



Report
of the
Local Self-Government Committee
Bombay, 1939



BOMBAY

PRINTED AT THE GOVERNMENT CENTRAL PRESS

Obtainable from the Superintendent, Government Printing and Stationery,
Bombay, or through the High Commissioner for India, India House,
Aldwych, London, W.C.2, or through any recognized bookseller

Price—Annas 3 or 4d.

REPORT OF THE LOCAL SELF-GOVERNMENT COMMITTEE.

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REPORT OF THE LOCAL SELF-GOVERNMENT COMMITTEE.

CHAPTER I.

INTRODUCTORY.

This Committee was appointed by the Government of Bombay by Government Resolution (General Department), No. 2583/33, dated the 25th August 1938, to examine and report on certain matters relating to local bodies in the mofussil with a view to secure their efficient administration.

2. The following persons were appointed members of the Committee :—

- | | | | |
|--|-------|-------------------|-------------------|
| (1) Prof. V. G. Kale, M.A. | .. | <i>Chairman.</i> | |
| (2) Rao Saheb D. N. Nagarkatti | .. | } <i>Members.</i> | |
| (3) P. R. Chikodi, Esq., B.A. | .. | | |
| (4) S. S. Naik, Esq., B.A. (Bom.), B.Sc. (Edin.),
L.C.E. (Bom.) | | | |
| (5) S. S. More, Esq., B.A., LL.B. | .. .. |  |  |
| (6) S. M. Hasan, Esq., B.A., LL.B., Bar.-at-Law,
M.L.A. | | | |
| (7) Vasant N. Naik, Esq., M.L.A. | .. .. |  |  |
| (8) Dinkerrao Narbheram Desai, Esq., M.A., LL.B.,
M.L.A. | | | |
| (9) Dr. Champaklal J. Ghia, L.M. & S., M.L.A. | .. .. |  |  |
| (10) C. D. Barfivala, Esq., M.A., LL.B. | .. | | <i>Secretary.</i> |

Mr. S. M. Hasan resigned his membership owing to ill health on 17th September 1938, and Government by Government Resolution, No. 2583/33, dated the 28th March 1939, appointed Mr. Jabir A. Ali, B.A. (Cantab.), in his place.

3. The following were the terms of reference :—

(1) to examine the financial relations between Government and local bodies with special reference to the existing and future resources of both parties and to make recommendation (a) for improving the financial condition of local bodies and (b) for any re-adjustment that may be considered necessary under the various heads of provincial and local taxation ;

(2) to consider the desirability of extending the functions and powers of district local boards and municipalities, to indicate the lines on which the expansion, if deemed desirable, should take place and to suggest how additional resources, if required, for the purpose may be provided ;

(3) to consider the advisability of the formation of a central cadre of the more important officers employed for local bodies; if the Committee is of opinion that the formation of such a cadre would be feasible it is requested to advise regarding the precise form which such a cadre should take and present a practical well-worked out scheme for the purpose;

(4) to examine the standards of administration of local bodies and suggest remedies for the increase of its efficiency and eradication of certain evils like nepotism and favouritism in their working, the existence of which cannot at present be denied;

(5) to consider the problem of slum clearance with special reference to housing generally of the poorer sections of the population and the Harijan employees of municipalities and local boards in particular;

(6) to consider the apportionment of charges between local boards and municipalities and Government (a) as regards education, (b) as regards medical relief to the indigent poor in ordinary times, and to the sick during the epidemics and (c) as regards the measure to be taken for preventing and checking the spread of epidemics; and

(7) to consider any other cognate questions relating to the working of the local bodies.

4. By subsequent communications, viz.,

No. 9560, II, C, dated the 19th September 1938,

No. 183/A, dated the 19th September 1938,

No. S. 130/12872/C, dated the 5th October 1938,

No. 2277/C, dated the 6th October 1938,

No. 7830, IV-C, dated the 11th October 1938,

No. 2341/33, C, dated the 13th October 1938,

No. 2307/33/A, dated the 19th October 1938,

No. 2174/33, C, dated the 21st October 1938,

No. 288, 33, C, dated the 25th October 1938,

No. 1824, 33/A, dated the 26th October 1938,

No. 1293, 33, C, dated the 10th November 1938,

No. 7395, C, dated the 25th November 1938,

No. 2225, 33, D, dated the 30th November 1938,

No. 2109, 33/A, dated the 5th December 1938, and

No. 6627, F, dated the 5th January 1939

the following additional further matters were specifically referred to the Committee for their opinion:—

(1) whether with a view to supplement the finances of local boards and to effect a reduction in Government grants legislation should be undertaken to lay down a single scale of local fund cess for all districts instead of the varying scales adopted by different district local boards at present,

(2) whether in areas not directly served by railways the levy of terminal tax by municipalities on goods in rapid transit by roads entails hardship on merchants in the areas ;

(3) whether the provisions of section 46 (2) of the Local Boards Act should not be used for the purpose of acquiring the concurrence of unwilling local bodies for the formation of a joint board to levy and collect Octroi in the Ratnagiri District ;

(4) whether grants to local boards for elections should be discontinued ;

(5) whether section 36 of the Local Boards Act should be amended with a view to increase the number of members to one-third of the total number of members and whether the system of cumulative voting should be introduced.

