The institution of municipal government had flourished in India since time immemorial. A close look at the Indian history provides reliable evidence to substantiate that the system of municipal government is not foreign to Indian culture and traditions, but has had deep roots in Indian history, going back to the Vedic period. However, the municipal government in its present structure enjoying wide powers of administration and taxation to discharge their functions owes its existence to the British rule in India. The first local body – a municipal corporation was set up for the city of Madras in 1687. The main activities of this corporation was to provide the services of Sanitation, Construction of Schools, guild hall, Jail etc, and to collect taxes for the same (Maheshwari, 1970).

Lord Mayo’s famous resolution of 1870 was the next landmark in the development of local government in India. The resolution provided for financial decentralization from the centre to the provinces and to ensure supervision and care in the management of funds devoted to education, sanitation, medical relief and public works. It was expected that the transfer of services to provinces and financial decentralization will ensure participation of Indians in the local government. But the expectation was
belied in practice because Mayo did not want to develop municipal institution in real sense. Mayo's decentralization scheme was basically regarded as being advantageous to the imperial purse of British government (Venkatarangaiya, 1969). A review of this arrangement in 1882 led to the famous Resolution by Lord Ripon, with whose name urban local self government is now associated, that sought to increase the scope of local government by devolution of more functions and giving them increased powers and financial resources. Moreover, it was proposed to give grants to local bodies from the provincial budget. The notable thing in this resolution was the freedom of local bodies from outside control (Rastogi, 1967). Following this, many provincial governments passed enabling Acts, with Provision for election, financial resources, etc. The functions handed over to local bodies included:

- Maintenance of roads, street lighting, up-keep of municipal property and buildings;
- Public health, Vaccination, Sanitation, drainage, water supply and measures against epidemics; and
- Education.

The principle sources of funds for local bodies were:

- Octroi;
- Property tax on houses and lands;
- Tax on professions and trades;
- Road tolls;
- Taxes on carts and other vehicles;
- Rates and fees for services rendered like conservancy, water supply, etc.
However, the result of reforms fell short of high hopes especially after the exit of Lord Ripon. The efforts were resumed in 1919 by the then viceroy Lord Chelmsford to improve the functioning of Municipalities in India. For this purpose, the Government of India Act 1919 enlarged the function and powers of local bodies and a more specific demarcation and reservation of their taxation powers was made. But the newly acquired freedom by the local bodies, unfortunately, led to the gradual deterioration in their administration mainly due to party politics, communalism and the habit of councilors to interfere in day-to-day administration of local bodies (Gupta et. al., 2000).

In 1930, the Simon commission was appointed to review the progress of self government in British India in respect of reforms made under the Act of 1919. The commission emphasized the need for more strict state control over local bodies for their effective functioning. The introduction of provincial autonomy in 1937 under the government of India Act, 1935 gave further impetus to the development of municipal government in India. The Subject of local self-government was assigned to provinces. In this arrangement, the responsibilities of local bodies were enlarged without any simultaneous increase in their financial resources. As a result, the civic functions declined. Lapses and failure of municipal functions were met with dissolution of municipal committees. Thus, the institution of local self-government failed to grow in right direction despite the best intentions of the various legislations. However, the need for making municipal government really representative and effective was felt very much and it was believed that if democracy was to succeed at the top, it should be built with firm grounding from below.
Post Independence Scenario

With the advent of independence in India in August, 1947, the municipal government acquired new significance. The government of India took keen interest in stimulating the growth of municipal government on sound, healthy and uniform pattern in the country. Although, the subject of local self government falls under the preview of the state government, the central government was taking keen interest in municipal problems. A conference of the state local-self government ministers was held in new Delhi on August 6, 1948 in order to discuss the problems relating to construction, scope of activities, finance and administration of municipal bodies and the machinery of control over them. Again in 1951, government of India appointed the Local Finance Enquiry Committee for examining the existing sources of revenue to local government institutions and its adequacy in performing its tasks. The committee insisted on matching of responsibilities with sufficient finances and suggested maximum and minimum rates of taxes for local bodies which were to be fixed by the state government (Singh, 1986). In the year 1953-54, the Taxation Enquiry Commission studied the finances of local bodies along with those of central and state government. It endorsed the suggestion of the Local Finance Enquiry Committee regarding reservation and utilization of certain taxes for the local bodies. Another step taken by the central government was creation of a central council for local self government with the union minister for health as its chairman and the state ministers of local self-government department as its members. "The functions of the council are interalia to consider and recommend policies towards local self-government and to draw up common programme of action and to co-ordinate information on local
self-government matters” (Rastogi, 1967). Later on in 1962, this council formed a committee of ministers (popularly known as Zakaria Committee), Rural-Urban Relation Committee (RURC) in 1963-66 for examining the finances of local bodies in relation to their functions and responsibilities and suggested measures for seeking improvements in their functioning. These committees made various recommendations, however, either many of these recommendations have not been implemented.

