



Urban Local Government in India

This editorial is based on [“The scale of municipal finances is inadequate”](#) which was published in The Hindu on 13/07/2022. It talks about the challenges associated with Urban Local Bodies (ULBs) and the measures that can be taken to empower them.

For Prelims: 74th Amendments of the Constitution, Directive Principles of State Policy, Reserve Bank of India, Purna Swaraj, Special Purpose Agency, Urban Poverty, Revenue Expenditure, Capital Expenditure, Geographical Information System, Finance Commission

For Mains: Globalisation, Financial Paucity faced by Urban Local Bodies, Measures for Empowerment of Urban Local Government.

Urbanisation has become a common feature of Indian society. With cities being the main beneficiaries of **globalisation**, along with **increasing urban population**, millions of people chasing jobs are **migrating to cities**.

This signifies the need to position **Indian cities as drivers of the structural transformation of the Indian economy**. It requires enhancement and upgradation of infrastructure which calls for active support by **State Governments** and also the **Central Government**.

Our **Constitution** provides a clear mandate for **Democratic Decentralisation** not only through the **Directive Principles of State Policy** but more specifically through the **73rd and 74th Amendments of the Constitution** which seek to create an institutional framework for ushering in **grassroot democracy** through the **medium of genuinely self-governing local bodies in both urban and rural areas of the country**.

However, despite the constitutional mandate, the **growth of self-governing local bodies as the third tier of governance in the country has been uneven and slow**. The transfer of **3F (funds, functions and functionaries)** has been nominal (with notable **exceptions** such as **Kerala**).

Integrating Institutional reforms in local governance with economic reforms was Gandhiji's far-sighted vision of **‘Purna Swaraj’**. But **Reserve Bank of India (RBI)** in a report **State Finances, Study of Budgets of 2021-22**, released in November 2021 stated that, with the third-tier governments in India playing a frontline role in combating the pandemic by implementing containment strategies, healthcare, their **finances have come under severe strain, forcing them to cut down expenditures and mobilise funding from various sources**.

What is the Structure of Urban Local Government in India?

The **Urban Local Government** consists of **eight types of Urban local bodies**.

- **Municipal Corporation:**
 - [Municipal corporations](#) are usually found in **big cities** such as Bangalore, Delhi, Mumbai, Kolkata, etc.
- **Municipality:**
 - The **smaller cities** tend to have the provision of [municipalities](#).
 - The Municipalities are often called upon by other names such as the **municipal council, municipal committee, municipal board**, etc.
- **Notified Area Committee:**
 - Notified area committees are set up for the fast-developing towns and the **towns lacking the basic amenities**.
 - **All the members of the notified area committee are nominated by the state government.**
- **Town Area Committee:**
 - The town area committee is found in the **small towns**.
 - It has **minimal authority such as street lighting, drainage roads, and conservancy**.
- **Cantonment Board:**
 - It is usually set up for a civilian population living in the cantonment area.
 - It is **created and run by the central government**.
- **Township:**
 - Township is another form of urban government to provide basic facilities to the **staff and workers living in the colonies established near the plant**.
 - **It has no elected members and is merely an extension of the bureaucratic structure.**
- **Port Trust**
 - Port trusts are established in the **port areas such as Mumbai, Chennai, Kolkata**, etc.
 - It manages and takes care of the port.
 - It also provides basic civic amenities to the people living in that area.
- **Special Purpose Agency:**
 - These agencies undertake the designated activities or specific functions belonging to the municipal corporations or municipalities.

What are the Problems Faced by Urban Local Bodies?

