Mobilisation of Financial Resources in Lucknow Municipal Corporation: Status, Trends and Issues

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ABSTRACT

Lucknow is a historical city. Its administration owes its genesis to British days. It is, however presently the largest city in most populous state of Uttar Pradesh. Being the state capital, it enjoys distinctly placed status and position. Lucknow Municipal Corporation is a leading municipal corporation in the state. It strived hard to become the role model for others. Its revenue balance is encouraging. With a financially strong base, the corporation has initiated to access the capital market through floating municipal bond with an aim to invest for improving its infrastructure network. Keeping this in view, this study aims to assess its financial resources and to review its spending pattern.

Keywords: *Revenue, Municipal Bond, Centralised Management System, Citizen-centric*

INTRODUCTION

Lucknow is the largest city in Uttar Pradesh. Earlier it was the second one after Kanpur, the old industrial hub of the state. However, in 2011, Lucknow surpassed Kanpur in urban content. Being the capital city, Lucknow commands a respectable status among the Municipal Corporation towns in the state. It is a leading municipal corporation and the present state government wants it to develop as a role model, as former Prime Minister late Shri Atal Bihari Vajpayee was an ex-officio member of the Lucknow Municipal Corporation. After the launch of the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), a mega reforms-based project, the government selected two municipal corporations — Lucknow and Ghaziabad — for floating municipal bonds. Lucknow Municipal Corporation has since gone

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far ahead in this direction. Through this bold step, the Corporation demonstrates its operationally stable financial health and the ability to repay capital purpose loans. The move by the Corporation has motivated the deliberative wing and city-dwellers as well to be pro-active. This beginning has led to a change in the mindset that cost on provision of services should need to be met through rational pricing and cost recovery. It has shown the high motivation level on part of municipal administration to adopt innovative management system.

In this backdrop, it becomes imperative to study the financial status of the Corporation for assessing its financial health, fiscal environment and identifying issues in its financial resources mobilisation and trends in establishment and development expenditures. The analysis is based on the data provided by municipalities every year to the Directorate of Urban Local Bodies which compiles and places it before the state legislature in the budget session. This is the only reliable source of data available in public domain.

Historical Background

Lucknow, the 'City of *Nawabs*' is the capital city of the most populous state of Uttar Pradesh. It is also the administrative headquarters of the eponymous district and division. It continues to be an important centre of governance, administration, education, medical, commerce, aerospace, finance, design, culture, tourism, music and poetry. Earlier it was nicknamed as the Golden City of India, Constantinople of the East, and *Shiraz-e-Hind*. Historically, Lucknow was the capital of the *Awadh* region, controlled by Delhi Sultanate, *Sharqi* Sultanate, Mughal Empire and later the *Nawab* of *Awadh*. In 1856, the British East India Company abolished local (*Nawab*) rule and took complete control of the city along with the rest of *Awadh*, and in 1857, transferred to the British Raj. One of the *Nawab's* enduring legacies is the region's syncretic Hindu-Muslim culture that has come to known as *Ganga-Jamuni Tehzeeb.* Lucknow, along with Agra and Varanasi, is in the Uttar Pradesh Heritage Arc, a chain of survey triangulations created by the state government (LMC; Wiki).

Demographic Profile

Lucknow is an old and dynamic city. As per 2011 census data, Lucknow consists of about 16 per cent of the state's urban contents. A little less than one percent of the country's urban population is found inhabiting in the city. In the last century (1901-2001), the city's population grew about nine folds. So is the case with its municipal area. In view of its rapid peripheral development, the state government, in December 2019, decided to extend its area and 88 villages were brought within its boundary. The municipal limit has now extended to 568 sq. km (government source). As a result of expansion in area, a tremendous increase in its population has been recorded in the city. Lucknow Municipal Corporation and Lucknow Cantonment Board constitute urban agglomeration. The demographic profile of the city is compiled in Table 1.

TABLE 1: DEMOGRAPHY OF LUCKNOW CITY

Year	*Area (sq. km.)*		*Population (lakh)*		*Decadal Population Growth (%)*	
	MC	*UA*	*MC*	*UA*	*MC*	*UA*
1871	NA	Not existed	2.84	2.84	-	-
1881	NA	-do-	2.61	2.61	(-)8.3	-8.3
1891	NA	-do-	2.73	2.73	4.5	4.5
1901	NA	-do-	2.56	2.64	(-)6.2	-3.3
1911	NA	-do-	2.52	2.60	(-)1.6	-1.6
1921	NA	-do	2.40	2.41	(-)4.8	-7.4
1931	NA	-do-	2.51	2.75	4.6	14.2
1941	NA	-do-	3.54	3.87	41.0	40.9
1951	NA	-do-	4.44	4.97	25.4	28.3
1961	NA	-do-	5.95	5.95	34.0	19.8
1971	NA	127.66	7.49	8.14	25.9	36.7
1981	114.11	145.94 (14.3)	9.16	10.08	22.3	23.8
1991	282.50 (147.6)	337.50 (131.3)	16.19	16.69	76.7	65.7
2001	349.00 (23.5)	414.30 (22.8)	22.07	22.46	36.3	34.5
2011	350.00 (0.3)	415.00 (0.2)	28.17	29.03	27.6	29.8

