

# Local Bodies and Economic Development in Special Reference of Dewas Municipal Corporation, Dewas (M.P.)

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**Abstract:** *The Government has experimented with parallel community-based organisations in its attempt to bring direct democracy to the people. This often leads to work at cross-purposes; progress of administrative and financial devolution has been tardy. In its concept of the district government and devolution of powers, the state government has identified the District Planning Committee (DPC) constituted under Articles 243-ZD of the Constitution, as the institutional base of the district government and chief mechanism for the devolution of powers. A DPC would be bogged down by so many administrative, executive and financial functions of different departments of the state government and will have to take back seat.*

**Keywords:** Local Bodies, Economic Development

## 1. Introduction

In present times there is an increasing realisation that genuine decentralisation leads to development. It is also felt that decentralisation of power to the local units of Government and management is one of the best ways of empowering people, promoting public participation and increasing efficiency. According to Human Development Report (1993) where decentralisation taken place, it has often been fairly successful in encouraging local participation, increasing accountability of the local officials, reducing the costs and increasing efficiency. Decentralisation can help mobilise resources, introduce locally and regionally diverse solutions and promote equitable growth by bringing the poor into mainstream development.

In Madhya Pradesh, urban local bodies and panchayati raj institutions were constituted and, power and authority was delegated to these institutions in the subjects listed in the panchayat and urban local bodies list (11th and 12th schedule). The residual state functions and subjects remained with the state government and thus centralised.

Madhya Pradesh has taken a step towards decentralisation of administration by creating district planning committee. But such district planning committees have been so overwhelmed by non-plan functions and are not in position to fulfil the function for which they have been created.

Therefore innovative mechanisms are needed to co-ordinate and decentralise these state subjects and departments, which becomes an imperative for comprehensive and honest decentralisation of the state government.

Further in the first stage of decentralisation i.e. of the devolving powers and authorities to local self-governance institutions was limited primarily for development and

financial functions. Very few regulatory functions like revenue and resource generations were given to local governance bodies.

Further 73rd and 74th Amendments to the Constitution envisaged decentralisation of powers and functions to rural and urban local bodies respectively in their areas. In India, district is the basic unit of administration and governance, and there is no co-ordination between the panchayat raj institutions and urban local bodies within their district.

## 2. Objectives

The main objective of this paper is to analyze the followings:

1. Comparative analysis of sources of income of Dewas Municipal Corporation (DMC).
2. To study whether DMC is able to collect the budgeted income
3. To analyse the head-wise actual expenditure incurred by DMC as compared to budgets.
4. To study whether maximisation of social benefits have been attained by the expenditure of DMC.

## 3. Methodology

Brief literature review by the author shows that there is lack of financial discipline in collecting revenue and expenditure is not for the social benefits which are the prime objectives of DMC and no study has taken into account rapid economic growth in Dewas. Hence in view of this, the present paper will analyze the economic growth in Dewas. The paper is based on secondary data, collected from the Dewas Municipal Corporation, District Information Centre, Dewas and from various other organizations and also from various published and unpublished papers and articles etc.

Dewas Municipal Corporation, Dewas  
Comparison of Budget with Actual Performance

Category : Revenue Head

Rs. in Lacs

Year	Budgeted Income	Actual Income	Percentage of Actual Income Over Budgeted Income	Budgeted Expenditure	Actual Expenditure	Percentage of Actual Expenditure Over Budgeted Expenditure
2006-07	3430.76	1690.76	49.28%	2639.37	1752.28	66.39%
2007-08	3369.31	1749.4	51.92%	2580.21	1776.07	68.83%
2008-09	3835.16	2233.8	58.25%	2640.55	2301.19	87.15%
2009-10	5163.16	3220.45	62.37%	3947.4	3493.86	88.51%

Category : Capital Head

Year	Budgeted Receipts	Actual Receipts	Percentage of Actual Income Over Budgeted Income	Budgeted Payments	Actual Payments	Percentage of Actual Payments Over Budgeted Payments
2006-07	4870	1381.3	28.36%	5656.54	595.28	10.52%
2007-08	6710	2293.48	34.18%	8328.8	1773.07	21.29%
2008-09	11568	3346.63	28.93%	12761.51	2009.26	15.74%
2009-10	10128	3195.43	31.55%	11342.7	3030.97	26.72%

Overall - Revenue + Capital (Both Heads)

Year	Budgeted Income / Receipts	Actual Income / Receipts	Percentage of Actual Over Budgeted	Budgeted Expenditure / Payments	Actual Expenditure / Payments	Percentage of Actual Over Budgeted
2006-07	8300.76	3072.06	37.01%	8295.91	2347.56	28.30%
2007-08	10079.31	4042.88	40.11%	10909.01	3549.14	32.53%
2008-09	15403.16	5580.43	36.23%	15402.06	4310.45	27.99%
2009-10	15291.16	6415.88	41.96%	15290.1	6524.83	42.67%

Municipal Corporation, Dewas  
Percentage - Wise Analysis of Budget, From 2006-07 to 2009-10

