Chapter VII: Summary of Municipalities

In the foregoing pages we analysed the financial and, to some extent, organisation aspects of the eight municipalities selected for study over the period from 1939 to 1955. We may recapitulate briefly the broad conclusions arrived at in the preceding chapters, as follows.

7.1: Area and Population of Municipalities:

Municipal area is an important determining factor regarding the costs of local services and their efficiency. Extension of municipal areas and growth of urban population have put an undue strain on municipal services and responsibilities. These two factors added much more to municipal expenditure than to municipal revenue. The result was a serious imbalance between resources and responsibilities. Urban population increased rapidly growing municipal services out of gear. The population problem needs to be tackled from the national angle and that of the municipal area on a regional basis, in an integrated manner.

7.2: Overlapping Character of Taxation:

Municipalities have no statutory powers of taxation granted by the constitution of the Indian Union. Such of the taxes as are currently levied by the local authorities figure in the State List. The local authorities derive their powers of taxation from the State Government and it is open to the State Government to exploit the tax bases jointly with the local authorities. What is granted by the State Government can also be withdrawn by the State Govt. Between the local, state and national taxes, there is no clear-cut demarcation. Many of the taxes prove to be overlapping in actual operation, so that the...
weaker authority suffers the most.

7.3: Municipal Budgets and Tax-Resources:

While central and even state budgets revealed considerable elasticity, the finances of municipalities betrayed a sticky nature. In real terms, none of the municipalities was able to maintain the services at an adequate level of efficiency and sufficiency. The net operative expenditure per capita struck lower levels even under the corporations of Ahmedabad and Pune. Lack of productive income-resources has unduly handicapped municipal budgeting and has impeded the efficiency of municipal organisation everywhere. In view of the needs of a developing economy, the role of local self government as the foundation of a broad-based and strong democracy is clear enough. In reality, the municipalities have merely continued their age-old tutelage under the state government. Even in the scheme of national economic planning, the share of responsibilities to be carried out by the local authorities is still unclear, let alone the strengthening of their income-resources. Power of taxation of municipalities must be clear-cut and adequate and allotted on a statutory basis. Among the present tax-resources, octroi and property taxes bear most of the burden of financing important municipal services. Octroi being highly inequitable and regressive, must be abolished. It should be replaced by a suitable surcharge on the State Sales Tax. There is need for overhauling the entire tax-structure in order to secure a balance between sacrifice made by real estate and that by every other member of the community. Reassessment of properties and revision of tax-schedules are likely to fetch...
extra income. Property taxes are often an effective instrument against haphazard town-development. Property taxation embodying differential rates needs to be effectively employed by modern municipalities.

7.4: Promoting Water-Supply and Revision of Water Rates:

A number of local services depend on an abundant water-supply in the case of all municipalities selected for this study. Water consumption per head of population fell far short of current needs according to standards laid down by expert committees. There was an acute shortage of water at Dharwar and Hubli. Income from water rates could not fully meet the expenditure on the water supply service at Nasik, Surat, Hubli and Poona. They should reconstruct the rate-structure on lines of Solsapur municipal corporation. Even those municipalities, e.g. Solsapur and Ahmedabad, which made savings out of their water tax (or rates), but did not increase water-supply, should set up new water-plants, improve distribution of water, avoid wastage, if necessary, through metered supply and at the same time invoke help from the state government for a permanent solution of the water shortage. For instance, at Solsapur, the Bhima-River project alone was expected to achieve adequate water-supply to a growing industrial town. Poona, Dharwar and Hubli were in need of more water-connections in order to ensure a better distribution of water.

7.5: Improvement in Drainage and Conservancy:

A permanent solution of this problem could lie only in under-ground drainage with flush-latrines. This would involve considerable capital outlay and also require abundant water-supply. Most of the municipalities are utterly unable to shoulder this responsibility unless they obtain substantial aid from the State Exchequer.
This common problem could also be handled effectively on a regional basis under a well-planned and phased program aided by suitable grants from the state government under the development plans. Absence of a drainage system worth the name, created an unhealthy and foul atmosphere at Surat City, Nadi, Dharwar and Surat. All municipalities must levy a drainage rate and must strictly enforce their bye-laws in respect of sanitation.

