

CHAPTER - V

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SUMMARY, CONCLUSIONS AND SUGGESTIONS

For centuries, self reliant village system has been main stay and inner strength of economic and social system in India. If we bring down benefits of development at the bottom level and each and every person has an opportunity to enjoy the fruits of developmental and for this purpose, the Local Government has to play a vital role.

At present, Federal structure of India is divided into three parts. At the top level Central government, at the middle order the State Government and at the bottom level the Local Government deals with the small issues of local impotence.

The structure of 'Local Government' is divided into two parts that is urban area and the rural area. This urban area is called as 'Urban Local Self Government', which includes Municipal Corporations, Municipalities, Notified Areas, Cantonment Boards and Town Area Committees. Rural Local Government includes Zilla Parishads, Panchayat Samities, Village Panchayats. This is a broad structure of the local government, which is varied from state to state.

After independence, our government has taken various steps for the development of the Local institutions. In this process, Article 40 (IV part of Constitution) has made some provisions for local government.

Besides this, in the second list of 7th schedule (State list) the place is given to local self government.

A number of committees and commissions were appointed by the Central government and the State government. The Balvantrai Mehta Committee (1952), The Santhanam Committee (1962), The Ashok Mehta Committee (1977), etc. are the important committees appointed by Central government. The Maharashtra State government has also appointed Committees viz. Vasantao Naik Committee (1970), The P. B. Patil Committee (1984), Maharashtra State Municipal Finance Commission (1973). The Patel Committee (1973). These are some important committee appointed by Maharashtra government.

Keeping in the view the growing needs and problems the local bodies required new direction, regarding their functions and powers. Hence our Parliament has taken significant steps through 73rd and 74th Constitutional Amendment Act in 1992. These two constitutional amendments have given constitutional status to the local bodies and redefined their functions and powers. After these historical changes, the concept of such local self government came into existence in real sense. In these amendments of constitution (73rd and 74th) Article 243-I of 73rd amendment and Article 243-Y of 74th amendment have made provision of State Finance Commission at the State level. To review the present position of local bodies, and to recommend to the State

government the pattern of distribution of funds between the State and local bodies.

In line with these new changes the Maharashtra government has appointed the First Finance Commission on 23rd April 1994. This Commission submitted its report on 31st January 1997, under the chairmanship of Makarand Herwadkar. Broadly the contents of the First Maharashtra State Finance Commission report can be divided as below:

- a) Firstly, the First Maharashtra State Finance Commission took a review of the existing position of local bodies in Maharashtra.
- b) Finance Commission gave its approach.
- c) Highlighted problems of local bodies in Maharashtra.
- d) Made assessment of needs and resources of the local bodies.
- e) And gave its recommendations.

The Commission is of a view that the constitutional amendment enhances the status of Panchayat Raj institutions and urban bodies as the third tier in the government. In this situation the concept of autonomy should be balance with responsibilities and obligations to perform functions and duties as entrusted to them. By and large the Panchayat Raj institutions and the urban bodies

should stand on their own feet. The state should shoulder the responsibility of assisting and strengthening them both through budgetary measures and enhancing statutory provisions. The local bodies should have more active participation in the planning and development process. The Maharashtra Finance Commission is the first step to promote these long term goals.

MAJOR CONCLUSIONS

Following are the main conclusions or findings of the study.

1. Zilla Parishads own revenues were inadequate and these local bodies had to depend upon grants from the State government to a great extent. In Maharashtra, it was found that the Zilla Parishads own income was only 3.30 percent of their total revenue, in addition the recovery cess and land revenue by the revenue department was not done properly and this affected the amount of matching grants that Zilla Parishads also face the problem of recovery of irrigation fees and as this recovery was poor the finances of Zilla Parishads are adversely affected.
2. Zilla Parishads in Maharashtra to not receive grants from the State Government in time and this also affects their finances.
3. There were heavy arrears of water charges.
4. Zilla Parishads could levy a number of taxes and fees but may Zilla Parishad were not doing this.

5. Purposive grant was given and is given to Zilla Parishads at the end of financial year and this affected the proper utilisation of grants, to overcome this problem First Finance Commission recommended that 75 percent of the grant should be given before December each year.
6. At the Gram Panchayats level, present rates of House tax were promulgated in 1975. The Finance Commission felt that collection of house tax needed regular revision of valuation on the basis of capital cost or annual rateable value as prescribed under the rules.
7. Commission recommended that non tax revenue of Gram Panchayats should be increased and that development of fisheries, social forestry, income from building constructed through Jawahar Rozgar Yojana scheme can be source of income.
8. Inadequate Finance had an impact on maintenance and operation expenditure of local bodies. Though the Zilla Parishads received increased grant, these grants were insufficient to help Zilla Parishads to finance maintenance expenditure as per standards norms..
9. The First Finance Commission found that during the period 1990-91 to 1994-95 though the grant received by Zilla Parishads

