Available evidence shows that an efficient and effective local government existed in ancient and early medieval India. However, the history of the local government in its modern form dates back to the year 1726 when Mayor's Courts were established in Madras, Calcutta and Bombay. Under the charter of 1793 the first municipal act was passed in Bengal introducing the municipal administration on the voluntary basis in Calcutta. Improvement of Town Act XXVI of 1850 provided for the Constitution of Town Committees empowered to levy indirect taxes and were assigned the responsibility to maintain public streets, roads, drains and tanks and to improve the town and its suburbs in all possible ways. Under this Act Town Committees were formed in four towns in lower Bengal, four in Punjab and twenty towns in the Uttar Pradesh which was then known as the North Western Province and Cudh. In the light of unsatisfactory sanitary conditions in the Indian towns, highlighted by the Royal Army Sanitary Commission, a Resolution was issued by the Government of Lord Laurence. Under this resolution municipalities were constituted to promote better sanitation in towns. Municipalities as institutions of 'Local Self Government' were mentioned for the first time under the Lord Mayo's resolution on
financial decentralisation. The resolution directed the provincial governments and their subordinates to ensure active support and to enlist active assistance and sympathy of local population groups in the process of social and material developments. Municipal Acts were passed providing for elected bodies. Madras Town Development Act of 1871 provided for elected municipal bodies with District Collector as the ex-officio member and Chairman. The Government of Bombay Act of 1873 for the first time granted to the municipal bodies corporate status capable of holding and conveying property and suing and being sued in the corporate capacity. This was followed by similar Acts in Central Provinces, Punjab and the United Provinces in the same year and in Bengal in 1876. Elective system was introduced and more powers and greater responsibilities were given to the municipalities. In spite of the legal provision for elections, in most of the places it was not possible to hold elections and the heavy levy on the municipalities for maintenance of the police force proved a burden on them.

Lord Ripon's Resolution of 1882 is regarded as a landmark in the history of municipal government in India because it conceived the local bodies as real institutions of self-government with non-official persons as the chairman of municipalities. The Royal Commission appointed in 1907 (popularly known as the Decentralisation Commission) recommended for elective majority in the municipal council and full powers to be given to the latter in
regard to taxation within the limits of specific laws and complete control over their budgets. The recommendations of the commission were accepted by the Resolution of 1915 issued by Lord Harding. However, swift political changes and the outbreak of the first world war hampered the progress in the implementation of this Resolution. The Government of India Act of 1919 which provided for provincial autonomy under diarchy entrusted the subject of Local Self Government entirely to elected Provincial Governments and devolution of taxes in the hands of municipalities was provided. The provincial governments enacted legislation but there was great divergence in the provisions. The working of the municipalities however failed to achieve the desired efficiency and both in official and unofficial writings the failings of the municipalities were highlighted. The situation was summed up by Pt. Jawahar Lal Nehru in the following words "Their failings are obvious enough but little attention is paid to frame work within which they have to function. This frame work is neither democratic nor autocratic. It is a cross between the two and has the disadvantages of both".

The Government of India Act of 1935 provided for provincial autonomy and new impetus to Local Self Government. Many Provincial Governments appointed committees to enquire into the working of the municipal institutions and to make recommendations for their better working. New enactments were made in Bengal, Bihar, Orissa, Bombay, Madras and Central Provinces. Some of
Union Minister for Health to recommend guidelines in and matters related to the local self government and to draw up common programme of action and to coordinate information on local self government matters.

Lack of constitutional protection, difference in the financial resources of municipalities in different states and very frequent interference in and supersession of the elected local governments by the State Governments on flimsy pretexts have made the municipal governments in the country ineffective. Even after more than four decades of independence an effective system of municipal government has not emerged in the country and the overall picture is one of confusion and duplicity of authority and functions.