The last decade has witnessed many landmark developments in the urban sector with the focus shifting towards local bodies and their finances. The enactment of the seventy fourth Constitution Amendment Act in the year 1992 has been perhaps the most important mile stone in the evolution of the local bodies in India. With the incorporation of wide ranging provisions dealing with the electoral process, finances, planning mechanism, the amendment aimed at transforming the local bodies into strong and viable units of “self government” and bringing them into the mainstream of the country’s socio-economic development. It has attempted to put the relationship between the state government and urban local bodies (ULB’S) with respect to functions, taxation powers and arrangements for revenue sharing on sound footing.

Although, as a result of various measures taken since achievement of independence, there has been no perceptible change in the fiscal domain of local bodies. “The revenue of urban local bodies have not grown in relation to their responsibilities assigned to them and thus, the state of finances of urban local bodies continues to be unsatisfactory. The basic structure of the revenue base of urban local bodies is such that it does not allow them to
cope-up with the changing socio-economic conditions" (NIPFP, 1995). There is an urgent need for major reforms in establishing a transparent system of local finance. The responsibility to carry out the needed reforms rests equally with the state and municipal bodies.

**Distribution of Local Bodies**

As a result of increase in urban and suburban population since independence, the number of urban local bodies has witnessed a quantum jump since independence. The number of urban local bodies which were just 2114 in 1971 have grown to 3717 in 2002. This number consists of 110 Municipal Corporations, 1434 Municipalities and 2173 Nagar Panchayats, as can be seen from the data contained in table 1.1, that the maximum number of urban local bodies (719) exists in the state of Tamil Nadu, Uttar Pradesh (623) and Madhya Pradesh (329). It can also be seen from the table 1.1, that the least number of urban local bodies exist in the states of Mizoram (6), Meghalaya (6), Goa (13) and Tripura (13).

It is pertinent to mention here that as per the Constitution Amendment Act (1992), the urban local bodies have been categorized into three forms/types, viz., Municipal Corporations for larger urban areas, Municipal councils for smaller urban settlements; it is also called ‘Nagar Palika Parishad’, and municipality in some states, and Nagar Panchayat in areas which are in transition from rural to urban. In some states nomenclature is different and terms like ‘Notified Area Committees’, ‘Municipal Committees’, ‘Town Area Committees’, ‘Urban station committees’ are used. It is the discretion of the state governments to identify and define the term of “Transitional”, “Smaller”, and “Large” urban areas.
Table 1.1: Distribution of State-wise Urban Local Bodies in India as on 2002

<table>
<thead>
<tr>
<th>State</th>
<th>Municipal Corporations</th>
<th>Municipal Councils</th>
<th>Nagar Panchayat</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andra Pradesh</td>
<td>7</td>
<td>110</td>
<td>-</td>
<td>117</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assam</td>
<td>1</td>
<td>28</td>
<td>54</td>
<td>83</td>
</tr>
<tr>
<td>Bihar</td>
<td>5</td>
<td>50</td>
<td>72</td>
<td>127</td>
</tr>
<tr>
<td>Chattisgarh</td>
<td>6</td>
<td>20</td>
<td>49</td>
<td>75</td>
</tr>
<tr>
<td>Goa</td>
<td>-</td>
<td>13</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>Gujarat</td>
<td>7</td>
<td>142</td>
<td>-</td>
<td>149</td>
</tr>
<tr>
<td>Haryana</td>
<td>1</td>
<td>21</td>
<td>46</td>
<td>68</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>1</td>
<td>20</td>
<td>28</td>
<td>49</td>
</tr>
<tr>
<td>Jammu and Kashmir</td>
<td>2</td>
<td>6</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>1</td>
<td>20</td>
<td>22</td>
<td>43</td>
</tr>
<tr>
<td>Karnataka</td>
<td>6</td>
<td>41</td>
<td>175</td>
<td>222</td>
</tr>
<tr>
<td>Kerala</td>
<td>5</td>
<td>53</td>
<td>-</td>
<td>58</td>
</tr>
<tr>
<td>Madhaya Pradesh</td>
<td>12</td>
<td>83</td>
<td>234</td>
<td>329</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>16</td>
<td>228</td>
<td>-</td>
<td>244</td>
</tr>
<tr>
<td>Manipur</td>
<td>-</td>
<td>9</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Mizoram</td>
<td>-</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Nagaland</td>
<td>9</td>
<td>3</td>
<td>59</td>
<td>71</td>
</tr>
<tr>
<td>Orissa</td>
<td>2</td>
<td>33</td>
<td>68</td>
<td>103</td>
</tr>
<tr>
<td>Punjab</td>
<td>4</td>
<td>98</td>
<td>32</td>
<td>134</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>3</td>
<td>11</td>
<td>169</td>
<td>183</td>
</tr>
<tr>
<td>Sikkim</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>6</td>
<td>102</td>
<td>611</td>
<td>719</td>
</tr>
<tr>
<td>Tripura</td>
<td>-</td>
<td>1</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>11</td>
<td>195</td>
<td>417</td>
<td>623</td>
</tr>
<tr>
<td>Uttaranchal</td>
<td>1</td>
<td>31</td>
<td>31</td>
<td>63</td>
</tr>
<tr>
<td>West Bengal</td>
<td>6</td>
<td>112</td>
<td>4</td>
<td>122</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>1434</strong></td>
<td><strong>2173</strong></td>
<td><strong>3717</strong></td>
</tr>
</tbody>
</table>