(6) whether the Local Boards Act should be amended so as to empower Local Boards to tax quarrying in Inam villages instead of assigning the fees to them ; and whether local boards should be empowered to fix the rate of taxation subject to Government approval or whether quarrying fees levied by Inamdars should be subjected to local fund cess on the amount recovered by amendment of the Act ;

(7) whether special education tax should be levied by municipalities, if so, the method of such levy, the incidence of such tax and the question of educational finance may be discussed generally ;

(8) whether franchise should be widened, if so, to what extent ; what steps should be taken to improve the finances of local bodies ; whether there should be a regular cadre of Chief Officers and other important officers of local bodies such as Health Officers and Engineers, etc. ;

(9) whether district local boards should be given facilities for collecting the profession tax through Government agency and whether a method can be devised to collect the tax with the minimum of expenditure having regard to the restrictive provisions of the Government of India Act of 1935 ; or, whether the Local Boards Act, 1923, the Bombay District Municipal Act, 1901, and the Municipal Boroughs Act, 1925, should be amended with a view to collect the profession tax through Government agency ;

(10) whether Housing legislation for the purpose of clearance or improvement of slum areas and of providing suitable housing for the poorer sections of the people, particularly the Harijan employees of local bodies, should be modernised ;

(11) whether a District Local Board Accountant should be eligible to be its Chief Officer ;

(12) whether local fund cess should be levied on (i) lands in village sites and (ii) alienated lands used for building purposes ;

(13) whether the Local Boards Act and the Municipal Acts should be amended with a view to (i) compel local bodies to employ a

prescribed health staff, (ii) laying down the duties and powers of such staff and (iii) to fixing the responsibility of these bodies in respect of provision of funds for sanitary measures in their area more precisely than at present ;

(14) whether the fees and fines realised under the several Acts should not be paid to local bodies ; if so, whether they should take the form of grants-in-aid which will be subject to the vote of legislature or whether they should be charged on the Provincial revenues by Legislative enactment.

If the answer to the last question is in the affirmative, whether a fixed percentage deduction or such necessary deduction as Government fix in this behalf should not be made to defray the cost of levy and collection of such fines incurred by Government in the trial of cases ;

(15) whether local bodies should be encouraged to raise loans for the construction of school buildings in their areas.

5. It would be seen that the above terms of reference covered a wide range of subjects and it was necessary, to begin with, to examine the relevant secretariat and other records. A detailed questionnaire covering the whole ground of the terms of reference was issued in the second week of December 1938 to local bodies and officials and non-officials conversant with the administration of those bodies. A copy of the questionnaire is given in Appendix I. Replies to the questionnaire were very slow in coming and the time for sending them in had to be extended. Oral evidence could not be recorded till replies had been received and the Committee had, therefore, to request Government to extend the time for the submission of its report which was originally fixed at 20th November 1938, and Government, in their Government Resolution No. 2583/33, dated the 28th September 1938, in the General Department, extended the period to 31st March 1939, and by a further Government Resolution, No. 2583/33, dated the 27th June 1939, it was further extended to 30th September 1939. No replies have been received from several local bodies and some sent them after the Committee had started recording evidence of their representatives. The Committee commenced its tour programme on the 24th February 1939 and visited important centres in the three divisions of the Province in the months of March, April, May and June. In all, twelve centres were visited and the representatives of 85 local bodies were orally examined. The Committee held in all 52 meetings for the consideration of evidence, the formulation of conclusions and for the drafting of its report, which was nearly completed by the end of September 1939. By Government Resolution No. 2583/33, dated the 25th September 1939, Government allowed the Committee one more month, requesting that the report should be submitted to it by the end of October. The number of places visited, representatives of local bodies and other persons examined and the dates on which evidence was recorded are shown in Appendix II.

CHAPTER II.

HISTÓRICAL.