The development of municipalities in Uttar Pradesh has followed the same lines as that in the country as a whole. The real development started with the passing of the Municipalities Act of 1850 although the first municipalities were established in the State in Mussorie in 1842 and in Nainital in 1845. Octroi constituted nearly the sole source of income of the municipalities contributing 81.6% of the same. Water supply conservancy, public works and public safety were the main functions of these municipalities since the earliest days. As early as 1907 a committee appointed by the U.P. Government recommended abolition of octroi. An important development was the execution of trust deeds by the municipalities
these provided for a democratic set up with directly elected presidents who became the chief executive officers. A number of amendments were made in municipal laws in the United Provinces and the one in 1949 provided for adult franchise, direct election of President and better representation for minorities.

After independence there was a great increase in the urban population firstly due to influx of displaced person from Pakistan and also due to rapid industrialisation under the development plans resulting in migration of rural population to towns in search of employment. The Government of India, Act 1919 and 1935 had provided for devolution of functions to the local bodies and these contained a separate schedule of functions assigned to local governments. Surprisingly, the Constitution of free India did away with this list and contained only the Union list, the state list and concurrent list. The functions assigned to Local Governments under the Government of India, Acts were merged in the state list.

A Local Finance Enquiry Committee was appointed under the Chairmanship of P.K. Wattal. This committee and the Taxation Enquiry Commission (1953-54) made recommendations regarding devolution by the States certain taxes to the local bodies. They also laid down principles for the grants-in-aid to the local bodies by the state governments. A central Council of Local Self Government was also set up in 1954 under the chairmanship of the
of Lucknow, Allahabad and Kanpur in 1909 which empowered these municipalities to acquire land and sell them after development. The sale proceeds were the trust property and managed by boards constituted for the purpose. These trust became the forerunners of Improvement Trusts established in 1919 & 1920. The U.P. Municipalities Act of 1916, in keeping with the recommendations of the Decentralisation Commission and the Resolution of Lord Harding's government, provided for elected Chairman of municipal boards and relieved them of official control. Immediate effect of withdrawal of official control was that personal rivalries and ambitions came to surface. The separate representation of Hindus and Muslims made the situation worse. Under the circumstances the general standard of civic amenities provided by the municipalities continued to be lamentably low. Since the beginning of 20th century till independence some notable developments were a fall in number of municipalities from 104 to 86, abolition of octroi by nearly half the municipalities, greater reliance on property tax, terminal tax and tolls. Public health continued to be the main item of expenditure forming 61% of the total in 1947.

Municipal Corporation or Mahapalikas were established in Kanpur, Allahabad, Varanasi, Agra and Lucknow (KAVAL) in 1960 under the Uttar Pradesh Nagar Mahapalika (Municipal Corporation) Adhiniyam (Act) of 1959. The object was to provide more financial autonomy to municipalities in these towns to enable them
to shoulder the responsibilities of providing civic amenities. The municipal boards and improvement trusts were replaced by municipal corporations (Mahapalikas). The Mahapalikas have permanent executives and elected office bearers. The activities of improvement trust have been entrusted to the development section of the corporation which is responsible for general improvement, slum clearance, rehousing, development of housing and streets etc. The corporations have been given powers to impose new levies like betterment tax, tax on transfer deeds, theatre tax, advertisement tax etc. They have wider borrowing powers. Inspite of all the legislative changes, the Municipal Corporations have not been able to become financially viable and financial mismanagement forced the State Government to dissolve them in 1968 and 1973 and put them under administrators. It has to be admitted that the local governments must be actively involved in economic planning as the latter should begin from below. Real welfare is possible when health, education, safety, housing and other amenities become available to the people in general and therefore the role of municipal bodies in the development planning is vital. Inspite of the disappointing performance of municipalities, we have no option but to continue with them and take every possible step to make them structurally effective and functionally efficient.