*SOURCERE*: Census, 2001, Govt. of India
Municipal Government in Jammu and Kashmir

The municipal government in the state of Jammu and Kashmir came into existence in 1886 A.D. when the first Municipal Act was passed. Under this Act, two municipalities of Jammu and Srinagar were constituted. Jammu municipality was formed in March 1886 and Srinagar municipality in April of the same year. These municipalities were constituted to improve the general conditions of cities and their inhabitants. In order to improve the level of civic amenities, the act of 1886 was amended by the Municipal Act XVI of 1889. In order to deal effectively with the day to day affairs of the municipalities, the government set up in 1893 a separate department known as the Department of Municipal Administration to ensure focused attention on municipal administration.

In early years, the municipalities were treated as one of the Government departments of administration. They were composed solely of members nominated by the government. It was only in 1913 that the provision of an elective element into the municipalities of J&K state was introduced. This was done with the enactment of Jammu and Kashmir Municipal Regulation Act 1913. Under the provisions of this act, both the municipalities in the state were re-organised. Before the enactment of Municipal Regulation Act 1913, as regards finances, the municipalities depended entirely on the state government. The funds at their disposal consisted of the budgeted allocations set apart for municipal purposes by the state government. The municipalities were not allowed to levy any tax. The octroi duty levied by them was collected by revenue department of the government. Under the municipal regulation Act 1913, the municipalities
were empowered to impose the following taxes with the prior sanction of the government:

- A tax on buildings and lands.
- A tax on profession and trade
- A tax on vehicles, animals and boats
- An octroi on animals and goods
- Tax on water supply
- Tax on house scavenging
- Lighting tax
- Any other tax that the government may approve and sanction.

The next important development which enhanced the financial position of the municipalities in the state was the enactment of Jammu and Kashmir Municipal Act of 1941, which repealed the municipal Act of 1913. In addition to the taxes allowed under the 1913 Act, the municipalities were allowed to levy the following new taxes:

i) A tax on Advertisements
ii) A tax on dogs kept within the municipal area

After the independence of the country, various steps were taken by the government of Jammu and Kashmir with regard to municipalities with the purpose to enable them to provide a better and efficient administration. The first measure in this respect was the enactment of the Jammu and Kashmir municipal Act, 1951. This Act repealed the municipal Act of 1941. Under the provisions of the Act, the municipalities were empowered to levy taxes and raise funds through license fees. Moreover, loans were also given to
municipalities for widening of roads, housing and welfare schemes. In 1956, certain amendments were made to the municipal act of 1951, and the municipalities were vested with large administrative and financial powers.

In the context of the national level debate on the structural reforms in the municipal sector which finally culminated in the enactment of constitution of India (Seventy Fourth Amendment) Act, 1992, the state legislature enacted two legislations in November 2000, namely, the Jammu and Kashmir Municipal Act, 2000, to replace the existing Municipal Act of 1951 and the Jammu and Kashmir Municipal Corporation Act, 2000. The primary objective of these two legislations is to re-organise the municipal set up so as to make the urban local bodies dynamic organs of power for better management and self governance of urban areas. Specific stipulations aimed at strengthening the financial domain of the restructured local bodies have been made in the two enactments, so as to make local bodies vibrant and self sustaining for better management of civic affairs.

