

Municipal Corporation of Delhi
A Study of its Finances

(Prepared for the Ministry of Home Affairs)

Research Study Series
Number 51A

National Institute of Urban Affairs
New Delhi
November 1990

PREFACE

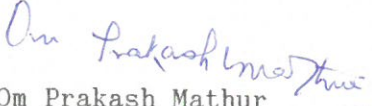
The Municipal Corporation of Delhi (MCD) has been experiencing, for quite some time, major problems in financing the provision and maintenance of services in the Union Territory of Delhi. Off and on, it has sought from the Central Government (Ministry of Home Affairs) ways and means advances for meeting its financial obligations. While such advances have helped the Municipal Corporation of Delhi to overcome their immediate financial problems, these are in no way substitutes for more stable and long-term responses to their financial woes. With this in background, the Ministry of Home Affairs suggested that a study should be carried out of the finances of the Municipal Corporation of Delhi in order to clearly identify the problems it has been facing in financing the provision and maintenance of services. This study was entrusted to the National Institute of Urban Affairs.

This study is about the finances of the Municipal Corporation of Delhi. An attempt has been made here to examine the pattern of revenue and expenditure of the MCD over a period of time, and assess the impact of the various measures that have been taken by the MCD to prop up their revenues and regulate their expenditures. This study has shown that a major part of the problem owes itself to factors that are external to the Municipal Corporation of Delhi. Among these factors the more important ones are the unabated growth of population in the Union

Territory of Delhi, proliferation of slums and sub-standard settlements and the pressures that these settlements have placed on the provision of services, and the rising establishment costs. This study has proposed areas where intervention could be made to improve the financial position of the MCD.

This study has been prepared jointly by two of my senior colleagues, Gangadhar Jha, Research Professor and Mukesh Mathur, Senior Research Officer in the Institute. They have been assisted by a team of Research Analysts. I would like to place on record my appreciation for the analytical skills which they have displayed in analysing the MCD's financial data. I would like to thank Shri G.C. Sharma, Budget & Finance Officer, MCD; Shri V.C. Chaturvedi, Chief Accountant, MCD, and Shri J.S. Mehrotra, Financial Advisor, Finance Department, NDMC, for making available to us the accounts of Municipal Corporation of Delhi and for providing valuable insights into the functioning of the MCD. I would also like to thank the Ministry of Home Affairs for entrusting this study to us.

November 1990


Om Prakash Mathur
Director

CONTENTS

Preface	i
I. Financial Trends	1
II. Resource Structure	25
III. Fiscal Stress	45
IV. Policy Implications	57
Annexures :	
A. Taxation Powers of the MCD and the NDMC	A : I
B. Functions of the MCD and the NDMC	B : I

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I FINANCIAL TRENDS

The Municipal Corporation of Delhi (MCD) is vested with the responsibility of maintaining the municipal services in the entire Union Territory of Delhi except two small pockets under the New Delhi Municipal Committee (NDMC) and the Delhi Cantonment Board. Perhaps it is because of its concern with servicing the national capital that its finances have continued to be extensively studied.¹ The present study is yet another addition to the various studies of the MCD's finances. It has been conducted at the instance of the Union Ministry of Home Affairs with a view to identify the resource constraints presently being experienced by the MCD as it has frequently been approaching the Ministry for Ways and Means advances.

Before an in depth study is made into the state of MCD's finances, it would be apt to mention the views expressed generally on the MCD finances. First is the official view of the Ministry of Home Affairs which, as mentioned earlier, seems to be pretty concerned about the fiscal health of the MCD. According to this view, the finances of the MCD is in disarray perhaps due to fiscal mis-management. This notwithstanding, another

1 See, for instance, India (Ministry of Home Affairs), Report of the Commission of Enquiry into the Finances of the Municipal Corporation of Delhi and New Delhi Municipal Committee, 1971; India (Ministry of Home Affairs), Report of the Committee on the Financial Position of Delhi Municipal Corporation and New Delhi Municipal Committee, 1977; Jai Bhagwan, Municipal Finance in the Metropolitan Cities of India, A Case Study of Delhi Municipal Corporation, Concept Publishing Company, New Delhi, 1983; Gangadhar Jha, Local Finance in Metropolitan Cities, A Study of Delhi, Mittal Publications, Delhi, 1988.

viewpoint about Delhi is that by virtue of being the seat of the Indian Republic, Delhi enjoys enough political clout which has led to a relatively higher level of services being provided in Delhi as compared to other cities and towns. According to this view, Delhi is in a much enviable position as it is a "pampered" city. This finds its expression in yet another viewpoint which suggests that the services are highly subsidised in Delhi so that the Delhiites have to pay a very small proportion of the unit cost of providing the local services. This is corroborated by a recent study which concludes that the local services in Delhi are subsidised to the extent of 70%.

It must be noted in this regard that the latter two viewpoints do not apply to the financing of services by the General Wing of the Municipal Corporation of Delhi which is concerned with maintenance of services with respect to Education, Public Health, Medical Relief, Conservancy and Street Cleaning, Scavenging, Drains and Sewers, Roads and Public Lighting, Fire Brigade, Gardens and Open Spaces and so on. It is not at all concerned with water supply, electricity, transport, milk supply which in fact are the subsidised services being provided at a relatively higher level. Although water and electricity are being provided by the two commercial undertakings of the MCD, they enjoy fairly large degree of autonomy with separate funding and budget.

2 Sipra Mitra, "Subsidised Urban Services : The Metropolitan Experience", Indian Journal of Regional Science, Vol.XIX, No.2, 1987, pp.25-39.

The fact, however, remains that the MCD has been experiencing fiscal stress with the result that it has to look for Ways and Means advances from the central government quite frequently. The present study therefore looks into the finances of the MCD for comprehending the nature of fiscal stress being experienced by the MCD. Is the MCD really in a state of financial crisis? If so, what is it that has caused this crisis? Can it be overcome by a better fiscal management? What are the options in this regard? These are some of the questions which need to be answered for avoiding the situation of a crisis.

In order to find answer to these questions, data have been culled from the Budgets of the MCD and the NDMC, Valuation and Assessment Department of the MCD, and the Delhi Municipal Corporation Act 1957. These have been supplemented by personal discussions with the officials in the MCD, NDMC and the DDA. The various dimensions of the MCD's finances and its fiscal stress need to be analysed on the basis of trends in revenue expenditure, revenue receipts and its composition and structure, the extent to which various fiscal instruments are being exploited by the MCD for mobilisation of revenue and also in terms of specific situations in Delhi which put a special demand on the MCD's finances and contributes to its fiscal stress.

TRENDS IN EXPENDITURE

The revenue expenditure of the MCD has increased about seven-fold between 1970-71 and 1987-88 (hereafter called as the reference period) at current prices (Table 1.1). Although the growth at this rate seems to be high, a closer look at the trends

in revenue expenditure reveals that this is still on the lower side as the annual rate of growth is not found growing evenly. This when adjusted for price and population changes, indicates that the expenditure of the MCD has not made much headway in real terms. At constant prices which is a better index of trends in real terms, the growth during the period under reference is found to be only by about 100 per cent (Table 1.2). This suggests that much of the increase in revenue has been neutralised by the rise in prices. Even at this rate of growth, the annual growth rate is found to be negative in several years (1971-72, 1973-74, 1974-75, 1975-76, 1979-80 and 1983-84) as is evident from Table 1(a). In terms of population to be served with civic services, the expenditure in real terms has thus apparently lagged behind. A look at Table 1.4 reveals that during the reference period, the per capita expenditure in real terms varied a great deal with the result that it does not present any definite trend. It was the highest at about Rs 75 in 1970-71. Thereafter it varied between Rs 71 to Rs 51 per annum.

The trends in MCD's expenditure thus suggest that the expenditure has not increased in relation to inflation and population increase (Table 1.1 a). Had the expenditure increased in proper relation to these two variables, the fiscal stress of the MCD would have been much more serious than what they are now.

Factors Determining Growth in Expenditure

Even at current prices, the seemingly high rate of growth in revenue expenditure during the period under reference has been posing financial problems for the MCD. It is mainly due to the

seven-fold increase in its expenditure on Establishment (Table 1.3). It increased from Rs 7424.72 lakhs in 1983-84 to Rs 15205.88 lakhs in 1987-88 indicating an increase of more than 100% in just five years! This led to an increase in its total revenue expenditure almost at the same rate during the same period even though the proportion of expenditure on Establishment to the total revenue expenditure has continued to be static at around 70% during this period. The Establishment costs have thus grown at an alarming rate.

This quantum jump in the Establishment expenditure from Rs 10127.57 lakhs in 1985-86 to Rs 15205.88 lakhs in 1987-88 is attributable to the acceptance by the MCD of the Fourth Pay Commission Report for its office employees, Chattopadhyay Committee Report for its teachers and also due to pay increases for the doctors and those on the muster rolls.

The increase in expenditure is also explained by a very high rate of growth in expenditure on road (712%), conservancy and street cleaning (530%), scavenging (315%) and medical relief (483%) between 1975-76 and 1987-88 (Table 1.5 and 1.5a). It is worth mentioning that education, health and roads are financed out of plan grant. However, after the plan period is over, the revenue expenditure part of these sectoral expenditures become the committed expenditure of the MCD which puts additional demand on its resources. To give only one illustration, at the end of the Sixth Five Year Plan, the committed revenue expenditure of

the MCD on Plan schemes was of the order of Rs 800 lakhs per
3
year.

Yet another variable putting an excess demand on the MCD's finances is a very high rate of growth of population within the jurisdiction of the MCD. It is estimated that, on an average, the urban population in Delhi increases by about 2 lakhs per annum which has to be provided with municipal services. The growth in population due to migration and natural increase at this rate has led to sub-urbanisation of a worse type which has been accompanied by the proliferation of slums, unauthorised colonies and squatter settlements. The MCD is called upon to provide services in these settlements without any return of revenue from them.

TRENDS IN REVENUE

We have seen that there is tremendous pressure on the MCD finances which has led to seven fold increase in its revenue expenditure at current prices. Has this trend been matched by a similar trend in revenue receipts? The answer is no., and this is revealed in Table 1.1 (Col.2). Between 1970-71 and 1987-88 the revenue income of the MCD at current prices increased about six fold which is less than the increase in expenditure. In a year, between 1983-84 and 1984-85 the revenue is seen to have a quantum jump by about Rs 3892.76 lakh. This is explained by a Ways and Means advance taken by the MCD to meet a very tight resource situation of the MCD due to granting of bonus and additional D.A. to its staff resulting in a Ways and Means loan of Rs 1500 lakhs.

3. MCD, Budget Estimate 1985-86, Commissioner's Note, p.IX.

The trends in revenue income at constant price and in per capita terms, do not seem to be adequate. Though the revenue at constant price increased by about 100% during the period under reference, the growth rate per annum was negative in several years (1971-72, 1973-74, 1974-76, 1983-84 and 1985-86) as is evident from Table 1.1 (a). The per capita revenue at constant price again is found to be declining ever since 1970-71 without any definite trend in it. This is largely due to the fact that in certain years, the share of MCD in Assigned Taxes and Grants is not released in time. When it is released, the revenue receipts of the MCD increases suddenly leading to this spurt in the growth rate.

