



An analysis of funding of local bodies in urban and rural areas

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ABSTRACT

The paper aims at briefing of the allocation as well as sources of funds of the local bodies in India. The local bodies of the three tier system of Indian government can be bifurcated into centre, state and local self governing bodies. The historical background traces the history of the governance. The various sources of both rural and urban system have been discussed. The role of finance commission has also been explained. Also the constitutional provisions have been enumerated in the present study.

INTRODUCTION

Local government in India, both rural and urban has become constitutionalised, in the sense that it is enshrined in the constitution of India like two upper levels of government. In 1992 the Parliament passed the 73rd and 74th constitutional Amendment Bills, which came into force on 24th April 1993, In India, Local government is the third stratum of government the first two being central and the state government.

The local government jurisdiction is limited to a specific area and its functions relate to the provision of civic amenities to the population living within its jurisdiction. It has no legislative powers. A local government functions within the provisions of the statute which has created it. In India local government is widely known as local self government. The term originated when the country was under British Administration and did not

enjoy any self government either at the central or state levels.

When people began to live together in a locality certain problems arises from communal living. These problems were related to provision of civic amenities like supply of water, removal and rubbing of drainage etc.

The emergence of local government as a district government unit is a result of the interplay of several factors - historical, ideological and administrative. Historically local government has obviously preceded national government. Local government is also necessary precisely because some public requirement at least, are local in their intensity character and scope. The local government is a well-settled instrument of political education.

Historical background of local government :

The institution of local government have flourished

in India since time immemorial. The Panchayat or village government as they were called, were ancient institutions and were themselves small republics. The traces of local government can be seen back to Rig Veda.

Coming to the period of Mughal rule in India one finds a system of local government in existence. The administration of a town vested in an office known as Kotwal who performed many municipal function besides exercising supreme authority all magisterial, police and fiscal matters.

Although local government existed in India in ancient times, in its present structure and style of functioning it owes existence to the British rule in India. A beginning of local govt., may said to have been made in 1687 when, for the first time, a local governing body - a municipal corporation - was set up for the city of Madras. Local government is thus slightly less than three centuries old in India. Its history since 1687 is rather chequered and even exotic. Broadly it may be divided into the following five periods, each period characterised by a certain aim and purpose.

1687 – 1881 :

Local government was viewed and utilised to ease central and provincial finances and thus to sub serve imperial needs.

1882 – 1919 :

Local government began to be viewed as self - Goevrnment.

1920 – 1937 :

Local government came within the jurisdiction of provinces and further was transferred to popular control.

1938 – 1949 :

Local government was in a state of repair and reconstruction.

1950 – 1992 :

Local government as the creation of the state government subjected to its supervision and control has been keyed to the requirements of the constitution.

1993 – till date :

Local government becomes the third stratum of government under the Indian constitution with the passage

of constitution amendment (73rd and 74th) Acts, operative since 24th April 1993.

Financial administration of local bodies in rural area:

Gram Sabha and village Panchayat :

Gram Sabha is the bottom level body in the Panchayati Raj System. It is an organ of direct democracy. Its members are all adult residents of the village. It is not made up of the representatives of the people.

The Panchayat is the executive committee of gram sabha. The panchayat should function primarily as a local government addressing itself to the task of providing what may be called civic facilities to the people under its jurisdiction.

Source of revenue :

To perform the functions of gram sabha and Panchayat has been given certain sources and revenue. It is empowered to improve the following taxes :

- Tax on building
- Lighting tax.
- Tax on profession or trade
- Tax on private latrines
- Tax on animals and vehicles
- Fees on registration of animals sold within the area of the Panchayat.

These are compulsory taxes. In addition the Panchayat can also levy some other taxes with the previous approval of the Zila Parishad. The taxes are :

- Toll on vehicles and pack animals.
- Tax on vehicles and pack animals.
- Tax on other animals used for riding etc.
- Taxes on vehicles.
- Water rate.
- Drainage fee.
- Fee on cart stand and tonga stands.

Panchayat samiti :

The Panchayat samiti is the intermediate tier in the Panchayati Raj System of rural government in India. Its term vary from 3 to 5 years. It consists of ex-officio members its term depending on that of the members. The Panchayat Samiti's terms is generally co-terminous with that of the panchayat. The members of Panchayat Samitis in India was 4,526 in 1984.

Source of income :

Normally, a panchayat samiti has the following sources of income available to it :

- Proceeds of taxes and fees which a panchayat samiti may levy.
- Share of local cess and share of the land revenue received from the Zila Parishad.
- Grants from the state government.
- Loans from the state government.
- Income from leases granted by the Panchayat samiti to public ferries, fairs etc.
- Adhoc grant from or through the Zila Parishad.
- Donations and contributions
- Funds from schemes transferred by the government to the Panchayat samiti as an agency for execution.

Zila parishad :

The Zila Parishad constitutes the apex in the Panchayati Raj System of rural local government in India. As the name itself signifies, the Zila Parishad is a body at the District level in all states except in Assam and Tamil Nadu. In 1984, there were 297 Zila Parishad in India.