Following these two enactments and in order to restore their representative character, elections to the local bodies (Notified Area Committees) now renamed as municipal committees, (Town Area Committees) now called as municipal councils and (Municipalities of Srinagar and Jammu) now upgraded to the status of corporations were held after a gap of twenty six years. Democratization of civic bodies was a historic event in the history of municipal government in the state of Jammu and Kashmir. This has given a fillip to the decision making process. Besides, it also makes the civic administration in the state directly responsible to the common man. The councillors representing different wards are in a best
position to identify and address peoples problems. Further, the financial side of the corporations is expected to improve as more and more steps are likely to be taken to make these bodies financially sound.

Over the years most of the municipal functions were withdrawn from these municipal bodies and entrusted to the line departments such as, Public Health Engineering, Urban Environmental Engineering Department, Roads and Buildings Department etc., as these bodies had lost their representative character and were reduced to mere sanitation boards without powers and resources to govern the cities. After the representative character of the local bodies has been restored, it is expected that these functions will be returned back to municipal bodies and these bodies shall emerge as strong, vibrant and accountable institutions of urban local governance.

**Jammu and Kashmir Municipal Sector/Structure**

Municipal government in Jammu and Kashmir covers three distinct types of urban local authorities, viz., The Municipal Corporation for the capital cities of Jammu and Srinagar, The Municipal council for medium town and the municipal committee for a small town. There are seventy one urban local bodies in the state of Jammu and Kashmir, which consists of two Municipal Corporations, Six Municipal Councils and sixty three Municipal Committees. The division-wise distribution of urban local bodies is shown in table 1.2
### Table 1.2: Division-wise Distributions of Urban Local Bodies (ULB'S) in Jammu and Kashmir as on 2006

<table>
<thead>
<tr>
<th>Division</th>
<th>Municipal Corporations</th>
<th>Municipal Councils</th>
<th>Municipal Committees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jammu</td>
<td>1</td>
<td>3</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Kashmir</td>
<td>1</td>
<td>3</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Ladakh</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2</strong></td>
<td><strong>6</strong></td>
<td><strong>63</strong></td>
<td><strong>71</strong></td>
</tr>
</tbody>
</table>


Municipal Corporations are constituted for cities and bigger towns and these enjoy more tax powers, financial competence and autonomy in decision making, compared to other types of municipal authorities. The municipal councils are constituted for medium towns and municipal committees are created for small townships having pronounced rural characteristics. Municipal councils and Municipal committees enjoy more or less the same tax powers as the corporations, except that the degree of state control here is relatively more.

**Functional Domain of Municipal Corporations**

The functions of Municipal Corporations in the state are generally classified as obligatory and discretionary. Obligatory functions include functions which must be performed by the corporations and failure to perform any of such functions will ultimately result in its dissolution. The discretionary functions are those which are not compulsory but may be taken up depending upon its financial resources. The following is the representative enumeration of these two categories of functions:
Obligatory Functions

- Construction, maintenance and cleaning of drains and drainage works and of public latrines, urinals and similar conveniences;
- Construction and maintenance of works and means for providing supply of water for public and private purposes;
- Scavenging, removal and disposal of filth, rubbish and other obnoxious matters;
- Reclamation of unhealthy localities, the removal of noxious vegetation and generally the abatement of all nuisance;
- Regulation of places for the disposal of the dead and the provision and maintenance of places for the said purposes;
- Construction and maintenance of cattle pond;
- Measures for preventing and checking the spread of dangerous diseases;
- Construction, maintenance of municipal markets and the regulation there of;
- Regulation of the abatement of offensive or dangerous trade or practices;
- Securing of removal of dangerous buildings and places;
- Construction, maintenance, alteration and improvement of public streets, bridges, culverts and the like;
- Lighting, watering and cleaning of public streets and other public places;
- Removal of obstruction and projections in or upon streets, bridges and other public places;
- Naming and numbering of street and premises;
• Maintenance of municipal offices;
• Laying out of the maintenance of public parks, gardens or recreation grounds;
• Maintenance of monuments and memorials vested in a local authority in the municipal area;
• Maintenance and development of the value of all properties vested in or entrusted to the management of the corporation;
• Planting and care of trees on road side etc. and
• Survey of buildings and lands.

