CHAPTER - VI

Financial Management of the Local Boards
CHAPTER VI
ASPECTS OF THE FINANCIAL MANAGEMENT OF LOCAL BOARDS

No organization can hope to fulfill the objectives it has set before it without finances. The responsibilities which a local authority assumes and the measure of success it achieves in discharging them are governed by the funds it commands. The most difficult problem that Local Bodies have to face is finance. The inter-relations between the finance and performance has a bearing on any study of Local Self-Government, particularly the Local Boards. 'The Local Government being a Government must have authority to levy and collect taxes just like any other Government does. But there is a fundamental difference between the Local Government and the State or Central Governments. It has been empowered to collect only such taxes and levies that have been approved by the State Government'.

The revenues of Local Boards are derived, in the main, from taxation, Government grants, loans, remunerative enterprises and a few miscellaneous items like licence fees. The money collected in the form of taxes and fees by the Local Government is supplemented by Grants-in-aid from the State Government as well as by loans it may get from the State or some other source. Thus a local authority derives its income from two main sources, namely, taxes and fees.

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1. S.R.Maheswari; Local Government in India, p. 262.
2. M.Venkatarangaiya; The Development of Local Boards in Madras Presidency, p.173.
The sources of income of the local authorities in rural areas were not systematised till 1871. In the beginning, the Local Fund Boards were allotted a share of the land revenue of their respective areas. In addition to this, between the years 1853 and 1871, the Boards were authorised to collect certain duties and fees. It is clear that the whole scheme had been improvised for the time being as a stop-gap arrangement. The English District Collectors collected these funds in the traditional way and spent them to meet a number of local needs, particularly the means of communication in the villages.

It has been noticed earlier that in 1853 the Collector of South Arcot requested the Government to permit the retention of a small fraction of the land assessment as a District Road Fund. The Government accepted the proposal a couple of years later and the funds so raised in the Madras districts amounted to about Rs.400,000 by 1863. The rate suggested was one anna per cawny which amounted roughly to 3 per cent. This was extended to a few more districts but instead of one anna per cawny, the rate was fixed at 2 per cent of the assessment charged on land.

When the expenses of maintaining roads increased, the land cess was supplemented by other miscellaneous sources which included ferry tolls, proceeds of cattle pounds and other items. By 1857 the total

4. B.B.Misra; District Administration and Rural Development in India, p.206.
revenue amounted to a lakh of rupees. Further, the Government included the 'Fish rents' and rents from public bungalows among the sources of income for the local funds. Again, the village Cess Act passed in 1864 permitted the enhancement of the rate on land to one anna in the rupee, (that is 6 1/4 per cent of the Government assessment) thereby raising the Local Fund Boards' total income to four lakhs of rupees as notified earlier.6 This arrangement continued until the local legislature exacted a measure in 1866 authorizing the Government to levy a road cess of 3 1/2 per cent on the annual receipts of rent from the land, which helped to raise the annual amount of local funds to Rs.26 lakhs in 1868. Thus the semi-voluntary funds which were once collected executively, became statutory.7

LOCAL BOARDS' FUNDS 1871-1920

By 1870 the need for a systematic organisation for the Local Funds Circles was felt. Besides roads, education was an urgent problem much needed attention. With these aims in view the Local Funds Act IV of 1871 was passed. Under this Act the Presidency of Madras was divided into Local Fund Circles. A Rural Board was established in each Circle with a President, a Vice-President and three or more members, all of whom had to own land, or carry business or reside in the Circle. The Act, which vested the Local Government with powers of taxation, did not

introduce any creative principle. It remained permissive, the Collector being authorized to exercise all discretions. There was yet little or no opportunity for education in rural areas. The Rural Boards were established so that they might make both financial and administrative arrangements to meet the constantly growing needs arising from the expansion of State activity. The Local Bodies actually provided means to relieve the financial and administrative stress of the Government.8

The funds raised under this Act were to be applicable to the following purposes: (1) construction, repair and maintenance of roads and communication, (2) the diffusion of education, (3) construction and repair of hospitals and dispensaries, lunatic asylums, choultries, markets, tanks and other local works of public utility, calculated to promote the health, comfort and convenience of the people. The Funds were to be administered by a Local Fund Board consisting of officials and non-officials appointed by the Government, the Collector of the District being the ex-officio President and having the entire executive power'.9

The rates, tolls and taxes leviable under the Local Funds Act of 1871 were as follows: (a) A land cess not exceeding one anna in the rupee on the annual rent value of all occupied lands — Government, Inam


and Zamndari, (2) a house-tax ranging from five rupees to four annas a year, and (3) tolls on carriages and animals at rates ranging from one anna to one rupee. The house-tax was not to be imposed generally, but only in villages or groups of villages in which a Grand-in-aid school already existed, or in which the inhabitants were prepared to establish a school under the Grant-in-aid rules, or in which the Government might determine to establish a school. Of the items constituting the sources of revenue of the Local Boards, taxation and Provincial grants have occupied a more important place, though their relative merits has been changing from time to time. Up to 1920 land cess, house tax and tolls were the only principal sources of the income of Local Boards.

LAND-CESS

Land-cess was by far the most important, as well as the oldest, of the taxes. Once even 86 per cent of the tax revenue was contributed by land cess and it might continue to occupy the foremost place among taxes for a long time to come. After the enactment of the Local Funds Act of 1871 and its operation in the Madras Presidency, land-cess was fixed at nine paise in the rupee in the districts of Godavari, Kurnool, Chingleput, Tanjore, Madura, Tinnevelly, Krishna and North Arcot and one anna in all the other districts. The rate of one anna in the rupee amounted to 6 1/4 per cent in the annual rent value of all.

occupied lands. The maximum rate of one anna was reached in all the districts by 1890. In view of the peculiar circumstances of the Malabar district being a rich district, the land-cess there was raised to two annas per rupee of the assessment, according to the Amendment Act I of 1878.

The Local Boards Act of 1884 did not introduce any change but when it was amended in 1900, a special clause was introduced permitting the collection of an additional cess at three paise per rupee for being spent on the construction of railways and tram ways.13 Though the additional rate was optional, it was adopted by many districts. When the Village Cess Act was repealed in 1905 the burden of land-cess became lightened. Under the Act of 1920, the Elementary Education Act was passed in the same year, under which the Boards were authorised to raise a tax not exceeding 25 per cent of the land-cess, for the purpose of education. The Act of 1920 made the levy of land-cess of one anna as compulsory and gave the option to District Boards to levy another three paisa, similar option was given to Taluk Boards, so that in the districts where both these options were availed of, the land-cess be raised to one anna and six paisa per rupee of rental value.14

Certain observations on the land-cess are necessary. The basis of assessment was the annual rental value of occupied lands. In practice, there is considerable difficulty in making a correct estimate of the

13. Amendment Act No. VI of 1900.
rental value. The Local Boards in the Presidency also did not have any costly machinery for calculating the rental values of land. Moreover, the assessments differed in Inam and in Zamindari lands. However, such a basis was easily understandable to the cultivator who also felt the burden of the land-cess light.

