Grant-in-aid is a payment from the Government to a local body for helping that authority to perform its statutory functions effectively.

Grants shift some of the incidence of local authority expenditure from the ratepayers to the tax payers; they thus broaden the basis of local government finance. In part grants from Government are necessary because central Government retains to itself virtually all elastic sources of taxation except the local rate. But, even if local authorities were not restricted to one form of taxation, there would still be a case for supplementing local revenue with grants from the Government.¹

Socio-political changes during early 1950's - and because of the pressing need for the expansion of civic amenities, there was a shooting up of the municipal expenditure to a gigantic height in comparison with early 1940s. As a result local authorities had to shoulder additional and increasing responsibilities. But the income of the local bodies is not equal to their expenditure. Hence grants became a major and decisive factor in

maintaining a balance between requirements and resources.

**Aim of grant-in-aid.**

Grants are a useful means by which Government effectively controls standards of local efficiency and ensures provision of certain services of popular requirements.

Second, by injecting grants a Government can stimulate local authorities to incur particular kinds of expenditure in conformity with the national plan and programme.

A third argument for grant-in-aid is that many of the functions entrusted to local bodies are national in character e.g.; eradication of epidemic diseases, prevention of water and air pollution and so on. Therefore grants are given to reduce the cost of any activity of national importance.

Fourth, grants are also given to ease and equalise the disproportionate regional imbalances. Without aid resources of local bodies would not be able to maintain a minimum standard of their services. In the absence of grants there would be a total breakdown of local government in poorer areas.

Fifth, the statutory limitations on the imposition of local taxes as well as restricted nature of the pro-
property on which local rates can be levied renders financial assistance from the Government inevitable. Thus, the aim of grant-in-aid system may be one of the following: to encourage the local bodies to improve their services; to distribute the burden of the cost of local government more equitably; to compensate local authorities for the loss of revenue; to transfer the cost of a particular service from the local tax payer to the national tax-payers and to reduce the inequalities among the local authorities. But the real aim of the grant has been largely promotional.2

Some critics are against any grants to the local bodies on the ground that it is more or less like spoon-feeding and artificial respiration - therefore, it should be discouraged.

Moreover, grants-in-aid may lead to irresponsible spending. The natural reaction of Government to the danger of irresponsible spending is to attempt to increase control, as grants expand. Since Central Control destroys local autonomy it should be avoided as far as practicable.3

Categories of Grants.

Grants fall into two broad divisions, the specific grant and the general grant. The specific grant relates to grant-in-aid for a particular service; it can take a number of forms, but the most common form has been to make the grant a percentage of approved expenditure. The general grant, on the other hand, can be used by local authorities towards the cost of any service. The trend of the past decade has been markedly towards general grants. In principle the specific grant is more effective for the purpose of stimulating the development of a particular service. But specific grants have the disadvantage, from the Government's point of view, that they are "open-ended"; the cost to the national exchequer depends on the enterprise or extravagance of individual authorities. The general grant is not open-ended; its amount can be determined in advance. In principle, it gives more discretion to local bodies and is therefore favourable to local autonomy; in practice, however, authorities complain that since the introduction of general grants the tightening of Governmental control in other ways - such as by legislation, audit and approval of schemes, has left them with little real autonomy.¹

Government grants to Shillong Municipality have mostly been determined by the fact that Shillong being the provincial headquarters and a health resort, the standard of amenities required here is much higher than in other places. In 1809 Rs.600 per annum was sanctioned as a grant-in-aid for the general purpose including improvement of sanitary conditions of the Shillong Station. The grant was increased to Rs.1,500/- in 1892-93, and then to Rs.2,500 in 1893-94. In 1903 this grant was increased to Rs.2,800 to meet the cost of the entertainment of two mails required for the improvement of the site in front of the church and the Secretariat. In 1905 the grant was increased to Rs.5,000 to enable the Station Committee to meet the cost of improvements in lighting and conservancy. From 1911-12 when the Station Committee was upgraded in to a full fledged Municipality - the annual grant was raised to Rs.10,000 that was at par with the Gauhati Municipality. In January, 1913, it was decided by the Government that receipts on account of land revenue falling within the limits of the Shillong Municipality as well as premia on leases for such lands should in future be credited to the general provincial revenues and not to the municipal fund as was the practice. In order to compensate the board for the loss of income as a
result of the important decision; the annual grant made to the Board was increased to Rs.12,000. In 1915-16, the general purposes grant was again increased from Rs.12,000 to Rs.13,800 - the reason for the increase of Rs.1,800 was to enable the Municipality to pay the official Vice-Chairman an allowance of Rs.150 per month.

