

ANALYTICAL REVIEW ON INCOME AND EXPENDITURE OF A MUNICIPAL COMMITTEE – A CASE STUDY OF FARIDKOT

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Abstract:

In the modern era, the local institutions serve as a lamp-post of democracy. In a democratic country like India, the local self government is a foundation stone of democracy. It is here that the seeds and programmes of national development are put into action. Moreover, the local self governments also act as a nursery of political training for the state as well as national level leaders of our country. Residents of the area also have direct access to the local leaders and may suggest ways and measures to these leaders for the upliftment of their area. Without the existence of these institutions, there may be no progress of a city, town or village, because these institutions inculcate among the citizens of the country the sense of civic duty. These local self governments play a vital role in all spheres of life like politics, social civic, economic and religious. As the jurisdiction of the local self government is restricted to a specific area of a town or city, so its functions relate largely to the population of that specific area. In the present paper, an attempt has been made to analyze the income and expenditure of the municipal committee of Faridkot. The data about the income and expenditure of the different years were collected from the records of the municipal committee. The study shows that the committee collects income from the various heads and is increasing year after year. In the same way, the expenditure of the committee is also increasing. The expenditure is made both on developed and non-development purposes. For the welfare of the residents and for an overall development of the town, the committee is making expenditure on the construction and repair of roads, water supply, sewerage, school buildings, and street lights etc. The committee is also making every effort to develop the basic facilities and social amenities in the slum area of the town.

Keywords: Income, Expenditure, Municipal Committee,

INTRODUCTION

The modern era is the age of democracy. It ensures that the will of the people is sovereign and it prevails everywhere. The masses are the real repository of power and thus enjoy the final authority to make

or unmake the government. The indirect involvement of the people in democratic setup is, such that the people rule through their elected representatives. A democratic government ensures popular participation not only at the national and state level but also at the grass root level consequently, local government are the basic foundations and these act as nurseries of the democratic system of a country. The elementary knowledge for managing the affairs is learned by the people through these local bodies because people take a direct part in running their affairs.

Municipal government is of great significance in a democratic system as it strengthens the root of democracy. It is the foundation of national government. It serves as a base for national planning and development. The successful running of Municipal administrative machinery largely depends upon the combined and harmonious relations between the elected civic leaders and appointed personnel. The Municipal council lays down the policy and the civil servants carry out these policies for the effective development of the town. If the Municipal Council is the brain of the Municipal corporate body, the Municipal servants are its hands.

No organization can fulfill its mission and inspire respect and confidence among the people if it is not manned by efficient personnel. The element of personnel system forms the nucleus of the administration. No study of administration is complete without giving due attention to the income and expenditure of Municipal Committee. The success and failure of urban bodies largely depend upon the sources of income and heads of expenditure of Municipal Committee. Thus the capability of the urban body to manage its affairs and to fulfill the needs and desires of the public of its town largely upon the income and expenditure pattern of the Municipal Committee. So, it becomes imperative to analyze the income and expenditure of the Municipal Committee.

In a welfare state like India democracy implies not only a form of government but also a particular social organization which looks after the well being of its masses. As a form of government, it means government representing the general body of citizens and also a government representing which is limited in its power over individual citizens. Democracy flourishes only in a society which is characterized by the reasoning power and moral responsibility of the individual for his action. (Majumdar, 1940).

When people begin to live together in a locality, certain problems arise from communal living. These problems are related to the provision of civic amenities like the supply of water, removal of rubbish, drainage, lighting, prevention of epidemics, health facilities, roads etc. As the population increases and the locality grows more problems like regulation of trade and commerce, dangerous and unhealthy, occupations, facilities for education, public health, etc. arise and become more intense. Man's conception of minimum amenities for acceptable living conditions undergoes change with this advancement it is the duty of the government to ensure its proper achievement. In fact, the local government is today much more important in the daily life of a citizen than the state or Central government (Maheshwari, 1971).

Study Area

The area of study is Faridkot town of district Faridkot. Faridkot is one of the historical towns of North India. The city of Faridkot has been named after the name of Baba Farid, a Sufi saint of 'Pak Pattan' (Singh, 1964). Faridkot city is located on Ferozepur-New Delhi railway line and is about 350kms from New Delhi and 33 km. from Ferozepur.