Even open drains, gutters, storm-drains, need ample water supply and must be flushed and cleansed regularly. "Drainage and conservancy services are manned by harijan staff; but often the staff is inadequate e.g. Dharwar, Surat City, and in some cases, there is no effective supervision e.g. Surat. General conservancy was almost neglected as most of the municipalities (except, perhaps, Poona), Sholapur, Surat, and Nadi have done so to the detriment of the health of their large population. Dharwar and Surat City must employ more sweepers. The system of granting exemptions from the levy of general sanitary rates on grounds that the special rate is levied is hardly justifiable. Special conservancy is also connected with the social evils like untouchability. The hand-cleaned latrines could be converted into septic privies, by framing suitable bye-laws in respect of all building premises. Adequate number of latrines, both public and private, is indispensable for a clean and healthy environment. Few municipalities could boast of a happy position in this respect. Hubli stood in need of a larger outlay on scavenging. In addition to Ahmedabad and Poona, which had underground drainage, Surat undertook it and Sholapur planned to start the same in recent years.
other municipalities where insanitation was the rule of the day, improvement could come only through radically enhanced sanitary rates, constant vigilance and better administration.

7.6: Overhaul of Medical Relief System:

Provision of medical relief remained an unsolved problem at all smaller municipalities owing to high costs of establishing municipal hospitals and dispensaries. Even control of epidemics and regulation of offensive trades was handled perfunctorily so that vital statistics caused much anxiety. A way out would seem to lie in the provincialisation of this service in respect of the smaller municipalities.

7.7: Regional Approach to Major Public Works and Road-Construction:

Chief among the public works, roads alone absorb a major share of expenditure on their upkeep and establishment. The expenditure is partly of a recurring and partly of non-recurring nature. Only a few of the progressive municipal authorities showed consistent development of their road-systems. Here again the income from the wheel tax and tolls is quite insuitable and undependable for the need of an increasing traffic on municipal highways. Costly equipment and technical staff and frequent repairs under monsoon conditions put a heavy strain on municipal budgets. The wheel tax was never found to have been satisfactorily collected and it needs abolition except in the case of corporations at Ahmedabad and Poona. The State Government might enhance its Motor Vehicles Tax proportionately and assign something like 50 per cent of its total proceeds to the municipalities and also provide technical advice towards road improvements, on a regional basis.
to suit the traffic needs. Sure had too large a road-mileage for its limited area whereas Poona had too low road-mileage for an extensive area. Bharvar too was handicapped by lengthy roads in a hilly region. At Satur City, Nasik and Sholapur, roads were insufficient and even unsuited to their growing needs. In some towns important road-lines remained unsurfaced, e.g. Bharwar, Sholapur, Sure and Satara City. Road-widening and traffic islands required more attention at most of the towns and at Ahmedabad sub-ways were necessary at strategic points. As regards other activities of public works, e.g. slum-clearance, housing, town planning etc. these could best be tackled from a regional angle, under the state development plans by providing both technical and financial assistance to municipalities.

7. Promotion of Primary Education:

Universal, free and compulsory education granted by the State Government under the Primary Education Act, 1947, brought about a rapid expansion of municipal schools. In the absence of proper school buildings and owing to the shift system, the instruction could not be effective. So long as the grant-system was on a percentage basis, municipal school boards were found to hesitate to incur additional expenditure beyond the scope of the strictly approved outlay. Sure failed to employ adequate teaching staff with suitable qualifications. So long as private-owned primary schools continued to attract pupils and qualified teachers, the educational standards under municipal schools could not be considered as satisfactory. Priority must be given to the construction of new primary schools buildings but, again, the ...
funds must be raised partly through loans and partly through
grant-in-aid from the state government, preferably through
the agency of an ad hoc Grants Commission of the Local Bodies
in the state. The Grant-system needs complete overhauling
if the objectives are to be fulfilled satisfactorily. Cent-
percent grants must be forthcoming in respect of the less
fortunate municipalities like Satara City not only in respect
of primary education but also secondary and preferably technical
institutions. The corporations and the richer municipalities should levy an education cess, as was done by Barw.
Children of school-going age still remaining out of schools
to throw a challenge to the constitutional directive of compul-
sory primary education.