The Government have also sanctioned a grant of Rs.1,800 to the Municipality to meet the pay of its conservancy Inspector since June, 1914. The Board was also receiving a lighting grant of Rs.3,432 since 1912-13. In 1916-17 the Municipality received a total amount of Rs.26,524 as grants - whereas the highest amount, i.e., Rs.30,000 was received by the Gauhati Municipality.

Apart from the general grants the Municipality was getting every now and then some special grants for the improvement of water-supply, roads and drains. For instance in 1916-17 the Government sanctioned Rs.5,000 for the improvement of Municipal roads.

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the Assam Legislative Council has refused to vote the demand for the annual contribution of Rs. 1,800 which was paid by Government, since 1915, to enable the Board to pay an allowance to the Vice-Chairman. The contribution was discontinued with retrospective effect from 1st April, 1924. The Municipality was directed to refund Rs. 1,800 accordingly.\(^\text{11}\) Detailed list of grants drawn by the Municipality during 1930-31 was as follows: \(^\text{12}\)

<table>
<thead>
<tr>
<th>Purpose of the Grant</th>
<th>Amount of Grant (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improvement of lighting</td>
<td>3,432</td>
</tr>
<tr>
<td>2. Pay of conservancy Inspector</td>
<td>1,800</td>
</tr>
<tr>
<td>3. Grant for general purposes</td>
<td>12,000</td>
</tr>
<tr>
<td>4. Grant for primary education</td>
<td>360</td>
</tr>
<tr>
<td>5. Grant for improvement of roads.</td>
<td>3,500</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total 21,092</td>
</tr>
</tbody>
</table>

It is clear from the above that the Municipality got as grant Rs. 26,524 in 1916-17, but in 1930-31 it was only Rs. 21,092 – therefore the policy of the Gov-

\(^{11}\) L.S.C.- B. June, 1925, No. 24-26.

\(^{12}\) L.S.C.- B. December, 1931, No. 388-\(\frac{1}{2}\)5.
ernment towards the Municipality was far from progressive.

In 1931, the Assam Provincial Retrenchment Committee recommended for the withdrawal of lighting and conservancy grants in view of the fact that the general purposes grant to Shillong Municipality was the biggest in the province. The State Government decided to accept the recommendations with some modifications - the conservancy grant of Rs. 1,800 should not be withdrawn - but the lighting grant of Rs. 3,432 should be discontinued. So the lighting grant which was in existence since 1913 was discontinued from 1932-33. As if to add insult to injury the Government further imposed a 10 per cent cut upon the general purposes grant to Shillong Municipality as a measure of urgent economy. As a result the grant was reduced from Rs. 12,000 to Rs. 10,300 with effect from 1932-33. The Board's representation that the cut would affect the finances of the Board was not considered by the Government. Further the Government was unable to accept the proposition that the town was entitled to any special assistance from the general tax

payer. Therefore Government regretted its inability
to restore the grant.\textsuperscript{16}

However, in late 1930s the State Government
followed a generous policy towards the Board. For
instance,\textsuperscript{17}

<table>
<thead>
<tr>
<th>Minor Heads</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) General grant</td>
<td>10,710</td>
</tr>
<tr>
<td>(b) Improvement of roads</td>
<td>3,000</td>
</tr>
<tr>
<td>(c) Pay of conservancy Inspector</td>
<td>1,800</td>
</tr>
<tr>
<td>(d) Grant to meet pay and allowance of Assessor</td>
<td>4,026</td>
</tr>
<tr>
<td>(e) Contribution for Sewerage Scheme</td>
<td>4,925</td>
</tr>
</tbody>
</table>

Total 64,461

In 1936-37, Shillong Municipality received the
highest amount of grant.\textsuperscript{18}

In 1946-47, the Board got an amount of Rs.51,213
as grants-in-aid.\textsuperscript{19} In 1949-50, there was no change

\textsuperscript{16} Letter No.558 LSC., 22.4.1932, from the Government of Assam.
\textsuperscript{17} A.R. Municipal 1936-37.
\textsuperscript{18} A.R. Municipal 1936-37.
\textsuperscript{19} A.R. Municipal 1946-47 and 1949-50.
Grants-in-aid to the Shillong Municipal Board constituted a significant part of the total income of the Board. For instance,

