CHAPTER SIX

MAJOR FINDINGS

AND

CONCLUSION
Chapter Six

MAJOR FINDINGS, CONCLUSIONS AND SUGGESTIONS

The existence of a wide gap between the income and expenditure of Municipal bodies has led to a serious thinking on the part of the administrators, policy makers and academic thinkers about the management of finances of these local institutions. The Problem of huge budgetary gap has been further made more complex by the ever growing control and regulation of the finances of these bodies by the state government resulting in very little scope for the financial autonomy of the Municipal Corporations. The responsibilities of the Municipal Corporation have been expanding due to the fast growing urbanization and the ideal of social welfare as a state policy. The income position of these bodies is almost stagnant due to inelasticity of their taxes, which are limited in their content and coverage while the expenditure position of the Municipal Corporations is becoming unmanageable due to the expanding demand for the civic amenities. In view of this complex problem of imbalance between the revenue and expenditure of the Municipal Bodies the present study on the finances of this second largest Municipal Corporation in Karnataka State has led to some significant findings with meaningful implications for the policy makers and others. The present chapter provides a succinct and a brief narration of the major findings and
conclusions based on the empirical evidences. The researcher has also made a few suggestions based on the findings of the research study in relation to the finances of the Hubli-Dharwad Municipal Corporation.

**Major Findings and Conclusions:**

1.1 There has been a tremendous increase in the responsibilities of Municipal bodies as a result of two factors viz.,

(i) rapid increase in urbanization and

(ii) adoption of Welfare state as national policy

1.2. Municipal Corporations have two types of functions viz.,

(i) Obligatory and (ii) Discretionary.

Obligatory functions of Municipal Corporations include water supply, electricity, road, transport service, lightning, watering and cleaning of public streets, establishment and maintenance of hospitals and primary health centers, control and regulation of eating places and eatables and registration of births and deaths.

Discretionary functions include construction and maintenance of public parks, gardens, libraries, theaters, stadium, provision of public housing, relief to disabled and destitute, detention and control over stray animals, registration of marriages and organisation of fairs exhibitions etc.
1.3. The usual revenue sources of municipal bodies are broadly divided into

(i) Tax Revenue

(ii) non Tax Revenue

(iii) revenue from remunerative enterprises maintained by the corporation and

(iv) grants-in-aid

1.4. Tax source of revenue of Municipal corporation are

(i) Property tax

(ii) Water Tax

(iii) Entertainment Tax

(iv) profession Tax and

(v) Tax on advertisement etc.

1.5. The non-Tax Revenue source are

(i) fees relating to buildings

(ii) fees under communicating system

(iii) license fees for dangerous traders

1.6. The revenue from remunerative enterprises include enterprises like poultries, cinema theatres and commercial complex etc.
1.7. Various types of grants from the State and Central Governments are given to the urban local bodies. This is an important source of finance for these bodies.

1.8. Municipal finances have their own distinct features and significance. They pertain to performance of essential local activities and services. Their performances involve immediate local attention, direction, control and supervision.

1.9. The budget of the Municipal Corporation is prepared at the beginning of the fiscal year and a copy of the statement of the estimated receipts and expenditure of the year is submitted to the state government. The state government can modify or ask the local bodies to modify or revise the budget within thirty days of the receipt of the budget which shall be deemed to be sanctioned budget of the municipal corporation. This way the state government exercises control over the finances of the municipal bodies.

1.10. The state government exercises control over the finances of the municipal bodies through

(i) sanctioning of local loans and associated devices on per capita expenditure and through cost control and
(ii) restricting the level of grant-in-aid to urban local bodies i.e. control over revenue expenditure.

1.11 Accounting provides the day to day financial transactions, the receipt of revenue and the payment of expenses. The Municipal Accounts adopt the cash basis though a widely recognized practice is to have a combination of cash basis and accrual basis of accounting for Municipalities. Under this practice revenue is recorded only when cash is received while expenses and related liabilities are recorded when incurred.

1.12 Auditing of municipal accounts is carried out by Local Fund Audit Department. Accounting and auditing function as custodians of the public money. Audit is tool of financial control. Audit of Municipal bodies is either pre or post audit. Pre audit is considered to be more effective instrument of financial control while post audit is post mortem of the expenditure, which has already been incurred.

1.13 The dwindling resources of the Municipal Corporation is a matter of concern for these bodies. The expanding role of the Corporation is providing civic amenities and facilities is not matched by proportionate increase in their revenue resources. The Tax base is shrinking and is inelastic since the state government has taken over most of the elastic sources of
revenue. The abolition of Octroi has further eroded the revenue resources of the municipal bodies.

1.14 The problem of incompetent personnel is affecting the municipal administration. Good quality and competent personnel are not attracted to these local bodies due to meager promotional opportunities in these institutions. The morale of the existing personnel is low.

1.15 The problem of the Government control over the municipal bodies is too severe curbing the initiative of the local administration. The legal provisions governing the Municipal bodies have given tight control over them by the state government. The state government has complete control over their finances and it can dissolve and supersede these bodies at will.

1.16 The problem of fast growing urbanization is creating difficulties for the management of the civic amenities for the urban population. The problem of the slum development due to urbanization in the wake of fast growing industrial activities is another severe challenge to civic administration.

1.17 The Municipal administration is faced with problems of corruption, political influence, factionalism, communalism etc.
2.1 The twin cities of Hubli-Dharwad made history in 1962 by coming together as a single Municipal Corporation.

2.2 The history of Hubli reaches as far back as the rule of Rashtrakutas. Historical evidence indicates that the town in some form existed since 800 A.D. Hubli came under the control of Chalukyan dynasty, Hoysala, Vijaynagar empire, and Adil Shahi dynasty of Bijapur before it came under the control of the British rulers.

