Chapter 6

Finding and Recommendations of The study
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A summary of major findings of the previous chapters has been taken in this chapter with some of the outstanding problems of the urban local finance and also the recommendations of the present study. For the purpose of this study, sample of 12 municipal councils from various districts of Vidarbha region were selected. During the study, an in-depth analysis qualitative assessment of secondary data and partially the primary data has been collected for that purpose. Personal discussions were held with chief officers, presidents, experts, councilors and few citizens for the present study. The highlights of the findings and the recommendations of the study presented in this section are based on the data and information collected during the period of the last three years by the researcher.

It is a well known fact that urbanization has become a global phenomenon and it is experienced by economically advanced as well as developing countries all over the world. This is because,
cities provide large economics along with variety of choices viz. educational facilities, entertainment options, health care and emergency services and even a larger group of social environment which are not available in small towns. This attracts people to migrate to urban areas for economic opportunities and sophisticated life styles. Hence, the basic objective is to work for the welfare service in the municipal areas. Since the municipal councils are looked upon as institutions promoting urban growth, it becomes more necessary & important to assess their role in the world of municipal councils.

The primary aim of this study is to measure the role of the municipal councils in urban development with special reference to the Vidarbha region of Maharashtra state. And it has been made through an in-depth study of 12 municipal councils from all categories i.e. A, B and C class with their revenue, expenditure & physical achievement. Secondary data was collected and analysed for the study period from 2000-01 to 2006-07. Following are the major observations and recommendations.

1) **Upward Trend of Municipal Revenue** :

a) **‘A’ Class Municipal Councils** –

The present research shows that the annual municipal revenue increased from Rs. 1021 lakhs to Rs. 1844 lakhs in
Yavatmal, Rs. 2214 lakhs to Rs. 3314 lakhs in Chandrapur, Rs. 692 lakhs to Rs. 1378 lakhs in Wardha & Rs. 824 lakhs to Rs. 1634 lakhs in Achalpur.

This shows that there is a wider scope for improving revenue sources in the category of ‘A’ class municipal councils. It is observed that the infrastructure facilities were given to the under developed areas of Vidarbha such as Yavatmal and Achalpur. If the commercial and business activities are developed, people can enjoy its benefits in future.

b) ‘B’ Class Municipal Councils –

It is observed that the total annual municipal revenue of ‘B’ class municipal councils has gone up from Rs. 405 lakhs to 629 lakhs in Wani, Rs. 625 lakhs to 1138 lakhs in Pusad, Rs. 694 lakhs to 889 lakhs in Hinganghat & Rs. 350 lakhs to 637 lakhs in Gadchiroli over the study period. However, annual average rate of growth was the highest at 10.5 in both, Pusad and Gadchiroli, 7.6 % in Wani & 4.2 % in Hinganghat.

It is obvious that the municipal councils such as Gadchiroli and Pusad in the backward region of the state have rapidly increasing trends of business activity. It can be recommended that a well designed policy in this respect is necessary for prompt collection of revenue sources and then judicious use of it for imparting maximum possible services to the citizens.

c) ‘C’ Class Municipal Councils-

It is seen that the total municipal revenue increased from Rs. 450 lakhs to Rs. 615 lakhs in Pandharkawda, Rs. 427 lakhs to Rs.
574 lakhs in Warora and Rs. 215 lakhs to Rs. 289 lakhs in Bhadrawati during 2000-01 to 2006-07

In comparison, the growth rate was highest 5.3 % in Pandharkawda, and then 5.1 % in Warora as well as Bhadrawati. It is worth notice that the growth rate of revenue in Umarkhed was 2.2 % during the review period. The revenue trend of Umarkhed municipal council was worst and it dialed to make its obligatory functions during the study period. It can be recommended that the sample ‘C’ municipal councils should make more serious efforts to collect the revenue.

2) Composition of Municipal Revenue:

a) ‘A’ Class Municipal Councils –

The annual position of ‘A’ class municipal councils shows that the revenue from local taxes was 54.75 %, 16.22 %, 27.41 % and 22.46 % in Yavatmal, Chandrapur, Wardha and Achalpur respectively to the total average annual revenue. Their respective share of govt. grants and contributions stood at 28.9 %, 69.71 %, 58.65 % and 68.56 %. Similarly, their contribution of revenue from municipal property to the total municipal revenue stood at 3.7 %, 2.0 %, 2.41 % and 4.89 % in their respective order. Further, the revenue from other sources was 12.43 % in Yavatmal, 12.08 % in Chandrapur, 11.59 % in Wardha and 4.09 % in Achalpur.

