ABSTRACT

During the history of civilization, the cities & urban areas proved to be the centers of modernisation and economic development. This is because they provide necessary opportunities for social advancement along with industrial & technological revolution.

The heavy migration towards the urban areas is resulting in stagnation of the small towns. In the present situation, 30-35 % of India’s population is residing in the urban areas.

It cannot be denied that the urban population in India is growing quite faster than that of rural population. In real figures, the urban population of India increased from 78.9 million in 1961 to 159.7 millions in 1991. In Maharashtra, about 42 % of its total population resides in urban areas. During the 2001 census, the total population of Maharashtra was about 9,67,52,000 of which 4,10,19,000 were residing in the urban areas. Because of the huge growth, about 25 % of the urban population is totally unserved by the urban services.

The gradual & faster increase in the urban population definitely has serious repercussions for the municipal councils. Data shows that Maharashtra will reach urban population of about 50 % of its total population during the next decades.

Vidarbha consists of 11 districts and is supposed to be a backward region of Maharashtra. In present condition, out of 233
municipalities of all types in Maharashtra, 68 municipalities belong to the Vidarbha region.

Local self government means the right & ability of local authorities to regulate and manage a substantial share of public affairs, within the limitations of law. In context of democracy and decentralization of power, local government is an important mechanism for assuring the requirements of people as citizens and also for redressing their grievances as consumers. Hence, local self government becomes a vital part of the system of governance.

The major role municipal bodies is to work as responsible agency to provide local needs, undertake development projects, implement & administer them successfully. Further, it also has to provide basic facilities like water supply, public health, sanitation, waste management, street lights, play grounds, parks etc. Besides, the local body is responsible for the beneficent use of the government funds to control and also to control & plan the use of land and other assets within the municipal area.

Nature of the Study

As local self government, municipal councils have to make large investments for providing necessary infrastructure. They are not only performers of sanitary and regulatory functions, but are also developmental agencies for providing all important services to the citizens. Since the needs of citizens have been increasing,
the demands for civic services have also mounted up. It is
doubtless that the local bodies are the institutes for delivery of
fundamental services to the citizens.

Municipal council requires a two-fold funding, Capital fund
for implementing projects and Current fund for operational and
maintenance purposes. Hence, it is necessary to trace out the
financial aspects of the municipal councils.

The share of grants in a total municipal revenue is relatively
much less that the share of central grant to the state revenue. A
study report of the national council of applied economics says,
local administration being a state subject, the constitution is silent
on the mode of flow of funds from states to the municipal bodies
whereas the flow of funds from the centre to the states is well
defined. Hence, it is necessary to evolve a suitable mechanism
under adequate constitutional provision to review the financial
requirements of the local bodies. In the overall context of central-
state-municipal financial relationship.

In order to protect the autonomous structure, municipalities
have to ensure efficient and effective management of domestic
resources, tax collection and allied dues etc. At present,
municipal councils of India are suffering from inadequate
fundings, insufficient personnel, outmoded system of
management, structural deficiencies etc.

The Vidarbha region is neglected from its developmental
activities within Maharashtra state. Municipalities are facing a lot
of problems such as limited resources, lack of funds, insufficient
grants & contribution from government, abolition of octroi etc.
The objective of the study is to make an assessment of the financial administration of municipal councils in Vidarbha region of Maharashtra state. A study of this nature would be useful to present an actual insight in the problems concerned with the municipal councils.

The Scope of the Study

This study is confined to the municipal councils in Vidarbha region. It comprises of 'A', 'B' & 'C' class municipal councils from five district of Vidarbha. It is based on the secondary data collected from municipal records, state govt. offices and personal interviews with officials and representatives etc.

This study highlights financial analysis of municipal revenues and expenditure for a period of seven years i.e. 2000-01 to 2006-07.

Objectives of the Study:

The following prime objectives were considered for undertaking the present study.

1) To study and analyse various sources of revenue i.e. Tax revenue and non-tax revenue.

2) To study the growth and structure of different taxes levied by the municipal councils in Vidarbha region.
3) To review the progress of the municipal councils pertaining to their revenues and expenditures.