2.3 Hubli has been traditionally an educational center and had been a home of great scholars in different fields.

2.4 The geographical contours of Hubli have been widened through absorption of surrounding villages like Keshvapur, Narayanpur, Aralikatti, Majeedpur, Bengeri etc.

2.5 The Dharwad city has its hoary past and a rich heritage of cultural and educational background. Inscriptions found in Dharwad indicate that the city was under Peragade Bhanudeva's administrative control who gifted it away to one Acharaya Someshwara Pandita the preist of Dharmeshwar temple. An inscription in a village in Dharwad taluka indicate
that Dharwad had attained prominence as early as in thirteenth century. Dharwad emerged as an independent center at the time of the Chalukyas of Badami, Yadavas of Devageri. The city came under the control of Vijayanagar empire subsequently.

2.6 Dharwad has cultural history of its own. It has produced three Jnanapeetha awardees – D.R.Bendre, V.K.Gokak and Girish Karanad for their achievements in Kannada Literature. Giants in hindustani music like the late Mallikarjun Mansur, Smt.Gangubai Hangal, Pandit Bhimasen joshi and the late Basavraj Rajgura belonged to Dharwad.

2.7 There are some prominent socio-cultural and educational institutions in Hubli and Dharwad viz., The Bassel Mission Society, Lingayat Education Association, Shankracharya Sanskrit Pathashala, Karnataka Vidya Wardak Sangh, Maratha Vidya Prasark Mandal, Panjarpol, Mahila Sahaya Sangh. The Cooperative Hospital, Bhagini Mandal, Maharashtra Mandal, Maternity and Child welfare Association, Mahila Vidya peetha. Hubli Medical Association, Red Cross Society, Kasturba Gandhi Memorial Foundation, Anjuman –E-Islam, etc.
2.8 The total population of Hubli-Dharwad Municipal area was 6,48,298 of which 3,36,586 was male population and 3,11,712 was female population.

2.9 There were 10,079 agriculturists, 10,823 agricultural workers, and 284 workers in mining occupations. The total population of those engaged in manufacturing and services in the HDMC area was 45,029 and the population of those engaged in forestry, fishing, hunting etc, was 2016. There were 12,718 construction workers, 43865 engaged in trade and business and 36,335 in other services. There were 1,81,723 labourers, 4083 engaged in petty jobs. The total population of non-labourers in HDMC area was 4,62,492. The total population of those engaged in transport and communication was 20,529 and in other services it was 9602.

The density of population per Sq. Km. as per 1991 census was 1029 in HDMC area. The growth rate of population during the decade 1981-1991 was very high. This has led to pressure of population on the civic amenities provided by the HDMC. The growth rate of population in HDMC area during 1981-1991 was 22.9. The sex ratio of population per 1000 males as per 1991 census was 929.
2.10 The total population of HDMC area at 6,48298 is almost 50 percent of the total population of 13.75 lakhs in Dharwad district as a whole.

The density of population at 1029 per sq.km. in the HDMC area is more than the density of population of 322 per sq.km. for the Dharwad district as a whole.

The growth rate of population at 22.9 percent for the decade in HDMC area is more than the growth rate of population at 19.6 percent in the district.

2.11 The literacy rate is high in HDMC area compared to other areas in the district. It is 74.86 percent in HDMC area. The literacy rate among males is 83.21 percent compared to 65.82 percent among female population. The total number of students in 247 primary schools was 1,11,565 and in 86 high schools the total number of students was 55,739. The student strength in Pre-University Colleges was 8937. There are two Universities in Dharwad – Karnataka University and University of Agricultural Sciences. There are a large number of Arts, Commerce and Science Colleges in Hubli and Dharwad. There are two Engineering Colleges one each in Dharwad and Hubli.
There is one allopathic Medical College (KIMS) in Hubli and a few Homeopathic and Ayurvedic colleges in Hubli and Dharwad. A few Law colleges and colleges of education are established in Hubli and Dharwad. There is one college of Dental science in Dharwad.

2.11 There are 110 factories in Dharwad taluka comprising of textiles, chemical, engineering and others. There were 3298 small-scale units in Dharwad taluka and 5771 small-scale units in Hubli taluka. Large units like TELCO, Mysore Kirloskar, BDK, Bhoruka Textiles etc., have been setup in the HDMC area.

2.12. There are large number of branches of commercial and cooperative banks in Hubli and Dharwad. A few branches of RRBs, Land Development Banks, LIC and General Insurance, KSFC, KSSIDC, etc have been setup in HDMC area. A number of housing cooperative societies and cooperative credit societies are functioning in the area.

2.13. The HDMC area is well served by a network of transport and communication system. The newly formed South Western Railway zonal headquarters is setup in Hubli city. The broad gauge line passing through Hubli-Dharwad links up Poona and
Bangalore and Hyderabad and Tirupati areas of Andhra Pradesh. The National Highway No.4 serves the HDMC and links up the Poona and Bangalore cities with the twin city.

The communication system in the HDMC area comprises of Telephone, Fax, Postal and Telegraph, Radio and Television News Papers- Kannada and English etc.

2.14. There are good facilities for health care. The KMC, the Civil Hospital, the Cooperative Hospital, the Municipal Hospitals and numerous private clinics and Nursing homes provide a network of health facilities in the HDMC area. There is a dental hospital attached to SDM’s Dental College near Dharwad city.

2.15. The twin city is provided with water supply from Malaprabha river near Savadatti and from Neersagar tank. In addition to these major sources water is supplied through a number of public bore wells set up by HDMC.