6. The subject matter of our enquiry falls roughly into three groups. The first and the most important problem relates to the position and prospects of the finances of local bodies. The character of their administration must, in the nature of things, be largely governed by the resources at their disposal. The state of the finances of the Provincial Government and also the nature and trend of its economic and social policies have likewise a vital bearing upon the progress of local self-government, inasmuch as the resources of the latter are bound up with those of the Government of the Province. Questions affecting the field open for provincial and local taxation and the satisfactory adjustment between the revenues and the expenditure of the Provincial Government and Local Authorities are important in this connection. The second set of questions which we have to consider as reference to the efficiency and the beneficence of the administration of local affairs. Here we have to deal with the composition and strength of managing committees, the method of election of members, the system of appointment and control of officers and other allied matters. The third and the last group of questions has reference to the possibility of expanding and readjusting the functions of local bodies so as to make the administration of their affairs better and more economical. Certain miscellaneous questions also fall within this group. Before taking up the discussion of these problems, we feel it will be useful if we take a brief review of the development of local self-government in this Province.

7. Rights of self-government have been conferred on the following institutions:—

- (a) Municipalities; (b) Local Boards; (c) Village Panchayats; (d) Notified Areas; (e) Sanitary Committees; (f) Sanitary Boards; and (g) Cantonments.

Out of these we are mainly concerned with (a) Municipalities and (b) Local Boards. The subject of (c) Village Panchayats has been recently dealt with in the new Village Panchayat Act of 1939. We have, therefore, left it alone. (d) Notified Area Committees, (e) Sanitary Committees and (f) Sanitary Boards have not been touched in this report as they are likely to be and, in our opinion, should be converted either into Municipalities or Village Panchayats. (g) Cantonments are a Central subject which is administered by the Government of India. As regards (a) Municipalities, the Bombay City Municipality does not fall within the purview of this Committee. We have, therefore, dealt with the District Municipalities numbering 101 which are governed by the Bombay District Municipal Act of 1901 and 28 Borough Municipalities governed by the Bombay City Municipalities Act of 1925 and 20 District Local Boards governed by the Bombay Local Boards Act of 1923. Taluka Local Boards were abolished in 1937.

Municipalities.

8. By an Act of the year 1850 (No. XXVI of 1850) it was provided that a municipal agency should be established in any town or suburb on the application of its residents. At first this agency used to consist of the magistrate and a committee of members appointed by Government. Twelve years later, by Act No. IX of 1862, all Collectors and Assistant Collectors, Mamlatdars and Mahalkaris, became *ex-officio* Commissioners of every Municipality within their jurisdiction. Certain other officers residing in any city, town or suburb in which such municipal agency was established were also made *ex-officio* Commissioners. The next important advance was made in 1873 when by Bombay Act No. VI of 1873, Municipalities obtained corporate existence. Municipal Districts having not less than 10,000 people were called city Municipalities and those containing not less than 2,000 people were called town Municipalities. The former used to consist of two-thirds non-official members appointed by Government and one-third Government officials *ex-officio*, although the Governor-in-Council was empowered to direct the whole or any part of the non-official Commissioners to be appointed by election. The principle of election was thus introduced for the first time in 1873, but it was put into practice in 1882 in the case of the then existing ten city Municipalities. The Collector was the President of both the town and city Municipalities. It was, however, left to the Government of Lord Ripon in 1882 to take a decisive step in the progress of local self-government by placing it on its true basis "not merely as a means of devolution of authority in administration and decentralisation of financial resources but as a means of popular education by which alone progressive communities could cope with increasing problems of Government". In his famous resolution Lord Ripon laid down the following fundamental principles:—

- (1) Preponderance of non-official members in the Municipalities.
- (2) Introduction of the system of election as widely as possible, first in large towns and then in smaller areas.
- (3) Exercise of government control from without rather than from within; such control in the first instance to take the form of friendly advice, sympathetic and timely warning to precede suspension of Municipalities.
- (4) The Chairman to be non-official as far as possible but where an official Chairman was necessary he should not vote in the proceedings.
- (5) Government officers, for instance, doctors and engineers, should give expert advice and help and exercise supervision as servants of the Municipalities and not as their masters.
- (6) Adequate resources should be made available to these local bodies which should yield an increasing revenue with improving administration.

(7) Transfer of duties involving additional expenditure should be simultaneously followed by a transfer of additional and adequate resources.

(8) A network of local boards should be formed in rural areas, the area included under each local board being so small as to ensure both local knowledge and interest on the part of each member.