INCOME-EXPENDITURE RELATIONSHIP

Having analysed the over-all trends in the expenditure and revenue income, let us look into the relationship between the two during the period under reference. A look at Table 1.1 (Col. 4 & 5) reveals that MCD's income was less than the expenditure incurred in the years 1971-72, 1974-75, 1976-77 to 1978-79, 1983-84, 1985-86 and 1987-88. This indicates an unsatisfactory budgetary situation. It is worth mentioning that the statutory provision in the MCD Act requires it to have a surplus of at least Rs 1 lakh at the close of the financial year. The deficits as shown in Table 1.1 is covered by the MCD in three ways.

First the deficit is met by using savings on the revenue account of the preceding year. This is shown in the following Table :

Table
Opening Balance in the Revenue Account Budget and the Closing Balance
(Rupees in lakhs)

Year	Opening Balance	Current Receipts	Total	Expenditure	Surplus(+) Deficit(-)	% to Revenue
1983-84	519.44	9969.46	10488.90	10473.15	15.75	0.16
1984-85	15.75	13862.22	13877.97	13304.51	573.46	4.13
1985-86	573.46	14113.71	14687.17	14671.23	15.94	0.11
1986-87	15.94	18950.57	18966.51	18939.88	26.63	0.14
1987-88	26.63	21480.63	21507.26	21488.76	18.50	0.09

It should be obvious from this Table that the deficit in the years 1983-84, 1985-86 and 1987-88 (Table 1.1) is met out of opening balance.

Second, the tight budgetary constraint is met by taking recourse to the Ways and Means advances from the central government. This works as a financial cushion for the MCD. The extent of deficit on revenue account is presented in Table 1.6 which indicates that the Ways and Means advances wiped out the deficits in 1975-76 and 1984-85. However, despite this, the MCD could not match the revenues with expenditure in the years 1977-79. The Table also suggests that the MCD has taken recourse to Ways and Means advances quite frequently. The demand on its resources due to the factors enumerated above seems to be so severe that the MCD has again put up a request to the central

government for Ways and Means advance of Rs 28 crores for which it has already made a provision in the Revised Estimates for 1988-89.

Third, the MCD meets the financial exigency created by a mismatch between revenue income and recurrent expenditure by postponing the payment of contractors' and suppliers' bills and by withholding the repayment of loan. As on April 1, 1988 its accumulated liability on account of these was to the extent of Rs 11889.95 lakhs. Of this, Rs 11475.45 lakhs was due to non-repayment of loan and Rs 414.50 lakhs due to non-payment of bills. The MCD is rather compelled to do this because, on the revenue side, its liquid assets are mounting due to non-recovery of dues from the NDMC, DDA and other receipts like proceeds from Electricity Tax, deficiency charges and Property Tax arrears. A look at Table 1.7 reveals that this has accumulated to the extent of Rs 11905.61 lakhs which is more than its accumulated liabilities. This is dealt with in greater detail subsequently.

Thus even though the MCD has been trying to match the revenue and expenditure sides of its recurrent (non-plan) budget, it is not in a position to do this owing to a difficult ways and means situation. With a view to comprehend the status of its finances the monthly cash flow analysis is presented in Table 1.8. It reveals that except for two months in 1987-88 (July and November), the cash flowing out has been larger than the cash flowing into the MCD coffers. This may be compared with the

monthly pay bill of about Rs 15 crores⁴ which the MCD has to pay towards wages and salaries to its employees!

Borrowings

With a view to meet its expenditure commitments the MCD raises funds through financial assistance from the government as loans and advances. These are of two types:

- a) Ways and Means Advance; and
- b) Loans

Whereas the Ways and Means advances are taken to tide over the financial problems encountered on the revenue account, loans are taken primarily for meeting the investment requirements on the capital account. However, both the varieties of borrowings have to be repaid out of the revenue budget.

a. Ways and Means Advances

As mentioned earlier, in order to meet the financial problems created by the rising cost of maintenance of civic services and establishment, the MCD has to take recourse to the Ways and Means advances. This happens to be a soft loan given for a short period of 3 to 15 years at a lower rate of interest varying from 4 3/4% to 9 3/4% per annum. The advances taken by the MCD during 1972-85 is given in Table 1.9. As may be seen from it, the MCD took a total amount of Rs 2570 lakhs as Ways and Means advance. Except an amount of Rs 80 lakhs yet remaining out of the advance of Rs 120 lakhs taken in 1972-73, the MCD has paid

4. Based on discussions with the MCD officials.

back all the advances taken up to the year 1982-83. Till 1988 April, it was left with a balance of Rs 1279.99 lakhs. It is thus heartening to note that it has repaid more than 50% of its liability arising out of Ways and Means advance.

b. Loans

Borrowing for meeting the capital investment requirements in projects such as improvement of unauthorised regularised colonies, housing schemes, land and infrastructure development, commercial schemes etc. has been posing further problems for the MCD as the repayment of loan tells upon the revenue budget which has always been in an uncomfortable position. It could be seen from Table 1.10 that as on April 1988, the MCD had taken as many as 161 loans amounting to Rs 10837.99 lakhs. Out of these 161 loans, 33 pertain to the period 1958-59 to 1968-69, 15 to the period 1969-70 to 1977-78, 85 to the period 1979-80 to 1985-86, 16 loans were taken during 1986-87 and another 12 in 1987-88. As on April 1988, the liability of the MCD for repayment of loan other than the Ways and Means advances amounted to Rs 10195.46 lakhs which is a substantial amount. This when related to its revenue receipts, comes to about 50% of the current income of the MCD. The Ways and Means advances taken together, the loan liability increases to Rs 11475.45 (Table 1.10). This presents a very grim financial situation of the MCD.

Having analysed the expenditure, revenue income, the relationship between the two and the consequent grim budgetary situation of the MCD, let us now turn to an analysis of composition of MCD's revenue receipts which would throw light on the fiscal capabilities of the MCD.

Table 1.1

Revenue Receipts and Expenditure
at Current Prices : MCD*

(Rupees in lakhs)

Year	Revenue Receipts (R)	Revenue Expenditure (E)	R/E Differentiate(+)/(-)	
			Amount	% to Receipts
1970-71	2711.36	2656.19	55.17	2.03
1971-72	2677.96	2702.30	-24.34	-0.91
1972-73	3280.14	3103.15	176.99	5.40
1973-74	3340.42	3301.24	39.18	1.17
1974-75	3405.17	3411.00	-5.83	-0.17
1975-76	4250.36	4081.56	168.80	3.97
1976-77	4338.59	4568.66	-230.07	-5.30
1977-78	4921.24	4992.52	-71.28	-1.45
1978-79	5604.53	6377.49	-772.96	-13.79
1979-80	6356.50	6129.15	227.35	3.58
1980-81	7462.28	7197.25	265.03	3.55
1981-82	8545.69	8136.47	409.22	4.79
1982-83	9961.70	9747.91	213.79	2.15
1983-84	9969.46	10473.15	-503.69	-5.05
1984-85	13862.22	13304.51	557.71	4.02
1985-86	14113.71	14671.23	-557.52	-3.95
1986-87	18950.57	18939.88	10.69	0.06
1987-88	21480.63	21488.76	-8.13	-0.04

* Municipal Corporation of Delhi.

Table 1.1 (a)

Trends in the Revenue Receipts*, Expenditure*
and Population (projected) : MCD

Year	Index numbers (1970-71=100)		
	Receipts	Expenditures	Population
1970-71	100.00	100.00	100.00
1971-72	94.82	97.67	104.61
1972-73	110.09	106.31	109.52
1973-74	96.10	96.94	114.66
1974-75	80.38	82.19	120.03
1975-76	98.76	96.81	125.66
1976-77	100.81	108.36	131.56
1977-78	107.09	110.90	137.73
1978-79	117.82	136.86	144.19
1979-80	124.25	122.30	150.95
1980-81	129.35	127.35	158.04
1981-82	132.38	128.65	165.45
1982-83	143.29	143.13	173.22
1983-84	128.69	138.00	181.34
1984-85	168.72	165.29	189.85
1985-86	161.37	171.23	198.75
1986-87	195.70	199.65	208.08
1987-88	205.98	210.34	217.84

* Constant Prices (Base 1970-71)

Table : 1.2

Revenue Receipts and Expenditure at
Constant Prices* : MCD

(Rupees in lakhs)

Year	Revenue Receipts (R)	Revenue Expenditure (R)	R/E Differentiate(+)/(-)	
			Amount	% to Receipts
1	2	3	4	5
1970-71	2711.36	2656.19	55.17	2.03
1971-72	2570.84	2594.21	-23.37	-0.91
1972-73	2984.93	2823.87	161.06	5.40
1973-74	2605.53	2574.97	30.56	1.17
1974-75	2179.31	2183.04	- 3.73	-0.17
1975-76	2677.73	2571.38	106.35	3.97
1976-77	2733.31	2878.26	-144.95	-5.30
1977-78	2903.53	2945.59	-42.06	-1.45
1978-79	3194.58	3635.17	-440.59	-13.79
1979-80	3368.95	3248.45	120.50	3.58
1980-81	3507.27	3382.71	124.56	3.55
1981-82	3589.19	3417.32	171.87	4.79
1982-83	3885.06	3801.68	83.38	2.15
1983-84	3489.31	3665.60	-176.29	-5.05
1984-85	4574.53	4390.49	184.04	4.02
1985-86	4375.25	4548.08	-172.83	-3.95
1986-87	5306.16	5303.17	2.99	0.06
1987-88	5584.96	5587.08	-2.12	-0.04

* Base 1970-71

Table 1.3

Expenditure on Establishment and Staff : MCD

(Rupees in lakhs)

Components	1983-84	1984-85	1985-86	1986-87	1987-88
Administration & Supervisory Establishment	277.17	323.58	391.14	413.07	504.11
Secretary's Office & Revenue Collection Establishment	324.28	394.27	444.61	493.55	731.47
Service Establishment	6823.27	7680.46	9291.82	10350.44	13970.30
Total Expenditure on Establishment	7424.72	8398.31	10127.57	11257.06	15205.88
Total Revenue Expenditure	10473.15	13304.51	14671.23	18939.88	21488.76
% Revenue Expenditure on Establishment	70.89	63.12	69.03	59.44	70.76

Table 1.4

Per Capita Revenue Receipts and Expenditure
at Current and Constant Prices* : MCD

(Rs)

