CHAPTER X
SUGGESTIONS FOR BETTER FINANCIAL ADMINISTRATION
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CHAPTER X

SUGGESTIONS FOR BETTER FINANCIAL ADMINISTRATION

10.1 Need for Efficient Financial Administrations

The financial administration of the Jalgaon Municipal Council revolves around the balancing of resources and ever-increasing obligatory duties and discretionary functions imposed by the Maharashtra Municipal Council Act, 1965. An attempt has been made in the earlier chapters to emphasize the fact that the existing financial resources of the Jalgaon Municipal Council are quite inadequate, inflexible, inelastic and stringent especially in relation to the overgrowing needs for improvement and expansion of the civic services and amenities.

The rapid growth of industrialisation and urbanisation growth of population, rise in costs of services, general price rise and in general the more devolution of responsibilities on the Municipal Councils have contributed to the problems of the financial administration.

The stringent financial resource crunch and the growing Municipal expenditure has positively affected the quality, standard, efficiency and adequacy of essential municipal services like public safety and security, public health, primary education, medical relief, sanitation, water supply, drainage, roads and pollution free environment.
Consequently, other amenities like parks, grounds, stadium and sports complex, quick transport and better and cheaper housing are beyond the reach of the common citizens. The general rule is no rule, no improvement and no expansion.

An attempt has been made, therefore, in this chapter to suggest measures for better financial administration by formulating a resource-based as well as cost and savings-based plan of action for the Jalgaon Municipal Council. The plan of action suggested would involve augmenting of revenues of the council and reduction of municipal expenditure with effective cost control leading to the better financial administration to achieve the optimum and maximum utilisation of the scarce and limited resources available.

10.2 The measures for augmenting more revenues have been grouped as under: -

1. Revision of Taxation
2. Better Tax Administration
3. New Taxation Avenues
4. Borrowings
5. Resource Mobilisation through Non-tax Avenues
6. Privatisation of services and contributions from private parties.

10.3 The measures for reduction of municipal expenditure would involve: -

1. Cost Reduction and Cost Control
2. Propriety and Performance Audit
3. Cost-Benefit Analysis and Optimum utilisation of resources
4. Management Information System
5. Privatisation or contracting of services to increase efficiency and quality of civic services

An in-depth study of each of these measures has been presented in this chapter. It would be difficult to quantify the effect of each of these measures; however, as a group they would lead to better financial administration coupled with streamlining the administration, automation of procedures, cutting down delays by better planning, budgeting, accounting and training of the staff.

10.4 Revision of Taxation

The Municipal Tax Structure needs total rationalisation. As discussed in Chapter VI and VII, enhancement in the present rates of taxation has certain limitations. It is interesting to observe the remarks of the Simon Commission in this connection that have reference even today:

"It is a common place of administration in India that financial resources generally quite inadequate to meet needs and this is specially true of local-self government..... But it is not only actual poverty which cramps their resources but the reluctance of the local members to impose local taxes. This is a feature by no means confined to India; Indeed, the
willingness of a community to impose high taxation on itself for common needs is proof of a very advanced civic consciousness".1

The Municipal Taxes in Maharashtra, are governed by the provisions of Section 108 of the Maharashtra Municipal Council Act, 1965 and various Rules made thereunder. The maximum and minimum rates of taxation have been laid by the following Rules enacted by the State Government:

1. The Maharashtra Municipalities (consolidated Property Tax) Rules, 1965
2. The Maharashtra Municipalities (Octroi) Rules, 1968
3. The Maharashtra Municipalities (Tax on Performances and Shows) Rules, 1967
5. Table forming part of section 106-A for specifying the rates of General Tax, 1993.

The detailed discussion on the provisions of the present tax structure of the Jalgaon Municipal Council has been made in Chapter VII.

The Jalgaon Municipal Council has already attained the maximum limit of the rates of taxation laid down by the State Government, and hence, there is an urgent need to undertake the revision in the maximum rates of all these taxes.

The principal tax is Property Tax which consists of
general tax, water tax, lighting tax, sanitary tax, latrine tax, fire tax and an environment tax. The basis of this tax is the 'rateable value; which has become the bone of contention between the property owners and the council. There is a need of reforms to fix the proper 'rateable value' which has become 'inequitous, arbitrary and unreliable' basis of taxation.

For the Property Tax Reforms the following methods can be suggested:

1. Substitution of 'Capital Value' of the Asset;
2. Central Valuation Department be set up to determine the values independently and impartially;
3. Linking periodical revision to Cost Inflationary Index or Price Index as laid down in the Income Tax Act, 1961 and for other matters;
4. Adoption of Zonal Unit System.

The recommendations made by the Central Council of Local Self Government, Ministers and Mayor's Council are worth considering:

"On the basis of the recommendations certain guidelines have been framed for consideration and necessary action by the States. It is observed that the existing procedures of assessment and collection of property tax vary from place to place and no uniform standard is followed in this direction. The
criteria which is being followed is often outdated and requires immediate change.

The sub-group is of the view that the State Governments may consider the replacement of the existing criteria by the following in respect of Property Taxation:

1. a) Cost and year of construction of the property;
   b) Plinth area or covered area;
   c) Land use and the use to which the property has been put to; and
   d) General level of services provided by the local body.

2. The value of the property enjoyed by the tenant or owner should be based on these objective criteria and not the annual rental value as is the case in most of the local bodies.