The basis of calculating the land-cess was of great advantage to the payer of the tax. This in fact weakened the Boards financially. As land-revenue assessment was liable to be revised only once in thirty years, till such a revision was effected, the proceeds from land-cess would not increase. Again the land-cess was not proportionate to the individual's capacity to pay the poorest land-holder being called upon to pay at the same rate as the richest. It was also unequal between the Zamindari and Ryotwari areas.

Despite the drawbacks the land-cess constituted an ideal tax for local purposes. It had all the merits of a good tax. The Government bore all the expenditure on preliminary survey and settlement. The process of collection was inexpensive. It had an element of certainty on the part of the payers and the Boards. As the mainstay of the Rural Boards' income, it provided till 1920, more than two thirds of the total revenue from taxation (Table KKP p. 188).

15. Ibid, p. 17.
TABLE I LAND-CESS

<table>
<thead>
<tr>
<th>Docades</th>
<th>Total Revenue</th>
<th>Land-Cess</th>
<th>Percentage of Col. 3 to Col. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871-72 - 1881-82</td>
<td>4,088</td>
<td>3,642</td>
<td>89</td>
</tr>
<tr>
<td>1882-83 - 1892-93</td>
<td>5,123</td>
<td>4,401</td>
<td>86</td>
</tr>
<tr>
<td>1893-94 - 1902-03</td>
<td>6,333</td>
<td>5,117</td>
<td>81</td>
</tr>
<tr>
<td>1903-04 - 1912-13</td>
<td>8,078</td>
<td>5,750</td>
<td>69</td>
</tr>
<tr>
<td>1913-14 - 1919-20</td>
<td>10,009</td>
<td>7,317</td>
<td>71</td>
</tr>
</tbody>
</table>

HOUSE-TAX

One of the characteristics of the house-tax is that it has always been imposed only in particular localities and has not been a universal tax like the land-cess or tolls. The Local Funds Act of 1871 laid down that it was to be levied only in those villages where there existed a Government or aided-school or where the inhabitants were prepared to establish a school. In accordance with this section, it was extended to only 217 villages in 1874 in the Madras Presidency, because owing to the inadequate development of education in the rural areas, a large number of villages did not come under the operation of the house tax.

Even where it was levied it roused opposition. The Government, realising that the house-tax had proved very unpopular and that its special association with education was proving injurious to the cause of education itself, decided to hold it in abeyance from 1874.

17. The Local Funds Act IV of 1871, Section 36.
18. The total number of villages exceeded 55,000 in 1874. See K.K.Pillai, History of Local Self-Government in Madras Presidency, 1850-1919.
with a view to obviating the necessity for closing the sanctioned Union Schools in consequence of the loss of income, made a grant of Rs.66,000 from the Provincial funds and of Rs.22,000 from the Village Service Fund. With the discontinuance of the house-tax, the Union Fund ceased to exist, and the receipts and charges of all Local Fund Schools were incorporated with the General Fund.

But the house-tax was revived by the Local Boards Act of 1884. Provision was made to levy it only in Union—a new administrative unit consisting of a single village or a group of villages. Consequently, houses in non-Union areas were not affected by the house-tax. It became the main source of revenue for the Village Panchayats.20 The District Board which was empowered to levy it was not free to extend it to any area it liked. Its extension was possible if any village Panchayat recommended its levy to the Government and the latter sanctioned the proposal.

We may be tempted to ask why the Government restricted the house-tax to particular areas. In those days, there were a few objections to the levy of a universal house-tax. For one reason, it was difficult to assess the value of houses. Again, in the rural parts the house was not a correct index of an occupier's ability to pay taxes, there being very little difference between the house of a rich man and that of a middle class owner. Moreover members of an impoverished family could not be assessed on the value of an ancestral house they occupied.

20. Local Boards Act V of 1884, Section 77.
Furthermore, the Government made a distinction between expenditure yielding a tangible benefit to a particular locality and that which was beneficial to a whole district. Since Education and Sanitation were considered essentially local, house-tax was suggested as source of income to meet the cost of these village services. As Grants-in-aid schools existed in a very few villages, the house-tax could be extended to only a few, thus localising the tax.\textsuperscript{21} Even when the house-tax was revived in 1884, it was clearly stated that 'its levy should confine to places where it was clearly wanted, where it could be well spent, and where according the benefits of the Union organization which could make in appreciated by the tax-payers.\textsuperscript{22}

Detailed rules were not laid down in the earlier Acts regarding the assessment of the house-tax. But under the Acts of 1871 and 1884, provision was made for the division of houses into five classes, and the maximum amount of tax on each class was also laid down. It ranged from four annas to five rupees.\textsuperscript{23} In 1900 the number of classes was raised to nine and the rate on the highest class was raised to ten rupees. The Act of 1920, and subsequent amendments have left the number of classes to the discretion of the Panchayat Boards, wherever the proportionate rate of taxation was adopted; but in case of progressive taxation, the number of classes should in no case be less than six.

\textsuperscript{22} Annual Administration Report on the working of Local Boards. 1886-87.
\textsuperscript{23} Local Funds Act of 1871, Schedule - A.
There were some difficulties in the administration of the house tax—one problem was granting exemption of tax on the basis of poverty. Unfortunately, this power was often abused. To correct this the Act of 1920 laid down that 'ordinarily houses valued at a greater capital value than Rs.240 or a greater annual value of Rs.20 should not be exempted in any Union. Slackness in the collection of the house-tax and disregarding the provision for quinquennial revision of house-tax were other defects in its operation.

The income from the house-tax during 1871 and 1884 was very minimal. Against an expectation of Rs. Five lakhs the actual income prior to 1874 averaged a little more than Rs.73,000.24 The reason for this lapse was the restricted nature of this imposition. On its reimposition in 1885, the house-tax brought an income of Rs.3,31,481. Since then, it had been progressively going up (Table K.K. Pillai, p. 189).

**TABLE II HOUSE-TAX**

<table>
<thead>
<tr>
<th>Decades</th>
<th>Income from House Tax</th>
<th>Percentage of Col. 2 to Total Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1886-87 to 1892-93</td>
<td>147</td>
<td>-</td>
</tr>
<tr>
<td>1893-94 to 1902-03</td>
<td>424</td>
<td>6.6</td>
</tr>
<tr>
<td>1903-04 to 1912-13</td>
<td>655</td>
<td>8.1</td>
</tr>
<tr>
<td>1913-14 to 1919-20</td>
<td>955</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Although the Tolls ceased to be a source of income to the Boards after the passing of the Motor Vehicles Taxation Act in 1931, they held a significant place in the finance of the Local Boards as long as they existed. As a productive source of income they occupied a position which was only second in importance to the land-cess and the income derived from it steadily increased. Despite objections against them, the tolls continued to contribute increasingly to the tax-income. In contrast to the revenue from land-cess and house-tax, the proportion tolls bore to the total receipts of the Boards was also on the increase.25 Their increase also indicated a rapid growth.

