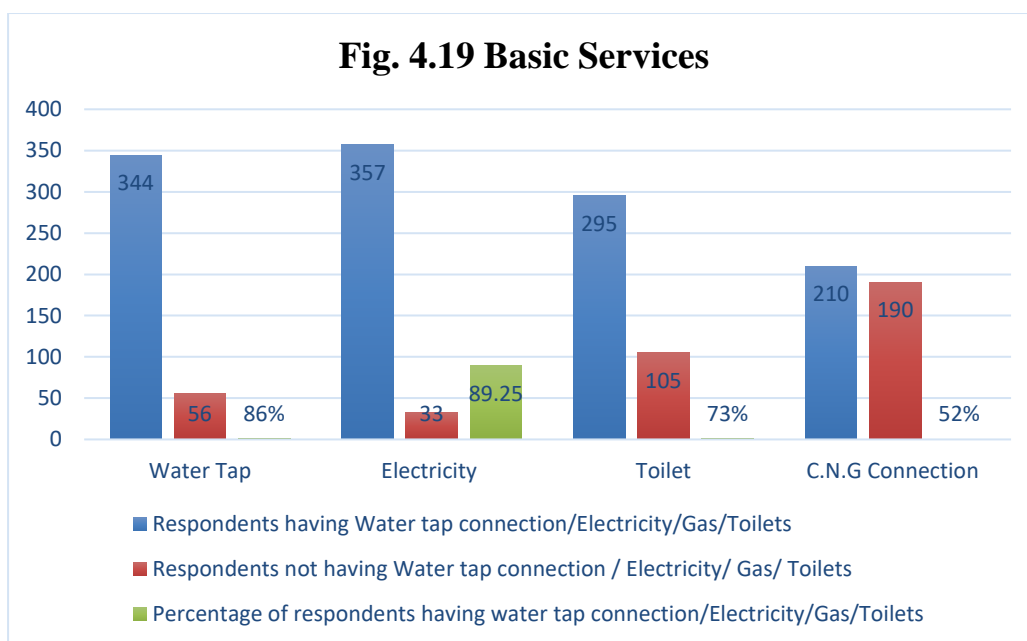
In order to get the exact information about the phenomenon being studied, the researcher has included some basic questions. The intention behind this endeavor was to establish a rapport, thereby, creating an environment in which the respondent feels at ease to respond to the questions. Furthermore, this enables the researcher to understand the socio-economic condition of the respondents. The researcher has implemented the same in its real manner to seek the responses of the respondents in his/her natural environmental setting. After obtaining details of the respondents through the opted method of data gathering, questions were framed about the basic services provided by JMC, in fact those that are essential for everyone living in the modern society. In this below mentioned table, the facts and figures pertaining to people having access to basic services in the jurisdiction of study are incorporated and further has been elaborated with the help of table and charts:

<b>Table 4.2.7: Basics Services Provided by JMC</b>			
<b>Particulars</b>	<b>Frequency</b>	<b>Frequency of not having Water tap connection/ Electricity/Gas/Toilets</b>	<b>Percentage</b>
Water Tap	344	56	86%
Electricity	357	33	89.25
Toilet	295	105	73%
C.N.G Connection	210	190	52%

Table 4.2.7 presents the statistics concerning citizens having access to basic services in the study area wherein, it has been seen that majority of respondents (86%) have access to tap water and very few (14%) respondents were not having water facility. Similarly, majority (89%) of households have electricity connection and merely one-ninth (11%) households have no electricity connection. Almost three fourth (73%) people have toilets at their homes and little more than half (27%) people defecate openly on the nearby bank of river Tawi, Nallahs, and Forest areas. Similarly, more than half (52%) people have CNG connection and nearly half (48%) people have no access of CNG connection. Moreover, people from all the areas of study have complained about the curtailment of water supply in the months of summer. Similarly, the problems of power cut remain bothersome for the people almost across the entire study area in the peak of winter and summer. As per the respondents of the study area, JMC is not focusing on the development of urban infrastructure like water tanks, transformers, roads, parks, playgrounds, etc. On the abovesaid issues, when the then Hon'ble Mayor of JMC was



asked to respond on a telephonic interview, he replied, *“Since there was no elected government from 2010, we took charge only two years ago in 2018 and we are trying to develop urban area on par with the other cities of the country. Yes, of course, it will take time for us to reach in all localities. However, our staff and corporators tirelessly work to ensure good governance.”* The below-mentioned diagram further shows the statistics of basic services within the study area:



In the second part of the questionnaire, some questions were asked from the respondents related to the management of urban governance in the study area. All those important aspects of urban governance are listed below:

S.No.	Table 4.2.8: Questionnaire Give your opinions in any one of the three levels	
1	How do you feel about the maintenance of Roads in your Municipal area?	Good/Average/ Bad

2	What is your impression on street lighting in the city?	Good/Average/ Bad
3	What is your opinion on the public health services provided by the Corporation?	Good/Average/ Bad
4	How are the services of Corporation in respect of services relating to Birth & Maternity Relief?	Good/Average/ Bad
5	How are the facilities of Sanitation and public toilets in your area?	Good/Average/ Bad
6	What is your opinion on the management of compost by the corporation in your area?	Good/Average/ Bad
7	How do estimate the efforts of Jammu Municipal Corporation in checking food adulteration in the city?	Good/Average/ Bad
8	How are the arrangements of water supply in your area?	Good/Average/ Bad
9	How are the arrangements of drainage management in your area?	Good/Average/ Bad
10	What is your perception on the Working of Municipal Schools in the city?	Good/Average / Bad
11	How do you experience the town planning arrangements in the city?	Good/Average/ Bad
12	How are the arrangements of Parks / Libraries for	

	provision of recreation in the city?	Good/Average / Bad
13	What is your impression on the maintenance of markets in the city?	Good/Average/ Bad
14	How are the parking facilities in the city?	Good/Average/ Bad
15	How are the arrangements for protection of environment in the city?	Good/Average/ Bad
16	Give your suggestions for enhancing the performance of your municipal corporation in extending civic amenities to the citizens.	

