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FINANCES AND GOVERNANCE OF URBAN LOCAL BODIES: AN APPROACH OF URBAN DEVELOPMENT PERSPECTIVE FROM A DEVELOPING COUNTRY (INDIA)

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Abstract: With rapid urbanisation and the pressure on urban areas for service delivery, the role of urban local governments is undoubtedly becoming important and, here, their financial capacity can hold the key. At the same time, there are several issues in urban governance that need to be addressed yet. Delegation of decision making powers to urban local bodies (ULBs), which are traditionally considered as a part of the system of State government and acting on behalf of it, is one of them. The constitutional mechanisms like inter-governmental fiscal transfers were an attempt to reduce the gap of ULBs, but they were not effective in implementation at ground. It has become imperative now to understand the financial position of ULBs in order to move forward with the new means of fund flow. This paper presents a cross sectional analysis of the finance of 27 ULBs in North 24 Parganas District of West Bengal, India in terms of their financial base and its adequacy vis-à-vis norms, and their revenue and expenditure performance. Using certain ratios, the relative performance of municipalities on dependency measures was also assessed. The implications of finances of ULBs, in terms of raising resources, improving inter-governmental transfers and charting new mechanisms are also discussed. Lastly, an approach has been made to develop an index, i.e. Urban Governance Index (UGI) to a better understanding of the per-capita expenditure scenario of ULBs.

Key Words: *urban local bodies, municipal finance, inter-governmental transfers, revenue and expenditure, governance.*

Introduction

India has been experiencing a rapid growth of urban areas and an increasing level as well as pace of urbanisation in the last few decades (Tiwari 1997). Mohan and Dasgupta (2004, 2005) assert that that this led to the world looking at Asia and its two main pillars India and China with rather greater attention. The urban population has been growing at a rate of 30-40 per decade since after 1961, which is well above the rural population growth rate of 20 per cent. The level of urban population has also been increasing from a fairly stable level of 10 per cent of the total population at the beginning of the 20th Century to a current level of around 30 per cent. With increasing levels of population and its growth, the demand for urban civic infrastructure services also rises, which is expected to be catered through adequate supply of it. Yet, the performance of urban local governments are far from satisfactory – the production of these services is insufficient and inefficient, the service quality is very poor and the municipal organizations are not geared to delivering them in a professional manner.

Increasing level and pace of urbanisation calls for the gearing up of municipal service delivery on one hand, and the emergence of growth opportunities would require efficient supply of civic infrastructure – water supply, drainage, solid waste management (Srinivasan 2006), roads and street lights – on the other. As pointed out by Government of India (Rakeshmohan Committee), infrastructural investments are very large in a rapidly growing country like India. Besides the

delivery efficiency, the supply of civic infrastructure is dependent, to a good extent, on the amount of financial resources available for undertaking various development projects of civic infrastructure services. Here, municipal finances hold an important key to the production and delivery of these civic infrastructure services.

Municipal finances hold the key to the overall status and progress of service delivery in the right direction. Poor finances of municipality result into poor basic services and they result of low capital investment. In this fashion low credibility of municipality took place and poor revenue collection efficiency lead the personnel for corruption and the lack of innovation in resource mobilization. This vicious cycle (Fig. 1) leads to poor delivery and low quality of services, which will hamper the growth potential of the urban local bodies. It is well evident from literature that there is a significant pressure on the amenities and services in urban centres and yet the city finances are woefully inadequate in terms of meeting the pressure. Bahl and Linn (1992) discuss it in an analytical context and Mathur and Thakur (2004) show it empirically. The quantum of financial resources available to several urban local bodies is less than what is required for the delivery of core urban civic services, which are defined under respective municipal legislations. The result is the lack of incompatibility between the investment requirements of civic infrastructure for economic growth and the pool of the resources available for expenditure on various municipal services.

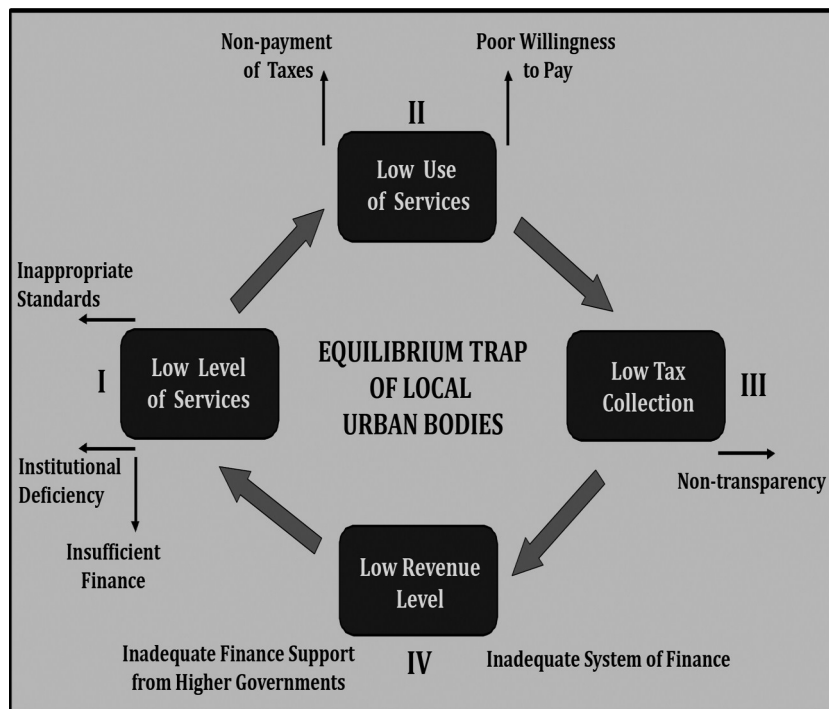


Fig. 1 – Financial Equilibrium Trap of Local Urban Governance System

In this context, it is useful to take a stock of the finances of urban local governments and analyse their performance on the set measures to get hold of where they are heading and how well

they measure. At the same time, the lack of adequate resources, which affects the municipal performances, can be on account of several reasons – poor tax base and levy, incomplete exploitation of user charges and low amount of transfers from upper tiers of government. Incomplete decentralization (Rondinelli et al. 1989, Arora 2002, Bahl 2002) both in finances and functions can also result in imbalance of resources vis-à-vis functions (Shah 1994). Insufficient spending could also occur on account of resource crunch, organization structure and systemic problems, over-staffing and inadequacy of appropriate manpower. The resource gap would make the municipal bodies resort to borrowings, which needs to be backed up by user charges. Jha (2002) examined it in the context of rural local bodies where Mathur and Thakur (2004)) did it in an urban context. There were few isolated attempts e.g. Pethe and Lalvani (2006), Bagchi and Chattopadhyay (2004), but they are limited either in their scope or in their approach.

The following basic objectives have been taken to pursue the present research work:

- to analyse the income-expenditure performance of the urban local bodies of North 24 Parganas district,
- to find out the nature of revenue generation and the degree of dependency of urban local bodies of North 24 Parganas district, and
- finally, to assess the governance condition of ULBs on the basis of Urban Governance Index (UGI).