The increasing income from tolls was due mostly to an increase in the number of toll gates or places where tolls are collected and also to some extent to the adoption of higher rates of taxation. Initially the Government was cautious in the matter of granting permission to toll-gates. But the rigidity was relaxed as the means of communication extended fast.26

The Act of 1871 and 1884 laid down the maximum rates at which tolls might be levied in respect of the different kinds of vehicles—motor vehicles, bicycles or 'carriages, carts and animals' passing along the roads within the Circle. The Boards were empowered to fix the actual rates in accordance with local conditions and vary them from

25. Report of the Select Committee on Local Funds Bill, 1870.

26. In 1885-86 there were only 191 gates at the rate of one gate in an average of 111 miles of roads maintained. In 1930-31, the number of gates had increased to 439 while the number of miles per gate came down to 71.
time to time. In later years the Boards were inclined to fix the rates as near as the maxima as possible. For instance, in 1885-86 tolls were levied at the maximum rates at 78 gates and at half the rates at 113. But in 1915-16, the maximum was changed at 233 gates, three-fourths rates in 86 and half rates at 106. Thus the increase in the total number of gates, and in the rate at which the tax was collected, steadily increased over the years. In 1919-20 the maximum rates were levied at 237 gates, three fourths at 89 gates and half-rates at 104.

The total revenue accruing from this item consisted of proceeds of tolls levied in gates maintained by the Boards (levy ranging from four annas to five rupees) and also the contributions made by the Municipalities. The Municipal contribution was based on an order of the Madras Government in 1875-76. The roads on which the 'through traffic passed were maintained by Local Boards and any tolls levied on such traffic belonged to them. Municipalities were ordered to pay to the Boards collections on the basis of a rough calculation. The share of the Municipalities was very meagre amounting to 16.9 per cent in 1904.

There were a few objections to the taxation from tolls. They were considered as an impediment to 'through traffic'. Again they were regarded as unmeasurable because they appeared to be a compulsory levy for the use of roads. Nevertheless, the collection of tolls did not amount to any annoyance or delay. The maximum amount having been fixed

by the Legislature, the chances of arbitrary enhancement were not possible. Though the tolls showed a steady increase from 1876 onwards, they formed but a small proportion of the income of the Rural Boards (Table K.K. Pillai, p. 189 bottom).

**TABLE III - TOOLS**

(In thousands of Rupees)

<table>
<thead>
<tr>
<th>Decades</th>
<th>Income from Tolls</th>
<th>Percentage of Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1883-84 to 1892-93</td>
<td>619</td>
<td>12.0</td>
</tr>
<tr>
<td>1893-94 to 1902-03</td>
<td>776</td>
<td>12.2</td>
</tr>
<tr>
<td>1903-04 to 1912-13</td>
<td>1,110</td>
<td>10.7</td>
</tr>
<tr>
<td>1913-14 to 1919-20</td>
<td>1,959</td>
<td>21.5</td>
</tr>
</tbody>
</table>

**NON-TAX REVENUES**

**LICENCE FEES**

The dependence of Local Boards on non-tax revenue was comparatively less. In the beginning a certain amount of income was obtained from miscellaneous sources like the Cattle Pound Fund and the 'fish rents'. In some places in the Madras Presidency Local Funds included ferry tolls, the proceeds of avenue clippings, grass-rents and cart-tax.28 But in 1871 these sundry sources of income were diverted to the Provincial Government. Even the right to levy licence fees was not permitted by the Act IV of 1871. 29

The Local Boards Act V of 1884 made a beginning in this direction by authorizing the Unions to levy fees for licences granted for the

29. Local Funds Act IV of 1871, Schedule B, Sections 63 to 68.
temporary erection of 'pandals', and other structures in public places.\textsuperscript{30} When the Act was amended in 1900, power was given for the collection of fees for putting up 'verandahs, balconies, sun shades and other projections over roads in front of buildings '.\textsuperscript{31} The income from this was little and the potential dangers to the Government of allowing encroachment made the Government withdraw the levy in 1903.\textsuperscript{32}

In due course, more powers were given to the boards in the matter of regulating public health, safety and convenience, and one of the means adopted for the exercise of these powers was the grant of licences. In the Act of 1920, a long list of dangerous industries was drawn up, and the taking of a licence from the concerned Board was made necessary before any one established them. With every revision of the Act over the years, the purpose for which licences became obligatory were made more comprehensive. Though the Boards were not compelled by the law to levy fees for the issue of licences, fees were charged in almost all cases. Some times a question was raised whether a licence fee was necessary at all. But it had been agreed on all hands that licences were the only way of regulating the actions of the licence-holders in the general interests of the public.\textsuperscript{33} In issuing a licence the Boards got an opportunity to impose the required conditions. It lent room also for the proper inspection and supervision by the Boards’

\begin{itemize}
\item \textsuperscript{30} Local Boards Act V of 1884, Section 57(i).
\item \textsuperscript{31} Ibid, Sections V, VI.
\item \textsuperscript{32} Local Boards Amendment Act of 1900, Section V & VI.
\item \textsuperscript{33} Proceedings of the Madras Government, Local and Municpal Department, G.O. 602 L, dated 12.5.1903.
\end{itemize}
officials of an enterprise for which a licence had been secured. It was but proper that the Boards should meet from their general resources all expenditure incurred in regulating trades and businesses.34

But there was a need for a judicious imposition of the licence fee without arousing the suspicion that it was another tax. Again, the licence fee should cover not only the expenses involved in granting the licence, but also the cost of repairing any damage that the licensed trade might cause.35 The Local and Municipal conference held in 1920 regarded the licence fee as a source of revenue.36 The Financial Relations Committee of 1920 equally emphasised the fact that 'licence fees were a gold mine of income if they were judiciously imposed'.37 From 1884 to 1910 licence fees formed almost a negligible source of revenue. Till 1919 the proceeds from the licence fee hardly rose above 2 per cent of the total income.

Another source of 'non-tax revenue' was derived from charges provided by the local authority. From 1871 school fees, fees charged for medical relief, vaccination and sanitation brought a considerable amount of revenue. The Local Boards, Taluk Boards and Union Panchayats had their own classifications of charges.38 The revenue under this

head progressively increased. But in the long run they tended to have a diminishing proportion to the total income. The rapid increase of the other sources of income might be attributed as a cause for this decline (K.K. Pillai, Table p. 191).