For all these important areas of urban governance and important functions of Municipal Corporations, the respondents in the study areas have responded as per their personal experience. The same has been elaborated in the below mentioned table:

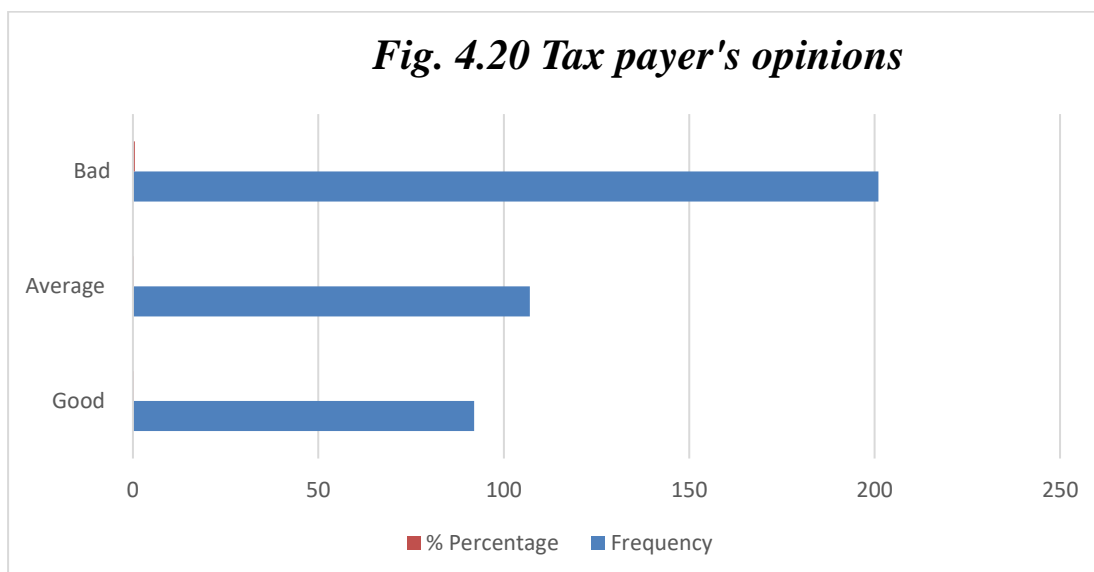
**Table 4.2.9: Tax payer’s opinions**

Particulars	Frequency	%Percentage
Good	92	23%
Average	107	26.8%
Bad	201	50.25%
Total	400	100%

As per the recorded response of qualified respondents in the study area. It has been seen that little more than half (50.25%) respondents said that the civic services provided by the JMC are bad. At the same time approximately one fourth (26.8%) respondents said the provision of civic services is average in the study area. Likewise, a little more than

one fifth (23%) respondents said that the civic arrangement is good. The overall opinion of the respondents regarding the maintenance of roads in their municipal area was unsatisfactory. Despite repeated complaints, the authorities did not fix the damaged roads and streets causing inconvenience to the public. There is no control over the stray animals wandering in the streets, thereby, creating a fearful environment for the school going children and the elderly. The street vendors and local shop keepers always put their commodities on the public streets that often leads to traffic congestion and inconveniencing the passerby. The public toilets are available in only a few major areas of the city and even these are not washed or neatly kept.

Another source of grievance to the general public is the lack of management of the compost by the corporation. In most areas, there is no fixed schedule for garbage collection or disposal whereas the areas within which reside the bureaucrats, politicians, etc., are well maintained. There is a timely check on adulteration in those areas which are located close to the headquarters of JMC while such activity is limited in the areas farther away from it. Furthermore, the mechanism of parking, health related services, educational institutions are not well maintained. However, these institutions do not fall under the jurisdiction of JMC. One of the biggest causes of concern is the poor maintenance of street lighting, one of the leading causes of theft across the city. The same has further elaborated in the below mentioned chart:



#### 4.8.1 Summary

Taking into consideration the opinion of respondents, we can say that maximum people belong to middle class and are very aware about the family planning process. Moreover, it has also been seen that more than 50% people (Respondents) are not happy with urban governance mechanism and rest are placing this system average and bad. This phenomenon raises several questions on the urban governance mechanism of JMC. Besides, some important areas of urban governance like school and water supply management does not fall under the administrative domain of JMC, as these domains in the study area are managed by the concerned state department. This eventually has taken over the domain and funds functions and functionaries of urban local bodies provided by the Jammu and Kashmir Municipal Corporation Act 2000. Consequently, the JMC had no control on these administrative domains. But after the abrogation of Article 370 in 2019 and re-organization of Jammu and Kashmir, efforts are being made to implement the 74<sup>th</sup> C.A.A in J&K. Eventually, in this regard in 2020, 108 primary schools falling under the jurisdiction of JMC along with funds, assets, functionaries

have been transferred to it, although due to the slow administrative process, nothing has yet changed at ground level. Furthermore, health sector at primary level, water supply and power department related work has been placed under the administrative jurisdiction of study area. Many respondents across the study area have suggested to improve the drainage related work especially in Nanak Nagar, Jewel Chowk, Sainik Colony, Talab Tillo, Bikram Chowk. They have also suggested that unorganized and unplanned constructions work need to be stopped immediately as many streets are becoming congested. Municipal Solid Waste management is another problem. The citizens have complained that in those areas where politicians and bureaucrats live, the JMC takes care of Municipal Solid Waste removal diligently and continuously yet, where the common people live, JMC has shown no concern. It appears that the elected councilors have no say in JMC. Respondents from newly created municipal wards of the study area seventy-two, seventy-three, seventy-four and seventy-five are very disappointed. They said that they were happy under Rural Governance Mechanism, where at least some of their works were done under the Mahatma Gandhi Rozgar Yojana (MGNREGA). Since this area has been placed under JMC in 2018, they are facing several problems like drainage problems, water supply, seeking birth and death certificates, etc., maximum people do not know about the administrative system and procedures for availing services provided by JMC. The system has become very ambiguous for them and the concerned administration has not shown any concern to overcome this ambiguity thus far.