3. For this purpose, the local bodies may categorize properties into Residential, Commercial, Industrial, Recreational, Public Utility with reference to the usage of the property. It is further suggested that properties should also be categorised keeping in view the location, i.e. remote, central, industrial or commercial including shopping area for the purpose of determining the property tax.²

Moreover there needs to be the following legal reforms in connection with the property taxes:
1. The Rent Control Act needs to be properly amended in the light of various litigations on the matters of valuation of properties;

2. Setting up of Centralised Valuation Agency;

3. Shifting the primary liability from the owner to the occupier.

These reforms being not in the ambit of the Jalgaon Municipal Council, it is suggested that it should pursue the matter with the State Government to bring these reforms into reality.

Water charges and Conservancy taxes needs to be revised on the basis of the cost of service principle.

Section 50 of the Act has made it obligatory on the part of every Municipal Council to prepare Water Supply Scheme and to make sufficient drinking water available within five years from the date of sanction of scheme.

Though the Jalgaon Municipal Council has increased the water charges with effect from 1st April, 1997 practically doubling the rates, the following suggestions are made in this regard:

1. In all the areas the water supply is not consistent and uniform.

2. The present rates i.e. Rs. 730 for half-inch pipeline connection and Rs. 1460 for three quarter an inch
pipeline shall be applicable to all the citizens. For
the citizens residing in new areas, where the water
supply is consistent and more the rates should be
increased by 50%. for Industrial and commercial uses
e.g. in shopping complex areas the rates should be
doubled.

3. At present, most of the old areas are having illegal
water connections. A detailed inspection must be
undertaken to stop such illegal practices.

4. The market collection of water bills be handed over to
private agency to reduce the cost of collection.

5. There should be restriction on borewells in the city
limit to control the wastage of water. If possible
additional levy be considered for borewells in private
premises.

6. Separate ward-wise water tanks be constructed or at
the use of water tank on the upper floors of the
School buildings, Shopping Centres should be made to
decentralise the water supply system. For this
purpose, the water sources like private wells and
bore-wells should be tapped.

In this context it would be apt to reproduce the
remarks of the Local Finance Enquiry Committee :

"Where special service rates exist they should yield
as large a proportion of the cost as possible though
it is probably impossible to expect them to pay for
the cost in full. Such special service rates are justified in unevenly developed areas. They are also justified when an individual rate-payer derives any special benefit or makes use of a service in excess of the normal standard. But as the area tends to be uniformly developed, the case for consolidated rates becomes gradually stronger. 3

Thus, the special rates of taxation for the developed area like Adarsh Nagar, Ganapti Nagar, Jilha Peth, Omkareshwar Temple Area, Jay Nagar, Girna Tank Area, Collector Bungalow Area are justified on the principle of Cost of Service rendered.

10.5 Better Tax Administration

The recovery of taxes and arrears has presented a sad commentary on the Municipal Tax Administration of the Jalgaon Municipal Council. It is an universal phenomenon in all the councils in Maharashtra. Inspite of the financial starvation and levying of minimum taxes, the recovery of taxes and arrears have become the begging problems for the Municipal Councils in the State. It is interesting to note the Simon Commission's remarks that still hold true even today, "The most disturbing feature is the failure to collect direct taxes imposed. In Great Britain, a municipality expects to collect upon 98 or 99 percent of the rates imposed by it and a drop in the collection to 96 percent would be the subject
of very close enquiry. But in Municipalities in India, since the Reforms, uncollected arrears have been mounting up to very large sums. This feature is referred to by almost every State Government in reviewing the work of the municipalities, and it is clear that there is great laxity in this respect.

The evidence collected by the Local Finance Enquiry Committee showed that there was not any appreciable improvement in this respect in the years followed. The main causes of such a malady are many like incompetence and dishonesty of the assessing staff as in the case of property taxes, the unsuitability of the tax itself, and reluctance to recover from troublesome areas or domination of the citizens affected by the tax itself, etc.

The proper and efficient tax administration can be achieved by
1. gearing up the collection machinery and by
2. improving the system of imposition, assessment and computation of the taxes.

1. The collection machinery should be properly reorganised and geared up to face the challenges of leakages and tax-evasion by tax defaulters or tax-doggers. The leakages may be due to slack supervision and inspection and also due to the corruption of the concerned clerks and officials. Tax Evasion is due to connivance of the staff with the tax-evaders.
Table No. 10.1
Tax Arrears of Municipal Taxes

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Arrears (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984-85</td>
<td>48.34</td>
</tr>
<tr>
<td>1985-86</td>
<td>74.55</td>
</tr>
<tr>
<td>1986-87</td>
<td>67.46</td>
</tr>
<tr>
<td>1987-88</td>
<td>195.58</td>
</tr>
<tr>
<td>1991-92</td>
<td>195.80</td>
</tr>
</tbody>
</table>

Source: Form No. E of Jalgaon Municipal Council for the concerned years.

Table No. 10.1 gives the figures of tax arrears of the Jalgaon Municipal Council for some of the years as presented in Form 'E' submitted to the State Government. These figures are not disclosed in the Regular Budgets. The information for the remaining years could not be obtained despite great efforts. The table shows an increasing trend in the mounting of tax arrears. The comparison of actual taxes levied during the year, taxes recovered during the year and balance in arrears yearwise is not possible due to the absence of authentic data.