Faridkot district is surrounded by Ferozepur district in the north-west, Muktsar district in the south-west, Bathinda district is in the south and Moga district in the west. The district covers an area of 1475.50 square kilometer which is 2.92 percent of the total area of the state and accommodates a population of 5,52,466 which is 2.27 percent of the total population of the state. It has two sub-divisions/tehsils namely Faridkot and Jaito and two sub-tehsils namely Kotakapura and Sadiq comprising of a total of 171 villages. The district has two development blocks namely Faridkot and Kotkapura (Census, 2001).

The present paper "Income and Expenditure status of Municipal Committee of Faridkot" examines the income and expenditure scenario of the Municipal Committee of Faridkot. Faridkot district is one of the 20 districts of the state (Government of Punjab, 2008).

OBJECTIVES

To study the income and expenditure status of the municipal committee in Faridkot town.

REVIEW OF LITERATURE

Narain (1963) has made attempt to examine the new leadership is power oriented. Sarpanches and pradhans have become new monopolists of power and there is political consciousness without civic consciousness among the leaders. Democratic decentralization is simply a plea for broad-basing the power structure because, in reality, the power has not percolated beyond the Pradhan can be called a primus inter pares among sarpanches, nor sarpanch is the first among the Panchs.

Venkatarangaiya (1969) has made a study about the local government. He has attempted his study on the basis of the local self government is the administrative of locality- a village, a city or any other area smaller than the state by a body representing the local inhabitants possessing a fairly large amount of autonomy, raising at least a part of its revenue through local taxation and spending its income on services which are regarded as local and therefore, distinct from state services.

Maheshwari (1971) has made an attempt to examine the working of panchayats in different states of India. The study concludes that historical development structure, personal finance, and functions of local government institutions. The study has also suggested certain steps for improving the system of local self government in India.

Doctor (1974) in his study brought out that rural leadership is more power-oriented and material benefits oriented. In the case of the worst type of this leadership, power becomes almost an end in itself instead of means to realize social development.

Parashar (2003) has made a study about the history and problems of municipal administration in India. He has attempted his study on the basis of local council offers primary ground for developing habits of mind and ways of local government after the independence of the country. In all the states practical steps were taken to democratize the constitution of local bodies by extending their functions and to liberalize their finances. The study explains that how the liabilities of local bodies are increasing and the overall control of the state's government is slackening.

Data Collection

The present study has been conducted with the help of primary and secondary sources of information. For the collection of data and information, both published and unpublished material was studied and examined. The data was mainly collected from; Statistical Abstract of district Faridkot, Local Government Directory, Punjab Government instructions and the concerned records of Municipal Committee of Faridkot. This was supplemented by information collected from the officials of the Municipal Committee through verbal talk to them.

Structure of Municipal Committee

A municipality is defined as a unit of local government for an urban area. It is the most popular form of local government. As the subject of local government in the constitution of India comes under the state list and the exclusive power to make laws for local government. The notification has to be published in the gazetteer published by the state government. A copy of which must be kept in some public place like, public library, courts etc. of the respective town because it enables the local people to make objections within six weeks of its publications.

Structure of Revenue

The revenue base of Municipal Committee of India can be broadly categorized into (a) Tax Revenue (b) Non-tax revenue (c) assigned (shared) revenues (d) grants-in-aid (e) loans and (g) other receipts. Table 1 sets out the major components of tax revenue of a municipal committee of India. While property tax is the major revenues source in most of the municipal committees of India, Octroi is the major source in the Municipal Committee of Maharashtra and Gujarat. Octroi has been abolished in all other states excepting Maharashtra and Gujarat.

Table 1

Revenue Source of Municipal Corporation in India (1998-2002)

Revenue Head/ Category	Sources of Revenue
Tax Revenue	Property tax, Octroi, Advertisement, Tax, Tax on Animals, Vacant Land Tax, Taxes on Carriages and Carts.
Non-tax Revenue	User charges, Municipal fees, Sale and Hire charges, Lease amounts
Other Receipts	Sundry receipts, Law charges costs recovered, Lapsed deposits fees, Fines, Rent on tools and plants, Miscellaneous sales etc.

Assigned (Shared) Revenue	Entertainment Tax, Surcharge on stamp duty, Profession Tax, Motor Vehicles Tax.
Grants-in-aid	1) Plan grants made available through a planned transfer from a supporter of government under various projects, programmes and schemes. 2) Non-plan grants made available to compensate against the loss of income and some specific transfer.
Loans	Loans borrowed by the local authorities for capital works etc. HUDCO, LIC, State and Central Governments, Banks and Municipal Bonds.