Year	Receipts		Expenditure	
	Current	Constant	Current	Constant
1970-71	76.53	76.53	74.97	74.97
1971-72	72.24	69.35	72.90	69.98
1972-73	84.54	76.93	79.98	72.78
1973-74	82.24	64.14	81.27	63.39
1974-75	80.07	51.24	80.20	51.33
1975-76	95.45	60.13	91.66	57.74
1976-77	93.08	58.64	98.02	61.75
1977-78	100.85	59.50	102.31	60.98
1978-79	109.70	62.53	124.83	71.15
1979-80	118.84	62.98	114.58	60.73
1980-81	133.26	62.63	128.52	60.41
1981-82	145.78	61.23	138.80	58.30
1982-83	162.32	63.31	158.84	61.95
1983-84	155.17	54.31	163.01	57.05
1984-85	206.10	68.01	197.81	65.28
1985-86	200.42	62.13	208.34	64.59
1986-87	257.06	71.98	256.92	71.94
1987-88	278.32	72.36	278.42	72.39

* Base 1970-71

Table 1.5

Pattern of Revenue Expenditure At Current Prices : MCD

(Rupees in lakhs)

Sl.No.	Components	1975-76	1980-81	1984-85	1985-86	1986-87	1987-88
	General Administration & Collection of Revenue	165.40 (4.05)	291.97 (4.06)	504.08 (3.79)	545.66 (3.72)	801.88 (4.23)	972.47 (4.53)
	Social Welfare & Development Services						
	Education	1252.83 (30.69)	2038.56 (28.32)	3504.01 (26.34)	4319.14 (29.44)	4654.44 (24.57)	6258.79 (29.13)
	Public Health	197.75 (4.84)	176.38 (2.45)	299.21 (2.25)	310.01 (2.11)	353.86 (1.87)	446.03 (2.08)
	Conservancy & Street Cleaning	585.12 (14.34)	1047.87 (14.56)	2201.19 (16.54)	2378.61 (16.21)	2931.29 (15.48)	3689.79 (17.17)
	Scavenging	80.54 (1.97)	164.78 (2.29)	261.31 (1.96)	256.16 (1.75)	1129.62 (5.96)	254.46 (1.18)
	Medical Relief	507.35 (12.43)	887.66 (12.33)	1485.49 (11.17)	1655.57 (11.28)	1935.67 (10.22)	2452.28 (11.41)
	Recreational Activities						
	Gardens	140.58 (3.44)	220.72 (3.07)	554.51 (4.17)	592.19 (4.04)	625.85 (3.30)	778.43 (3.62)
	Libraries	4.27 (0.10)	5.58 (0.08)	9.20 (0.07)	14.42 (0.10)	13.40 (0.07)	19.46 (0.09)
	Water Supply	258.60 (6.34)	272.00 (3.78)	-	-	-	-
	Public works and safety						
	Road	322.32 (7.90)	853.10 (11.85)	1656.97 (12.45)	2050.78 (13.98)	2753.72 (14.54)	2619.51 (12.19)
	Fire Fighting	84.14 (2.06)	156.45 (2.17)	307.98 (2.31)	277.25 (1.89)	308.58 (1.63)	263.07 (1.22)
	Land Development Works	138.57 (3.40)	223.77 (3.11)	460.01 (3.46)	361.01 (2.46)	402.46 (2.12)	537.71 (2.50)
	Miscellaneous	344.09 (8.43)	858.41 (11.93)	2060.55 (15.49)	1910.43 (13.02)	3029.11 (15.99)	3196.76 (14.88)
	Total Revenue Expenditure	4081.56 (100.00)	7197.25 (100.00)	13304.51 (100.00)	14671.23 (100.00)	18939.88 (100.00)	21488.76 (100.00)

Table 1.5 (a)

Growth of Expenditure on Different Heads
at Current Prices : MCD
(Base 1975-76)

Components	(In Percent)			
	1980-81	1985-86	1986-87	1987-88
General Administration & Collection of Revenue	76.52	229.90	389.81	487.95
Social Welfare and Development Services				
Education	62.72	244.75	271.51	399.57
Public Health	-10.81	56.77	78.94	125.55
Conservancy & Street Cleaning	79.09	306.52	400.97	530.06
Scavenging	104.59	218.05	1302.55	215.94
Medical Relief	74.96	226.32	281.53	383.35
Recreational Activities				
Gardens	57.01	321.25	345.18	453.73
Libraries	30.68	237.70	213.58	355.74
Water Supply	5.18	-	-	-
Public Works & Safety				
Roads	164.67	536.26	754.34	712.70
Fire Fighting	85.94	229.51	266.73	212.66
Land Development Works	61.49	160.53	190.43	288.04
Miscellaneous	149.47	455.21	780.32	829.05
Total Revenue Expenditure	76.34	259.45	364.03	426.48

Table 1.6

Income/Expenditure Differentials With and Without
Ways and Means Assistance/Loans : MCD

(Rupees in lakhs)

Year	Total Revenue Receipts		Expenditure	Differentials		Difference as % to	
	With Ways and Means	Without Ways and Means		With Ways and Means	Without Ways and Means	Revenue Income	Revenue Expenditure (Without Ways and Means)
1972-73	3280.14	3160.14	3103.15	176.99	56.99	1.80	1.84
1975-76	4250.36	3950.36	4081.56	168.80	-131.20	-3.32	-3.21
1977-78	4921.24	4671.24	4992.52	-71.28	-321.28	-6.88	-6.44
1978-79	5604.53	5404.53	6377.49	-772.96	-972.96	-18.00	-15.26
1982-83	9961.70	9761.70	9747.91	213.79	13.79	0.14	0.14
1984-85	13862.22	12362.22	13304.51	557.71	-942.29	-7.62	-7.08

Table 1.7

Liquid Assets and Liabilities
as on 1.4.1988 : MCD

(Rupees in lakhs)

To be recovered from	Assets		Liabilities	
	Amount	% to total	To be paid on account of	Amount % to total
NDMC	2072.57	17.4	Loans (unpaid balance)	11475.45 96.5
DDA	3147.24	26.4	Others (payments to contractors, suppliers etc.)	414.50 3.5
Others (Electricity tax from bulk consumers, arrears of Property Taxes, Terminal Tax collection re-imbursment etc.)	6685.80	56.2		
Total	11905.61	100.0	Total	11889.95 100.0
% to Revenue Income, 1987-88	55.42			55.35
Assets Excess Over Liabilities (+)	15.66			

Table 1.8

Monthly Cash Flow Analysis 1987-88 : MCD

(Rupees in lakhs)

Months	Revenue Receipts	Revenue Expenditure	Cumulative Revenue	
			Receipts	Expenditure
April, 1987	544.43	1329.01	544.43	1329.01
May, 1987	218.93	1428.11	763.36	2757.12
June, 1987	1649.72	1508.27	2413.08	4265.39
July, 1987	1975.77	1741.70	4388.85	6007.09
August, 1987	1299.01	2016.57	5687.86	8023.66
September, 1987	1512.23	1886.78	7200.09	9910.44
October, 1987	1851.38	2156.23	9051.47	12066.67
November, 1987	1833.37	1713.72	10884.84	13780.39
December, 1987	1358.81	1685.91	12243.65	15466.30
January, 1988	948.98	1503.34	13192.63	16969.64
February, 1988	889.77	1562.17	14082.40	18531.81
March, 1988	7398.23	2956.95	21480.63	21488.76
Total (1987-88)	21507.26	21488.76	-	-

Table 1.9

Ways and Means Accounts : MCD

(Rupees in lakhs)

Year	Amount taken	% to Revenue Income of the Ref. year	Period of loan (years)	Rate of Interest (per annum)	Amount paid upto 31.3.88	Balance as on 1.4.88	% Revenue Income, 1987-88
1972-73	120.00	3.66	3	4.3/4	40.00	80.00	0.37
1975-76	300.00	7.06	N.A.	N.A.	Full	-	-
1977-78	250.00	5.08	N.A.	N.A.	Full	-	-
1978-79	200.00	3.57	N.A.	N.A.	Full	-	-
1982-83	200.00	2.01	5	8.1/4	Full	-	-
1984-85	1500.00	10.82	15	9.3/4	300.01	1199.99	5.59
Total	2570.00	-	-	-	-	1279.99	5.96

N.A. - Not available.

Table 1.10

Outstanding Loans as on 1.4.1988 : MCD

(Rupees in lakhs)

Purpose	Total Amount of Loans taken	Balance (unpaid) as on 1.4.1988	% to Revenue Income, 1987-88
To meet Revenue Expenditure (Ways and Means)	1620.00	1279.99	5.96
Plan works/ projects	10837.99	10195.46	47.46
Total	12457.99	11475.45	53.42

II RESOURCE STRUCTURE

The Municipal Corporation of Delhi (MCD) derives its income (non-plan) mainly from two sources, namely (i) internal sources and (ii) external sources. Whereas internal sources consist of Taxes and Non-Tax income, the Assigned Taxes and Grants-in-Aid form part of the external sources. Besides these sources, the MCD is also taking loans/assistance from government in the form of 'Ways and Means' to meet the rising expenditure on maintenance of civic services and establishment costs such as Additional Dearness Allowances, Revised Pay-scales, Bonus and so on. The following chart shows the distribution of MCD's general wing revenues (non-plan) by major components and sub-components :

Components	Sub-components
INTERNAL SOURCES	
Tax Revenues	Property Taxes such as general tax, fire tax and education cess; Duty on transfer of property; Tax on consumption, sale or supply of electricity; Advertisement Tax; Milch Tax; Dog Tax; Theatre Tax and tax on building applications.
Non-Tax Revenues	Fees; Fines; Rents and Prices; Betterment/Development/Deficiency charges and so on.
Miscellaneous Receipts	Any other source of income excluding above.
EXTERNAL SOURCES	
Assigned Revenues	Terminal tax; Motor vehicle tax; Entertainment tax.
Grants-in-Aid	Education; Malaria Eradication; Other miscellaneous purposes such as reimbursement of pension and gratuity of transferred employees, civic function, etc.
Ways and Means	To meet the rising expenditure on maintenance of civic services and establishment costs of staff, etc.

The revenue income of the MCD from internal and external sources is given in the following Table. It shows that the internal sources of corporation finances which comprise Tax and Non-Tax revenues, account for more than 50 percent of the total revenues of the Corporation and the dependence on higher layers of government (external sources) has been declining over the years. This has declined from roughly 50 percent in 1983-84 to even less than 35 percent in 1987-88. In 1984-85, however, the share of external sources in the overall revenues of the Corporation was more than 53 per cent. The reason was that during 1984-85, MCD had taken Rs 15 crores from the central government as a 'Ways and Means' assistance to support the growing expenditure on staff salaries and on other civic responsibilities.

Table

Revenue Income of the MCD from Internal and External Sources at Current Prices

Year	Total Income	Internal Sources		External Sources	
		% Income	Growth Index	% to Income	Growth Index
1983-84	9969.46	50.09	100.00	49.90	100.00
1984-85	13862.22	46.62	127.38	53.38	148.75
1985-86	14113.71	61.10	172.66	38.90	110.35
1986-87	18950.57	66.71	253.10	33.29	126.82
1987-88	21480.63	65.44	287.42	34.56	149.25

Another notable feature of the MCD finances is that the growth of income from internal sources is significantly higher than the growth of income from external sources. Whereas the

internal sources of MCD revenues have recorded an increase of approximately 187 per cent during a span of just five years, in the case of external dependence this rate was even lower than 50 per cent during the same period.