**TABLE IV - LICENCE FEES**

<table>
<thead>
<tr>
<th>Decades</th>
<th>Fee Income</th>
<th>Total Receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871-72 to 1881-82</td>
<td>914</td>
<td>4,497</td>
</tr>
<tr>
<td>1882-83 to 1892-93</td>
<td>1,517</td>
<td>6,502</td>
</tr>
<tr>
<td>1893-94 to 1903-04</td>
<td>1,632</td>
<td>8,290</td>
</tr>
<tr>
<td>1904-05 to 1912-13</td>
<td>1,942</td>
<td>13,171</td>
</tr>
<tr>
<td>1913-14 to 1919-20</td>
<td>2,138</td>
<td>21,620</td>
</tr>
</tbody>
</table>

**Percentage of Col. 2 to Col. 3**

- 20
- 23
- 19
- 15
- 10

**INCOME FROM REMUNERATIVE ENTERPRISES**

Local Boards were getting for long certain amount of income from remunerative undertakings like railways, motor services, tree planting, and development, the establishment of markets, cart-stands and slaughter-houses. This source of income varied from district to district. Only five Boards had owned Railways since 1904. Only one Board attempted to run motor services. This reveals a lack of enterprise and foresight on the part of the Boards. This kind of undertakings also need a staff with sufficient honesty and efficiency.39

Three planting, maintenance of markets, slaughter-houses and cart-stands were more common place pursuits with a rich potential for reaping remuneration. The net income from tree planting was about one

and a half lakhs of rupees for all Boards in the Presidency. Systematic avenue-planting was taken seriously by the Government. This had been the tradition of our Governments over the Centuries.

Cart-stands fetched a considerable revenue in 16 out of 25 districts. Income from 'land improvement' involved the conservation of village-sties, prevention of encroachments on public roads and the preservation of all areas of community use. The provision of markets, cart-stands and slaughter houses was also a source of income to the Boards. Exploitation of fisheries in the village tanks, taking of grazing lands on lease and utilisation of communal waste land also yielded some revenue. Generally speaking, the income from remunerative enterprises except that of the railways, accounted for a little more than three per cent of the total income.40

**PROVINCIAL GRANTS**

A payment from the Treasury of the State Government to a Local authority for the purpose of assisting that authority in carrying on a part or all the activities is known as Grant-in-aid. Essentially, it is an outright donation to the local authority, though the gift usually has strings attached in the form of supervision over its use.41

The Grants-in-aid have several objectives and purposes. It is meant to transfer some of the financial burdens from the poorer to the richer classes. In a way all grants result in transferring burdens

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from the local to the national tax-payer and has a redistribution
effect. By the Grants-in-aid Government can help and promote an object
without becoming financially and administratively responsible for it.
They are a means of enabling a Government to encourage local bodies to
improve their services.42

Grants-in-aid foster effective cooperation between the state and
local authorities. The Government can place at the disposal of local
authorities its talents, experience and information. They are at best
a relief to local tax-payers. Grants are designed to transfer to the
State and national tax-payer, local expenditures of an onerous nature.
Finally, Grants may be given to highly beneficially areas like
prevention of mortality, unemployment and poverty.43

Critics of Grants-in-aid argue that ultimately Grants transfer the
burdens of the poorer districts to the richer ones. This will not hold
water in the modern days of rapid means of communication. Grants are
also decried as destroying local initiative and responsibility. They
are also considered as artificial props in support of the local
authorities who cannot stand on their own feet. State control over
local bodies through the medium of Grants is regarded as an
interference in their autonomy.

Between 1871 and 1876 the Government was liberal in giving Grants,
mainly for the maintenance of the Imperial or trunk roads which were

42. Ibid., p. 237.
43. Ibid., p. 240.
transferred to the management of Local Boards in 1871-72. Till 1875 the Government Grants formed on an average about 27 per cent of the Rural Boards' total income. During the period from 1876 to 1905, the Government Grants gradually declined, because of the Imperial Governments' view that the functions of Rural Boards were of a purely local character and that Government had little responsibility for them. This changed attitude was due mainly to the financial strain faced by the Central Government. Central grants to Provinces were reduced and naturally Provincial grants to Local Boards declined.

There was a turn of the tide in 1905. Surplus finances of the Central Government accruing from opium profits were diverted to the Local Boards. The Grants thus bestowed on the Rural Boards were of three categories. (1) Permanent recurring Grants from the Imperial Government through the Provincial authority. The amount of this grant was fixed at one-fourth of the income derived from land-cess. This was mainly meant for construction and maintenance of roads (2) Grants given by both Central and Provincial Governments for specific services like education, sanitation and medical relief. They included non-recurring subsidies for educational buildings and sanitary works. (3) Provincial Grants to meet the cost of hospitals and dispensaries opened

46. Grants formed less than 6% of the Boards' total income during 1884-93 and less than 5% during 1894-1903. See Report on the Finances of Local Bodies, 1933, p. 4.
by Rural Boards after 1915. The total amount of Grants rose steeply during the first two decades of present century (K.K. Pillai, Table p.192).

TABLE V - GRANTS

(In thousand of Rupees)

<table>
<thead>
<tr>
<th>Decades</th>
<th>Total Income</th>
<th>Government Grants</th>
<th>Percentage of Col. 3 to Col.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1882-83 to 1892-93</td>
<td>6,502</td>
<td>354</td>
<td>5.9</td>
</tr>
<tr>
<td>1893-94 to 1903-04</td>
<td>8,290</td>
<td>402</td>
<td>4.9</td>
</tr>
<tr>
<td>1904-05 to 1912-13</td>
<td>13,171</td>
<td>2,549</td>
<td>19.4</td>
</tr>
<tr>
<td>1913-14 to 1919-20</td>
<td>21,620</td>
<td>7,363</td>
<td>34.0</td>
</tr>
</tbody>
</table>

ALLOCATION OF FUNDS AMONG LOCAL BOARDS

The Local Boards Act V of 1884 introduced the three-tier system of Local Self-Government consisting of District Board, Taluk Boards and Union Panchayat Boards. The Act also provided for the allocation of funds among the three units.48

The District Board Funds were to consist of one-half of the total land-cess, the entire amount of tolls grants and fees. The Taluk Board funds were constituted by one-half of the proceeds of the land-cess collected from the area, licence fees levied on markets and slaughter-houses together with other sums placed at the disposal of the Taluk Board by the District Board. The sources of the Unions came from the proceeds of the house-tax and fees collected from its jurisdiction and any other sums placed at the disposal of the Unions by the Taluk Board.49

48. Local Boards Act V of 1884, Sections 54 and 55.
BUDGETING THE LOCAL BOARD FUNDS

Budget is a plan of expenditure and a tool of management. The local budget fixes the rate of local taxation and the purposes to which the proceeds of taxation shall be applied. Budgets help the implementation of policy and draws the attention of people to the activities of the Local Boards. Budgets also lead to the correction of faults in the development of services. Presenting the Annual Budget is one of the mandatory duties of the Local Boards. An annual estimate of the expected receipts and proposed expenditures from Local Funds must be prepared first. The authority to prepare the budget was the Chairman of the Local Board. The preparation of the budget was preceded by a notification by the Chairman to the heads of the departments requesting them to state the needs.

