Chapter VIII

Summary, Conclusions and Recommendations

(Chapter wise)

Chapter I
Research Methodology, District Profile And Significance of Local Government.

Introduction
The significance of Municipal finance is too obvious to need any elaboration as no Municipal organization can survive, much less achieve its objectives without at least a minimum of finances. That is why Kautilya, the great Indian philosopher, remarked “all undertakings depend upon finance, hence foremost attention should be paid to the treasury.” Every administrative act of municipal office has its financial implications, either creating a charge or making a contribution to treasury. The importance of finance is so great in Municipal administration that Liyod George is said to have once remarked the ‘government is finance.’ It is generally complained that municipalities all over India fail to function properly chiefly for paucity of funds. This is truer in case of Maharashtra. The Government of India has set up a number of committees and Commissions to go into details of the financial problems of local bodies and suggest remedies for its
improvement. Starting from the Local bodies and suggest remedies for its improvement. Starting from the Local Finance Enquiry Committee in 1951 up to the Rural – Urban Relationship Committee, 2005, all have come to the conclusion that the finances of the municipal governments are in a pitiful shape and necessary measures should be taken to augment their resources.

While the full accomplishment of the existing functions of our municipalities is urgently required, it does not mean that *additional functions* should not be conferred on them till this process is complete. Municipalities must not be treated like school boys who must pass a given examination to be promoted to the next higher class. Local functions constitute a unity, and the absence of one requisite function may affect adversely the management of others that already exist. Health administration is meaningless, without suitable provision for housing. Education will not yield its best results if the children are hungry and ill. People in destitution cannot be made healthy even with the best medical available. In matters of public -welfare we cannot proceed by bisects. That may slouch inefficiency, failure, ' and waste. The thesis focuses on income and its utilization practiced by the various municipal bodies in the Aurangabad district. The objectives/hypothesis set for the thesis is as ahead:-

**Objectives of Study:**
Investigating the Factors affecting the finances of Local Govt
(1) Apprising the Tax and Non-Tax Revenue.
(2) Investigating the facts of expenditure
(3) Knowing the Problems in Recovery of various taxes and present situation
(4) Searching out the Obstacles in receiving and spending the finances
(5) Evaluating receipts and performances of Municipalities

Hypothesis

- There has been a number of hurdles in the growth and development of Municipal functions.
- Problems in Collection and utilization of financial resources by different municipal offices are more or less similar.
- Inputs in Municipality like enlighten leadership, skilled or trained Personnel/labour, adequate capital; managerial skills, Govt. grants etc are not available as per needs.
- The Revenue collection entails much delay and leakages
- Citizens’ satisfaction for civic amenities is given less concern by the municipal administration

Scope of Research Study:

The Municipalities from the Aurangabad District is chosen as universe for study. The Municipalities so selected were visited for conducting interviews with the help of structured and unstructured questionnaires. However, the Aurangabad Municipal Corporation is also included in the study to provide comparative visions on financial and their utilization aspects as between Municipalities at town levels and Municipal Corporation at the city level.
Research Methodology:

Research methodology used for study is both exploratory and descriptive.

Contribution or Impact of work:

This research study is an in-depth exploration based on scientific methods of research for the purpose of understanding the problems of income and expenditure confronted by the various municipalities for their agreeable solutions. There have been a number of hurdles in the finance utilization for growth and development of the municipal functions. If these are removed or minimized, the municipalities would be much benefitting to the citizens; moreover its potentialities to provide employment and social linkages are irrefutable. The findings of this research may be expediently universalized elsewhere where the analogous settings exist on par with the selected research universe.

This chapter also deals with history of local self govt. in Aurangabad District and profile of the District having direct or indirect concern to the state of the municipal affair and finances. The second part of the chapter accounts the Characteristics of Local Government under the captions :- Local Area, Local Authority, Civil amenities for local inhabitants, Local Finance, Local Autonomy, Local participation, Local Leadership, Local Accountability, Local Development, Meaning of Municipal Government.

Nature and Scope of Urban Local Government is explained in contest of Urbanization and Urban problems, Structure of urban
Significance factors influencing LSG Finances focused are discussed. These factors are School of Democracy, Platform for Political and Popular Education and Training, Promotes Spirit of Liberty and Equality, Effective Solution to Local Problems, Provides Civic Services, Reduces the Burden of Work of State / Central Government, Laboratory for experiments and testing Government Policies, Control and Check against Bureaucracy, Municipal finances, Municipal Bureaucracy, Role of Political Parties, Comparative Urban local government infrastructure. Instrument of political and popular education, School of Democracy, Training Ground for Emerging Leaders, Solution of local problems in effective manner, Provision of civic amenities Economical management of local services, Reduction in the burden of Central Government, Efficient and Effective management of local affairs, Channel of Communication between the State Government and the Community, Check” against Bureaucracy and Mitigation of the evils of party system.

Local government means the administration of the affairs of a locality in urban and rural areas by the people through their elected representatives. The chief characteristics of an urban local government institution are: that its jurisdiction is limited to a specific area and its functions relate to the provision of civic amenities to the population
living within its jurisdiction. In order to facilitate this, the LG has to raise the funds through tax and non tax sources.

The significance of urban local government lies in the numerous benefits that it provides to the inhabitants of the area in which it operates in. It functions as a school for democracy wherein citizens are imparted political and popular education regarding issues of local and national importance. It develops qualities of initiative, tolerance and compromise—so essential for the working of a democracy. It not only relieves congestion at the centre but it also checks the increasing powers of bureaucracy. It stands positively for distribution and diffusion of powers leading to administrative deconcentration and political decentralization. It opens an outlet for the articulation of lesser groups in a large society. Being close to the original base, it finds solutions for local problems. It provides facilities for minimum basic needs. It serves as a reservoir of talents for local and national leadership.

In order to perform its functions effectively, it is necessary that every local government unit be provided with adequate finances. The services provided to the local inhabitants are largely financed out of finances raised locally. The local inhabitants are required to pay taxes imposed by the concerned local authority. The Central and state governments render them financial aid through a system of grants-in-aid and permission to raise loans to enable them to perform the tasks assigned to them.
It is however, noticed that though the LSG authorities have been given the responsibility to run the local government, they are neither sovereign nor self-created entities and they will have to depend upon the state government for their powers and functions.

The local participation through elected councilors endeavor to streamlines the municipal administration, municipal funds spending and municipal functions for the benefit of residents only and it may create the feeling of local harmony, only when the Local leadership emerging in the form of elected councilors is expedient to make use of the municipal funds publicly

**Significance of LSG Related to its finances:**

Municipal government and administration is no longer a simple affair. It has become quite complicated and complex with the phenomenal increase in the process of urbanization and consequent spurt in the demand for more and more funds to solve the problems and the to increase in their functions. In the post-independence period, it was envisaged that in the new set up local bodies as instrument of national policy would be used more and more and there would be steady increase in the municipal funds and functions. In the first Five Year Plan, the Planning Commission's thinking was that the general direction of policy should be to encourage self-financing and governing bodies and to assist them in assuming responsibilities for as large a portion of the administrative and social functions as possible. Accordingly, the local governments are called upon not only to provide for civic services and facilities like water supply, sewerage, transport, health and sanitation,
recreation etc. but also to carry out the programmes of national development through the funds collected from the local sources. Their responsibilities have consequently increased manifold for obtaining the funds through the tax and non-tax sources, providing better conditions of living, ameliorating the lot of the urban poor etc. and to ensure adequate infrastructure and suitable administrative and managerial structure to cope with the urban problems of unprecedented nature and magnitude. The scope of local governments has thus very wide range areas including use of finances obtained locally. The Importance of Municipal Government lies in sustaining the democracy based on the financial self-sufficiency. If democracy has to function properly, as many citizens as possible should honestly contribute local subscription to take a continuing interest in its activities and problems. In a democracy, people have to work with great patience and perseverance. In the end, we may find that the progress achieved under such democratic methods is more firm and more solid than under a totalitarian set up.

CHAPTER – II
MUNICIPAL GOVERNMENT AND FACTORS AFFECTING THE FINANCES

Suggestions for Augmenting Municipal Finance:

Municipal Bodies all over the country are in great financial crisis. Municipal finances therefore need to improve urgently to enable the
urban local bodies to perform their multifarious duties and functions effectively. The following suggestions in this regard may be useful.

