

13/7/22

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① Do you think that scale of municipal finances is inadequate to run the local self govt?

74<sup>th</sup> CAA was passed in 1992, mandated to set up ULB's as lowest unit of governance with devolution of powers in cities and towns.

Challenges -

- \* ULB's facing financial challenges due to Revenue deficits
- \* constraints on widening tax base
- \* weakening of institutional mechanism which enables resource mobilisation.
- \* Implementation of GST and the pandemic exacerbated the situation.

Share of revenue -

\* ULB's own revenue which is less than half the total revenue sources.

\* Data collected by the (IHS)

has analysed that ULB's own only 47% of total revenue.

\* ULB's revenue collected in the forms of Fees, Fines, charges, Taxes and (IGT). In this Tax occupies larger portion of revenue with a share of 29%.

\* Recent data even calculated that share of revenue of ULB's was 0.5% of the share of GDP, which is lower than the global average of (2.1-5%).

\* Though ULB's tax revenue increased by 7% in (2016-17), their expense too increased ~~parallelly~~ in a steady phase.

Dependence of external sources -

as \* IGT from central govt stipulated by the Finance Commission to ULB's covers only 40% of their total revenue.

\* while state govt's devolution of tax collection from local taxes too inadequate to meet the expenses.

## Operation & Maintenance -

\* OSM expenses are crucial to upkeep infrastructure and quality service delivery.

\* Though OSM share of revenue increased to 35%, the expense ~~tool~~ is on rise. (2016-17).

## Suggestion -

① IGT & state govt transfers should be raised to meet ULB's needy expenses

② OSM expenses should ideally cover through User charges rather than from Tax revenue

## Conclusion -

The State & central govt should support ULB's till they improve their Revenue collection. especially and help them to tap potential in collecting Property tax, other land resources, User charges.