Another important aspect from the study areas that has been noticed is that JMC has no power to impose property tax which is the main source of own municipal revenue across the globe. Hence, JMC has been deprived to earn revenue from this aspect since its

inception as a Municipal Corporation in the year 2000. Further, the other duties, fines, fees, user charges are being collected offline. Thus, the use of e-governance has not been incorporated in its administrative process due to which, the wastage of resources, energy and time is not being minimized. If the same could have been minimized, the perception of citizens or tax payers would have been different. In short, JMC somehow is failing in making the city of Jammu as capable and financially viable so that it can act as an engine of economic growth.

#### **4.9 Scenario of Urban Local Bodies in general and Jammu Municipal Corporation in particular after the Re-organization of J&K**

The re-organization of Jammu and Kashmir act 2019, divided erstwhile state into two Union territories (Ladakh and Jammu and Kashmir) and further led to the abrogation of Article 370. Due to the special status provided by the article 370, several central legislations and policies could not be implemented in J&K. <sup>(4)</sup> On the pretext of this special status, the 74<sup>th</sup> CAA amendment was not implemented in J&K due to which its ULBs suffered a lot. The implementation of J&K re-organization act 2019, led to the implementation of 113 central laws and eventually some provisions of the 74<sup>th</sup> constitutional amendment Act too. Thereby, some sight of relief can be seen in the municipal setup of J&K which has the potential to enhance the fiscal health of the municipalities. The J&K government has transferred the control of around 108 Government Primary Schools to the Municipal Corporations in Jammu and Srinagar under the 74<sup>th</sup> Constitutional Amendment Act. <sup>(5)</sup> Nevertheless, the 76 ULBs comprising of 19 Municipal Councils and 57 Municipal committees have been barred from the devolution of functions, functionaries and finance. Besides, some other

measures have also been taken to ensure the autonomy of ULBs like the J&K Administration's approval of transfer of several domains or divisions of Jal Shakti Department to Urban Local Bodies as mandated under 74th Constitutional Amendment Act. <sup>(6)</sup> In this landmark decision, Public Health Engineering (PHE) Division and Public Health Mechanical Division have been placed under JMC along with post of Permanent Officers and funds. Whereas, City Water Works Division of Srinagar, a part of Srinagar PHE Mechanical division, a part of the city Sub-Division of Ganderbal district, and a part of PHE Sub-division of Lal Nagar have been allotted to the SMC. Further, 140 water supply schemes along with allied infrastructure have been also transferred to JMC and SMC for their operation and maintenance, besides transfer of 3,222 kilometers of distribution networks of various schemes falling within the jurisdiction of 19 Municipal Councils along with regular staff, and casual workers and daily-rated workers to the ULBs. Jal Shakti Department has been given the responsibility to open a separate budget head for transfer of capex and opex funds to the ULBs. <sup>(7)</sup> Revenue generated from the above-mentioned functions, will also be deposited in ULBs accounts. The government has also transferred functional control of 53 Health Sub-Centres to Urban Local Bodies in the twin capital cities of the UT which were earlier being managed by the Health Department. Besides, 577 roads with the width of 5.5 kms falling under the jurisdiction of JMC and SMC have also been given to them. All these measures will contribute in boosting the financial resources of ULBs. <sup>(8)</sup>

#### **4.9.1 Jammu Municipal Corporation (JMC)**

JMC has witnessed a great change in its financial mechanism and administrative setup after this change made by the Government of India. Within the territorial jurisdiction of JMC, it has been given the full administrative control of the Social Welfare



Department, Primary Education, Public Works Department, Primary Health Centres, Urban Forestry, Floriculture and Jal Shakti Vibhag. Earlier, these departments were managed by the State Department or Jammu Development Authority. Moreover, when the corporation was established in the year 2000, its Engineering wing, the backbone of JMC, had only four divisions, namely Electrical division (partially), Two Urban Development Division, and Urban Environmental Engineering Division (UEED). Now, it is the corporation of twelve divisions; five are its own development divisions, one project division, four divisions of Jal Shakti Vibhag, UEED division, and Electrical division. Further, Jammu Development Authority which was established in 1970 used to give permission for building purposes. <sup>(9)</sup> Now, JMC has been authorized to issue building permissions. Within a very short span of time, 2803 building permissions have been given and the revenue collected from this domain is as follows: one crore forty-six lakhs (2018-19), two crores 39 lakhs (2019-20) and three crores three lakhs in 2020-21. Besides, JMC has been also authorized to fix the rates of its user charges which is 100 from domestic and 200 rupees from commercial sites. From this, it has earned one crore in 2018-19, one crore eighty-six lakhs in 2019-20 and four crores twenty lakhs in 2020-21. <sup>(10)</sup> Recently in 2022, another landmark decision taken by the Administrative Council of J&K is the approval of the proposal to reorganize JMC. The Council has also approved an additional grant of Rs 3.26 crore per annum for optimal functioning of JMC. <sup>(11)</sup>

#### **4.10 Conclusion**

In this unit, the researcher has presented the changing pattern of revenue and expenditure over the years (2015-2020). In this context, the financial management

practices followed by the JMC are not conducive to adjust the collected revenue for the development of the study area. In spite of not having many sources of earning at its disposal like property tax, still its revenue exceeded the expenditure. Moreover, the amount which the corporation has spent on its different developmental and non-developmental activities shows that comparatively more funds were spent on developmental activities of the different areas. This is quite an impressive feat on the part of JMC that efforts are being made to develop urban infrastructure. Nonetheless, the study area persists with several difficulties as some important sectors of urban infrastructure have not been placed under JMC. Subsequently, this creates an ambiguous situation whether infrastructure like roads, bridges, hospitals and schools are being developed or not and whether the required attention is being paid to them or not. The broader viewpoint pertaining to expenditure shows that JMC expenditure pattern is not following a uniform pattern over the years as seen in the case of revenue part. When it comes to tax payers or citizens viewpoints on the functioning of JMC, more than 50% respondents have said that civic services provided by the Jammu Municipal Corporation are not satisfactory which in itself is a matter of concern as citizens' perception is the prime aspect of good governance nowadays. One of the great challenges that the JMC has faced since its inception is due to the non-implementation of 74<sup>th</sup> CAA 1992.

