

# Role of Reforms Towards Principles of Governance and Efficient Service Delivery in Small and Medium Towns of India

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**Abstract:** Global urbanization is of 50 per cent, while in India it is only 31.2 percent. There is scope for more urbanization planning for urban growth with focus on small and medium towns is the essential in India. 74<sup>th</sup> constitutional amendment Act, 1992 provides a basis for the state legislatures to transfer various responsibilities to municipalities and to strengthen municipal governance, thus marks the beginning of an era of urban governance where the focus has shifted from “top down” approach to “bottom up” approach. In recent years, International fund and government programmes like JnNURM are linked with reforms, the main aim of reforms is to ensure improvement in urban governance; so that ULBs become financial sustainable and effective in service delivery.

Urban local bodies across India are looking for solutions to the significant problems of governance; implementation of reforms is a priority. The larger municipalities have stronger institutional arrangements, better resources and services than small and medium towns. Although reforms have shown some results in larger municipalities, small & medium towns require finance augmentation measures and reforms implementation to improve their service delivery. In this context, paper highlights best practices in small and medium towns, leading to the principles of good governance with focus on JnNURM reforms like public disclosure community participation law, e-Governance, Property Tax reforms and PPP which improve governance, fiscal status and result in effective and efficient service delivery.

**Keywords:** Urbanization, Governance, small and medium towns, Reforms, community participation

## 1. BACKGROUND

Globally, 54 percent of population is living in urban areas whereas in India, about 32 percent of population is living in cities and towns. In 1950, India was having about 17% of urban population but over the period, it is witnessing an increased pace of urbanization. It is projected to have 50% of the population to live in urban. It will be the second largest

urban system in the world with an urban population of about 410 million. There is a global consensus that urbanization and economic development are complementary to each other. Cities and towns being engines of economic growth acquire greater emphasis on urban development and delivery of services. Accordingly, urban policies, institutional arrangements and initiatives have focused on achieving principles of good governance for effective and efficient service delivery to a cross-section of citizens. [1]

### 1.1 Urbanization in India

In India since independence there is a steady growth of urban population from 17.3 per cent in 1951 to 31.16 percent in 2011, in absolute terms the urban population has grown from 62.4 million in 1951 to 377 million in 2011 registering a little six time increase, which indicate more urbanization in India. According to the recent projections by UN, India by the year 2050, will add another 497 million people in the population of its cities and towns and will also cross fifty per cent mark during 2045-50 (UN Projections, 2009). These developments reaffirm that India is on a rapid pace of urbanization and 21<sup>st</sup> Century will see India transforming into urban majority society sooner than projected. [1]

### 1.2 Urban population concentration and emerging scope of small and medium towns in India

In absolute terms highest increase of 90.1 million urban population from 2001 to 2011 that is from 286 million to 377 million. In absolute numbers the 90 million increase in the urban population in the country is distributed as 40 million among million + cities and 50 million among other cities and towns which show an increase of 33 per cent and 30 per cent respectively since the year 2001. An increase of 2, 774 towns from 5, 161 in 2001 to 7, 935 in 2011, millions plus cities

have gone up from 35 to 53 during the same period registering an increase of 63 per cent whereas other cities and towns have gone up from 5, 126 to 7, 882 recording an increase by 54 per cent as shown in Table-1 [1]

**Table 5 Distribution of Urban Population Category wise**

City Type	2001 census	2011 census		
	Number	Number	Population in Million	Share (%)
10 million+	3	3	48.83	13
5 to 10 million	5	5	36.2	10
1-5 million	27	45	73.35	19
Other Class I cities	406	415	105.59	28
Small and medium towns	4720	7467	113.13	30
Total	5161	7935	377.1	100

### *Census 2001, 2011*

Concentration of the urban population in large urban centers and existing city agglomerations (Class I urban centers with population over one lakh) accounts 70 per cent of the urban population whereas small and medium towns constitute only 30 per cent of population. The pattern of population concentration in large urban centers reveals migration, pressure on infrastructure and resources, slums on class I cities. Suitable economic base and infrastructure needs to be created among 7, 467 small and medium sized towns, these centers should be viewed as potential focus areas to absorb future urbanization to achieve a balanced urban growth across the country. [1]