- for maintenance and repairs of roads were increased by 18 percent, they financed only 29 percent of requirement.
10. Maintenance and repairs of building were neglected by Zilla Parishads, for the year 1994-95 the total funds required were Rs. 5435.41 lakhs, but actual amount of funds available was only Rs. 390.53 lakhs. As a result, revenue gap was Rs. 5044 lakhs.
 11. Zilla Parishads did not have sufficient funds for maintenance of vehicles and other requirements and here also funds were inadequate. For the year 1994-95 for maintenance and repairs the Zilla Parishads required Rs. 523.77 lakhs where as actually available funds were only Rs. 297.00 lakhs. Thus inadequate funds were affecting maintenance and repair of basic social infrastructure in rural Maharashtra.
 12. Public health department and animal husbandry department under Zilla Parishads were facing shortage of medicine, which was required by the rural dispensaries and this affected the quality of services provided by these dispensaries.
 13. Minor irrigation projects managed and operated by Zilla Parishads were also affected by inadequate funds. The major problem of this department was insufficient staff, lack of maintenance and repairs and insufficient recovery of water taxes.

14. Inadequate utilisation of irrigation potentiality was also a problem of minor irrigation projects.
15. In rural Maharashtra, drinking water supply was and till is a major problem as increased drinking water is supply and water resource is problem in villages and shortage of water felt for some months in the year. The underground water level is also decreasing day by day and therefore borewell construction has become costly. Against this background the Zilla Parishads have to spend resources for i) Increasing water supply and ii) Increasing expenditure on repairs and maintenance of drinking water supply schemes. The expenditure required for drinking water on the maintenance and repairs of water supply schemes on an average has to be upto 6 to 7 percent of total expenditure, but Zilla Parishads were spending on an average of 1 to 4 percent. Thus, these inadequate funds were affecting the maintenance and repairs of drinking water supply schemes in rural Maharashtra.
16. Octroi is an important source to urban bodies. Urban bodies earn almost 74 to 77 percent of their total income from this source, but it is long standing demand of traders and transporters that octroi should be abolished.

Commission recommended that to raise octroi income, increase in the rates is not only alternative but emphasis should

be laid on better management, supervision and control, prevention of leakages and corruption and exemplary actions against defaulting persons and municipal employees. Commission recommended wherever possible and beneficial to urban body the octroi rate be based on weight may be converted to the value based system and necessary amendment in the rate should be made.

17. Urban bodies have not paid attention to income from the other taxes; very little income is earned through other taxes. If all rates of various taxes are revised regularly there may be some additional income to the local bodies. Civic bodies earn income from non tax income to the extent of 20-30 percent of their total income. Even then this was neglected source and had to not been fully exploited.
18. A large number of buildings for different purposes have been constructed by the urban bodies with huge expenditure. But maintenance and repairs of these buildings was often neglected. Urban bodies have not sufficient funds for maintenance and repairs of these buildings.

SUGGESTIONS

1. Make explicit provisions for maintenance of capital assets of Panchayat Raj institutions at the rate of 10 percent of current capital costs.
2. Make provision of an upgradation grant based on certain norms to improve the quality of public services and transfer of 36 percent of gross state revenue to local bodies.
3. Establish public accounts committees at the district level for ensuring public accountability in the same manner as the public accounts committee of the state does at its level.
4. In devolution criteria, factor should include viz. rural population, rural area, road length, some measure of health status and illiteracy.
5. Panchayat Raj institutions should be given freedom to levy taxes and fees and also to fix the rate thereof.
6. Give permission to Panchayat Raj institutions so that they can borrow from banks and other financial institutions for development projects in their areas without state governments sanction and guarantee.
7. Establish a separate financial corporation to look after the credit and technical needs of Panchayat Raj institutions.

8. make privatization of certain specific local service, which would ensure their cost recovery through levy of user charges.
9. Unlike the tax revenue of union government, only some of which are shared with the states, all tax revenue of a state government be sharable with local bodies.
10. Maintenance grant for schools and hospital buildings based on current cost with an allowance for inflation should be considered.
11. It is recommended that state governments should disburse grants to the Zilla Parishads in timely manner. Seventy five percent of the amount of grant should be made available to Zilla Parishad before the end of December of each year so that proper utilization of funds undertaken by the local bodies.
12. It is also recommended that at the local level tax administration should be linked with revenue sharing. Tax collection and administration should work in co-operation with Gram Panchayats, giving a proportion of tax collections entitlement to these bodies.
13. house tax is important source of revenue for Gram Panchayats and basis of collections should be rateable value. There should be fees and fines for unauthorized backyard development, construction of sheds, attached to godowns and unauthorized buildings.

14. The local bodies should make efforts to increase the recoveries and outstanding dues of water supply schemes.
15. the State Finance commission should provided incentive grant to those Zilla Parishad who manage their fiscal affairs more efficiently and who make efforts to increase own tax and non tax revenue.
16. It is suggested that the State Finance commission have the responsibility to recommend measures which build up the financial capacity at the local level. Otherwise decentralisation without fiscal autonomy is not proper. If local governments go on receiving transfer grants from the State governments they will become fiscally dependent on the State and not careful with their expenditure. It is suggested that a system of accountability has to be develop at the local level.