

CHAPTER - 1
INTRODUCTION

1.1 INTRODUCTION

The role of local government is much discussed; as it has become the part and parcel of the life of citizens. All the amenities which make our life better are provided by such local governments. Therefore, it is very important to look into the financial pattern of such governments. The financial sources and its expenditure pattern affects the efficiency of the working of the local self help government. The income and the expenditure of such institutions is described in economics as Public Finance. Public Finance is a branch of economics and local finance is sub branch of it. It is a theory which deals with financial operations which are conducted for the attainment of certain socio-economic welfare objectives fixed by the particular government.

Public finance is one of those subjects which lie on the border line between economics and politics. It is concerned with the income and expenditure of public authorities, and with the adjustment of the one to the other; adjustment not necessarily to equality, but to

whatever arithmetical relationship in given conditions is best.¹

In modern civilised communities the income and expenditure of public authorities consist, almost exclusively, of money receipts and money payments. The word 'finance' signifies 'money matters' and their management. Public finance in its modern sense presupposes the existence of a money economy.

1.2 MEANING OF LOCAL GOVERNMENT

Local Government has been defined in various ways but the simplest definition is 'a Government at local level having authority to undertake the power to perform public activities within its territory'. The term 'Local Government' implies, it is concerned with localities and not with the country as a whole, it must for this reason be subordinate to the national government.

Lockard Duane, defines "the local Government is a public organisation authorised to decide and administer a large range of public policies within a relatively small territory which is a sub-division of a regional or national government. Local Government is at the bottom of a pyramid of governmental institutions with the national government at the top and intermediate

governments (states, regions, provinces) occupying the middle range".²

1.3 IMPORTANCE OF LOCAL GOVERNMENT

The local government is mainly concerned with the local affairs related to a particular area and not to the country as a whole³. The affairs in such governments are purely local and hence they need local solutions. It is difficult for the national government to take over and perform all these functions because of want of time and non-availability of local knowledge about the local problems. Representatives elected to local bodies are certainly in a better position to express the local needs and to suggest programmes of work for their respective areas. In this way, the local government can take care of the affairs of each locality in an efficient and speedy manner. The advantages of the local government are as under :

1. The local government is found to be economical to manage local affairs related to a particular area.
2. Local government performs local functions; it lightens the burden of the central government in administering the whole country.
3. Local government also serves as a training institution, for politicians and ensures a regular flow of talented leaders at state and national levels.

Hence local bodies are important units to help to achieve the decentralisation of political power and promotion of democratic values. They are also an indispensable part of governmental machinery.

1.4 HISTORY OF LOCAL GOVERNMENT

Local government in India has its roots in prehistoric times. In the Manusmriti, Jatkas, Shanti parwa of Mahabharata there are many reference to the existence of the 'Gram sabhas'. The administration of city or village was under the sole charge of the Kotwal who was previously known as 'Nagar Rakshaka'. Harrappa and Mohenjodaro show that a highly developed urban civilization had existed in the ancient. The cities had their councils which were elected bodies. In the ancient period, cities in India were largely democratic. The main local institutions were town and village committees. They had extensive powers of administering religious, economic and revenue matters.

The first local body was setup in 1687 in India. It was setup for the city of Madras⁴.

AFTER INDEPENDENCE

With the advent of independence in India in August 1947, the concept of local government acquired new

significance. For the first time a local self-government Ministers Conference was held at Simla for discussing all aspects of reconstruction of Local Self - Government. In 1949, the Government of India appointed the Local Finance Enquiry Committee which made a number of recommendations for improving and stabilising local finance. After 1950, a universal desire was evidenced to make local institutions not only a training ground for democracy but also an effective agency to shoulder the added responsibilities envisaged in the Five Year Plan. A number of committees and commissions were set up by the centre from time to time, to suggest ways and means for strengthening the local government structure in the country.

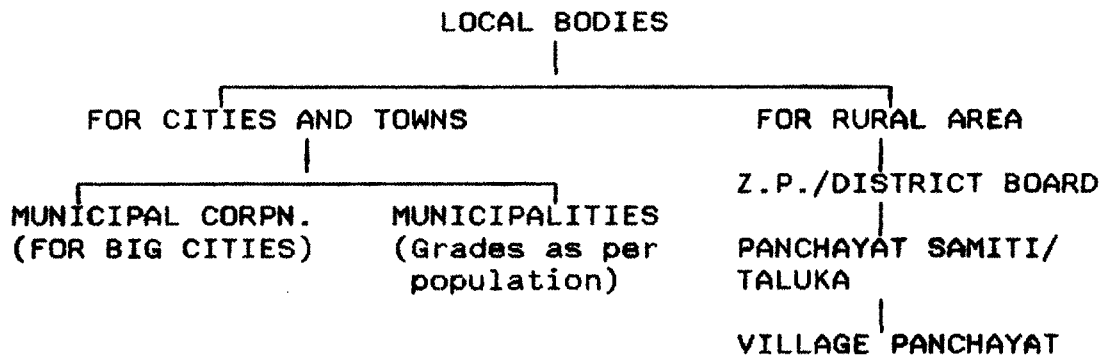
Thus, after independence, sincere efforts have been made both by the Central and State Governments to establish local government institutions which will serve as a sound base for Indian democracy.

We can now find that number of municipalities and corporations have formed their state and national level associations through which they are trying to solve their common problems. Such associations can also help to influence the government policy in respect of grant in-code, etc.