**Discretionary Functions**

• Furtherance of education including cultural and physical education;
• Establishment and maintenance of and aid to stadium, gymnasium, akharas and places for sports and games;
• Establishment and maintenance of and aid to libraries, museums, art galleries, botanical gardens or zoological collections;
• Civic reception to persons of distinction;
• Organization and management of fairs and exhibitions;
• Providing of music or other entertainments in public places or places of public resort and the establishment of theatres and cinemas;
• Construction and maintenance of rest houses, children’s homes, shelters for destitute and disabled persons; houses for the deaf and disabled and for disabled and handicapped children, asylums for persons of unsound mind;
• Building or purchase and maintenance of dwelling houses for corporation officers and other corporation employees;
Measures for the welfare of the corporation officers and other corporation employees or any class of them, including the sanctioning of loans to such officers or employees for construction of houses and purchase of vehicles;

Provision for relief to destitute and disabled persons;

Vaccination and inoculation;

Organization, construction, maintenance and management of swimming pools, public wash houses, bathing place and other institution designed for the improvement of public health;

Organization and management of cottage industries handicraft centers and sales emporium;

Construction and maintenance of garages, sheds, and stands for vehicles.

Provision for unfiltered water supply.

Improvement of the municipal area in accordance with improvement schemes approved by the corporations;

Establishment and maintenance of hospitals, dispensaries and maternity and child welfare centers and the carrying out of other measures necessary for public medical relief; and

Other measure likely to promote public health, safety or general welfare.

Municipal Administration

To manage various municipal affairs effectively, there is a need for a well defined power structures for a municipal corporation. The Municipal Corporation Act of 2000 has provided a well defined management structure of Municipal Corporations. According to the Act, the organizational
The structure of Municipal Corporation is divided into three levels viz., The Corporation Council, The Standing Committee and The Municipal Commissioner.

**ORGANIZATION CHART OF MUNICIPAL CORPORATION**

The deliberative wing of Municipal Corporation comprises the corporation council, the standing committees and the mayor.

**The Corporation or Corporation Council**

The council comprises of members, called councillors, elected on adult franchise for a term of five years. For purposes of election, the town is divided into many wards and for each ward one councillor is elected. The Srinagar Municipal Corporation (SMC) comprises of Sixty eight wards whereas the Jammu Municipal Corporation (JMC) comprises of seventy one
wards. The population in each ward should not be less than 7500 and the number of total seats to be filled by direct election should not exceed seventy five. The Municipal Corporation Act determines the composition, powers and functions of the council and its relation with the administrative machinery. Thus the council exercises such powers as are conferred upon it by law.

**Mayor**

The Corporation once it comes into being with the formal election of councillors, then the elected councillors elect one of the councillors as a chairperson who is known as Mayor. He is elected for a term of one year which is renewable. He presides over the council meetings and enjoys vast powers. He is solely responsible for implementation of the decisions of the corporation. By virtue of the powers vested in him under the corporation Act, the Mayor is entitled to call for any information, return, statement, account or report form the office of the corporation and inspect any immovable property of the corporation or work-in-progress connected with the work of the committee.

**Standing Committees**

A Municipal Corporation has four standing committees namely, General Functions Committee, Finance and Planning Committee, Public Health and Sanitation Committee and Social Justice Committee. Each standing committee consists of not less than five and not more than nine councillors including the Mayor or the deputy Mayor as the case may be. These are elected by the elected councilors of the Municipal Corporation from amongst councilors. Provided that social Justice committee shall
include at least one member who may be a woman or a member of scheduled caste or a scheduled tribe. The General Functions Committee performs functions related to the establishment, construction of buildings and roads, housing relief against natural calamities and all miscellaneous residuary matters. The Finance and Planning committee performs the functions relating to the Finances of The Corporation, which includes preparation of the budget, scrutinizing proposals for increase of revenues including taxes, examination of receipts and expenditure statement, sale and lease of corporation properties, recovery of loans, examination of schedule of rates, consideration of all proposals affecting the finances of the corporation and general supervision of revenue and expenditure of the corporation and other functions relating to the development of the municipal area. The Public Health and Sanction Committee perform functions relating to the health, sanitation, water supply, drainage and sewage disposal. Similarly, the Social Justice Committee perform functions relating to promotion of education, economic, social, cultural and other interests of the scheduled castes, scheduled tribes, backward classes and weaker sections of the society. Besides, this committee also concerns itself with the protection from social injustice and other forms of exploitation.

