

Urban Local Government: A Study of Revenue and Expenditure of Municipal Corporations in Nashik District

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Abstract — Urbanization is one of the most significant phenomena in India in the recent times. The rapid pace of urbanization is creating a number of problems in the process of development of urban centres. By 2011, urban areas may contribute about 65 percent to India's GDP. For this to happen, however, Urban Local Bodies need to make larger investments in civic infrastructure to support and sustain such economic activity. As of now, ULBs are clearly not equipped to meet the increasing infrastructure requirements. One reason for this is the inadequate revenues and high expenditure.

For greater autonomy, the ULBs need to raise revenues. They will achieve this only when they are allowed to levy their own taxes and charges. It is also important to provide a transparent mechanism for the transfer of grants. The present study throws light on the revenue and expenditure position of the Municipal Corporations in Nashik District in the past two years. It is also an attempt to take an overview of the financial situation of the Municipal Corporations in Nashik District. This study is purely based on secondary data

Keywords: Rapid Urbanization, Urban Local Bodies, Autonomy, Financial Resources, Civic Infrastructure

I. INTRODUCTION

The local self government bodies can play a key role in formulating a development strategy for meeting the emerging challenges of urban infrastructure. It also addresses the problems of growing urbanization and create enabling environment for the growth of the economy. The rapid urbanization has posed a number of challenges to the urban local bodies (ULBs) in India. As such, the role of the ULBs as an important organ of the Welfare State is increasing. It results into posing a large number of functional responsibilities on the ULBs. Being third tier in the democratic set up, urban local bodies had limited financial autonomy for their development. The constitution of India does not lay down the revenue base for the ULBs. The power to determine their revenue base rests with the State government.

The urban local bodies are of three grades: Municipal Corporations for cities with a population of more than 0.3 million, Municipal Councils for towns smaller than this population limit and Nagar Panchayat for villages in transition to becoming towns.

The 74th Amendment to the Indian Constitution was passed in 1992. It substantially increases decentralization and strengthens the importance of municipalities as local institutions. There is a lot of population pressure on the cities everyday, increasing the challenges to urban development. Analysis of the Urban Local Bodies shows existence of a huge gap between revenue generation and expenditure. The sources of revenue need to be broad based. Moreover, there is a proper balance between the functions which the ULBs perform and the resources available.

II. OBJECTIVES

The main objective of the present work is

1. To take the review of the municipal corporations in Nashik District and throw a light on their financial situation.
2. To study the revenue and expenditure sources of the municipal corporations in Nashik District.

III. RESEARCH METHODOLOGY

The present study is based on the secondary data. The secondary data required for the present study is collected from the social commentary published by the economic and statistical department of the Government of Maharashtra for the year 2009-10 and 2010-11. The collected secondary data is analyzed with the help of required statistical tools like ratio, percentage, etc.

IV. URBAN LOCAL GOVERNMENT IN MAHARASHTRA

Maharashtra is a highly urbanized state in the country where, about 42 percent of the population lives in urban areas. Thus, the urban LSG institutions play an important role in the development of these areas. In Maharashtra, there were 26 Municipal Corporations and 222 Municipal Councils as on 31st March 2011.

V. URBAN LOCAL GOVERNMENT IN NASHIK DISTRICT

There were 2 Municipal Corporations in Nashik District i.e. Nashik Municipal Corporation, Nashik and Malegaon Municipal Corporation, Malegaon.

Nashik Municipal Corporation was formed on 7th November 1982 by combining Nashik Municipality and surrounding civic bodies i.e. Nashik Road Municipality. It is a body corporate under the BPMC Act, 1949. Nashik Municipal Corporation serves an area approximately 259 sq. kms., including the city and its peripheral areas and provides a range of civic services to around 10 lakhs citizens of the city of Nashik.

Founded on August 4 in 1863, the civic body in Malegaon is one of the oldest in Maharashtra State. The growing population also extended the town limits, hence in 2001, the Government of Maharashtra decided to convert Malegaon Municipal Council into a Corporation. Today, Malegaon Municipal Corporation is a 'D' class Municipal Corporation.

VI. DATA ANALYSIS: MUNICIPAL FINANCE IN NASHIK DISTRICT

Table 1
Revenue Receipts and Expenditure of Municipal Corporations in Nashik District 2009-10 and 2010-11

Amount in Rs. lakhs

Sr. No.	Receipts	2009-10	2010-11	Sr. No.	Expenditure	2009-10	2010-11
1	2	3	4	5	6	7	8
1	Opening Balance	12338 (14.9)	11700 (12.9)	1	Current Year Expenditure		
2	Receipts during the year				1.1. General Administration	6354 (7.7)	10367 (11.4)
	2.1. Grants, Subsidies and Contributions	9591 (11.5)	3801 (4.1)		1.2. Education	7424 (8.9)	1069 (1.2)
	2.2. All Taxes	48018 (57.9)	59605 (65.4)		1.3. Public Health	11845 (14.3)	15570 (17.00)
	2.3. Other Receipts	13055 (15.7)	16048 (17.6)		1.4. Other Expenditure	45679 (55.00)	52967 (58.1)
	Total (2.1. to 2.3.)	70664 (85.1)	79454 (87.1)		Total (1.1. to 1.4.)	71302 (85.9)	79973 (87.7)
				2	Closing Balance at the end	11700 (14.1)	11181 (12.3)
3	Total Receipts (including O/B)	83002 (100.00)	91154 (100.00)	3	Total Payment (including O/B)	83002 (100.00)	91154 (100.00)

Source: Socio Economic Review of Nashik District 2009-10 and 2010-11

Table 1 shows the revenue receipts and expenditure situation of the two Municipal Corporations in Nashik District during the year 2009-10 and 2010-11.