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Income of the Municipality (Shillong.)</th>
<th>Total grant</th>
<th>Percentage of grant-in-aid to the income of the Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1936-37</td>
<td>2,34,753</td>
<td>64,461</td>
<td>27.45</td>
</tr>
<tr>
<td>1946-47</td>
<td>3,16,784</td>
<td>51,212</td>
<td>16.16</td>
</tr>
<tr>
<td>1949-50</td>
<td>3,95,408</td>
<td>31,950</td>
<td>8.08</td>
</tr>
<tr>
<td>1959-60</td>
<td>8,33,955</td>
<td>1,32,000</td>
<td>15.79</td>
</tr>
<tr>
<td>1971-72</td>
<td>12,50,453</td>
<td>1,60,894</td>
<td>12.80</td>
</tr>
<tr>
<td>1973-74</td>
<td>31,04,762</td>
<td>14,41,663</td>
<td>46.46</td>
</tr>
</tbody>
</table>

Average 21.12 per cent

In the year 1936-37 - grants constituted 27.45 per cent of the total income of the Municipality. Thereafter, contributions showed a downward trend, so much so that in 1949-50, they constituted only 8.08 per cent of the total income of the Board. In 1971-72, they constituted 12.80 per cent of the total income of


the Municipality. In 1973-74 immediately after the creation of Meghalaya the percentage of grant jumped to 46.46; the percentage was the highest in the history of Shillong Municipality. The reason for the increase of grant-in-aid was due to the fact that the State Government desired to improve the sanitary condition of the town and also its physical appearance. After 1973, the town put up a new face. Encroachments were removed. Roads were widened, parks were improved.

In 1960 the Government sanctioned three types of grants. 22

(i) Grants for general purposes;
(ii) Grants for specific purposes;
   (a) Cash allowance to sweepers
   (b) Pay of conservancy Inspector
   (c) Non-recurring grant for roads
   (d) Maintenance of fire hydrant
   (e) Special adhoc general purposes
   (f) Improving working conditions of sweepers.

Over and above, the grant for "Urban Development Scheme" - including general development purposes was

also accounted under this Head.

(iii) Grants in lieu of Board's receipts credited to Government.

Municipal receipts under the following items were first credited to Government account and subsequently Government returned the equivalent amounts in the shape of grants under heads. They were:

(a) share of stamp duty on transfer of property;
(b) grant in lieu of motor tax;
(c) grant in lieu of cinema show tax;
(d) grant in lieu of judicial fines and
(e) 25 per cent of the total collection of land revenue.

But the Meghalaya Government adopted a simple policy. It gives a block grant for general purposes.

Conclusion.

Grants are divided into general and specific. Specific grant was given to aid a particular service whereas the general grant was a contribution to local funds. In England since 1959 many specific grants like the exchequer grants of 1929 and the equalization grants of 1948, have been replaced by general grants. The same procedure may be followed here also for uniformity in the distribution of grants.
Second, services of national importance should get priority over purely local matters.

Third, as suggested by the local Finance Enquiry Committee, 1950, assignment of more revenue should be preferred to grants-in-aid. However, grants-in-aid should be retained only to redress the inequality of resources. Fourth, the Taxation Enquiry Commission has also suggested certain basic principles to be followed by the State Governments while allotting grants. The commission was of the view that normally general purposes grants should be fixed after taking into consideration their (Boards) own resources, to enable local authorities to meet their legal obligations. This grant should continue for at least three to five years; and specific grants should be given for particular services. In line with the recommendations - the State Government may try to create greater resources for Shillong Municipality, so that in the long run the Board may stand on its own feet.

Further, local bodies should get a recurring annual per capita basic general purpose grant at the rate of 0.75 paise.  

Finally, there should be a basic general purposes grant for all local authorities. This grant should be assured for a reasonable period of years, say five. While fixing the basic general purposes grant, resources, population and area ought to be taken into account. Moreover, it should be seen that the amount of grant is adequate enough so that the local body may be able to discharge its obligatory functions.

Over and above the basic grant, there should be promotional grants which ought to be given to a local authority on the condition that the service is maintained at a prescribed level of efficiency provided it has already exploited all the sources of income indicated by the State Government.