Sources: Budgets of Municipal Corporation

Structure of Expenditure

The expenditure incurred by the MNCs can be broadly categorized into:

- a) Revenue expenditure
- b) Capital expenditure

Table 2
Categorization of Municipal Expenditure

Expenditure Category	Expenditure Items
Establishment Expenditure	Staff salaries, allowance, wages, pensions and retirement benefits etc.
Administrative Expenditure	Rents, rates, and taxes, office maintenance, communication, books and periodicals, printing and stationery, travel expenditure, law charges etc.
Operations and Maintenance	Power and fuel, bulk purchase, stores, hire charges, repair and expenditure maintenance and interest payments made on loans.
Capital Expenditure	Buildings, water supply, and sewerage, energy/lighting, solid waste, management, roads, bridges, health and sanitation, park, etc. Principles repayments of loans.
Other expenditure	Miscellaneous expenses not accounted for in the above

Sources: Budgets of Municipal Corporation

Further revenue expenditure broadly comprises (i) establishment expenditure (ii) administrative expenditure (iii) operations and maintenance expenditure and (iv) interest payments on loans the capital expenditure comprises (a) expenditure on capital formations and (b) principal repayment.

Analysis of Income and Expenditure of Municipal Committee of Faridkot

Income of Municipal Committee

The main sources of income of the Municipal Committee are Grants-in-aid from the government, the percentage of land revenue collection, donation, taxes duties, fees and income from the sales proceeds of dust, dirt and dung etc.

The year wise income of Municipal Committee Faridkot is evident from the Table 3

Table 3
Income of Municipal Committee Faridkot from different items
(In Rs. Lakhs)

Income	2006-07	2007-08	2008-09
Octroi	245.69	327.07	330.00
Octroi on Electricity	10.05	10.89	15.00
House Tax	24.70	30.00	69.50
Rent/Lease Money/ The	13.43	24.13	32.00
Sewerage	7.60	20.00	37.50
Building Application	77.08	26.50	40.00
License Fee	1.57	1.75	3.00
Advertisement Tax	-	0.50	1.00
Show Tax	0.04	0.05	-
Entertainment Tax	0.06	-	-
Dead Animal	1.74	1.43	2.50
Others	1.41	19.07	15.00
Additional Excise	119.71	39.02	100.00
Sale of Land			200.00
Gross Total Income	503.08	500.36	846.50

Sources: Record of Municipal Committee Faridkot, 2008-09

The table shows that the income of the committee in the year 2008 – 09 is Rs.846.50 lakh which is much higher than the previous year.

Octroi Tax

The main source of income of Municipal Committee is octroi tax, which is collected by the private contractors. In the budget for the year 2008-09, the Municipal Committee earned income from the octroi tax was Rs 330 lakh whereas it was Rs. 327.07 Lakh in 2007 – 08.

Octroi on Electricity

The other sources of income of Municipal Committee are octroi on electricity but a very little share of income is obtained from this source. The estimated income in 2006-07 was Rs 10.5 lakh and in 2007-08 was Rs 10.89 lakh and 2008-09 was Rs 15 lakh.

House Tax

This tax is levied on the industrial, commercial, institutional and residential houses etc. They have to pay a big amount every year to the municipal committee. Municipal Committee earned revenue of Rs 24.70 lakh, in 2007-08 was Rs 30 lakh and in the year 2008-09 was Rs 69.50 lakh.

Rent, Lease Money, the Bazari Tax

This tax is levied on shops, plots, agriculture land, parking place or tehbazari etc. The income of Municipal Committee Faridkot from the Rent, lease money, and tehbazari tax is Rs 13.13 lakh 2006-07 where as in 2007-08 Rs 24.12 lakh and in 2008-09 was 32 lakh.

Sewerage

Sewerage is also another source of income of Municipal Committee. The Municipal Committee Faridkot income receipts from sewerage services in 2006-07 was Rs 7.60 lakh, in 2007-08 was 25.00 lakh and 2008-09 was Rs 37.50 lakh.

Building Applications

Building application is also an income source of Municipal Committee. It includes receipts from map fees, development charges, malba fees, water supply charges, and composition etc. The income receipts of the municipal committee from building an application in 2006-07 were of Rs 77.08 lakh, in 2007-08 Rs 40 lakh.

License Fee

A license fee is another source of income of the committee. It earned an income of Rs three lakh in 2008-09.

Advertisement Tax

The Municipal Committee earned revenue from advertisement tax. During the 2007-08 the income from advertisement tax was Rs. 50,000.00.