Lord Ripon was aware that the steps he advocated would bring about some loss of efficiency but he affirmed that he had no doubt that in course of time as local knowledge and local interest were brought to bear more freely upon local administration, improved efficiency was bound to follow, especially if Government officers "set themselves to foster sedulously the small beginning of the independent political life and came to realise that the system really opened to them fairer field for the exercise of administrative and directive energy than the more autocratic system which it superseded". He added that it was not only a bad policy but a sheer waste of power not to utilise the services of the growing intelligent class of public-spirited men in the country. He attributed the failure of local institutions in the past to their being "ridden and practically crushed by direct, though well-meant, official interference".

9. Government passed a supplementary Municipal Act (Bombay No. II of 1884) by which the elective element was raised to one-half in all Municipalities. The distinction between town and city Municipalities was abolished. It was further provided that the President should be a member of the municipality, either appointed by Government or elected by the municipality, if the Government so directed. By the Bombay District Municipal Act (Bombay III of 1901) the number of elected members was fixed at a minimum of one-half. The elective element was to be raised beyond the minimum fixed by Government, if they thought fit to do so. The municipality was to be permitted to elect its own President. The distinction between town and city Municipalities which had been abolished was revived in part as it was believed that large cities in which scientific systems of sewerage and water supply were introduced required more elaborate arrangement than towns and that their executive should be given special powers.

10. In 1908 Government thought that in view of the experience gained by non-official members in the administration of municipal matters, the elective element in the mofussil municipalities should be increased. Accordingly, they issued executive orders directing that two-thirds of the members of District Municipalities should be elected and that Municipalities should be endowed with the privilege of selecting their own Presidents, provided the selection was approved by two-thirds of the whole body of councillors. The following were the main recommendations of the Decentralisation Commission of 1909 :—

- (1) the municipalities should have a substantial elective majority ;
- (2) that they should have elected Chairman ;

(3) that they should have greater freedom in the matter of their duties, establishment and taxes and budgets with the only check that there should be a minimum standing balance to be prescribed by local government;

(4) that they should be relieved of some of the charges and contributions levied from them;

(5) that they should be given a permanent addition to their resources and occasional grants to meet necessary but expensive works such as drainage or water supply schemes.

11. These recommendations were generally accepted by the Government of India and they laid down their policy on local self-government in their Resolution issued in 1915. They stated (1) that the principle of elective majority should in places where its success is doubtful, be introduced gradually and after experiment in selected municipalities, (2) that the change from official to non-official Chairmen should be introduced gradually and that discretion should be reserved to the local government to nominate a non-official Chairman, (3) that where there is an elected Chairman, the Municipality may appoint a Chief Officer to carry on the executive administration of the municipality but such officer should not be removable except by order of the Governor in Council or by the vote of three-fourths of the whole number of councillors, (4) that in addition to the taxes provided for in the Acts the Municipalities may replace the Octroi system by a terminal tax with no refunds, subject to certain conditions and that they should levy a special rate for the construction and promotion of tramways, (5) that outside control over the staff employed by the municipalities should be relaxed but that Government sanction should be required to the appointment or dismissal of Secretaries, Engineers and Health Officers.

12. The Government of India's resolution of 11th May 1918, following the famous declaration of British policy of 26th August 1917 regarding the development of self-government in this country, marked the next stage in the progress of municipal government. The Resolution stated :—

“The object of local self-government being to train people in the management of their own local affairs, political education of this sort must in the main take precedence over all consideration of departmental efficiency. It follows from this that the local bodies should be as representative as possible of the people whose affairs they are called on to administer, that their authority in the matters entrusted to them should be real and not nominal, and that they should not be subjected to unnecessary control but should learn by making mistakes and profiting by them. The control of Government over local bodies is at present exercised both from within and it is mainly by the substitution of outside for inside control and by the reduction of outside control so far as compatible with safety, that progress in the desired direction will be achieved.”

13. The Government of Bombay placed a special officer (Mr. J. R. Martin, I.C.S.) on duty for the purpose of suggesting how these recommendations should be carried out. Mr. Martin submitted a detailed report in 1918 but before any action could be taken on his proposals, the Government of India Act, 1919, came into operation. Under that Act Legislative Councils were enlarged and Local Self-Government was made a transferred subject.

14. Considerable advance in municipal self-Government was made in 1920, when Government directed by executive orders that (1) the qualification regarding the payment of taxes should be reduced so as to enfranchise a larger proportion of the population, (2) the number of councillors should be increased, (3) the number of nominated councillors should not exceed one-fifth of the total number of members, (4) the system of multiple-seated constituencies with a cumulative right of voting should be introduced in order to secure representation of minorities, (5) all municipalities should have elected Presidents, and (6) Municipal districts should be divided into wards which should return at least three members each, thereby affording a fair chance of election to small and scattered minorities.