2.16. The twin city is served with the supply of electricity by the KEB.

2.17. The APMCs at Hubli and Dharwad provide the needed infrastructure for the marketing of Agricultural products for the farmers in the area.
2.18. The socio-economic scenario in the HDMC area have some implications for the administration and finances of the Hubli-Dharwad Municipal Corporation

1. The population growth in the HDMC area is very high resulting in increased demand for civic amenities.

2. Industrial and Commercial growth of the area is attracting a substantial manpower from the adjoining rural areas. This has resulted in rapid urbanization of the twin cities.

3. The rapid growth of educational facilities in the twin cities has led to increased demand for basic civic facilities like water, housing, electricity etc.

4. The spread of other infrastructural units like banks and financial institutions, transport and communication system etc., have led to the increase in many obligatory duties of the Municipal administration of the HDMC.

5. The growth of slums and congestion have added to the sanitation and health problems of the twin-cities.

3.1 Hubli Municipal Council was established in 1855 with a nominated membership of 18. The council functioned under the presidentship of the district collector of Dharwad. The election to the council were introduced in 1883 for the first time. Adult
franchise was introduced in 1925 with separate constituencies for Muslims and Non-Muslims. Separate electorates were abolished in 1948 but reservation were continued for Women and Scheduled castes.

3.2 Hubli Municipal Council had a chequered career. It had been superseded twice between 1939 and 1944 and between 1958 and 1962 and the council was under the direct administration of the state government. Then came the merger of the Hubli and Dharwad Municipal Councils in 1962 to form the Hubli-Dharwad Municipal Corporation.

3.3 The area of the Hubli Municipal Council when it was constituted in 1855 was 2.75 sq. miles with a population of 35,278 and the annual revenue and expenditures were Rs.6854 and Rs.37,550 respectively.

3.4 Dharwad Municipal Council came into existence in 1856 with a nominated membership of 12. The Government stipulated in 1902 that 2 / 3rd members be nominated and 1/3rd members be elected by ballots.
3.5 Hubli-Dharwad Municipal Corporation is the second largest Municipal Corporation in the state next only to the Bangalore Mahanagar Palike. HDMC area is the largest commercial center in North Karnataka. It has a network of industrial units and educational institutions. Hubli is the major railway center with the South Western Railway Zonal offices at Hubli.

3.6 The twin cities of Hubli and Dharwad are separated by a distance of just over ten miles with a few villages between them. The area under HDMC was 17.45 sq.miles in 1962. It was extended to cover the adjoining 45 villages in 1964. The villages covered by the HDMC are Yettingud, Malapur, Saidapur, Gulaganjikoppa, Kamalapur, Narayanpur, Hosayallapur, Saptapur, Barakotri, Attikolla, Doddanayakankoppa, Sattur, Dharwad, Lakmanahalli, Kelgeri, Navalur and Rayapur in Dharwad Taluka. The villages covered by HDMC from Hubli Taluka are Sutagatti, Gamangatti, Myadagoppa, Topalkatta, Mummasagar, Jangamarrakoppa, Krishnapur, Yellapur, Beedamala, Ayobalapur, Ayodya, Aralkatti, Amargol, Byridevarkoppa, Gokul, Unkal, Rayanala, Nagashettikoppa, Bengeri, Gopankoppa, Keshvapura, bommapur, Narayanapur, Gabbur and Agrahara Timmasagar.
3.7 The composition of the HDMC in terms of members belonging to different categories shows some significant trends. The number of members belonging to general category declined from 42 (73.60 percent) in 1990-05 to 39 (58.20 percent) in 1996-2000 while the number of members belonging to SC rose from 3 (05.26 percent) during 1990-95 to 6 (08.95 percent) during 1996-2000. The number of members belonging to ST remained constant at 1 (01.75 percent) during 1990-95 and during 1996-2000. While the number of Women members rose from 11 (19.39 percent) during 1990-95 to 21 (31.35 percent) during 1996-2000. The total number of members of the HDMC rose from 57 during 1990-95 to 67 during 1996-2000.

3.8 The membership of the HDMC is governed by the provision of the Karnataka Municipal Corporation Act 1976, Section 25. The eligibility of a person to become a member of HDMC is defined under the provisions of this Act. The Act also has described the categories of persons who are not eligible to become members of the HDMC.
3.9 The term of office of a member of the Corporation is 5 years, which may be extended for a period not exceeding one year by a Government notification.

Section 26 of the Karnataka Municipal Corporation Act 1976 has also specified certain conditions under which a councilor may be disqualified.

3.10 The Municipal Corporation meets once in every month. However the Mayor can convene the meeting at short notice in case of emergency. All decisions are taken by majority vote and in case of equality of votes the presiding officer will cast his vote. Members of the legislature of the area can participate in the meetings of the Corporation as provided under section 9 of the Act.

3.11 The Mayor is the top Political executive of the Corporation. He is vested with certain powers as prescribed in Section 60 of the Municipal Corporation Act 1976. The Mayor presides over the meetings of the Corporation and can give direction / guidance to the Commissioner with regard to the implementation of the resolutions of the Corporation and the standing committee. He
can call for any record of the Corporation and he can delegate
powers to the Deputy Mayor.

3.12 The HDMC has 3 standing committees as per Section 11 of the
Act. They are standing committee for Taxation and Finance,
Standing committee for Public Health and Standing committee
for Works.

3.13 Section 13 (A) of the Karnataka Municipal Corporation Act has
provided for standing committee on Social Justice. The Social
Justice committee performs functions relating to securing social
justice to persons belonging to SC and ST, Women and other
weaker section of the society.