The heavy tax arrears result into loss of interest as well as delay in execution of essential civic services which would also increase the cost of services in future. The percentage of tax arrears to the total income of the council could not be arrived at due to the fact that the Municipal Council maintains the Accounting System on Cash Basis and not
on Mercantile Accounting System. The total income of every year and it does not include the 'should be' tax or 'due amount of tax' during the year.

It is imperative that necessary steps should be taken up by the Council to recover the mounting arrears on urgent basis. Also, the possibility of engaging 'recovery agencies' be tested on the lines of octroi collection.

The recovery from the slum-dwellers, or rehabilitated slum dwellers in Shivaji Nagar Area and other areas is very poor. The authentic data was not available showing gross amount of taxes due from them and actual collection from them.

2. The System of Municipal Taxation should be improved vis-a-vis the imposition, assessment and computation of the taxes.

In the matter of octroi, which has become the major source of revenue of the Jalgaon Municipal Council and the incidence and trend of which has been discussed in Chapter VI and IX in detail, there are in all 115 entries in the Schedule I of the Maharashtra Municipalities (Octroi) Rules, 1968. Most of the entries are based on ad-valorem or value basis and on weight basis. Very few are on article basis. It is suggested that with the increase in the prices the shift of basis from 'weight to value' is strongly recommended
to improve the collection, assessment and computation of the tax.

The property valuation basis needs revision and change as discussed earlier in this chapter. The Rent Control Act has become the main impediment in the levy of Property tax. The Maharashtra Municipal Finance Commission has observed:

"A lop-sided view of social justice has dominated the politics of legislation in virtually freezing local taxes on rented properties while legislating on rents and regulation of relations between the landlord and the tenant. The Rent Control Act, where it is applied and as it is interpreted by the Courts or is implemented in practice has a crippling effect on the Municipal Revenues. Therefore, the increased revenues will have to come from the actual beneficiaries of the services who have reaped the triple advantage of security of accommodation, low controlled rent and enjoyment of civic services at progressively reduced real cost. Other citizens have virtually to subsidise the loss to the Municipalities by bearing a relatively higher burden of local taxes. The imbalance needs to be ameliorated, therefore, by amending the relevant provisions of law".5

The burden of paying the tax should also be shifted to the occupier instead of the owner. The Zakaria Committee had
suggested an imposition of 25% surcharge on the existing tax the burden of which is to be shifted to the tenants.

The assessment of properties of the State and Central Government needs to be reviewed. The Jalgaon Municipal Council has allowed the various State and Central Government offices like Income-tax Offices, Sales-tax Offices, Census Offices, etc. to be accommodated in the big halls in the Late Shri Bhikamchand Jain Shopping Complex on rental basis. The rents have been approved by the Public Works Departments of the Central and State Governments respectively as the case may be. This has reduced the burden of tax collection of Government Properties.

The taxes levied on cinema houses also need to be reviewed in view of increase in the collection of these houses in recent years.

The property revision be undertaken every year instead of present three-year period. This would be increase the tax collection reflecting the correct values of the standard Rent and 'Rateable Values' based on the annual increase in the property rates in the Jalgaon City Limits.

The separate Central Valuation Agency be set up by the Municipal Council to decide upon the valuation norms independently and impartially.
10.6 New Taxation Avenues

The Municipal Taxes are governed by the provisions of Chapter IX of the Maharashtra Municipal Council Act, 1965 and Sections 105 to 148 deal with imposition of compulsory and voluntary taxes, assessment of property taxes, octroi and tolls, stamp duty and fees, etc. The compulsory taxes are:

a) Consolidated property tax inclusive of a general tax, general water tax, lighting tax, general sanitary tax, special latrine tax, fire tax and an environment tax,
b) Octroi,
c) Tax on professions, trades, callings and employments,
d) Tax on cinemas, theatres, circuses, animals and other performance and shows, and
e) Tax on advertisements other than advertisements published in the newspaper.

Of the above the tax on professions etc. has been levied and collected by the State Government. The amount received by the Jalgaon Council is a compensation under Section 106 of the Act could not be ascertained. With the growth of employment and population, this tax would have derived considerable income for the Council which is now denied by the State Government.

The voluntary taxes as provided by Section 108 of the Act are:
a) Vehicle tax,
b) Toll on vehicles,
c) Tax on dogs
d) Special sanitary tax,
e) Drainage tax,
f) Special water tax,
g) Tax on pilgrims,
h) Special educational tax.

Section 108-A provides for levy of parking fee for parking of vehicles on public streets and public places and a fee for the use of public streets and payment spaces for which a licence may be granted by the Council.

The Jalgaon Municipal Council has levied vehicle tax, special sanitary tax and special educational tax.

The new parking zones would be subject to the parking fees.

However, another voluntary taxes be introduced and the proceeds of the same should be used to provide for the concerned essential services. In case of voluntary taxes, necessary permission of the State Government is obligatory to be obtained. For introduction of any other new tax or levy the State Government sanction a permission is mandatory.

As discussed in detail in Chapter VII, there has been reluctance on the part of the council as well as the
Government Authorities to impose new taxes on the citizens. However, in view of increasing responsibilities and the ever-presening need to discharge the same more efficiently and effectively as well as due to the higher expectations of the citizens of city for more civic services and amenities, new avenues of taxation be searched by the Jalgaon Municipal Council and the State Government should allow the imposition thereof, instead of ceding its own tax resources.