**The Executive Wing (Municipal Commissioner)**

The Municipal Commissioner is the Chief Executive Officer of the Corporation. He is appointed by the government for a fixed term of three years. The Institution of Municipal Commissioner is based on the philosophy of keeping policy making function separate from its administration. He performs all the duties imposed or conferred upon him.
under the Act. The Corporation and the Mayor may require the Commissioner to produce any record, correspondence, plans or other documents which lies in his possession or under his control. He may also have to furnish to the corporation and the Mayor any return, plan, estimate, statement concerning or connected with any matter pertaining to the administration of the corporation. The orders of the mayor are binding on the commissioner to comply. The Commissioner or any other officer authorized by him may attend, speak or otherwise take part in the proceedings of the meeting of the corporation or any of its committee. The only thing incumbent on such a person is that he shall not have to vote in any such meeting.

Sources of Finance

To ensure sufficient financial resources for performing various functions, in particular obligatory functions, the urban local bodies (ULB’s) in the state are empowered under the statutes to impose various taxes and non-tax levies on its citizens. These taxes and non tax levies include the following:

- Taxes on buildings and lands;
- A tax on profession, trade, callings and employments;
- A tax on vehicles other than motor vehicles, plying for hire or kept within the municipal area;
- A tax on animals used for riding, driving or carrying burden when kept within the municipal limit;
- A tax on dogs, kept within the municipal area;
A show tax;
A toll on vehicles other than motor vehicles and conveyances entering the municipal area;
A tax on consumption of electricity at the rate of one paisa for every unit of electricity consumed by any person within the limits of municipal area;
A tax on advertisement other than advertisements published in the newspapers;
A tax on boats moored within the municipal area;
A fee with regard to lighting;
A fee with regard to scavenging;
A fee with regard to drainage;
A fee with regard to pilgrimage;
A fee of cleaning of latrines and privies;
A fee in the nature of costs for proving internal services in a building scheme or town planning scheme.
An Education cess;
A fee on building applications; and
Any other fee which the Municipal Corporation may deem fit for services rendered.

In addition to these sources of funds, Municipal Corporations are empowered to borrow funds by issuing debentures or otherwise on the security of any immovable property vested in it or proposed to be acquired
by it from Public Financial Institutions any sum of money which may be
required:

- For erecting any building which it has a power to erect;
- To pay-off any debt due to the Government;
- To repay a loan previously raised under this Act or any other Act
  previously in force; or
- For any other purpose for which the corporation is by virtue of
  the Act authorized to borrow.

**Local Finance: Conceptual Framework**

Proper Governance among other things depends on the availability of
sufficient finances. No government worth the name can function without
finances. This applies to governments at all levels including local
governments. Local governments can work smoothly only when the
resources at their disposal are adequate and at the same time are efficiently
utilized. “The relation between local functions and local finances is
inseparably intertwined. They are concomitant to each other and infact one
exists for the other. Local functions can not be performed without local
finance and without functions, the need for finance does not arise”
(Bardoloi, 1972).

Local finance deals with the income and expenditure of local
governments and with the mutual adjustments of one to the other (Gupta et.
*et. al.*, 2000). Local finance deals with the process and principals of raising and
spending money essential for the support of local government in satisfying
the collective needs of the people under its jurisdictions (Bhagwan, 1980).
The subject matter of local Finance may be divided into three parts: (a) Local Expenditure (b) Local Revenue and borrowing and (c) Local Financial Administration.

Local Expenditure

Local governments perform a large number of functions for the welfare and development of local communities. These functions tend to increase steadily. Local Expenditure refers to all expenditures incurred by local governments for providing directly or indirectly, social services and civic amenities. While the expenditure on public health, education, public safety, public works, conveniences, etc. directly provide the civic amenities and social service, the expenditure on administration, revenue collection, repayment of debt, etc indirectly help in their provision.

Local expenditure has certain values. “First, it achieves greater good for a number of people at minimum cost. Second, it generates local interest and co-operation in local administration. A road, a school building and a dispensary create not only a feeling of pride but also an atmosphere of co-operation for further development. Finally, local expenditure incurred in providing services such as education, library, etc, tend to equalize material welfare and social opportunities” (Marshall, 1974).

Local expenditure is generally divided for accounting purposes into two broad groups, i.e. revenue expenditure and capital expenditure. The expenditure which is met from current resources and is often of recurring in nature is termed as revenue expenditure. Expenditures on administration, maintenance of services, loan charges, etc., fall into this category. Local governments undertake the provision of services which necessitate large
initial outlays and it may not be possible to finance such projects from current revenues. Consequently loan finance may have to be resorted in order to venture into such projects.

