

③ Do you think that scale of municipal finances is inadequate to run the local self governments? comment.

74<sup>th</sup> constitutional amendment 1992 aimed to make urban local bodies as a INDEPENDENT, SELF SUSTAINING, FISCAL EMPOWERED, lowest unit of governance in cities & towns.

However since three decades, municipal bodies suffered from lack of finance. This is proven from Indian Institute of Human Settlements (IIHS) recent study.

ULB's revenue comes from two sources

↳ Own revenue - fees, tax, fines

↳ Inter Governmental transfer from centre & state

□ ULB's generate 47% of revenue from own sources, however revenue generation source largely untapped

ex:- tax per ULB's GDP is 0.15% which is less than developed countries at 0.6 to 1%

• service charge levied is very less

• Revenue buoyancy as share of GDP is only 0.5%.

2) Many ULB's highly depend on IRT as central France commission grants for specific reform & state government transfer as grant in aid.

However IRT accounts 40% of ULB's total revenue, which remained 0.5% of GDP lower than international average of 2-5% of GDP.

Recent years IRT is decreasing due to Fiscal deficit, cuts in tax base expansion, resource mobilisation.

### Way Forward

- state need to devaluing taxing power to ULB's so their resource base increases
- Allocating share of state & centralist proceeds to ULB's
- Develop methodology to enhance & effective revenue of tax
- concentrating on improving quality of service (water, waste management etc) so that service charge can be increased.

Fifteenth France <sup>commission</sup> condition mandate the state to constitute state France commission before 2024 as precondition to get grants is a good move