Show Tax

The Municipal Committee earned income from sales tax. In 2006-07 the Municipal Committee earned Rs 40,000.00 from the show tax whereas, during the year 2007-08, income from show tax was Rs. 50,000.00.

Entertainment Tax

This tax is levied on cinema, circus and other forms of entertainment. 007-07 municipal Committee earned Rs. 60,000.00

Dead Animal

The Municipal Committee also collected money from dead animals. The income from dead animals in the year 2006-07 was 1.74 lakh and during 2008-09 was 2.50 lakh.

Others

Apart from the above said sources the committee earned Rs.1.41 lakh in 2006-07 and in the year 2008-09 Rs 15.00 lakh.

Additional Excise

Additional excise is also another source of income of Municipal Committee. Income receipts from Excise Tax in 2006-07 were Rs. 119.71 lakh, in 2007-08 was Rs. 39.02 lakh and 2008-09 were Rs. 100 lakh.

Sale of Land

Sale of land is also a source of income of Municipal Committee. In the year 2008-09, the Municipal Committee earned Rs. 200 lakh.

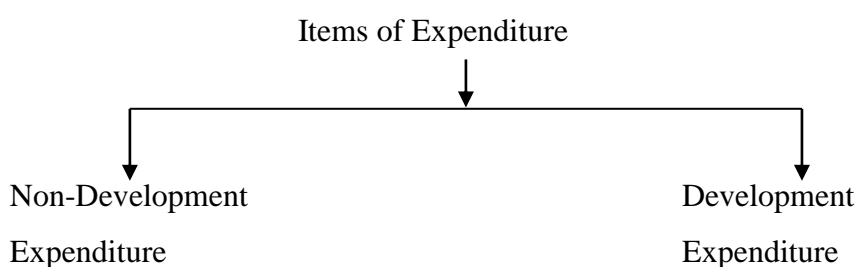
Expenditure of Municipal Committee

Apart from collecting income from the various sources, the Municipal Committee of every town has to incur some expenditure so as to secure the welfare of the residents of the town.

There is an increase in the income of municipal committee Faridkot, there is also an increase in the expenditure of municipal committee as it increased, compared with 2006-07, Rs. 512.47 lakh to Rs. 846.50 lakh in 2008 -09.

Items of Expenditure

Municipal Committee is called upon to spend an annually large amount on establishment, areas, expenses on contingency and others. The expenditure incurred by the Municipal Committee can be divided into two parts.



a) Non-Development Expenditure

Municipal Committee incurs expenditure on tax collection, pensions etc. It is called non-development expenditure.

b) Development Expenditure

Municipal Committee spends large sums on the development of new roads, repair of old roads, drains, streets, water supply, sewerage, etc. It is called development expenditure.

A) Non-Development Expenditure

Municipal Committee has got to incur expenditure on an establishment, collection of taxes, etc. The main items of non-development expenditure of the Municipal Committee Faridkot.

Establishment

Municipal Committee has to spend large amounts on general administration, octroi, house tax, water supply, sewerage, sanitation or health, public works etc. Expenditure on these items has been increasing year after year. According to budget 2006-07, Municipal Committee would spend Rs. 260.68 lakh and in 2008-09, Municipal Committee would spend Rs. 327.14 lakh on the establishment.

Office Expenditure

The municipal committee spends the amount on office development. In the year 2006-07 municipal committee spent Rs. 37.21 lakh. In the year 2007-08 expenditure on office development was Rs. 22.96 lakh. In the year 2008-09 expenditure was Rs. 41.55 lakh.

Expense on Contingency

Municipal Committee has to spend some amount on stationary, electricity bills and vehicles, telephone, purchase of computer and etc. In the 2007-08 year, the municipal committee spends Rs. 37,21,000/- and in the year 2008-09, the municipal committee spend Rs. 41,55,000/-.

Other Expenditure

Various type of expenditure is incurred on uniforms, directorate charges, audit fees, election charges, retirement benefit, tractor repair oil, library, independence, functions etc., law charges, unforeseen charges, fax repair etc. In the 2006-07 year, the total expenditure spends on others Rs. 31.87 lakh, but in the 2008-09 year, the total expenditure on other items spent Rs. 30.45 lakh.

B) Development Expenditure

Municipal Committee Faridkot spends large sums on the development of transport, roads, water supply, sewerage, machinery etc. It is called development expenditure. Following are the main items of development expenditure of Municipal Committee Faridkot.

Roads

Municipal Committee spends on the construction of new roads and repairs the old roads. Municipal Committee Faridkot spent Rs. 40, 00,000/- on the development of roads.