15. In 1921 Government extended the franchise by giving the right to vote to all tax-payers and voters on the roll of voters for elections to the Bombay Legislative Council resident within the municipal district or within two miles thereof. This enlarged the franchise and increased the proportion of votes to the municipal population from 7 per cent. to 18·8 per cent. Government accepted the principle of separate representation for Mohamedans and provided special wards for them. Subsequently in 1922 Government allowed the Municipalities to select and appoint their Chief Officers subject to the control vested in them under the Act. Grants-in-aid paid on account of the salaries of these officers were discontinued. Up to 1924 women were disqualified from being elected as councillors but this disqualification was removed by Bombay Act No. IV of 1924. In 1925, the Bombay City Municipalities Act was passed.

16. We may pass over legislative measures of a minor character enacted between the years 1931 and 1938 and shall notice the important amending Act of 1938, viz., Bombay District Municipality and Municipal Boroughs (Amendment) Act. This Act abolished nominations to municipal boards. Progress towards joint electorate was made in so far as Muslims were given the option to declare that they did not want separate electorates and would like to have joint electorates. Elective representation was provided in general constituencies for Harijans by reservation of seats. As regards the backward classes reservation has been provided in the case of all Municipalities. Such reservation has been given also to women and other minorities wherever necessary.

Local Boards.

17. The statutory development of local boards may be traced from the year 1869 when the Bombay Local Funds Act was passed. This Act legalised the levy of the local cess which was till then collected on a voluntary basis and established District Local Fund Committees consisting of a nominated body of officials and non-officials. Taluka Committees, though not provided for in the Act, were also established on the same lines. These Committees were mainly advisory bodies, with no executive powers. The decentralisation scheme of Lord Mayo of the year 1870 visualised the possibility of an advance and it was felt that local interest, supervision and care were necessary to success in the management of funds devoted to education, sanitation, medical relief and local public works, that certain items of receipts and charges should, therefore, be transferred from the provincial to local heads of administration and that local funds should be administered by Committees comprising of elected non-officials wherever possible. Very little was, however, done in this direction till 1881 when the Government of India stated that "it would be hopeless to expect any real development of Local Self-Government if local bodies were subjected to checks and interferences in the matters of detail" and suggested that "within the limits to be laid down in each case, local bodies should be given the fullest liberty of action". They directed the Government of Bombay to consider the question of entrusting to the control and management of the Local Fund Committees, a large portion of the provincial expenditure and to spare no pains to ensure the success of the decentralisation scheme which would relieve the Provincial Authorities of some of the ever-growing details of the work of administration and reconcile the people to the levy of local taxation.

18. In 1882 came Lord Ripon's famous Resolution already referred to in tracing the development of Municipal Government in the Province. The Local Boards Act of 1884 based on that Resolution marked a considerable advance in the domain of rural Self-Government. Half the number of seats on the District Boards were assigned to elected members. However, the Collector continued to be the *ex-officio* President of the District Board and the Sub-Divisional Officer or the Mamlatdar was the *ex-officio* President of the Taluka Local Board.

19. This state of affairs continued till 1915. The position was then reviewed by Government and it was found that the progress was disappointingly slow. There was lack of interest on the part of non-official members and complete apathy on the part of the electorate. But the fundamental difficulty was the lack of funds and there was not much scope and responsibility to invest to the work of these boards with importance and interest. In response to the Government of India's Resolution of 1915 referred to above, laying down their policy as regards the progress of Local Self-Government, the Government of Bombay appointed the Lawrence Committee of Enquiry. The questions which the Committee was more particularly asked to consider

were those relating to elective majorities on rural boards, the election of Chairmen of such boards, their financial resources, their powers of taxation and the degree of supervision to be exercised over the estimates for and the execution of their public works. The Committee's recommendations were embodied in a bill to amend the Bombay Local Boards Act, 1884, but owing to opposition in the Legislative Council the measure had to be dropped.

20. As recommended by this Committee, Government decided to reduce in the case of District Local Boards, the number of nominated members to one-third of the total number and to appoint non-official Presidents to a few selected Districts. Such Presidents were appointed in the case of District Local Boards of Poona, Broach, Ahmednagar, Belgaum, Dharwar and Ahmedabad. In 1919 Government adopted the principle of two-thirds elected element for Taluka Local Boards. As the experiment of appointing non-officials as Presidents was found to be working satisfactorily it was extended to other District Local Boards so that by the end of 1922-23, 21 out of 27 District Local Boards and 97 out of 228 Taluka Local Boards had non-official Presidents.