3.14 Commissioner is the authority of the Corporation as per Section
6 of the Act and he is the administrative head under whom all
officials of the Corporation work. The state government appoints
the Commissioner and he holds office for a period of two years.
The Commissioner can be removed from his office by a
resolution of the Corporation by a majority of two thirds of its
members. Section 64 of the Karnataka Municipal Corporation Act
has provided the details of the functions of the Municipal Commissioner.

3.15 The HDMC had 2538 sanctioned posts of which 2316 posts are filled up and 222 are vacant. In Group A sanctioned posts were 51 of which 46 were working staff and 5 posts were vacant. Further 8 posts were reserved in this group for SCs of which 1 was working. There were 2 posts reserved for STs of which 1 was working.

In Group B sanctioned posts were 26 with 24 filled up and 2 were vacant. Further 4 posts in this group were reserved for SCs of which 2 were vacant. One post reserved for STs has been filled up in Group B.

3.16 The staffs of the HDMC are drawn from State Civil Service, State Municipal Service and the Corporation Service. Most of the officers of the Group 'A' and Group 'B' category are drawn from state cadres viz., Karnataka Administrative service, Karnataka States Accounts Service, Karnataka State Health Service, Karnataka Public Works Service and Karnataka Municipal Service.
Majority of Group ‘C’ posts are held by the Corporation employees and Group ‘A’ Paurkarmikas (P) belong to the Corporation Service.


3.18. The Municipal Corporation has three main sources of income
   i. Octroi Compensation
   ii. Taxon Water and Property
   iii. The assignment from the State government out of the Taxproceeds from Entertainment Tax, entertainment surcharge motor vehicle Tax and stamp duty.


3.20 The share of Taxon water and property was 20,22,33,25,21,25,22,27,23 and 21 percent during 1990-91 to 1999-2000 except during 1992-93 when this category accounted for only 20.27 percent in these two taxes.
3.21 Fees collected by the HDMC from the various departments of the Corporation is around 8 percent of the income. Miscellaneous income includes rents and other money appropriated by the Corporation buildings whose share varies from 4 to 8 percent.

3.22 HDMC is heavily dependent on the State Government for its financial resources. The two main sources viz., Octroi compensation and transfer of certain portion of motor vehicle Tax and stamp duty accounted for nearly 60 to 70 percent of the income of the Corporation.

3.23 Salary component of expenditure on Municipal employees consumes more than 50 percent of corporation income. Miscellaneous expenditure accounted for 10 percent of total expenditure of HDMC. The expenditure on water supply varied from a minimum of 4 percent to a maximum of 33 percent during 1990-91 to 1999-2000. The expenditure on public works varied between a minimum of 9.53 percent to a maximum of 20 percent. The expenditure on public health and sanitation is around 2 percent. The expenditure on welfare of SCs and STs is around 18 percent.
4.1 Property Tax is a major source of revenue to the Municipal Corporation because of its reliability and constancy of collection. Property Tax has assumed much importance as a source of revenue after the abolition of Octroi.

4.2. There has been continuous and steep rise in the collection of the Property Tax by the HDMC during the decade 1990-91 to 1999-2000 though with marginal decline during two years 1994-95 and 1995-96. The total collection of Property Tax rose from Rs.1,46,84,252 in 1990-91 to Rs.9,00,00,000 in 1999-2000. However the collection of Property Tax as percent of total Tax Revenue declined from 62.95 percent in 1990-91 to 56.09 percent 1999-2000. The total collection of Property Tax during 10 years from 1990-91 to 1999-2000 was Rs.38,07,61,199 amounting to 67.07 percent of the total Tax Revenue of HDMC during the same period. Maximum amount of Property Tax collected by the HDMC was Rs.9,00,00,000 in 1999-2000 while the minimum collection was Rs.1,46,84,252 in 1990-91. Property Tax as a percent of total Tax Revenue of HDMC was maximum at 80.99 percent in 1996-97 while the minimum was 56.09 in 1999-2000.
4.3 The slowdown in construction activities in HDMC is one of the reasons for relative decline in percentage terms of Property Tax to total Tax Revenue. Inadequate efforts to collect the Property Tax by the officials HDMC and leakage of Tax Revenue due to faulty assessment and official corruption are the probable reasons for the decline in the collection of property tax.

4.4 Property Tax accounted for 67.09 percent of the total Tax Revenue of the HDMC followed by Water Tax accounting for 32.50 percent Advertisement Tax for 00.41 percent.

4.5 Water Tax is collected by HDMC from domestic holders on monthly basis. The rate varies from 0.25 paise to Rs.1.60 per 1000 liters. The Taxis collected on slab basis. The Water Tax for construction of buildings and for industrial purpose is Rs.6.00 per 1000 liters and Rs. 8.00 per 1000 liters respectively.

Water Tax collection by the HDMC rose from Rs.85,26,284 in 1990-91 to Rs.5,01,80,000 in 1999-2000. The total collection of Water Tax during the decade 1990-91 to 1999-2000 was Rs.18,48,42,546 accounting for 32.50 percent.
of the total Tax Revenue of HDMC during the same period. Minimum collection of Water Tax was Rs.81,07,005 in 1996-97 and the maximum collection was Rs.5,01,80,000 in 1999-2000. Water Tax as percent of total Tax Revenue was maximum at 40.20 percent in 1998-99 and minimum at 18.69 percent of total Tax Revenue in 1996-97.