Study Area

The district of North 24 Parganas in West Bengal (Fig. 2) extends from latitude 22° 11' 06" north to 23° 15' 02" north and from longitude 88° 20' east to 89° 05' east. It is bordered by Nadia in the north, Bangladesh (Khulna Division) in north and east, South 24 Parganas and Kolkata to the south and Kolkata, Howrah and Hooghly to the west. Barasat is the district headquarters of North 24 Parganas district. North 24 Parganas is the most populous district in West Bengal. It is also the tenth-largest district in the State by area and the second-most populated district in the country, after Thane district of Maharashtra (Census of India 2011). 27 Urban Local Bodies (ULBs) i.e. municipalities are taken for the study.

Materials and Methods

The analysis of municipal finances looks first at the current financial status of municipal bodies in providing civic amenities, which is carried out in terms of current spending vis-à-vis the standard norm. The revenue and expenditure sides of municipal finances are then analysed in terms of the growth and their normalized indicators are used to benchmark the cities. The performance is also measured through relative ranking/grading of the municipalities in the cross section in terms of absolute figures and their growth. Although, the debt/borrowed funds can play an important role, it is not examined here as only a few of them have actually gone to market and made borrowings. Therefore debt sustainability of the local urban bodies is not looked upon in this study.

Revenue-Expenditure Scenario

The per capita revenue and expenditure are compared with growth in total receipts and expenditures to see whether there are any inherent constraints in the provision of services by the urban local bodies. This need to be further extended by identifying constraints of the local bodies in meeting the norms of service provision in the revenue source, non-tax and transfers.

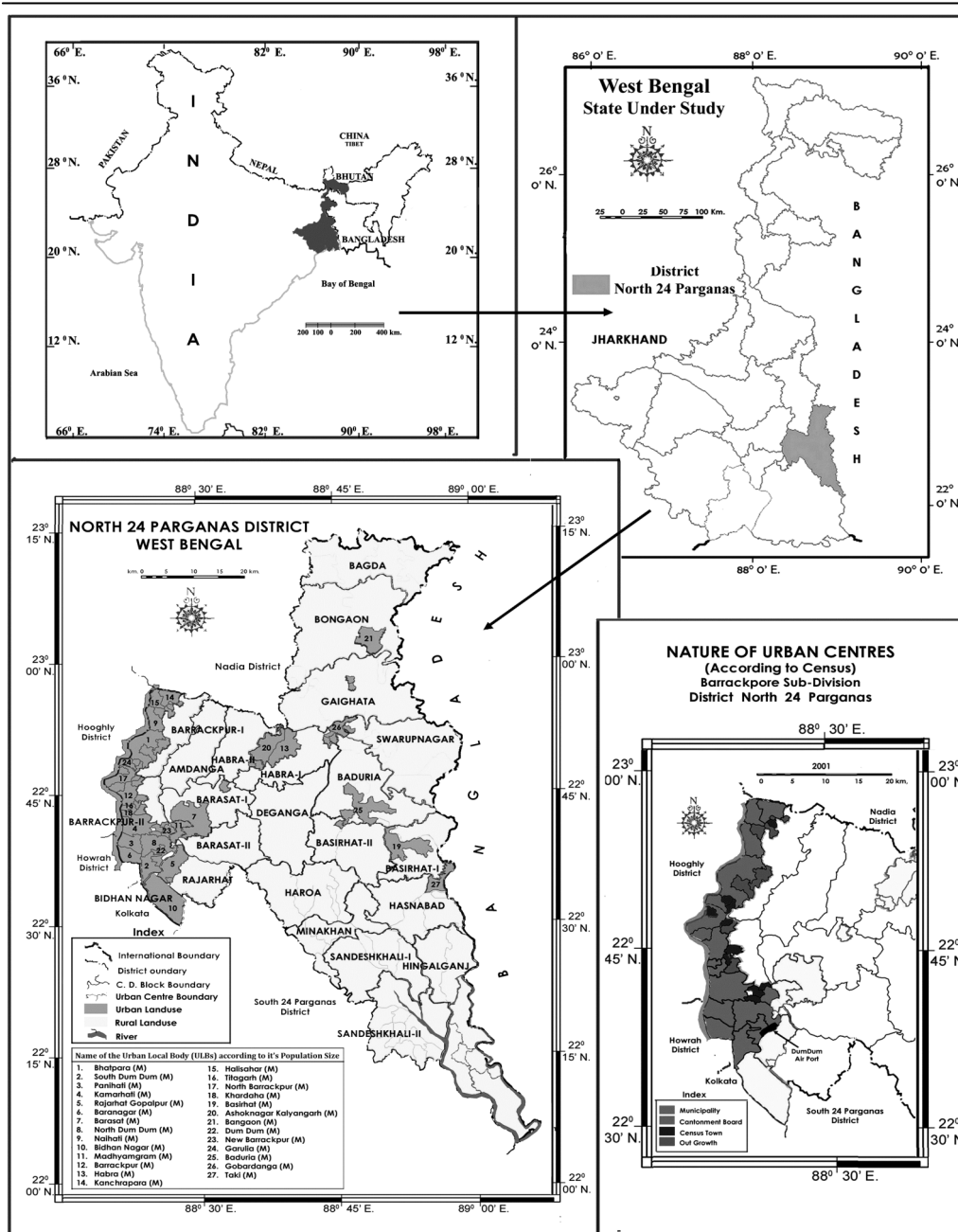


Fig. 2 – The district of North 24 Parganas in West Bengal

Revenue Performance

The ability of a local body to generate revenue depends upon an array of factors: (I) the level of economic activity in the region; (II) fiscal powers delegated to the local government; (III) tax efforts of municipal governments itself; and (IV) transfers out of the sharable pool of revenue by the state government to local government (Rao and Das-Gupta 1995). The revenue performance of the municipality can be gauged by computing the following two groups of indicators:

Group I	Group II
Growth of per capita revenue	Grants / Total Income (Dependency Ratio)
Growth of total revenue receipts	
Composition of tax and non-tax revenue	

The rise and fall in the first group of indicators would indicate either the rise/fall of fiscal powers delegated to local government or the improvement/deterioration in the tax effort or administration of local government. Movement in second group of ratio, on the other hand, would reveal the trend in the level of dependency.

Urban Governance Index (UGI)

The level of expenditure is, to some extent, reflective of the level of services rendered by an urban local body. While the trend in per capita expenditure would provide the first approximation of the level of service rendered by a municipal government, a further segregation is needed to assess the quality of service deliberation. Urban local bodies are expected to render a minimum level of services to the citizens in order to ensure the provision of a minimum standard of living to the citizens. The performances of local urban bodies on this aspect are gauged by comparing their levels of revenue expenditure on water supply, roads, sewerage, street lightning etc. To assess the governance of the urban local bodies, the Urban Governance Index (UGI) was developed (UN-HABITAT 2006). The stages through which the performance of urban local bodies (ULBs) can be measured are shown by the flow chart (Fig. 3).