21. This was the position in 1923, when the present Local Boards Act was passed. By this Act many changes were introduced both in the constitution and the franchise. The following changes may be noted :—

- (a) The elective element was fixed at a minimum of three-fourths of the total number of members ;
- (b) The franchise for 'Local Boards' voters was considerably enlarged ;
- (c) Specific provision was made for the representation of Mohamedans ;
- (d) Disqualification of women for membership was removed ;
- (e) All Local Boards got the privilege of electing Presidents and Vice-Presidents. Salaried servants of Government were declared ineligible for such posts ;
- (f) Members of Local Boards were made removable by Government on the recommendation of the boards for misconduct or for neglect of duty or inability to perform duties ;
- (g) Local Boards were made corporate bodies capable of acquiring, holding and subject to certain conditions of disposing of property vesting in them ;
- (h) Standing Committees were created to exercise the powers conferred on them by the Act and all other powers of the board not delegated to any other Committee subject to certain conditions.

22. By Act VI of 1935, Government was empowered to abolish Taluka Local Boards wherever it considered that such abolition was in the interests of the inhabitants of such Talukas. By the same Act, the Government was authorised to direct the District Local Board, within whose area Taluka Local Board was abolished, to appoint Taluka Committees. It was further provided that every member of

the District Board, resident within the area for which a Taluka Committee was appointed should be *ex-officio* member of the Taluka Committee. The other members of the Taluka Committee should be appointed by the District Local Board from among persons resident in the said area. The Taluka Committees should exercise such powers and perform such duties as may be assigned to it by the District Local Board. By virtue of this power, Government have abolished all Taluka Local Boards in the Province and we are not aware of any Taluka Committee having been appointed by any District Board.

23. By the Act 16 of 1936, the franchise for District Local Board election was further widened. Two important changes were introduced by Act I of 1938—

(1) All the seats to the Local Boards were made elective.

(2) Provincial Government were authorised to reserve seats in general constituencies for (1) women, (2) Harijans, (3) Backward Tribes, (4) communities who are provided separate seats in the Bombay Legislative Assembly, (5) and such other castes, community or tribe as the Provincial Government might consider necessary, having regard to its population in the area.

24. The above retrospective view of the development of local Self-Government in this Province is calculated to throw instructive light upon the ideal which has inspired the establishment of local bodies, the successive instalments by which power and democratic control have been conferred on them and the latest stage of progress which they have reached. Our examination of their present position and our recommendations with regard to its improvement, have had this historical background behind them. The review takes no account of the financial and functional development of local bodies, restricted as it is to constitutional development of Local Self-Government. These other aspects of historical growth will be dealt with in appropriate places in the coming chapters.

CHAPTER III.

FINANCE.

25. It is necessary to note at the outset that in India there are three different spending and taxing governmental authorities, viz., the Central Government, the Provincial Government and the Local Bodies. Every person, whether he resides in a town or a village, is directly or indirectly affected by the spending and taxing policies of the three authorities. The process of evolution by which administrative functions and financial powers have been assigned to provincial governments and to local bodies, has been one of devolution. In that process, of which the establishment of Provincial autonomy by the Government of India Act, 1935, is the latest phase, the financial resources of the provinces have undergone little improvement, either in productivity or elasticity, with the result that what are called nation-building activities of Government, such as expansion of elementary education, improvement of sanitation and the provision of medical relief, have been held up for lack of necessary funds. Though handicapped by the fact that taxable capacity of the people of the Province had been reduced by the economic depression, while it was being laid under heavy contribution for the benefit of the Central Government through the income tax, customs and the various excises, the Government of Bombay, conscious of its obligation to carry out schemes of development for the benefit of the masses, has had to embark upon a programme of social and economic improvement which is calculated to disturb existing financial arrangements and to render the unsatisfactory position of the finances of local bodies still more difficult.

26. The national system of finance in every country is the outcome of historical evolution. Though it is possible under it for the Central (and State or Provincial, in countries with a federal constitution) and local authorities to have independent sources of revenue, circumstances have led, in most countries, to the development of a mixed system of taxation. Under such a system while some sources of revenue belong entirely to each of the two or three authorities, revenue may also be raised by them from certain common sources. Contributions may likewise be made by one authority to another and sur-taxes or cesses may be levied by Provincial or local authorities. Assignments, subventions and grants-in-aid from the higher to the lower grades of Government are also common. In India, as pointed out above, our system of finance has been the result of evolution accomplished through a process of devolution. The latest phase of this development was the substitution of separate, in the place of divided and shared sources of revenue as between the Central and Provincial Governments. But even then exigencies of circumstances have necessitated the adoption of the sharing or assignment system in the matter of the tax on income and excises like that on petrol. To meet their financial difficulties, Provincial Governments have been trying to secure to themselves

a larger share in the central revenues and also to levy new taxes. The Government of Bombay has thus resorted to taxation of property in urban areas, to a sales tax and to taxation on the use of electricity in the shape of a surcharge, in addition to the amusement and tobacco taxes. In the midst of these changes, local bodies, whose field of taxation has not been demarcated from that of the Provincial Government, have been left to their restricted sources. Instead of their sources of revenue being augmented, Government grants required to balance their necessary expenditure, have been reduced and are being further reduced. The expectation now is that these bodies should take suitable steps to increase their revenues by heavier and new taxation. And the question now is whether the Government of India and the Provincial Government have left open a fair field for this purpose.

