

## **FINANCIAL ASPECT OF MUNICIPAL BASIC SERVICES IN INDIA: A STUDY OF HARYANA STATE**

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### **ABSTRACT**

This paper deals with the status of Municipal Finances and Municipal Services in India. An attempt has been made to: define urban local governments; present a brief historical perspective; and assess main municipal services being provided by the municipal councils and municipal committees in Haryana. The paper examines the financial needs for upgrading core infrastructure and services in India. Key issues in the municipal finance, as also the reforms and innovations in the urban management are discussed in this paper.

**KEYWORDS:** Local bodies, municipal, urban, finance

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### **1. INTRODUCTION**

India has opted three tier system of government i.e. at centre, state and local levels. As the local government operates both in urban and rural areas, therefore, it is designated as urban local government and rural local government respectively, the three tier urban local government institutions are municipal corporations, municipal councils and municipal committees. The rural local government institutions comprise Zila Parishads, Panchayat Samities and Gram Panchayats

The urban population of India has increased in recent years at rapid rates. In 1961 about 79 million persons lived in urban areas of the country; by 1991, their number had increased to over 217 million, registering an increase of over 250 per cent in the last three decades. Almost all population projections indicate that India will enter the 21<sup>st</sup> century with an urban population of about 300 million, which will further increase to over 400 million in the year 2011 and 553 million in the year 2021.

The municipal bodies (urban local bodies) which are statutorily responsible for the provision and maintenance of basic infrastructure and services in cities and towns are experiencing tremendous fiscal stress even to operate and maintain the existing services at satisfactory levels, let alone augment them. While their responsibility to meet the growing demand to maintain existing services at satisfactory level is increasing rapidly, there is no commensurate increase in their revenue base, which has in fact been depleting constantly. Faced with such a situation the urban local bodies are becoming increasingly dependent on higher levels of government for their operation and maintenance requirements. What is worse, many urban local bodies have accumulated huge debts and are facing serious problems in even

servicing their debt. This has serious repercussions on the availability and quality of urban basic services in urban areas of the country

## **11. URBAN LOCAL GOVERNMENT DEFINED**

A number of authors have attempted to define local government in their own ways. According to Encyclopedia Britannica, the local government is, “an authority to determine and execute measures within a restricted area inside and smaller than the whole state. The variant local self government is important for its emphasis on freedom to decide and act.”

In the words of V. Vankata Rao, “local government is that part of the government which deals mainly with local affairs, administered by authorities subordinate to the state government but elected independently of the state authority by the qualified residents.”

According to P. Stones, “Local Government is that part of the government of a country which deals with those matters which concern the people in a particular locality.”

G. Montagu Harries defines local government as government by the people themselves. Though freely elected representatives.

Thus, it is clear from the above definitions that the authors have not given a uniform pattern of definition of local government. But a local government has many attributes. It possesses a fixed territory and population and also has a governmental organisation which is responsible to the needs and wishes of local community.

## **11.1. HISTORICAL DEVELOPMENT**

The institutions of local government have existed and flourished in India since ancient times. The institutions of Panchayats and village governments existed in ancient India and were small republics. Local self-government, to borrow a phrase from Sydney Webb, is “as old as the hills”. This can be truer of India than any other country of the world. There is sufficient evidence to establish the fact that the institution of local self-government is almost pre-historic, and the conception of local self-government is indigenous to the Indian soil. Municipal governments have flourished in India since times immemorial. While empires rose and fell, village panchayats which formed an integral part of the national life, helped to preserve democratic traditions in social, cultural, economic and political life, survived the onslaughts of centuries of political upheavals and saved Indian society from disintegration. The existence of local bodies in ancient India is a positive proof of the inherent genius of our people to manage local affairs efficiently and on a decentralised basis. The decentralisation of power in the kingdoms of the Maurya and the Gupta period was unique. Such devolution of power was unknown to the western world until modern times. The local governments at different levels, performing many functions, though not very democratic, were sufficiently autonomous. But during the Mughal period, the local government units greatly deteriorated. The first phase may be assumed to have ended in 1882, when Lord Ripon issued his well-known resolution on local selfgovernment. By 1894, the framework of local government was substantially that, which existed until 1974, there were many local government Acts like Local Government Act 1929, 1933, 1958, 1972 which really helped the local governments in providing them adequate powers and responsibilities(Singh, S.N). The second phase covers developments from 1882 to 1919, when more powers were transferred from the centre to the provinces, and the recommendations of the Decentralisation Commission of 1907, besides discussing other