The following new taxes are suggested:—

10.6.1 Environment Tax on the Vehicles entering the city

The Constitution (Seventy-fourth Amendment) Act, 1992 has included new subjects 'protection of the environment and promotion of ecological aspects' in the Twelfth Schedule of the Constitution exclusively for the Municipal Councils. Accordingly, Section 49 of the Act has been amended to include subject as an obligatory duty of the council by the Maharashtra Municipal Council (Amendment) Act, 1994.

On a modest estimate around 1000 vehicles enter into Jalgaon city everyday, thus increasing the pollution level of the city. Also National Highway No. 6 passes from the central area of the city. The trucks bound for destinations outside the city and using the road-capacity should be made to pay this tax. The number of these truck may exceed 2000 per day. Even if Rs. 2 per truck is collected from both the above types of vehicles the annual income would increase by Rs. 10.80 lakhs per annum.
10.6.2 Lighting Tax

On the lines of Madras Corporation, a Street Lighting Tax may be imposed on the property owners or occupiers in the newly developed area as well as city area. While capital expenditure should be financed from the loans, maintenance costs of revenue nature may be financed out of this new tax. In Madras, the rate of tax is 3 1/2 of the rateable value of a flat rate. Even if, 5% tax is considered on the property tax it would be Rs. 30 lakhs per annum on the basis of budgeted property tax collection for the year 1997-98.

The proceeds of this tax would be utilised for maintenance of public street lighting, road safety measures and safety of citizens and their properties.

10.6.3 Immigration Tax

The growth of population of Jalgaon city has been shown in Table No. 4.1 in Chapter IV. It has shown the decadal growth rate of 66.35 percent in 1991 over the population of 1981. In the previous decade (1971-1981) it was only 36.12 percent. The main reason for a steep rise in the population of the city is the influx of people from the surrounding areas. The 'push' factor instead of 'pull' factor has resulted into the immigration i.e. in rural areas in the absence of employment opportunities, the migration of labour force has taken place. The Immigration tax is justified due to additional burden of immigration on the
city. It can be levied on new immigrants or can be recovered from the Zilla Parishad or the concerned Panchayat Samiti or Gram-Panchayat, to compensate for the migration from their jurisdiction into the city. At the time of census, such information can be collected about the migration, employment, annual income, etc.

10.6.4 Drainage Tax

This tax has been included in the voluntary taxes pursuant to the provisions of Section 108 of the Maharashtra Municipal Council Act, 1965. General Sanitary Tax and Special Latrine Tax forming part of the consolidated Property Tax are supposed to take care of cleanliness of the streets and disposal of the excrementitious and polluted matter through the drainage system. However, with the impending drainage problems and the meagreness of the amount of this tax, the new drainage tax is justified. Drainage has been the even-neglected problem of the Jalgaon Municipal Council. Of late the drainage system is being installed (June 1997) for Golani Complex, M. Gandhi Market, Bhikamchand Jain Market and Phule Market. The Capital costs can be financed by owings whereas the revenue maintenance costs can be financed out of the proceeds of this new tax. A 5 percent tax of the consolidated property tax would fetch Rs. 30 lakhs per annum on the basis of budgeted property tax estimates of Rs. 6 crore for the year 1997-98.
10.6.5 Municipal Tax on Transfer of Properties

Due to the improvement in the civic services and amenities to the residents of the Jalgaon City, the property values and rental values have appreciated to a great extent. An example would be in 'Dadawadi Area' on National Highway No. 6 with the clean roads, street lighting and assured water supply the property values have increased by 3-4 times only in a span of a year.

Therefore, the Council is justified in levying tax on the betterment of the residents due to civic services and amenities. This can be levied as a percentage of stamp duty over and above the normal rates.

The All India Council of Local Self-Government has always asked for more autonomy to levy new taxes. However, the State Government being reluctant to part away its taxing areas has not taken any step so far to allow new avenues of taxation to be tapped by the Councils.

The issue of abolition of octroi is been discussed in detail in Chapter IX.

10.7 Public Borrowing

The Maharashtra Municipal Council Act, 1965 is silent on the powers of the Municipal Council to borrow money. The
Maharashtra Municipal Account Code, 1971 only contains the maintenance of Loan Ledgers and submission of information about loans in the prescribed forms.

The Local Authorities Loans Act, 1914 and Local Authorities Loans Rules, 1923 prescribed for the purposes and procedures for the loans respectively to be obtained by the local authorities.

Generally, the loans obtained for financing long term capital projects like water works, roads, street lighting, school buildings etc. which result into the creation of assets or capital expenditure. The maintenance costs and day-to-day expenses are met out of taxation proceeds. Sometimes out of reluctance to create loan liability, the capital expenditure is financed out of internal sources of finance or own revenues. However, due to the constraints and limitations of raising the internal finance, the council has to resort to borrowings for financing capital works.

Section 3 of the Local Authorities Loans Act, 1914 lays down the purposes for which monies can be borrowed as under :-

a) for carrying out any work which a local authority is legally authorised to carry out,

b) for giving of relief and establishment and maintenance of relief works in time of famine and scarcity.
c) for the prevention of outbreak or spread of any dangerous epidemic disease.

d) for any measures which may be connected with or ancillary to any purposes specified in clause (b) and (c).

e) for the repayment of the money previously borrowed in accordance with law, provided such a repayment shall not have the effect of extending the period of original loan.

Therefore, it is suggested that as far as possible blanket permission be given to the municipal councils to borrow the funds from the Nationalised Banks and Financial Institutions of the Central or State Governments.