7.9: Toning up General Administration and Collection of Rates and Taxes:

There was an all-round expansion in this department. But
it is no use grudging the rise in staff salaries consider-
ing with the movements of price-index. The municipalities are heavily burdened with all responsibilities to aid a community which expects integrity, a high morale and efficiency from the civic staff. In smaller municipalities the staff position was far from satisfactory owing to evils like corruption, nepotism and interference from councillors in administrative matters. Thacker made heavy allotment to staff establishment but with no improvement in administration. Even from economy considerations, under-qualified staff is always burdensome. In respect of collection of municipal taxes and dues, large outstanding arrears often indicated lethargy
and laxity in tax-administration, resulting in leakage of valuable revenues. Recruitment to municipal cadres must be based on merit and efficiency. Octroi establishment always remained a stumbling block, being highly inefficient, uneconomical, corrupt and the method of collection itself was inequitable, highly regressive and imposed through trade owing to its refund system. Octroi needs to be replaced by a surcharge on sales tax levied by the state government. The proceeds from sales tax should be shared with the municipalities in suitable proportions on the basis of collections made in respective towns. The municipalities and corporations can thus effect large savings by abolishing octroi establishment, though nominal staff may be retained for collecting tolls.

7.10 Ensuring Public Safety

Among public safety measures, fire-fighting is a very costly and highly complicated affair which an average municipality cannot easily finance. Even Poona had a single fire station for an area of over 50 sq.miles. More stations were also needed even at Sholapur and Nasik, with extra fire-engines and tankers. Ahmedabad and Surat had a high fire incidence as well as Sholapur and Hubli. The smaller municipalities could not purchase ambulance cars and other paraphernalia and naturally looked up to Government for such help. On lighting, too very small amounts were spent per annum by the various authorities and some of them had not yet completed electrification of street-lighting. Nasik and Surat levied lighting rates and others could follow suit.
7.11: Need for Loan Finance:

Municipal borrowing enables the authorities to finance capital projects and to create assets of a permanent nature. In the absence of loan capital, there ensues the vicious circle of poverty breeding deeper misery. Municipalities like Sholapur and Nasik often invested funds out of current account on capital projects, not finding loans on easy terms, even if their financial health could permit borrowing. Hence the net operating expenditure were bound to be much lower. There is great need for liberalising the rules regarding Local Bodies Loans and the state should either stand guarantee to loans raised in the market or itself provide loans and subsidies to the smaller municipalities.

7.12: Local Tax-Capacity and State Assistance:

We have seen how the general revenues of the municipalities had to bear pressure from all sides, while other smaller streams of income, e.g. service taxes, yielded only a trickle. Octroi and property tax which together played the guardian of finances revealed certain weaknesses over the period under review. The yield therefrom however fell short of actual requirements, owing to the general poverty of the towns and their low tax capacity which persisted inspite of a century of municipal administration. Among alternative tax-resources, we have pointed out the profession tax, which has large potential as it can rope inside the tax-cordon more classes of people, though however the traders will shift the tax on to others. Hence, the tax-resources which are logically local but in practice tapped by the State Government, come to the fore.
The grants system governing assistance to local authorities suffers from quite a few defects. Where need is greatest, e.g. in respect of smaller authorities, grants failed to reach them. If the nation aims at development from below, through integrated local-self-governing institutions, it must envisage a liberal grants policy favourably inclined towards the poor authorities so as to encourage all-sided development. In general, straightway subsidies towards all capital projects would alone be of help to them. Certain criteria like weighted population, wealth of the area, condition of trade, industrial potential and ratio of children to adult population shall have to be adopted. Such a comprehensive scheme of state assistance must be linked with the national Five Year Plans and implemented through the agency of the State Government under a regional programme. The needs of the corporations and the richer municipalities will
of course be simultaneously ascertained in due consideration of their respective taxable wealth, responsibilities and powers. We have closely studied the financial provisions of the Zilla Parishads and Panchayat Sanities Act of 1962. It is discovered that these financial provisions are broadly and rightly designed to meet the development needs of these rural self-governing bodies and contain some important built-in financial safeguards in the form of Equalization Grants, Purposive Grants, Incentive Grants, etc. It is not suggested here that these financial provisions would solve all the development problems of rural local bodies. Perhaps these financial provisions would need periodical reviews in the light of growing development needs of the countryside. But even as things stand today one is inclined to feel that the urban local authorities have been relegated to a comparatively inferior financial position. The existing system of municipal finance does not embody any built-in financial safeguards not are the various state grants placed on a statutory basis.