matters, suggested some changes in local self-government. The third phase extended upto 1935, during which the Indian Taxation Enquiry Committee (1925) considered the problems of local taxation, along with central and provincial finances. The Simon Commission of 1930, reversed the process of decentralisation, by recommending strict control of the state over local bodies. The fourth phase covers developments upto 1947. During this phase, the struggle for independence was intensified and with the introduction of provincial autonomy in 1937, and coming into power of congress ministries in many provinces, local bodies, particularly village panchayats, received a great stimulus and there was democratisation of local bodies. But “local self-government became a mere annexe to the national political stadium, where the struggle for independence was moving towards its climax.”

However, the present structure, representative character and the style of functioning of urban bodies is the result of 74<sup>th</sup> Constitutional Amendment Act. Here some of the services assigned to the urban local bodies have been explained in brief.

#### **1V. MUNICIPAL SERVICES**

The performance and financial aspect of municipal basic services has been discussed here in brief.

##### **A. Public Safety and Convenience**

The protective services attempt to safeguard citizens against dangers to life and property. These are prevention and extinction of fires, securing and removal of dangerous building etc., regulation and abatement of offensive and dangerous trades; and calling and practices. Actually they include wide range of inspection services in respect of weights and measures, factories and workshops, animal diseases, slaughter houses, prevention of adulteration of foods and drugs. Apart from these services local bodies are assigned some responsibilities i.e., power to require buildings, wells, tanks, etc. to be secured; repair of buildings etc; cleaning of filthy building or land; paving or drainage of cattle stands; power to prohibit use for human habitation of building unfit for such use; power to require hedges and trees to be trimmed; power to require untenanted buildings becoming a nuisance to be secured and; prohibition of cultivation, use of man use or irrigation injurious to health.( Chander, J. ) Thus, the local bodies are assigned the responsibilities to protect the people in their respective territory.

We have made an attempt to examine the trends in expenditure incurred on different items by the municipal committees and council in Haryana State during 2005-06 to 2010-2011. The related data has been compiled from the statistical abstract of Haryana. In Haryana during 2005-06 , an amount of Rs. 1417 lakh was spent on public safety and convenience including police, lighting, fire, and miscellaneous by the municipal councils. The head-wise expenditure was Rs. 31 lakh for police, Rs. 783 lakh for lighting and Rs. 403 lakh for fire. This over all expenditure fell down to Rs. 925 lakh during 2006-07 and Rs. 652 lakh was spent on lighting and an expenditure of Rs. 325 lakh was incurred on fire fighting during this period. This expenditure increased to Rs. 998 lakh during 2007- 08. The head-wise expenditure was Rs. 7 lakh, Rs. 678 lakh and Rs. 404 lakh for police, lighting and fire respectively. During 2008-09, the expenditure incurred was of Rs. 998 lakh under which the expenditure for police and lighting was Rs. 8 lakh and Rs. 678 lakh respectively. The urban local governments made an expenditure of Rs. 404 lakh on fire.

Again the expenditure increased to Rs. 1107 lakh during 2009-10 and the money spent on police, lighting and fire reached to Rs. 31 lakh, Rs. 783 lakh and Rs. 403 lakh which was slightly higher than the expenditure of last year. The position was something better during 2010-11 because the expenditure increased was Rs. 1229 lakh on public safety and convenience. But the expenditure on policing came down to Rs. 6 lakh once again and for lighting it increased to Rs. 853 lakh and Rs. 456 lakh were spent on fire fighting. During the year 2010-11, the total expenditure on public safety and convenience came down to Rs. 1223 lakh. It was reduced to Rs. 4 lakh for police, Rs. 812 lakh for lighting and Rs. 3 lakh for miscellaneous items. However, the expenditure on fire and pounds increased to Rs. 494 lakh and Rs. 14 lakh respectively.

## **B. Education and Medical**

The special services are either meant for special groups of people, who may be either physically or socially or economically handicapped or for certain specific needs of the community such as education, health services, special health services for children and expectant mothers, midwifery, children's homes, shelter for disabled and destitute people, housing for poor etc. On the direction of the state government, the committees have to provide for the supply of water for public and domestic purposes and where an application under section 109 or section 110 has been received, all necessary communication pipes and fitting shall be supplied by the committee.