Drains

Municipal Committee Faridkot spends on the construction of new drains and repair of old drains. The year 2008-09 Municipal Committee spent Rs. 20 lakh on new drains and Rs. 20 lakh spent on repair of old drains.

Street

Municipal Committee spends on the construction of new streets, repair of old streets and CC flooring. In the year 2008-09, Municipal Committee Faridkot spent Rs. 35 lakh on the streets. During the 2006-07, the expenditure on the streets was Rs. 26.31 lakh etc.

New Sewerage

Municipal Committee also spends on sewerage development. During 2008-09, municipal committee Faridkot spent Rs. 75 lakh on new sewerage.

Slum

Municipal Committee Faridkot also spends on slum area development. In the 2006-07 budget year, Municipal Committee spent on slum Rs. 9.85 lakh and in the year 2008-09 spent on slum Rs. 40.00 lakh.

Purchase of Machinery

Municipal Committee Faridkot also spends on the purchase of machinery. In the year 2006-07, the municipal committee spent on Rs. 4.94 lakh, in the year 2007-08, spending income on the purchase of machinery Rs. 1 lakh and during the year 2008-09 municipal committee of Faridkot spent Rs. 5 lakh on purchase of machinery.

Loans to Employees

Municipal Committee has to incur expenditure on giving loans to its employee. In the year 2008-09, the Municipal Committee spends Rs. 10 lakh on the giving loans to employees.

Other Miscellaneous Work

Municipal Committee of Faridkot also spends on other miscellaneous work like cattle pound and fire brigade and other works. In the year 2007-08, the Municipal Committee spend Rs. 9 lakh on miscellaneous works. Table 12 shows the expenditure on other miscellaneous works of Municipal Committee Faridkot. The expenditure of Municipal Committee on Cattle pound and fire brigade, etc. Rs. 65.61 lakh during 2008-09.

Sanitation

Municipal Committee of Faridkot spends on sanitation also. During 2006-07, spent Rs. 46.70 lakh and during the 2008-09 spent Rs. 40 lakh on sanitation. Compare to last years the expenditure on sanitation decreased.

Total Non-Development and Development Expenditure of Municipal Committee Faridkot

Municipal Committee Faridkot spends a large amount on non-development and development items.

Table 4
Items of Non-development and Development expenditure of
Municipal Committee Faridkot (in Rs. Lakh)

Expenditure on items	2006-07	2007-08	2008-09
Establishment Expenditure	260.68	288.72	327.14
Office Expenditure	37.21	22.96	41.55
Non-development Expenditure	297.89	311.68	368.69
Development Expenditure	214.58	197.60	477.81
Total	512.47	509.28	846.50

Sources: Record of Municipal Committee Faridkot, 2008-09

Table 4 reveals the development and non-development expenditure of municipal committee. Municipal Committee spends more income on the development of roads, sewerage, street, purchase of machinery, drains, sanitation etc. During the 2008-09 the Municipal Committee spent Rs. 368.89 lakh on the non-development items and spent Rs. 477.81 lakh on development items. And the total expenditure was Rs. 846.50 lakh on both development and non-development expenditure.

Overall it can be observed from the above analysis that the income and expenditure of the municipal committee are spent in such schemes so as to maintain the welfare of the residents of the area.

Policy Implication

1. Layout maps of the residential areas within the Municipal Committee should be prepared and there should be displayed in all most all the residential areas of the town.
2. Although a major proportion is spent on the development of the town, yet for the effective implementation of the development schemes, it is suggested that the Municipal Committee should prepare landscaping schemes, traffic operation plans improvement of road junctions and environmental schemes.
3. Further, it is suggested that for the safe road traffic, the Municipal Committee should install traffic lights at the busy road junctions' points, so that accidents may be averted.
4. To help the poor people living in the slum areas of the town, every effort should be made to provide basic health facilities and sanitation. By providing such facilities the rate of morbidity among the residents of these slums may be curtailed.
5. Effective financial management can help the municipal committee to transform the area into a better place of living and work. For apart from Municipal Commissioners, the prominent persons of the town should be included as much as possible for deciding the spending priorities for the development of the area/town.
6. Last but not the least, all the residents of the town who own a fixed property within the municipal limits, should pay taxes regularly and sincerely, because with the income so raised the municipal authorities can discharge services such as roads, pavements, hacks, street lights etc.

7. The municipal committee needs large sums for executing the major property. It is desirable that both the state government and the central government should provide liberal help to the municipal committees.

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