27. The Central and Provincial Governments lay the public of this province under fiscal contribution in consonance with the financial arrangements prescribed by the Constitution Act. These arrangements are far from satisfactory from the point of view of the requirements of the Provincial Government. As subordinate authorities, the local bodies have to take what they can, after the needs of the two Governments have been met. Whichever the taxing authority and whichever the form taxation may take, the ultimate source of public revenue is the income of the people and it is immaterial to the tax-payer who puts his hand into his pocket. Equitable distribution of revenue collected and of the aggregate burden of taxes payable by people as between the authorities levying taxes and as between classes and groups of tax-payers, therefore, becomes necessary. There is a certain quantum of tax-paying capacity in the community and the incidence of taxation, whatever its forms, has to be adjusted to the estimated capacity of the various economic groups and classes. By direct or indirect taxation, the Central and the Provincial Governments, as indicated above, take increasing slices from the income of the public ; and local bodies are expected to make the most of the balance left with the people in such ways as are open to them. And the scope of these is limited. It follows from this that the Provincial Government should leave a sufficiently wide scope for taxation by local authorities and the revenues obtained by the full exploitation of these sources should be supplemented by assignments or shares in the yield of provincial taxes and by suitable subventions and grants-in-aid.

28. It is not, of course, to be supposed that in the case of local bodies the limits of taxation have been reached, or that they are making today the most of such sources of revenue as are open to them. On the contrary, besides the innate tendency of the people to evade the moral obligation to take a fair share in public expenditure and to bear their proper burden of taxation, there is general unwillingness among the elected members of local bodies to shoulder responsibility for levying necessary taxes and to face the consequent unpopularity. Lack of proper civic sense is fairly widespread and large arrears of taxes in several municipalities tell their own tale. Development of a strong

sense of public duty seems, therefore, to be called for and the lead has to be given by people who understand these matters and appreciate their importance. Groups of people who seek election to local bodies with a view to render civic service, should have a reform platform and should combine to carry into effect schemes of fiscal reform. Till civic consciousness has sufficiently developed in this regard, we have suggested that certain taxes and cesses should be made compulsory by law, for instance, an education cess in municipal areas and an increase in the land revenue cess in rural areas. We feel that taxation of the public by local authorities is likely to be better appreciated and tolerated if it is associated with specific services rendered to the people. The public understand a *quid pro quo* and will prefer "beneficial" to "onerous" taxation. In the existing state of affairs in local bodies it appears to be expedient to earmark the yields of certain taxes for definite purposes so that the tax-payers may feel that they receive a direct return for the sacrifices they are asked to make.

29. It is not possible to define accurately the specific sets of persons and objects that should fall within the respective spheres of Provincial and local taxation. The boundaries separating the two are faintly marked and are always shifting and can be only roughly indicated. The taxes to be imposed by the two authorities must, however, be determined with a view to enable them to secure revenues required for the proper discharge of their allotted functions. In the sphere of local government, again, the difference between the conditions obtaining in rural areas and those in municipal jurisdictions, has to be carefully noted in order that adequate resources may be allocated to these bodies. In a satisfactory system of taxation all the above-mentioned elements have to be co-ordinated and reconciled and the choice of different taxes must be made on a careful consideration of all relevant circumstances. As regards the distinction between the two main sources of local revenue, viz., taxes proper and payments received by local authorities for specific services rendered and amenities provided to the public, the latter appear to be specially suitable to the peculiar conditions in municipal and local spheres as we have pointed above.

30. The Indian Taxation Inquiry Committee has made the following observation on this subject: "While all taxes are in a sense payments for services rendered directly or indirectly by the governing authority to the tax-payer, this feature is present in a much more conspicuous degree in the case of local taxation than in that of taxes levied for the general purposes of the State. Some local taxes are specifically levied for the purpose of procuring particular amenities for the inhabitants of particular localities and earmarked for the purpose. This is the basis of the classification of local services into two categories entitled "beneficial" and "onerous" referred to above. In view of the considerations pointed out, we recommend in the next Chapter that in local board areas moderate payments should be imposed on the recipients of definite services. On the same principle, we recommend that a special

education cess should be imposed by municipalities to cover, to as large an extent as possible, expenditure incurred on compulsory primary education. This principle has been already adopted in the case of the increase made by several local boards in the rate of the land revenue cess for meeting the cost of the extension of elementary education. We have recommended the extension of the same principle by suggesting a compulsory increase in that cess up to a definite limit and a voluntary increase beyond it.