- One of the reasons for poor municipal finances is the shyness on the part of local government to levy taxes and when it has to, it keeps the rate quite low; added to this is the sluggish and partial collection of whatever taxes are there. Local Fund Audit Reports are replete with instances of poor collection and heavy arrears. The causes for the failure to levy and collect taxes are the reluctance on the part of the elected council to incur the displeasure of the electorate, loose administration and unwillingness on the part of municipal authorities to make use of the coercive process provided for by the law. The Taxation Enquiry Commission had viewed inefficiency in assessment and collection of taxes. Hence, it is recommended, as a solutions:-

- That all municipal bodies should have Chief Executive Officers empowered to invoke all coercive processes to enforce recovery of taxes;

- That there should be provision for incentives also in the form of rebates for prompt payment

- That a person in arrears of the municipal dues should be disqualified from seeking election to the local body, and
That the services of Municipal police (deputed from the State department of Police) can be made use of in collecting of the taxes, preventing encroachments and checking the evasion of octroi.

Maximum Utilization of existing resources: - Property-tax should be earmarked for municipal bodies and evaluated by a Central Government agency as is done by the Inland Revenue Authorities in U.K. It should be made mandatory, and freed from shackles of the Urban Rent Restriction Law and the Central Government property should not be exempted from this tax.

Octroi on agricultural produce should be re-imposed, as its exemption has resulted in heavy loss of revenue. Industrial goods should be exempted from octroi for a limited period only and the municipal bodies equitably compensated by the government for the loss. Goods belonging to state undertaking, including the State Electricity Boards should not be exempted from Octroi. Before granting any exemption from taxation or reduction in the level of any tax, the municipal body concerned should be consulted. The levy of octroi on uniform scheduled rates should be made compulsory which should be periodically revised in keeping with the rise in prices in consultation with the municipal bodies.

The urban local bodies should be assigned the entire proceeds of taxes which are essentially local in incidence;
- Municipal bodies should take up remunerative enterprises, which would create permanent assets, yielding perennial non-tax revenue. For this purpose, they should be given liberal loan assistance on low interest rates and rendered necessary technical assistance free of cost. The debt of remunerative enterprises should be a charge on the revenue derived from them. There should be staggering of dates for payment of installments for the repayment of loans at least for such period till the enterprise really becomes remunerative subject to a maximum of five years.

- The expenditure general administration and collection of revenue of municipal bodies is on high side. For example, it is 24.9 percent in Rajasthan, 24.4 percent in Punjab against All India level of 11.6 percent. This shows that the administrative and revenue collection machinery is an expensive one and there is a great deal of extravagance on establishment. The State governments therefore should direct the municipal bodies that they should not incur more than a certain percentage of expenditure (12.5 percent) on general administration and collection of revenue and for good and sufficient reasons to be placed on record of a committee may raise this limit by another 2.5 percent. This stipulation needs to be strictly enforced by invoking the provisions of relevant sections of the Municipal Act in cases where persuasion fails to achieve the desired results. Economy can also be effected by setting up an independent agency (Municipal Works Department under local government) for the execution of municipal works as at present substantial amount of their income (13.0 percent) is spent as departmental charges of the Public Works
Department. Similarly the state government by providing centralized system of municipal purchasing of supplies, material and equipment through a state agency can ensure economy and the availability of goods of highest quality. Municipal bodies should also be equitably exempted from contribution to provincial zed schools in view of their extremely precarious financial position coupled with the fact that they have no share in the administration of these institutions.

- Municipal fees should be made an effective instrument of municipal finance and their rates should be adequately increased on uniformity patterns. License fees in particular for offensive and dangerous trades should be levied on a sliding scale. Steps should also be taken for effective assessment and collection of fees and to plug leakage of revenue. Similarly in order to utilize the resource potential from municipal properties to the maximum, municipal bodies should raise the rents on municipal properties particularly, (say, every five years) in view of rise in the level of prices, collect them on the basis of prescribed rates, avoid unreasonable remissions, and take all coercive measures for their realization.

- The state governments should seriously consider the setting up of a Revolving Fund to assist local governments in financing programmes of urban development such as acquisition and development of land, construction of houses, widening of existing roads, construction of new ones, supply of utility services, provision of open spaces, parks, playgrounds etc. All these entail huge initial capital, which is evidently beyond the capacity of even big municipal corporations to
ascend. Revolving Fund basically means to revolve the initial working capital in such a way that it yields a handsome return on investment, which along with the working capital is again ploughed back with a view to securing increasing return in each cycle of investment. In the jargon of accountancy, it means “a fund from which moneys are continuously expended, replenished and expended. The idea underlying a revolving fund is that the completion of a programme or scheme financed out of it makes possible the recovery of the original outlay, which then becomes available for financing new schemes. Therefore, the fund revolves. The swifter the speed at which the fund revolves, the larger shall be the volume of schemes executed from it over a period. If the fund brings back to itself, as it must, something extra in the form of interest and profits, it continually enlarges itself and is thus enabled to undertake business on a still higher scale. It is obvious that only such schemes as are truly remunerative in the strict business sense shall be chosen to be financed out of the revolving fund.

- The Rural – Urban Relationship Committee has suggested the setting up of a Municipal Finance Corporation in each state to advance loans to the municipal bodies to meet the capital needs of municipal enterprises such as city transport, milk supply, electricity, cinemas, hotels and the like. The Corporation could have an authorized capital of rupees ten crores or more to be subscribed by the Government of India, the Reserve Bank of India, the Life Insurance Corporation, Commercial Banks and other financial institutions as also the local bodies. IT should be run on commercial lines and should have the
power to issue debentures and raise market loans under the guarantee of the Union Government.

- An Urban Development Finance Corporation could also be set up to finance the municipal development plans and programmes. It is argued that such a corporation would be better equipped to tap additional resources and to give special attention to the requirements of municipal programmes. The United Nations has also supported the demand for such a Central Loan Agency and observed. “Such an agency would not only provide loans to local authorities at reasonable rates but could also give technical advice on individual projects and spur long term physical planning at the local level.

- The above-mentioned arrangements would be useful to a limited extent of financing the remunerative and self-liquidating projects, but for financing the social infrastructure investments in the field of education, health, housing etc. What is needed is combination of loans and grants, which can be provided only by the central and state governments.
CHAPTER III
AN ANALYSIS TAX AND NON-TAX REVENUE OF MUNICIPAL GOVERNMENT

The chapter highlights the numerous conceptualities of local finances as perceived by the various experts and researcher herself. There are a variety of sources of income /receipts to municipal councils. All these sources are with some legitimate nitty-gritty; the same are discussed in the chapter in order to know their deficiencies or limitations. The data on tax and non tax revenues, Grants, loans, subsidies and other sources of receipts to the various municipal councils from the Aurangabad Dist is analyzed and significant observations in this regard are noted in the chapter. Truly, the Municipal councils are in short of receipts and hence endeavors are made to suggest a few remedies to that. The cases of AMC –Aurangabad Municipal Council is referred to point out in what way the municipal councils are lacking or are par with the AMC. Revenue Pattern of the Municipal Governments in Maharashtra is discussed briefly. The basic problem with the Indian municipal system of government and administration today is "economic or financial chaos" and "financial bankruptcy". The economic /financial difficulties of municipal councils in India may be attributed to the following:
(a) Physical and economic deterioration of the core cities where slums have sprung up
(b) Suburbs with rapidly rising population have run into financial problems. Their tax resources are small in relation to needs and demands of the urban communities.

Sources of Income to Municipalities:

Constitutionally, local bodies in India as discussed earlier have not been provided with separate list of taxes and they have therefore to be at the mercy of the state government for their financial resources. Consequently, there is a universal complaint that local bodies, which are responsible for managing city services, are not having adequate resources to justify their existence.