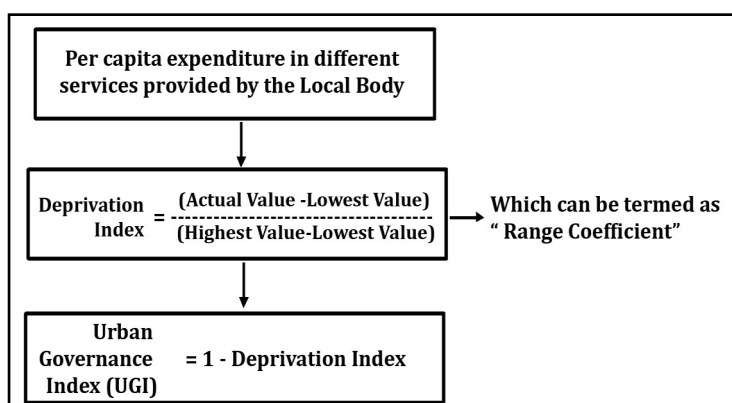


Fig. 3 – Formulation stages of the Urban Governance Index (UGI)

Results and Discussion

Urban Local Bodies (ULB's), as institutions of local government, are constitutes of the third tier that play an important role in the local economic development; these bodies have a sizeable proportion of overall public financial resources but they are nevertheless subject to the scrutiny in terms of physical and financial performance. Normally, an analysis of municipal finance begins with taking stock of their revenue and expenditure in terms of the composition, trends and balance. Here, 27 urban local bodies (Municipalities) of North 24 Parganas district have been selected to analyse the finances and to get an understanding of how well they are organised in meeting their functions. The analysis of municipal finances is made and presented thereafter successively in terms of the identified parameters and their measures.

Income and Expenditure Performance of Urban Local Bodies (ULBs)

Urban local bodies are expected to provide certain minimum levels of services to the citizens. However, the availability of civic amenities in an urban centre is directly influenced by: a) per capita income and expenditure and b) growth of income and expenditure. Here, an attempt has been made to gaze the performance of urban local bodies.

a) Per Capita Income and Expenditure

The per capita income and expenditure of an urban local body (ULB) are important parameters that determine the availability of civic services and, thereby, the municipal performance, so that it is interesting to observe the relative performance of ULBs within the group on these parameters (Fig. 4a, Fig. 4b).

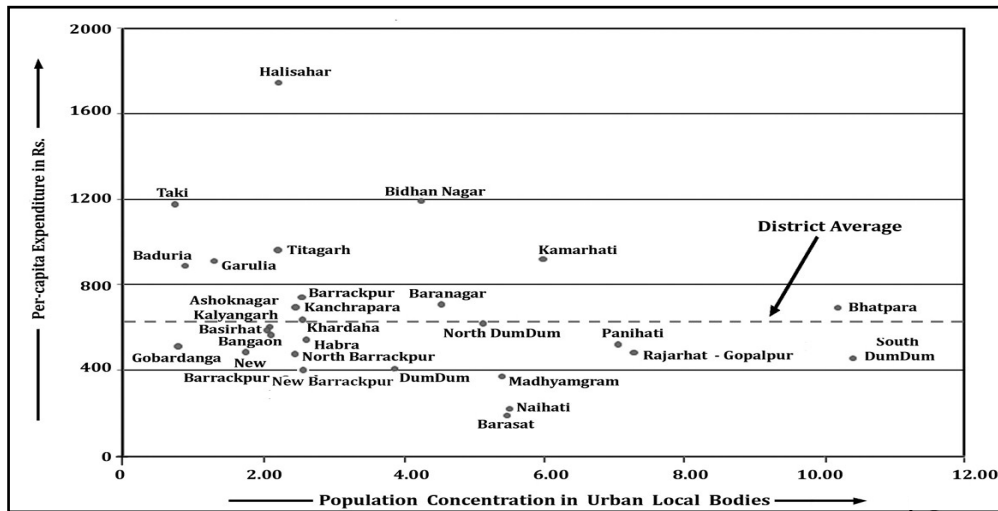


Fig. 4 a – Per capita income of Local Urban Bodies (ULBs) of North 24 Parganas district during 2007-2008 (Source: Table 1)

It is evident that Halisahar, Bidhan Nagar, Taki, Panihati, Titagarh, Garulia and Baduria lie well above the district average (Table 1). Halisahar, Bidhan Nagar, Taki are Panihati have fared very well in terms of per capita revenue generation and expenditure while Barasat, Naihati, It is

evident that Halisahar, Bidhan Nagar, Taki, Panihati, Titagarh, Garulia and Baduria lie well above the district average (Table 1). Halisahar, Bidhan Nagar, Taki are Panihati have fared very well in terms of per capita revenue generation and expenditure while Barasat, Naihati, Madhyamgram, Rajarhat-Gopalpur, dumdum, South DumDum, Barrackpur are lying at the bottom part and below the district level. Halisahar, Bidhan Nagar and Taki have consistently performed well on both the parameters. Ashoknagar-Kalyangarh, Baduria and Bongaon are under the anomaly with a high per capita expenditure relative to the per capita revenue generation, suggesting not a very healthy status.

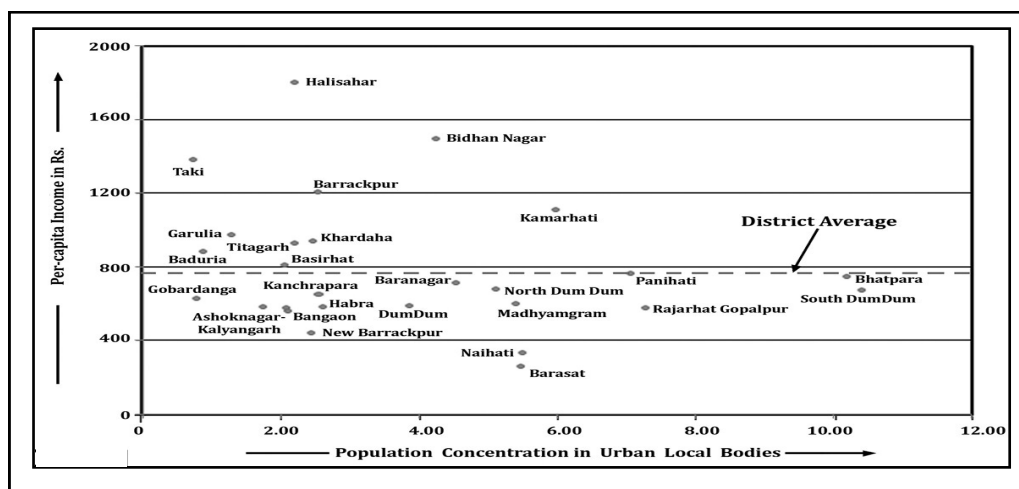


Fig. 4 b – Per capita expenditure of Local Urban Bodies (ULBs) of North 24 Parganas district during 2007-2008 (Source: Table 1)

Table 1

Per capita Income and per capita expenditure of Urban Local Bodies, District North 24 Parganas, 2007 – 2008

Urban Centres	Per capita (in Rs.)		Urban Centres	Per capita (in Rs.)	
	Income	Expendi- ture		Income	Expendi- ture
Ashoknagar Kalyangarh	602.75	577.78	Kamarhati	921.06	1111.45
Baduria	888.55	884.73	Kanchrapara	636.92	648.17
Bongaon	566.48	558.69	Khardaha	694.99	940.98
Baranagar	708.83	710.22	Madhyamgram	371.74	599.72
Barasat	189.89	259.52	Naihati	221.27	330.92
Barrackpur	743.81	1207.66	New Barrackpur	485.25	584.91
Basirhat	588.36	809.89	North Barrackpur	477.04	441.54
Bhatpara	692.10	746.33	North DumDum	619.37	677.93
Bidhan Nagar	1194.58	1494.29	Panihati	521.71	765.93
DumDum	407.99	588.35	Rajarhat -Gopalpur	484.53	579.00
Garulia	910.58	974.84	South DumDum	456.75	671.87
Gobardanga	512.58	628.07	Taki	1177.21	1379.07
Habra	544.23	580.41	Titagarh	963.25	929.79
Halisahar	1745.77	1800.83	District	633.37	769.18

Source: Computed by the author based on Municipal Statistics, Govt. of West Bengal, 2007-2008

The Local Government Budgets and Expenditure Review highlighted the fact that municipalities faced a range of challenges arising from the high levels of economic growth and urbanisation that characterised the period 2007-2008. These challenges remain: the increased demand for economic infrastructure, ageing assets that require upgrading, rehabilitation or replacement, and changes in the location and nature of poverty. However, the economic and fiscal context to address these challenges has changed. Due to the recession, municipal revenues are growing slowly; which makes it all the more important to ensure that spending is prioritized appropriately, and the implementation is effective and efficient. Good governance is critical in this regard. While there are many examples of councillors and municipal managers striving to provide effective leadership and making progress with strengthening governance, there are instances where serious governance shortcomings remain. The systems that are under greatest pressure are procurement, billing and revenue collection, staff appointments and the planning and zoning functions.