4.6 The revenue from Water Tax during the decade 1990-91 to 1999-2000 indicates some significant trends

i. There is a continuous rise in revenues from Water Tax from 1990-91 to 1992-93 in terms of absolute amount of Tax Revenues from this source.

ii. There is a continuous decline in terms of percentage of revenue collection of the total Tax collection during the same period.

iii. There is a continuous decline in the revenue collected from Water Tax in terms of absolute amount from 1993-94 to 1996-97.

iv. There is a continuous increase in revenue collection from Water Tax in terms of absolute amount again during 1997-98 to 1999-2000.

vi. A continuous decline in percentage of Water Tax to total Tax Revenue for 7 years from 1990-91 to 1996-97 is observed.

4.7. The total revenue from Water Tax for the decade at Rs.18,48,42,546 is less than half of total revenue from Property Tax at Rs.38,07,61,199 during the same period

4.8. Tax on advertisement displayed in public places is levied by HDMC as per Section 134 of Karnatak Municipal Corporation Act 1976. This Tax is levied on advertisement erected, exhibited, fixed and retained upon or over any land, building wall, hoarding frame, post or structure, or upon or in any vehicle or displayed to public view.

4.9. The total Tax collected from advertisement over the 10 year period from 1990-91 to 1999-2000 was Rs.21,10,455 amounting to 0.41 percent of total Tax Revenue of HDMC. The highest amount of Tax Revenue collected from this source was Rs3,89,538 in 1998-99 and the lowest collection was Rs.92,155 in 1994-95.
The percentage contribution of Advertisement Tax to total Tax Revenue was highest at 0.08 percent in 1995-96 and the lowest was 0.91 percent in 1999-2000.

The Contribution of Advertisement Tax to total Tax Revenue has fluctuated continuously during the decade 1990-91 to 1999-2000 both in terms of absolute amount and in terms of percentage contribution.

4.10. The revenue collection from Advertisement Taxis marginal compared to the revenues collected from property and water taxes. It is necessary to devise measures to raise more revenue from this source in view of the fast growing commercial and industrial activities in the twin city of Hubli-Dharwad.

4.11. A substantial amount of non-Tax Revenue is collected by the Municipal Corporations in the form of fees and miscellaneous receipts. The major sources of fees are the Engineering Department and Health department.

The important fees collected from the Engineering Departments are tap-connecting fees, underground drainage
connecting fees, swimming pool fees, building permission fees and compounding fees.

The important fees collected from health department are adulteration fees, hostel / restaurant Licence, permission and renewal fees, trade hawker fees and Licence fees for dog keepers etc.

4.12. The total collection of fees from Engineering Department during the 10 year period from 1990-91 to 1999-2000 was Rs.4,29,77,335 amounting to 20-37 percent of total non-Tax Revenue during the period. Maximum amount of fees collected from Engineering Department was Rs.1,09,32,161 in 1998-99 amounting to 32.72 percent of the total non-Tax Revenue of HDMC. The minimum of fees collected from Engineering Department was Rs.3,26,597 in 1992-93.

There has been a good deal of fluctuation in the collection of fees from the Engineering Department during the decade covered by the study. Percentage contribution of fees from Engineering Department was the highest at 33.76 percent in 1997-98 and lowest at 3.13 percent in 1992-93.

4.14. The total collection of fees from health department by the HDMC during the 10 year period from 1990-91 to 1999-2000 was Rs.1,54,13,595 amounting to 7.30 percent of the total non-Tax Revenue during the same period. The collection of fees from health department fluctuated from year to year between 1990-91 and 1993-94. However there is a continuous and steep rise in the subsequent period from 1994-95 to 1999-2000. The collection of fees from health department was the maximum at Rs.44,57,000 in 1999-2000 while it was the minimum at Rs.89,94 in 1993-94.

4.15. HDMC has been collecting some miscellaneous fees from different departments and from general administration. This source of revenue to HDMC has been the major one among
Miscellaneous receipts amounted to Rs15,26,91,544 during the 10 year period from 1990-91 to 1999-2000 accounting for 72.33 percent of the total non-Tax Revenues of the HDMC during the same period. Miscellaneous fees collected by the HDMC were the maximum at Rs.5,15,92,000 amounting to 77.37 percent of the total non-Tax receipts while the minimum collection of miscellaneous fees was Rs.70,93,491 in 1991-92.

**4.16.** The HDMC has been provided a share in some taxes collected by the State Government viz., Entertainment Tax, Surcharge on Stamp Duty and Octroi Compensation. The share of HDMC in Entertainment Tax in the 10 year period from 1990-91 to 1999-2000 was Rs.6,75,50,450 amounting to 4.66 percent of the total Tax share. Maximum amount of the share in the Entertainment Tax of the HDMC was Rs.1,34,80,476 in 1993-94 while the minimum was Rs.13,23,219 in 1997-98. The receipts from this source of revenue have fluctuated during the decade 1990-91 to 1999-2000.

**4.17.** Surcharge on Stamp duty shared by the HDMC amounted to Rs.9,86,22,630 accounting for 6.80 percent of the total share of
taxes during the ten year period from 1990-91 to 1999-2000. There has been a continuous increase in the receipts from this source of revenue from 1990-91 to 1995-96 and again from 1996-97 to 1999-2000. The percentage receipts from this source of revenue have fluctuated continuously during the period.

The maximum receipts of this source of revenue was Rs.34,73,938 in 1990-91. The average of 6.80 percent for the ten year period is more than the yearly contribution from this Tax Revenue during 1990-91 to 1994-95 and in 1998-99 and 1999-2000.

4.18. Octroi compensation received by the HDMC is the major source of revenue shared with the state government. The total amount received from this source was Rs.1,22,88,64,480 amounting to 84.82 percent of the total share from the state taxes during the ten year period from 1990-91 to 1999-2000. The maximum revenue received by the HDMC from this source was Rs.28,96,90,933 in 1998-99 while the minimum receipts were Rs.5,29,57,025 in 1990-91. There has been a continuous increase in the amount received from this source by the HDMC from 1993-94 to 1998-99. The receipts from this source by the
HDMC from 1993-94 to 1998-99. The receipts from this source have fluctuated during the first four years from 1990-91 to 1993-94.