Grants were given for specific purposes such as maintenance of primary schools and the development of roads, water supply and sanitation. These were statutory grants given to the Council under Article 275 of the Constitution of India. The Khasi Hills District Council was not receiving any recurring grants or any grants for general purposes.25

Government grants to District Council have mostly been determined by the fact that since 1962 the State Government handed over in 1961-62 all the primary schools to the District Council, involving a total expenditure of Rs.5 lakhs. In 1953-54, Rs.9,574 was sanctioned as a grant-in-aid for the purpose of primary education. The grant was increased to Rs.9,57,499 in 1963-64, and then to Rs.32,17,674 in 1973-74. In the first decennial period the educational grant rose to 9901.03 per cent, during the second decennial period it rose to 236.05 per cent. Hence the decennial growth rate of grants-in-aid for development of primary education is very impressive in the first decennial period, but there was a great fall in the second decade. In 1953-54 the Council received the following grants:

27. Financial Statement of Receipts for the years concerned.
28. Ibid.
29. Ibid.
<table>
<thead>
<tr>
<th>Purpose of the grant</th>
<th>Amount of grant Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Primary Education</td>
<td>9,574</td>
</tr>
<tr>
<td>2. Improvement of Rural Water Supply</td>
<td>23,800</td>
</tr>
<tr>
<td>3. Grant for Building Construction</td>
<td>3,00,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,33,374</strong></td>
</tr>
</tbody>
</table>

It is clear from the above that the Council in its maiden year got as grant Rs. 3,33,374. In 1963-64, it was increased to Rs. 12,10,649. In 1973-74, there was a great change in the position - the Council got a grant of Rs. 45,36,164. In the first decennial period the total grant rose to 72.46 per cent, during the second decennial period it rose to 274.69 per cent. Therefore there has been a tremendous increase in the grants of Khasi Hills District Council over the past twenty years.

Grants-in-aid to the District Council constituted a significant part of the total income of the Council. For instance, 33

Table - II

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Income (in round figure), Rs.</th>
<th>Total Grant, Rs.</th>
<th>Percentage of grant-in-aid to the income of the District Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953-54</td>
<td>6,33,374</td>
<td>3,33,374</td>
<td>52.63</td>
</tr>
<tr>
<td>1963-64</td>
<td>19,80,565</td>
<td>12,10,649</td>
<td>61.13</td>
</tr>
<tr>
<td>1973-74</td>
<td>57,48,954</td>
<td>45,36,164</td>
<td>78.90</td>
</tr>
<tr>
<td>1975-76</td>
<td>66,22,350</td>
<td>40,44,731</td>
<td>61.08</td>
</tr>
</tbody>
</table>

Average 67.57 per cent.

It is evident from the table above that in the year 1953-54, grants constituted 52.63 per cent of the total income of the District Council. Thereafter, contributions showed a slight upward trend, they constituted 61.13 per cent of the total income of the Council in 1963-64. In 1973-74, immediately after the formation of Meghalaya as a full-fledged State the

33. Source: Figures for 1953-54, collected from Vaghaiwalla Committee report, 1959-60, P.25, and District Council’s reply to the same Committee, P.10, P.115, from 1963-64 to 1975-76, collected from Financial Statement of Receipts for the years concerned.
percentage of grant jumped to 78.90; the percentage was the highest in the annals of the Khasi Hills District Council. In 1975-76, contributions showed a downward trend; they constituted 61.08 per cent of the total income of the Council. The reason for downward trend in 1975-76, in comparison with the year 1973-74 is due to the fact that in 1973-74 the Government had released an additional amount of about Rs.3 lakhs to the Council on account of building grants. It is also clear from the above table that grants-in-aid constitute on the average over 67 per cent of the Council's total income. In other wards the Khasi Hills District Council is far too much dependent on grants-in-aid. We think that this over-dependence on Government grants is not a very healthy sign - because with every grants certain conditions have been attached - which means to a great extent compromise of autonomy.

We think that the Government should not change its grants-in-aid policy towards the District Council at present. If specific grants are replaced by a grant for Financial Statement year ending 31.3.1975.
general purposes then the entire grant will be utilised for meeting the cost of normal administrative expenses. Hence primary education and other development works will be adversely affected.

The State Government had pleaded before the Sixth Finance Commission the necessity for increased assistance for meeting the gaps of normal administration of the District Councils. But the Commission has rejected this demand.35

Finally, as recommended by Vaghaiwalla Committee, a recurring grant, may be given to the Council along with the present non-recurring grant. Introduction of a recurring grant will help the Council in its financial planning as this grant will be a regular source of income.

35. Tour Notes, R.Chandra, Development Commissioner, June, 1975, P.2.