Good level of per capita income is essential by the ULB's for the provisions of core (basic) services. In the absence of strong income from internal sources, the poorly performing ULB's have to augment their revenue by improving levy and collection of taxes and to utilise new taxes to strengthen the same, some of which were already analysed. At the same time, it is also necessary to ensure that the per capita expenditure is also high but it should also ensure that most of the spending goes into productive assets.

b) Growth of Income and Expenditure

Apart from the levels of income and expenditure, for a progressive urban local body, it is also essential to sustain performance by showing good growth. The categorisation of ULB's has been made on the basis of growth to determine which of them are growing first on both parameters. Therefore, the average growth rates of total income and expenditure were calculated for all the 27 ULBs from 2004-2005 to 2007-2008 (Fig. 5a, Fig. 5b).

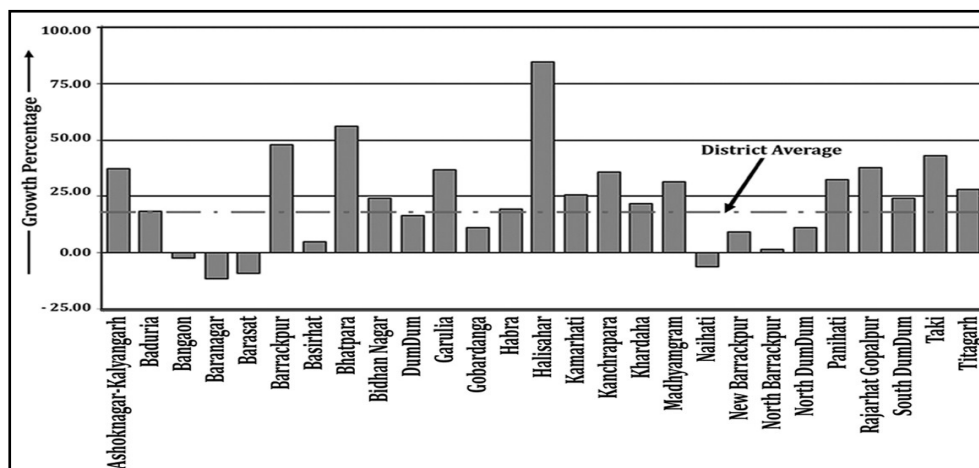


Fig. 5a – Income growth rate of Local Urban Bodies (ULBs) of North 24 Parganas district from 2004-2005 to 2007-2008 (Source: Table 2)

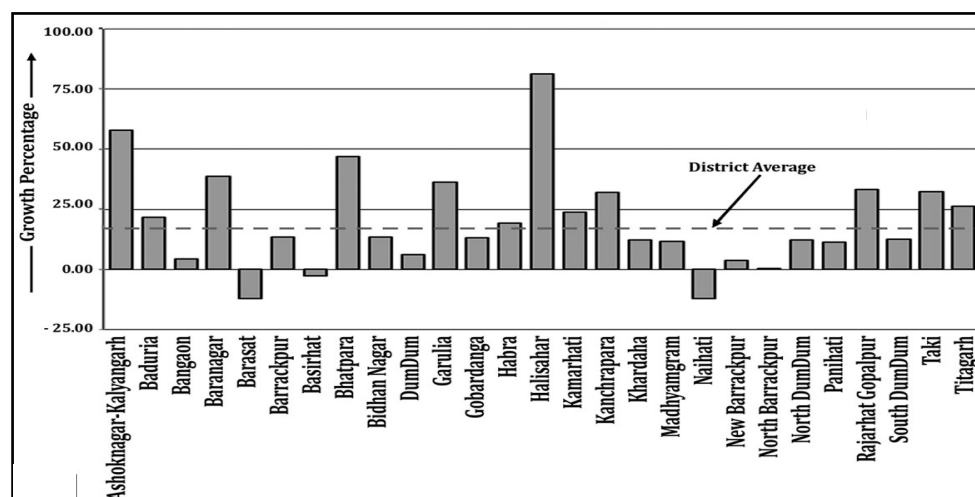


Fig. 5 b – Expenditure growth rate of Local Urban Bodies (ULBs) of North 24 Parganas district from 2004-2005 to 2007-2008 (Source: Table 2)

Table 2

Growth Rate of per capita income, expenditure and difference of Urban Local Bodies, District North 24 Parganas from 2004-2005 to 2007-2008

Urban Centres	Growth Percentage of			Urban Centres	Growth Percentage of		
	In-come	Expendi-ture	Diffe-rence		In-come	Expendi-ture	Diffe-rence
Ashoknagar-Kalyangarh	37.01	57.93	-20.92	Kamarhati	25.39	23.75	1.64
Baduria	18.41	21.73	-3.32	Kanchrapara	35.92	31.98	3.94
Bongaon	-2.23	4.51	-50.41	Khardaha	21.55	12.42	9.13
Baranagar	-11.64	38.77	2.81	Madhyamgram	31.41	11.63	19.78
Barasat	-9.11	-11.92	33.99	Naihati	-6.49	-12.01	5.52
Barrackpur	47.63	13.64	7.13	New Barrackpur	9.31	3.67	5.64
Basirhat	4.62	-2.51	8.73	North Barrackpur	1.38	0.40	0.98
Bhatpara	55.83	47.10	10.32	North DumDum	10.87	12.28	-1.41
Bidhan Nagar	23.89	13.57	-6.74	Panihati	32.44	11.32	21.12
DumDum	16.32	6.16	10.16	Rajarhat Gopalpur	37.77	33.15	4.62
Garulia	36.66	36.23	0.43	South DumDum	24.33	12.57	11.76
Gobardanga	11.08	13.28	-2.2	Taki	42.80	32.38	10.42
Habra	19.52	19.29	0.23	Titagarh	27.94	26.31	1.63
Halisahar	84.53	81.28	3.25	District	17.98	16.57	1.41

Source: Computed by the author based on Appendix Table 1.1 and 1.2.

Most of the urban local bodies have an income and expenditure growth in range of 80 to -11 per cent during this period (2004-2005 to 2007-2008). It is evident that Barrackpur, Panihati Madhyamgram, South DumDum, Taki, Bidhan Nagar and DumDum (Table 2) have a good growth difference between income and expenditure growth of above 10 per cent (Barrackpur has nearly 34 per cent difference between income and expenditure growth). Barasat and Naihati shown an unhealthy pattern – decline on both parameters (i.e. income growth and expenditure growth), whereas Baranagar and Bongaon are anomalies among the ULBs with respect to negative income growth with high positive expenditure growth.