Source: Compiled from various Census Reports of India: Historical Census of India archived from the original on 17 February, 2013.
MC- Municipal Corporation; UA-Urban Agglomeration NA-Not Available
• Figures in parentheses show the percentage increase in area

Civic Administration

After the abolition of *Nawabi* Rule over Lucknow, the Britishers constituted, in 1860, a Local Committee under the Deputy Collector to run the city administration. In December 1861, the Commissioner upgraded the Committee as Municipal Committee, which, in 1884, was made Municipal Board, the second one in the state after Kanpur (which was constituted in 1861). The United Provinces (present Uttar

Pradesh) Municipalities Act was promulgated in 1916 and, in December 1916 Barrister Nabiullah was elected as the first Indian to head the local body. In 1948, the U.P. Government superseded the local body and B.D. Sanwal, ICS, was appointed as Administrator to the post. Subsequently, in 1959, the Uttar Pradesh Municipal Corporation Act was promulgated and Lucknow Municipality was elevated as Lucknow Municipal Corporation on February 1, 1960 and Raj Kumar, Advocate, was elected its Mayor. On February 1, 1966 Municipal Corporation was again brought under Administrator rule. On February 4, 1968 elections were held and Dr. M. M. S. Siddhu was elected as Mayor. State government again superseded the Corporation on July 1, 1973, and put under Administrator rule. After the third elections held and on August 26, 1989, Dr. Dauji Gupta was elected as Mayor for the full term of the Corporation. Earlier the term was one year. After coming into effect, the 74th Amendment to the Constitution (CAA), 1992, fresh elections were held in November, 1995 and Dr. S.C. Rai was elected as Mayor directly through universal suffrage for five years. He served for consecutive two terms. In 2007, the post of Deputy Mayor was abolished by the state government. In subsequent elections Dr. Dinesh Sharma was elected twice for the coveted post. In latter, part of his second term, he was appointed as a Deputy Chief Minister to U.P. Government, and a senior corporator was appointed as acting Mayor. After municipal elections were held in 2017, Smt. Sanyukta Bhatia was elected as Mayor (first woman in Lucknow on this coveted post), and is still continuing (LMC).

The municipal area is divided into 110 wards each electing a corporator. In addition, 10 members are nominated by the state government. Local MPs (*Lok Sabha*), *Rajya Sabha* members, MLAs and Members of Legislative Council are the *ex-officio* members of the Corporation. Thus, the current Corporation consists of 142 members in all (LMC).

The executive powers of the Corporation vest in Executive Committee consisting of twelve members elected by the Corporation out of elected corporators in accordance with the system of proportional representation by means of the single transferable vote by secret vote. One-half of the members retires every succeeding year. The Mayor is Chairman of the committee. One of the members is elected as Vice Chairman.

In pursuance of the 74th CAA, the provision has been made to constitute Ward Committee in every ward. The rules have been formulated, but Ward Committee has been still waiting to see the light of the day.

The wards are consolidated in eight administrative zones for facilitating efficient services to the citizens besides implementing the provisions of the Act.

INSTITUTIONAL CAPACITY

The CAA, 1992 has multi-pronged strategy of democratic decentralisation (ensuring regular elections after every five years); administrative decentralisation (defining functional domain, and constituting ward committee); and fiscal devolution (ensuring regular availability of funds for development). This move impacted local government units in several ways. The presence of elected representatives has brought forth the citizen's expectations and aspirations to an extent. The urban local governments, in general, however, lack institutional capacity for performing functions entrusted to them. The literature on municipal capacity building suggests that capacity building is driven, among other things, by three factors: human resource development; organisational development and institutional and legal framework (Pellenburg et al., 1996). These three important parameters together contribute to strengthening of financial resource mobilisation, financial management system and hence raised fiscal capacity (Jha: 2003).

Municipal Organisation

Municipal Corporation is an autonomous organisation. It consists of two wings—deliberative and executive. Deliberative wing consisting of Mayor and Members (elected, nominated, and ex-officio) is responsible for formulation of policy for city development; whereas Executive wing comprises at head the Municipal Commissioner (an officer from Indian Administrative Service or a senior officer belonging to State Administrative Service) and a number of state government officers serving on deputation, and officers belonging to U.P. *Palika* Centralised Services; besides a huge number of supporting staff. Support staff is locally recruited and not adequately skilled. Majority of them are illiterate in handling modern technology. Most of the employees at the lowest level are stubborn and not amenable to change. There is a need to have a relook for making the Lucknow Municipal Corporation capable in applying the modern administrative techniques and technologies to make it a lively, dynamic and efficient organisation.