## **2. EVOLUTION OF GOVERNANCE IN INDIA**

The history of urbanization and urban governance in India dates back to the period of the Indus Valley Civilization. The decentralization of power in the kingdoms of the Maurya and the Gupta period was unique. With the coming of the Muslim rule in India, local institutions received a set-back, as they did not enjoy the same autonomy and prestige, as under the Hindu kings. "Mughal government was highly centralized autocracy

The concept of local self-government in India as an organized system of governance emerged during the late seventeenth century with the setting up of the Municipal Corporation of Madras by the East India Company in 1688. Efforts were made to further strengthen the municipal functions through resolutions by Lord Mayo in 1870 and by Lord Ripon in 1882. A Royal Commission on Decentralization (1907), the Government of India Act, 1919, the Simon Commission Report, 1925, and the Government of India Act, 1935 replacing the Government of India Act, 1919 (*enlarged the*

*scope of taxation by local self-governments*) are a few important events during the British rule aiming at empowerment of local self-governments in India. [2]

**Post-independence period:** After Independence the National Government appointed a committee in 1948 known as the Local Finance Inquiry Committee, to report on ways and means for improving the financial resources of local bodies. The report came in 1951. The taxation Enquiry Commission, set up in 1953, was also baffled with this problem. The Central Government though, under the Constitution not charged with the responsibility of local government, has been the principal source of reforms in the municipal field. It is the Central Government, which has been responsible for setting up committees and commissions and other organs devoted to study the problems of local government.

The other significant committees and commissions appointed were:

1. The committee on the training of Municipal Employees, 1963;
2. The Rural Urban Relationship Committee, 1963-1966;
3. National Commission on Urbanization, 1985-1988.

Major structural changes had not taken place except in the larger and important cities, until 1992, when the Constitution 74th Amendment Act was passed. The Constitution (74th Amendment) Act, 1992 is a landmark initiative of the Government of India to strengthen local self-government in cities and towns. [2]

## **3. SIGNIFICANCE OF GOOD GOVERNANCE IN MUNICIPAL ADMINISTRATION**

The concept of good governance is rather new and came into usage since early 90's.

### **3.1 Concept of Good Governance**

Governance is the raising topic globally; various organizations defined it in many different ways and prescribe the principles of Good Governance. It is understood that governance is directly or indirectly linked to the citizens, is a process and a good management to deliver the common affairs or amenities to the citizens.

"The exercise of political, economic and administrative authority in the management of a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences"- **UNDP (1997)**

“Urban governance is the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens”-UN-HABITAT(2002)

**2.2.2 Principles of good governance and Urban Governance Index**

The Global Campaign on Urban Governance by UN-HABITAT proposes that good urban governance is characterized by the principles of **sustainability, subsidiarity, equity, efficiency, transparency and accountability, civic engagement and citizenship, and security**, and that these principles are interdependent and mutually reinforcing.[3]

1. **Sustainability**, Balance the social, economic and environmental needs of present and future generations.
2. **Subsidiarity**, Assigning responsibilities and resources to the closest appropriate level.
3. **Equity of access** to decision-making processes and the basic necessities of urban life.
4. **Efficiency** in delivery of public services and in promoting local economic development.
5. **Transparency and Accountability** of decision makes and all stakeholders.
6. **Civic engagement and citizenship**, Recognizing that people are the principal wealth of cities, and both the object and the means of sustainable human development.
7. **Security** of individuals and their living environment.[3]

**Urban governance Index:** The Urban Governance Index (UGI) and its constituent indicators focus on the processes, institutions and relationships at the local level. This should be seen as part of a wider range of indicators, focusing on inputs, processes, performance, perception, output, or outcome. The Index is composed 25 indicators of four sub-indices as shown in Table-2. These are based on core principles of good urban governance, which are accepted and promoted by UN-HABITAT.[4]

**Table 6 Indicators of Urban Governance Index**

Sub Index	Indicators
Effectiveness	Eight Indicators like Major sources of income, Ratio of actual recurrent and capital budget, Local government revenue transfers, Ratio of mandated to actual tax collection Predictability of transfers in local government budget, Published performance delivery standards, Consumer satisfaction survey, Existence of a vision statement.