The estimates of the current year would be first revised in the light of the experience gained in the previous six months. If additional funds were needed the Chairman ought to apply for them separately. Then the revised estimate was prepared with due regard to the experience of the previous years. When the revised estimate was ready the preparation of the budget was taken up, scrutinising the departmental budgets carefully.

50. Local Funds Act of 1871, Sections 30 and 31.
52. Local Boards Act of 1884, Chapter III Budget Rules.
In the budget itself provision for an adequate closing balance and
debt charges should find a place. No credit should be taken in the
budget for any Government or private contribution without sanction.
Provision for any capital expenditure or new schemes of expenditure
could not be included without sufficient resources. Obligatory
expenditure could not be omitted. Sanctioned schemes should be
included. Certain amounts for particular services must be allotted.
In preparing the budget the local authorities must consult the State
departmental heads. Normally, a budget note and relevant documents
should accompany the budget. Circulation of the budget copy among the
members of the Local Board was desirable. 53

DISTRICT FUNDS AND CHARGES

In accordance with provisions of Section 150 of the Act of 1884,
it was the duty of the District and Taluk Boards and Panchayats to
prepare annually budget estimates of receipts and expenditures under
all heads. Apart from the separate budgets of the three categories of
Local Boards, a consolidated district budget containing information
regarding the estimates of receipts and expenditure for (1) the
District Board, (2) the Taluk Boards and (3) the Panchayats within the
District must be submitted. 54

54. Rules under Madras Local Boards, Act V of 1884, Chapter II.
The Clauses of revenue pertaining to the District Funds were as follows:

1. Portion of the cess on land (not being more than half).
2. Whole of the Railway cess on land.
3. Tolls inclusive of District Board's share of collections, Municipal toll-gates and of compounding fees.
4. Receipts from Schools maintained by district funds inclusive of Grants-in-aid.
5. Receipts of hospitals maintained from district funds.
6. Income from endowments under the management of District Board, such as rents, produce of land, interest on securities.
7. Contributions from Government approximately equal to 1/4 of the amount realised from the local cess on land in the district.
8. Other contributions from Government, Municipalities and private persons in aid of institutions from Taluk and other Local funds.
9. Contributions from Taluk and other local funds.
10. Miscellaneous receipts like (i) fines and penalties, (ii) Sale proceeds of sweepings, old stores, materials and avenue clippings, (iii) Rent and sale of buildings, land and other property, (iv) Sales of tools and plant, (v) Interest on loans and securities, (vi) Interest on arrears of revenue, (vii) contributions towards Local Fund pensions, (viii) Unclaimed deposits and other forfeitures, (ix) vaccination fees, (x) Receipts from ferries under District Boards, (xi) Income from Railways and Tramways.
CLASSIFICATION OF CHARGES FOR DISTRICT BOARDS

1. Construction and repair of all trunk and other roads.

2. Planting and preservation of avenues on all roads.

3. Proportion of the cost of Local Fund engineering establishment, tools and plant and contingencies fixed.


5. Proportion of expenditure maintained at the district headquarters as borne by the District Board.

6. Cost of district medical and sanitary officers' establishment.

7. Maintenance of medical schools established with Government sanction and on reserve midwives and vaccinators.

8. Establishment and maintenance of veterinary hospitals and dispensaries.

9. Establishment and maintenance of travellers' bungalows and rest-houses.


12. Contributions to Provincial Funds for specific and general purposes.
13. Pensions and gratuities of District Board servants and bonus to Provident Fund.

14. Proportionate charges on stationary.

15. Interest on and repayment of loans.

16. Refund of revenue credited to District Funds.

17. Construction and maintenance of Railways and Tramways.

18. Expenses of plague measures.

**TALUK FUNDS AND CHARGES**

1. Portion of the land-cess (not less than half).

2. Receipts from Taluk Board, Schools including Grants-in-aid.

3. Receipts from Taluk Board hospitals.

4. Fees on cart-stands, markets, slaughter-houses constructed and maintained by Taluk funds - Rents from bungalows, choultries, rest houses, markets, villages sites, roads, licence fee from private markets and cart-stands.

5. Income from taluk board endowments.


7. Contributions from district and other local funds and amounts transferred by the district board.
8. Fines for public nuisance.

9. Miscellaneous receipts including (i) Sales proceedings of Sweepings, old stores and materials, tree clippings, (ii) Sale proceeds of other taluk board property, (iii) Ferry receipts under Taluk Board management and fishery rents, (iv) Interest on securities and interest on arrears of revenue, (v) Rent and sale of buildings, lands and other property.

**CHARGES OF TALUK BAARDS**

1. Construction and repair of village communications.

2. Share of the cost of Local Fund engineering establishment, tools, plants, contingencies.

3. Education except training, technical and other special schools maintained by District Board and Union Panchayats.

4. Establishment and maintenance of hospitals and dispensaries and contributions to Municipals and private hospitals and dispensaries, and sanitation and conservancy of towns and villages.

5. Establishment and maintenance of veterinary hospitals and dispensaries.


7. Charges on epidemics other than plague.

8. Vaccination in Local Fund areas.
9. Establishment and maintenance of cart-stands, markets, slaughterhouses, choultries, bungalows burial and burial grounds.


11. Rewards for destruction of dogs.

12. Charges for deportation of monkeys.

13. Contribution to other District and other Local Boards, Municipalities and Private individuals.

14. 'Share' in stationary charges.

15. Refunds of revenue credited to Taluk funds

16. Interests on and repayment of loans.

There were also a number of items regarding the distribution of charges between Provincial and Local Governments. Similarly there were some areas of financial settlements between District board and the Taluk Board.  

CLASSES OF REVENUE PERTAINING TO UNION FUNDS

1. Taxes on houses situated within the Union.

2. Licence-fee for temporary pandals and other structures in roads and other public places.

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55. Obid.
3. Fees for putting up verandas, balcony, sun-shade, weather-frame projecting near the road in front of any building or land in the Union.

4. Private scavenging fees.

5. Receipts of hospitals and dispensaries maintained from Union funds sanctioned by Government.


7. Contributions from Local Boards and from Provincial funds Municipalities and private persons in aid of institutions maintained from Union funds.

8. Warrant and distraint fees levied by Union Panchayats and fines for nuisance offences.

9. Miscellaneous receipts like (i) interests on securities, (ii) sales proceeds of sweepings, old stores and materials, (iii) sale-proceeds of trees and avenue clippings, (iv) unclaimed deposits.

UNION FUNDS AND CHARGES

Union funds may be applied to the following purposes within the area under the authority of the Union Panchayat concerned, provided the Taluk Board may retain or take any of these under direct control.
1. Lighting of the Public places.