- **Financial Paucity:**
 - Financial stringency has become the biggest hurdle in good governance at ground level.
 - **Dependence on [Intergovernmental Transfers](#):**
 - The Urban local government heavily depends on the state governments for getting grants-in-aid out of the consolidated fund of state.
 - **Acute Share in Revenue:**
 - Generally, their **source of income is inadequate as compared to their functions. Their chief sources of income are the varied types of taxes.**
 - However, **taxes collected by the urban bodies are not sufficient to cover the expenses of the services provided.**
 - **Though they can impose certain new taxes**, the elected members of these local bodies hesitate in doing so for **fear of displeasing their electorate.**
- **Unplanned Urbanisation:**
 - In **absence of proper planning**, the **Municipal Services** find it difficult to cope with the increasing needs of the population, both qualitatively and quantitatively.
 - The **administrative machinery of local bodies is insufficient. Judicious use of land is not being made**, colonies are set up without proper facilities such as schools, parks and hospitals, the growth of slums is not checked, traffic congestion.
 - This **also leads to [urban poverty](#), [unemployment](#) and [ecological degradation](#).**
- **Excessive Control of State Government:**
 - The State Government takes control of the Urban local bodies which are **legislative**,

administrative, judicial and financial keeps urban municipal governments **subordinate units rather than functioning as institutions of self-governance.**

- Municipalities need to balance their budgets, by law, and any **municipal borrowing has to be approved by the state government.**
 - Unlike the Centre and the States, **no distinction is made between [revenue expenditure and capital expenditure](#)** at the Urban Local Government level.

▪ **Multiplicity of Agencies:**

- Formation of single purpose agencies under the direct supervision of the state government and without any accountability towards urban local government. The **municipal bodies have to contribute to the budget to these agencies while having no control over them.**
 - Example: **State Transport Corporation, State Electricity Board, Water Supply Department** etc.

▪ **Low level of People's Participation:**

- Despite a relatively higher level of literacy and educational standard, city dwellers do not take adequate interest in the functioning of the urban government bodies.
 - The **multiplicity of special purpose agencies and other urban bodies confuses the public about their role boundaries.**

How can We Empower Urban Local Governments?

▪ **Making Urban Local Bodies Financially Independent:**

- For the ULB to be independent and financially secure, **[fiscal decentralisation](#) is very crucial.**

◦ **Strengthening Municipal Revenue:**

- All **[Finance Commissions](#)** have recognized the need to **augment property tax revenue to improve municipal finances. Especially:**
 - The **12th Finance Commission** encouraged the use of the **[Geographical Information System \(GIS\)](#)** and **digitization to improve property tax administration.**
 - The **13th Finance Commission** mandated the setting up of the **State Property Tax Board** as one of the conditions necessary for performance grant eligibility of states.
 - The aim of the **State Property Tax Board** is to **help municipal corporations and municipal councils** put in place a **transparent and efficient property tax regime.**
 - The **14th Finance Commission** recommended that **municipalities be enabled to levy [vacant land tax.](#)**

▪ **Better Financial Database:**

- **Lack of maintenance and audit of accounts** at the local level leaves no verifiable financial data for municipalities leading to a **denial of performance grants.**
 - **Both the 13th and the 14th Finance Commissions** included better **data availability as a conditionality for accessing performance grants.**

▪ **Ensuring Active Citizen Participation:**

- For transparency and accountability in the governance process, there needs to be active citizen participation.
 - To ensure this, **ULBs can create functional, decentralised platforms** such as **area sabhas** and **ward committees**, which facilitate discussion and **deliberation between elected representatives and citizens.**

▪ **Creating Citizen Grievance Redressal Mechanism:**

- ULBs can establish a **technology-enabled platform to register complaints**, which will **make city governments responsive to the needs of citizens.**
 - Through this mechanism, citizens should also be allowed to provide feedback and close complaints.
 - Addressing these structural and architectural problems of urban governance will **ensure effective service delivery in cities, improving the quality of life for its citizens.**

Drishti Mains Question

Despite the constitutional mandate on democratic decentralisation in India, the growth of urban local bodies has been uneven and slow. Comment.

UPSC Civil Services Examination, Previous Year Questions (PYQ)

Q. Local self-government can be best explained as an exercise in (2017)

- (a) Federalism
- (b) Democratic decentralisation
- (c) Administrative delegation
- (d) Direct democracy

Ans: (b)

Q. The fundamental object of the Panchayati Raj system is to ensure which among the following? (2015)

1. People's participation in development
2. Political accountability
3. Democratic decentralisation
4. Financial mobilisation

Select the correct answer using the code given below

- (a) 1, 2 and 3 only
- (b) 2 and 4 only
- (c) 1 and 3 only
- (d) 1, 2, 3 and 4

Ans: (c)