The Municipal Corporation Act, 1959 provides for constitution of ward committee (in compliance to the 74th CAA), and accordingly rules were framed by the state government; but these committees have still not been given a shape. The need and importance of ward committee are well known. Besides performing decentralised functions, the ward committee acts as a tool for encouraging community participation. It is difficult to diagnose where the fault lies. Either party seems unconcerned about this provision of the Constitution. It is high time that the state government should step in and get these committees constituted at the earliest.

Keeping rapid expansion and growing population of the city in view, the government may consider either upgrading the Corporation as Greater Municipal Corporation with functional ward committees, or create a new Corporation for the new city area. The pattern of Municipal Corporation of Delhi may be replicated. Administrative decentralisation as envisaged by the supreme law of the land for ensuring efficient and qualitative civic services and also for making the civic administration citizen-centric present a good case of its upgradation. It would be proved helpful in optimising local resources as well by the Corporation.

Human Resource

There is a band of officials in the Corporation exclusively responsible for tax administration. It includes the Chief Tax Assessment Officer, Tax Assessment Officer, Superintendent, Assistant Tax Superintendent, and Revenue Inspector (all belonging to centralised revenue service) and scores of supporting staff. Unfortunately, their functional responsibilities are not codified. Moreover, law empowers the Municipal Commissioner to delegate powers to officers as per requirement. Presently, a number of revenue officers are entrusted with the administrative responsibilities, as large number of administrative posts is lying vacant. Many-a-times, this hampers tax imposition and collection. Municipal Commissioner, however, has to manage the city administration with available limited officers, without any choice. In case of any emergent situation, the organisation would work under increased pressure. This is not a good situation for a healthy organisation responsible for providing essential services to city-dwellers. The government should fill all the vacant posts without delay and take necessary steps to man the Municipal Corporation with adequately skilled persons belonging to municipal cadres only. The deputationists at middle ladder will not serve the purpose of the Corporation.

Legal Framework

The U.P. Municipal Corporation Act, 1959 provides a number of revenue sources (tax and non-tax). It comprehensively provides the ways and means of effective and foolproof tax administration. The rules necessary for implementation of these provisions of the Act are framed by the state government, time and again. The Act empowers the Corporation for enacting delegated legislations—bye-laws.

FINANCIAL RESOURCES

The initiation of new economic policy in the country in last decade of the twentieth century led to a shift towards market economy to accelerate the process of urbanisation and urban growth (concentrated demographic growth in larger urban centres). As a result, the cities are called upon to increase their revenue enhancement effort for financing augmentation of municipal services and urban infrastructure for improving the quality of life of urban population, and attracting investment for generation of employment and income. The institutions of urban local self government having been therefore, occupying the centre-stage and are called upon to manage change, brought about by increasing demographic growth within their jurisdiction. An effective, efficient and responsive discharge of the devolved functions and management of change requires institutional and fiscal capacities in ample measure. On the contrary, the units of urban local governments (ULGs) especially in the developing and transitional economies have been experiencing serious fiscal stress (Bahl and Linn 1992; Bahl 2000; Jha 1998). Indian economy is not an exception to it. Most of the urban local government units in the country have been fighting tooth and nail to cope with their financial shortage.

Revenue Structure

Revenue from own sources constitutes the most important indicator of financial wherewithal of any level of government. The U.P. Municipal Corporation Act, 1959 provides for a wide range of financial resources. These sources may be categorised as internal (revenue resources) and external (capital). Internal sources consist of Tax sources and Non-Tax sources. Tax sources may be further divided into two-- Obligatory (Mandatory) and Optional. External sources include devolution from Finance Commissions (Central and State), grant, programme and project, loan, municipal bond, CSR, Local Area Development Fund, PPP, local resources, etc. The Lucknow Municipal Corporation receives Central financial assistance as well for implementing projects under AMRUT and Smart City Mission.

(1) Compulsory Taxes

(a) Property Tax

(b) Tax on non-mechanical vehicles, other conveyances plying for hire or kept within city or on boats moored therein, and animals kept within the city

(c) Tax on helicopters or other planes

(d) Tax on trades and professions

(e) Tax on deeds of transfer of immovable property

(f) Tax on vacant land

(a) Property Tax

It is a composite tax levied on buildings and land. It consists of four taxes. The aggregate rate of these taxes ranges between 22 per cent and 32 per cent of the annual value. Constituent taxes can be imposed as: general tax (10 to 15%); water tax (7.5 to 12.5%); drainage tax (2.5 to 5%); and conservancy tax (not more than two per cent). Lucknow Municipal Corporation levies these taxes as under:

(i) ***General tax***, generally known as House tax, is levied at the rate of 15 percent of the annual value of the building or land or both;

(ii) ***Water tax*** is levied in the areas where water is supplied by the corporation at the rate of 12.5 percent of the annual value of the property;

(iii) ***Drainage tax*** is levied in the areas provided with sewer system at the rate of 2.5 percent of the annual value of the property;

(iv) ***Conservancy tax*** is leviable in the areas in which the Corporation undertakes the collection, removal and disposal of excrementitious and polluted matter from privies, urinals and cesspools at the rate of two percent of the annual value of the property. This tax is not levied in Lucknow.