2. Cleansing public roads, drains, tanks, wells and other public places.

3. Establishment and maintenance of hospitals, dispensaries and schools sanctioned by Government.

4. Making and repairing the public roads and drains.

5. Construction and maintenance of tanks and wells in the Union area supplying sufficient water for domestic use.


7. Incidental charges including (i) Office and collection establishment and contingencies, (ii) Stationary charges (iii) Miscellaneous and unforeseen charges. When cart-stands, markets etc. were transferred to union Panchayats Union Funds might applied to their maintenance with Taluk Board Funds. These funds might be applied for making sanitary arrangements at fairs etc. scavenging and village site improvement.\(^5\)

LOCAL BOARDS OF ANANTAPUR DISTRICT AND THEIR FISCAL ADMINISTRATION

The Local Board institutions of Anantapur District, namely, the District Board, Taluk Boards and Union Panchayats came into existence in the last quarter of the 19th century. These were structured in accordance with the Local Boards Act of 1884. A decade ago some kind of infrastructure of the Local Bodies had been built in the form of Local Fund Circles created by the Local Funds Act IV of 1871. The resources of the Circle Board had been extremely limited. Their performance can only be described as the beginning of Local Boards’ service in the District.\(^57\)

Local Boards in the Anantapur district were involved in many activities during the period of the present study namely, between the years 1882 and 1920. These projects, aimed at public welfare, came under the new scheme of Local Boards administration since 1886 after the Local Boards Act of 1884 came into force. The District Board of Anantapur with the Taluk Boards and the Unions which were newly formed continued the various programmes to improve the civic life of the people in the urban and rural areas.\(^58\)

Among the multifarious undertakings of the Local Boards in the District could be mentioned construction, repair and maintenance of streets, bridges and other means of communication, planting and preservation of avenue trees construction and rapier of hospitals,


\(^{58}\) The Anantapur District Gazette, Local Fund Sheet, dated 2.10.1886.

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dispensaries, choultries, markets, drainage, water works, tanks and wells, training and employment of vaccinators, sanitation in towns and villages, education, construction and maintenance of schools and training of teachers, prevention of epidemics, famine-relief works, payment of salaries to staff of various establishments.59

For the purposes of Local Self-Government administration, the funds were divided into three main heads: namely (1) the Boards Funds, (2) the Endowment Fund and (3) the Miscellaneous Fund. The Road Fund consisted of two-thirds of the collections within the year of the land cess, proceeds of tolls, Grants from general revenues and other contributions for construction and maintenance of communications and such share in excess of the two-thirds of collections of the cess. Fish rents, ferry rents, and surplus pound funds also amounted to this head. The revenue under endowment was chiefly derived from lands with which the choultries had been endowed. An income also was derived from the rents of buildings attached to the endowed institutions, from interests on funds invested and Government grants in lieu of resumed Inams and fees.60

The General or Miscellaneous Fund, consisted of various items including school fees, contributions from Municipalities, Travellers - Bungalow fees, sale-proceeds of books, fines and penalties, private


60. The endowed institutions consists of choultries, dispensaries, water-pandals, bridges, ponds and tanks, Ibid, p. 645.
contributions for sanitation, sale of materials, market rents, debt accounts, avenues, interest on arrears of revenue and sundry items.\footnote{ibid., p. 646.}

It should not be forgotten that the effectiveness of the services of the Local Boards depended on the matching the demand for money with the demand for amenities. Unfortunately, there has been no marching efforts to augment the steps taken by the Local Boards with adequate financial resources to the local authorities.

A PROFILE OF THE ANANTAPUR LOCAL BOARDS BUDGETS

The receipts of the Board in 1885 amounted to Rs.1,10,635 of which Rs.1,00,278 was driven from land-cess (Rs.3,072 from tolls, Rs.5,078 from market rents, Rs.2050 from choultries and balance from other sources. Its expenditure totalling about Rs.1,04,588 was chiefly on the execution of new works and repairs to existing works amounting to Rs.50,709 followed by Rs.27,820 for hospitals and sanitation, markets etc., Rs.12,239 on education and Rs.14,320 on administration. The deficit at the close of the year was mainly due to amounts realised under land-cess tolls and fish rents having been considerably less than those estimated. There were three toll gates. The length of the villages roads maintained by the Board was nearly 253 miles. It ran a normal School and two Middle Schools. The Board maintained seven dispensaries, fourteen choultries chatrams and sixteen bungalows.\footnote{Administrative Report of the Local Funds of Anantapur Circle, 1884-85. G.O. No. 513 (Fin.) dated 6.8.1885.}

\end{verbatim}
The Administrative Report of the District Board in Anantapur for the 1895 gives a picture of the working of the Local Boards in the District with all the component units set up according to the Act of 1884. Apart from the District Board, there were three Taluk Boards and eleven Union Panchayats. The total receipts of the year including the opening balance of Rs.50,148 amounted to Rs.1,66,688. The actual collections of the land-cess at the usual of tolls from the existing six gates were Rs.4,128. Of the house-tax in the Union a sum of Rs.10,911 amounting to 89.3 per cent of demand was realised. Receipts under the school fees brought Rs.3,180. An amount of Rs.7171 was received from markets, bungalows, fish rent and sundries. Private contributions were Rs.455 and Rs.936 was credited under the miscellaneous head. Provincial contributions gave a Rs. 1986.63

The total expenditure was Rs.1,41,380; charges under Grant I, namely, Public Works came to Rs.3823 including money on constructing new roads and compensations for land taken up for the purposes. A sum of Rs.3092 was spent on original works consisting of hospitals, dispensaries, hospital wards and school houses. A sum of Rs.1580 was spent on miscellaneous public improvements, mainly markets. Repairs on communications and civil buildings and miscellaneous public improvements cost Rs.38,886.64

64. Bh. Sivasankaranarayana, cit. p. 715
Under Grant II the expenditure on Education incurred was a total of Rs.24,798. Inspection cost Rs.1598; other expenses related to Sessional, Secondary, Board Primary and Grant-in-aid Schools. The report added that the progress of education was on the whole good.

Grant III on Medical and Sanitation expenditure was Rs.43,960 of which the allotment for District Board fund was Rs.9,434, Taluk Funds Rs.20,497 and Union Funds Rs.11,223. The main items of expenditure related to hospitals and dispensaries (Rs.13,082) midwives (Rs.204), vaccination (Rs.6,175), Sanitation (Rs.13,413), markets, choultries and bungalows (Rs.7,680). Under the miscellaneous head, lighting charges were Rs.1634. Under Grant IV the total expenditure was Rs.13,257.65

The record of the financial management of a decade since 1885 showed vast improvement in almost all the fields of local administration. On the receipt side regarding land-cess the collection was persistently showing a fall due to outstanding arrears. The collection of house-tax in the Unions was rated fair to good. There was a fall in the receipts from avenue tress due to want of interest.