From the viewpoint of financial and operational autonomy, this can be seen as a positive trend in MCD finances. Conceptually, larger dependence on external sources of funding makes the local bodies vulnerable to external controls generally applied by the funding agencies.

Although MCD derives a significant proportion of its revenue income from internal sources, the proportion does not compare favourably with the NDMC which happens to be a much smaller municipal body compared to the MCD. The following Table gives the picture :

Table
Revenue Income of the MCD/NDMC from Internal and
External Sources, 1987-88.

(Rupees in lakhs)

Municipal Body	Total Income	Internal Sources (% to total)	External Sources (% to total)
MCD	21480.63	65.44	35.56
NDMC	9352.84	93.90	6.10

The Table shows that the dependence of NDMC on external sources of revenues is much less than that of the MCD. In 1987-88, NDMC raised more than 93 percent of its revenue income from

5
internal sources , mainly in the non-tax sector and a very nominal proportion from external sources (6.10 - 4.16 per cent from assigned taxes and a mere 1.93 per cent from grants). As against this more than 35 percent of MCD's total revenue income has been derived from external sources by way of Grants-in-Aid and share of Assigned Taxes. NDMC is thus in a much better position as compared to MCD as far as its financial autonomy is concerned.

INTERNAL SOURCES

As mentioned earlier, the internal sources consist of taxes, non-taxes and other sundry municipal revenues. The analysis of MCD revenues indicates that MCD derives a major share of its income from internal sources which is a welcome trend. It would be significant to examine the components of domestic municipal incomes to find out their elasticity under various heads.

The Table given below shows that the revenues from tax sources continued to maintain their dominant position in the internal as well as overall revenue structure of the MCD with contributions from non-tax sources such as fees & fines, rents and prices, and so on being comparatively insignificant. The proportionate share of tax revenues in the total internal revenues of MCD, however, shows a declining trend except in

5. This includes the incomes from sale of water and electricity which account for approximately 64 per cent of the total income of NDMC internal sources.

Table
Composition of Revenue Income from Internal Sources
at Current Prices : MCD
(Rupees in lakhs)

Components	Receipts					Per cent varia tion from 1983-84 to 1987-88
	1983-84	1984-85	1985-86	1986-87	1987-88	
Taxes	4043.23 (80.95)	5138.85 (79.52)	6285.78 (72.89)	10827.47 (85.65)	10026.10 (71.33)	147.97
Non-Taxes	563.41 (11.28)	888.97 (13.76)	1374.44 (15.94)	1179.08 (9.33)	1388.00 (9.87)	146.36
Miscell- aneous	388.03 (7.77)	434.20 (6.72)	963.69 (11.17)	635.11 (5.02)	2641.84 (18.80)	580.83
Total	4994.67 (100.00)	6462.02 (100.00)	8623.91 (100.00)	12641.66 (100.00)	14055.94 (100.00)	187.42

the year 1986-87. The share of tax revenue has declined from roughly 81 per cent in 1983-84 to even less than 72 per cent in 1987-88. The contribution from this source of domestic income is found to have suddenly gone up from 81 per cent in 1983-84 to almost 86 per cent in 1986-87 owing to the fact that during 1986-87, MCD had introduced various incentives for fast recovery of Property Tax arrears and also of current demand. As a result, the receipts on account of 'Property Taxes' which was only Rs 3248.19 lakhs in 1983-84 jumped to more than Rs 8757 lakhs in 1986-87 which marks an increase of more than 169 percent within a period of just three years.

Although the tax income has declined in proportion during the study period, in terms of absolute figures, it has gone up by 148 per cent, from Rs 4043.23 lakhs in 1983-84 to approximately

Rs 10026 lakhs in 1987-88. Moreover, the increase seems to be quite substantial after 1984-85. The main reason for this is the fact that in 1985-86, the MCD had introduced a new schedule of tax rates especially for 'Property Taxes'. For instance, the Water Tax which was 5 per cent of the Annual Rateable Value (ARV) of the properties prior to 1985-86, increased to 10 per cent after that year.

At constant prices, (adjusted at 1983-84 Prices), the incomes of MCD from Taxes as well as from Non-Tax sources constituted an extremely significant increase during the reference period reflecting a growing awareness of the Corporation towards enlargement of its revenue base from domestic sources. It may be noted that external sources of revenue for MCD, especially Grants-in-Aid, have recorded an almost negligible variation at constant prices during the period, 1983-84 to 1987-88. (Table 2.2)

Table

Composition of Revenue Income from Internal Sources at
Constant Prices (adjusted to 1983-84 level) : MCD

(Rupees in lakhs)

Components	Receipts		Per cent variation from 1983-84 to 1987-88
	1983-84	1987-88	
Taxes	4043.23	7419.31	89.63
Non-Taxes	563.41	1027.12	82.30
Miscellaneous	388.03	1954.97	403.82
Total	4994.67	10401.40	108.25

Although MCD has improved its revenue base from domestic sources over the years to a great extent, it is heavily dependent on traditional sources of revenue such as Property Taxes and so on, which have a limited scope for additional resource mobilisation. In the case of NDMC, the situation is quite different. The following Table gives the picture.

Table
Revenue Income of the MCD and NDMC
from Domestic Sources
(% share)

Sources	1984-85		1987-88	
	NDMC	MCD	NDMC	MCD
Taxes	7.23	79.52	4.64	71.33
Non-Taxes	85.69	13.76	89.76	9.87
Miscellaneous	7.08	6.72	5.60	18.80
Total	100.00 (4409.21)*	100.00 (6462.02)*	100.00 (8782.52)*	100.00 (14055.94)*

* Total Revenue Receipts (Rupees in lakhs)

It can be seen from the above Table that the NDMC's dependence on taxes has declined from about 7.2 per cent in 1984-85 to a mere 4.6 per cent in 1987-88 even though the total revenue income has increased by more than twice during this period. Whereas in MCD the proportionate income from non-conventional sources such as rents and prices, fees and fines and so on has declined from roughly 14 per cent in 1984-85 to even less than 10 per cent in 1987-88, in NDMC the increase under this head is significant. NDMC's declining dependence on the traditional sources of revenue has been more than compensated for by the augmentation of revenues from non-conventional sources.

NDMC is generating resources from its non-tax sources which are many such as sale of electricity, water, shopping complexes five star hotels, commercial blocks, parking plots, and so on. This is brought in sharp focus in the Table given below.

Table
Components of Non-Tax Revenue in the MCD
and NDMC, 1987-88

(Rupees in lakhs)

Municipal Body	Total Non-Tax income	% to total income	Components		
			Fees & fines	Rents & prices	Other sources
MCD	1388.00 (100.00)	6.5	396.21 (28.5)	954.88 (68.8)	36.91 (2.7)
NDMC	1428.70* (100.00)	15.3	129.74 (9.1)	1025.17 (71.8)	273.79 (19.1)

* Excluding sale of water and electricity.

As the Non-Tax sources of MCD's general wing finances do not include income from sale of water and electricity, for the purpose of analysis these two components have been segregated from NDMC's Non-Tax revenues as well. It is evident from the Table that NDMC is generating more than 15 per cent of its total income from non-conventional sources especially from properties and the sale proceeds of such properties. In the case of MCD, this proportion is not even half of the former.

In terms of per capita revenue, the situation of MCD is very unsatisfactory and needs to be strengthened. Whereas the per capita income of NDMC from Non-Tax revenues was more than Rs 555 in 1987-88, in MCD it was just Rs 18. A variety of reasons were

given by MCD officials for this extremely low level of income generation from most elastic non-conventional sources of revenue.

Some of these are :

- Low market values of lands/buildings in a major portion of the MCD in comparison with highly developed NDMC areas;
- A significant proportion of lands/ buildings and shops were let out long back and as a result, MCD is getting lower rents from these;
- Lack of availability of vacant land for commercial activities. Further, where ever the land is available, it is either under encroachment or litigation. Three plots at Ajmal Khan road and two plots near Desh Bandhu Gupta Road and Archana Cinema are some examples of such cases; and
- Non-availabilty of adequate funds to the MCD to undertake commercial activities to a greater extent.

Keeping in view the taxation limits, every encouragement should be given to develop and widen the non-conventional sources of local revenues, not only utilising Corporation properties at their fullest level, but also by promoting remunerative and commercial projects which could bring increasing recurrent revenues.

To overcome the problems associated with the scarcity of vacant land for commercial establishments (markets,etc.), MCD could explore the have the possibility of utilising the spaces available over the city's sewerage/drainage network (mains/pipes). The effective utilisation of this un-utilised space will not only raise the finances of MCD substantially but will also help the authorities in city cleaning and beautification drives.

Tax Components

Among the various components of taxes, Property Taxes and duty on transfer of property are the mainstay of the revenue base of MCD. Together they account for anywhere between 80 and 90 per cent of the total tax income. It may be noted that from 'Property Taxes' alone MCD raised almost 75 per cent or even more of its total tax income. Duties on transfer of properties come next and taxes on sale or supply of electricity and on advertisements occupy third and fourth positions respectively in the taxation hierarchy of MCD (Table 2.3).

In absolute terms, the income from Property Taxes has gone up substantially (139.67%) during the period 1983-84 and 1987-88. However, there is not observed any definite trend in its proportion to the total revenue income over the years (Table 2.1). The low collection ratios of property taxes in some years and comparatively higher ones in other years seems to be the basic reason for this erratic trend. This, however, could not be said with certainty owing to lack of data on demand and collection ratios (current and arrears) in different years of the reference period.

The outstanding feature that has emerged from the analysis of MCD's tax sources is that more than 99 per cent of its tax income is derived only from four taxes viz: Tax on Properties; duty on transfers of properties; Tax on Electricity and Advertisements. Other taxes make no significant contribution to the revenues of the MCD. These are : Tax on Vehicles and Animals; Milch Tax and Dog Tax; Theatre Tax and Tax on building

applications. It may be noted that whereas the MCD has been utilising all the obligatory taxes delegated to it by the Delhi Municipal Corporation Act 1957, it is not using some of the discretionary taxes such as (a) a local rate on land revenues, (b) a tax on professions, trades, callings and employment, (c) betterment levy, (d) tax on boats, and (e) tolls. Of all these, (a) and (c) do not seem to be promising areas for local taxation. The other taxes could be tried by MCD for improving its tax base.