The percentage contribution of this source of revenue reveals that the ten-year average percentage of 84-82 percent was higher than the yearly percentage of receipts from 1990-91 to 1996-97 but less than the yearly percentages of receipts during 1997-98 to 1999-2000.

4.19. The State Government has been providing Octroi compensation subsequent to the abolition of Octroi. This is being given by the Government on an adhoc basis pending finalization of a system of compensation to be given to local bodies. The Octroi compensation in the beginning was 5 percent. Then it was raised to 10 percent and presently to 15 percent per annum. The State Government is paying through monthly installment of Rs.2 crores to the HDMC.

4.20. The HDMC had collected a total amount of Rs.5,37,33,643 during the period from 1990-91 to 1999-2000 from miscellaneous taxes as a share from the state taxes. It
amounted to 3.72 percent of the total share from the state taxes.

Maximum amount of receipts from this source of tax was Rs.1,04,24,682 in 1990-91 and minimum was Rs.7,50,000 in 1997-98. No income was received from this source during 1994-95, 1996-97, 1998-99 and 1999-2000.

4.21. The state government has been providing grants to local bodies for special purposes as well as for compensating loss of revenue due to abolition of Octroi.

The grants are (i) The Development Grants and (ii) Octroi Compensation Grants.

The Developmental grants are given on an adhoc basis to local bodies since 1978-79. This scheme was introduced provisionally pending the finalization of the share of local bodies in the motor vehicle tax. These grants are distributed to local bodies taking into account the population of the area and their requirements.

4.22. The revenue of Municipal bodies are subject to Government control and regulation. The inherent limitations of Municipal
Corporations in their financial autonomy has put severe constraints on their development and welfare activities.

4.23. The Levying of taxes or revision of rates need the consent of the state government. The state governments have tendency to withdraw or abolish Municipal taxes.

Tax and Non Tax Revenue have remained inelastic and inadequate to meet adequately the expanding demand for civic amenities involving huge investment expenditure. This calls for a reorientation of government policies towards ensuring adequate scope to enhance the revenues of these local bodies.

5.1 There has been a tremendous increase in expenditure of Municipal Corporations in recent years due to ever expanding duties and responsibilities thrust upon them.

5.2 The expenditure pattern of Municipal bodies is in consonance with the priorities fixed by the Karnataka Municipal Act 1976. The municipal bodies are basically service agencies rather than sovereign units. Hence their expenditure is largely on maintenance and better promotion of service work.
5.3 Municipal expenditure is mainly welfare oriented. The expenditure related to supply of water, street lights, street cleaning, scavenging etc., are repetitive and are revenue expenditure while expenditure on improvement of roads, provision of underground drainage etc., are capital expenditure.

5.4 Municipal expenditure is incurred on the following broad heads

(i) Administrative Department
(ii) Civic Amenities
(iii) Public Works Department
(iv) Health and Welfare Facilities

Under the Administrative Department the HDMC incurred a total amount of Rs.3,02,02,607 on Council during the ten year period from 1990-91 to 1999-2000 which amounted to 9.05 percent of the total expenditure. Maximum amount of Rs.73,38,000 accounting for a maximum percentage of 11.13 were spent on Council during 1999-2000 while a minimum of Rs.15,79,804 accounting for 8.05 percent of the total expenditure was incurred in 1991-92. A continuous increase in expenditure on Council is observed from 1995-96 to 1999-
2000. Percentage expenditure on council of the HDMC has fluctuated during the decade from 1990-91 to 1999-2000.

5.5 The expenditure on council by the HDMC included Mayor's sumptuary, traveling allowances and dearness allowance to councilors, membership fees to All India Associations, pay and other allowances to officers and staff of the council.

5.6 The Expenditure on general administration has been mounting up over the years from 1990-91 to 1999-2000. The total expenditure on general administration during the decade was Rs.11,36,32,087 amounting to 34 percent of the total expenditure of the Corporation. There has been almost a continuous increase in expenditure on the general administration from Rs.59,38,155 in 1990-91 to Rs.1,05,08,681 in 1995-96 and further to Rs.2,36,65,000 in 1999-2000. It shows a more than four times increase in general administration during the ten-year period. There is a continuous fluctuation in the expenditure on the general administration as a percent of the total expenditure during the decade. Maximum expenditure on general administration of the HDMC was Rs.2,36,65,000 in 1999-2000 amounting to 34.50
percent of the total expenditure of the HDMC. The minimum expenditure on general administration was Rs.59,38,155 in 1990-91 amounting to 32.52 percent of the total expenditure of the Corporation.

5.7 The main items of expenditure on general administration of the HDMC are pay and allowances of the officers and staff, advertisement and telephone expenses, audit fees, election expenditure, census expenditure, law charges, expenditure towards Commissioner's car, purchase and maintenance of furniture, sports meet, pay and allowance of law branch etc.

5.8 It is suggested that salary component of the municipal employees consumes more than 50 percent of the Corporation's income. This is considered high since in Western countries the expenditure on salaries and wages is around 45 percent.

5.9 Expenditure of HDMC on revenue department is substantial as it accounts for 56 percent of the total expenditure over the ten year period from 1990-91 to 1999-2000. The total expenditure on revenue department during this period was
Rs.19,03,24,759. The expenditure on this department has continuously increased during the decade from Rs.98,49,115 in 1990-91 to Rs.1,89,91,595 in 1995-96 and further to Rs.3,73,12,000 in 1999-2000. The increase during the ten year period has been more than three times. However the percentage of expenditure on revenue department has fluctuated during the entire period of 10 years.