1.5 CLASSIFICATION OF LOCAL BODIES

The main local bodies which are functioning today in the country, may be classified in the following categories with each having its own allotted functions to perform and powers to impose taxes in order to raise the funds to finance their activities.

The classification of local bodies is as follows :



MUNICIPALITIES

The municipalities are the local bodies or institutions created for the urban areas to look after the local affairs like Sanitation, public health, primary school, lighting of urban roads etc. It is the popular form of local government in urban area. The standard pattern of the municipalities in India is a council or committee or board elected by the municipal voters and a president elected by the council. In some state, the Chairman is elected by the electorate.

CLASSIFICATION OF MUNICIPALITIES

The municipalities in Maharashtra are classified into three categories under the Maharashtra Municipalities Act 1965. The classification of municipality is based on the number of population within the given municipal area.

a) 'A' Class Municipality

If the population of city or town is above 75,000 it has 'A' class Municipality.

b) 'B' Class Municipality

The cities or town with a population of more than 30,000 but not more than 75,000 shall have 'B' class municipality.

c) 'C' Class Municipality

The city or town with a population more than 15,000 but not more than 30,000 shall have 'C' class municipality.

1.6 FUNCTIONS OF LOCAL GOVERNMENT

The functions of Municipality in almost all the states are the same except some minor differences. The functions of the municipality are classified into two groups

A) Obligatory Functions - that must be performed and

B) Optional Functions - Functions included in this group are not compulsory but left to the discretion of the municipality.

A) Obligatory Functions such as :

1. The construction and maintenance of public street.
2. Lighting the street and supply of water facility.
3. Cleaning of public streets, places and sewers.
4. Regulation of offences, dangerous obnoxious, trades and practices.
5. Establishment and maintenance of primary schools.
6. Registration of births and deaths.
7. Removing obstructions and projects in public streets, bridges and other public places.
8. Construction and maintenance of public markets.
9. Maintenance of hospitals and provision for vaccination.
10. Prevention of food adulteration.
11. Regulation of shops and establishments and to permit licences.

B) Optional Functions can be such as :

1. Laying out the area and granting permission for construction.
2. Securing or removing dangerous buildings or places.
3. Construction and maintenance of public parks,

gardens, libraries, rest houses etc.

4. Planting and maintenance of roadside and other trees.
5. Making survey of city area.
6. Housing for low income group.
7. Provision for transport facility within municipal area.
8. Supply of electricity and gas.
9. Setting up of dairies, poultry and dairy farms if necessary.
10. Slum clearance and programme of re-structuring the city.
11. Undertake cultural activities and assisting cultural institutions.

Dr. M.P. Sharma compared the functions of Indian municipalities with the municipalities of advanced foreign countries and came to the conclusion that, "the functions of our municipalities are less extensive, principally in three directions namely police, trading enterprises, and the big gap of social services comprising health, housing, sickness and unemployment insurance services".⁵

1.7 SIGNIFICANCE OF STUDY

Financial management is very important not only for business organisations but also non-business organisations like Municipal council. The Municipal councils finance is managed and governed by the democratically elected body. The main income sources of the Municipal council are house charges, government grants, octroi etc. and the major items of expenditure are administrative expenses, expenditure on public services such as maintenance of roads, drinking water, health and sanitation etc. However, it is always found that the expenses of every local self-government are more than income. Therefore, the municipal councils try to maintain the deficit financing. To meet the deficit, sometime they have to avail the loans from the banks. Therefore, it becomes difficult to match the income and social obligations.

The studies so far carried out by researchers in the area of public administration. It is traditionally assumed that Municipal councils being the public utilities are to render the services to the public by providing the required financial assistance in the form of grants.

The changing economic environment has however created a situation where municipal councils are required to generate the funds by themselves and should not depend entirely on Government grants. The sources of income and expenditure therefore, need to undergo the changes in their direction.

The present study keeps this upcoming idea as the guiding line to analyse the source of income and expenditure of the Murgud Municipal Council.

1.8 OBJECTIVES OF STUDY

The objectives of the present study, can be listed as follows :

1. To analyse the revenue pattern of Murgud Municipal Council.
2. To study the expenditure pattern of Murgud Municipal Council.
3. To suggest measures for raising additional revenue and the effective utilisation of finance.

1.9 METHODOLOGY AND SOURCES OF DATA COLLECTION

The relevant information and data have been collected from both published and unpublished documents. For this study the libraries of Shivaji University, Kolhapur and Sadashivrao Mandlik College Murgud were consulted. The data was mainly collected from secondary

sources such as the office record of municipal council. At the same time the interview method was also followed. The chief officers, the section heads as well as the recovery officers of municipal council were consulted.

With a view to understanding the attitudes and opinions about the octroi collection of municipal council, the interviews of seven merchants engaged in cloth business, medical shop, grain merchant, stationery mart and footweares were conducted.

The data were analysed by using statistical tools viz. percentages, averages and growth rates.

1.10 LIMITATIONS OF THE STUDY

Though this study related with single municipal council, yet it is expected to be useful in designing policies for the municipal councils in general. The findings would be limited mostly to single municipal council. The findings are based on the office record which was made available by the officers working in the council. The five years data was considered for this study. The past data was not kept in suitable manners hence the researcher could hardly go in the back history of the council.

1.11 CHAPTER SCHEME

The work is divided into six chapters. They are as follows :

1. Introduction
2. Profile of the area of Murgud Municipal Council
3. Sources of Finance
4. Utilisation of Funds
5. Attitudes and Opinions of Octroi Payers to Murgud Municipal Council.
6. Conclusions and Suggestions

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