## 4.11 References

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## **Chapter v**

### **5.1 Conclusion: Finding and Policy Recommendations**

In the previous chapters, the financial management of urban local bodies in general and the financial management of Jammu Municipal Corporation in particular have been examined. Furthermore, the issues pertaining to the phenomenon being studied have also been analyzed. The present chapter highlights the key outcome of the study and recommends some measures that will help in sustaining the financial position of the study area. The main objective of the study is to know about the financial management of urban local bodies with special reference to Jammu Municipal Corporation. This has been analyzed from available literature, government reports, newspapers, journal articles, books and magazines, etc. From the review of literature, it has been seen that municipal governments across the globe are facing several challenges like rapid urbanization, inadequate finance, lack of power to take major decisions associated with their functioning, lack of cooperation between the political and administrative branches, waste of public funds, corruption, etc. However, the Indian municipal government are amongst the weakest municipal bodies across the globe in terms of financial independence. Consequently, these bodies are suffering from a dire need of adequate finance to meet with the increasing demands of citizens ranging from civic services to sustainability in their functionalities. Furthermore, own municipal sources are very scarce that leads ULBs towards dependency on the higher tiers of government. Property tax source, which is the biggest source of earning remained static from the past few years. Revenue from this source without experiencing a significant increase has further

hampered the financial capacity of Indian municipalities. The problems faced by municipal bodies is due to the lack of clarity in functions and finance of ULBs. In fact, the 74<sup>th</sup> CAA 1992, which gave constitutional status to Urban Local Bodies had merely allotted eighteen functions and did not exclusively clarify regarding the financial aspect of ULBs. For this purpose, the act has left this matter at the discretion of the state government. Under Article 243X, the state governments are entrusted with the powers to impose taxes, duties, tolls, and fees. It permits state governments to assign revenue from specific taxes to ULBs. Similarly, Article 243Y, empowers to states government to appoints State Finance Commissions (SFCs) for the task of relieving and recommending devolution of tax revenue and grants in aid to ULBs. However, the recommendations made by this constitutional body is not mandatory on the state government. Ironically, some states yet have to do so and the states which have appointed SFCs from time to time for the allotted mandate. Therein, there is the great lack of sufficient infrastructural support, personnel, and technological knowledge to understand the complexities of the financial matters and apply the appropriate formula for the devolution of funds to ULBs. If we look at the above said constitutional mechanism and prevailing financial position of ULBS, one can easily say that it is nothing but a myth of empowering ULBs. Various studies have already proved this phenomenon and the hollow claim of local autonomy. The already financial distress ULBs of India once again suffered enormously, when the Goods and services Tax Act (GST) 2017, was formulated and implemented across the country. Due to the execution of this legislation, local sources of municipal income like octroi, local body tax, entrance tax, etc. have been placed under the ambit of GST. Thereby, the ULBs which are in need of financial autonomy to move cities towards the track of growth and

development and further act as engine of growth, met with another financial setback. Another major finding in the context of Indian municipalities is rapid urbanization and its impact on the finances of ULBs. Indian urban population grew from 62 million people in 1951 to 286 million in 2001, and 377 million in 2011. While the cities which have responsibility to administer the cities are plagued by the *‘Rich City Poor City’* administration problems. The situation has worsened, so much so that even the small ULBs of the country are not in a position to pay the salary to their employees on time. On the other hand, the total proportion of municipal income from central and state revenue fell from 3.71 percent in 1990-91 to 2.43 percent in 2000-01 and now less than 2 percent. In such a state, it is not only difficult but impossible to make cities as engine of economic growth. In 2005, the then Government of India came with a programme namely Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to improve the living conditions in cities. Under this mega programme more than \$9 billion was awarded for urban infrastructural development. Although, the funds were made available but most ULBs have not shown that they can oversee the support and maintenance of the significant infrastructural projects that have been funded. In fact, spending a huge amount of money, nothing has been changed pertaining to municipal own revenue and other financial resources. In spite of lack of infrastructural support in urban areas, the 33 percent people of the country living in urban areas are contributing 63 percent in GDP of the country and expected to rise in urbanization about 40 percent in 2031, with a GDP contribution of 70 to 75 percent. Even then such an important factor that contributes a lot to the nation’s GDP is being neglected in terms of required financial support and autonomy. Taking into consideration the impact of rapid urbanization in India, several international and national think tanks have suggested the

need of huge amounts of financial flow to develop the urban infrastructure for the needs and future aspirations. However, with the opted approaches and policies to deal with the issue of urbanization in India, making it difficult for the ULBs towards creation of sustainable cities and communities as envisaged in Sustainable Development Growth goals (SDGs) by 2030. Jammu Municipal Corporation as the integral part of Indian municipal setup is lagging behind in several administrative and financial matters, as the country's legislation which gave constitutional status to other ULBs of India has not been implemented. Due to this, according to CAG in 2015, the JMC under J&K Municipal Corporation Act 2000 were entitled to perform eighteen mandatory functions but only eight functions it has performed. The other functions were being carried out by the other departments of the state government.

The second, third and fourth objective are the very important objective of the study which examines the changing pattern of expenditure and revenue in the study area and last the tax payers perception on the functioning of the JMC respectively. In order to deals with these objectives, the required data has been collected from the JMC, and tax payer's response was recorded through a closed-ended questionnaire. The major findings in this context are listed below.