4) To do a comparative study of the financial aspects in all three categories of municipal councils.

5) To provide remedial measures for adverse effects created due the gap between the expenditure and revenue.

6) To determine development of new resources of municipal revenue through proper exploitation of the existing resources.

7) To research the composition of municipal expenditure and make possible recommendations for improvement.

8) To recommend the ways useful to attain the urban challenges.

9) To assess the impact of the abolition of octroi on the financial strength of the municipal councils.

10) To find out further scope for research in this regard.

Research Methodology:

Efforts have been made to collect maximum possible information of sample municipal councils to fulfill the above
objectives. To collect data, discussions were made with presidents, chief officers and other authorities. Other available records and accounting records such as audit reports, municipal budgets etc were also taken into consideration.

For the purpose of this study, 12 out of the 68 municipal councils in the Vidarbha region have been selected as sample municipal councils. The municipalities selected for the present study are of three classes i.e. ‘A’, ‘B’ & ‘C’ as follows-

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>District</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<tbody>
<tr>
<td>1</td>
<td>Yavatmal</td>
<td>Yavatmal</td>
<td>Wani</td>
<td>Pandharkawda</td>
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<td>Pusad</td>
<td>Umarkhed</td>
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<td>2</td>
<td>Chandrapur</td>
<td>Chandrapur</td>
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<td>Warora</td>
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<td>Bhadravati</td>
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<td>3</td>
<td>Wardha</td>
<td>Wardha</td>
<td>Hinghanghat</td>
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<td>4</td>
<td>Gadchiroli</td>
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<td>Gadchiroli</td>
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<tr>
<td>5</td>
<td>Amravati</td>
<td>Achalpur</td>
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Collection of Data :

Necessary data was collected from municipals records by approaching concerned authorities, the District Statistics & Accounts Offices at different district headquarters, regional offices of the statistics and accounts at Amravati, the office of the Directorate of Economics & Statistics, Mumbai, Gokhale institute of politics and economics research, Pune, the Burfiwala institute of local self government, Mumbai, Jaiker Library, Pune University, Pune etc.
Hypothesis of the Study:

Following are the hypothesis designed for the study –

1) Municipal councils are facing the problems of shortage of funds.
2) Municipal councils have failed to collect their tax revenue regularly.
3) Municipal councils are heavily dependent on loan funds for their capital expenditure.
4) Municipal councils have failed to generate adequate revenue from their properties.
5) Establishment expenditure is high.

Limitations of the Study:

This study has suffered the following limitations-

1) Due to resource constraint, the present study is limited to the Vidarbha region only.

2) Although efforts have been put to update the data to its latest origin, it could not be made available for assets and liabilities, D.A. grants to the employees etc.

3) Detailed data concerned with the dues of electricity for the street lights and water supply was not available despite our
efforts to collect the data. Hence, we could not incorporate it in the study.

However, honest attempts to maintain the quality of work have been made throughout the entire study and its presentation.

Chapter Scheme:

1) Introduction
3) Municipal Revenue Analysis
   Section I - Total Revenue of Municipal Councils.
   Section II - Total Expenditure of Municipal Councils.
   Section III - Surplus/Deficit of Municipal Councils.
   Section IV - Per Capita Surplus/Deficit of Municipal Councils.
4) Analysis of Revenue of Municipal Councils
5) Analysis of Expenditure of Municipal Councils
6) Findings and Recommendations of the Study

Main Findings:

1) Among sample ‘A’ class municipal councils, the total revenue of Yavatmal, Chandrapur, Wardha & Achalpur is studied with reference to various sources of revenue as mentioned above. It is found that in terms of both, the total as well as per capita average annual revenue of
Chandrapur municipal council stood first among sample ‘A’ class municipal councils during the review period.

2) A comparative study of sample ‘B’ class municipal councils revealed that in terms of average annual revenue, Hinganhat municipal council stood first, but it was on second position in terms of the per capita annual average revenue.