The Zila Parishad is a corporate body, having perpetual succession and a common seal, can sue and be sued and is empowered to enter into contracts. The nomenclature of Zila Parishad is not the same in all states.

Source of income :

In the matter of financial resources available to the Zila Parishad variation between the states are most extensively depending on the role given to it. It is significant that in all the states the Zila Parishad looks to the state government for meeting its expenditure, depends on the government for grant-in-aid, share of land cess and local cesses and taxes assigned to them, and other funds which may be earmarked for specific schemes as agency functions. Self-raised resources such as taxes, cess, income from other sources constitute only an insignificant portion of all the total income. The taxes that can be levied are :

- Tax on profession, trade, calling or employment.
- Tax on water.
- Tax on public entertainments
- Pilgrimage tax
- Grants from the state.
- Land revenue grant.

- Equalisation grant
- Purposive grant.
- Establishment grant.
- Deficit adjustment grant.
- Plant grant.
- Block grant.
- License fee from butchers.
- Fee on sale of good or animals in the market.
- Income from its property.
- Loans from government.

In urban area :*Municipal corporation :*

Municipal corporation is the topmost of urban local government. The municipal corporation as an institution is more respectable and enjoys a greater measure of autonomy than other forms of local government. In 2002 India has 107 Municipal Corporations. A municipal corporation is set up under a special statute passed by the state legislature.

Source of income :

Sources of Income of municipal corporation may be grouped under :

- Tax revenue
- Non-tax revenue

The non-tax revenue includes fees and fines as well as grants and contributions from the government. Extra ordinary sources of revenue include loans, deposits receipts or capital account, grants for capitals works etc. The major proportion of income of corporation however flows from taxes; it ranges between two-fifths and three fourths of total income.

A corporation is generally empowered to levy the following taxes :

- Property tax.
- Tax on vehicles and animals.
- Theatre tax.
- Tax on advertisement.
- Profession tax.
- Education tax.
- Entertainment tax.
- Tax on consumption and sale of electricity.
- Betterment tax on increase in urban land values caused by the execution of any development or improvement work.

Further, tax on deeds of transfer of immovable

property is collected by the state government and the amount collected within the area under the jurisdiction of a corporation is transferred to it.

The corporation can have two kinds of taxation power obligatory and optional. The following are the obligatory taxes.

- Property taxes.
- Drainage taxes.
- Water taxes.
- Conservancy taxes.
- Tax on vehicles other than mechanically propelled vehicles.
- Tax on animals

The optional taxes may be :

- Tax on trades, callings and professions.
- Octroi
- Toll on vehicles and other conveyances and animals entering the city.
- Tax on dogs.
- Betterment tax.
- Advertisement tax
- Theatre Tax.
- Taxes on deeds of transfer of immovable property.

Municipal council :

The council in the local legislative assembly, articulating popular wish which gets transformed into the law of the town. There are at present our 7000 municipal councils. The municipal councils are governed by Municipal acts of the states.

Sources of income :

Sources of municipal councils revenue are :

- Municipal taxes.
- Fees and rates.
- Income from municipal enterprises and property.
- Grants and contributions.

The principal sources :

- Property tax.
- Profession tax.
- Octroi.
- Animals and vehicle tax.
- Entertainment tax.
- Water tax.
- Lighting tax.
- Latrines and Drainage tax.

- Grants from state and central government.

Constitutional provisions :

Rural area :

Article 243H : Powers to impose taxes and funds of Panchayats :

Article 243 H empowers a state legislature to make by law provision for imposing taxes etc. by the Panchayats. Such a law :

- Authorises a Panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits.
- Assign to a Panchayat such taxes, duties, tolls, duties and fees levied and collected by the state government for such purpose and subject to such conditions and limits.
- Provide for making such grant-in-aid to the panchayats from the consolidated funds for the states; and
- Provide for constitution of such funds for crediting all moneys received, by or on behalf of the Panchayats and also for the withdrawal of such money therefrom.

Article 243 I : Finance commission :

Article 243 I provides for the establishment of a finance commission for reweaving financial position of the panchayat. The Governor of a state shall within one year from the commencement of the constitution (73rd Amendment) Act 1992 and, thereafter, at the expiration of every fifth year constitutes a finance commission. The legislature of the state may by law, provides for the composition of the commission the qualification requisites for appointment of its member and the manner in which they shall be selected.

Urban area :

Article 243X : Powers to impose taxes and funds of Municipalities :

Article 243 X the legislature of a state may by law :

- Authorises a municipality to levy collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits as specified in such law.
- Assign to a municipalities such taxes, duties, tolls, fees levied and collected by the state government

for such purposes subjected to such conditions and limits as specified in such law.

- Provide for making such grant-in-aid to the municipalities from conducted fund of the state.
- Provide for constitution of such funds for crediting all moneys received by the Municipalities and also withdrawal of such money therefrom.

Conclusion :

Local governments in India has been formalised under Panchayati Raj System, since 1992, a three tier system with elected bodies at the village, taluk and district levels 73rd and 74th Amendment has given constitutional validity to the Panchayati Raj System. Although its is not a glaring success today, but if given proper autonomy,

funds and support, it can come up as strong system in India.

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