On the expenditure side, the expenditure rose by 80 per cent against that of the previous year. There was delay in the submission of estimated programmes from the Taluk Boards. Expenditure on village roads amounted to 21 per cent of the total outlay and their general condition was fair. There were perceptible improvements in education.

65. Grant IV pertained to expenditure on Establishment, Refunds, Bonus to Provincial Fund etc. ibid., p. 12.
The number of schools aided by the Taluk Boards with Result Grands paid at the maximum rates, went up 204 to 3806 pupils even though only 72.5 per cent of the examined were found qualified.

The dispensary buildings of the Taluk Boards medical institutes' needed improvement. The need for more midwives was urgent. In vaccination there was a retrogression both in quality and quantity of the work. Only 26 per mile of the population were vaccinated. In sanitation the total outlay was 91 per cent of the allotment. The number of villages conserved increased. But the expenditure on water-supply was deplorably low.66

Under the miscellaneous head the charges on lighting had increased. The Government requested the Board President to concentrate on expenditure of a permanent nature. The year closed with a balance of Rs.25,308. Except in the matter of vaccination, the administration of local affairs showed satisfactory improvements.

The next decade began with 1905. The amended Local Boards Act of 1898 had added the responsibility of the opening and maintenance of relief works in times of famine and scarcity which devolved on the District Board. By 1900 the Board was levying a land-cess of one anna per rupee. Other sources of revenue were house-tax, tolls, market- rents and contribution from Provincial Funds. There were five hospitals and five dispensaries in the District in that year. In the average, local taxation was two annas and six pies per head. In 1904

the house-tax in the Unions was raised to the maximum which was opposed in some Unions delaying thus its collections.67

The total receipts for 1905 were Rs.1,35,986, and the charges amounted to Rs.1,71,965. The year closed with a balance of Rs.34,965. The total of land-cess collected was Rs.93,824 out of a demand of Rs.1,02,958 and the decrease was due to the existence of smaller arrears of land revenue. The house-tax collection was Rs.17,422 and the number of houses assessed were 27,435. The average incidence per house taxed was Rs.10-Anna I. Educational receipts were Rs.3,176 and that of medical department was only Rs.915. The receipts under miscellaneous head stood at Rs.9,995, which showed an increase due to transfer from the Provincial Funds and market revenues. Tolls and avenue funds were a total of Rs.5202. The amount of tolls (Rs.3972) was due to competition among the bidders. A sum of Rs.15,990 was received as grants from Provincial Funds for roads and education.68

Expenditure under Grant I relating to public works amounted to Rs.61,583 out of an allotment of Rs.70,066. Communications received Rs.56,380, the percentage of the income under land-cess being 68.3 per cent. The average cost of the maintenance of village roads was higher than the others due to the inclusion of expenditure on Union roads in the cost of village roads without corresponding increase in the mileage of such roads. The cost of general establishments was Rs.16,641.69

67. ibid., p. 591.
68. Administration Report of Anantapur District Board, 1905-06.
69. ibid., p. 5.
Expenditure on education was Rs.26,490 pertaining to Results Grants, fixed and Result Stipends, and salaries to the teachers in the Lower Secondary Schools. Eight schools were set up for Muhammadans. For the aided-schools, the Grants were paid at higher rates which accounted for increased expenditure.

Total charges on account of hospitals and dispensaries were Rs.17,282. The average cost per patient was As 3-2. The cost on midwives was Rs.635. The Sanitation Department spent Rs.16,378. Plague expenditure amounted to Rs.9000. Choultries and marks cost Rs.3111. Four choultries were repaired. Public health in the District was not satisfactory due to plague, cholera and small pox.\textsuperscript{70}

The expenditure on communications exceeded the prescribed minimum by 24 per cent. The village roads received particular attention. The average cost of maintaining a mile of village road was Rs.83. This was a creditable achievement of the decade. Education in the district was still in a backward condition. The percentage of male population of school-going age under instruction was only 9.4 as against 10.2 in 1895. 49 per cent of the teachers in aided schools were entirely unqualified.

Prevalence of epidemics emphasised the need for improving sanitation, protected water-supply and extension of vaccination. 20 per cent of the allotment for sanitation was allowed to lapse. Over

\textsuperscript{70} ibid., p. 4.
the decade considerable improvements had occurred in many areas of local administration except in education and sanitation.\textsuperscript{71}

Between 1905 and 1915, the number of Taluk Boards in the District had increased from three to four as a result of the regrouping. Similar charges took place in the rearrangement of Union Boards, increasing their number. In 1907, the budget estimates went up to Rs.1,93,659 while the charges touched Rs.2,13,764. The amounts set up for Education and public Works from the Provincial Funds increased. An amount of Rs.30,000 for Public Works out of a special Provincial Grant-in-aid of communications went for new works.\textsuperscript{72}

In 1910 the total receipts amounted to Rs.26,545 and the charges Rs.17,394. There was a large increase in the collection of land-cess due to a better season and the average incidence of taxation per head of population were As 2-2. Expenditure on education fell from Rs.42,947 in the previous year to Rs.22,880. This was due to decrease in Grants-in-aid and in Teaching Grants to Elementary Schools. A total of Rs.18,024 was spent on medical services while the Sanitation department spent Rs.27,599 or nearly 92 per cent of the total allotment. During these years the Provident Fund Scheme was

\textsuperscript{71} ibid., p.6.

allotment. During these years the Provident Fund Scheme was introduced for Local Fund employees.73

The Administration Report of the Board for 1913 showed the total receipts of Rs.3,55,049 and the charges Rs.2,93,946. Cost of education rose up. Sanitation claimed nearly 60 per cent of allotment. The average cost per patient in hospitals were As 2-10. Total amount spent on communications was Rs.98,649 relating to new works and repairs. There were considerable amounts available as net balance for the improvement of communications and sanitation.74

The year 1915 marking the end of the decade from 1905 showed Rs.327385 under the receipts. The decrease was due to fall in revenue under land-cess and Provincial Grants. The total amount of expenditure was Rs.4,46,752. The increase was due to utilization of large unpaid balance of Provincial Grants of previous years and those received during the current services claimed Rs.23,214 while sanitation Rs.48426. Full utilization of funds for Minor sanitary works and appointment of Sanitary inspectors led to the raise in expenditure. There was a programme of sanitary works spread over five years to improve conditions in Taluk Boards. Water-supply schemes in towns like Dharmavaram and hindupur were pursued vigorously.75

74. ibid., 1913. G.O. No. 832, dated 8.9.1913.
75. ibid., G.O. No. 14951L dated 26.10.1916.
The decade under review marked serious involvement of the Local Boards in essential services like Public Works, health services, sanitation particularly water-supply, village roads, schools and village improvement projects. Short and long-term schemes were implemented. The receipts were increasing on the whole even though there were short-falls in the collection of land cess. The authorities were satisfied with the general working of the Local Boards, but under-utilization of allotted funds in the various heads was regretted.\textsuperscript{76}