3) Further, the interpretation of various figures of revenue of sample ‘C’ class municipal councils proved that the highest revenue was achieved by Warora municipal council. It stood first in both, the average annual revenue as well as per capita revenue.

4) It has been observed that the consolidated property tax contributes on an average 11.75 % for A class, 11.92 % to B and 6.44 % to C class municipal councils in Vidarbha.

5) The revenue from other sources is collected from different sources such as building permits, various licenses, notices, warrants, registration fees, auction of miscellaneous articles, fees for exhibition etc. Study shows that it contributes on an average 10.07 %, 13.96 % & 16.82 % to the ‘A’, ‘B’ & ‘C’ class municipal councils respectively. Its highest percentage
with the total revenue was about 12.28% in Yavatmal, 16.33% in Hinganghat & 23.29% in Pandharkawda among the sample A, B & C class municipal councils respectively during the study period.

6) The revenue from municipal property is an important source of revenue for municipalities. During the research period, it was found that, on an average, revenue from municipal property contributes 3.38% to A, 3.64% to B and 5.19% to C class municipal councils. In this regard, the performance of Bhadravati & Warora municipal councils was appreciable.

7) Further, the revenue from government grants and contributions is an excellent source which helps the municipal councils to reach the goal of its performance. Figures show that, in Vidarbha region, an average amount funded per annum was Rs. 909.34 Lakhs in ‘A’, Rs. 361.57 Lakhs in ‘B’ and Rs. 251.34 Lakhs in ‘C’ class municipal councils. In individual figures, Chandrapur municipal council which got average Rs 1890.09 Lakhs as grants, stood first in sample ‘A’ class municipal council. Among the sample ‘B’ and ‘C’ class municipal councils, the first position was achieved by Hinganghat and Warora municipal councils with Rs. 458.54 Lakhs and Rs. 340.34 Lakhs respectively.
8) The percentage of expenditure on general administration was in average 4.27 % to 'A', 3.57 % to 'B' and 4.55 % to 'C' class municipal councils. Similarly, the average percentage of expenditure on public health was 24.02 % in sample 'A', 26.72 % in sample 'B' and 23.67 % in sample 'C' class. The expenditure on public works shared on an average 11.9 % in sample 'A', 12.35 % in sample 'B' and 10.62 % in sample 'C' class municipalities.

9) The expenditure on public safety was given a very low priority and the expenditure done on it was 6.67 %, 4.92 % and 5.82 % in the sample 'A', 'B' & 'C' class municipalities respectively.

10) The expenditure on education shows that its average share in the total revenue was 10.85 % in sample 'A', 12.37 % in sample 'B' and 13.0 % in sample 'C' class municipal councils. Comparatively, the highest expenditure on education was done in Achalpur, Pusad & Umarkhed among 'A', 'B' & 'C' class municipal councils respectively.

11) As regards to the expenditure on Miscellaneous, it was 34.12. % of total expenditure in sample 'A', 37 % in sample 'B' and 38.15 % in sample 'C' class municipal councils.
12) It shows that, in present situation, the level of municipal services in terms of financial aspects is very low. Hence, the significance of bridging the resource gap has been highlighted.

13) It has been observed that the full costs of providing basic facilities like water supply etc. are not fully recovered. This might be because of political considerations. Hence, more emphasis should be placed on recovery.

14) Due to the abolition of Octroi in May 1999 in Maharashtra, the municipal revenue is suffering very badly. The present research shows that the concept of octroi should be worked upon and then re-introduced in class ‘A’ as well as class ‘B’ municipal councils.

15) This research work also concludes that there is a need of involvement of public & private sectors in few functions like solid waste management, housing development etc.

16) Personal discussions with people revealed that the municipal councils have become handicapped in recovering the tax arrears because of political interference. Hence, a very strict policy for recovery must be designed.
17) Last, but not the least, a better future can be seen if the responsiveness of the municipal administration to the needs of people is enhanced. At the same time, people also must recognize their duties and responsibilities as a good citizen. It is recommended that the awareness to elect the ‘right’ person in the government should also be promoted on all levels.

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Research Guide Researcher