EXTERNAL SOURCES

Assigned Taxes

The Assigned Taxes which occupy second rank in corporation finances, consist of Terminal Tax, Entertainment Tax and Tax on Motor Vehicles. These taxes have been assigned by the Delhi Administration to three local bodies in the Union Territory of Delhi namely, Delhi Municipal Corporation (MCD), New Delhi Municipal Committee (NDMC), and Delhi Cantonment Board. Proceeds from the Assigned Taxes are distributed among these local bodies on a certain basis. Whereas Terminal Tax is collected by MCD on behalf of the Delhi Administration, the other two taxes are being collected by the Delhi Administration itself. The proceeds from Terminal Tax are distributed among MCD, NDMC and the Cantonment Board, on the basis of population; Entertainment Tax on the basis of collection from the respective areas of three local bodies; and Motor Vehicles Tax on the basis of the length of roads within the jurisdiction of the respective urban local bodies. The Jain Committee on the financial position of Delhi Municipal Corporation (1977), had suggested that as in the case

of Terminal Tax, the Entertainment Tax should also be apportioned among the three local bodies on the basis of population ratio which appears more rational. The Assigned Taxes constitute almost two-thirds of the total income from external sources. Whereas the receipts under this head are growing over the years in absolute terms, in proportion to the total revenue income, they have actually declined from 33.5 per cent in 1983-84 to roughly 24 per cent in 1987-88.

Table

Role of Assigned Taxes in the MCD's Finances

(Rupees in lakhs)

Year	Total Revenue Receipts	Receipts from External Sources	Receipts from Assigned Taxes	% Assigned taxes to	
				Total Revenues	External Revenues
1983-84	9969.46	4974.79	3344.69	33.55	67.23
1984-85	13862.22	5900.20	4083.02	29.45	69.20
1985-86	14113.71	5489.80	3772.42	26.73	68.72
1986-87	18950.57	6308.91	4205.56	22.19	66.66
1987-88	21480.63	7424.69	5146.10	23.96	69.31

The proportionate share of Terminal Tax among all the components of Assigned Taxes is the highest in all the years under reference, followed by Entertainment Tax and a Tax on Motor Vehicles.

Table

Components of Assigned Taxes : MCD

(Rupees in lakhs)

Year	Receipts from Assigned Taxes	% share of			
		Terminal Tax	Enter- tain- ment Tax	Tax on Motor Vehicles	Reimburse- ment of Expendi- ture on Collec- tion of Terminal Tax
1983-84	3344.69	18.25	9.03	4.64	1.63
1984-85	4083.02	14.16	9.23	4.55	1.51
1985-86	3772.42	14.26	6.17	4.71	1.59
1986-87	4205.56	12.33	4.60	3.83	1.44
1987-88	5146.10	14.89	4.06	3.71	1.29

Grants-in-Aid

Generally, MCD gets two types of grants from the government namely (i) Plan grants and (ii) Non-Plan grants. Plan grants are usually given for a specific work or project such as improvement in the unauthorised regularized settlements, development of roads, health facilities, and so on. The Non-Plan or recurring grants are given to MCD for incurring revenue expenditures on education, malaria eradication and other miscellaneous purposes. MCD is getting matching grant for education from Delhi Administration on the basis of revenue expenditure incurred under that head. The ratio is 1:1.

Table

Grants-in-Aid : MCD

(Rupees in lakhs)

Year	Total Receipts	Receipts from External Sources	Total Grants-in-Aid	% Grants to External Revenue	% Grants to Total Revenues
1983-84	9969.46	4974.79	1630.10	32.76	16.35
1984-85	13862.22	5900.20	1817.18	30.79	13.10
1985-86	14113.71	5489.80	1717.38	31.28	12.16
1986-87	18950.57	6308.91	2103.35	33.33	11.09
1987-88	21480.63	7424.69	2278.59	30.68	10.60

The Table shows that the importance of grants in the total as well as external sources of revenues to MCD is on the decline. The share of grants in the total revenues of MCD has come down from approximately 16 per cent in 1983-84 to almost 11 per cent in 1987-88. On the other hand, the share of Assigned Taxes in the overall external income of MCD has gone up from approximately 67 per cent in 1983-84 to more than 69 per cent in 1987-88. This suggests that MCD is raising a very large proportion of its external income from the taxes administered by the Delhi Administration without sacrificing its fiscal autonomy.

Table

Sectoral Distribution of Grants-in-Aid : MCD

(Rupees in lakhs)

Year	Total (Rs. in lakhs)	% share		
		Education	Malaria Eradication	Other Miscellaneous Purposes
1983-84	1630.10	98.77	0.13	1.10
1984-85	1817.18	99.28	0.11	0.61
1985-86	1717.38	99.87	0.13	nil
1986-87	2103.35	99.94	0.06	nil
1987-88	2278.59	99.90	0.10	nil

Almost 99 per cent of the Grants-in-Aid has come to MCD from the Delhi Administration for education purposes. The proportion of grants for Malaria Eradication is very nominal and for miscellaneous work it is nil except in the years 1983-84 and 1984-85. In these years, MCD got the grant mainly for reimbursement of pension and gratuity of transferred employees.

Table 2.1
Composition of Revenue Receipts at Current Prices : MCD
(Rupees in lakhs)

Components	1983-84	1984-85	1985-86	1986-87	1987-88
Tax Revenue					
Property Taxes*	3248.19 (32.58)	3809.95 (27.48)	4675.58 (33.13)	8757.59 (46.21)	7785.06 (36.24)
Other Taxes	795.04 (7.97)	1328.90 (9.59)	1610.20 (11.41)	2069.88 (10.92)	2241.04 (10.43)
Non-Tax Revenue					
Fees & Fines	396.84 (3.98)	363.96 (2.63)	400.11 (2.83)	454.95 (2.40)	396.21 (1.84)
Rent & Prices	62.75 (0.63)	65.67 (0.47)	89.87 (0.64)	104.24 (0.55)	104.88 (0.49)
Commercial Ventures	94.24 (0.95)	259.64 (1.87)	370.89 (2.63)	400.00 (2.11)	850.00 (3.96)
Development charges	9.58 (0.10)	199.70 (1.44)	513.57 (3.64)	219.89 (1.16)	36.91 (0.17)
State Transfers					
Shared/Assigned Taxes	3344.69 (33.55)	4083.02 (29.45)	3772.42 (26.73)	4205.56 (22.19)	5146.10 (23.96)
Grants-in-Aid	1630.10 (16.35)	1817.18 (13.11)	1717.38 (12.17)	2103.35 (11.10)	2278.59 (10.61)
Ways and Means	NIL	1500.00 (10.82)	NIL	NIL	NIL
Miscellaneous	388.03 (3.89)	434.20 (3.13)	963.69 (6.83)	635.11 (3.35)	2641.84 (12.30)
Total Revenue Receipts	9969.46 (100.00)	13862.22 (100.00)	14113.71 (100.00)	18950.57 (100.00)	21480.63 (100.00)

* Excluding Water Tax and Scavenging Tax.

Table 2.2

Composition of Revenue Receipts
at Constant Prices : MCD

(Rupees in lakhs)

Components	1984-85	1985-86	1986-87	1987-88
Tax Revenue				
Property Taxes*	3505.17	4067.75	7006.07	5760.94
Other Taxes	1222.58	1400.87	1655.90	1658.37
Non-Tax Revenue				
Fees & Fines	334.84	348.10	363.96	293.20
Rent & Prices	60.42	78.19	83.39	77.61
Commercial Venture	238.87	322.67	320.00	629.00
Development chares	183.72	446.81	175.91	27.31
Shared/Assigned Taxes				
	3756.38	3282.01	3361.15	3808.11
Grants-in-Aid	1671.81	1494.12	1682.68	1686.16
Ways and Means	1380.00	-	-	-
Miscellaneous				
	399.45	838.41	508.09	1954.96
Total Revenue Receipts	12753.24	12278.93	15160.54	15895.67

Table 2.3

Composition of Taxes : MCD

(Rupees in lakhs)

Year	Total Tax income	Major Taxes				
		Property Taxes	Duty on transfer of pro- perty	Tax on consum- ption of electricity	Advertisement Tax	Other Taxes
1983-84	4043.23 (100.00)	3248.19 (80.34)	344.97 (8.53)	285.00 (7.05)	142.30 (3.52)	22.77 (0.56)
1984-85	5138.85 (100.00)	3809.96 (74.14)	421.00 (8.19)	735.00 (14.30)	147.80 (2.88)	25.09 (0.49)
1985-86	6285.78 (100.00)	4675.58 (74.38)	642.78 (10.23)	695.00 (11.06)	246.10 (3.92)	26.32 (0.42)
1986-87	10827.47 (100.00)	8757.59 (80.88)	1132.47 (10.46)	574.00 (5.30)	336.67 (3.11)	26.74 (0.25)
1987-88	10026.10 (100.00)	7785.06 (77.65)	1101.90 (11.00)	776.00 (7.74)	318.05 (3.17)	45.09 (0.45)

* Excluding Water Tax and Scavenging Tax which are being collected by the Water Supply and Sewage Disposal Undertaking.

Table 2.4

Per capita Revenue Receipts at Current and Constant Prices* : MCD

(Rs)

Components	1983-84		1984-85		1985-86		1986-87		1987-88	
	Curr-ent	Const-ant	Curr-ent	Const-ant	Curr-ent	Const-ant	Curr-ent	Const-ant	Curr-ent	Const-ant
Tax Revenue										
Property Taxes	50.56	-	56.65	52.11	66.40	57.76	118.80	95.04	100.87	74.64
Other Taxes	12.37	-	19.76	18.18	22.87	19.89	28.08	22.46	29.04	21.49
Non-Tax Revenue										
Fees & Fines	6.18	-	5.40	4.98	5.68	4.94	6.17	4.94	5.13	3.80
Rent & Prices	0.98	-	0.98	0.90	1.28	1.11	1.41	1.13	1.36	1.01
Commercial Ventures	1.47	-	3.86	3.55	5.27	4.58	5.43	4.34	11.01	8.15
Development Charges	0.15	-	2.97	2.73	7.29	6.34	2.98	2.39	0.48	0.35
State Transfers										
Shared/Assigned Taxes	52.06	-	60.71	55.85	53.57	46.61	57.05	45.64	66.68	49.34
Grants-in-Aid	25.37	-	27.02	24.86	24.39	21.22	28.53	22.83	29.52	21.85
Ways and Means	-	-	22.30	20.52	-	-	-	-	-	-
Miscellaneous	6.04	-	6.46	5.94	13.68	11.91	8.62	6.89	34.23	25.33
Total Revenue Receipts	155.17	-	206.10	189.61	200.42	174.37	257.06	205.65	278.32	205.96

* Base : 1983-84

Table 2.5
Composition of Revenue Receipts at Current and Constant Prices* : NDMC

(Rupees in lakhs)

Components	1975-76		1980-81		1985-86		1986-87		1987-88	
	Current	Constant	Current	Constant	Current	Constant	Current	Constant	Current	Constant
Tax Revenue										
Property Tax	322.55	203.21	239.37	112.50	333.18	103.29	298.67	83.63	347.62	90.38
Others	12.12	7.64	27.23	12.80	12.30	3.81	49.50	13.86	60.31	15.68
Sub-total	334.67	210.85	266.60	125.30	345.48	107.10	348.17	97.49	407.93	106.06
Non-tax Revenue										
Fees & Fines	N.A.	N.A.	N.A.	N.A.	15.76	4.89	71.49	20.02	129.74	33.73
Rents & Prices	N.A.	N.A.	N.A.	N.A.	733.88	227.50	978.83	274.07	1025.17	266.54
Others**	N.A.	N.A.	N.A.	N.A.	4798.99	1487.68	5851.30	1638.37	6727.93	1749.26
Sub-total	1006.34	633.99	2905.45	1365.57	5548.63	1720.07	6901.62	1932.46	7882.84	2049.53
State Transfers										
Assigned/Shared Taxes	193.87	122.14	247.88	116.50	323.27	100.21	362.43	101.48	389.47	101.26
Grants-in-Aid	48.13	30.32	138.16	64.94	119.39	37.01	159.08	44.54	180.85	47.02
Miscellaneous	426.91	268.95	815.91	383.48	216.46	67.10	263.48	73.77	491.75	127.86
Total Revenue Receipts										
Receipts	2009.92	1266.25	4374.00	2055.78	6553.23	2031.50	8034.78	2249.74	9352.84	2431.74

N.A. Not available.