Revenue Performance of Urban Local Bodies (ULBs)

The revenue generation of ULBs can be observed in terms of: a) growth of tax revenue, b) growth of total (tax as well as non-tax) revenue, c) composition of tax and non-tax income and d) transfer ratio of grants from different sources (dependency). In this portion, the analysis provides how each of the urban local body has fared on each of the above parameters in the group.

a) Growth of Tax Revenue

Good growth of tax revenue is an important indicator which reflects the strength of a ULB to undertake service provisioning responsibilities. The performance of each ULBs in terms of average growth of tax revenue receipts of the municipalities from 2004-2005 to 2007-2008 was found out. It is evident that most of the municipalities have not fared well with an average growth of tax in respect to district status (4.52 Per cent). Only Kanchrapara and Panihati shown an increase of more than 100 per cent which is a very important picture for the rest of the municipalities. Nearly 50 (13 ULBs out of 27) per cent of ULBs have shown negative growth in tax receipts which is a serious matter of concern. South DumDum, Barrackpur, Garulia, Gobardanga, Kamarhati, Naihati, North Barrackpur and Taki have shown a growth of tax receipts in between 5 to 10 per cent (except South DumDum – 44.42 per cent).

Since some of the municipalities have shown a very low tax revenue growth and most of them shown a decline trend, it is imperative that the municipalities take a comprehensive evaluation of their tax revenues sources, levy methods and collection efficiency. The municipalities have to strive to perform well on all these counts in order to provide a sustained financial performance and improved service delivery.

b) Growth of Revenue Receipts

The growth of total revenue is an indication of healthy state of finances of ULBs. Nearly 30 per cent (8 out of 27 ULBs) of the ULBs have, however, shown below district growth of revenue receipts (which is 7.13 per cent for the district), suggesting the decline of non-tax revenue and/or non-plan grants in the overall growth of revenue receipts (Fig. 6). Only Gobardanga, Kanchrapara and Panihati have shown a good growth of revenue receipts. Baduria, Bongaon, Baranagar, Halisahar and Naihati have shown a declining trend of revenue receipts, which might be related to either their inability to rise their own tax revenue and/or to their receiving lesser and lesser grants.

The reasons for the poor revenue receipts of certain municipalities need to be explored further. While higher dependence on grants is not recommended, a declining share of grants to the municipalities, if found to be the case, warrants reconciliation of grant system (particularly, revenue grants) in tune with the raising gaps in local finances (due to the rise of population,

economic growth and responsibilities). However, the municipalities have to augment their revenues by resorting to all means such as: I) improving the tax revenue, particularly the property tax, through better levy methods and collection procedures, II) enhancing the tax base through proper assessments, III) revising tax rates in tune with rise of property value/local economic development and financial requirements of civic bodies. The essentiality means that the municipalities need to be on the reform and innovation path for sustained performance.

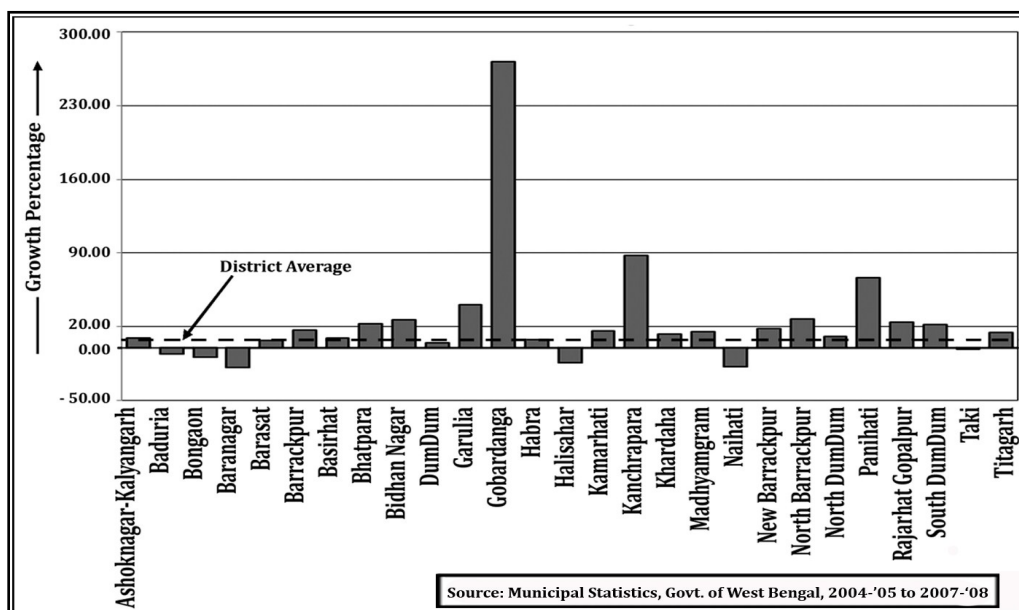


Fig. 6 – Growth percentages of tax and no-tax revenues of Local Urban Bodies (ULBs) of North 24 Parganas district from 2004-2005 to 2007-2008

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c) Composition of Tax and Non-tax Revenue

Achieving a good proportion of own tax revenue to total revenue receipts is one way of establishing creditworthiness, and a greater share of tax revenue is desirable as it is a reliable revenue source. A proportion of more than 50 per cent is considered to be good and more than 70 per cent is considered to be favourable from the viewpoint of creditworthiness (Bahl and Linn 1992). Though there are no provisions, a normative proportion of tax and non-tax revenue

at 40-30 per cent and 30-20 per cent of the total revenue could be considered as attainable by the municipalities (Nallathiga 2008).

The composition of the revenues of the top five municipalities (Table 3) on each of the respective parameters indicates that property tax, profession and entertainment tax have a proportion of 27 per cent of the revenue whereas they represent nearly 4 per cent for the bottom 5 municipalities. The municipalities must strive to improve their tax share, particularly the property tax, by improving their revenue mobilisation.

Table 3
Composition of Revenues of Municipalities of North 24 Parganas (2007-2008)

Share of the component in the total Revenue Receipts	Top 5 Municipalities (average composition)	Bottom 5 Municipalities (average composition)
Own Taxes (Property tax, Profession and Entertainment tax)	27.12%	37.68%
Non-tax revenue (User Charge and Fees)	3.96%	1.84%

Source: Computed by the author based on Appendix Table 1.3.

d) Dependency

The dependency measure is the proportion of total grants in aid in total expenditure. Table 4 and Figure 7 provide the measure of all municipalities on this parameter. Municipalities like Halisahar, Basirhat, Taki, Naihati, Ashoknagar-Kalyangarh, Baduria, Habra and Khardaha demonstrate a high dependency (above 80 per cent of income) on grants/external support, which reflects their weak base of their own revenues. The cause of such high dependency needs a detailed study, but it appears that they have been insufficient in mobilizing tax revenues while they lack the buoyant tax sources. They need to exploit the main sources of municipal revenue – property tax – and start making the levy of few other taxes like vacant land tax (Hong 1996, Deng 2005). Bidhan Nagar, Gobardanga and South DumDum show a low dependency rate (below 40 per cent of income) on the support of grants to meet their expenditures.