Local expenditure may also be classified into developmental and non-developmental. The expenditure which directly contributes to social services and amenities is known as development expenditure, while the remaining expenditure is non-developmental. Expenditure on public health, sanitation, education, public safety, public works, conveniences, etc., is included in the first category, while expenditure on administration, revenue collection, repayment of loans, etc., is included in the second category. Local governments should try to keep the non-development expenditure at a minimum level as it does not directly contribute to the welfare of citizens. On the other hand, efforts need to be made to increase developmental expenditure as it directly results in the welfare of the bodies. Moreover, “development expenditure reduces the unpopularity of taxes and increases the taxable capacity of the local people. The result of increased taxable capacity results in increased tax revenues which in turn result in improvement in various services provided by the local authorities. Developmental expenditures gives momentum to be process of development and welfare of the inhabitants” (Taxation Enquiry Commission, 1953).

**Local Revenue and Borrowing**

Local government raise their financial resources by two ways: (i) Local revenue and (ii) Local borrowing. Local revenues refers to the ordinary incomes of local governments. It can be classified into two categories based on their sources: (a) Tax Revenues and (b) Non-Tax revenues.
**Tax Revenue**

Tax revenue comprises a significant component of local revenue. It is derived from the taxes levied and collected by local governments e.g. local bodies in India levy property tax, professional tax, conservancy tax, tax on advertisements motor vehicle tax, etc.

**Non-Tax revenue**

Non-tax revenue consists of grants-in-aid and miscellaneous revenue like rent, fees, fines, etc. Grants-in-aid are contributions from a higher governmental authority to a subordinate authority. These form an important part of the income of local government and they are extensively used as a device for rendering financial assistance to local authorities. “Grants-in-aid are necessary because it assures a balanced growth among local units by providing a uniform minimum standard of services to all people regardless of the resources of the local units” (Kedia, 1986). While a sound system of local finance rests on a sound foundation of taxation, the non tax revenue resources also have an important place in the revenue structure of local governments. “The sphere of operation of local governments is ever expanding, resulting in a fast increase in local expenditure. To meet the increasing expenditure, local governments explore Non-tax revenues like rents, fees, surplus from municipal enterprises etc. instead of squeezing the pockets of tax payers” (Bhagwan, 1980). By raising the revenue from these sources, local governments are able to spend more than what they can collect by way of taxation.

Local governments construct houses for the poor and also the markets. Rent from these houses and markets forms important sources of revenue.
The municipal Acts make extensive provisions for the levy of license fees on hotels, restaurants, dairies, workshops and factories. These provisions also prove helpful in ensuring compliance with the health, safety and general welfare requirements of the community and help in raising some revenue.

Borrowing

Local governments borrow money to finance developmental works such as: sewerage, construction of markets, water supply, slum improvement programme, etc., the expenditure on these works can not be met out of current revenues. These developmental works involve a large capital outlay and provide benefits to the citizens for so many years. The developmental works are generally financed through borrowings which are classified as remunerative and non-remunerative works. Works which increase revenue of local governments to pay the loan and interest are called remunerative and the works which do not increase the revenue are called as non-remunerative. Borrowings for remunerative projects do not increase the burden of taxpayers and are justified to the extent these are properly utilized and managed. Borrowings for non-remunerative purposes should be to the extent avoided and if at all used the efforts should be made that the burden of interest and loan repayments of the loan taken should not fall on the people.

Local Financial Administration

The welfare of the citizens also depends upon the proper administration of funds, as such an effective system of financial administration form an integral part of local finance. The important techniques of local financial administration are discussed in the following paragraphs.
Budgeting

A budget is a financial statement containing estimates of income and expenditure for an ensuing period of time. Budgeting is compulsory for any government including local governments. "The main functions and features of a local budget are:

- It fixes the rate of the local tax and the purpose to which the produce of taxation shall be applied.
- It is the medium for ensuring that the monies of local authority is ultimately laid out in the way it has decided.
- It is a plan of action, and
- A budget does more to ensure that money is spent in the way the local authority has decided; by providing suitable yard sticks to secure efficient and economical administration" (Marshall, 1960).

It is clear from the functions and features of local budget that it is an effective instrument for ensuring that the local finances are managed on a sound basis. This can be ensured only if the budget estimates are accurate. For accurate estimates, there should be a sound system of accounting to provide past information and the budget makers should have the ability to see the future requirements. Precise, clear and easily understandable items, proper classification of these items and flexibility are important characteristics of a local budget.