1. Income from Taxation:
2. Income from non tax Revenue i.e. fees, rent, penalties
3. Grants in aid: General purpose –
4. Loans:

The power of taxation as available to the municipal authorities is “delegate” power, which originally belongs to the state governments. Moreover, there is an increasing tendency on the part of the state governments to encroach upon the traditional municipal tax – field. In the mid-fifties, it was only Assam government which had encroached into the municipal tax field by levying professional tax but now a days the picture of state intrusion is dismal and dark, as in case of eight out of ten items, the state governments are levying parallel taxes. Thereby, rendering the municipal authorities helpless fiscal impotents. “This tendency on the part of the state governments to encroach upon the tax field of municipalities had been criticized long back by the Taxation Enquiry Commission 1953-54”. Rural-Urban Relationship Committee
was also not in favour of state governments encroaching the tax base of municipalities” . . . Today also the same situation is continued where the state has intrusion. Infact the remedy does not lie in appropriating to the state governments an area of taxation that legitimately belongs to local authorities and thereby crippling their meager resources”

**Recovery of Taxes:**

It is seen from the data given in the forgoing tables on the different types of tax recoveries that the recovery of taxes is difficult task that has been shouldered by the municipal govt. at all the times . The following things are noticed as respect to recoveries of taxes

- The taxes many times are kept pending by the assesses in an anticipation of their total or partial exemption
- The pending taxes are difficult to recover through the court of law or selling the properties of the defaulters after the court order. The defaulters are happened to be influential personalities and normally nobody is willing to purchase their confiscated properties. It keeps the over due taxes un-recovered permanently.
- Many times it is experienced that the cost of the recovery of taxes from the defaulters is more than the amount due as tax.
- The normal recurring rate of un recovered taxes is 40 to 50 percent of the demand . This is direct loss to the municipal Govt. Despite there are many legal provisions or Acts in the favour of the municipal Govt., the taxes are being recovered slowly went in to default categories. The following legal provisions made for streaming the work of tax recoveries
If the taxes are to be recovered without delay, the following measures may be practiced

- There is a need of installation of strong computerized Management Information System in the municipal Govt. so as to watch, coordinate and control the process of the tax recovery
- Sufficient incentives may be given to employees in recovering the overdue taxes from the defaulters
- The work of the recovery of some taxes may be given outside agencies on contract.
- The names and address of the defaulters for taxes shall be published quarterly in any Local newspaper

Non – Tax Revenue:

The primary purpose of collecting fees and fines is regulation and control of trade, markets, industrial establishments and eating-places, rather than resource mobilization. This is known as non – tax revenue. In Maharashtra, Local bodies are authorized to make revenue from the following non – tax resources:

(i) Rent of lands, buildings, Sarais, Dharma Salas, Countries, Dukbungalows, etc.
(ii) Sale proceeds of lands and produce of lands;
(iii) Sale proceeds of unserviceable articles;
(iv) Interest on Investments – (1) for depreciation fund, (2) for sinking fund (3) Other purposes;
(v) Remunerative Schemes, like pisciculture, markets, transport service etc. Leasing Out Market Places,
(vi) Slaughter Houses and processing of animal waste,
(vii) Construction of Commercial Buildings and their sales
(viii) Rent on Exhibition Grounds, Stadium etc.
(ix) Fees for use of Swimming Pools, Garden, play ground and Other Municipal Properties.
(x) Penalties for use of traffic road for personal use or encroachment on such roads
(xi) Additional License fees for liquor sales
(xii) Fees for the collection of garbage from the hotels, restaurants, etc. in proportion to payment of sales tax remitted preceding year of the fees demand
(xiii) Receipts from fees and fines in the case of the activities harassments to residents, for example use of public places human/animal waste, using the open space for latrines, Using the loud speakers, etc.
(xiv) Incomes from remunerative enterprises and miscellaneous sources.

Revenue Pattern of the Municipal Governments in Maharashtra:
After discussing on the major sources of revenue on which municipal bodies in Maharashtra depend for their income, we may now briefly review some of the trends, which have been observed in the revenue of the municipalities. Our analysis will be based on the perception of officials of the municipal councils in the experience survey and available financial data in the office.

- There is a big fall in the percentage of non-tax revenue to the total revenue during the period of our study. In addition, the percentage of revenue in case of grants and loans showed a gradual increase from
one decade to the other. However, the average percentage of tax revenue to total revenue per decade was found to be little more than that of the average revenue from grants and loans, which is quite negligible. However, the reason for this is that in 2001-03 urban bodies got very low revenue from grants-in-aid, which could show a rise in revenue from taxation in average.

- It is clear from the above analysis that urban governments in Maharashtra had depended for their revenue more on financial grants than on tax and non-tax resources. Not only they had failed to augment their revenue from taxes, but also they had become incapable in raising revenue from non-tax sources.

- The reason of low yield of revenue of urban bodies from taxation are many, such as, non-imposition of a number of prescribed taxes, fixation of low rates of the taxes, improper assessment of holdings, and in-efficiency in collection of taxes.

- Moreover, revenue from non-tax resources were very meager, mainly because urban bodies do not have adequate scope for exploiting them as some of the tanks, markets, ferries and pounds existing within municipal area belong to the State Government. As such, urban governments fail to utilize them in augmenting their revenues.

- The Property tax includes general tax on lands (non-agricultural) and buildings or house tax as well as service tax viz. tax on supply or distribution of water, electricity and conservancy services. In India in
2006-07, this tax had contributed to the tune of 47.6% to the total tax revenues of the municipalities. Today (2006) In Maharashtra, “property tax occupies the most significant position and along with the service tax it is fielding almost 75% of the total tax income.”

- On the other hand, revenue from license and other fees do not reveal any remarkable increase although there had been unprecedented rise in the number of bi-cycles, rickshaws, trolleys within the city. The Similar is the position with the revenue derived from Municipal property,

- It is found from the available data that till 1960-61 the Municipal Councils in A’bad Dist. had depended more upon government grants and loans for augmenting its revenue. Its revenue from tax resources was little high for few years than the revenue from the grants and loans. However, there was remarkable rise in its tax-revenue between 1995-onward over the increase of revenue from grants and loans. In other words, the Municipal Councils in A’bad Dist. had received more than 60 percentage of its revenue from taxation and only 40 percent of its revenue from tax resources, non-tax resources and grants and loans can well be seen from the statistics

- From the previously mentioned figure, it is evident that the revenue derived from non-tax resources by the Municipal Councils in A’bad Dist. during the period of our study was quite negligible. Moreover, the Municipal Councils in A’bad Dist. had failed constantly to exploit the non-tax resources in order to augment its revenue.
CHAPTER – IV
FUNCTIONS CARRIED OUT BY MUNICIPAL GOVERNMENT IN AURANGABAD DISTRICT

The income and expenditure on the needs of inhabitants of the town or city are two significant facets that come across while studying the finances of the municipal councils. Up till now we have taken an account of income and expenditure of the municipal councils. However, these input i.e. income and subsequent expenditure may produce good results if they are used for the civic needs/demand from the city dwellers. The municipal council hence has to execute some mandatory and some non-obligatory functions, which are instrumental for contented living of the citizens. The chapter takes an account of all such functions that have been executed with the help of finances. The utility of expenses that have been made by the municipal councils is envisaged all the way through the actual work done or functions discharged coupled with the satisfaction of the citizens for whom the expenditure is made. The endeavors have also been made to evaluate that how far the city dwellers are being satisfied with the expenditures made by the municipal councils from the Aurangabad District. While evaluating the satisfaction echelons of citizens of the municipal councils, a technique or modus operandi of the experience survey was used.
An Evaluation of satisfaction of City dwellers:

The following facts are derived from the survey

- The majority number of town dwellers did not aware of the functions or duties of their municipal councils and hence they did not responsive to the questions, which were asked to them in the survey.
- None of the respondents was fully satisfied for the functions that have been so far discharged by their municipal councils
- Very few respondents were partly satisfied over the functions so far discharge by their municipal councils.

In nutshell, the municipal councils from the Aurangabad District fail to satisfy the town dwellers by emancipating their duties and functions.

Causes of Poor Performance of the Municipal Councils in A’bad Dist.:

While we asked an unstructured question to the sample respondents on the causes of poor performance of the Municipal Councils in A’bad Dist., we got the responses which we have computed for the purpose of the study and have presented the same in the following table
## Causes of poor performance of the Municipal Councils in A’bad Dist. as attributed by the Citizens

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Causes</th>
<th>Total No. of Respondents</th>
<th>No. of Citizens attributing the cause</th>
<th>% to total No. of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chairman and Councilors work with vested interest</td>
<td>300</td>
<td>216</td>
<td>72</td>
</tr>
<tr>
<td>2</td>
<td>Voters are not vigilant</td>
<td>- do -</td>
<td>210</td>
<td>70</td>
</tr>
<tr>
<td>3</td>
<td>Absence of voter control over Councilors</td>
<td>- do -</td>
<td>210</td>
<td>70</td>
</tr>
<tr>
<td>4</td>
<td>Lack of Government’s Supervision</td>
<td>- do -</td>
<td>156</td>
<td>52</td>
</tr>
<tr>
<td>5</td>
<td>Councilors and Chairmen are not efficient</td>
<td>- do -</td>
<td>144</td>
<td>48</td>
</tr>
<tr>
<td>6</td>
<td>Local representatives are indifferent to municipal functions</td>
<td>- do -</td>
<td>126</td>
<td>42</td>
</tr>
<tr>
<td>7</td>
<td>Municipal employees are instance</td>
<td>- do -</td>
<td>114</td>
<td>38</td>
</tr>
<tr>
<td>8</td>
<td>Municipal employees are inefficient</td>
<td>- do -</td>
<td>72</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field Survey
As shown in the aforesaid table, the respondents referred to a number of causes for the poor performance of the Municipal Councils in A’bad Dist.; such as, Chairman and the Councilors worked with vested interests; voters were not vigilant; there was absence of voters’ control over Councilors; lack of proper supervision by the State Government; inefficiency of Councilors and Chairmen, and indifference of local representatives. However among them 70% respondents attached importance to the vested interest of the Chairmen and Councilors, non – vigilance of voters, and absence of voters’ control over the Councilors as being the principal causes for the poor performance of the Municipal Councils in A’bad Dist. The same question was asked to the sample official respondents in an unstructured manner and the response have been computed in following table