Item of expenditure on education cover administration, primary schools, public libraries, museum etc. and the item of expenditure on medical include administration, hospitals and dispensaries. The expenditure in Haryana made on education and medical was Rs. 35 lakh and Rs. 207 lakh during 2005-06 respectively. It was the order of Rs. 226 lakh and Rs. 42 lakh in 2006-07, and touched Rs. 214 lakh and Rs. 45 lakh in 2007-08, Rs. 117 lakh and Rs. 351 lakh in 2008-09, Rs. 86 lakh and 32 lakh in 2009-10 and Rs. 73 lakh and Rs. 42 lakh in 2010-11. The expenditure on medical and education items clearly indicate that it was decreased except on medical. Tendency of applying cuts in expenditure and health services should be stopped.

## **C. Streets**

The environmental services attempt to control and improve the physical environment and having something in common with protective services. They include construction and maintenance of street, street lighting, collection and disposal of refuse, street cleaning, vaccination, inoculation, drinking water supply, drainage and sewerage, scavenging, burial and cremation grounds. On the recommendation of the state government, the committee be deemed to have ordered any burial or burning ground, situated within municipal limits or within one miles thereof which is certified by the health officer to be dangerous to the health of persons living in the neighborhood to be closed, from a date to be specified in the notice, and shall in such case, if no suitable place for burial or burning exists within a reasonable distance, provide a fitting place for the purpose.

So far as the environmental services in Haryana is concerned, there was a provision of an expenditure of Rs. 3047 lakh; Rs. 3042 lakh and Rs. 2648 lakh for the construction and maintenance of streets during 2005-06, 2006-07, and 2007-08. The government spent Rs. 3190 lakh during 2008-09.

It shows that the money to be spent on the street maintenance and construction had never been remained static. The government made an expenditure of Rs. 3874 lakh, Rs. 2904 lakh, Rs. 3302 lakh and Rs. 2995 from 2009-10.

#### **D. Public Health Services**

The municipal councils and municipal committees render public health services such as infant welfare, vaccination, and control of plague and other epidemic diseases, conservancy, provision of drainages, control of food supplies, market houses and burning and burial of paupers, etc. So far as the expenditure incurred by these bodies on public health services is concerned there is an increase over the proceeding years under reference. It was of Rs. 4913 lakh in 2005-06 against Rs. 4699 lakh during 2006-07 but it came to Rs. 4808 lakh in 2007-08. Further it increased to Rs. 5942 lakh, Rs. 6217 lakh and Rs. 7315 lakh in 2008-09, 2009-10 and 2010-11 respectively. Thus, the total expenditure on public health was comparatively higher. The item wise expenditure shows that it was in the range of Rs. 86 lakh in 2009-10 to Rs. 243 lakh in 2010-11. It was comparatively higher in 2010 over the preceding year. It fluctuated in case of vital statistics and infant welfare. On vaccination it was found to be in the range of Rs. 22 lakh to Rs. 30 lakh in 2010-11. Expenditure on plague and other epidemic diseases also fluctuated and was as Rs. 34 lakh in 2010-11 and as high as Rs. 70 lakh in 2005-06. It observed increasing trend on conservancy and rose from Rs. 3413 lakh to Rs. 5672 in 2010-11 but in case of drainage it fluctuated and was in the range of Rs. 781 lakh in 2006-07 to Rs. 2443 lakh in 2010-11. As regards expenditure on control of food supplies market houses, etc; it was the highest with Rs. 25 lakh in 2006-07 and as low as Rs. 4 lakh in 2010-11. There was a slight change in expenditure on burning and burials of paupers, etc. and it was the order of Rs. 5 lakh for the rest of the years in reference.