The Municipal council being the Public Administrative Body the borrowings become inevitable to finance the capital expenditure. However, it is suggested that such borrowings should be utilised for resource generating projects like shopping centres, water supply schemes etc. so that the revenues would provide not only for the debt servicing i.e. interest payment but also for the repayment of the loan amount. If such borrowings are used for non-resource generating scheme, it becomes difficult to service the debt as well as to repay the debt in future.

The detailed analysis of the loans obtained by the Jalgaon Municipal Council has been given in Chapter VI and
It shows that as on 31st March 1996, the Jalgaon Municipal Council has raised up to that date Principal Amount of Loan of Rs. 1214.57 lakhs and has repaid till that date Rs. 396.66 lakhs in the principal and the outstanding amount of Principal was Rs. 817.91 lakhs. As on 31.03.1997 the total borrowings in principal up to that date amounted to Rs. 2363.03 lakhs, repayment in principal, up to that date was Rs. 458.88 lakhs and outstanding amount of principal was Rs. 1904.15 lakhs.

Any extra or further borrowing may create the problems of debt-servicing which would have to be met only out of current revenue in future years, which is quite difficult in case of non-resource generating assets of the Council.

It is suggested that the Maharashtra State Municipal Finance Commission should lay down the basis of division/allocation of revenues between the state and the Municipal Councils on the lines of Finance Commission which is appointed by the President of India especially in the matters of Stamp Duties and Professions Tax.

10.8 Resource Mobilisation Through Non-Tax Revenues

Non-Tax Revenue supplements the Tax Revenue. It reduces the total burden or the Tax Revenue and also cuts down losses of at least source services applying the commercial rates.
Non-Tax Revenue comprises rent and revenue from municipal properties, utilities and undertake licence and other fees, interest on investment and fines. The Jalgaon Municipal Council derives non-tax revenue from 88 items. Important among the Non-Tax Revenues are:

a) Rent from Municipal Properties:
Ground Rent, House Rent, Steps (Payari) Rent, Garden Rent, Stallage Rent, Theatre Rent;

b) Receipts from Hospitals:
T.B. Sanitorium, Sane Guruji and Chhatrapati Shahu Maharaj Hospitals, Ayurvedic Hospitals, Checandas Dispensary, family welfare and Women and Children Welfare B.M. Jain Hospital, Nanibai Hospital, Awami Dispensary;

c) Market fees:

d) Licence fees:
Weighment fees, Tent fee, Hawkers licence fee, Surveyors, Licence fee Projection fee, Dhoka Upadrav fee, Service charges.

e) Notice fees:
Wanant fees, interest Rent from employees, Rent from Housing Schemes and Vallabhdao Valji Market Residential Flats Commission.
f) Proposed Complex Receipts:

- Y.V. Market, M Gandhi Market

g) Housing Schemes:

- Consolidated Receipts of Sureshda Jain Nagar, Employees Housing Scheme.

h) City Development Receipts:

- Development charges of plots and constructions, processing fees, fines, scheme charges, copying fees, sub-division fees, Development scheme fees.

i) Other Miscellaneous Receipts:

- Interest on Deposits, Work done on private premises, copying charges, sale of stores, swimming Tanks, form fee, Process Legal charges, Number Plate charges, Audit and other Recoveries, fines, Removal of Dead Animals fee, New water connection fees, Library Receipts, Temporary Loans, and proposed complexes receipts.

The details of Non-Tax Revenue and the trends of revenue has been given in Table No.6.2 of Chapter VI. The Revenue from shopping complexes is the significant aspect of the Jalgaon Municipal Council. It is suggested that the
income from this source can be tapped further by revision of rent, service charges and maintenance fees. The income from Swimming Tanks, hospitals and market fees can be increased having regard to the nature of service.

In addition to the above suggestions, new sources of similar nature have been suggested as under:

1. **Increase in the rates for advertisements and hoarding**

   The hoardings and advertisements (other than those published in a newspaper) in private premises and on roads are subject to an advertisement tax under section 105(i)(e) of the Act. The income under this head has not been separately shown by the Jalgaon Municipal Council as has been included under 'Other income of miscellaneous nature' in its annual budgets. The Council should increase the rates of tax on such hoardings up to the maximum limits permitted under the Act. These have been a tremendous increase in the number of roadside advertisements, advertiser on the road-divider boards and public hoardings. The professionals charge heavy rates from their clients and in turn pay only a meagre amount to the Council. This proves to be an indispensable source of non-tax revenue in the years to come. A modest estimation of revenue would be Rs. 2 lakhs per month.
2. **Fees for Sky-Signs**:  
The advertisement value of sky-signs is tremendous. At present such signs are not subjected to fees except in the mature of advertisements. However it has become a practice to illuminate the sky-signs on private premises. The Council should charge fees for such illuminated sky-signs.

3. **Charges for hotels and shops for using public place for commercial use**:
   It is found that the hotel owners, shopkeepers and traders use the public place in front of their establishments for their own commercial use. It is expected that this place is available for parking of vehicles and for pedestrian pathway. In case of hotels and restaurants this space is used for customer service. The Council, therefore, assess the value of such space and charge the users necessary rent for using public space.