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Causes</th>
<th>Total no. of respondents</th>
<th>No. of official attributing the cause</th>
<th>% to total No. of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Citizens are not vigilant</td>
<td>100</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>2</td>
<td>Undue interference of the Councilors</td>
<td>- do -</td>
<td>78</td>
<td>78</td>
</tr>
<tr>
<td>3</td>
<td>Lack of coordination in</td>
<td>- do -</td>
<td>76</td>
<td>76</td>
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<td>the work</td>
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<td></td>
</tr>
<tr>
<td>4</td>
<td>Absence of voter’s control over Councilors</td>
<td>- do -</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td>5</td>
<td>Undue Political Pressure</td>
<td>- do -</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>6</td>
<td>Councilors work with vested interest</td>
<td>- do -</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>7</td>
<td>Lack of strong executive</td>
<td>- do -</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>8</td>
<td>Employees are insincere</td>
<td>- do -</td>
<td>62</td>
<td>62</td>
</tr>
</tbody>
</table>

Source: Field Survey

It is found from the above table that the officials attributed a number of causes for poor performance of the Municipal Councils in A’bad Dist., such as, citizens were not vigilant; there was undue interference by the councilors; lack of coordination in the work; absence of voters’ control over Councilors; undue political pressure on officers; vested interests of the Councilors; there was lack of strong executive and that employees were insincere. Quite a large number of respondents put forward causes, such as, non – vigilance of the citizens, lack of coordination in the work and undue interference of the Councilors in the work for the poor performance. When we compare the causes attributed for poor performance of the Municipal Councils in A’bad Dist. given by both the citizen and official respondents we find that most of them referred to certain common causes, namely, lack of vigilance on the part of the citizens, absence of voters’ control over councilors and vested interest of the Councilors.
CHAPTER V
INVESTIGATING THE FACTS OF EXPENDITURE PATTERN OF MUNICIPAL COUNCILS

The total expenditure of the municipal councils is alienated as revenue and capital expenditure. The former is often larger than the latter. The same is evident from the following graph.

The per capita total expenditure incurred per annum by all the municipal councils in the district is worked out to be Rs. 1283, while for the AMC it is Rs.1633. Amongst the Municipal councils the Vaijapur MC has the maximum (Rs.2110) per capita total expenditure, while Kannad has the lowest amounting Rs. 832. Considering the per capita expenditure of the various municipal councils and the AMC together, the overall magnitude of the expenditure comes into view to be deplorable. In terms of time, its (per capita) deplorability can be found to be deepening when it is compared with the 365 days in the year.
Expenditure Pattern of the Municipal Councils:

Following the general pattern of expenditure of urban local bodies in Maharashtra, the Municipal Councils in A’bad Dist. allocates its expenditure to both development and non-development heads. The development expenditure comprises items of expenditure on public health, public safety, medical, public works, public conveniences, public instructions and so forth. The non-development expenditure items include expenditure on General Administration and collection charges, repayment of loans, miscellaneous subjects, advance, deposit and law charges. The expenditure of Municipal Councils in A’bad Dist. on different heads is discussed in the experience survey with the officials shown in Table No. 5.18 In the opinion survey of 50 officials, (selected by using judgment sampling technique from all the municipal councils), the respondents were asked to score an intensity of expenditure in the scale of 1 to 5, one being very high and 5 being a least. The responses so received are summarized in the Table No. 5.18. The gist of the responses is as ahead:

- It is told by all that during the last five years the revenue expenditure increased more than 10 times without any quality additions in to the services provided. The Public Health and Public Works had claimed a major share from the municipal expenditure stream. There had been remarkable rise of expenditure also on Public Safety, Public Convenience and Public Instruction.

- The reasons of such rapid increase in expenditure may be attributed to the accelerated pace of urbanization and the growth of urban population in.
• It is further found that whereas the total magnitude of expenditure had increased by 10 times, the expenditure on general administration and collection had gone up more than 25 times during this period.

• Over the period under study, the expenditure on Public health had increased gradually, by 2001 in Vajapur, Khulatabad and Paithan it became about 6 times, of what it was in 1999.

• Further, during the same period, expenditure on public works had increased by five times in all the municipal councils, except a striking fall in respect to Gangapur MC. This was because, this Municipal Councils neglected the road construction and repairs work during this period.

• It is observed that the Municipal Councils in A’bad Dist. had given sufficient importance on public convenience as the expenditure on it had gone up by 18 times during the period of our study. In addition, expenditure on public instruction had increased by 1267 times during this period. It was chiefly because of opening of new primary schools under the general drive to spread free universal education and providing of necessary facilities to the school going children.
Enormity of Expenditure as experienced by the sampled officers
(N=50) from the Municipal Councils in A’bad Dist.

(In Lakhs of Rupees)

<table>
<thead>
<tr>
<th>Heads of Expenditure</th>
<th>High</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Low</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Administration &amp; Collection Charges</td>
<td>42</td>
<td>20</td>
<td>16</td>
<td>14</td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>Public Health</td>
<td>40</td>
<td>22</td>
<td>14</td>
<td>16</td>
<td>8</td>
<td>100</td>
</tr>
<tr>
<td>Public Safety</td>
<td>02</td>
<td>08</td>
<td>10</td>
<td>38</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>Medical</td>
<td>02</td>
<td>08</td>
<td>10</td>
<td>32</td>
<td>48</td>
<td>100</td>
</tr>
<tr>
<td>Public Works</td>
<td>39</td>
<td>23</td>
<td>10</td>
<td>18</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>Public Convenience</td>
<td>02</td>
<td>08</td>
<td>10</td>
<td>28</td>
<td>52</td>
<td>100</td>
</tr>
<tr>
<td>Public Instruction</td>
<td>02</td>
<td>08</td>
<td>10</td>
<td>38</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>Repayment of Loans</td>
<td>08</td>
<td>14</td>
<td>10</td>
<td>28</td>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>Miscellaneous</td>
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<td>08</td>
<td>10</td>
<td>28</td>
<td>52</td>
<td>100</td>
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<tr>
<td>Advance</td>
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<td>08</td>
<td>10</td>
<td>20</td>
<td>62</td>
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<td>08</td>
<td>10</td>
<td>32</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Compiled from the experience survey

- Further we find that in spending its funds the Municipal Councils in A’bad Dist. had not given due importance to provision of medical facilities, because the expenditure had increased only by four times, with a fall. This was because in the cities, the people had depended for their treatment more upon the Medical College
Hospital at Aurangabad, the City Hospital and a number of good private Nursing Homes and Dispensaries than upon the Municipal Dispensaries.

- The expenditure upon repayment of loans had increased by 7 to 10 times and on miscellaneous items by 5 to 10 times during the period of the study. It is difficult to pass on any specific reasons for this as the accounts on such heads had not been properly maintained by the office of Municipal Councils. It is evident that the Municipal Councils in A’bad Dist. had given significant attention towards the welfare of its employees as the expenditure on giving an advances to employees had gone up by 30 times during this period. Interestingly, investment expenditure on the head of deposits had increased significantly.

**Financial Deficit/Surplus:**

**Table Showing the Average Annual Revenue and Expenditure of the Municipal Councils in A’bad Dist. during 2000-2006**

*(In’00000 of Rupees)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expenditure</th>
<th>Deficit(-) Surplus (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>996.44</td>
<td>998.12</td>
<td>(-) 1.68</td>
</tr>
<tr>
<td>2001</td>
<td>137.53</td>
<td>142.16</td>
<td>(-) 4.63</td>
</tr>
<tr>
<td>2002</td>
<td>153.61</td>
<td>152.98</td>
<td>(+) .63</td>
</tr>
<tr>
<td>2003-6</td>
<td>3958.52</td>
<td>1825.43</td>
<td>(-) 2.22</td>
</tr>
</tbody>
</table>

Source: - Collectorate of Aurangabad Dist. & collected data from the office record of the municipal councils
The above table reveals that the Municipal Councils in A’bad Dist., in general had been running in deficit. It had failed to augment its revenue both from tax and non-tax sources. All the time, the Municipal council had sought for more governmental grants for providing the public utility services in adequate quantity. Due to paucity of funds, the Municipal Councils in A’bad Dist. had largely failed in providing for developmental schemes like slum improvement, letter drainage and sewerage schemes, pucca roads, public parks, reading rooms, public library and transport facilities within the city.