#### **E. Water Supply**

The municipalities incurred expenditure on items such as administration, collection of revenue from water, cost of canal water, maintenance, water analysis, capital expenditure and loans interest and repayment. Expenditure on administration was in the range of Rs. 570 lakh in 2005-06 to Rs. 1031 lakh in 2010-11. It increased from Rs. 570 lakh in 2005-06 to Rs. 740 lakh in 2006-07 but came down to Rs. 647 lakh in 2008. However, it started increasing in 2009-10 and touched the figure of Rs. 831 lakh in 2010-11. The expenditure on collection of revenue from water was increased. Cost of canal water was merely two lakh in 2005-06. It was of Rs. 42 lakh on maintenance in 2006-07 which increased to Rs. 228 lakh in 2007-08 since then it started decreasing and came down to Rs. 20 lakh in 2010-11. Capital expenditure fluctuated and was the only item involving higher expenditure. It was as low as Rs. 2361 lakh in 2005-06 and as high as Rs. 3025 lakh in 2006-07. The last item under this head was expenditure on loans in the form of interest and repayment. On interest payment, it was as low as Rs. 26 lakh in 2010-11 and as high as Rs. 67 lakh in 2005-06.

#### **F. Veterinary Services**

The expenditure on the veterinary hospitals was Rs. 23 lakh, Rs. 32 lakh, Rs. 93 lakh, one lakh and Rs. 20 lakh during 2005, 2006, 2008, 2009 and 2010. No expenditure was reported during 2010-11. Perhaps this item was dropped.

## G. Municipal Works

Under this head the total expenditure showed increasing trend since 2005-06 till 2006-07 and was Rs. 3176 lakh, Rs. 3460 lakh and Rs. 4020 lakh respectively but expenditure was curtailed in 2007-08 and it was brought down to Rs. 3230 lakh. It again rose to Rs. 3908 lakh in 2008-09 and Rs. 4207 lakh in 2009-10. The expenditure on administration of municipal works near of Rs. 418 lakh in 2005-06, Rs. 479 lakh in 2006-07 and it rose to Rs. 1053 lakh in 2007-08 but decreased to Rs. 633 lakh in 2008-09 and Rs. 789 lakh in 2009-10. Expenditure to streets, watering etc. fluctuated and it was in the range of Rs. 2648 lakh in 2009-10 and Rs. 4207 lakh in 2010-11. It was of Rs. 2843 lakh in 2005-06 and rose to Rs. 3047 lakh in 2006-07 but decreased by Rs. 6 lakh in 2007-08. It declined to Rs. 2648 lakh in 2008-09 and again increased to Rs. 3190 lakh in the following year but was brought down to Rs. 3098 lakh in 2010-11. The last item of expenditure under item head was execution. It involved Rs. 25 lakh, Rs. 44 lakh and Rs. 35 lakh in 2005, 2006 and 2007 respectively. It came down to Rs. 39 lakh in 2008-09 and remained same in 2009-10 and highest i.e. Rs. 3098 lakh in 2010-11. Expenditure on suspense account was to the order of Rs. 538 lakh in 2005-06, Rs. 491 lakh in 2006-07, Rs. 504 lakh in 2007-08 and was high i.e. Rs. 874 lakh in 2008-09 but was curtailed and was Rs. 179 lakh in 2009-10 and it fell down to Rs. 120 lakh in 2010-11.

## V. CONCLUSIONS

A close examination of the figures pertaining to the expenditure incurred by the municipalities clearly shows that over the years there has never remained increasing trend, so far as the expenditure is concerned. The position seems to be observing downward trends in case of public safety and convenience. As regards education and medical services, the position deteriorated as the expenditure fluctuated. Construction of streets and their maintenance was taken care as sufficient funds were made available for this purpose. Public Health Services have also attracted a great deal attention of the municipalities as there has been remain increasing trend in the expenditure incurred on public health services. The expenditure on water supply stands for evidence that sufficient attention was paid to water supply. Earlier veterinary services being provided by the municipalities were withdrawn. Expenditure on municipal works also shows fluctuation generally it varied year to year.

Thus the financial requirements for bridging the existing gaps and meeting the increasing demand for basic services are quite large. But there is hardly any awareness and sensitivity towards the financial dimensions involved in providing and managing even the minimum basic level of services. The net result is deprivation of substantial proportion of urban population from core urban services such as water supply, sanitation, primary health, street lighting, primary education, etc. This has led to marked deterioration in the standard and quality of life of urban residents. The municipal services from the point of view of effectiveness are in the need of revamping. Strong political will and special attention by way of providing sufficient funds on the part of both the state government and the urban local governments can go a long way in providing upto-date services to the urbanities.

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