Equity	Eight Indicators like Citizen charter: right of access to basic services, percentage of women councilors in local authorities, Pro-poor pricing policies for water, Incentives for informal businesses
Participation	Five Indicators like Elected Council, Elected Mayor, Voter turnout and voter participation by Sex, Public Forum Civic Associations per 10, 000 population
Accountability	Seven Indicators like Formal Publication (contracts and tenders; budgets and accounts), Control by higher levels of government, Codes of Conduct, Facility for citizen complaints, Anti-corruption Commission, Disclosure of Income/Assets, Independent audit

Source: UN-HABITAT, 2005

**4. INITIATIVES TOWARDS ACHIEVING PRINCIPLES OF GOOD GOVERNANCE IN INDIA**

**4.1 Policy Initiatives at National level:** At National level steps towards achieving principles of good governance with enactment of acts, linkage of fund release by implementation of reforms/conditions as shown below.

**4.1.1 Efforts towards Decentralization Urban Governance:** The 73rd and the 74th amendments to the Constitution of India are meant to bring in place citizen governance in the rural and urban areas through the involvement of the citizens in the vital areas of governance, economic development and welfare. The purpose of these amendments is to ensure civic engagement towards effective, efficient, transparent and accountable government.

**4.1.2 JnNURM** has been one of the initiatives which focused on improvement of good governance through implementation of reforms. When viewed from Urban Governance Index perspective; it is observed that all 23 reforms; State level (7), ULB level (6) and Optional level (13) reforms under NURM covering the core principles directly or indirectly.

Each principle of good governance are covered under the JnNURM reforms, on broad terms as shown below

- User charges, Property tax reforms are measuring the Effectiveness sub Index of UGI.
- Basic services to Urban Poor and internal earmarking of fund for the services to urban poor reforms, helps in picturing of the Equity Index of UGI.
- The mandatory reform Public Disclosure Law visualizes the Accountability sub index of UGI.
- Community Participation Law, a mandatory reform to perform at the state level helps in measuring the

participation sub index of Urban Governance Index (UGI).

- The Implementation of 74<sup>th</sup> CAA reform has a special role and is helpful in measuring the all the sub-indexes of UGI.

**4.1.3 13<sup>th</sup> Finance Commission:** All the State Government's will be eligible to draw down its share of the general performance grant recommended by XIII FC for the succeeding fiscal year only if it complies with the following nine conditions to be met by the end of a fiscal year. The conditions are: (1) publish budget of the Urban Local Bodies (ULBs), its supplements and the accounting system (2) carry-out audits of ULB accounts (3) establish independent local body ombudsmen (4) implement electronic transfer of local body grants provided by XIII FC (5) publish qualifications of persons eligible for appointment as members of the SFC (6) levy property tax (7) establish State level Property Tax Board; (8) implement standards for delivery of all essential services provided by the local bodies (9) prepare fire hazard response and mitigation plan of ULBs[5]. All nine

conditions are focusing on 25 indicators of Urban Governance Index.

#### 4.2 Initiatives at State level

JnNURM made mandatory reforms at state level like Implementation of 74<sup>th</sup> CAA, enactment of Community Participation Law and Public disclosure law etc leading to good governance. Status of these Reforms in various states is shown in Table-3. States which are relatively advanced, had taken reforms initiatives ahead of others, had implemented urban development infrastructure projects with multilateral and other foreign funding agencies have shown better results while the rest are at different stages of implementation the reforms; nevertheless they are making efforts to follow the reforms path which in itself is encouraging. Though community participation law has been enacted in majority of the sample states, the pace of implementation has been slow. Most of the States have made such enactments but have not implemented them fully. Citizens are seeking information under the RTI Act which provides the overall ambit to public disclosure across the country pertaining to bringing urban management in public domain.[6]

