The history of local government in India can be traced to the Vedic period, when we had an ideal form of self-government in the form of Paura Organisation of Hindu India. The highly developed and planned cities unearthed in the excavations at Mohenjodaro and Harappa provide an evidence of existence of efficient and effective municipal government dating back to 3000 B.C. However, an glorious past cannot make us close our eyes to the utter lack of civic amenities, inefficient municipal service and the unplanned growth of towns and cities in the country with hardly any exception. The present forms of local governments in the country have their origin during the period of British rule. The British Government conceived them as administrative organisations to ensure satisfactory sanitary arguments in towns. The Municipal councils and the Local Boards were termed as the training ground for self-government. Whatever the motives behind the establishment of the municipal organisation in the country, it has to be recognised that, when the country become independent in 1947, we had a basic infrastructure on which it should have been possible to build an efficient and effective system of local government. Unfortunately this has not happened and our municipal administrations have become synonymous of maladministration and inefficiency.

There cannot be two opinions about the need to develop the municipal government as an effective instrument of ensuring cleaner
and better urban habitat with planned development of sanitary arrangements, roads, health services educational facilities and adequate facilities for recreation, cultural activities and for healthy growth of trade and industry. There is wide-spread feeling that the municipal governments in the country have neither the requisite resources nor adequate powers to discharge the increasing burden of responsibilities. The constitutional devolution of functions and resources provided to the local bodies under the Government of India Act, 1935, has, for the reasons best known to the makers of our constitutions, been taken away by the Constitution of India, which does not have a separate Local list. This has resulted in complete dependence of the Local bodies on the State Government for devolution of resources and for delegation of powers. Usurpation of the purely local bases of taxation like the property tax and professional tax and the separation of the Local developmental functions from the municipal bodies by establishment of Town Improvement Trusts is obviously the result of the lack of the constitutional protection to functional jurisdiction of the local bodies.

In the present research work regarding finances of the Municipal Corporations in India an effort has been made to study the income and expenditure of the municipal corporations. The analysis of income covers the tax and non-tax revenues, borrowings and grants-in-aid. Equity in taxation, fairness in its assessment and
efficiency in its collection is necessary not only from the point of view of adequacy of resources but also from the point of view of ensuring responsible citizenship and enlisting active participation of local population in municipal functions which are vital for healthy and fuller and richer life for the common man. The amount of expenditure on the various municipal functions is, no doubt, important but equally important is the cost-effective use of the funds to ensure the maximum welfare of the largest numbers. Borrowings, which in effect means shifting of the burden of present development to the future population, should be judicious and for purposes which will provide lasting benefits to the present and future citizens. Grants-in-aid from the State Government should not only help in removing disparities in local services and amenities but should also promote efficiency in administration and better use of the locally raised funds. Through the case study of the Varanasi Municipal Corporation an attempt has been made to identify the factor involved in the above aspects of the Municipal Government and on the basis of the collected data an analysis has been made to find out the effectiveness of the Municipal Corporations in fulfilling their responsibilities for providing adequate and efficient civic services and ensuring planned and healthy development and regulated growth of cities. Weaknesses and short comings of Municipal Corporations have been exposed and suggestions and recommendations made for their removal. Finance is an all pervading functions and a study of finances, in fact, provides an opportunity to assess the policies and practices in the working of Municipal Corporations and to make their performance evaluation.