The maximum expenditure on revenue department of the HDMC was Rs.3,73,12,000 in 1999-2000 while the minimum expenditure was Rs.98,49,115 in 1990-91.

The expenditure on revenue department included expenditure on pay and allowances of officers and staff of Taxcollection division, meter section, land section, building section, market section, contingency expenses, towards naming of roads and caution boards etc.

5.10 The expenditure on civic amenities of the HDMC consisted of

(i) Water Supply
(ii) Electrical Department and
(iii) Garden Department

The total expenditure on these three civic amenities over the ten year period from 1990-91 to 1999-2000 was
Rs.59,33,60,480. The expenditure on three department s rose from Rs.2,71,74,661 in 1990-91 to Rs.26,20,61,000 in 1999-2000 which is thirteen times increase during the decade.

5.11 The total expenditure on Water supply by the HDMC during the ten year period from 1990-91 to 1999-2000 was Rs.46,51,18,201 accounting for 78.40 percent of the total expenditure on civic amenities by the HDMC. A continuous fluctuation in the expenditure on water supply during the ten year period is observed in terms of absolute amount as well as percentages.

The maximum expenditure on water supply by the HDMC was Rs.3,82,75,609 in 1998-99 while the minimum expenditure was Rs.1,04,19,187 in 1995-96.

Expenditure on water supply amounted to 78.40 percent of total expenditure by HDMC on civic amenities compared to bare 15.15 percent on electricity and 6.45 percent on garden department.

5.12 The HDMC incurred a total expenditure of Rs.8,99,43,650 on electrical department during the ten year period from 1990-91 to 1999-2000. It amounted to 15.15 percent of the total
expenditure of Rs.59,36,60,480 on the three civic amenities viz., Water supply, Electrical department and Garden Department of HDMC.

Maximum amount of expenditure on electrical department of Rs.1,78,10,000 has been incurred in 1999-2000 while a minimum amount of expenditure was Rs. 42,70,571 in 1990-91.

The expenditure on electrical department by the HDMC has fluctuated from year to year between 1990-91 and 1999-2000.

5.13 The HDMC has incurred a total expenditure of Rs.3,82,99,629 on garden department over a period of ten years from 1990-91 to 1999-2000. This amounted to 6.45 percent of the total expenditure covering the three civic amenities viz., water supply, electrical department and garden department.

HDMC incurred a maximum amount of Rs.66,50,000 in 1999-2000 on garden department while a minimum amount of Rs.25,66,692 was incurred in 1998-99. There has been a continuous fluctuations in the expenditure on garden department during the decade 1990-91 to 1999-2000.
5.14 The total expenditure on civic amenities like water supply, electrical department and garden department has gone up considerably during the decade 1990-91 to 1999-2000. The rapid growth of population, urbanization and growth of commercial and trade activities have led to greater involvement of HDMC in providing civic amenities. This has resulted in increased expenditure by the HDMC.

5.15 HDMC has been incurring huge expenditure on Public works department. The major areas covered by the department are

(i) Construction of buildings
(ii) Drains
(iii) Underground drainage
(iv) Construction and maintenance of roads
(v) Construction of bridges
(vi) Pay and allowance of officers and staff
(vii) Purchase of vehicles
(viii) Sewage treatment plant
(ix) Maintenance of hospitals
(x) Maintenance of market buildings
(xi) Public latrines and urinals
(xii) Construction and maintenance of stadium etc.
5.16 The expenditure on this department rose by almost four times during the first five years from 1990-91 to 1994-95. There has been almost 12 times growth in overall expenditure of HDMC on Public works between 1990-91 to 1999-2000.

5.17 The total expenditure on Health department over the ten year period was Rs.61,80,60,885 accounting for 85.02 percent of the total expenditure under the head "Health And Welfare Facilities".

A trend of continuous fluctuation in percentage expenditure on health has been observed during the decade covered by the study. Maximum expenditure of Rs.10,21,46,000 on Health Department of the HDMC was incurred in 1999-2000. The minimum expenditure incurred on this department was Rs.38,16,67,141 in 1990-91. It is interesting to note that maximum percentage of expenditure of 92.92 percent was recorded in 1990-91 on health department though the absolute expenditure of Rs.3,86,67,141 was the minimum during the ten year period from 1990-91 to 1999-2000.
5.18 Total expenditure incurred on library during the decade 1990-91 to 1999-2000 was Rs.28,76,769. There has been actual decline in expenditure on library by the HDMC from Rs.2,60,050 in 1990-91 to Rs.1,00,000 in 1999-2000. The maximum expenditure incurred on library by the HDMC was Rs.4,72,206 in 1997-98 while the minimum expenditure incurred was Rs.20,697 in 1998-99.

5.19 The HDMC has spent a total amount of Rs.10,60,40,148 on Welfare of people belonging to SC/ST during the decade from 1990-91 to 1999-2000. This amounts to 14.58 percent of the total expenditure on health and welfare activities of the HDMC.

The expenditure on SC/ST was the maximum at Rs.2,75,00,000 in 1999-2000 amounting to 21.19 percent of the total expenditure while the expenditure on this head was the minimum at Rs.6,64,249 in 1995-96.

The percentage of expenditure on welfare of SC/ST has fluctuated from year to year during the decade from 1990-91 to 1999-2000.