**Table 7 Status of State level JnNURM reforms leading to principles of governance[6]**

Reform	Pre JnNURM	Post JnNURM	In Progress	Significantly in progress	Not Done
74th CAA (Transfer 12sch. Functions)	Eight states (WB, MP, Gujarat, Kerala, Maharashtra, Bihar, Tripura, Chhattisgarh)		14 states (Chandigarh, HP, AP, Sikkim, Uttarakhand, Manipur, Punjab, Haryana, Nagaland, Puducherry, Arunachal Pradesh)	Six states (TN, UP, Orissa, Assam, Karnataka, Rajasthan)	
Enactment of Community Participation Law	0	9 States (Manipur, WB, Orissa, Kerala, Chhattisgarh, Bihar, Maharashtra, Haryana, Gujarat)	15 States (Chandigarh, HP, Uttarakhand, J&K, Meghalaya, Nagaland, Jharkhand, MP, UP, TN, Puducherry, Karnataka, Sikkim, Arunachal Pradesh, Mizoram, )	4 states (Rajasthan, Tripura, AP, Assam)	Punjab
Enactment of Public Disclosure Law	0	12 states (Manipur, WB, Maharashtra, MP, AP, Kerala, TN, Karnataka, Haryana, Gujarat, Bihar, Delhi)	13 states (Chandigarh, HP, J&K, Mizoram, Uttarakhand, Meghalaya, Nagaland, Chhattisgarh, Jharkhand, Puducherry, Orissa, Sikkim, UP,	4 States (Rajasthan, Tripura, Assam, Arunachal Pradesh)	Punjab

#### Status as on March 2011

Note: 74th CAA is not applicable in Meghalaya Constitution of MPC is not applicable in Arunachal Pradesh, Assam, Chhattisgarh, Himachal Pradesh, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Sikkim, Tripura, Uttarakhand, Puducherry

#### Other State level initiatives towards Governance are:

- States Andhra Pradesh (Citizen charter, Online grievance redressal, e-seva) and Karnataka (Aasthi-GIS, Public

Grievances and Redressal, Fund Based Double Entry Accrual Accounting System, Tulana-SLB Online Application Tool) are pioneer in implementing E-Governance Initiatives.

- Participatory Planning and Accountability Mechanism in Kerala with initiatives like *Kudumbashree involvement of women in development Initiatives and akshaya e-project, Ombudsman, double entry, social audit proactive disclosure, citizen core card, community based Monitoring.*
- Kerala and West Bengal are the two states having the provision in the *Municipal Acts for constituting committees at ward level in small and medium towns.*
- *Citizen contribution to development of infrastructure in ULBs of Tamil Nadu.*

## 5. INITIATIVES AT ULB LEVEL WITH FOCUS ON SMALL AND MEDIUM TOWNS

As future prospects show half the population is to be urbanized. This raises the problem of service delivery on the present class-I cities. This is the hour to provide better services in medium and small town as at present the migration bypasses these towns. In this context, at ULB level the reforms like e-governance, user charges etc., need to implement in the small and medium towns under the UIDSSMT component of JnNURM. Efforts have been made in implementing these reforms in few medium and small towns towards achieving principles of good governance. Merely *four such initiatives are highlighted each under four sub-indices of Urban Governance Index, below.*

### 5.1 Development of software for computer tax administration in Upleta Municipality in Gujarat- Example of mandate to tax collection indicator of Effectiveness Sub Index of UGI

**Back Ground:** Upleta is a municipality in Gujarat with population of 56, 354. Tax collections, billing, calculation of tax were done manually which is time consuming process and non-tax payers were untraceable, Area based rent assessment system was complicated.

#### Implementation process:

In this process of tax assessment through computerization, Municipality involved office staff from the initial stages of discussion. A design of the computer application software was being developed as per the need of the Municipality. Implement an efficient system for fast and reliable services with minimum human resources, Shift administrative tax operation from manual to computerization, Facilities to provide bills for outstation customers.

The Municipality established the area based tax assessment system to collect property tax to accomplish the need to change the functioning of the municipal tax collection.

**Impact of Initiative:** Transparent system reduced bribes, cost reduction, Complaints and legal litigations have come down.

The municipalities developed system and improve their image and service efficient.[7]

### 5.2 Last Mile Water Connectivity: Innovation in Jagtial, Andhra Pradesh-Example of right of access to basic services indicator of Equity Sub Index of UGI

**Back Ground:** Jagtial Municipality a small town with population one lakh and as adequate source of water from Dharma samudram. A Survey conducted in September 2008 revealed, about 100-200 HHs were depending on single stand post, BPL HHs were spending at least an hour to fetch drinking water alone and also spending money on buying water from vendors and tankers. 3000 BPL families without household connection in covered network and estimated cost per connection is Rs2, 000 accounts for total estimated cost of Project is Rs 60 lakhs.