Table 4
Categorisation of Municipalities as per Dependency Ratio (2007-2008)

Parameter	Municipalities	Top 3 Municipalities
Above 60 Per cent of Income (High dependency)	Halisahar, Basirhat, Taki, Naihati, Ashoknagar-Kalyangarh, Baduria, Bongaon, Habra, Khardaha, Bhatpara, DumDum, Barrackpur, Garulia	Halisahar, Basirhat, Taki
40 – 60 Per cent of Income (Moderate dependency)	Baranagar, Panihati, Madhyamgram, North DumDum, Kanchrapara, Rajarhat-Gopalpur, North Barrackpur, Barasat, New Barrackpur, Kamarhati, Titagarh	Baranagar, Panihati, Madhyamgram
Below 40 Per cent of Income (Low dependency)	Gobardanga, Bidhan Nagar, South DumDum	Gobardanga, Bidhan Nagar, South DumDum

Source: Computed by the author based on Appendix Table 1.4.

High degree of dependency makes the states to rely on the state governments to some extent in sharing the revenues, particularly in the absence of well-established sharing formulas and strict adherence made to them by the State government. Therefore, complete devolution of tax resources should be done by the corresponding States in order to make the municipalities more independent, as emphasized in the 74th Constitutional amendment.

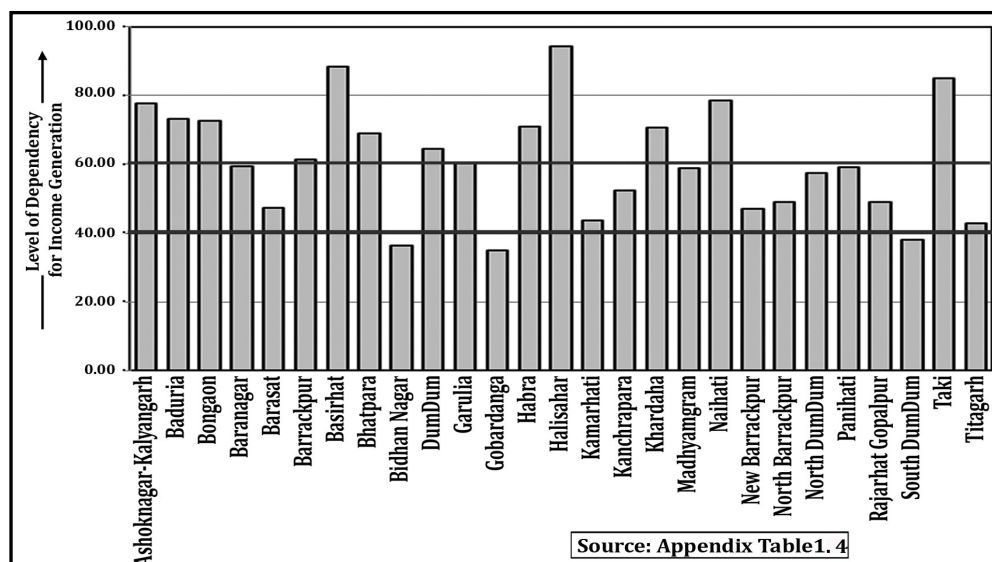


Fig. 7 – Level of Dependency of Local Urban Bodies (ULBs) of North 24 Parganas District, 2007-2008

Urban Governance Index

Measuring the service levels of civic agencies implies measuring the outcomes, and it indirectly reflects also on the institutional capacity, the financial performance and other parameters. Service level parameters can be measured either from a utility manager's/planner's perspective or from a citizen's or consumer's perspective. In addition, to facilitate the comparison between cities/service delivery jurisdictions, and changes in performance over time, it is important that the performance levels are benchmarked, and monitored against those benchmarks.

Service level performance parameters have been identified for nine basic urban services given by the ULBs:

- General establishment and collection charges,
- Public safety and street lightning,
- Supply of drinking water,
- Waste disposal, drainage and sewerage,
- Conservancy,
- Medical and Vaccination,
- Public works department,
- Educational infrastructure and
- Miscellaneous purposes.

These parameters have been defined primarily from a utility manager's/planner's perspective. In other words, the parameters highlight the performance as it would be monitored by the leadership/management of the ULBs or other civic agencies. These performance measurements will need to be carried out by the service delivery agencies themselves, reported to higher levels of management and also disseminated widely. Clear definitions and methodologies are expected to eliminate the bias in measurement and reporting.

Urban governance index (UGI) is a multi-dimensional concept and each of these dimensions is measured by different units. As it is difficult to analyse development with respect to all these dimensions, researchers prefer to aggregate them into a composite index to find out the overall status of a municipality. Keeping all these in mind, the study applies the Deprivation Index (I_{ji}) and the Urban Governance Index (UGI) which is a weight free index. Levels of deprivation at each municipality and parameters leading to the deprivation have been examined using the deprivation method. In the deprivation method, Deprivation Index (I_{ji}) is constructed in three following steps:

- The first step is to define a measure of the deprivation from which a municipality suffers in each parameter. But before that, the total expenditure in different items by the municipalities was converted into a free scale by dividing it with 1,000,000 people.
- Then for the calculation of the deprivation index, the second step is to find out the range coefficient of the values and the result will be positioned between 0 and 1. Here, 1 denotes the highest level of deprivation and 0 denotes the lowest level of deprivation.

$$\text{Deprivation Index} = \frac{(\text{Actual Value} - \text{Lowest Value})}{(\text{Highest Value} - \text{Lowest Value})}$$

After having the value of Deprivation Index for each parameter, the Average Deprivation Index has been extracted. Then the value of the Average Deprivation Index subtracted from 1 was used to find out the value of the Urban Governance Index (Table 5, Fig. 8). The high value indicates better performance and vice-versa. The resulted values have been categorized into four groups:

- Municipality having a High UGI Index (an UGI value of > 0.75): Baranagar, Bidhan Nagar, Halisahar, Kanchrapara.
- Municipality having a Moderate UGI Index (the UGI value ranges from 0.5 to 0.75): Garulia, New Barrackpur.
- Municipality having a Low UGI Index (the UGI value ranges from 0.25 to 0.5): Naihati, Habra, Kamarhati, Titagarh, Baduria, Barrackpur, Rajarhat-Gopalpur, South DumDum, Panihati, Barasat, DumDum, Khardaha, Ashoknagar, Basirhat, north DumDum, North Barrackpur.
- Municipality having a Very Low UGI Index (the UGI value of < 0.25): Madhyamgram, Bhatpara, Taki, Bongaon and Gobardanga.