5.20 The present position of income and expenditure of HDMC has revealed a good amount of deficit in its budgets. This indicates
that the Corporation has failed to mobilize additional sources to meet its rising expenditure. The income sources have stagnated in view of the widening of the Tax net by the State Government and the abolition of the Octroi collection by the Municipal bodies. The Municipal Corporation should augment their resource base through public issues and bonds as have been done in Ahmedabad.

SUGGESTIONS

1. The Municipal Corporation is confronted with severe resources crunch. The Tax base is narrow and the Tax collection is inelastic. The Tax Revenues must be augmented with additional Tax receipts by way of substantial increase in the Tax rates on property in view of the substantial appreciation in the value of urban property. The Tax base must be sufficiently widened to augment the current revenue receipts to meet the expanding demand for civic amenities.

2. The administration of the Tax department must be streamlined to improve the Tax collections of the Corporation. Loopholes in the assessment and collection of municipal taxes should be plugged. Errant officials who collude with Tax dodgers
should be dealt with through heavy punishment. Councilors must be prevented from influencing the officials to reduce the taxes on individual Taxpayers. Accumulation of Tax arrears on house property must be reduced through drastic steps against the defaulting Taxpayers.

3. Non-Tax sources should be tapped further to augment the revenue resources of the Corporation. There is need for substantial increase in fees from different departments like health, public works, licensing of professionals etc., to raise additional revenues to the Corporation.

4. The current level of contribution of 0.41 percent of Tax Revenue from advertisement is inadequate. There is rapid growth of industrial and commercial activities in addition to some services in the twin city. Hence there is greater scope for topping the advertisement potentials from these sources. Hence the HDMC should try to obtain at least 1 percent contribution from Advertisement Tax to the total revenue.

5. A large number of un-metered water tap connections are reported in the HDMC area resulting in a huge loss of Water
Tax Revenue to the Corporation. The HDMC should try to plug this loophole and get more revenue from this source.

6. In the area of non Tax Revenue the fees collected from emerging department is 20.37 percent of the total non-Tax Revenue of HDMC. This is quite inadequate since the Engineering Department provides a wide variety of services to the public. Hence there is need for obtaining more collection of fees from this source through an all round enhancement of the existing rates of fees on different items.

7. The contribution of fees from health department too is inadequate though the HDMC has been providing health services through its hospitals to the large majority of people in the twin city. A bare 7.30 percent of the total non-Tax Revenue from this source is too little and hence there is need for raising the rates of fees from the present level to enhance the contribution of health department to the non-Tax Revenue of HDMC.

8. The contribution of Entertainment Tax to total Tax Revenue from the State Government should be made more elastic since the present level of 4.66 percent of the total is too meager. The
Tax should cover a wide network of different revenues of entertainment in the twin city and the government should provide a larger share to the Corporation.

9. The share of the Corporation in the Surcharge on Stamp Duty too is very inadequate. It is just 6.80 percent of the total share in the Tax as allocated by the State Government to the Corporation.

10. The Octroi compensation paid to the Corporation by the State Government is done on an adhoc basis. A proper criterion should be devised for compensating the Municipal Corporations for the loss of Octroi subsequent to its abolition.

11. The levying of taxes or revision of rates are subject to consent of the state government. The state governments have a tendency to with draw or abolish Municipal taxes. The power of Municipal Corporations to formulate their own financial policies has not been clearly defined. Tax and Non-Tax Revenues have remained inelastic and inadequate to meet fully the expanding demand for civic amenities involving huge investment expenditure. This calls for a reorientation of
government policies towards ensuring adequate scope to enhance the revenues of these local bodies.

12. It is necessary to ensure financial autonomy to the Municipal bodies. The dependence of the Municipal bodies on government for their revenue requirements should be reduced by enabling them to levy certain important taxes such as Octroi and motor vehicle tax. The revenues from these sources account for 60 to 70 percent of the Corporation income. A complete freedom should be given to Corporation to independently levy these taxes and augment their income.

13. The HDMC should augment its resources base. One way to accomplish it is to raise funds through public issues and bonds as is done by Ahmedabad City Corporation.

14. The salary component of the expenditure of Municipal employees is more than 50 percent of Corporations income. There is a need for pruning the staff strength to reduce the expenditure without affecting the work and efficiency of the administration.
15. The obligatory duty of providing streetlights and markets should be eschewed by entrusting it to private bodies to save expenditure. Similarly water supply work should be entrusted to state water board.

16. The Audit of the Municipal Corporations should be entrusted to Accountant and Auditor General of India to ensure proper financial administration.

17. Expenditure on health department is bare 0.04 percent of the total expenditure on health and welfare departments. This is too inadequate in view of the fact that health and sanitation are the priority areas for the Municipal bodies. Hence there is need for larger allocation of funds for health department of the HDMC.

18. Financial administration needs substantial overhauling. Improvements should be made in the system of assessment and collection of taxes, in the budgetary system and fiscal planning.

19. There should be a clear demarcation between the sources of State and local government revenue. There should be no
overlapping of jurisdiction and no harassment of the Taxpayers.

20. Municipal bodies should undertake municipal enterprises, municipal trading and housing as non-Tax sources of revenues and for their impact on social advantage.

21. Grants-in-aid to municipal bodies formed a small percentage of the municipal finances and is not provided on a rational basis. Hence there is need for adopting a rational basis. Grants provided on year to year basis or on adhoc basis will not help the municipalities to plan their activities properly.

   The practice of sending grants when the financial year is running out should be avoided as it results in wasteful expenditure or the non-utilization of grants within the financial year. It would be more useful to create at the state level a grant-in-aid fund into which should be pooled all the revenues to be disbursed to the local bodies.

   It is essential that the finances of the local bodies like Municipal Corporation should be placed on a sound basis so that they may function more efficiently.