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Way Forward

4.1 The lack of consolidated data on Local government finances in India pose several challenges for fashioning developmental policies for bottom rungs of the three-tier governance structure, evaluating the quality of expenditure at the local level and even for determining the nature and the extent of grants that should flow to the Local governments from Central and State government agencies, including Finance Commissions. Even where budgetary data are available for municipal corporations, the lack of standard accounting practices has rendered the task of comparison and consolidation difficult. Inclusion of Local governments in general government fiscal data would bring India on par with international standards for government finance statistics, as underscored in the progress reports of the G20 Data Gaps Initiative (DGI-1 and DGI-2). A standardised, double entry-based accounting system for municipal bodies would facilitate the consolidation of Local government data. The FC XV's recommendation to make audited accounts of municipal corporations available online as a prerequisite for accessing grants is a welcome step in the right direction.

4.2 The next challenge in the context of municipal finances is to ease the resource constraints. A vibrant sub-sovereign/municipal debt market catering to a robust investor appetite for municipal bonds can provide an avenue for these entities to access public funds, create an alternative class of assets for investors and further deepen India's domestic debt market.

4.3 Third, it has been suggested that land-based financing is an area that is grossly under-tapped and it has an enormous potential for revenue generation in the case of municipal corporations. Instruments may include vacant land tax (VLT); a two-part property tax with a higher rate for land than buildings; sharing of stamp duty (collected

by State governments) with Local governments; development impact fees (DIF); betterment and external betterment charges while approving layouts and building construction; and land monetisation (Mohanty, 2021). Municipal finance can also be boosted by developing partnerships with impact finance in the private space.

4.4 Fourth, effective governance of cities is critical to sustainable development, as embodied in the Sustainable Development Goal (SDG 11)- Sustainable Cities and Communities – national development strategies have to be put in place to make cities inclusive, safe, resilient and sustainable. In building capacities for sustainable urbanisation, the full potential of a web-based e-governance system needs to be explored as it can be interactive and enhance the efficiency of the functioning of Local governments. While recent efforts by municipal corporations toward implementing web-based property tax payments are important steps in this direction, the gamut of e-services can be considerably enhanced. Modernisation of local governance systems and getting them to work in close coordination with local communities consistent with a clean and efficient administrative structure will help ensure greater public participation and more effective delivery of public services.

4.5 This study is the first attempt to compile and analyse the consolidated fiscal position of the municipal corporations in India. Going forward, it will be important to create an institutional framework to collect, compile and publish data on municipal finances on a regular and timely basis. The coverage of data on transfers from the Centre and State governments to municipal corporations can also be improved. The next step is to study the finances of urban local bodies (ULBs) so as to make general government fiscal analysis comprehensive, meaningful and interesting.