It has been observed that the revenue from local taxes and that from govt. grants and contributions proved to be the major sources of revenue in all the sample ‘A’ class municipal councils in Vidarbha.
It can be recommended that the revision of property tax must be done at priority after every four years in all municipal councils. Since octroi was also a good source of revenue, the re-introduction of octroi in all ‘A’ class municipal councils may be taken into consideration for reducing the burden on the consolidated fund of the state.

b) ‘B’ Class Municipal Councils –

Considering the average annual revenue during 2000-01 to 2006-07, revenue from local taxes to their total revenue stood at 36.01 % in Wani, 32.33 % in Pusad, 25.98 % in Hinganghat and 18.98 % in Gadchiroli. Their respective percentage of contributions and grants to the total revenue was 45.13 %, 56.02 %, 56.60 % & 60.39 % for the review period. The share of revenue from municipal property was 3.68 %, 3.07 %, 3.04 % & 4.79 % in Wani, Pusad, Hinganghat & Gadchiroli in their respective order. Moreover, the contribution of revenue from the other sources to the total municipal revenue was 15.19 % in Wani, 8.66 % in Pusad, 14.39 % in Hinganghat & 16.0 % in Gadchiroli municipal council in the review period.

In this case also it is clear that the revenue from local taxes and the revenue from govt. grants and contribution had a major share in the total revenue. All the four sample ‘B’ class municipal councils have to depend more upon govt. grants and contributions than the revenue from local taxes.
The output of municipal services is wholly dependent upon the municipal administration. An efficient administration for tax revenue is also a must for municipal councils. Gadchiroli and Hinganghat municipal councils can be suggested to pay more attention on the recovery of tax arrears so that the level of revenue collection is improved.

c) 'C' Class Municipal Councils –

As regards to the 'C' class municipal councils, it has been observed that the local tax revenue to the total municipal revenue was 32.44 % in Pandharkawda, 14.11 % in Umarkhed, 20.12 % in Warora & 22.86 % in Bhadrawati. Similarly, the contribution of revenue from municipal property to the total municipal revenue was 4.16 %, 3.11 %, 5.71 % & 6.32 % in their respective order over the review period.

Further, the contribution of govt. grants to the total municipal revenue was 40.45 % in Pandharkawda, 59.41 % in Umarkhed, 66.47 % in Warora & 57.56 % in Bhadrawati.

The revenue from the other sources contributed 23.10 % to the total revenue in Pandharkawda, 23.45 in Umarkhed, 7.69 % in Warora & 13.36% in Bhadrawati.
The above details show that, among the internal resources, the revenue from govt. grants and contribution and the revenue from local taxes have been significant in the total municipal revenue of all sample municipal councils in Vidarbha.

3) Rising Trends of Municipal Expenditure

The growth of expenditure of all sample municipal councils has constantly increased during the study period.

During 2000-01 to 2006-07, the expenditure of all A class municipal councils has substantially increased from Rs. 1052 lakhs to Rs. 1246 lakhs in Yavatmal, Rs. 1933 lakhs to Rs. 2733 lakhs in Chandrapur, Rs. 752 lakhs to Rs. 1241 lakhs in Wardha and Rs. 932 lakhs to Rs. 1350 lakhs in Achalpur. However, the annual rate of growth was highest at about 9% in Wardha and lowest about 3% in Yavatmal during the same period.

It is also observed that the annual expenditure of all the B class municipal councils has increased substantially from Rs. 525 lakhs to Rs. 592 lakhs in Wani, Rs. 729 lakhs to Rs. 1038 lakhs in Pusad, Rs. 676 lakhs to Rs. 796 lakhs in Hinganghat and Rs. 314 lakhs to Rs. 386 lakhs in Gadchiroli.

Moreover, the annual expenditure of all C class municipal councils has gone up from Rs. 423 lakhs to Rs. 424 lakhs in Pandharkawada. The expenditure of Umalkhed municipal council has increased during the last 5 years and it was highest during the
initial two years. The same scenario is seen in case of Warora and Bhadrawati as their total expenditure during the intitial years is more than that during the last year of the study period.