4. **Tax for display of articles outside the shops**:
   It is a practice to display the articles not only inside the shop but also outside the shop. Especially in case of textile shops the garment are hung outside the shop. Such as a display, should be considered as an advertisement and be charged on the basis of space used. Mezzanine floors and basements used for commercial purposes:
At present, there are restrictions on the construction of mezzanine floors and basements, and they should be used only for specified purposes like godown or storage of materials, etc. In fact, in many buildings, this space is being used for commercial purposes or for residential uses. Therefore, the Council should levy penal fees for such uses. Due to the absence of necessary statistical details, it is quite difficult to estimate the revenue effect of this measure.

6. **Increase in form fees or submission of applications:**
   At present, the prescribed form for various purposes and available at a small fee of Re 1 or Rs. 2 fixed 10-20 years back. It is suggested that these fees should be increased. The council is expected to recover the cost of stationery and processing fees out of such additional revenue.

7. **Development charges on open plots:**
   At present, the Jalgaon Municipal Council levies development charges at the time of commencement of construction only. Most of the open plot owners do not pay such charges at all. It is suggested that the development charges be levied on the open plots - non-agricultural or agricultural - within the municipal area to recover the cost of development in the concerned area.
8. **Parking fees**:
The Jalgaon Municipal Council has constructed huge shopping complexes as a result of which the commercial activities have increased at tremendous speed. The parking facilities have become the basis infrastructural necessity in these complexes, especially in Mahatma Gandhi Market, Chaube Market, Golani Market (V.V. Market) and Fule Market. Therefore, the Council should develop separate parking zones with nominal parking fees levied on the users.

10. **Licence fees to be increased**:
The various traders, professionals of manufacturers are subjected to the payment of licence fees on annual basis to the Jalgaon Municipal Council. The rates of licence fees have been fixed years back. These rates be increased in proportion to the increase in the price index especially for licence fees for Engineers, Architects, Private Markets, Hawkers, Dairy Products, and Professionals.

11. **Commercial Ventures**:
The Jalgaon Municipal Council has earned an unique reputation as a pragmatic Council. It should take upon itself the responsibilities of producing certain urgent and essential services at a moderate cost like transport undertaking airport development, even setting up of Medical
College, electricity generation and distribution and training centre for Local self-Government Employees on the principles of Vaikunthbhai Mehta Cooperative Training Centre at Pune. The income from such ventures would contribute to the upliftment of the poorer and weaker sections of the City Population.

In this connection, the observation of the local Finance Enquiry Committee is worthy considering:

"We are of the opinion that market and Slaughter-houses should generally be self supporting....We think that while the endeavour should be to make the markets and Slaughter-houses a remunerative enterprise, bringing an appreciable net income to the local bodies in no case shared the investment of capital and the recurring expenditure on markets and Slaughter-houses be a burden on the local revenue". 6

Therefore, the Jalgaon Municipal Council should not have any losses on Balgandhava Khule Natya-Gruha Mehamin Swimming Tanks and the maintenance of the Municipal Markets.

10.9 Privatisation of Services and Contributions from Private Parties:

The State Government has allowed the Octroi Collection function to be assigned to the private agencies, provided there is an assured increase in the total collection and subject to the approval of the Urban Development Ministry.
The experience of such Collection agents is on the whole encouraging except in Sangli, where due to the harassment of the Collection agent, the privatisation contract has been cancelled by the State Government in April, 1997.

The privatisation of the following areas on revenue Collection would increase the revenues of the Jalgaon Municipal Council positively:

1. Collection of Property Taxes,
3. Collection of Water charges
5. Drainage System - Levy of Drainage Tax and Maintenance of the system.
7. Collection of vehicle Tax.

The Contributions from the leading business houses would be an additional source of revenue for the Jalgaon Municipal Council. At present the beautification of roads and squares is being undertaken by the Jain Group of Industries, Marico Industries, Auto Centre, etc. The Municipal Primary Schools are being named by the donors by paying Rs.51,000 or Rs.1 lakh or so. So far about 10 schools have been named in this manner.

The Council should encourage such type participation of private sector by way of maintenance of gardens/parts schools, drinking water schemes, hospitals and dispensaries.
The donations from the public to the Municipal Council are exempted from Income Tax Act 1961 under section 80-G. Moreover, Section 35 AC of the Income Tax, Act 1961 allows 100 percent deduction to the donors for contributions to the projects approved by the Central Board of Direct Taxes, Ministry of Finance. New Delhi, if the assesses incurs such expenditure on their own for the approved projects, this deduction is also allowed. The Jalgaon Municipal Council should get its projects of stadium, Sports Complex, Water supply schemes, Road Construction, Public Health Schemes, School Buildings and Hospitals approved by the Appropriate Authority to encourage such private participation. The co-operative Banks, Companies, Firms, Industries and professional would definitely avail of such a novel scheme with the sense of social contribution to the cause of the development of the city.

The measures for reduction of the Municipal Expenditure would include cost control measures and optimum utilization of the resources. The wasteful expenditure should be avoided at all levels. Jalgaon city, being the fastest developing city in the North Maharashtra Area there stand a number of economic opportunities and increase in the productivity of income that ward offer an immense scope for expanding the revenue base of the Municipal Council. Rongers, Smith has observed "Urbanisation Increases the cost of Government, but simultaneously increase, government
revenue as the cities and towns are the forces of economic development. Therefore, there is a need for systematic and planned development of urban infrastructure so as to build a sound base for future economic growth.\(^7\)

The detailed analysis of each of these measures has been made in this Chapter as follows:

10.10. Cost Reduction and Cost Control:

The concepts of Cost Reduction and cost control are not new in the financial administration; though these have not yet been applied to the Municipal Financial Administration in our Country. The All India Institute of Local Self-Government, Mumbai had made an attempt to study the application of costing of Municipal Services (1982).