Varanasi is one of the ancient most living cities. It is as old as the Hindu culture itself and it is not only a place of
pilgrimage but also a centre of learning and culture. Authentic records of this city are available only since 6th Century B.C. when Lord Buddha preached his first sermons at Sarnath. Located on the left bank of the sacred river Ganga, the city has undulating ground constitutions presenting a problem for town planners. The old city consists of high rise buildings (five & six storeys) with narrow lanes in between them.

As early as 1790 some British officers paid attention to sanitary arrangements of the town, construction drains, dustbins and public latrines was undertaken. Some local taxes were also imposed and collected. One such tax was known as 'Chowkidari' or 'Phatakbandi' tax obviously for meeting the cost of security arrangements. Savings from this tax were utilised for improvement of public utilities and conservancy. Markets were also a source of income for these purposes. The first Municipality was established in Varanasi in 1867 under the North West Province and Oudh Municipalities Act of 1850. Octroi and rents and profits from nazul lands were the main sources of income. Legislative changes in 1883, 1892, 1900, 1901 and 1907 in the State, though widened the tax base and functions, provided for government officials as Chairman. The Act of 1916 provided for elected body and chairman. Amending Acts of 1916, 1930, 1932 and 1946 made provisions for a larger tax base and wider functions and responsibilities. In 1960, the Mahapalika (Corporation) was established. The elected body of the corporation was dissolved in 1966. It was restored in 1968
but again dissolved in 1973. Since then the Corporation has functioned under the Administrator appointed by the State Government till as recently as 1989. An elected body again took over in 1989.

The obligatory functions of the corporation are in the field of sanitation, public works like roads and drains, water supply, public lighting, medical facilities and checking and fighting contagious and infectious diseases, keeping of vital statistics, clearance of slums, fire fighting, primary education etc. Discretionary functions include maintaining welfare homes, bathing places and swimming pools, milk supply, beautification of town, promoting institutions of cultural activities, public parks, play grounds, holding of exhibitions and athletic competitions, construction of theatres and rest houses, electricity and housing, establishment of libraries and museums, relief from calamities, control of beggary, upliftment of scheduled castes and tribes etc. The corporation can also take up commercial activities with the prior approval of the State Government with a view to provide employment. The study of finances does not merely provide an idea of how much revenue the corporation earned and in what way it spent. It enables an insight into the performance of the corporation in using its taxation powers and in effectively discharging its functions which are expected to bring about betterment of the quality of life for every citizen of the town.
Expenditure of the municipalities reveals manner and extent of discharge of its function of ensuring an efficient modern life in concentrated communities and equip them better for promoting the economic and social advancement of the country. The performance of the municipalities should be evaluated not only in terms of the amount of expenditure but also by the efficiency with which this expenditure is utilised. The municipalities are faced with the resource constraint and therefore the cost effective use of the available resources is of utmost importance.