General (House) Tax

Property tax is levied on annual value of property (building and land or both) situated within the Corporation limit. Annual value means in case of railway stations, colleges, schools, hotels, factories, commercial buildings and other non-residential buildings, twelve times the value arrived at on multiplying with multiplier to be fixed in the monthly rate of rent per square foot (unit rate) of residential buildings with the covered area of the building or open area of the land or both. In the case of residential building, annual value is twelve times the value arrived at on multiplying the carpet area of the building, or the area of the land, by the applicable minimum monthly rate of rent per square foot of the carpet area or land. The monthly rate of rent or unit rate is fixed once in every two years by the Municipal Commissioner. He derives the monthly rate keeping in mind the location of the building or land, nature of the construction of the building, the circle rate fixed for area by the District Magistrate for the purposes of the Indian Stamp Act, 1899 and the current minimum rate of rent in the area for such building or land.

(i) Classification of Properties

(a) Location

Each ward is divided on the basis of width of the roads as under:

- Less than 12 metres
- 12 metres and more but less than 24 metres
- 24 metres and more

(b) Nature of Construction

- *Pucca* building with RCC roof or RB roof
- Any other *pucca* building
- *Kachcha* building (i.e. all other buildings not covered in above categories)

(c) Use of Property

- Solely residential
- Solely non-residential (commercial)
- Mixed use (residential and commercial both)

The carpet area (internal measurement) is calculated as under:

(i) Rooms— full measurement

(ii) Covered *Verandah*— full measurement

(iii) Balcony, Corridor, Kitchen and Store— 50 per cent of measurement

(iv) Garage— one-fourth measurement

(v) Bathroom, latrines, portico and staircase- not included

(ii) Calculation of Annual Value (ARV)-- (A) Residential Buildings

Annual Value = Carpet area x fixed per unit area monthly rate of rent x 12 or

= Covered area x fixed per cent unit area monthly rate of rent x 12 x 80 percent

The Corporation through a resolution can determine the annual value of different types of buildings or land as under:

- In the case of land and owner-occupied building which is not more than 10 years old, the annul value is reduced by 25 percent; and if it is more than 10 years but less than 20 years old, annual value is reduced by 32.5 percent; and if it is more than 20 years old, annual value is reduced by 40 percent;
- In the case of residential building let on rent, which is not more than 10 years old, annual value is increased by 25 percent; and if it is more than 10 years but less than 20 years old, annual value is increased by 12.5 percent; and if it is more than 20 years old annual value is not increased.

(iii) Exemption from Imposing General tax

General (House) tax is not levied on following properties:-

- Buildings and lands used for disposal of dead;
- Buildings and lands or their portions solely occupied and used for public worship or for a charitable purpose;
- Buildings solely used as schools and intermediate colleges whether aided by the state government or not, fields, farms and gardens of government-aided institutes of research and development, playgrounds and sport stadium;
- Ancient monuments;
- Buildings or lands the annual value of which is Rs. 360 or less, provided that the owner does not own any other building or land in the city; in the case of a building situated within 30 metres from the sewer line and it has a latrine with arrangements of flushing;
- Buildings and lands vested in the Union Government (only service charge is imposed on such buildings and lands--if all services are provided 75 percent of the House Tax; if half of the services are provided 50 percent of the House Tax; and in case no service is provided 25 percent of the House Tax). In Lucknow service charge on properties of the Union Government is imposed at the rate of 15 percent.
- Owner-occupied residential building constructed on a plot of land measuring 30 sq. mt. or less, or having a carpet area up to

15 sq.mt. provided the owner does not own any other building in the city;

- Residential building which is located in area which has been included in the limit of the corporation within five years or the facilities of roads, drinking water and street light provided in the area, whichever is earlier.

(B) Non-Residential (Commercial) Building

The annual value of the premises used for commercial purpose is derived by multiplying by 1.5 to five times of the annual value calculated as aforesaid. The multiplication factor differs for different categories of economic activities, as classified by the state government.

(C) Vacant Land

The annual rental value of vacant land is calculated as under:

A.R.V.= Plot area x fixed per cent unit area monthly rate of rent in the area x 12 x 80 per cent

Water Tax--Water tax is levied on the buildings or land situated in the area wherein water is supplied by the Corporation. It is not imposed:

- On any land exclusively used for agricultural purposes, unless the water is supplied by the Corporation for such purposes;
- On a plot of land or building the annual value of which is not more than Rs.360 and to which no water is supplied by the Corporation;
- Any plot or building which is not within the radius of 100. metres from the water supply line of the Corporation.