Cost Control has the main objective of achieving the cost target while cost Reduction is aimed at exploring the possibilities of improving the targets themselves. Cost control is a preventive function while cost Reduction is a corrective function. Both of them aim at the lowest possible cost under the existing conditions. Moreover cost control concentrates on the maintaining the cost as per established standards while cost Reduction Charges the standards and endeavours to better them continuously.

The cost Reduction and cost Control can be achieved in the Jalgaon Municipal Council by reduction of revenue expenditure.
The Municipal functions being labour intensive and service oriented the cost of administration is the major cost of reduction exercise.

The expenditure of Jalgaon Municipal Council or General Administration, for the period of last three years, 1993-94, 1994-95 and 1995-96 was as under:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure on Administration</th>
<th>% of Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>259.81</td>
<td>10.44</td>
</tr>
<tr>
<td>1994-95</td>
<td>259.87</td>
<td>11.10</td>
</tr>
<tr>
<td>1995-96</td>
<td>291.64</td>
<td>9.64</td>
</tr>
</tbody>
</table>

The detailed analysis of the expenditure pattern has been made in Chapter VI and in Table No. 6.6.

The 9.64 percent of total expenditure is within the considerable limit in view of fourth pay revision and dearness allowance increase from time to time. However, the Council has incorporated the cost of administration i.e. salary and allowances of field staff of various services in the respective accounting heads. Hence the actual percentage of cost of administration may be more than the shown above.

Nevertheless the overall proportion is within the control limits. The workload fixation and performance evaluation of workforce and supervisory staff is to be undertaken to reduce
this cost to a further extent. In the matter of civic services the suggestions for cost reduction and cost control are as follows:

1. The Public Lighting function be decentralised. The illumination should adopted to the traffic needs of the roads. The lighting system should be most economically designed to avoid any waste of energy. At present, most of the public lights are on even during day time, such waste of energy be stopped by assigning specific responsibilities ward-wise or road-wise.

2. The wastage in Water be detected by undertaking detailed in-depth inspection and discontinuation of illegal connections forthrightly.

3. The maintenance work of water supply mains and pipes be assigned to vigilance teams ward-wise under the control of the Councilor.

4. Standard Drainage and Sewerage system should be implemented on war-footing water supply scheme and sewerage schemes should be linked with each other.

5. Cleaning of the streets should be undertaken or contract basis to reduce cost of the permanent employees.
6. Hospitals and Dispensaries should be treated as high-priority civic services availing all types of medical services and relief measures with modern equipments. With the slight increase in the fees to be charged from the citizens, these should be made as contribution centres at least to recover the minimum cost of capital and debt servicing.

7. Monthly review of all municipal expenses under various heads should be undertaken.

8. The practice of including capital expenditure in the revenue expenditure is to be avoided by adoption of double entry book-keeping principles in Municipal Accounting. The accounting formats and budget formats have to be recast to suit the modern accounting methods and principles.

10.11. Propriety and Performance Audit

At present the Audit of Municipal Accounts is conducted by the Municipal Auditor under section 104 of the Maharashtra Municipal Council Act, 1965 in addition to the State Government Audit under the provisions of the Bombay Local Fund Audit Act, 1930.

Both of these audits are subject to the provisions of the Chapter XIII. Rules from 193 to 196 of the Maharashtra Municipal Account Code 1971 which are reproduced in Annexure 'B'.
However, the following suggestions are made as regards the Audit system of the Municipal Council.

1. The concept of Propriety cum Efficient Audit of revenue and expenditure be introduced by the Council through the Internal Audit to be undertaken by the Municipal Auditor. Propriety would denote fairness and prudence in incurring the expenditure and justifying the legality of the same. It seeks to find out whether and to what extent expenditure has been incurred with wisdom, faithfulness and economy. Strict vigilance should be exercised with regard to sanction of the expenditure.

2. The traditional audit system which is at present followed by the Municipal Auditor, covers
   i) audit against sanctions,
   ii) audit of classification of expenditure and
   iii) audit of expenditure against regularity and financial accountability.

However, it should be undertaken on continuous audit basis. A qualified Audited, preferably a Chartered Accountant be appointed for this purpose in addition to the present system.

3. Surprise Test Checks and Inspections of various departments be undertaken to avoid leakages and wastages.
4. In respect of specific areas of civic services and construction works, the system of performance Audit be introduced to reduce the time costs i.e. cost of delays, loss of interest and escalation costs. An assessment and appraisal of actual performance against the targets, achievements and objectives set is to be undertaken in different schemes, programmes and departments. The efficient performers be rewarded suitably.

5. The performance Audit if properly undertaken would serve as an effective tool for facilitating decision making process and formulation strategies.

The effective propriety-cum-efficiency audit system on continuous basis with performance Audit would reduce the wastages, leakages and high incidence of Municipal expenditure.


