CHAPTER VIII

APPROACH OF THE GOVERNMENT TOWARDS THE PROBLEMS OF FINANCIAL ADMINISTRATION OF THE MUNICIPAL COUNCILS
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After covering the various factors affecting the financial administration of the Jalgaon Municipal Council, it would be worthwhile to study the approach of the Government Authorities to identify the problems and measures taken to tackle the same.

8.1 The Resolution of Lord Mayo (1870) approached the problem in these words:

"Local interest, supervision and care are necessary to success in the management of funds devoted to education, sanitation, medical relief and local public works. The operation of this resolution in its full meaning and integrity will afford opportunities for the development of self-government, for strengthening the municipal institutions and for the association of natives and Europeans to a greater extent than heretofore in the administration of affairs."\(^1\)

8.2 Ripon's Resolution (1882)

After reviewing the progress of the local self-government since 1870, Lord Ripon issued his famous Resolution on 18th May, 1882. It observed that a large income from local rates and cesses had been secured and in some provinces the management of these funds had been freely
entrusted to the local bodies, but there was still, a greater inequality of progress in different parts of the country than varying local circumstances seemed to warrant. It desired that the Provincial Governments should apply to their financial relations with local bodies the principle of financial decentralisation, which Lord Mayo had introduced, and which had worked satisfactorily between the Government of India and the provinces.

The Ripon's Resolution directed the Provincial Governments to undertake a careful scrutiny of provincial, local and municipal accounts with a view to ascertain -

(i) what items of receipts and charges could be transferred from Provincial to Local heads for administration by Committees comprising non-official, and wherever possible, elected members;

(ii) what re-distribution of items was desirable in order to lay on local and municipal bodies, those which were best understood and appreciated by the people, and

(iii) ways of equalising local and municipal taxation throughout the Empire, checking severe or unsuitable imposts and favouring forms most in accordance with popular opinion or sentiment.

As a result of this Resolution, necessary statutes were passed in 1883 and 1885 to alter the powers, functions and constitution of the municipal bodies.
8.3 Royal Commission on Decentralisation (1906)

The Royal Commission had addressed itself to the problems of the local self-government. Sir Herbert Risley, the then Home Secretary of the Government of India, observed, "...the resources of the district boards and district municipalities are not sufficient to enable them to work up to modern standards of local administration. In municipalities this is the most conspicuously the case in respect of schemes of water supply and drainage, the advantages of which, especially of the former, are now pretty realised."

The Commission recommended as under:

(i) Municipalities should be allowed to determine their own taxes within legally sanctioned limits, the sanction of government being needed for varying the rates of taxes where no legal limits existed.

(ii) The municipalities should be free to frame their budgets subject to maintaining a minimum working balance.

(iii) Municipalities should be assisted for specially large projects such as those connected with water supply and drainage; and

(iv) In case of poorer municipalities some subvention for general purposes might be given.

These recommendations were accepted by the Government except that of relaxing the control of the Government over Municipalities.
8.4 In 1912, Shri Gopal Krishna Gokhale moved the following resolution in the Parliament:

"... that this Council recommends to the Governor General that a committee of officials and non-officials may be appointed to enquire into the adequacy or otherwise of the resources at the disposal of the local bodies in the different provinces for the efficient performance of the duties which have been entrusted to them and to suggest, if necessary, how the financial position of these bodies may be improved."

This Resolution was withdrawn later on the assurance by the then finance minister that these views would be considered. But nothing happened subsequently.

8.5 On 1915, The Government of India appreciated the problems of the local-self-government by referring to "the smallness and inelasticity of local revenue" and "the difficulty of devising further forms of taxation" as the impending factors for the free and full development of local self-government (Resolution dated 28.04.1915, Government of India, Department of Education, Nos. 55-57 (Municipalities))

8.6 Committee for Indian Constitutional Reforms (1918)

The Montagu-Chelmsford Report on the Indian Constitutional Reforms dated 22.04.1918 observed,

"... there should be, as far as possible, complete popular control in local bodies and the largest possible independence for them of outside control."
The recommendations of this committee, were more or less on the lines of the Royal Commission Report.

8.7 The Taxation Enquiry Committee (1924) had recommended as follows:

(i) The level of taxation by the municipalities is low and needs to be enhanced.
(ii) The provincial governments should make over to the municipalities a substantial portion of the revenue taken from taxation on land within the municipal limits.
(iii) Local taxation of real property should be developed and the system of assessment be improved.
(iv) A strenuous endeavour should be made to get rid of octroi and terminal taxes and to replace it, if not by taxation of property and persons, at least by something in the nature of a tax on sales.
(v) Tolls on motor vehicles may be abolished and replaced by provincial taxation which may be distributed by a road board.

8.8 In 1930, The Simon Commission favoured stricter control by the Provincial Governments over local self-government authorities. The commission observed that the efficiency of the local self-government would improve if the provincial governments exercised greater control.
After the Simon Commission's Report (1930) there has been no significant change in the Municipal financial administrative policy due to major political upheaval and independence movement in the country.

8.9 In 1951, The Local Finance Enquiry Committee, for the first time addressed itself, in detail, the problems of municipal finance. It recommended inter alia that the proceeds of various local taxes be exclusively available to the municipalities, the basis of assessment of property tax be changed to augment more revenue, and that the cost of service principle should not be adopted for water supply services, drainage, lighting and conservancy.