* Base 1970-71

** Includes sale of Electricity, Water, Development charges, etc.

Table 2.6
Per Capita Revenue Receipts at Current and Constant Prices* : NDMC

Components	(Rs)									
	1975-76		1980-81		1985-86		1986-87		1987-88	
	Current	Constant	Current	Constant	Current	Constant	Current	Constant	Current	Constant
Tax Revenue										
Property Tax	111.22	70.07	86.73	40.76	127.17	39.42	114.87	32.17	135.26	35.17
Others	4.18	2.63	9.87	4.64	4.69	1.45	19.04	5.33	23.47	6.10
Sub-total	115.40	72.71	96.59	45.40	131.86	40.88	133.91	37.50	158.73	41.27
Non-Tax Revenue										
Fees & Fines	N.A.	N.A.	N.A.	N.A.	6.02	1.87	27.50	7.70	50.48	13.12
Rents & Prices	N.A.	N.A.	N.A.	N.A.	280.11	86.83	376.47	105.41	398.90	103.71
Others	N.A.	N.A.	N.A.	N.A.	1831.68	567.82	2250.50	630.14	2617.87	680.65
Sub-total	347.01	218.62	1052.70	494.77	2117.80	656.52	2654.47	743.25	3067.25	797.48
State Transfers										
Assigned/Shared Taxes	66.85	42.12	89.81	42.21	123.39	38.25	139.40	39.03	151.54	39.40
Grants-in-Aid	16.60	10.46	50.06	23.53	45.57	14.13	61.18	17.13	70.37	18.30
Miscellaneous	147.21	92.74	295.62	138.94	82.62	25.61	101.34	28.37	191.34	49.76
Total Revenue Receipts										
	693.08	436.64	1584.78	744.85	2501.23	775.38	3090.30	865.28	3639.24	946.20

* Base 1970-71

III FISCAL STRESS

Fiscal Stress is generally caused due to a very high demand on existing meagre resources. It may also be caused due to non-exploitation of the local resource base. In the case of the MCD, there seems to be several factors which go to explain its fiscal stress. Some of these are relevant on the demand side of the resources and the others are pertinent to the supply side. Let us first look at the demand side.

EXPENDITURE SIDE

First, the fiscal stress, as seen earlier, is due to a very rapid and high rate of growth in establishment cost. Wages and salaries account for a very large chunk of MCD's resources. This is due to reasons beyond the MCD's control. It has to pay enhanced wages and salary, dearness allowance, bonus etc. to its employees as any other public organisation is supposed to pay. This has been substantially contributing to the fiscal stress of the MCD. This is established explicitly by the figures presented in Table 1.3 as also by the analysis of its monthly cash flows.

Second, as mentioned earlier, much of the demand on the MCD's resources emanate from a very high rate of demographic growth and the consequent physical sprawl. This is exacerbated by proliferation of unauthorised colonies, relocation colonies and squatter settlements from where the revenue mobilisation is negligible.

Third, the MCD is the only municipal authority having jurisdiction over the rural areas as well. The provisions in the MCD Act require it to provide services in the rural areas as

well. It performs both the obligatory and discretionary functions in the rural areas. Its obligatory functions in rural areas include establishment of hospitals and dispensaries, public health, construction of market centres, playgrounds and parks, protection against fire and spread of primary education.⁶ In order to perform these functions effectively, the MCD has decentralised its administration by creating separate rural zones. Till 1977, there was only one zone for the entire rural Delhi. Subsequently two zones of Narela and Nazafgarh headed by an Assistant Zonal Commissioner were created.

The DMC Act also provides for constitution of Rural Area Committee comprising of all the councillors elected from the rural areas⁷ for advising the MCD on matters related to provision of services in rural areas. The MCD has to incur huge expenditure in providing services in rural areas as is evident from the Table given below. Between 1970-71 and 1974-75 for

Table

Revenue and Expenditure in Rural Areas

(Rupees in lakh)

Year	Income	Expenditure	Deficit
1970-71	11.74	248.88	237.14
1971-72	19.72	290.42	270.70
1972-73	25.25	356.41	331.16
1973-74	31.69	399.52	367.83
1974-75	50.68	491.11	440.43
Total	139.08	1786.34	1647.26

6. The Delhi Municipal Corporation Act, 1957, Section 42.

7. Ibid, Section 39.

which period the MCD maintained a separate account of income and expenditure in rural areas at the instance of the Morarka Commission, the deficit incurred was to the tune of Rs 1647.26⁸ lakhs. During 1977-81 this increased to Rs 2581.50 lakhs. The MCD, therefore, way back in Sixties, approached the Morarka Commission for compensation in the form of rural area grant. The commission recognised the need for a special Grant-in-Aid and recommended a cent-per-cent rural area grant, provided a separate⁹ account of income and expenditure was maintained by the MCD.

Fourth, one comes across of a paradox that a liberal scheme of plan grant being given to the MCD should contribute to its fiscal stress. It, however, remains a fact that it has really been so in the case of the MCD. As mentioned earlier, the MCD gets plan grant for financing of capital projects relating to education, health, road and other improvements. After the plan period is over, it tells upon the revenue budget of the MCD by creating problems of financing the enhanced recurrent expenditure.

Fifth, as per the provisions in the MCD's Act, the MCD is vested with the responsibility of providing fire fighting services throughout the Union Territory of Delhi including the¹⁰ areas under the NDMC and the Delhi Cantonment Board. The other

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8. Delhi Administration, Gazetteer of Rural Delhi, 1987, Ch.VIII.
 9. India Ministry of Home Affairs, Report of the Commission of Inquiry into the Finances of the Municipal Corporation of Delhi and New Delhi Municipal Committee, New Delhi, 1968, p. 39.
 10. Delhi Municipal Corporation Act 1957, Section 42 (4), read with Section 2 (10).

municipal authorities are therefore expected to share the expenditure on fire services. The Morarka Commission had recommended that the NDMC should share this expenditure on the basis of the ratio of annual rateable value. This was subsequently accepted by the Government of India. However, the NDMC has not been sharing this expenditure and up to 1987-88, an additional amount of Rs 8 crores was yet to be reimbursed to the MCD.

REVENUE SIDE

On the revenue side, the MCD is beset with critical problems which inhibit the mobilisation of resources on a large scale. These are (a) statutory provisions relating to Property Tax, (b) deficiencies in property tax administration, (c) chaotic rate structure of Terminal Tax and (d) non recovery of dues from other local authorities.

(a) Statutory Provisions : Property Tax

Property Tax has not proved to be a buoyant and elastic source of revenue due to the operation of the Delhi Rent Control Act, 1958. There is a provision in this Act for determination of Standard Rent for a property after the fifth year of its construction, which is determined on the basis of the price of land at the time of construction and cost of construction. The rateable value is to be determined at 8 1/4% of the cost thus arrived at. This provision was extended to even those properties for which the standard rent has not yet been determined by a Rent Controller. According to a judgement delivered by the Supreme

Court, the base of the tax will be the standard rent as determinable according to the provisions of the Delhi Rent Control Act.¹¹ This has led to depressing of the base of Property Tax in Delhi particularly with respect to the old properties. An attempt was made to do away with this provision by amending the Delhi Rent Control Act. However, the operation of the amended Act has been suspended in view of a spate of protests from the assesseees. Presently, a high powered committee of the Delhi Administration is examining the various aspects of the proposed Property Tax structure and system in Delhi. Till then tax has to be administered on the depressed base.

It is perhaps due to this depressing effect of Rent laws on property valuation that the yield from this tax is not found to be elastic to the indicators of urban development like manufacturing activities, trade and commerce, capital investment by the DDA, per capita income and above all the augmentation in housing stock.¹² Its elasticity, according to a recent study, to the housing stock was found to be 0.7090. Elasticities to manufacturing activities, trade and commerce, capital investment by the DDA and the per capita income was found to be 0.5352, 0.4443, 0.1605, and 0.6092 respectively. This is also corroborated by a lower average assessed value per holding and

11. Dewan Daulat Rai Kapoor Vs. New Delhi Municipal Committee, AIR, 1980, SC 541.

12. For detail see Gangadhar Jha, Local Finance in Metropolitan Cities : A Study of Delhi, Mittal Publications Delhi, 1988, Ch.6.

average Property Tax per holding in Delhi as compared to other
13
municipal corporations in the metropolitan cities.

b. **Deficiencies in Property Tax Administration**

(i) Delay and Backlog in Finalisation of Valuation

There are about 6 lakh properties within the jurisdiction of the MCD and this number is increasing every year due to the process of suburbanisation and urban growth. The assessment department, however, is not able to cope up with this magnitude. Thus valuation and assessment is not finalised for a very large number of properties. According to a recent study of procedures relating to fixation of rateable value of property in MCD, the backlog of properties is increasing year after year. Its number increased from 80,744 at the end of 1981-82 to 2,10,928 by October, 1985. The number of properties yet to be valued and assessed increased by more than 150 per cent in a span of about 3
14
years. On the basis of indepth study of the time taken in finalisation of rateable for a sample of 100 properties in New Delhi and South Zones, it was found that it took, on an average, 20 months to finalise a case.

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13. Gangadhar Jha op cit; see also Report of the West Bengal Municipal Finance Committee, Vol.II, 1982.
14. India (Department of Administrative Reforms and Public Grievances), Municipal Corporation of Delhi, Procedures Relating to Fixation of Rateable Value of Property, Collection of Property Tax, Some other Levies, New Delhi, 1985, p. 18.

(ii) Tax Collection

Non-availability of data on the extent of current demand, arrears and collection of current demand as well as arrears do not permit an objective analysis of tax collection. The MCD could furnish data only on the estimated demand as per the Budget Estimates and extent of collection out of it. An analysis of data given in Table 3.1 suggests that the MCD was able to collect about 158 per cent of the projected demand in 1985-86 and 114 per cent in 1986-87. This gives an impression that the projected demand itself is kept at a low level. An efficient collection as shown in Table 3.1 would not have resulted in mounting of arrears. The arrears of Property Tax of the MCD is given in the following Table upto the year 1983.