In 2009-10, the opening balance of the Municipal Corporations was Rs. 12,338 lakhs. In 2010-11, however, the opening balance dropped to Rs. 11,700 lakhs – a fall of nearly 6 percent. Also the share of opening balance in overall total receipts fell from 14.9 percent in 2009-10 to 12.9 percent in 2010-11, a drop of nearly 40 percent.

The receipts from grants, subsidies and contributions too, have dropped significantly in 2010-11. In 2009-10, it was Rs. 9591 lakhs. It has dropped to Rs. 3801 lakhs in 2010-11, a decrease of nearly 61 percent. Also the share of grants, subsidies and contributions in overall, total receipts dropped significantly from 11.5 percent in 2009-10 to 4.1 percent in 2010-11 – a huge decrease of nearly 65 percent.

In 2009-10 the income from all taxes was Rs. 48018 lakhs. In 2010-11, however, the income from all taxes significantly increased to Rs. 59605 lakhs – an increase of 24 percent. Also the share of all taxes in overall total receipts increased from 57.9 percent in 2009-10 to 65.4 percent in 2010-11 – an increase of nearly 13 percent.

Income from other receipts, too have increased in 2010-11. In 2009-10, it was Rs. 13055 lakhs. It has increased to Rs. 16048 lakhs in 2010-11 – an increase of 23 percent. Also the share of income from other receipts in overall total receipts increased from 15.7 percent in 2009-10 to 17.6 percent in 2010-11 – an increase of 12 percent.

The total receipts have increased slightly in 2010-11. In 2009-10, the value of total receipts was Rs. 70664 lakhs. It has increased to Rs. 79454 lakhs in 2010-11 – an increase of nearly 13 percent. Also the share of total receipts in overall total receipts increased slightly from 85.1 percent in 2009-10 to 87.1 percent in 2010-11 – an increase of 2 percent only.

The total receipts (including opening balance) of these Municipal Corporations have increased in 2010-11. In 2009-10, the value of total receipts (including opening balance) was Rs. 83002 lakhs. It has increased to Rs. 91154 lakhs in 2010-11 – an increase of nearly 10 percent.

Now to the expenditure side, in current year expenditure the general administration expenditure too have increased slightly in 2010-11. In 2009-10, there were Rs. 6354 lakhs spend on general administration. It has increased to Rs. 10367 lakhs in 2010-11-a rise of nearly 64 percent. The share of general administration expenses in overall total payment significantly increased from 7.7 percent in 2009-10 to 11.4 percent in 2010-11-a rise of 48 percent.

Now the expenditure incurred on education by the two Municipal Corporations was very low. In 2009-10 expenditure incurred on education was Rs. 7424 lakhs. In 2010-11, however, it significantly dropped to Rs. 1062 lakhs only-a drastic drop of nearly 86 percent. Also the relative share expenditure on education in overall total payment significantly decreased in 2010-11. In 2009-10 it was 8.9

percent. It has significantly dropped to 1.2 percent in 2010-11- a large reduction of nearly 87 percent. It shows that the municipal corporations are withdrawing from this service, an issue of prime importance in our country.

The expenditure on public health shows an increased in 2010-11. In 2009-10 it was Rs. 11845 lakhs. It has increased to Rs. 15,570 lakhs in 2010-11-a rise of 31 percent. Also the share of expenditure on public health in overall total payment increased from 14.2 percent in 2009-10 to 17.1 percent in 2010-11- an increase of 21 percent. It shows that the municipal corporations are well aware of one of the major issues of our country – public health. It is good sign that more funds are being used for public health services but at the same time, the expenditure on education should not be curtailed, since, education and public health are both important issues of a developing country like India. Instead, there is a need to curtail administrative and other expenses.

The other expenditure too has increased in 2010-11. In 2009-10 it was Rs. 45679 lakhs. In 2010-11 it has increased to Rs. 52967 lakhs – an increase of nearly 16 percent. Also the share of other expenditure in overall total payment increased from 55 percent in 2009-10 to 58.1 percent in 2010-11 – an increase of nearly 6 percent.

In 2010-11 the total payment of Municipal Corporations increased as compared to previous year. In 2009-10 total expenditure was Rs. 71302 lakhs, it increased to Rs. 79973 lakhs in 2010-11 – an increase of nearly 13 percent. The share of the total expenditure in overall total payment increased slightly from 85.9 percent in 2009-10 to 87.7 percent in 2010-11 – an increase of only 2 percent.

An increase in the cash balance at the end represents lesser efficient utilization of available funds while a decrease therein represents improvement in utilization of funds. Cash balance at the end of year 2009-10 was Rs. 11700 lakhs. It has slightly dropped to Rs. 11181 lakhs in 2010-11 – a decrease of only 4 percent. The share of cash balance at the end in overall total payments was 14.1 percent in 2009-10. It dropped to 12.3 percent in 2010-11 – a fall of nearly 13 percent.

CONCLUSION AND SUGGESTIONS

The study shows that the revenue resources of Municipal Corporations in Nashik District are limited and there is urgent need to improve and nurture the revenue sources to meet the growing needs of one of the fastest growing metro cities and the surrounding rural area of the district. The expenses of these Municipal Corporations are more than the receipts. These urban local bodies need to increase their efforts to raise their own funds by whichever possible source. In these days of high Fiscal Deficit, their high reliance on government finance is not warranted. It is necessary to improve the working of the urban local bodies in Nashik District through proper and effective management.

Also there is a need for public-private partnership I the delivery of the essential civic amenities.

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