Table 5

Deprivation Index and Urban Governance Index of the Municipalities of North 24 Parganas District, 2010

Urban Centres	Deprivation Index (Iji)									Total Deprivation Index (Iji)	Average Deprivation Index ($\sum Iji / 9$)	Urban Governance Index ($1 - \sum Iji/9$)
	General Establishment and Collection	Lighting	Water Supply	Drainage	Conservancy	Medical & Vaccination	Public Works	Education	Others			
Ashoknagar-Kalyangarh	0.86	0.72	0.47	0.86	0.75	0.54	0.62	0.44	0.85	6.11	0.68	0.324
Baduria	1.00	0.72	0.85	0.24	0.99	0.00	0.30	0.00	0.63	5.32	0.59	0.409
Bongaon	0.86	0.76	0.93	0.98	0.80	0.99	0.83	0.28	0.76	7.17	0.80	0.206
Baranagar	0.00	0.00	0.00	1.03	0.00	0.00	0.64	0.00	0.87	2.53	0.28	0.833
Barasat	0.96	0.68	0.73	0.51	0.00	0.98	0.94	0.00	0.99	5.78	0.64	0.359
Barrackpur	0.20	0.93	0.28	0.83	0.95	0.26	0.39	0.66	0.96	5.45	0.61	0.397
Basirhat	0.88	0.74	0.66	0.85	0.86	0.61	0.92	0.00	0.75	6.26	0.70	0.307
Bhatpara	0.61	1.00	0.63	0.98	1.00	0.99	0.87	0.00	0.70	6.78	0.75	0.250
Bidhan Nagar	0.49	0.00	0.00	1.03	0.00	0.00	0.75	0.00	0.36	2.62	0.29	0.823
DumDum	0.56	0.00	0.91	0.86	0.00	0.71	0.82	0.98	1.00	5.84	0.65	0.354
Garulia	0.75	0.58	0.00	0.59	0.18	0.00	0.82	0.31	0.80	4.03	0.45	0.554
Gobardanga	0.77	0.90	0.95	0.88	0.99	0.66	0.91	0.96	0.78	7.79	0.87	0.137
Habra	0.58	0.73	0.60	1.03	0.00	0.80	0.43	0.55	0.94	5.65	0.63	0.486
Halisahar	0.36	0.00	0.00	1.03	0.00	0.00	0.81	0.48	0.00	2.68	0.30	0.816
Kamarhati	0.85	0.75	0.50	0.00	0.53	0.75	0.42	0.62	0.70	5.13	0.57	0.430
Kanchrapara	0.15	0.00	0.00	1.03	0.00	0.00	0.93	0.00	0.82	2.93	0.33	0.789
Khardaha	0.55	0.66	0.51	0.97	0.38	0.61	0.23	1.00	0.95	5.85	0.65	0.352
Madhyamgram	0.99	0.68	0.48	0.74	0.81	0.53	0.74	0.86	0.94	6.77	0.75	0.250
Naihati	0.68	0.85	0.00	1.03	0.00	0.00	0.99	1.00	0.97	5.53	0.61	0.500
New Barrackpur	0.62	0.81	0.92	0.80	0.00	0.00	0.34	0.00	0.94	4.44	0.49	0.508
North Barrackpur	0.29	0.68	0.57	1.00	0.67	0.61	1.00	0.93	0.96	6.72	0.75	0.256
North DumDum	0.95	0.69	0.52	0.70	0.74	0.67	0.40	0.78	0.84	6.29	0.70	0.304
Panihati	0.72	0.80	0.32	0.56	0.40	0.61	0.58	0.72	1.00	5.71	0.63	0.367
Rajarhat Gopalpur	0.92	0.74	0.67	0.24	0.76	0.36	0.53	0.39	0.94	5.55	0.62	0.384
South DumDum	0.78	0.68	0.67	0.45	0.58	0.81	0.49	0.28	0.94	5.69	0.63	0.369
Taki	0.97	0.81	0.91	1.01	0.91	0.82	0.00	0.69	0.96	7.08	0.79	0.217
Titagarh	0.75	0.47	0.76	0.70	0.38	0.01	0.89	0.68	0.62	5.26	0.58	0.417

Source: Computed by the author based on Municipal Statistics of West Bengal, 2007-2008

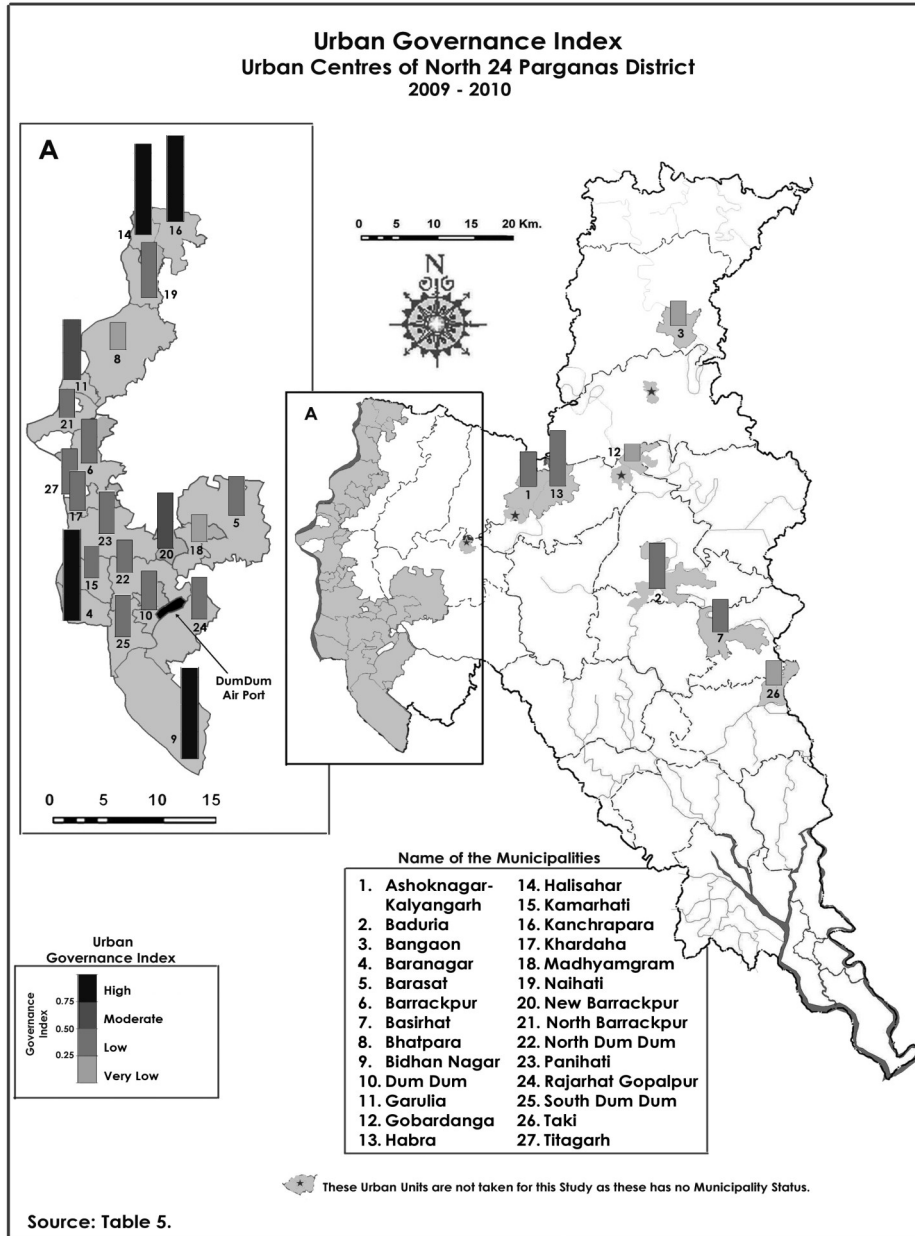


Fig. 8 – Urban Governance Index of the Urban Local Bodies

Conclusion

The analysis of municipal finances reveals that most of the ULBs are generating small revenue surplus with low resources gaps. More than that, they are spending lower than required for providing a minimum level of civic amenities. This apparent contradiction is on account of some of the design issues of inter-governmental system under which the ULBs are not independent in functioning and decision making. There are also regional disparities in financial performances. Municipalities belonging to eastern part of the district (i.e. Taki, Baduria, Basirhat, Bongaon Habra etc.) fare worse as compared to those belonging to Barrackpore Sub-division (i.e. South DumDum, Bhatpara, Panihati, Kamarhati, Khardaha, DumDum etc.). The design of inter-governmental transfers (Bird and Smart 2002) may attempt to address it partly. But, there is scope for improving own performance by improving tax collection and raising user charges in the ULBs, which also paves the way for public-private-partnerships (PPP Model) and accessing market funds (Chatopadhyay 2006) for financing their projects.