**Implementation process:** Initiative is a unique example of ULB taking loan of 60 lakhs from APUFIDC to provide water connectivity to poor HHs. ULBs water tariff is on ESCROW to APUFIDC and the ULB is repaying its loan from additional monthly tariff of Rs 45 from new 3000 connections i.e. in 130 months @ Rs. 67, 500. Strong IEC campaign, ULB facilitated submission of application through ward councilors, 80% of applications received in one week of the launch of IEC campaign, received 3, 109 applications from residents. Project completed in September, 2010

**Impact of Initiative:** 3000 slum households are provided with direct water connection, Resulted in decrease in time spent on fetching water from Public Stand posts (PSPs). Reduced expenditure incurred on buying water.

Reduction in Number of PSPs and improvement of cost recovery from new connections.[8]

### 5.3 Sub Committee System in Municipal Corporation of Siliguri (West Bengal)-Example of Participation Sub Index

Siliguri Municipal Corporation (SMC) has 47 wards and ward committees have been constituted for each of them. SMC has also established sub-committees within the ward committees. One of the ward committee members is made the convener of the sub-committee but other members are drawn from the general population of the ward. For example, in ward 47 of SMC, the ward committee has been divided into seven subcommittees for construction, conservancy, health, Sports, culture, electricity and water. Each subcommittee has 6-10 members. The sub committees look after the day to day problems regarding the concern functions in the ward and supervise developmental works. In other wards where the slum population is more, beneficiary committees have been formed to represent beneficiaries of different poverty alleviation schemes and also to supervise and implement these schemes.[9]

**Social Accountability and Citizen Participation:** In a small mohalla (neighborhood) called Satnami in Raipur, the capital of Chhattisgarh, the citizens firstly, had successfully been able to influence the municipal authorities in installing a new water tank in their locality as well as getting the old connection repaired. Secondly, these changes had happened within a week's time, due to the consistent efforts of community women who prepared a resolution demanding improved water supply services. In recent years many cities and towns across the globe are experiencing these kinds of demand driven changes or rather developments, which are notably initiated by sections of the urban poor.

#### **5.4 Implementation of Enterprise Resource Planning (ERP) Solution, Common Service Center & MIS Reforms at Municipal Council Kurali, Punjab-Example of Accountability Sub Index**

**Background:** Municipal Council Kurali (MCK), Punjab has implemented Enterprise Resource Planning (ERP) software solution to integrate and computerize all its functions on a single platform. This project was initiated in the year 2008 under M/s Somish Solutions Ltd (SSL). It is one of the first ULBs in the state of Punjab to implement Modern Accrual based Double entry accounting system and to implement a complete ERP system for computerization. It also has initiated a Common Service Center, 'SuvidhaCenter' for its citizens and has computerized ULB functions.

**Implementation Process:** The ERP Solution has made it possible to identify each and every account holder of MCK through its Unique Automated Resident Identification Numbering (RID) numbers and this enabled MCK to maintain individual citizen ledger accounts on modern accounting concept. MCK has been successful in achieving real time closure of books of accounts with daily bank reconciliation and deposit of cash in the bank.

**Impact:** MCK has been successful migrated its accounts from the conventional manual cash based single entry accounting system to Modern computerized accrual based double entry accounting system. Graphical Management Information System (MIS) reports are auto generated which assists the MCK staff and management to take objective and quick decisions. An integrated online web portal has also been developed whereby citizens can access their individual accounts on any time, anywhere basis and be updated regarding their dues, payments and records. The other branches of

Building Plan approval, Certificates have also been computerized.[7]

## **6. CONCLUSION AND WAY FORWARD**

Although few small and medium towns are towards implementation of reforms. Most of them suffer from poor financial resources, Infrastructure, administration which acts as barriers in implementation of reforms and achieving principles of good governance. To overcome barriers innovative finance mechanisms like pooled finance, PPP models, Land as resource should be adopted. Capacity training to staff, creating strong data base using GIS and MIS, Dissemination of good practices, comparing service level standards across ULBs, Involvement of citizens in decision making process and focus on service improvement than asset creation will result in achieving better service delivery in small and medium towns of India.

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