Bulk of the expenditure of the Varanasi Municipal Corporation is of revenue nature the capital expenditure forming only a very small part mostly below 10%. In 1975-76 the latter was as low as 0.83 percent while it was as high as 29.75 percent in 1988-89. Ordinarily an increase in revenue expenditure is supposed to represent the expansion of the services and should also be accompanied by improvement in their quality. During the period 1960-61 to 1988-89 the revenue expenditure increased by fourteen times. However, keeping in view the rising price level in real terms at constant price level obtaining in 1960-61 the increase in the total expenditure as well as per capita expenditure reveal a slight fall. This shows that one should not expect any significant expansion or improvement of municipal services. When compared with the municipal corporations in the country the revenue expenditure in other corporations of south and west India rose
much faster during the period 1962-63 to 1984-85. The comparative percentages being 484 for Varanasi and 352 for Patna as against 1980 for Trivandrum and 1668 for Ahmedabad. Expenditure on public health constitutes about half the total expenditure of the Varanasi Corporation. In 1975-76 it formed 65.85% of the total but declined to 50.95% in 1987-88 and 49.08% in 1988-89. The study also reveals that the proportion of expenditure on education has been going down. It was reduced from 13.16% in 1960-61 to 0.21% in 1988-89. As against this the expenditure on public works showed an increase from 12.68% in 1960-61 to 25.76 in 1988-89. Increase in the proportion of expenditure on general administration from 9.52 to 10.79 percent represents a burden on tax payer. The all India position as revealed from the data available for some selected corporations for the year 1984-85 shows great variation in the expenditure under different heads of revenue expenditure. On per capita basis Ahmedabad spent Rs.115.79 on public health followed by Nagpur (Rs.72.28) and Varanasi (Rs.46.02), and the lowest (Rs.8.98) being in Patna. On Public Works Bangalore spent Rs.66.91 per capita and comparable figure for Varanasi being only Rs.13.74. Patna again reveals a very low amount of Rs.7.23 per capita on public works. Great disparity in the essential municipal services in different cities in the country is quite evident. The per capita expenditure on public health in Varanasi Mahapalika (Corporation) rose from Rs.7.16 in 1960-61 to Rs.72.39 in 1988-89 i.e. an increase by ten times. However, this has been more than offset by an increase
of about 15 times in the price level. Similar is the situation relating to other items of expenditure like medical relief and control of epidemics. Under public health the greatest increase has been in the expenditure on conservancy the actual expenditure increased by about 30 times and the per capita expenditure by more than 16 times between 1960-61 and 1988-89. Rise in the wage bill of the conservancy staff due to increase in pay-scales, has been mainly responsible for this increase. Adoption of mechanical methods for transportation of refuse and rubbish has also been partly responsible for this increase. The real benefit of this increased expenditure to the citizens has been only marginal. Safe water supply and an efficient sewerage system are regarded as essential part of the modern civic life. It is very unfortunate that most of the towns and villages either do not have this facility or only very unsatisfactory arrangements exist. Rising cost of water supply has not been compensated by a proportionate rise in the revenue. In Varanasi the expenditure increased from Rs.1061 thousand to Rs.4617 thousand during the period under review. The water supply has resulted in continuous deficit since 1971-72; the revenue from water works failing to keep pace with the expenditure.

As for the other services provided by the corporation the expenditure on public safety increased by 22 times and on lighting by about 23 times. However, keeping in view the area and
population expansion and the rise in price level, increase in per capita terms from Rs.0.49 in 1960-61 to Rs.6.22 in 1988-89 for lighting and from Rs.0.72 to Rs.9.01 for public safety do not represent better availability of these services. It is an established principle of public finance that expenditures on general administration and tax collection, which represent unproductive burden, should be kept to the minimum. Expenditure under these heads in 1984-85 was 12.59% of the total expenditure. In all India perspective it compares favourably with 21.29% in Indore and 20.21% in Patna. But as compared to the corporation in South India it could not fare better where such expenditure was only 4.04% in Bangalore and 9.82% in Trivandrum. There is evidently much scope for reducing the burden in Varanasi.