General Public (300 respondents) and Officials experts (100 respondents) Opinion:

This part of our study is based upon the response of 300 sample citizen respondents and of 100 sample respondents from among the officials. In this respect the question put forward to the citizen respondents and the official respondents in two separate questionnaire forms was whether they were satisfied with the revenue position of the Municipal Councils in A’bad Dist.. From amongst the 300 citizen respondents 249 (83%) and from 100 official respondents 73 (73%) were of the opinion that the financial position of the Municipal Councils in A’bad Dist. was not sound. They also provided the reasons for poor financial position of the Municipal Councils in A’bad Dist.

It is evident from the above data that 80.7 percent of the citizen respondents felt that less adoption of remunerative projects was the cause of poor finance of the Municipal Councils in A’bad Dist., whereas about more than 70% of them felt that it was due to less exploitation of non-tax
sources, inefficiency in collection of taxes and inadequate governmental grants to the Municipal Councils in A’bad Dist.

**Officials Opinions:**

It is clear from the survey data that 70% of the total official respondents felt that inadequacy in undertaking remunerative projects, lesser exploitation of non-tax sources and meager collection of taxes were the main reasons for the poor financial condition of the Municipal Councils in A’bad Dist. Further, about 55 to 60 percent of them felt that low rate of taxes, citizen’s reluctance to pay taxes and inadequate governmental and were responsible for this poor financial condition of the Municipal Councils in A’bad Dist. Thirty of them said that non-availability of loans in low interest, undue exemption of taxes and limited taxation power of the Municipal Councils in A’bad Dist. were the causes of its poor financial condition.

The above analysis leads us to the conclusion that most of the citizen respondents and official respondents were dissatisfied with the financial condition of the Municipal Councils in A’bad Dist.. The respondents in both the groups have attributed such condition to certain common causes like, less adoption of remunerative projects, little exploitation of non-tax sources, and inadequacy of governmental grants which they held responsible for the unsound financial position of the Municipal Councils in A’bad Dist.

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CHAPTER – VI
MUNICIPAL PERSONNEL ADMINISTRATION AND ITS INFLUENCE ON FINANCES

“A municipality is a unit of local government which forms a subsystem of the political system at the State and National level. Considering from the standpoint of its own jurisdiction a municipality can be viewed as a small political system, which exists and functions in interaction with its environment. The behavior of a municipal system is both purposeful and goal-oriented. Like any other political system, it has to carry out the functions of espousal pattern of maintenance, integration and goal attainment. For this purpose, every municipal system has to perform a variety of functions through the mechanism that constitutes the structure of the system. The municipality is subject to the input – output process in response to demand from the environment/citizens for civic services. It responds to the demand for amenities and other urban conveniences through its output transactions. These transitions are facilitated by funds procured from the various sources like tax/non tax,
govt. grants, subsidies etc. The elected councilors /authorities, employees in the municipal organization are the main players in shaping the nature, scope and system of fund procurements and their utilization. In other wards, the input has three leading elements i.e. 1.) Funds available, 2.)Elected members/authorities and 3.) Administration/employees. The latter two elements i.e. elected members and administration/employees influence the former i.e. funds procurement and their utilization. The functions i.e. utilization part of finance or output, which it has to perform in the output process, are necessarily dependent on a elected members and employees which are the part of the municipal structure made up of legal and non – legal institutions. In this chapter, our objective is to make a probe into the Elected and Manpower structure of municipalities in Aurangabad District and the way in which the structural elements (elected councilors and personnel) perform the financial and physical functions. Our attempt will be to analyze the structure – functional framework of municipalities affecting finances and their utilization in the Maharashtra in general but at the same time to bring special focus on the structure and functions of the Municipalities from the Aurangabad District in particular.

**Municipal Councils and Elected Members:**

Municipal council is the governing body of municipality. It is collectively responsible for municipal administration and for the exercise of all the legislative powers authorized by law. As the local legislature, it gives expression and effect to the will of the civic community through its meetings and resolutions. Besides, it makes bye-laws governing place and time of council meetings, the manner of giving notices, the conduct
of meetings, preservation of order and decorum in them and the powers which the Chairman may exercise for the purpose of using his rulings. It also frames byelaws governing the constitution, powers and functions of sub-committees. It has the power to pass a no-confidence motion against the President and send it to the Government for approval. It passes the budget and formulates resolutions for the effective and efficient implementation of various items included in the budget.

The council exercises control over the administrative staff and as such supervises and investigates into the functioning of the various departments of the municipality. It can, with the prior approval of the Government, impose and collect a variety of taxes, license fees etc. and raise loans and undertake remunerative enterprises. It has thus an effective voice in laying down the policy, deciding the level of taxation and budget formulation.

The council also enjoys some punitive powers as it can take action against those who are guilty of causing public nuisance by selling adulterated and unwholesome food-stuffs and other consumable articles or are guilty of plying unlicensed vehicles. It can also forbid the use of buildings declared unfit for human habitation etc.

The councilors are expected to keep themselves in touch with the citizens and enquire about their grievances against municipal bureaucracy and bring the same to the node of the appropriate administrative head and/or raise the matter in the council. Besides, in the performance of their role as local leaders, they have to encourage public
participation in municipal affairs and enlist the cooperation of the people, as enlightened and active cooperation and participation in the affairs by the people would go a long way in generating consciousness and civic pride for building up a sound and responsible municipal administration.

**Powers, Authority and Responsibilities of Municipalities:**

A perusal of the functions assigned to the municipalities (Twelfth Schedule of the Constitution) shows that the municipalities shall not confine themselves to mere provision of civic amenities but also play a crucial role in the preparation of plans for local development and in the implementation of development projects and programmes including those specially designed for urban poverty alleviation. Twelfth Schedule of the Constitution lays down the following responsibilities to the municipal councils

1) Urban Planning including town planning;
2) Regulation of land use and construction of buildings;
3) Planning for economic and social development;
4) Roads and Bridges;
5) Water supply for domestic, industrial and commercial purposes;
6) Public Health, Sanitation conservancy and solid waste management;
7) Fire services;
8) Urban Forestry, protection of the environmental and promotion of ecological aspects;
9) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded;
10) Slum improvement and upgradation;
11) Urban poverty alleviation;
12) Provision of urban amenities and facilities such as parks, gardens, playgrounds;
13) Promotion of cultural, educational and aesthetic aspects;
14) Burials and burial grounds, cremations, cremation grounds and electric crematoriums;
15) Cattle ponds, prevention of cruelty to animals;
16) Vital statistics including registration of births and deaths:
17) Public amenities including street lighting, parking, bus stops and public conveniences;
18) regulation of slaughter houses and tanneries.

The geographical area of the municipal council and population residing in the area are the two crucial points, which may primarily influence the size of municipal income to be derived from both the tax and non-tax sources. If the hinterland and core municipal area is richly flourishing with industries and economic activities amidst the sufficiently available natural resources, it without doubt makes municipal council stronger in procuring the funds for the benefits of its residents. Although, the Municipal councils from the Aurangabad district are having comfortable industrial and agro based economic surroundings instantaneous to growth and the development, there has been lack of the proper imbued leadership cult amongst the municipal councilors for eking the benefits of these favorable economic and industrial surroundings necessarily created by the Govt under special development plans.
Investigation of influence of councilors in influencing the finance
Realities

- The Maharashtra Municipal Act does not prescribe any specific qualification for the councilors and Chairmen, except that they should now to read and write; must not be government servants, or employees of the Municipality; must not be in default in payment of municipal taxes and must not be convicted in the court of law. Hence, we find a great variation in the socio-economic profile of the Councilors and Chairmen,

- There is an arrangement of women reservation for contesting election to the councilor post. The women could become councilors. However, the female element in the composition of the Municipal Councils was almost negligible.

- The councilors gradually of younger people, below 35 years of age have been represented in the Council in an increased number while older generation had declined in course of time.

- In every Council very few councilors had come from scheduled castes or from the reserved seats, and none was elected from any of the general seats. Even though the city of Vajapur accommodates a sizeable number of Christians and Muslims, it is observed that only one Christian and very few Muslims (the average number being two) had been elected to the Council during the period of our study.
As far as the educational background of the councilors is concerned, only a few of them have university education (Post – Graduates), whereas there are a good number of under-matriculates, matriculates and college degree holders. It may be noted that the number of Councilors having either school or college level education has been on an increase during the period onward 1990.