Drainage Tax—It is levied in those areas where sewer line is laid by the Corporation.

(b) Tax on vehicles, boats and animals

A vehicle, boat or animal kept outside the limits of the city but regularly used within the limits is deemed to be kept for use in the city. Following types of boats, vehicles or animals are exempted from levying the tax:

- Vehicles , boats and animals belonging to the Corporation;
- Vehicles, boats and animals vesting in the Union Government;

- Vehicles, boats and animals vesting in any State and Union Government and used solely for public purposes and not used or intended to be used for purposes of profit;
- Vehicles and boats intended exclusively for conveyance free of charge of the injured, sick or dead;
- Children's perambulators and tricycles;
- Vehicles and boats kept by *bona fide* dealers (in vehicles or boats) for sale merely.

(c) Tax on Helicopters

A tax on helicopters or any other type of planes, when they land on or take off from the helipads, airports, airstrips or places made for this purpose situated within the corporation is leviable. The tax so imposed is paid by the airport authority or persons or managers, or director or institution or department or agency involved in the maintenance, management and supervision of the airport, airstrip, helipad or the place. Despite being the obligatory tax, it is not levied by the Municipal Corporation for want of rules to be framed by the state government.

(d) Tax on trades and professions

The state government has put a ban on imposing this tax.

(e) Tax on deeds of transfer of immovable property

In compliance of the state laws, **s**tamp duty imposed on transfer of immovable properties is increased by two per cent. Identical provision exists in U.P. Housing & Development Board Act, 1965 and U.P. Urban Planning and Development Act, 1973 also. The provision is to impose this additional duty under any one of these Acts. In Lucknow city this tax is imposed under Urban Planning and Development Act. All collections resulting from the increase, after the deduction of incidental expenses are equally divided and transferred by the state government to all three organisations (Lucknow Municipal Corporation, Housing Board and Lucknow Development Authority). Lucknow being a rapidly growing metropolis earns a hefty sum through this source without doing much effort.

(f) Tax on vacant land

The tax on vacant land is levied in the manner as laid down for Property Tax. Need is to treat land as a resource. Land values appreciate largely due to improvements brought about by the city governments through city development initiatives. A separate rule is wanted for levying tax on vacant land.

(2) Optional Taxes

As per provision of the Act, the Corporation may impose following taxes:-

(a) Tax on callings and on holding a public or private appointment
(b) Tax on dogs kept within the city
(c) Betterment tax
(d) Tax on advertisements not being published in newspapers
(e) Theatre tax

(a) Tax on callings and on holding a public or private appointment.

This tax is banned by the state government.

(b) Tax on dogs

A license fee is charged annually on dogs kept within the city. The fee is charged at two rates-- Rs.500 (big dogs), and Rs. 300 (small dogs). However, it is estimated that about half of the canines kept in the city are without a license. The Corporation should undertake a survey and get all the dogs kept in the city area registered. This is not only a source of income but a measure to regulate and control nuisance in the city.

(c) Betterment Tax

Betterment tax is a tax to be charged on the increase in the value of the land comprised in a development scheme put into operation, but not actually required for the execution, or on the increase in the value of any land adjacent to and within one quarter of a mile of the boundaries of such scheme situated within the city. The Betterment tax is an amount equal to one-half of the difference between the value of the land on the date specified in the public notice and the market value of such land. This tax is not levied by the Corporation as it is misconceived with the provision of betterment fee in the other Act.

(d) Tax on Advertisement

After the merger of Advertisement Tax in G.S.T., the Corporation has been charging the fee on advertisements. Every person who erects, exhibits, fixes or retains upon or over any land, building, wall, hoarding or structure any advertisement or who displays any advertisement to public view in any place--public or private, has to pay a fee on every advertisement. However, a large number of advertisements in the city are said to be illegal.

(e) Theatre Tax

Municipal Corporation is authorised to charge a tax on cinema shows. In view of the government allowing rebate in Entertainment Tax, the Municipal Corporation has a leverage to raise the cinema tax.

(3) Non-Tax Sources

The Act authorises the Corporation to charge following non-taxes:

- Water charge/value: on the quantity of water used by a household;
- Licensing fee: a fee charged on 39 items identified by the state government;
- Parking stand fee;
- Rent etc.;
- User charges;
- Road cutting;
- Fee on other items; and
- Charges on towers

There is no proper mechanism for optimising non-tax sources. Attention is concentrated only on parking stand fee and license fee. Amongst the non-tax sources, all the items are important but User Charges and Water Charge happen to be the most important. User charges are mechanism for cost recovery. Services provided by a public organisation are grouped as: (i) public-goods and (ii) non-public or exclusionary goods and services (wherein users are identifiable and they can be excluded if they do not pay for the use of services). Water supply, sewerage, urban transport (not with the Corporation), solid waste collection, maintenance of parks and gardens qualify for imposition of user charges. Economic rationale of cost recovery entails that user charges have to be based on the unit cost of providing a service (Jha: 2003). Unfortunately non-tax sources are not paid the required attention in the state, in general.