The analysis of expenditure under various heads of sample A class municipal councils shows that on govt. administration, the highest 5 percent of total expenditure was done in Wardha, followed by 4.8 % in Yawatmal, 2.5 % in Chandrapur and 2 % in Achalpur. In case of expenditure on tax collection, the highest 9.6 % was spent in Wardha, followed by 7.8 % in Achalpur, 6.72 % in Yavatmal and 4.3 % in Chandrapur. On public safety, highest 9.3 % was spent in Yawatmal, followed by 6.9 % in Wardha, 6.5 % in Chandrapur and 4 % in Achalpur. As regards to the public health, the highest 31.7 % of total expenditure was done in Wardha, followed by 21.8 % in Chandrapur, 21.6 % in Achalpur and 21 % in Yawatmal.

On public works, the percentage of total expenditure was 17.6 %, 12.3 %, 11.2 % and 6.5 % in Achalpur, Chandrapur, Yavatmal and Wardha municipal council respectively. Further, under the head of education, the highest 19.7 % of total expenditure was spent by Achalpur, followed by 12.7 % in Chandrapur, 6.7 % in Yavatmal and 4.3 % in Wardha. As far as the miscellaneous expenditure is concerned, it was highest 40.2 % in Yavatmal, 39.9 % in Chandrapur, 31.4 % in Wardha and 25.0 % in Achalpur.
The analysis of total expenditure of B class municipal councils shows that, on general administration the highest 4.3 % of total expenditure was done in Wani, followed by 4.0% in Gadchiroli, 3.3 % in Hinganghat & 2.7 % in Pusad. Similarly, the expenditure on tax collection in terms of percentage of total expenditure was the highest 7 % in Wani, 6.9 % in Gadchiroli, 5.9 % in Hinganghat and 5.2 % in Pusad. For public safety, the highest 9.1 % was spent in Gadchiroli, followed by 4.5 % in Hinganghat, 3.2 % in Pusad and 2.9 % in Wani for the review period. Under the head of public health, the highest 36 % was spent in Hinganghat, followed by 26.4 % in Wani, 22.8 % in Gadchiroli & 21.7 % in Pusad. The percentage of expenditure done on public works was 18.3 %, 13.5 %, 9.5 % & 8.1 % in Pusad, Wani, Gadchiroli and Hinganghat respectively. As regards to the expenditure on education, it was highest 23.2 % in Pusad, 15.3 % in Gadchiroli, 7.9 % in Wani & 3.1 % in Hinganghat. Lastly, the expenditure on Miscellaneous was highest 4.4 % in Hinganghat, followed by 40.3 % in Gadchiroli, 38 % in Wani & 25.7 % in Pusad.

The analysis of the expenditure of ‘C’ class municipal councils shows that, on general administration, the highest percentage of total expenditure done was 6.6 % in Bhadrawati, followed by 5.6 % in Umarkhed, 3.1 % in Pandharkawda and 2.9 % in Warora. However, on tax collection it was highest 8.8 % in
Warora, 3.3 % in Pandharkawda, 2.2 % in Bhadrawati & 1.8 % in Umarkhed. As regards to the public health expenditure, the highest 30.2 % of total expenditure was spent in Bhadrawati, followed by 23.5 % in Warora, 20.7 % in Pandharkawda & 20.3 % in Umarkhed. In case of public works, it was highest 14.5 % in Bhadrawati, 13.9 % in Warora, 10.6 % in Umarkhed and 3.5 % in Pandharkawda. The percentage of expenditure done on education was highest 19.6 % in Umarkhed, followed by 18.8 % in Warora, 13.4 % in Pandharkawda and 0.2 % in Bhadrawati. Finally, the contribution of expenditure on Miscellaneous to the total expenditure was highest 52.1 % in Pandharkawda, 40.5 % in Umarkhed, 39.3 % in Bhadrawati and 20.7 % in Warora.

The various tables included in this study show that the per capita incidence of expenditure increased gradually during the study period. However, it was neutralized due to the increase in prices and also the growth of population. Hence, there was only a marginal increase in expenditure. There was also a constant growth in the expenditure under all other important heads.

In case of Bhadrawati and Warora, it has been observed that their expenditure was higher during the first year of review period i.e. 2000-01 and it was comparatively less during the last year i.e. 2006-07. The same fact is revealed in case of Umarkhed municipal
council whose expenditure was Rs. 715 lakhs in 2000-01 and Rs. 556 lakhs in 2006-07.

4) Bridging The Gap:

During the present study, it has been observed several times that there is a gap between the municipal sources and its financial needs, due to which municipal councils function under a lot of financial burdens. It might have arisen due to an inappropriate assignment of taxing and spending responsibilities, tax competition and fiscal flexibility. Therefore, one of the biggest challenges being faced by all municipal councils throughout India is to bridge the gap.