Table

Arrears of Property Tax, 1979-80 to 1983-84

(Rupees in lakhs)

Arrears	As on				
	1.4.79	1.4.80	1.4.81	1.4.82	1.4.83
1. Arrears from previous year	1874.39	1846.65	2100.00	2600.00	2850.00
2. Demand during the year	1950.22	1934.13	1932.51	2730.85	3261.04
3. Collection during the year	1977.96	2187.48	2432.51	2480.85	3151.04
Total Arrears	1846.65	2100.00	2600.00	2850.00	2960.00

It is seen from this Table that there has been a progressive increase in the arrears. Towards the close of the year 1983-84, it was to the extent of Rs 2960 lakhs. Thus, much is desired to tone up the collection of Property Tax.

(iii) Unauthorised and Relocation Colonies

The MCD is not assessing the structures in the relocation colonies as most of them are below the exemption limit (Rs 1000). It is also not assessing the properties in the unauthorised colonies where the properties are above the exemption limit and the MCD could collect handsome revenue from them. Thus whereas the MCD is maintaining the services in these colonies, its revenue from these settlements are negligible. These colonies together accommodate about two million people which means about 4 lakh households.

Thus the above mentioned factors (i to iii) explain the deficiencies in the Property Tax administration which adversely affect the fiscal capabilities of the MCD.

(c) **Terminal Tax**

This is a very productive fiscal instrument for resource mobilisation as the revenues from this tax is related to the growth in trade and commerce. As compared to Property Tax, the Terminal Tax (TT) happens to be both buoyant and elastic. Even though there has been tremendous growth in the trade and commerce, the elasticity of this tax has been found to be less than unity. It is a paradox that its elasticity to trade and commerce and manufacturing activities in Delhi has been 0.5428 and 0.6628. Corruption apart, this is explained by two factors. First, the rates are still specific rather than ad-valorem. Way back in the Sixties, the Morarka Commission had observed that the "rates bear no relationship to the relative bulk, price or the character of the commodities whether they are articles of

necessities or luxury". Second, the rate structure itself is chaotic and irrational. Here again the statutory provision in the DMC Act has been creating obstacles for rationalising the rate structure. According to the relevant provision in the Act, the rates are not to exceed 300 per cent of the amount originally indicated in Schedule 10 of the Act.¹⁵ Rationalisation of tax-structure therefore requires an amendment to the Act.

(d) Non Recovery of Dues

The fiscal stress of the MCD is also due to non-recovery of dues from other local authorities like NDMC and DDA. The MCD is vested with a discretionary power to levy a tax on consumption of electricity. This has been fetching a handsome amount of revenue to it. Within the NDMC areas the tax is collected by the NDMC which is supposed to pay it back to the MCD. This is not being done by the NDMC. Likewise, whenever the colonies developed by the DDA is to be handed over to the MCD, the former needs to pay a deficiency charge to the latter for removing the deficiencies in the developed colonies, if any. In addition to these, there is a substantial amount of arrears of Property Tax. The total amount yet to be recovered on these counts comes to Rs 11905.61 lakhs. Of this, the dues on the NDMC is of the order of Rs 2072.57 lakhs; the deficiency charges yet to be recovered comes to Rs 3147.24 lakhs.

15. Delhi Municipal Corporation Act, 1957, Section 178 (2).

The data on the dues yet to be recovered as also the liabilities of the MCD is given in the following Table.

Table

Outstanding Dues and Liabilities of the MCD
(As on 1.4.1988)

(Rupees in lakhs)

Dues		Liabilities	
Agencies	Amount	On account of	Amount
NDMC	2072.57	Loans (unpaid balance)	11475.45
DDA	3147.24	Payment to contractors suppliers etc.	414.50
Others	6685.80		
Total	11905.61		11889.95

It may be seen that the dues, if collected, will be enough to pay back the accumulated liabilities.

Table 3.1

Demand and Collection Analysis of Property Taxes : MCD

(Rupees in lakhs)

Year	Projected* Demand (Estimates)	Collection* (Actual)	% Collection to Demand
1984-85	2259.50	2156.24	95.43
1985-86	2000.00	3170.04	158.50
1986-87	3440.00	3933.85	114.36
1987-88	5600.00	4936.42	88.15
Total	13299.50	14196.55	106.74

* Excluding Arrears.

Table 3.2

Arrears vis-a-vis Current Collection of the
Property Taxes : MCD

(Rupees in lakhs)

Year	Total Receipts	Current Dues	Arrears	% Collection to total	
				Current	Arrears
1983-84	3248.19	1628.54	1619.65	50.14	49.86
1984-85	3809.97	2156.24	1653.73	56.59	43.41
1985-86	4675.58	3170.04	1505.54	67.80	32.20
1986-87	8757.59	3936.85	4823.74	44.92	55.08
1987-88	7785.06	4936.42	2848.64	63.41	36.59
Total	28276.39	15825.09	12451.30	55.97	44.03

IV POLICY IMPLICATIONS

The trends in the finances of the MCD as also an indepth analysis of its budgetary situation and the revenue structure suggest that the MCD is under tremendous fiscal stress. The reasons for this have already been examined. The analysis has broadly indicated that much of the stress is flowing from a huge demand put on its resources by a very high rate of demographic growth, proliferation of sub-standard settlements where the liabilities of the MCD exceeds its assets, and a very high cost on its establishment. It is worth mentioning that all these factors are external to the MCD on which it does not have any control whatsoever. The problem gets further complicated due to a very high day time population of Delhi resulting from commutation and a series of political rallies, conventions and demonstrations. The MCD is called upon to provide for these.

This could be possible only if the revenue receipts of the MCD starts looking up. At present, it is not so primarily due to constraints on the mobilisation of resources for reasons discussed already in the preceding pages.

As there is not much scope for controlling the factors external to the MCD, attention is required to be concentrated on the revenue side. Possible intervention on the expenditure side could also be introduced as suggested later on in this section.

TONING UP OF TAX ADMINISTRATION

The machinery for administration of various taxes in general and Property Tax in particular needs to be toned up. As has been mentioned earlier, the administration of Property Tax is suffering from certain deficiencies. For elimination of these deficiencies following points are suggested :

Enhancing the Coverage

Presently, the valuation and assessment department is not imposing Property Tax in the unauthorised and relocation colonies. It should not be necessarily assumed that all the properties in these colonies are below the exemption limit of Property Tax. By not going for valuation and assessment in these colonies, the MCD is losing a handsome amount of tax revenue. As mentioned before, these contain about 2 million people and hence approximately about 4 lakh households who are provided with municipal services but do not pay anything for this. To begin with, the Property Tax and the service charges could be separated from each other and the residents of unauthorised colonies and relocation colonies could at least pay the service charges.

Removing the backlog of valuation

As mentioned earlier, the MCD is not able to finalise valuation with respect to all properties with the result that there is a sizable number of properties yet to be assessed. Though the loss of revenue on these has now been taken care of by pushing through an amendment of Section 126 of the MCD Act, there

still exists a problem area. The amended provision now enables it to assess a property with retrospective effect. Nevertheless, the accumulating tax burden on the assesseees concerned will not make them to promptly comply with the payment of the tax. An efficient valuation and assessment machinery is therefore required to promptly detect the newly constructed properties as also the addition and alteration in the old properties and impose the tax at an appropriate time so that the tax does not become a burden to be avoided.

Delinking of Rent Control Law and Property Valuation

Despite an amendment to the Delhi Rent Control Act, the depressing effect of this law on property valuation is still persisting as the amended provision has not yet been made operational. The amended provisions enable the MCD to assess the properties on the basis of market value. This results in enhanced burden on the assesseees and has created problems especially for the owner occupied properties. As mentioned earlier, a high powered committee is presently looking into the various aspects of Property Tax system in Delhi. It, however, needs to be mentioned that if a rented property is fetching a handsome amount as rentals, there is every justification to impose a tax on it at the market rate. The main contention in property taxation the world over has been to devise ways and means to capture the "market rent" so that Property Tax becomes an efficient fiscal instrument for resource mobilisation. It is therefore felt that pending the final outcome of the exercises presently going on to devise a new tax system, the MCD could be

permitted to marginally enhance the tax rate. If the tax base is not buoyant one is left with manoeuvring the rate only. This is what ought to be done for improving the fiscal capabilities of the MCD.

Tax-collection

The information on the extent of total current tax demand and demand for the arrears and actual collection is not available. This does not enable to take an objective view of tax administration. It, however, appears that though collection of current demand has improved due to introduction of a package of incentives and disincentives, the arrears are still mounting. It will help the MCD to have an inventory of properties classified according to the assessed value and tax demand and concentrate its collection machinery on the high value properties according to the ABC analysis.

RATIONALISATION OF TERMINAL TAX RATES

The existing chaotic and irrational rate structure has made this tax inelastic even to the growth in trade and commerce and manufacturing activities. Therefore, first, the tax needs to be made ad valorem rather than specific and second, the rate structure should be rationalised by relating them to the types of goods and commodities. It could be thus made to have a progressive rate structure taxing the goods for luxury consumption at higher rates. At the same time, steps should be taken to eliminate or reduce the tax rate on the items consumed by the weaker sections of the society.

INNOVATIVE INSTRUMENTS OF RESOURCE MOBILISATION

To a very large extent the analysis of MCD's revenue structure has revealed its dependence on the traditional sources of resource mobilisation (Taxes and fees). There seems to be a decline in the importance of traditional instruments of resource mobilisation. There is therefore utmost need to innovate new and non-traditional ways of mobilising the revenues. Viewed in this context, the commercial and remunerative projects appear to be a very promising area of resource mobilisation. In Delhi in particular, there exists a great deal of demand for commercial space of various types. Like the NDMC which has a chain of multi-story office blocks, shopping centres, five star hotels, parking lots etc., the MCD needs to concentrate on similar remunerative projects. For this the required land needs to be made available to it by the DDA. The land could also be augmented by using the space over the existing sewerage and drainage system. Second, it needs to take recourse to the user charges. Solid waste collection and disposal and street lighting seem to be promising areas in this regard.

FRANCHISING OF MUNICIPAL SERVICE

This is yet another new area of reform for the provision of municipal services. Recently the Calcutta Municipal Corporation under the Marxist political party, contracted out the construction of shopping centres and maintenance of parks to the private sector. Examples are abounding when the municipal authorities have contracted out the maintenance of parks, traffic

islands on the main thoroughfares to the private business houses thereby relieving municipal finance to a great extent. The Municipal Corporation of Gaya has contracted out even street lighting with a great deal of success. The MCD should likewise identify the services which could be contracted out. This will enable it to utilise the existing resources in a much more effective manner.

RECOVERY OF DUES FROM OTHER AGENCIES

The non-recovery of dues from agencies like the NDMC, the DDA has been adding to the fiscal problems of the MCD. The payments to be made to the MCD due to provision of fire services provided by it throughout the Union Territory, by way of deficiency charges and reimbursement of tax collected on consumption of electricity need to be made to the MCD well in time. There has been prolonged inter-agency wrangles on these matters which further tells upon the time and resources of the MCD. There is therefore the need for the central governments' intervention to ensure quick payment of dues.