(4) Other Sources of Income

- Municipal property
- Penalty
- Bank interest

Besides revenue sources, the Corporation has a major source of income in its own properties. The Corporation has a large number of properties of its own in the form of market, residential houses, parks and gardens, schools and playgrounds, ponds, etc. However, a good number of its properties either not known or encroached by land-grabbers and land *mafias,* private builders, etc. or lying idle. In recent past with the help of District Administration, the Corporation has regained control of good number of its encroached/illegally grabbed properties. Every effort should be made to get back all the properties. In past, the Corporation has sold out its many residential colonies to its grabber who were not paying rent nor vacating (under the cover of these becoming non-beneficial). Land never becomes 'non-beneficial'. Its value increases with the passing days. The land may be developed as marketing complex under PPP arrangement. The Corporation should review its rent policy. The agreement with the allottees should be fixed for a definite period with progressive rent. Further, house tax should be levied on shops and markets owned by the Corporation but rented out.

The members of higher legislatures who are *ex-officio* members of the Corporation should be persuaded to provide grant from their Local Development Fund for developing the infrastructure meant for community usage. Likewise, local industrialists, businessmen, law companies, private hospitals and schools/colleges, Lion's Club, Rotary Club, commercial houses, etc. should be motivated to adopt/maintain/construct parks, gardens, road-crossings, foot- over-bridge, under-passes, etc. with sole right of advertisement. Furthermore, funding under CSR may be attracted for infrastructure development. These sources may be supplemental only.

The foregone analysis shows that the Municipal Corporation has a wide range of revenue sources and is authorised to impose a variety of taxes and non-taxes. However, implementation of these provisions requires dynamic bye-laws. The existing bye-laws need to be amended and rates revised upwardly. There are many areas which still require rules/ bye-laws. Much has been done in this direction but much more is required. The elected members and officials should work in unison with sole aim of increasing own income of the Corporation. The citizens should also be involved in this endeavour. The provision of service infrastructure requires huge financial investment.

EXISTING STATE OF FINANCE

There is a constraint of availability of reliable and updated data in municipalities. This analysis is based on the data provided by municipalities and compiled by the Directorate of Urban Local Bodies and placed before the state legislature every year during budget session. The latest data pertaining to the year 2017-18 only are available in the public domain at the time of writing this paper (data pertaining to following year is awaiting the approval of the government). Revenue from own sources constitutes the most important indicator of financial wherewithal of any level of government, especially urban local government having a shrunken base. Its tax base is dependent on the pleasure of the state government. Octroi (main stay) and *Tehbazari* (tax on market) have been abolished, and now Advertisement Tax merged with GST (without any compensation).

Contribution from Major Taxes

The analysis clearly depicts the supremacy of General (House) Tax in revenue income from own tax sources of the Municipal Corporation. There must be a constant vigil of this source. According to Corporation sources, a good number of properties are still left outside the tax network; there are plenty of examples of under-assessment; and innumerable commercial properties are either not assessed or under-assessed. The city is expanding; new residential colonies and commercial complexes are coming up; but either not handed over to the Corporation or not brought under tax network. There seems administrative laxity at every step: all properties in the municipal area not identified (although many a times GIS survey was undertaken); unit rate of rent is not revised as per provision after two years (an attempt to revise upwardly after a gap of many years witnessed resentment among the tax-payers, hence deferred for a year); valuation of properties sometimes becomes an issue and in some cases shortcomings are reported; and collection is not at all satisfactory. It leads to accumulation of uncollected tax amount every year. Sometimes arrear amount surpasses current tax demand. Last year the state government launched 'one time settlement' scheme for a few months to facilitate the defaulters to clear their tax liability, but it didn't yield much. A regular monitoring mechanism for collection is non-existent. The 'self-assessment system' by citizens has still to prove its wider acceptability. Situation is, however, on way to improvement. The Corporation has made arrangements for online payment. A number of private banks have been roped in, and response is getting momentum, slowly but steadily.

As regards water tax, the trend is not encouraging. Supplying potable water is the only commercial activity now left with the Corporation. It should be managed commercially or at least on the principle of 'no-profit-no loss.' The running cost must be realised from consumers. The independent erstwhile *Jal Sansthan* has now been brought under the fold of the Corporation, but for all the purposes it still functions as an independent unit. This situation needs to be rectified and it should be made an integral part, in place of a separate entity.

This is the era of advertisements, but the Corporation seems to be unconcerned. The city is flooded with all kinds of advertisements. The mushrooming of advertisements is not converted into proportional productivity. Although a number of legal cases, time and again, restrain the efforts of the Corporation, the administration should come out with some solutions by consulting the advertisers. If dealt with caution and commitment, this source may be proved good earner.