To enable the municipal corporation to provide adequate and efficient public services, it should have revenue commensurate with its responsibilities. The total revenues of the Varanasi Municipal Corporation increased by about ten times during the period 1960-61 to 1988-89 but the increase in population makes the per capita increase only about 6½ times from Rs.21.35 in 1960-61 to Rs.136.49 in 1988-89. Although there was spectacular rise in the revenue after 1980-81 due to devolution of new tax sources, the increase in expenditure was still faster and the municipal corporation was faced with deficit budgets in most of these years. The data available regarding the growth of revenue for selected
corporations in India during the period 1962-63 and 1984-85 show that the highest increase (more than 19 times) was achieved by Bangalore followed by Trivandrum (17 times). It was 14 times in Nagpur and 13 times in Indore but in Varanasi it was 3.9 times and in Patna only about two times. A significant fact to be noted is that in the matter of expansion of revenues the State Governments have displayed the highest percentage of increase as compared with the Central Government and the municipal governments. On an average the tax revenue forms approximately half of the total revenue of the Mahapalikas in Uttar Pradesh. The highest percentage of 70.13 was in Kanpur and the lowest of 39.79 in Lucknow. In Varanasi the tax revenue formed 55.18% of total revenue in 1984-85 and the same was 64.73% in 1985-86. When we take a look at the revenue structure of some corporations of the country, we find that in 1985-86 the percentage of tax revenue to total revenue was 91.18 in Trivandrum and 90.89 in Indore. In Ahmedabad although the percentage of tax revenue to the total revenue was lower at 71.75 the per capita incidence of tax was the highest at Rs.216.36. Per capita tax in Trivandrum was Rs.88.89 and in Indore Rs.111.41. In Varanasi the per capita incidence of tax in 1985-86 was Rs.48.69 only. The lowest incidence of per capita tax at Rs.6.48 was reported in Patna. The percentage that tax revenue occupies in the total revenue of the municipal corporation depends on three factors the tax base, the effort to mobilise tax revenue and the size of the total revenue. Kanpur, being an industrial town has
reported a higher percentage of tax revenue while in Lucknow the percentage of tax revenue to the total revenue has been lower because, being the capital of the State, it has received liberal assistance from the state government in the form of grants and assistance. A very low percentage (21.34) of tax revenue to total revenue of Patna Municipal Corporation may be attributed to failure to mobilise tax sources and inefficiency in the collection of the same. The corporations are susceptible to the tendency to avoid imposition of tax so as to avoid public displeasure.

It is an accepted principle that local governments should mainly rely on direct taxes based on valuation of property owned by the tax payers in the town. But the actual position in the municipal corporations in Uttar Pradesh as also in most of the other states is that octroi represents the main stay of tax income of the local bodies. In 1960-61 octroi formed 62.73% of the total tax revenue and this percentage had increased to 85.52 in 1988-89. All India picture in this regard is different. The data compiled by the National Council of Applied Economic Research as far back as in 1970-71 and 1976-77 reveal that 55% of the tax revenue of Municipal Corporations and 40 to 44 percent of that of Municipal Councils was received from property tax, the octroi occupying a lower position in corporations but occupying a predominant position in other municipalities. In most of the countries the property located in the town is regarded as the main base of local taxation.
Property is taxed through property tax on annual value, through betterment levy on value gain due to town improvement and a levy on transfer of property. Although the per capita incidence of property tax in Varanasi has increased from Rs.4.50 in 1979-80 to Rs.8.32 in 1988-89 its percentage contribution towards the total tax revenue decreased from 13.01 to 10.14. A study of selected municipal corporations of India shows that the corporations in the South and West India received nearly one-third of their tax revenue from property tax while the Varanasi Corporation collected only 16.63% (in 1985-86) from this source. Amongst the municipal corporations in the state in 1984-85 Lucknow collected 29.08% of its tax revenue from property tax while Allahabad collected only 13.33%. In Varanasi property tax formed 16.08% of the tax revenue in that year. Thus, it is clear that there is ample scope for increasing revenue from property tax. Not only the rates of property tax are lower, the properties in the town are grossly under valued resulting in much lesser collection. Over and above, the actual realisation is also not efficient and prompt resulting in large amount of arrears. Against a uniform rate of near about 25% in South India the percentage rate in Varanasi was only 10 to 12.5. There is scope for enhancement of rates. Over the years the cost of collection of property tax has also shown a rising trend from 18.36% in 1979-80 the cost of collection reached 33.16% in 1988-89. Reduction of this cost also deserves urgent attention. There are some taxes e.g. animal and vehicle tax which do not yield much revenue either as a proportion of the total or as a
per capita levy. Multiplicity of taxes should be reduced and the energy should be directed towards more fair assessment and more efficient collection of taxes which are the mainstay of the corporation finance.