8.10 In 1963, the Committed appointed by the Central Council of Local Self Government on Augmentation of Financial resources of Urban Local bodies (Zakaria Committee), submitted its Report recommending the set up of a statutory Urban Development Board to acquire lands and properties for town development, setting up of a Central Valuation Department for assessment of properties in different municipalities a separate cadre of municipal employees and the Chief Executive Officers be established in every state, a statutory minimum and maximum should be fixed for property tax.

Most of the recommendations of this committee have found place in the provisions of the Maharashtra Municipal Council Act, 1965.
8.11 In 1966, The Rural-Urban Relationship Committee appointed by the Ministry of Health and Family Planning, submitted its Report. It has observed:

"The democratic management of local affairs carried with it the cognate responsibility of mobilising local resources. The Municipal Councils must develop a more enlightened and bolder approach to local finances. If their autonomy has any import or significance, the local bodies must be able to raise enough funds to meet their requirements and look to the State Government for aid. There should be a two-fold effort, firstly, the State Government must provide adequate sources of revenues to local bodies through allocation and sharing of taxes, and secondly, the local bodies should on their part effectively exploit the allocated resources and raise optimum non-tax revenues. Thereafter, the gap which remains between the revenue and expenditure of a local body should be met by a well-defined system of grants-in-aid for general and specific purposes."\(^6\)

The Committee had also made useful suggestions in the areas of property taxation, capital grants and the municipal enterprises.


The Government of Maharashtra had appointed a one-member Municipal Finance Commission (Shri B.P. Patel, ICS (Retd) on 12.02.1973. The terms of reference were:
(a) What are the financial resources available to the five municipal Corporations and 222 municipal councils in Maharashtra?

(b) Whether the above resources are being fully exploited by the urban local bodies?

(c) Whether their resources are adequate or fall short of their financial requirements for maintaining the minimum standard of services to the residents of their areas as well as for urban development scheme?

(d) To recommend measures for bridging the gap, if any, between their requirements and their resources.

The detailed recommendations of the Commission are reproduced in Annexure:

The Five Year Plans have also given due priority to the problems of the Balanced Regional Development and Housing and Urban and Rural Planning. The Third Five Year Plan laid down the following minimum directions:

(i) control of urban land values through public acquisition of land and appropriate fiscal policies;

(ii) Physical planning of the use of land and the preparation of the Master Plans;

(iii) defining tolerable minimum standards for housing and other services to be provided for towns according to their requirements and also prescribing maximum standards to the extent necessary, and
(iv) strengthening of municipal administration for undertaking new development responsibilities.

In all the Plans these priorities are spelt out but the inadequate provision of finance and the need for change in the tax structure have not allowed much progress in this regard.

After the Commission's Report there have been no significant developments till the Constitutional Amendment in 1992.

8.13 The Constitution (Seventy-fourth Amendment) Act, 1992

A new Part IXA has been introduced in the Constitution of India along with new Twelfth Schedule specifically laying down the areas of powers, authority and responsibilities of the Municipalities. These provisions have been reproduced in Annexure 'D' and discussed in detail in Chapter II.

The Central Council of Local Self-Government which was constituted in 1954, under Article 263 of the Constitution has been meeting every year to consider the problems of the local bodies relating to planning and development, finance, health and sanitation, slum-clearance, urban housing, personnel administration, etc. and requesting the Central and State Governments to take necessary steps and amendment in the statutes.

In spite of various Government Level Committee Reports and identification of the problems, the financial administra-
tion of the Municipal Council lacks in financial autonomy. It has been in the clutches of the State Control. It would be apt to conclude by reproducing the observations of the Local Finance enquiry Commission that still hold good in the present day context:

"Local Self-Government as a conscious process of administrative devolution and political education dates from the financial reforms of Lord Mayo's Government. The need for financial decentralisation as an aid to economy and efficiency of administration provided the occasion for a departure in policy. By Resolution No. 3334 dated 14th December, 1870, the Government of India made over to Provincial Governments certain departments of administration of which education, medical services and road deserve particular mention as they still constitute the principal activities of local bodies. The Provincial Governments were given a grant smaller than the actual expenditure on these Departments and were required to meet the balance by local taxation. The beginning of a system of local finances are thus to be found in the new scheme of provincial finances. As we see during the course of this review, many of the present day problems of local finance vis-a-vis provincial finance are similar in character to those which the Provinces had to face in their dealings with the Government of India."
8.14 Recent Developments

The Constitutional recognition of Municipal autonomy in respect of the subjects laid down in Twelfth Schedule is subject to the State Governmental Control. The State Governments have amended their respective State Municipal Council Acts to provide for the additional obligatory duties and responsibility of the Municipal Council, but not allocating more resources. The autonomy without the power of levying duties or generation of resources is futile.

The All India Institute of Local Self-Government of Mumbai has consistently advocated this view of grant of more autonomy to the Municipal Councils. There is also a pressing need of revision of municipal taxes especially property taxes and octroi, as also change in the base of grants-in-aid. The Council should be given an autonomy in raising public loans as well as loans from the financial institutions without waiting for bureaucratic sanctions from the Urban Development Ministry of the State Government. In the wake of liberalisation, privatisation and globalisation, Non-Resident Indians be invited to contribute for the development of their cities.

There is a pressing need of restructuring of municipal statutes for grant of more financial autonomy.
REFERENCES

2. Ibid, p. 16-17
5. Ibid. p. 29