The half decade from 1915 to 1920 registered further progress in the financial management of the District Board Funds. The receipts in 1916 were Rs.3,64,241 while charges amounted to Rs.3,26,112. In all the heads of the administration department expended Rs.75,722. The number of schools for Panchamas and other backward sections and for girls increased. Sanitation department spent Rs.83,955. Health services had to spend huge amounts to prevent and treat the recurring epidemics.\textsuperscript{77}

The total receipts in 1918 from the District Board and Taluk Boards were Rs.4,71,527 and the charges Rs.29225. Current demand under House-tax increased by 82.6 per cent. Several Elementary Schools were opened along with schools for the weaker sections. The net expenditure on education was Rs.85,116. Total spending on hospitals rose to 24023. Sanitation expenditure totalled Rs.45702. The decrease in total

\textsuperscript{76} ibid., G.O. No. 1399L dated 1.10.1914
\textsuperscript{77} ibid., G.O. No. 38L dated 16.3.1917.
spending was due to the unusually severe epidemic of plague in the District which hampered the operations of the Local Boards. There was consequently a diminution of interest on the part of the Board members. The Local Fund engineering staff were also responsible for the stagnation of work in the communications department. The roads were in an unusually bad shape.\footnote{ibid., G.O. No. 1077L, dated 21.8.1918.}

The condition partly improved in 1919 when the total receipts reached an all-time high of Rs.7,684,25 and the charges were in an equally high level being Rs.6,25,984. There was a relative increase in the spending of all departments. The receipt of Provincial Grants for school buildings was a welcome feature. Veterinary institutions were aided by Local Board funds. Sanitation expenditure in 1919 was Rs.71,288 against Rs.45,702 in the previous year. Special Provincial Grants were given to the District Board for water-supply and sanitation. The conditions of road had vastly improved. Special Grants were available for civil works also.\footnote{ibid., G.O. No. 1162L, dated 26.9.1919.} The District was making rapid strides towards progress at the beginning of 1920, when the Local Self-Government became a Transferred subject in the Dyarchical system under the Act of 1919.

The passing of the Local Boards Act of 1920 constituted an important milestone in the progress of Local Self-Government. This Act gave an independent status to the different classes of Local

\footnote{78. ibid., G.O. No. 1077L, dated 21.8.1918.}
\footnote{79. ibid., G.O. No. 1162L, dated 26.9.1919.}
Boards. In 1920, the Government appointed a Committee to examine the financial relations between the Government and the Local Bodies.80 This Committee depreciated the old system of distributing Grants to the Local Boards on any uniform principle. It said that the demand for Grants had become a rat-race and their distribution was made with little regard for reason.81

The Committee recommended that a distinction to be made between Grant for capital and Grants for ordinary recurring expenditure, that Grants should not be given in aid of general resources except for the poor Boards, that grant be restricted to semi-national services, that Grants be made to rural roads on the basis of their nature and that special compassionate Grant to poor District Boards to be abolished.

Government was to undertake to continue to each Board what in was and supplement it by a sum not less than the proceeds of education tax levied. A total Grant for all levels of education was to be made hereafter. Head Quarters hospitals were to be financed by the Government henceforth. For other medical institutions Government should make a contribution of half the recurring charges. Minor sanitary Grants were to be abolished. The cost of the District Health officers should be borne to the extent of three-fourths by the Government.82 The Government accepted these recommendation.83

82. The Habibullah Report, 1920, para 165.
83. ibid., p. 208.
The concept of provincialisation also was applied to the Local Self-government after 1920. The Government took over into its own hands some of the duties or services previously undertaken by the Local Boards. In such cases the Boards were relieved of the expenditure incurred on them. Another method adopted to give financial relief to Local Boards was to exempt them wholly or partially from the contributions. Government gave loans Local Boards from time to time to meet the heavy capital expenditure.84

The total receipts of the Local Boards for 1920 were Rs.5,42,490 and the charges 7,75,463. Since the Act of 1920 had not come into force till 1921, the Special grants for communications were continued. The land-cess collection amounted to Rs.90,266. The percentage of current collections of House-tax was 85.5 per cent. There were one District Board, four Taluk Boards and Eighteen Unions in the district out of which were major unions.85

The expenditure under general establishment grew due to granting of war allowance to the employees. Education improved due to grant of liberal subsidies by the Government for school buildings. Medical institutions expended Rs.35,690. Total amount spent under sanitation was Rs.83,834, of which Provincial Grant amounted to Rs.63,256. The Secretary to the Government pointed out that road mileage in the district maintained were 895 and the condition was satisfactory and the

84. ibid., p. 208.
total cost of maintenance had increased. The cost of elementary education rose from 0.83 lakhs to 1.58 lakhs. Of the total number of pupils 53 per cent of boys and 62 per cent of girls were provided for by Local Fund Institutions. Public health and medical relief had improved considerably. There was one medical institution for every 560 sq. miles of the area for every 79,564 persons. Water-supply and sanitation also showed marked improvement.\(^{86}\)

However the yield of taxes other than taxation was poor. The receipts amounted to only Rs.18,574 and the charges Rs.7,950. No effort was made to develop revenue from cart-stands and slaughter-houses. Market revenue was falling, but the yield from avenue planting was good. The total revenue from the 18 Union was aggregated Rs.66,100 but the charges swelled upto Rs.80,005. It was hoped that the revised forms of accounts will enable the Boards to gauge the financial liability and to place each service on a sounder basis.\(^{87}\)

The fortunes of the Local Boards in Anantapur District between 1885 and 1920 in terms of their financial base is a story of slow and steady progress. Starting with a credit balance of Rs.54,396 in 1882, the Board’s financial condition had risen upto a closing balance of Rs.1,84,122 in 1920 (excluding the revenues of the Union Boards). The receipts had been subject to rise and fall because the region is chronically brought-prone and an easy prey of epidemics. Want of

\(^{86}\text{ibid.}, 9-10.\)

\(^{87}\text{ibid.}, 12.\)
literacy as well as the stark poverty made the growing population incapable of providing their own public health, educational and sanitary arrangements.

In the matter of expenditure, the non-involvement of public spirited men, the indifference of officials and the non-availability of qualified and trained personnel retarded the speedy progress. Government had to come to their rescue with generous Grants, sometimes with special grants meant for the poorer Boards. The progress was painfully slow, but it cannot be denied that in the course of the four decades under review the financial strength of the Local Boards had shown marks of recovery and stability. An all-round development in all the fields of service was recorded. Public attitude towards Local Self-Government changed for the better. Local Boards were coming out the woods to march towards further progress under a responsible Ministry following the new dispensation of 1920.