### **5.1.1 Major Findings**

Revenue is important to streamline the organizational functioning. In the study area, major finding regarding the changing pattern in revenue and other associated factors that hinder the growth of the same are as follows.

1. There is a steady rise in the devolution of funds from the years 2015-2018 but it is followed by an uncharacteristic reduction in the 2018-2019 and a return to



regularity in the year 2019-2020, the last year under study. This haphazard manner of fund delegation leads to irregularities/inconsistencies, which further derailed the developmental activities of JMC.

2. The fund received in Grants-in-Aid ranges from the lowest in the first year of study (2015-16) to the highest in the final year (2019-20). Although the devolution of funds was remarkably lowered in the year 2018-19, the grants-in-aid did not see any change but remained consistent as seen in the other years.
3. The expenditure incurred from the Grants-in-Aid in the period of study was highest in the year 2019-20. In the financial years 2015-16 and 2018-19, the expenditure exceeded that of the grant provided. This anomaly raises a question on the management of accounts and role of the internal audit mechanism.
4. When it comes to the Own Municipal sources of revenue, in the area being studied, it has no legitimate power to collect the revenue from the biggest source, i.e., property tax, since its inception as a corporation. With its main source of earning lacking, one cannot expect smooth running of the corporation from the other sources of revenue which prove to be meagre. The revenue from these other sources like grants-in-aids, devolution of funds, etc., are unpredictable as this matter is decided exclusively by the higher tier of government. This is done according their priorities which could differ year to year resulting in inconstant allocation. If JMC would have had the power to collect property taxes, its overall fiscal health would have greatly improved resulting in betterment of overall governance.
5. The present scenario pertaining to JMC's own revenue has not augmented greatly over the years and the data concerning the same is very limited. Instead

of maintaining year-wise record of revenue collection, only a total figure has been provided for the years 2015-2020. These irregularities raise several questions on the financial management of the entity being studied.

6. The user charges and other taxes and fees are uniformly applied in the city which is against the principal of natural justice.
7. After the reorganization of Jammu & Kashmir in 2019, various urban governance related functions have been allotted to Jammu Municipal Corporation that have potential to augment its fiscal health, provided the sound mechanism of financial administration is followed.
8. The role of non-government organizations is very limited in providing civic services to people or creating awareness among the masses. There is a dearth of need to work with non-government organizations and other local agencies to meet the requirements of the require urban infrastructure.
9. The JMC is entirely dependent upon the grants of higher tier of government and its own meagre sources of earning for its functioning and providing urban governance in the city. The other means of earning like Municipal Bound, Municipal Borrowing, Financial risk sharing through PPP venture have not been availed so far.
10. The hidden financial potential associated with Municipal Solid Waste Management like revenue from the sale of materials or energy recovered at large. Consequently, the JMC is not getting benefit from this source to increase its revenue. On the other hand, the other big Municipal Corporations of the country are generating huge amount of funds from municipal solid waste management and also creating employment opportunities.

11. In spite of having the mechanism of SFC in Jammu and Kashmir Municipal Corporation Act 2000 and in Jammu and Kashmir State Finance Commission for Panchayat and Municipalities Act 2011, even then, the State Finance Commission was not constituted for recommending proper devolution of funds to JMC and to other ULBs of J&K, especially during the time period of study 2015-2020.

Expenditure part of any organization reflects various things that how funds were raised, how available funds are being spent, and how expenditure over the years is increasing or decreasing that is collectively called as changing pattern. More importantly, rationality matters a lot in this entire procedure. In a typical financial management aspect, it should follow the changing pattern of revenue in the organization, any deviation in this part may leads organizations towards bankruptcy or away from the pillars of good governance. In this regard, overall observation of expenditure of the area being studied has been mentioned below:

1. Overall, an increase of over one hundred percent (104.9%) has been witnessed from the years 2015-20.
2. Making it more precise, minor fluctuations have been observed in the expenditure from the years 2015-2018. Nevertheless, a significant change of 51% is noted from the financial years 2017-18 to 2018-19 and a further change of 29.5% is observed in the following year (2019-20).
3. The change in pattern of expenditure was analyzed by bifurcating it into developmental and non-developmental expenditure by examining the nature of expenditure. In short, the expenditure that was incurred on the infrastructural

development of the local area was considered as developmental expenditure whereas the expenditure on daily basis administration, salaries, allowances, etc., were placed under the non-developmental expenditure.

4. A positive aspect which has been seen in the light of abovesaid division of expenditure is that developmental expenditure far exceeded that of non-developmental throughout the decided time period of study implying that efforts are being made to develop the local area and to ensure citizen-oriented administration.
5. At the same time, in spite of several areas being placed under JMC by the J&K Municipal Corporation Act 2000, are practically being administered by other agencies or departments of the state government. Consequently, JMC is not spending its funds in the development of those areas like roads, bridges, parks, schools and hospitals. This leads to ambiguity as to whether these areas are in fact being developed or not, as per their requirements.
6. Upon closer analysis of the collected data, an astounding fact emerges, a huge disparity exists between the revenue and the expenditure of JMC over the years 2015-20 except in the year 2018-19. As per the sound principle of financial management, there must be a concurrent relationship between the expenditure and revenue. Nonetheless, the gap that exists in the financial management of JMC is far from ideal, in fact this raises several queries over the management of funds which seems to have gone unnoticed again by the auditing agencies, as seen in the case of revenue.
7. In this regard, more than 50% of the tax payers' were of the perception that JMC was not adequately carrying out its functions.