In 1988-89 octroi contributed 85.52% of the total tax revenue of Varanasi Corporation. Indirect taxation is not suitable for local governments and of all the indirect taxes octroi is the worst because it suffers from all the ills of indirect taxes, is inconvenient and leads to inequalities. It also leads to malpractices and corruption which are difficult to check. It operates to the disadvantage of the honest tax payer and benefits the evader. Most of the Committees or Commissions on the municipal administration have denounced the octroi as a local tax in the strongest possible terms. Still octroi, as a municipal tax, has survived because of the disinclination of the local bodies to switch over to the direct taxes and also unwillingness, for a long time, of the state governments to part with the bases of taxation which should be devolved on the local bodies. However, the Government of Uttar Pradesh took a decision to abolish octroi w.e.f. August 1, 1990. The loss of revenue to the municipalities on account of abolition of octroi is to be compensated entirely by the state govt. on the basis of revenue from this source in 1989-90 and 10% increase every year. Simultaneously the state govt. has abolished the 25% subsidy given to the corporations towards the salary of employees. This
compensation by the state govt. should not be regarded as a permanent arrangement. The corporations must be encouraged to exploit more efficiently the local bases of other taxes like property tax, betterment levy, development tax etc. and the increased assistance from state govt. should be made available only according to sound principles of grants-in-aid.

Non-tax revenues have so far played only a marginal role in municipal finance in India. In Varanasi this source has contributed between 7 to 17 percent of the total revenue in different years. A study of the selected corporations of the country also reveals a similar situation. Among the municipal corporations in Uttar Pradesh the highest non-tax revenue of 49.78% was recorded in Lucknow in 1984-85. The comparative percentage for Varanasi in that year was 11.53. The principal sources of non-tax revenue are rent, receipts from sale of land and buildings, receipts from market and slaughter houses, income from fees and other miscellaneous receipts. It will be seen that even some of the non-tax revenues are more or less of the nature of taxes e.g. fees and market receipts which are paid by people compulsorily for obtaining certain services. There is a vast scope for widening the scope of non-tax revenues provided the municipal corporations are prepared to venture in to new fields of services which corporations can provide to the citizens. City transport, milk schemes, housing, commercial complex, distribution of electricity are some of the
fields in which the corporations can legitimately venture. However, this would require establishment of financial institutions which may provide necessary finances to the municipal corporations for these ventures on basis of their viability.

Local bodies provide a number of services which are essential for a better human life and in some cases even for human existence. In fact the local bodies are part of the government in the country. But constitutionally only two tier government is provided namely the Union Government and the State Government. The local bodies are therefore, solely dependent on the State Government for their powers and functions. Grants-in-aid is a means by which the State Government transfers some funds to the local bodies to enable them to perform certain functions which the local bodies alone are in a better position to perform. Such grants may be for specific purposes or as general grants to supplement the financial resources. There are certain minimum standards of services and amenities in the field of health, education and other civic amenities which should be provided and these services come within the functions of local bodies they should be provided with adequate funds to enable them to discharge this responsibility. The general grants-in-aid is provided to make up the gap in finances i.e. the short fall in the income to meet the expenditure on essential services. Specific purpose grants are provided for meeting or supplementing the expenditure on providing specific services.
Grants-in-aid help in removing disparities. It is an accepted principle that the grants-in-aid should not take away or reduce the autonomy of the assisted bodies and from that point of view the general purpose grants are preferable to specific purpose grants. Grants-in-aid constitute a little less than one third of the total revenue of the Varanasi Municipal Corporation. A study of selected municipal corporations in India reveals that in 1984-85 Bangalore Corporation received 75.52 percent of its total revenues by way of grants-in-aid. In Patna the percentage stood at 70.27. In most of the other corporations this percentage was much less. All India average of grants-in-aid to municipal corporations worked out for 1976-77 stood at 8.22% while that for other municipalities was 10.26%. Inspite of the grants-in-aid in Patna being very high in terms of percentage, the per capita grant was as low as Rs.12.89 on the average while in Bangalore it was Rs.67.67 and in Varanasi Rs.18.96. High percentage of grants-in-aid in Patna may be attributed to the over all smallness of the total income showing lack of effort by the corporation to mobilize its own revenue resources. A danger accompanying the grants-in-aid is the tendency in the aid receiving bodies to slacken their efforts to raise their own funds and to clamour for more and more aid. Grants-in-aid should be provided in such a way that the aid receiving bodies are encouraged to maximise their own efforts to raise funds. Over the years the grants-in-aid for general purposes given to the municipal corporations in Uttar Pradesh have increased
in proportion to that for specific purposes. From 33.86 in 1960-61 the percentage of general purposes grant to total grants increased to 56.11 in 1968-69. Although there is substantial year to year variation in percentage the increasing proportion of general purpose grants is the trend in the right direction.