It should be the ultimate objective of the municipal Council to ensure that each and every rupee collected by way of taxes or revenue is put to use in the best possible manner for the benefit of the citizens. In other words, optimum utilisation of resources should be the credo of the Municipal Council. The Schemes adopted by the Council are for the benefit of the public at large and not for the chosen few. It is true that the cost benefit Analysis which measures
benefits obtained against the costs incurred has limited application in civic services; but in view of the appraisal of Municipal Scheme for financing purposes, the Financial Institutions like HUDCO are adopting the techniques of Cost-Benefit Analysis and Internal Rate of Return (IRR), it is suggested that these techniques be adopted regularly to evaluate the civic services or schemes in terms of the benefits actually received by the citizens at large. Though it would be difficult to quantify the benefits in monetary terms at least the benefit in terms of "Services be evaluated in the areas like water supply, sewerage, Public Health, Measures Education and Drainage, etc. The following further suggestions are made in the context of reduction of municipal expenditure

i) It should be made obligatory on the part of the builders or promoters to link the drainage lines with the main lines.

ii) Strict vigil on Inventory utilisation and Inventory Control be exercised. As far as possible, purchases should effected directly through manufacturers or recognised suppliers (supplying Income Tax Clearance Certificates) by inviting tenders. A large number of stores items have become absolute, thus looking up the public money.

iii) A lot of delay is incurred, at present, in passing of the bills and payment to the suppliers, thus increasing the cost of purchases and giving rise to
suspicion regarding motive of the delays. A strict system of payment against deliveries should be adopted. The suppliers would stop 'loading' the 'quotations' to cover interest charges for delay in payments.

iv) The underutilised construction equipments and vehicles be allowed to be used on rental system on hourly basis by contractors or promoters to avoid cost of under utilisation.

v) It is essential to increase the cost consciousness in the municipal administration; to avoid over-estimation of requirements, costlier purchases, wastage in stationery and loss of money, energy, time and efforts.

10.13. Setting up of Management Information system

The Municipal Council lacks in the systematic informational data. Every department is maintaining a communication gap and lack of understanding the processes. There is no systematic pool of centralised Control. Therefore, the setting up of Management Information system is a need of hour in the Jalgaon Municipal Council.

Management information is defined as the required by managers for control and guidance for decision-makers to express their plans, policies instructions. It excluded routine procedural paper-work which does not itself affect management decisions, through it may well do so when
summarised in reports. The Management Information System is an organised set of processes that provides information to managers to support the operations and decision making within an organisation.\(^9\)

The Jalgaon Municipal Council should set up the Management Information system for collection, storage, analysis and presentation of the detailed reports, feedback formats and informational data about all the departments and activities of the Council.

It would provide -

i) an adequate level of information to the departments, President, Chief Officer and Councilors for the purposes of decision making,

ii) an information to common people and help them understanding the functions of the administrators of their own city, and

iii) a link between the office information, information for the elected body and complaints and co-ordination of the development in the town.\(^10\)

10.14 Privatisation or Contracting of Services to increase the efficiency and quality of civic services

The State Government has accepted the principle of assigning civic services to private parties with its prior sanction. Octori Collection is an example of privatisation or involving private parties in the Municipal Administration, which has been discussed in the earlier part of this chapter.
The burden of municipal expenditure has been increasing over the years and the cost of administrative staff is one of the area of concern for the Council. Moreover lack of public accountability and deterioration in the quality of services has put a draft on the efficiency of the financial administration of the Jalgaon Municipal Council.

In view of this increasing phenomenon, it is suggested that the following municipal services or functions be given on Contract Basis to involve the private entrepreneurs to reduce the municipal expenditure and at the same time to increase the efficiency and quality of civic services:

i) General Administration - Accounting Services for computerising the accounts, reconciliation of bank balance and billing of taxation.

ii) Octroi Collection Contracts to be given on long-term basis preferably for 3 to 5 years,

iii) Public Security

iv) Public Lighting

v) Public Health - Road Cleaning, Removal of Waste, Hospitals Maintenance to Charitable Trusts, Drainage System, Public Latrines,

vi) Water Supply - Maintenance of pipe lines, construction of water works and new connections work.

vii) Market fee collection and Maintenance

viii) Swimming Tanks and Bal Gandharva Khule Natya-Gruha
ix) Maintenance of Parks and Gardens
x) Maintenance of Shopping Centres
xi) Schools to be run by reputed educational Trusts in consideration of allotment of open spaces
xii) Stadium Construction and Maintenance
xiii) Maintenance of Low-Cost Working Areas e.g. Sureshdada Jain Nagar
xiv) Kond-wada
xv) Smashan-Bhumi and Cremation Ground
xvi) Sane Guruji Public Library.

The activities could be maintained by the reputed business houses or contractors on the mutual terms and conditions. Which would reduce the Municipal expenditure to substantial extent. It would also reduce the expenditure on the administration and maintenance of the services. The Contractor should be allowed to charge nominal fees for rendering these services to the public at large with a service oriented approach and in result earn a reasonable return on his investment.

10.15 Summary of suggestions

It is obvious from the foregoing discussion that there is a need for improving the financial administration in the Jalgaon Municipal Council. Several suggestions have been made and explained above. These suggestions may be reproduced here with a view to getting an overall view of the suggestions for better financial administration:
A. For augmentation of more revenue:
   i) Revision Taxation
   ii) Better Tax Administration
   iii) New Taxation Avenues
   iv) Borrowings
   v) Resource Mobilisation through Non-Tax Avenues
   vi) Privatisation of services and Contributions from Private parties.

B. For reduction of expenditure:
   i) Cost Reduction and Cost Control
   ii) Propriety and Performance Audit
   iii) Cost Benefit Analysis and Optimum Utilisation of Resources
   iv) Management Information System
   v) Privatisation or Contracting of services to increase efficiency and quality of civic services.
REFERENCES


10. Ibid. p. 45.