As regards the professions of the Councilors, it is found that the most of them belong to the business community pursuing independent profession. Only one retired Government servant was elected to the Council. Moreover, most (74%) of the Councilors in the income group Rs. One to two Lakhs. The average annual income of the councilors is worked out to Rs. 3.32 lakh.

From the analysis it is safely deduce that women, Christians, Muslims, Scheduled Castes/ Scheduled Tribes people, university educated people and very rich people having an annual income above Rs. 5, 00,000/- were not attracted towards the active involvement as councilors in the city administration. However, one trend is obvious that the younger people are more and more being attracted towards the municipal administration.

When questioned in the light above profile about the councilors' capabilities to spend the municipal funds for the various purposes, the followings facts are revealed :-
- The majority number of councilors does not have an adequate knowledge of the Budget preparation, legal aspects of fund procurement, their utilization, Govt. procedure and on such other matters; this upshots badly in the utilization of funds.

- The domination of the govt. staff and their technical ignorance in the fund utilization are overwhelming

- The tendency of councilors to struggle for the benefits of their own has been widely prevailing; the same lead to miss- utilization or mal appropriation of municipal funds

- Reserve caste councilors are weak in bargaining for the municipal funds for their wards

- Most of the times the municipal funds are being spend by the councilors in and around their residences or properties.

- The no or less control by the councilor over the amount being spent

- The councilors unaware of the rudiments of the financial and performance budget

- The qualification of councilors does not establish any positive correction as between education and their efficiency in the
municipal fund utilization. Many times even less educated councilors are successfully utilizing the budgetary provisions.

- There are lack of innovative ideas amongst the councilors both in the matter of fund procurement and their spending.

- The decisions and attempts of the councilors are mostly benefiting to their political associates or to relatives or to their members of families while using the budgetary provisions.

- The dominance of Maratha castes or business castes in the matters of municipal finance is significant.

In respect of the chairmen of the various municipal councils, the following significant aspects are noticed while preparing and using the budget:

- They have limited knowledge of budget preparation and fund utilization.

- They have to depend upon the secretarial staff in all the finance and performance matters.

- They are not accustom to computer as well as legal system of financial functioning or controlling.

- Like councilors, they have with all the shortcomings as observed above.
Most of the presidents are unable to procure municipal funds as required despite their association with the ruling political party.

The following deficiencies of the ward committee which affect the purposeful utilization of the municipal funds:

(i) The residents in the ward are unaware of their rights to get the benefits from the municipal administration.

(ii) The work that is being carried by the ward committees is kept un-published or un-notified and the residents of the ward remain ignorant about their advantages/disadvantages that have been the result of the fund utilization or non-utilization.

(iii) Ward members are having less or no knowledge of their privileges to deal with the municipal funds and their utilization.

(iv) The members in the ward committees are always under the suppression of their leaders and hence they are not bold enough to place their demands before the committee.

The following demerits are reported about the standing committees, which are prevailed or used to be prevailed in the past in the Municipal councils from the Aurangabad district.

(i) The membership in the standing committee is purely political and hence the members first try to protect the interest of their party to which they belonged.
(ii) Though the members of the committee are comparatively well acquired qualification and experience, they use the same in battling their own personal motives or the motives of their relations

(iii) The public works contracts are frequently given by to those who offer some benefits to the committee members, which result into desecrated types of public work

(iv) Employees’ recruitment, selection and subsequent management are vested in the standing committee and hence the members cash their authorities resulting demoralization of the staff

Associate members in councils are nominated by the govt. to get the benefit of the expertise of these members. This type of association is fruitful in getting the grants and technical assistance; so also it gives stage to flashed out the local grievances in the assembly.

**Removal or Disqualification of Municipal Councilors:**

The methods of removal of members vary from state to state. The removal of disqualified councilor is necessary for safeguarding the finances and properties of the municipal councils. The most of the removals of the councilors in the Aurangabad dist were due to fund misappropriation or their activities when led to endanger the municipal properties or the public interests. The removal of notorious, fraudulent and disqualified (due to illegal antecedents) councilor is necessary to take care of the funds and properties of the council.

**Building Personnel System (PS) – for fund procurement and utilization**
The PS is the life blood of working of the municipal councils. It must have a purpose and further this purpose; it has to be related to the objectives of the organization. This system has to work for the cause of Municipal councils consisting of various Municipal bodies which as units of local government have to provide basic amenities to the people, ensure planned and regulated development of urban areas, mobilize and utilize local resources to the best advantage of the community and promote social and economic development in an integrated manner. They are not only to function as agents of active decentralization of political and administrative power to promote democratic values but also as indispensable parts of the administrative apparatus of the State contributing to its overall efficiency by relieving it of its purely local tasks and functions. Of late, due to rapid pace of urbanization, regional disparities and lack of diversification of industrial growth, the responsibilities of urban government have increased.

`The Weakness of Personal System Affect Finance collection and Proper utilization:

The main weakness of the Municipal Government in Maharashtra has been the absence of a well-organized and effective system of personnel administration. The local services have failed even to perform normal functions to be facilitated by utilizing the financial resources. The paucity of resources and the poor performance of most of the Municipal committees are due to the inefficiency and inadequacy of the administrative and technical personnel. The same causes the smooth finance procurement and their utilization. What kinds of men do we want to man the civic services in relation to our goals and tasks? How do we
go about getting and developing such men? What do we do to motivate them for better performance? Requirements of a good personnel policy have been identified for efficient administration as:

1. The best man for the job.
2. Increasing professionalism.
3. Competitiveness in selections for higher administrative positions.
4. Placement to be job-oriented and not status – oriented.
5. Motivation for better performance.
6. Equal pay for equal work.
8. Selecting out or the weeding out of dead wood.
9. Rational promotion and personnel development system.
10. Appropriate policies for optimum personnel performance.

Administrative capability at all levels of administration is one of the scarcest of all resources. Since Independence, we have not made any substantial changes in the local administration so as to make it responsive and reorient to the goals of development and welfare. The policy, institutional and operational framework of the personnel system has to be so redesigned as to meet the current needs of local administration. So far every reform has been peripheral and conceived within the traditional framework and standards which have insufficient orientation towards achievement of development, goals and objectives. The existing staff-patterns in the local government may need some significant modifications to induct specialists and professionals in large numbers and to make it more performance – conscious. The generalists will need to develop, through appropriate career development plans,
specialized abilities and insights in various segments of local administration. A forward – looking local personnel policy will have, therefore, to be evolved in the contemporary situation to stop further deterioration.

A sound municipal personnel system should normally attempt to have the following characteristics which directly or indirectly influence the fiancés of the councils.

1. Posts in local government should be favorably comparable in attractiveness to posts in state and central governments, but in no case they should be regarded inferior.

2. For recruiting personnel, there should be strict adherence to merit-principle. There should be reasonable prospects for promotion and proper protection against arbitrary victimization.

3. To utilize the diverse experience, the personnel should be transferable. There should be sound employer-employee relationships to fostering *esprit de corps*.

4. There should be adequate facilities for in-service training to enable the officers and others to develop their capabilities and capacities.

5. The personnel who are to work in urban local bodies should be committed to its philosophy, culture and background. The officer should be sensitive to the wishes and desires of the community which he has chosen to serve.

The following issues are relevant to be considered for apt use and procurement of the municipal funds.
1. Should there be more educational courses on the financial matters/management in local government at the college and university level?

2. What should be in-service training and educational programmes for local government personnel for the professional accounting and legal competence?

3. Should we set up separate training centers of local government to provide leadership, to conduct research and training programmes in the fund utilization and working of the municipal administration.

4. What role can the university departments of Political Science and Public Administration play for imparting training and in providing short term in-service training programmes?

5. What should be done to educate and train the elected personnel such as the Chairmen and Vice-Chairmen and ordinary Councilors?

6. There has been a centre for training and research in municipal administration at Delhi and regional branches at Calcutta, Bombay, Hyderabad and Lucknow? Should there be more regional centers of this type?

7. Should these training-centers be run as independent professional institutes or be attached to the states’ departments of local self-government or should become constituent parts of university departments of Public Administration and Political Science?

8. Should there be some incentive schemes for stimulating interest in training?
9. What should be the training material and would it be desirable to print some literature in regional language?

Conduct and Discipline:

- In recent years, large number of municipal employees unions has sprung up and there are frequent break-downs of municipal services due to strikes and violent demonstrations. Should there be joint consultative machinery for municipal administration.

- Is there any need of evolving a code of conduct for municipal employees? What should be included in such a code? What steps should be taken to instill a sense of inner discipline amongst the employees.

- Are the present legal provisions about conduct and discipline adequate? Should they be modified or amended and in what way?