Borrowing forms a very high proportion of total financial resources of the local governments in many countries. However in India this does not constitute a substantial source. Borrowings are in fact shifting the burden of present expenditure on the future population in the form of payment of interest and repayment of loans. It will, therefore, be unethical to resort to borrowings for providing services to the present population. However, it will be quite legitimate for municipal corporations to borrow for financing the development works, the benefits of which are likely to accrue to the population in many years to come. Over the years the municipal corporations are depending more on government loans rather than those raised from the market. A Reserve Bank of India survey shows that govt. loans formed only about 24% of the total loans of local bodies in 1951. This percentage went up to about 41 in 1967. So far the repayment of loans has not caused any substantial burden on the Varanasi Municipal Corporation. Yet it is to be noted that the borrowings of Varanasi Municipal Corporation in most of the cases have exceeded the total capital expenditure reflecting a tendency to meet recurring expenditure through loans.
of the corporation. Accumulation of large arrears of taxes and revenue are an indication of lack of diligence and also a possibility of corrupt practices. Huge amount of unadjusted advances and unreplied audit objections are an evidence of complete lack of financial discipline. Unless a better financial discipline is enforced and a greater control is exercised all other measures to improve the financial condition of the corporation will prove futile.

There can be no two opinions about the need for supervision and control by the State Government over the local bodies. Opinions however differ about the nature and extent of such controls. In France the central government exercises very strict control over the local bodies to ensure adherence to the policy directives and programmes out line by the central government. In the United States of America the local bodies enjoy near-complete freedom. In India the municipalities function under the enactments passed by the State Government and have to function within the frame work of the State laws. The nature and extent of control should obviously depend on the objects of such control. The object should be to ensure effective and efficient services to the local people in the field of health, sanitation, education, public works and facilities for cultural and other activities which make the life richer and enjoyable. Removal of disparities and prevention of abuse of power or misuse of funds should also be the aim of control. The role of State Government should be supervisory and
advisory. The State Government should also help by providing the expert guidance and specialised assistance to the municipal corporations which they cannot procure on their own due to lack of resources or individual provision of which will be costly and wasteful. However in practice it is found that the political considerations are dominant in the exercise of state control. The district officials are interfering in day to day working of the municipalities. The grants-in-aid are sanctioned on ad hoc basis. In Uttar Pradesh since the passing of Municipal Corporations Act, the municipal corporations for the most of the period have been directly administered by the state government through the appointment of Administrators. The very purpose of passing the Municipal Corporations Act and grant of wider powers to them has been defeated because for most of the time they have been administered by the officials and not by the people's representatives. The role of the state government has so far been negative and not conducive to development of municipal corporations as self governing and autonomous governments with responsibility to fulfill the needs and aspirations of the local people.