Surprisingly, income from additional stamp duty is huge. The construction activities in the peripheral areas in the expanding city are regularly going uncontrollably. There is a need to develop a mechanism by the Corporation to reconcile the amount of additional stamp duty transferred to Municipal Corporation by the state government with the amount as duty received by the Registrar. There has been reported ambiguity in many cases.

Further, the Corporation should pay serious attention to all other tax sources. It should not be complacent. House tax has certain limitations. Once it reaches saturation, other sources may emerge as potential ones (Table 2).

TABLE 2: CONTRIBUTION FROM MAJOR TAXES

	Percentage to Income from Tax Sources			
	2014-15	*2015-16*	*2016-17*	*2017-18*
House Tax (General Tax)	60.14	61.24	66.95	97.44
Water Tax	37.23	35.53	29.51	-
Advertisement Tax/Fee	2.40	3.00	3.26	2.25
Tax on Cinemas	0.08	0.06	0.07	0.10
Tax on Animals	0.01	0.05	0.01	0.02
Tax on Vehicles	0.14	0.12	0.10	0.19
Other Sources	-	-	0.10	-
Addl. Stamp Duty (percent to total Revenue Income)	11.76	18.59	13.27	29.29

Source: Derived from data furnished before the State Legislature as *Nagar Vikas Vibhag ka Karya Vivaran* (in Hindi) for respective year.

Share of Non-taxes

Non-taxes are linked with the services provided by the Corporation. It is amazing that the city has a large network of water supply but no commensurate income from water charge (value). The bye-laws mentions that all properties within the radius of 100 metres from the water supply pipeline shall be liable for paying value (charge) of water consumed by them. Measuring the quantum of water consumed is not possible as water supply in the city is unmetered. There is no other way to assess it. The prevalent practice is purely *ad hoc* and unscientific. The Corporation (*Jal Kal Vibhag*, successor of *Jal Sansthan*) classifies premises on the basis of annual rental value in different slabs calculated on the radius of pipes. It calculates water tax at the rate of 12.5 percent of the annual rental value of the premises. Whichever amount between them is more that becomes the liability—the amount of water tax as tax and the difference of the slab amount, if any, as water charge. This unscientific practice needs to be changed. Water Tax is levied for developing water supply infrastructure whereas Water Charge is the value of the water consumed. Both can't be mingled with; both should be levied separately, as they differ in character (Table 3).

TABLE 3: SHARE OF DIFFERENT NON-TAX SOURCES

(Percentage Distribution)

	2014-15	*2015-16*	*2016-17*	*2017-18*
Water Charge/value	9.20	9.20	--	-
Land, Rent	15.94	15.94	0.92	0.86
*Tehbazari**	2.69	2.69	-	0.87
Slaughter House*	0.21	0.21	0.08	-
Licensing	6.32	6.32	0.08	2.03
Other items	65.65	65.65	98.92	96.24

*Scrapped
Source: Derived from data furnished before the State Legislature as *Nagar Vikas Vibhag ka Karya Vivaran* (in Hindi) of respective year.

Further, wherever the Corporation water supply exists, it is sufficient, but people (mis)use the potable water in huge quantity for purposes other than drinking, cooking, washing of clothes and utensils, and bathing. They freely use drinking water for gardening, vehicle washing, road cleaning (in summer), etc. Furthermore, people have privately bored hand pumps and submersible pumps for extraction of underground water. The Corporation should develop mechanism to control this phenomenon and regulate the uncontrolled extraction of underground water (a natural resource), also charge a penalty on spot for misuse of water.

The other major source of revenue under this category is licensing of 39 items. The government should broaden this category and the

Corporation should mobilise its machinery to issue license to growing economic and other activities mushrooming uncontrollably in the city area. It is not only an ever-growing potential source of income but also a measure for checking nuisance. The Corporation should tap other non-tax sources, especially user charges.

Income from Internal and External Sources

Income from external sources includes mainly devolution from State Finance Commission (SFC) and transfer from Central Finance Commission. There are many other external sources of income (as discussed earlier). Amount transferred by successive Central Finance Commissions is meant for development of infrastructure. It may be tied or untied grant, conditions are adhered to. As regards State Finance Commission, five SFCs have submitted their reports. The report of the fifth State Finance Commission is under consideration of the state government. The State Finance Commissions (four) have devolved only a share of state revenue income. Neither any additional tax sources have been assigned nor is share of any state revenue transferred to municipalities. The result has been no widening of tax base.

The analysis (Table 4) depicts income from external sources dominate the revenue income, sometimes fluctuating. It should neither be treated as aberration nor an evil trend in local finance, as urban areas are contributing a major share to national/state GDP. Urban Local Governments deserve their fair share in national/state revenue. However, this should not make the Municipal Corporation too complacent to ignore the potential of resource generation from its own sources.