The level of ULBs expenditure for the urban services (Polese et al. 2002) of the area need to be increased substantially if deficiencies in the exiting level of services provided are not to be eliminated. This should be made possible through the new mechanism of inter-governmental transfers. Without such mechanism, resource flow of huge magnitude required by the local governments in a developing country like India would not be feasible. At present, the local municipal governments are not able to play the expected level due to the lack of their clear mandate and competencies in the constitution or local laws. As the potentials for higher mobilisation of resources in urban areas are increasing, fiscal powers of local governments should be strengthened (Weingast 2009). Serious attempts should be made at the highest level to reduce this distortion by the way of: I) increased taxation powers of the local government; II) delegation of fiscal power to the local government to have considerable discretion to set their own level of local taxes and user charges; III) defining distinct tax domain to be imposed at the local level to increase the local revenue source base; IV) rationalization and broadening of shared taxes and grants from higher levels of government and V) formulation of inter-governmental transfers from the centre and state governments through the planning commission.

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Appendix

Table 1.1

Income Growth Rate of Municipalities of North 24 Parganas, from 2004-2005 to 2007-2008

ULBs	Figure in Lakh Rupees		Growth Rate in %	ULBs	Figure in Lakh Rupees		Growth Rate in %
	2004-2005	2007-2008			2004-2005	2007-2008	
Ashoknagar-Kalyangarh	295.92	733.99	37.01	Kamarhati	2012.83	4056.9	25.39
Baduria	271.02	470.64	18.41	Kanchrapara	414.06	1008.94	35.92
Bongaon	786.85	716.63	-2.23	Khardaha	757.16	1409.78	21.55
Baranagar	3678.26	1966	-11.64	Madhyamgram	876.07	1976.65	31.41
Barasat	1364.29	866.93	-9.11	Naihati	1501.74	1111.62	-6.49
Barrackpur	645.32	1874.78	47.63	New Barrackpur	451.58	619.75	9.31
Basirhat	854.18	1012.03	4.62	North Barrackpur	624.21	658.69	1.38
Bhatpara	1435.29	4640.81	55.83	North DumDum	1476.73	2119.09	10.87
Bidhan Nagar	1979.16	4087.38	26.63	Panihati	1435.94	3299.28	32.44
DumDum	838.54	1386.05	16.32	Rajarhat Gopalpur	1024.31	2572.03	37.77
Garulia	312.4	770.55	36.66	South DumDum	2160.8	4263.87	24.33
Gobardanga	206.92	298.66	11.08	Taki	228.35	619.24	42.80
Habra	518.18	922.7	19.52	Titagarh	588.95	1247.19	27.94
Halisahar	554.1	2427.72	84.53	District Total	27293.16	47137.9	18.18

Source: Computed by the author based on Municipal Statistics, Govt. of West Bengal, 2004-2005 to 2007-2008

Table 1.2

Expenditure Growth Rate of Municipalities of North 24 Parganas, from 2004-2005 to 2007-2008

ULBs	Figure in Lakh Rupees		Growth Rate in %	ULBs	Figure in Lakh Rupees		Growth Rate in %
	2004-2005	2007-2008			2004-2005	2007-2008	
Ashoknagar-Kalyangarh	230.84	765.7	57.93	Kamarhati	113.9	991.43	192.61
Baduria	252.89	472.67	21.73	Kanchrapara	695.71	1041.24	12.42
Bongaon	615.65	726.62	4.51	Khardaha	836.29	1225.22	11.63
Baranagar	769.95	1962.15	38.71	Madhyamgram	237.23	500.04	27.70
Barasat	1212.03	634.33	-11.92	Naihati	448.42	514.16	3.67
Barrackpur	747.15	1154.69	13.64	New Barrackpur	700.4	711.66	0.40
Basirhat	817.09	735.21	-2.51	North Barrackpur	1298.44	1936.04	12.28
Bhatpara	506.86	1040.83	26.34	North DumDum	1546.71	2247.29	11.32
Bidhan Nagar	2005.72	3094.24	13.57	Panihati	925.34	2152.4	33.15
DumDum	771.19	961.15	6.16	Rajarhat Gopalpur	1928.93	2898.64	12.57
Garulia	436.12	394.24	-2.40	South DumDum	230.32	528.6	32.38
Gobardanga	159.17	243.74	13.28	Taki	629.5	1292.08	26.31
Habra	488.38	865.18	19.29	Titagarh	27293.16	46921.08	17.98
Halisahar	107.17	2353.49	524.01	District Total	27293.16	47137.9	18.18

Source: Computed by the author based on Municipal Statistics, Govt. of West Bengal, 2004-2005 to 2007-2008

Table 1.3

Composition of Revenues of Municipalities of North 24 Parganas (2007-2008)

Urban Local Bodies	Revenues (Percentage) collected from		Urban Local Bodies	Revenues (Percentage) collected from	
	Tax	Non-tax		Tax	Non-tax
Ashoknagar-Kalyangarh	6.33	11.49	Halisahar	3.30	2.36
Baduria	2.45	1.40	Kamarhati	15.94	5.25
Bongaon	17.38	1.58	Kanchrapara	28.48	12.69
Baranagar	19.24	19.28	Khardaha	10.37	13.28
Barasat	19.55	16.17	Madhyamgram	6.51	22.25
Barrackpur	11.31	17.80	Naihati	13.37	0.90
Basirhat	5.10	4.99	New Barrackpur	9.32	43.75
Bhatpara	7.91	11.77	North Barrackpur	23.08	20.95
Bidhan Nagar	7.18	49.10	North DumDum	12.36	13.90
DumDum	22.86	9.15	Panihati	28.58	6.43
Garulia	7.95	21.42	Rajarhat Gopalpur	15.82	17.18
Gobardanga	5.67	51.92	South DumDum	32.61	19.20
Habra	4.91	18.91	Taki	4.10	2.97

Source: Computed by the author based on Municipal Statistics of West Bengal, 2007-2008

Table 1.4

Dependency Ratio (2007-2008) in Respect of Grants Allocated to ULBs

ULBs	Percentage of Grant in Aid to Total Income	ULBs	Percentage of Grant in Aid to Total Income	ULBs	Percentage of Grant in Aid to Total Income
Gobardanga	34.91	Kanchrapara	52.47	Khardaha	70.76
Bidhan Nagar	36.22	North DumDum	57.50	Habra	70.86
South DumDum	37.89	Madhyamgram	58.78	Bongaon	72.76
Titagarh	42.70	Panihati	59.10	Baduria	73.14
Kamarhati	43.59	Baranagar	59.47	Ashoknagar-Kalyangarh	77.66
New Barrackpur	46.93	Garulia	60.37	Naihati	78.46
Barasat	47.45	Barrackpur	61.27	Taki	84.96
North Barrackpur	48.88	DumDum	64.38	Basirhat	88.40
Rajarhat Gopalpur	48.93	Bhatpara	69.06	Halisahar	94.34

Source: Computed by the author based on Municipal Statistics of West Bengal, 2007-2008

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