	2006-07		2007-08		2008-09		2009-10	
	(Budget)	(Actual)	(Budget)	(Actual)	(Budget)	(Actual)	(Budget)	(Actual)
<b>Revenue Income</b>								
Rates & Taxes Revenue	59.80%	27.24%	62.90%	32.36%	57.76%	30.23%	46.66%	15.86%
Specific Revenue & Compensation	21.62%	61.64%	22.93%	57.10%	22.40%	59.75%	24.40%	56.56%
Rent From Property Of DMC	5.98%	3.54%	6.16%	3.53%	8.10%	2.90%	6.29%	2.91%
Fees & Consumer Levy	5.83%	4.22%	5.24%	3.11%	5.22%	2.81%	4.44%	6.44%
Sales & Rent Levy	0.39%	0.54%	0.54%	0.26%	0.48%	0.58%	0.49%	0.22%
Revenue Subsidy	6.12%	2.66%	1.78%	2.30%	5.48%	3.00%	17.30%	16.86%
Income From Investments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest Earned	0.26%	0.17%	0.45%	1.33%	0.52%	0.71%	0.39%	1.09%
Other Income	0.00%	0.00%	0.00%	0.00%	0.05%	0.02%	0.04%	0.06%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Revenue Expenditure**

Establishment Expenditure	34.46%	42.34%	38.50%	49.09%	37.61%	47.33%	37.97%	40.42%
Administrative Expenditure	12.98%	18.70%	15.50%	23.76%	18.60%	16.34%	14.73%	22.12%
Operations Expenses	47.90%	38.95%	41.23%	27.13%	38.34%	36.33%	43.50%	34.61%
Interest & Finance Costs	4.55%	0.00%	4.65%	0.00%	3.41%	0.00%	2.28%	0.76%
Programm Expenditure	0.04%	0.00%	0.04%	0.00%	1.97%	0.00%	1.47%	2.08%
Revenue Subsidy & Concessions	0.08%	0.01%	0.08%	0.02%	0.08%	0.00%	0.05%	0.01%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Capital Receipts**

Contribution / Subsidy	49.90%	77.05%	60.13%	62.20%	82.22%	94.71%	78.78%	89.35%
Unsecured Loans	43.12%	0.00%	34.80%	0.00%	14.34%	0.12%	16.99%	0.00%
Receipts From Investment	6.16%	22.52%	4.47%	35.57%	2.61%	2.31%	3.21%	6.99%
Advances Receipts	0.82%	0.44%	0.60%	2.23%	0.83%	2.86%	1.02%	3.66%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Capital Expenditure**

Immovable Properties	14.58%	16.94%	10.46%	28.08%	12.16%	34.89%	14.76%	25.18%
Capital Work In Progress	78.87%	38.16%	85.10%	50.31%	80.53%	62.66%	76.68%	62.83%
Loan Advance / Investments	6.01%	40.23%	4.08%	20.78%	3.12%	2.45%	3.84%	7.61%
Interest To Hudco	0.53%	4.67%	0.36%	0.00%	1.18%	0.00%	1.32%	0.93%
Contingencies	0.00%	0.00%	0.00%	0.83%	3.02%	0.00%	3.40%	3.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

#### 4. Findings

The analysis of Budgeted Income, Actual Income and Expenses of Dewas Municipal Corporation shows followings:

Estimated income budgeted for year 2006-2007 was Rs 8300.76 Lacs but the actual income received only Rs 3072.06 Lacs which was 37.01 % of budgeted income. Similarly actual expenditure for 2006-2007 was remained 28.30 % of estimated expenditures. The same situation was found in further years i.e. in 2007-2008 it was 40 %, in 2008-09 36 % 2009-2010 it was 41 %, and actual expenditure was 32 % in 2007-2008, 28 % in 2008-2009 and in 2009-2010 it was 43% . It can be observed that for urban bodies there is a reduction in real income and actual expenses also declined.

The main source of income of the Dewas Municipal Corporation's budget was various taxes and rates, but in fact the said incomes from different years from 2006 to 2010 was remained 27%, 32%, 30% and 15% respectively. The DMC failed in collection of budgeted revenue.

As per annual budget of DMC actual expenditure of the corporation from 2006 to 2010 on Establishment and Administrative expense was 60%, 72%, 64% and 72% respectively and expenditure on operation and maintenance is much less than the budget estimate.

#### 5. Result Discussion

The state planning board needs to be strengthened in terms of a competent unit for district planning to complement and bolster the planning activities at the district level; it is not yet clear what would be the machinery for plan formulation at the district and lower territorial levels. The state government has not yet created the plan formulation machinery in consonance with local bodies. The instrumentalities of the municipal reform process include state-municipal political bargaining, infusion of economic liberalisation in the municipal sphere and judicial intervention. It would be imperative in the coming years forcing additional doses of municipal structural reforms through constitutional amendments and legislative reformulations. District government is a complete re-engineering of the administrative system and not just a marginal change; it is in fact an alternative and effective model of governance.

#### 6. Conclusion

The resources for local bodies are limited and not as per the budgeted targets whereas the pressure of expenditure on developmental work is increasing. It is a matter of great concern that Local Bodies are not able to collect their targeted revenue and due to this Local Body of Dewas City is unable to achieve its targeted objectives of economic growth and development. If local bodies are unable to fulfil the requirement of general public and cannot accelerate the development of city, as discussed above, the development of country cannot be achieved. The strength of a building depends on its foundations which should be strong enough.

Therefore, to strengthen local self-government institution appropriate measures should be taken.

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