TABLE 4: INCOME FROM DIFFERENT SOURCES

(*Percentage Distribution*)

Source	*2014-15*	*2015-16*	*2016-17*	*2017-18*
Own (Revenue)	46.70	50.13	50.11	47.30
Grant (Devolution)	53.30	49.87	49.89	52.70

Source: Derived from data furnished before the State Legislature as *Nagar Vikas Vibhag ka Karya Vivaran* (in Hindi) for respective year.

Establishment Expenditure (ESTT. Exp.)

It is heartening that the Corporation is revenue surplus. Almost half of the revenue income is spent on meeting salary and wages of employees (Table 5). It is a satisfactory scenario. The Municipal Corporation thus gets more funds for development of services and infrastructure. In case of revenue collection falling in a month due to some disaster (as happened currently) or other reasons, the municipal administration would be in deep water in paying salary on regular basis.

TABLE 5: RATIO OF ESTABLISHMENT EXPENDITURE TO REVENUE INCOME

(Percentage Distribution)

Year	*Revenue Income (Rs. lakh)*	*Establishment Expenditure (Rs. lakh)*	*Ratio of Estt. Exp. to Revenue Income*
2014-15	*40736.78*	*22224.42*	*54.56*
2015-16	46731.86	22224.42	47.56
2016-17	64332.31	26274.41	40.84
2017-18	67404.42	36287.09	53.83

Source: Derived from data furnished before the State Legislature as *Nagar Vikas Vibhag ka Karya Vivaran* (in Hindi) of respective year.

Per Capita Income & Expenditure

Further analysis shows that the per capita income from General (House) Tax shows upward increase, however it is much below in comparison to progressive states in the country. Property Tax administration needs a relook. Per capita income from revenue sources also needs proper attention. Per capita total income looks satisfactory because of income from external sources. Rosy picture of availability of more funds for development gets totally blurred, if analysed further. Per capita total expenditure is much less in comparison to per capita total income. A major chunk of the funds shown as expenditure on development activities is spent on operation and maintenance of existing services (Table 6). This indicates low quality of services. Had the quality of construction been good, there is no justification of spending such huge amount on maintenance. Situation requires more transparency and vigilance by administration. Shockingly, a meagre amount is found spent on creation of new services and infrastructure. It warrants a serious look on financial management. Data relating to five services—street lights, roads, buildings and drains, storm water drains, sanitation, water supply and sewerage system has been analysed. Almost all these services are engineering- oriented. This is a case of not dearth of fund, but mere slackness in maintaining fiscal discipline.

One of the reasons may be the non-existence of ward committees. There is no ward infrastructure mapping, no ward planning and no ward budget. In absence, funds meant for development purposes are divided equally among all 110 wards, whether developed, less developed or undeveloped. This practice may lead to malpractices. This needs to be reformed and made systematic, transparent and need-based.

TABLE 6: PER CAPITA INCOME & EXPENDITURE

	Per Capita Income(Rs.)			*Per Capita Total Expenditure (Rs.)*	*Per Capita Expenditure on Services (Rs.)*	
	House Tax	*Revenue Income*	*Total Income*		*Maintenance of Existing Services*	*Creation of New Infrastructure/ services*
2014-15	279	519	2165	919	03	413
2015-16	472	1466	2925	1504	49	761
2016-17	589	1969	3930	3400	394	2202
2017-18	529	2013	4256	4091	58	2949

- Population projected @25 percent decadal growth over 2011 Population
- Figure in parentheses denote expenditure of creation of new services

CONCLUDING OBSERVATIONS

The foregone study may be concluded with a relief that Lucknow Municipal Corporation is able to meet its revenue expenditure from its own sources. The Corporation should, however, not show any complacency and tax sources should be optimally mobilised and non-tax sources should be given due attention. Non-tax is directly linked with service and cost recovery of services, e.g. water supply, solid waste management, street lighting (through charge/fee and user charges) is not able to draw adequate attention of the administration. Its importance needs no emphasis. Corporation properties should be identified and made free from encroachment. Urban land is a scarce commodity, hence should be treated as a valuable resource. The Corporation should judiciously spend funds on operation & maintenance of existing capital assets and creation of new of capital assets and maintenance of its human resources. The expenditure performance reveals that funds are available for maintaining the current assets and for creating new assets. This reflects the commitment of the Corporation to provide certain minimum level of civic services to the citizens, in accordance with its obligatory functions and mandates. Quality of assets should not be compromised. There is also a need to pay attention on creation of new capital assets.

The study reveals that the Municipal Corporation is not short of funds, but it requires efficient financial management for maintaining fiscal discipline. It can be ensured by decentralisation which leads to responsibility and transparency. Ward Committees should be constituted and they may be charged with ward level indexing of available infrastructure and services, ward planning and budgeting, revenue collection, solid waste management, etc. It may be proved an effective forum for citizen participation, as well. The government should rationalise the human resource structure and provide adequate personnel to the Corporation. Last but not the least, municipal organisation should be restructured and developed with modern administrative techniques and technologies. Strong local government makes the nation strong.

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