- What measures can be taken to make the role of unions more purposive and positive?

Pay Scales and Conditions of Service influencing functional efficiencies of the employees:

- How to rationalize the wide variety of salary-scales and other emoluments?

- How to integrate them into the over-all pattern of government salary structure?
• How to ensure every municipal employee a living wage, and

• How to relate these material-benefits with efficiency and integrity of the municipal employees?

• What knowledge, skills and abilities are called for today in determining policies in specialized fields? What changes are necessary to attract trained technical personnel?

• Would it be possible and desirable to cover positions only upto a certain level by a position classification scheme? Should the position classification be rigidly followed?

• To what extent should government seek to provide comparability in pay amongst the employees of the union, the states, the local bodies and quasi-government organizations?

• What should be the institutional arrangements for attending to the broad questions of pay-policy?

Employer – Employee Relations for better fund procurement and utilization:

1. What needs to be done to get more delegation of authority to lower levels so as to expedite the pending recoveries of the taxes and non taxes?
2. Is there a way to spot potential leadership and help it to come to top? Will it be possible to develop it by career – planning and suitable institutional arrangements? Will it possible to accomplish efficient fund utilization thorough Motivated employees?

3. How can a sense of participation in the municipal administration be achieved so as to satisfy the residents?

4. As an aid to better employer-employee co-operation, what improvements could be made in the current procedures for promotion of employees linked with the finance collection and utilization?

Some of the additional points on which we may focus their attention are:

1. What steps should be taken to improve the relationship between deliberate and executive wings/ what should be the working – relationship between the heads of the two wings?

2. It may be examined whether there should be incentive rewards for good performance in municipal services and for boosting up the morale.

3. Should there be an ombudsman for municipal services and what should be his functions?

4. There has been a lot of criticism about the deputationists for the technical posts? Should the deputation – allowance be discouraged or stopped?

5. What steps should be taken to create public confidence in the integrity of the municipal personnel?
6. It may be worthwhile to lay some concrete proposals for reforms in municipal administration and in particular to:

1. Identify major personnel problems;
2. Consider alternative remedies;
3. Suggest priorities for reforms;
4. Point areas for further research and study;
5. Pool their experience and resources for improving municipal services.

CHAPTER VII

BUDGETING AND AUDITING: APPARATUS IN RATIONALIZING THE EXPENDITURE

If, any municipal body desires to earn income leading to surplus with extension of first-rate civic services it should have to use the following techniques in managing its financial and physical resources

(i) Financial and performance budget
(ii) Internal check system
(iii) Internal control system
(iv) Internal/external Audit

Hence, the present chapter focuses the salient features of the above to reveal how these techniques are practiced by the municipal councils in the Aurangabad District.
Municipal Budget:

Municipal budget is the annual financial statement of the anticipated income and expenditure of the concerned municipal body. Budget preparation is usually the occasion for determining the levels of taxation and the ceilings on expenditure. The main objective of the budget is to ensure that funds are raised and money is spent for the duly approved purposes. The budget ensures money is being spent by the executive department in accordance with rules and regulations and within the limits of sanctions and authorizations by the municipal council. As in the case of the State Government, every Municipal Councils in A’bad Dist. is required to prepare its annual budget. The Executive Officer in consultation with the Chairman prepares the Budget. The Chairman then presents the Budget to the Municipal Council for its approval. Thereafter it is presented to the State Government for approval. Since the Budget deals with the sources of revenue and heads of expenditure of a municipal government, it is necessary to discuss the same in further detail.

Existing Deficiencies in Municipal Accounts:

The main objectives of the municipal accounts as it is seen from the forgoing discussion are to provide timely finance related information for decision making to the various levels of management, to keep account of assets, liabilities, & expenses and to help managing the sources and applications of funds. Since finance is controlled mainly through govt. prescribed manual with little use of computers, it inherits a number of shortcomings. An experience survey, hence, was conducted to record the various shortcomings, which, besides much other reason are
the result of weak financial control within the municipal council. The observations under the said experience survey are as given below:-

- The account department in head office and in the branches occupy main place, nearly it covers more than 80% activities. However, it is not properly staffed with experienced people. It could not guide the activities of the Municipal council due to computer illiteracy prevailed in the majority number of the staff members.

- All accounts are kept on double entry principles. Real and nominal accounts are maintained. The efforts are made to record financial transaction but the performance and cost aspects are left unattended. Costing aspect of services is manipulated to some extent in account data but deliberately avoided for full-fledged implementation. This is however vital to be altered.

- Trial balance, a photographic picture at given date is prepared annually for Municipal council as a whole. In fact, each Municipal council should institute a system of preparing monthly trial balance for reconciliation with the master trial balance to be prepared at the head office.

- Internal checks provided by Municipal council within accounting department are inadequate. There is a need to institute procedure to minimize the possibility of frauds or misappropriations. Cash flow should properly be managed to use the cash advantageously.
The manuals and flow charts explaining accounting procedure do not at all exist. The same may be prepared for the guidance of all the staff.

Internal audit department exists in Municipal council. The reports of the internal auditors are never reviewed intermittently for corrective actions.

The absence of costing system is felt. There is a need to organize the wing of costing, system design and research so as to equip the finance control system. At present, no cost standards exist.

Estimations about amount of advances to contractors, interest accruable on them and physical performances achievable are roughly prepared. There is also a need to trace out the benefits of advances after completion of project. In other words, cost and benefit analysis from the social point of view seems to be imperative.

As said already, the system of budgetary control is restricted to few areas. In fact, the budgetary control may be elaborated to all types of expenses, including bad debts.

There is no any method of allocation, apportionment and absorption of overheads. Methods, which are used, are not scientific. As a result, the comparative efficiency of particular project or a Municipal council cannot be traced out.
- Accounting for residents benefit planning technique does not exist.

- Future requirements of funds are not estimated periodically. Advances are not related to the planned levels of activity.

- The capital structure is given. The Municipal council has no scope to use its entrepreneurship to design liberally its own capital structure. The Municipal councils simply act, as conductive pipeline passing funds as per wish of the revenue collector of the district.

- Cost of management of particular project or cost of advancing to particular civil project not been articulated. This hides inefficient Municipal council.

- There is a need to present a detail financial analysis before funds are committed for disposals. The absence of this, many times delay the project, to be instituted

- At present, each Municipal council does not attempt to estimate working capital needs as the same are determined as and when there is a need of liquid funds. This is not sound financial base. Credit and cash of each Municipal council are to be reviewed periodically to keep the working capital at the optimum level. There is no specific model established for financing working capital as each Municipal council may take a help of revenue collector for such needs.
Each Municipal council maintains subsidiary records. All these records are not reconciled periodically and if any error or fraud is detected the is overlooked. There is a need to appoint, the vigilance committee to undertake the scrutiny.

The main shortcoming of this reconciliation is that, the Municipal council Head Office insists the verification only to the amount of advances to project but not compare the same with performances. This provides scope for Miss-utilization of funds.

Inter sectional accounts are not reconciled time-to-time and any excess or deficit in the transaction is reported the same is not corrected.

In-fact there is a need for each Municipal council to publish periodically the necessary financial returns but these returns are not prepared.

The District Collectorate in its attempt to control Municipal council in various spheres including finance necessitates the Municipal council to fill up various returns. All these reporting are looked as matter of formality and source to storage of statistical data. Collectorate does not try to undertake scrutiny of the returns supplied.
Balancing of Books of accounts may, only at rare occasions, scrupulously undertaken by the Office and also by the District Collectorate. This should, however, be regularly done.

The Municipal council has no vigilance squad to investigate in the matter of frauds. There is a need to organize this with the help of outside detective agencies.

The systems of external and internal audit exist. Nevertheless, this system only insists accounting and documentary accuracy of the books but it does not try to verify the fairness of financial transactions.

Budget preparation is looked as mere formalities and most of the figure in the budget largely inconsistent to previous years' figures.

The performance budget is reduced to target fixing and if the same is achieved, the credit goes to Municipal CEO and if it is not achieved, the same is taken casually.

**Performance Budget:**

It is recommended the following course of action to prepare the performance budget to facilitate the rationalization of expenditure of the municipal council.

Every year along with the financial budget, the performance budget shall be prepared and get approved form the councilors and Govt.
The performance budget shall classify the expenditure in two categories i.e. Revenue expenditure and Capital Expenditure.

Against each of the above two classifications, the performances to be accomplished be noted down keeping the time frame in sight.

Estimation of Cash flow/ fund flow statement for budgeted performances shall be prepared.

Any deviation in the budgeted performance is noticed, the same will be verified at the end of the financial year and shall be reported to the Board members.