NEW TAXES

The increasing demand on MCD's resources requires to examine the tax powers given to the MCD. The act provides two types of taxes to the MCD : (i) obligatory and (ii) discretionary. It is already imposing all the taxes which are obligatory in nature. Discretionary taxes given at its disposal include (i) education cess (ii) local rate on land revenue (iii) tax on professions, trades, callings and employment (iv) tax on consumption (sale or

supply) of electricity (v) betterment levy (vi) tax on boats (vii) tolls and (ix) milch tax and dog tax.

Of these, the MCD has been using the Education Cess, Tax on Consumption of Electricity and the Milch and Dog Tax. Among the remaining taxes the local rate on land revenue, betterment levy and tax on boats do not seem to be very promising areas of local taxation. Whereas a local rate on land revenue appears to be petty and a minor tax not having any scope for revenue mobilisation, the betterment levy is beset with insurmountable problems of valuation. The remaining two taxes, viz. profession tax and toll tax appear to be quite productive areas of new taxation. The latter will be able to bring even the commuters within the local tax net eliminating thereby the inequities and inefficiencies which generally characterise the financing of services in a metropolitan area.

On the expenditure side, the most problematic area seems to be the growth in establishment expenditure at a run-away rate. It was gathered during the course of discussion with the MCD officials that the MCD is probably over staffed. Recruitments, though are supposed to be made in consultation with the Staff Selection Commission and the UPSC, there is a practice of recruiting the staff on an ad-hoc basis.

It is therefore required that the O & M Section of the MCD is made active and operational. It has almost become dormant for quite some time. The O & M needs to regularly go for work studies and the staffing pattern to see if everything is well with personnel management of the MCD.

The analysis has also indicated that the resources of the MCD is unnecessarily burdened with the obligation to provide services in rural zones where it is in huge deficits. Since there already exists Panchayati Raj (PR) institutions as also the field administration of Delhi Administration, the local functions may be financed out of PR funds or the allocations of the Delhi Administration for rural development. If at all the MCD has to provide services in rural areas, the MCD should be given a rural development grant.

Provision of fire fighting services is another area of reform in Delhi, where we have multiple local authorities as also the Delhi Administration, the fire fighting services need to be taken away and located at the Union Territory level. In the event of granting statehood to Delhi, it would be desirable to locate this service at the state level.

ANNEXURES

A:I

ANNEX : A

Taxation Powers of the MCD and the NDMC

Municipal Corporation
of Delhi (MCD)

New Delhi Municipal
Committee (NDMC)*

OBLIGATORY TAXES

I. Property Taxes	I. Tax on land & buildings (Property/House/general Tax).
a. Water Tax	
b. Scavenging Tax/ Conservancy Tax	II. Water Tax/rates.
c. Fire Tax	III. Lighting Tax/rates.
d. General Tax.	
II. A Tax on Vehicles and Animals.	IV. Scavenging/Conservancy/ Sanitary cess/Latrine Tax.
III. A Theatre Tax.	V. Drainage Tax.
IV. A Tax on advertisements others than advertisements published in the newspaper.	VI. Duty on Transfers of Properties.
V. A duty on the Transfer of Property.	VII. Tax on Vehicles & Animals.
VI. A Tax on buildings payable alongwith the application for sanction of the bulding plan.	VIII. Profession Tax.
	IX. Advertisement Tax.
	X. Tax on trades, callings & employments.
DISCRETIONARY TAXES	XI. Tax/fee on dogs/cattles.
I. An education cess.	XII. Octroi/Terminal Tax.
II. A local rate on land revenues.	XIII. Toll Tax.
III. A Tax on Professions, trades, callings and employments.	XIV. Show Tax/Entertainment Tax/Theatre Tax.
	XV. Vessels/Boats Tax.

* No distinction has been made between disretionary and
obligatory taxes.

A:II

Municipal Corporation
of Delhi (MCD)

New Delhi Municipal
Committee (NDMC)

IV. A Tax on the consum-
ption (sale or supply)
of electricity.

XVI. Any other Taxes which the
State legislature has
power to impose.**

V. A Betterment Tax on the
increase in urban land
values caused by the
execution of any
development or improve-
+ ments work.

VI. A Tax on boats.

VII. Tolls

VIII. Milch Tax and Dog Tax.

Sources : The Delhi Municipal Corporation Act, 1957 (MCD); and
The Punjab Municipal Act, 1911 (applicable to the
NDMC).

** Other taxes includes tax on menial domestic servants,
sanction of building plans etc.

B:I
ANNEX - B

Functions of the MCD and the NDMC

Municipal Corporation of
Delhi (MCD)

New Delhi Municipal
Committee (NDMC)*

OBLIGATORY FUNCTIONS

I Public Health and
Sanitation

- The construction, maintenance and cleansing of drains and drainage works and of public latrines, urinals and similar conveniences;
- The construction and maintenance of works and means for providing supply of water for public and private purposes;
- The scavenging, removal and disposal of filth, rubbish and other obnoxious or polluted matters;
- The regulation of places for the disposal of the dead and the provision and maintenance of places for the said purpose;
- Public vaccination and inoculation;
- Measures for preventing and checking the spread of dangerous diseases; and
- The establishment and maintenance of hospitals, dispensaries and maternity and child welfare centres and the carrying out of other measures necessary for public medical relief.

I Public Health and
Sanitation

- The construction and maintenance of works and means for providing supply of water for public and private purposes;
- Provision of drains, privies etc;
- Repairs and closing of drains, privies;
- Removal of nuisance arising from tanks and the like;
- laying and connecting pipes, sewers and the like;
- Public vaccination;
- Promotion of public welfare and health;
- Maintenance of hospitals and dispensaries;
- Grants-in-aid to hospitals and dispensaries.

* No distinction has been made between obligatory and discretionary functions.

Municipal Corporation of
Delhi

New Delhi Municipal
Committee (NDMC)

II Public Works and Safety : II Public Works and Safety :

- The construction or purchase, maintenance, extension, management and conduct of -
 - (i) any undertaking for the generation or supply and distribution of electricity to the public;
 - (ii) any undertaking for providing a sufficient supply of pure and wholesome water;
 - The securing or removal of dangerous buildings and places;
 - The laying out or the maintenance of public parks, gardens or recreation grounds;
 - The construction, maintenance, alteration and improvements of public streets, bridges, culverts causeways and the like;
 - The lighting, watering and cleansing of public streets and other public places;
 - The removal of obstructions and projections in or upon streets, bridges and other public places;
 - The maintenance of a fire brigade and the protection of life and property in the case of fire.
- Construction and maintenance of public streets, bridges, drains, drain privies;
 - Street lighting;
 - Maintenance of parks and open spaces.

B:III

Municipal Corporation of
Delhi (MCD)

New Delhi Municipal
Committee (NDMC)

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- The maintenance of monuments and memorials vested in any local authority in Delhi immediately before the commencement of this Act or which may be vested in the corporation after such commencement;
 - Maintenance of Municipal office; and
 - The construction and maintenance of municipal markets and slaughter houses and the regulation of all markets and slaughter houses.

III Education :

- The establishment, maintenance of, and aid to, schools for primary education subject to such grants as may be determined by the central government from time to time.

IV Development :

- The reclamation of unhealthy localities, the removal of noxious vegetation and generally the abatement of all nuisances; and
- The maintenance and development of the value of all properties vested in or entrusted to the management of the corporation.

V Administrative and General :

- The regulation and abatement of offensive or dangerous trades or practices;
- The registration of births and deaths;

III Education :

- Maintenance of schools; and;
- Grants-in-Aid to schools.

IV Development :

- Nil

V Administrative and General:

- Names of streets and numbers of buildings

B:IV

Municipal Corporation of Delhi (MCD)	New Delhi Municipal Committee (NDMC)
- The naming and numbering of streets and premises; and	- Registration of births and deaths; and
- The fulfilment of any other obligation imposed by or under this Act or any other law for the time being in force.	- Holding fairs and exhibitions

DISCRETIONARY FUNCTIONS

I Public Health and Sanitation

- The establishment and maintenance of veterinary hospitals.

II Public Works and Safety:

- The organisation or management of chemical or bacteriological laboratories for the examination or analysis of water, food and drugs for the detection of diseases or research connected with public health or medical relief;
- The provision for unfiltered water supply;
- The planting and care of trees on roadsides and elsewhere;
- The construction and maintenance of cattle pounds;
- The building or purchase and maintenance of dwelling houses for municipal officers and other municipal employees; and

Municipal Corporation of
Delhi (MCD)

New Delhi Municipal
Committee (NDMC)

- The organisation, construction maintenance and management of swimming pool, public wash houses, bathing places and other institutions designed for the improvement of public health.

III Education and Social Welfare :

- The furtherance of education including cultural and physical education, by measures other than the establishment and maintenance of, and aid to, schools for primary education;
- The establishment and maintenance of, and aid to, libraries, museums, art galleries, botanical or zoological collections;
- The establishment and maintenance of, and aid to, stadia gymnasia, akharas and places for sports and games;
- The providing of music or other entertainments in public places or places of public resort and establishment of theatres and cinemas;
- The organisation and management of fairs and exhibitions;
- The construction and maintenance of -
 - i) rest houses,
 - ii) poor houses,
 - iii) infirmaries,
 - iv) children's homes,
 - v) houses for the deaf and dumb and for disabled and handicapped children,

Municipal Corporation of
Delhi (MCD)

New Delhi Municipal
Committee (NDMC)

- vi) shelters for destitute and disabled persons;
- vii) asylums for persons of unsound mind;

- The construction and maintenance of garages, sheds and stands for vehicles and cattle biers;
- The provision of housing accommodation for the inhabitants of any area or for any class of inhabitants; and
- Any measure not herein before specifically mentioned, likely to promote public safety, health, convenience or general welfare.

IV Development :

- The acquisition of movable or immovable property for any of the purposes before mentioned, including payment of the cost of investigations, surveys or examinations in relation thereto for the construction or adaptation of buildings necessary for such purposes;
- The construction and maintenance of warehouses and godowns;
- The improvement of Delhi in accordance with improvement schemes approved by the corporation;
- The organisation and management of cottage industries, handicraft centres and sales emporia; and
- The provision for relief to destitute and disabled persons.

Municipal Corporation of
Delhi (MCD)

New Delhi Municipal
Committee (NDMC)

V Administrative and Public
Utilities :

- The surveys of buildings and lands;
- The registration of marriages;
- The taking of a census of population;
- The civic reception to persons of distinction;
- The organisation and management of farms and dairies within or without Delhi for the supply, distribution and processing of milk and milk products for the benefit of the residents of Delhi; and
- Any measures for the welfare of the municipal officers and other municipal employees or any class of them including the sanctioning of loans to such officers and employees or any class of them for construction of houses and purchase of vehicles.

Source : The Delhi Municipal Corporation Act, 1957; and
The Punjab Municipal Act, 1911 (Applicable to
the NDMC)