8. Another important fact which was noticed during the collection of data pertaining to the area being studied, very less budgetary information was made available and there was perceived reluctance in dispensing of the information required by the researcher.
9. The official website of JMC have not been updated in regard to financial transactions. Even the record available seems to be put up only to project JMC in a favourable light. Whereas, under Jammu and Kashmir Municipal Accounting Manual (J&K MAM), day to day financial transactions should reflect on a daily basis so that the JMC can ensure Accrual Based Double Entry System. Furthermore, various other legislations pertaining to urban governance are envisaging transparency and accountability in all administrative and financial matters somehow not reflected through the financial management practices followed over the years by Jammu Municipal Corporation.
10. Taking into consideration the above findings, there is a possibility that urban governance is being compromised in the study area. Under such a system, it might be difficult for Jammu Municipal Corporation to develop the city of Jammu and further turn it into the engine of economic growth.

## **5.2 Policy Recommendations**

From the analysis of the available data on the phenomenon being studied, the researchers offer some suggestions which will be helpful in strengthening the functioning and financial management part of Jammu Municipal corporation.

### **5.2.1 General Recommendations**

1. The 74<sup>th</sup> Constitutional Amendment Act 1992, should be amended and all 18 items allotted to ULBs should be linked with sufficient revenue. The state's discretion in financial matters of ULBs should be curtailed.
2. The authorities should identify new and creative sources of income for the ULBs in India that will supplement the GST and assist to mitigate the impact of GST. It is urgently needed due to the rising infrastructure needs as well as the need to improve the quality of basic services and the liability of the affected cities.
3. In order to financially strengthen ULBs across India, a surcharge on SGST of approximately 0.5 percent to 1 percent should be implemented. This will allow for more effective and better delivery of fundamental urban services.
4. ULBs must concentrate on boosting its revenue by valuation of the land because property tax is a significant revenue source for the majority of ULBs in the nation and has a high potential. It is important to increase tax base through accurate assessments, raise revenue from property taxes through better levy and collection systems, and adjust tax rates to reflect rising property values and societal financial needs.
5. Moreover, keeping in consideration the prevailing circumstances of ULBs, Indian cities must access the financial market, just as the Ahmedabad Municipal Corporation did almost ten years ago. Cities could receive financing for significant infrastructure needs initially under the JNNURM, and now under the Smart City Mission and AMRUT.

6. Literature suggests that ULBs could also consider PPP Models, Land Monetization, and Municipal Bonds for improving local level finances and thereby providing adequate infrastructure facilities, in accordance with the SCM and 12th Schedule of the Indian Constitution.
7. Power in a democratic society must be shared and the state should be the organization responsible for providing public goods as a step toward maximum governance (defined as openness, accountability, and greater public participation) and minimal government. However, in a developing nation like India, the private sector is probably capable of providing public goods and has the necessary funding. Thus, in the functioning of ULBs, there must be larger involvement of PPP models, so that efficiency, effectiveness, economy, accountability and transparency can be achieved at urban local levels.
8. To increase the livelihood of the resident of urban areas, there is a great need to formulate policy at the line Mahatma Gandhi Rozgar Yojna 2005. So that, people residing in urban areas especially in small towns can have access to money. Consequently, it serves two purposes, firstly, people will begin their new start up and secondly, some part of money will go to the municipalities for issuing permission for the same as in the case of rural local self-governance.
9. At state level, there must be a permanent constitutional body for auditing the accounts of ULBs across the country. At the same time, the concept of Social Auditing should also be strengthened so as to ensure involvement of the local people of the areas in municipal auditing mechanism.
10. The rising urban population should not be taken as burden. This increasing population should be channelized equally in other cities of the country by

developing required infrastructure in different small cities of the country. In short, the authorities need to understand why people migrate from rural areas or small cities to big cities. Now, the time has come to develop other small cities in the same pattern of developed on, thereby, facilitating people with their moving to the new cities for their needs like employment opportunities, health facilities, educational facilities, and a dignified standard of living.

11. The Municipal Solid Waste Management rule 2016, should be implemented in its real spirit. Moreover, the financial potential associated with solid waste should be identified by using modern scientific techniques.
12. A uniform pattern of Municipal financial management should be formulated to streamline the financial aspects of municipalities. Furthermore, national transparency and accountability index should be formed so that municipalities strive to achieve the same. This will bring more accountability, transparency and will inject competition among the ULBs of the world. Consequently, the entire municipal system of the country will be improved financially and administratively.

The above said general recommendations will help in re-organizing the municipal bodies across the country with the commitment of citizens welfare at large and development of urban infrastructure by involving the expert agencies and firms.

### **5.2.2 Specific Recommendations pertaining to JMC**

Jammu Municipal Corporation is amongst the smaller municipal corporation of the country, though one of the largest one in Jammu and Kashmir. Its administrative structure and financial capacity are not that much developed and vast as in the case of

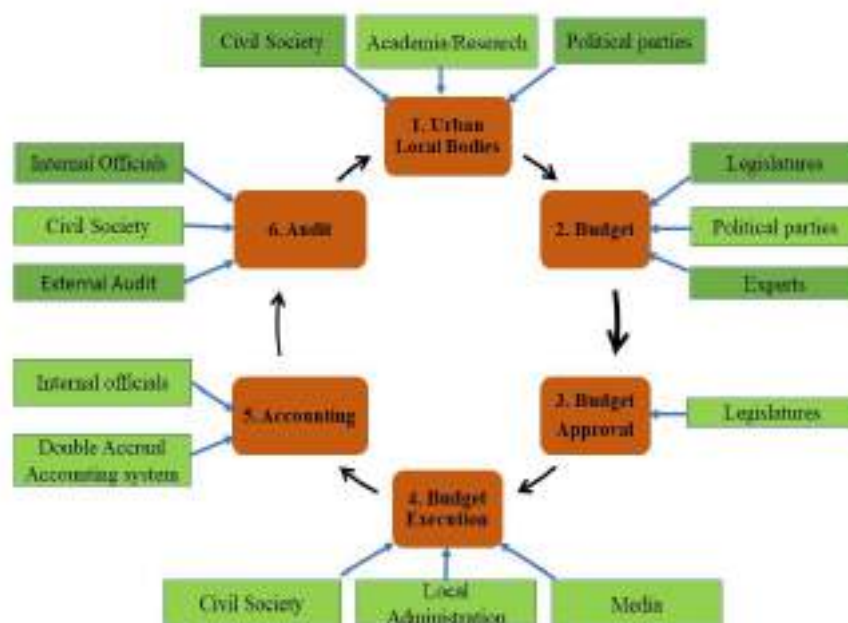


other municipal corporations of the country. Therefore, the problems associated with JMC especially in its financial matters need a different and special type of concern of the higher tier of the government to strengthen the same. In this regard, the researcher is offering some suggestions which are listed below:

1. The first and foremost thing in the aforesaid matter is the implementation of 74<sup>th</sup> CAA in JMC. As the 74<sup>th</sup> C.A.A has not been implemented in Jammu and Kashmir since its enactment. JMC is lagging behind in several matters than others ULBs of the country.
2. The higher tier of the government should refer the accounts of JMC to Comptroller Auditor General of India after every two years. This will create of a sense of responsibility amongst the officials while maintaining the financial records.
3. The public parks, schools, health institutions should immediately be placed under the jurisdiction of JMC to ensure that it receives the required attention in these sectors. Consequently, with this decentralized move the local people of the area will be benefitted in terms of communicating their grievances pertaining to the management of local public infrastructure to local representatives and officials involved. It will also help JMC in earning funds from these sectors.
4. There is great need of administrative decentralization in JMC so that the entire area under JMC can be divided into separate zones and circles to administer the local areas closely. This will not help only in strengthening governance mechanism but also in assessing generating, distributing financial resources appropriately.

5. JMC must concentrate on monetizing the land under its territorial jurisdiction to boost its revenue sources. The rate of user charges, fines, fees, and taxes should be imposed differently by taking economic valuation of the areas into consideration.
6. The available revenue should be linked with the societal needs and efforts should be made to develop sustainable urban infrastructure by involving all the stakeholders in the planning process.
7. The PPP mode should be adopted in providing civic services to the people and more solid waste management sites should be identified instead of dumping at one place only. The financial potential and energy like biogas associated with solid waste should be utilized properly by involving experts and information and communication technology.
8. Research and development environment should be created in the functioning of JMC. For these purposes, there is great need to sign MOUs with the nearby universities and higher educational institutions. Thus, students working on different topic in the forms of dissertation as part of their degree can be linked with the need of JMC.
9. To ensure accountability, transparency and others hallmarks of good governance, there is great need of incorporate e-governance mechanism in the functioning of JMC.
10. In addition to land-based financing, the organizations and business establishments which works on virtual mode withing in the territorial jurisdictions of JMC should be covered under municipal tax system.

11. The officials should be given capacity building training in assessing the municipal revenue sources and monitoring the various projects initiated by the JMC.
12. The State Finance Commission should be constituted without any further delay on the line of procedure established for recommending proper devolution of funds to ULBs of J&K in general and JMC in particular.
13. The corporators and top officials should be sent on official visits to know about the best municipal practices including budgeting, accounting, auditing, services delivery provisions and citizen participation programmes initiated across the best performing ULBs of India.
14. Looking at the present scenario of Municipal Administration in general and financial management of JMC in particular. The researcher in figure number 5.1 presenting a model to strengthen the functioning of JMC:



The above-mentioned model comprises of the six stages that covers the urban local bodies and their financial mechanism. The first stage suggests the involvement of civil society, academia and research activities, and political parties to have participation in the policy making process pertaining to local areas with special emphasis to allocation of funds for different activities of urban governance. The idea behind this is to ensure the participation of all stakeholders, not just the bureaucratic dominance in the decision-making process at urban local level.

The second stage is one of the most important aspects of financial administration, that is the preparation of budget. Legislatures, political parties and expert committees should be involved in this process to make an appropriate and citizen-centric budget. The third stage involves the approval of budget, exclusively under the domain of legislature, hence, the local elected representatives from across the political spectrum has equal say while giving approval to the local annual budget leading the fourth stage of the process, the budget execution, another crucial stage of the model. This is the stage whose effectiveness determines the appropriate spending for different urban governance related aspects as well as, generating revenue from different sources to the ULBs. Therefore, in this stage, the researcher recommends the involvement of civil society, local administration and media. Accounting is the thread that keeps a tab of all the expenditure incurred and generated income. Every transaction should be recorded in a well-structured manner. For this, Double Accrual Accounting System should be used by the internal officials. The final stage of this model is the process of auditing by conducting both, an internal audit as well as an external audit. Simultaneously, a social audit

mechanism should also be incorporated as to bring about transparency and financial accountability into the system of ULBs.

The implementation of this model would serve a two-fold purpose. Firstly, it will ensure the participation of the local citizens and the collaboration of media and other local stakeholders for disseminating information about local governance and by giving expert opinions. Secondly, this model ensures financial accountability and transparency. Overall, this model ensures the achievement of various hallmarks of good governance, i.e., transparency, accountability, responsiveness, collaboration, participation of local citizen, etc.

### **5.3 Future Research and Dissertations**

The study has significantly advanced our knowledge of the financial condition and financial management practices of Jammu Municipal Corporation. It also shows the tax payers perception on the performance of JMC. Similar research to know about the financial soundness of the various ULBs across Jammu and Kashmir in particular and across the India in general can be conducted. There are various areas pertaining to urban governance in the study area that needs immediate attention of researchers like municipal solid waste management and use of ICTs, comparative study of ULBs, etc. India has 53 million or more cities, 3 megacities, and 468 towns with a population of more than one lakh, according to the 2011 census report (Census of India, Highlights, 2011). Cities will surely be the key to accelerating the Indian economy's growth and achieving a USD 5 trillion economy. Future research may examine various issues

pertaining to urban governance in the study area, as very few studies has been conducted so far. Future research will help the ULBs in achieving various ranks in services providing mechanism at all India level. Moreover, it will help in analyzing to use men, money and machinery to achieve the required urban infrastructure in the study area in the coming years. In short, we can say that, the future research will significantly contribute in ensuring efficiency, effectiveness, economy, transparency and accountability in the study area.