During the entire study period, the Wardha & Hinganghat municipal councils were in deficit of Rs. 19.4 lakhs and Rs. 50.5 lakhs respectively on an average. The other municipal councils were in deficit as described under.

During 2000-01, there is a deficit of Rs. 31 lakhs in Yavatmal, Rs. 60 lakhs in Wardha, Rs. 107.7 lakhs in Achalpur, Rs. 120.2 lakhs in Wani & Rs. 104.3 lakhs in Pusad. During 2001-02, Chandrapur, Wardha, Wani, Pusad, Hinganghat & Bhadrawati municipal councils were in deficit of Rs. 94.6 lakhs, Rs. 102.3
lakhs, Rs. 49.8 lakhs, Rs. 13.4 lakhs, Rs. 51.9 lakhs & Rs. 4.9 lakhs in their respective order.

Since the revenue could not match the pace of expenditure, it resulted in large deficit on municipal revenue account. This difference can be filled partially by increasing govt. grants and partially by promoting municipal revenue. A serious thought may be given to revision of property tax by de-linking it from the rent control act and determining the value of the property on the basis of location, age of building, its use and other specific features of building etc. Further, the municipal council personnel should make the maximum use of available resources to promote municipal revenue.

5) Special Grants for Water and Health:

Since water is one of the most important requirements of human being, it must be kept at higher priority. It can be recommended that the State Government should allot special grants under the head of water supply and sanitation etc. At the same time, recycling of waste water and its re-use should also be promoted. Further, the collection of solid waste and converting it into a source of energy should be done on a larger scale.

6) Budget Control and Management:

While preparing the budget estimate, more emphasis should be given to a transparent picture of capital and revenue under
various heads. Municipal budget should be based on objective estimates and not the incremental approach. It should also be independent of external influences and interferences.

At the same time, the municipal councils should confine their plans and activities within the limits of budget. Periodic reporting may also provide a closer view of the affairs to the representatives of people.

7) **Special Team of Recovery Officers:**

One of the major obstacles in municipal revenue is long term arrears of taxes. To enhance the process of tax recovery, a special team of recovery officers, particularly from other cities, should be formed. Retired military people may be considered for this purpose. The team will not only convey people about the importance of paying tax, but also recover it from time to time.

8) **Revision of the Rate of Taxes:**

Property tax is the most stable source of municipal revenue. After abolition of octroi, property tax has become the backbone of local tax municipal revenue. However, since it is a direct tax,
municipal administration has to face opposition from people for revision of taxes.

Hence, it is suggested that, irrespective of people’s opposition, the rates of property tax should be revised periodically on the basis of ratable value of property.

9) More Efficient Accounting:

The audit of municipal accounts should be made more efficient. Since the laws of maintaining proper accounts are usually neglected and it results in embezzlements and frauds. Comparison of actual expenditure should be made with the standards of effective cost control.

Further, it may be suggested that the objections laid down by auditors must be taken up seriously. Proper action should be taken for the recovery of losses and the offender must be punished for the same.

10) Municipal Administration:

It is necessary to provide more autonomy in terms of both, financial as well as functional. The functions and responsibilities of the elected, deliberative wing and the executive wing of municipal councils should be classified. If the accountability of each functionary is fixed, a better administration can be maintained.
The system of information should be designed in such a way that it may facilitate decision-making. Remote sensing should be utilized to monitor changes in regional land use and expansion of urban areas. The existing system of administration should be improved.

11) Privatisation in Municipal Services:

The need of time is that, municipal councils should take maximum advantage of private sector, particularly in infrastructure services so that the reliability and quality of services are improved. In fact, a lot of municipal council are hiring private people and societies for waste disposal. The same pattern should be encouraged in other aspects such as housing development, solid waste management, construction of roads etc.

12) Government Grants And Contribution:

It has been observed throughout this study that, municipal councils are highly dependent on the grants from the state and central government regularly. Since the present system of allotting grants is discretionary depending on the availability of funds, the grants are delayed because of official formalities and lengthy procedures.
In short, the following recommendation would be helpful to minimize the financial problems of the municipal councils in Vidarbha region in particular and the Maharashtra and India in general:

- Proper revision and assessment of taxes.
- Improvement in the current system of administration.
- Certain structural changes in the existing municipalities Act of 1965 by considering present requirements of the councils.
- Modifications of revenue sharing method.
- Municipal councils should receive some share of sales tax revenue, excise duty and if possible income tax also.
- Productivity audit should be done by independent professional bodies.
- Permission of enhancing municipal areas should be given.

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233