Control over Expenditure

Control over expenditure can be classified as control by the deliberative wing and control by the executive wing. The deliberative wing exercises control through the budget. Once the budget is sanctioned, it is the
duty of the executive wing to see that the expenditure is in accordance with
the sanctioned budget, the value is obtained for the money spent, the
payments are correct, there is no wastage and efficiency is promoted. For
achieving proper control over expenditure, the use of performance and
programme budgeting is increasing. Under the performance and programme
budgeting, a budget is presented in the form of functions, activities and
projects and financial implications are only appendices to the main budget
(Bhagwan, 1980).

Control over Revenue

Like expenditure, control over revenue is also exercised by both
deliberative and executive wings. The deliberative wing exercises control
through fixing the appropriate tax rates. The deliberative wing provides
correct estimates of grants in aid, loans, etc. in the budget. The executive
wing is asked to submit periodical reports regarding revenue collection to
the deliberative wing. The executive wing should ensure efficient revenue
collection for which correct tax bills should be dispatched in time, review
appeals are settled promptly, tax payments procedure are simplified,
loopholes are plugged and leakages are checked. Control over revenue also
includes steps taken for early receipt of grants in aid so as to avoid way and
means difficulties.

Accounting

For the proper record keeping, it is essential that up to date and
reliable accounts should be kept. “The preparation of accounts impose a
discipline upon the whole financial system, for they cannot be satisfactorily
prepared unless supported by well designed and accurately kept supporting
records which in turn foster sound financial control” (Marshal, 1974). Accounting is an important tool of financial management. It involves not only keeping all the records of financial transactions, but also analysing these transactions and supplying necessary information to the authorities for forecasting, planning and exercising control.

Accounts of municipal bodies are generally maintained on “cash basis”. The form in which the different accounts are to be maintained is generally provided by the accounts code. The codes relating to accounts lay down the number and the nature of registers to be maintained, the way in which the entries are to be recorded by accountants, the way in which money is to be paid and collected, the particulars about records regarding establishment, taxes, stocks, etc. These provide for a correspondence between the forms in which budget estimates are framed and that in which the financial transactions are posted in the books of accounts. This correspondence is essentially for reviewing the financial facts in the light of anticipation and seeing how far later have come true and also for checking the receipts and expenditures from month to month during the course of the year and taking action if there is a possibility of actual expenditure exceeding the amount provided for in the sanctioned budget estimates.

Management accounting techniques are used by big local bodies. “The importance of management accounting lies in the vital current information it furnishes to enable an undertaking to take financial decisions continually and throughout the financial year, and not only after the final accounts are ready” (Bhagwan, 1980).
Audit

"Every local authority must ensure that its financial transactions are diligently and honestly conducted, that its financial records are properly designed and operated and that its cash and valuables are protected" (Marshall, 1974). Audit helps local authorities in securing these ends. As per the provisions of Jammu and Kashmir Municipal Corporation Act, 2000, the accounts of Municipal Corporation Fund is audited by a separate and independent audit agency under the control of Director of Urban Local Bodies. In the discharge of his functions, the auditor shall audit the accounts of expenditure of the corporation and shall ascertain whether moneys shown there in as having been disbursed were legally available for, and applicable to the services or purpose to which they have been applied or charged and whether the expenditure confirms to the authority which governs it. For the purpose of examination of the corporation accounts, the audit agency shall have access to all the corporation accounts and to all records and correspondence relating thereto and the commissioner shall forthwith furnish to the audit agency any explanation concerning any receipts or expenditure which they may call for. The audit agency shall report the corporation any material impropriety or irregularity which it may at any time observe in the expenditure in the recovery of moneys due to the corporation and shall also furnish to the corporation such information as it may from time to time require concerning the progress of the audit. On receipt of the report, the corporation shall take such action thereon as may be deemed necessary. The commissioner shall, as soon as remedy defects or irregularities if any pointed out in the said report and shall also forward without delay to the government so many copies of the said report as may be
required by the government with a brief statement of action if any, taken or proposed to be taken thereon. If the commissioner does not remedy the defects or irregularities pointed out in the report within a reasonable period, the audit agency shall refer the matter to the Secretary, Housing and Urban Development Department whose decision shall be final and binding.

Conclusion

To maximize the welfare of the citizens, local governments must raise, spend and administer their resources on sound principles. After giving a brief account of various aspects of municipal finance, we shall make an attempt in the subsequent chapters to take up these aspects in detail and to find out the extent to which these principles are followed by the Municipal Corporations in the state of Jammu and Kashmir.
REFERENCES