Town planning is an important activity. This covers not only the development of public works and physical amenities but should be a comprehensive activity comprising economic, social and cultural advancement. Removal of disparities has to be an integral part of any such development. When the Improvement Trusts
were merged with the municipal corporations it was expected that the dual authority in the matter of town development will end. But in 1973 again the local development function was given to a separate authority to be called the Varanasi Development Authority. The Development Authority should be a part and parcel of the Municipal Corporation can function effectively only if it works as a wing of the corporation. There should be an effective link between the local development plans and the state and national planning. It is high time that the idea of planning from below is given effect by vesting the municipal corporations with the authority and resources to prepare and implement the development plans for the respective cities.

Dismal performance of the municipal corporations should not dishearten us. Rather it should make us think and work for making them more effective instruments of the betterment of the local population. There is no other option before us. From this point of view some useful suggestions may be given in the light of this study.

Expenditure of a government is the measure of the extent and type of services provided by it to the people. However, the manner of expenditure is an indication of the policy pursued. While the amount of expenditure is important equally important is the cost effectiveness of expenditure. Burden of administrative expenditure should be kept at the minimum level and the welfare
expenditure should be aimed at not only provision of more and better services but should also remove economic and social disparities. Effective control over waste and corrupt practices in expenditure is necessary.

The municipal corporations in Uttar Pradesh have relied too much on octroi as a source of revenue. Indirect taxes are unsuitable as a source of local revenue. Octroi is the worst of the indirect taxes. While the abolition of octroi should be welcome the corporations should develop their own sources of direct taxation. Proper valuation of properties and an increased rate of property tax are imperative. Establishment of an independent agency for valuation of properties could also be considered. Betterment levies and duties on transfer of property should be relied upon to a greater extent.

Non-tax revenues, which do not form any significant part of the total revenues, should be developed. There is a great potential for increasing revenues from land development schemes, from house building and development of markets. Selected municipal corporations can also take up transport, milk supply schemes and electricity supply.

Borrowings should be resorted to only for development schemes of long term benefit. Viability of projects should be
assessed by using the modern tools of projects evaluation. Use of borrowed funds for current expenditure should be avoided. Establishment of specialised financial institutions to provide loans to local bodies will enable the corporations to raise funds for development.

The state control should be aimed at providing guidance and support. The states should make available the benefit of expert advice in technical and financial matters. Local or Town Planning should be closely linked with national plans and the former should not be confined to the physical development of towns. It should include economic and social development as well.

The development of municipal institutions in the country presents a confusing scenario. While the importance efficient and effective local government has been stressed in the strongest terms in all official reports and pronouncements, in practice the powers of the local bodies are usurped by the state governments and the very existence of these bodies depends solely on the whims and mercy of the state government. It has to be recognised that no real economic development or social welfare is possible unless we have democratic, effective and efficient local governments. Sooner it is realised the better it is. The time and energy spent on this study will stand amply rewarded if it helps in better understanding of the role of municipal governments in national development and
the conclusions arrived at and recommendations made in this thesis help in giving right direction to the efforts for improving the status, stability, effectiveness and efficiency of the municipal governments in the country.
This tendency, if not checked, will have serious consequences in the form of shifted burden on future population. Borrowings should be resorted to only for viable development projects of long term nature. Development of specialised financial institutions for providing loans to municipal bodies is an urgent requirement.

Efficiency of financial administration determines the effectiveness of the corporation in its efforts to provide essential services to its citizens. Financial administration should ensure efficient collection of revenues, proper accounts of receipts and expenditures and prevention of misappropriation and corrupt practices in receipts and payments. In the past few decades the tools of financial management have been developed to help in better management and for evaluation of the performance in this field. Unfortunately the government in general and the municipalities in particular have not made any significant effort to adopt new techniques of financial analysis and management. No effort has been made to recruit personnel qualified to use new techniques nor to develop facilities for such training to existing staff. Budget estimates are prepared on incremental basis and ad hocism prevails in this matter. The actual collections as compared to the demands are very low. In 1988-89 only 51.62% of the tax on property and only 31.4% of the rents were collected by the Varanasi Municipal Corporation. Such huge arrears have greatly reduced the revenues