Financial indicators can be significant elements that ULBs can use to review and enhance their financial conditions as well as increase the level of comparability between municipalities. Because it is widely held that "what gets measured, gets done," it is crucial to acknowledge that financial sustainability is a goal that all ULBs should work toward. It is also crucial to develop consistent financial indicators across all cities, which will have an impact on the ULBs' priorities.

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## **List of Publications**

### **Research Paper**

1. Research paper entitled '*Municipal Finances of Urban Local Bodies of Jammu and Kashmir: An Overview*' published in UGC-Care listed journal The Journal of Institute of Public Enterprise, Issue Jan-June 2022, Vol.45, No. 1 ISSN; 0971-1864.
2. A Research article namely '*A Review based Study on the Finances of Urban Local Bodies: A Study with Special Reference to India*' published in NIU International Journal of Human Rights, A UGC Care-listed Journal, ISSN; 2394-0298.
3. Research paper entitled "*Financial Management of Urban Local Bodies and its Impact on Urban Governance in Indian Context: A Historical Perspective*" published in Shodh Sarita UGC approved Journal, ISSN; 2348-2397.
4. Accepted in UGC-Care listed journal namely Nagarlok Quarterly Journal paper entitled '*Financial Management of Urban Local Bodies in India: An Overview*'.

### **International Conference**

1. Participated and Presented paper namely '*The Capacity of Municipal Financial Management in South Asia: Issues, impacts and prospects.*' At South Beyond Terrorism: Peace, Development and Human Security. Organised by Mahatma Gandhi University of Kerala in Collaboration with Maulana Abdul Kalam Azad Institute of Asian Studies, Kolkata. During 19-20 December 21019.

2. Participated and Presented paper entitled ***Historical Understanding of Municipal Financial Management and its implication on Urban Governance in Indian context.*** Organised by Gautam Buddha University, Greater Noida and K.M Govt. Girls P.G, College, Badalpur, G.B Nagar, U.P.

### **Workshop**

1. Attended one week workshop on '***Research Methodology and data processing in Social Sciences***'. Jointly organised by the Department of Education and Training and UGC- HRDC, MANUU, Hyderabad, from 28-01-2019 to 02-02-2019.
2. Participated in Ten Day ***Research Methodology workshop in Social Science Research*** held school of Education, University college of Education, Osmania University from 29-02-2019 to 09-03-2019.
3. Attended ***Five -day online workshop on Research Methodology and ICT*** organised by the Centre of Professional Development of Urdu medium Teacher and office of Dean Research and consultancy MANUU Hyderabad, in collaboration with State Urdu Academy, Hyderabad, from 11<sup>th</sup> to 20<sup>th</sup> April 2021.



## Appendix-I

### **“Financial management of urban local bodies in Jammu and Kashmir: An Empirical Study of Jammu Municipal Corporation.”**

**Dear Tax Payers of Jammu Municipal Corporation (JMC),**

I have undertaken research on the topic mentioned above. I am looking forward to your cooperation and support to include your response (opinion) in my research. I assure you that all the details filled by you will be kept confidential and utilized only for research purposes.

**Name of the Supervisor: Dr. Abdul Quayum**

**Name of the researcher: Shafiq Ahmed**

**Department: Public Administration**

**University: MANUU**

#### **Questionnaire Administered to the Taxpayers of Jammu City**

1.	Name of the citizen	
2.	Sex	Male / Female
3.	Profession	
4.	Name of the wife / husband	
5.	Age of the respondent	
6.	Social background	SC/ST/BC/Christian/ Muslim/Others
7.	Residential Ward and Door No. and location of your House	
8	Possession of the House	Own/Rented Lease/ How much Tax
9.	Annual Income	Rs.

10.	No. of persons in the House	2 / 3 / 4/ 5/ more than five
11.	No. of Children studying	
12.	Name of the school studying and class	
13.	Have your house connected	Water tap / Electricity / Drainage /Other Municipal facilities
14.	Do you have toilets in your Home	Yes/No
15.	Do you have CNG gas connection	Yes/No
16.	How much property Tax you pay for half yearly	Rs.
17.	How much water Tax you pay for half yearly	Rs.
18.	How do your taxes collected by the Corporation?	
19.	Give your opinions in any one of the three levels.	
19.1	How do you feel about the maintenance of Roads in your Municipal area?	Good/Average/ Bad
19.2	What is your impression on street lighting in the city?	Good/Average/ Bad
19.3	What is your opinion on the public health services provided by the Corporation?	Good/Average/ Bad
19.4	How are the services of Corporation in respect of services relating to Birth and & Maternity Relief?	Good/Average/ Bad
19.5	How are the facilities of Sanitation and public toilets in your area?	Good/Average/ Bad

19.6	What is your opinion on the management of compost by the corporation in your area?	Good/Average/ Bad
19.7	How do estimate the efforts of Jammu Municipal Corporation in checking food adulteration in the city?	Good/Average/ Bad
19.8	How are the arrangements of water supply in your area?	Good/Average/ Bad
19.9	How are the arrangements of drainage management in your area?	Good/Average/ Bad
19. 10.	What is your perception on the Working of Municipal Schools in the city?	Good/Average / Bad
19.11.	How do you experience the town planning arrangements in the city?	Good/Average/ Bad
19. 12.	How are the arrangements of Parks / Libraries for provision of recreation in the city?	Good/Average / Bad
19. 13.	What is your impression on the maintenance of markets in the city	Good/Average/ Bad
19. 14.	How are the parking facilities in the city?	Good/Average/ Bad
19. 15.	How are the arrangements for protection of environment in the city	Good/Average/ Bad
19. 16.	Give your suggestions for enhancing the performance of your municipal corporation in extending civic amenities to the citizens	

**(Confidential. For Research Purpose only)**

**“Thank You for all your Cooperation”**

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