Realities of Internal Check System in Municipal Councils:-

- **Fixed Responsibility** - The responsibility of each individual is not properly defined and fixed. There is overlapping of the responsibility and work areas.

- **Division of work** - There is reprehensible division of work and responsibilities of the members of the staff, especially above the junior level.

- **Standard Forms** - There are many standard ruling and arrangement of forms and accounting records with numbering etc. However, the same are found out of date requiring many changes. For example, the prescribed vouchers and voucher files are not as per requirements. The recording of tax and non tax receipts is not timely made in the prescribed register and forms.
- **Appointment of Educated and Trained Persons** - For an efficient system of internal check, the persons to be appointed should be educated and trained. This is overlooked, since all the CEOs / councilors indulge in practice of appointing their close persons irrespective of the educational qualification.

- **Appointment of Honest Persons** - For an efficient system of internal check, the persons to be appointed should be honest. Persons should not be appointed under pressure from someone. Truly, it is very difficult to locate the honest incumbent in the municipal council. A person in the municipal office can be made honest by imposing various rules, regulation, penalties or insensitive etc.

- **Rotation of Employees** - Where the employees are in large number, there should be internal transfers of the members of staff from time to time from one department or job to another. This largely is disliked and despite the transfer, the transferee gets on the post after a much laps of time.

- **Separation of Accounting and Control** - No person should be able to establish accountability over his own operations. However, this is not happen. In practice, especially recoveries persons have themselves assume as accountable for their deed and never establish concern to superior.

- **Safeguards** – Nebulous Safeguards are prescribed to keep unused receipts, cheque books, files, bills etc., and this initiate misuse.

- **Use of mechanized method** – Mechanized/computerized accounting system is avoided so that the over writing or eraser can be endured.
- **Personal Care** - Senior officials keep less personal concern regarding receipts and payments of cash, issue of goods, valuation of stocks etc.

- **Use of Self-Balancing Method** - The self-balancing method is not used in accounts department so that the employees may get any information about combined ledgers. The total accounts are not under the control of a responsible official.

- **Flexible** – There is much flexibility in the system of method of internal check, since it is inadequately designed.

- **Proper use of Assets** - Proper use of assets is ensured in a good system of internal check. It prevents all unauthorized use of the assets. It is, however noticed that, there is no proper use of assets in many municipal councils. A simple observation about the absence of encoded dead stock register or computer or soft wares is the bare testimony of the possibilities to misuse of assets.

- **Control on Receipts and Payments of Cash** - All receipts and payments of cash are not found to be controlled carefully. The cashier who is happened to be ledger clerk at many times .For petty cash transactions no agreeable system is followed.

- **Control on vehicle, Stationery, fuel, communications etc.** – Expenses made on credit on these items are not given special attention. A nebulous practices of spending on these items are knowingly adhere to.. Proper records of the stationery, diesel dead stock, computer soft wares ,computer parts in the computer etc. are not kept leaving many probabilities to indulge in pilferages. Hence, such moveable material should not be allowed out to be carried out of the municipal office premises without proper
permission of some responsible official.

- **Filling system** – This is maintained in a nebulous ways, requiring improvements.

**Accounting and Auditing:**

Accounting and auditing occupy a place of importance in any organization, public or private. In a local body they function as custodians of the public money and are responsible for ensuring proper custody. Accounting and expenditure in accordance with the rules and regulations and provisions in the budget.

Accounting reflects accurately the day-to-day financial transactions, the receipt of revenues and the payment of expenses. Municipal bodies are required to maintain accounts in the form and manner as prescribed by the state government and to follow the Accounts Coded which *inter alia* describes the duties of the officials connected with the financial transactions and lays down procedure for disbursement of money.

Audit is a tool of financial control. Its function is to ensure that all financial transactions are conducted according to the rules, that all receipts are duly credited to the proper accounts and that no amounts are paid without proper authorization. It is required to take into account the principles of financial property *i.e. of faithfulness*, wisdom and economy. Accordingly, Nigro has defined Audit as an analysis of proposed or past expenditure with respect not only of its legality but also to its desirability.
For the audit of local accounts, the present arrangements, i.e. scrutiny by the auditor belonging to the Maharashtra State Local Fund Accounts, is prevailed. With the maintenance of internal checks by the comptroller, this audit may continue to be only a test audit as at present. The auditors have the power to surcharge and disallow expenditure, but their orders are appeal able to the Maharashtra State governments and the courts as at present.

It only remains now to say a few words regarding certain miscellaneous matters which could not appropriately come under the foregoing heads of discussions, but which are nevertheless of too great an importance to be omitted altogether.

In the first place, it is very regrettable that Maharashtra State autonomy should mean separation of all connection between the Government of India and local self-government as has been the case since 1919. Of course, local self-government is and must remain a Maharashtra State subject; but just as in the case of education and health, the Government of India should maintain some central organization for purposes of co-ordination of policy, research, and collection of statistics and information for local self-government. The Government of India can look at the problems of local self-government policy with a detachment and breadth of view, which it is not possible for the Maharashtra State governments to command, and their resolutions on the subject in the past have had a beneficial effect on local progress. It is therefore, suggested that there should be a local self-government section and that the
Government of India should periodically review the progress of local bodies in the country and offer such advice and suggestions that may seem to be necessary for further advance.

In the second place, the Maharashtra State governments should ensure greater publicity for local affairs and proceedings than is the case at present. This can be done by giving fuller information about the local bodies in the annual reports on their working than is found in them at present. These reports are very sketchy as regards the descriptive matter and the statistical tables they contain. The Maharashtra Govt. Reports on the working of municipalities and Zillha Parishad inform only the statistics regarding constitution, income and expenditure. It is impossible to find out from these reports the mileage of roads that particular local bodies maintain, the number of medical institutions they maintain, the strength of the various kinds of staff they employ and similar other matters. No figures of municipal or district board electors or the percentage of them that voted at any particular election is given by the reports even for the election years. It is true that facts regarding certain activities of the local bodies are to be found in the reports of the State departments like education, health, etc., but we cannot expect the citizens to take the trouble of hunting out information about the local bodies in a large number of departmental reports. It is "worth while, even at the cost of some duplication, to gather all the relevant information about local bodies in the annual reports on their working. In the Maharashtra, no annual report is published regarding the panchayat, town areas, etc. There is no justification for this omission. Since the annual administra-
tion reports of particular local bodies are cast in the mould of state reports, they are equally uninformative.

Local proceedings are seldom published satisfactorily. Often they appear in some less known local weekly or monthly which very few people read. Even the municipalities and district boards which have good daily newspapers published from their headquarter towns do not take advantage of them to publish their proceedings. In this regard, the arrangement of the Sailu municipal council in Parbhani dist. of Marathwada to get its proceedings published in special supplements of the “Lokamat” newspaper deserves commendation. Other local bodies should follow this example and arrange with leading English and Indian language dailies and weeklies of the state for the publication of their proceedings. No effective public opinion on local matters can be created until this is done.

Thirdly, it is necessary for the State governments to help the members of local bodies by placing at their disposal the local rules and laws in an easily intelligible form. Most of the members do not have adequate knowledge of English to understand the various manuals, which are prepared in that language. Authoritative translations of these manuals in Indian languages should be made available to the members and the public, if they are to understand their powers and duties. Guides to local work and administration should be prepared by experienced officials or other competent persons and published and distributed by the government. It is a matter of shame that after more than half a century of the working of local bodies, there is not a single publication wherein one
can find the local self-government arrangements in the various districts of Maharashtra adequately described. The universities, the Maharashtra State governments, and even the Government of India should look into this matter.

Finally, the subject of local government should receive greater attention in the courses of schools, colleges, and universities. Commenting on the neglect of this subject in India, Mr. Webb (now Lord Passfield) said about thirty years ago: 'I do not know how many of the couple of hundred university colleges in India have even one course of lectures each session describing the history, organization, and the functions of local government in India or elsewhere. I have not heard of the foundation of any Professorship of Local Government. ' wonder how many books on local government are to be found in libraries to which the Indian college students have access. How often have Maharashtra State Directors of Education called attention to this omission? It would be interesting to enquire how frequently any problem of local government has been given as a subject for an essay, or made the topic for discussion at a debating society.' Things are not quite so bad now as when these "words were written, but there is ho remarkable improvement either. One reason for the backwardness of the study of Indian local self-government in our schools and colleges has undoubtedly been the lack of suitable literature on the subject. This want is still there and the Government and the Universities should make an effort to remove it. Until the educated men remain uninformed on the subject, no hope of improvement in local administration can be entertained. “Bureaucratic Obstacles Leads to increase the expenditure on the Staff”