31. We give below statistical tables showing the revenue and expenditure of Municipalities :—

Statement showing Municipal Revenue (1937-38).

Source.	Number of Municipalities.	Revenue.		Percentage of the total.
		Ra.	Rs.	
1. Municipal Rates and Taxes	..	....	1,49,64,474	73·48
(a) Octroi	61	24,86,791		12·20
(b) Terminal tax	40	27,99,463		13·74
(c) Tax on Houses and Lands.	125	26,95,649		13·23
(d) Tax on animals and Vehicles	111	5,24,079		2·57
(e) Tax on professions and trades	41	71,632		·34
(f) Tax on roads and ferries ..	86	5,05,012		2·48
(g) Water rate	36	35,30,807		17·34
(h) Special Sanitary Cess	92	8,45,211		4·15
(i) General	95	5,35,920		2·65
(j) Lighting rate	7	27,009		·15
(k) Miscellaneous .. .. .	..	9,42,901		4·63
2. Realisation under Special Acts .. .. .	..	....	1,23,210	·62
3. Revenue derived from Municipal property and powers apart from taxation .. .. .	..	....	24,84,414	12·22

Source.	Number of Municipalities.	Revenue.		Percentage of the total.
			Rs.	
4. Grants—				
<i>(a) From Government—</i>				
1. Educational		18,48,119	9·1*
2. Medical		79,368	·4*
3. General		96,156	·48*
<i>(b) From local funds</i>	<i>.. ..</i>		1,00,046	·5
<i>(c) From other sources</i>	<i>.. ..</i>		1,09,714	·54
5. Miscellaneous		5,51,140	2·65
		Total Revenue..	2,03,66,476	100 per cent.

*Percentage of the total Government Grant is 9·99 per cent.

Statement showing Municipal Expenditure (1937-38).

		Actual Expenditure.	Percentage of total.
		Rs.	
1. General Administration .. ..	.. ..	21,26,969	11·42
2. Public Safety .. ..	.. ..	13,28,732	7·13
3. Public Health and Convenience—	.. ..	95,12,713	51·09
<i>(a) Water supply</i>	<i>.. ..</i>	17,44,860	9·37
<i>(b) Medical relief</i>	<i>.. ..</i>	11,16,849	5·99
<i>(c) Public Works</i>	<i>.. ..</i>	20,42,085	10·97
4. Public Instruction .. ..	.. ..	43,35,076	23·28
5. Miscellaneous .. ..	.. ..	13,19,579	7·08
	Total Expenditure ..	1,66,23,069	100 per cent.

32. The possibilities of the improvement in the revenues of local bodies will be more clear in the light of an analysis of the statistics relating to their existing sources of revenue. To take Municipalities first, it will be seen from the statements given above that the total revenue has increased in the decade ending in 1937-38 from Rs. 1½ Crores to a little over 2 Crores. This represents an increase of about 33 per cent. in ten years and compares favourably with the state of the revenue of the Provincial Government. It should be noted that instead of increasing *pari passu* with the yield of municipal rates and taxes, Government grants to these bodies have slightly declined. The increase in the total municipal revenue is due entirely to an increase in the yield of rates or taxes. Bulk of the taxed revenue of the municipalities is contributed by two sources, viz., octroi and the terminal tax and the tax on house property. The latter is a direct tax, and yielded in 1937-38 half the amount produced by the indirect tax on the entry of goods into municipal limits. The two taxes taken together, contribute nearly 40 per cent. of the total municipal revenue. The water rate and the drainage tax between them yield about 22 per cent. of the total. The general and special sanitary cess yields about 7 per cent. The balance of about 30 per cent. of the total revenue is contributed by a number of miscellaneous sources, the contribution of Government grants being only 10 per cent. Of the total municipal expenditure, about 22 per cent. is on education and about half that proportion on public works and water supply each. Medical relief is responsible for about 4 per cent. of the expenditure and public safety 5 per cent.

33. The above analysis brings out prominently the fact that municipalities draw over a fourth of their revenue from the indirect tax in the shape of octroi and terminal tax and that only one-eighth is derived from direct taxation in the shape of house tax. The respective merits of direct and indirect taxes need not be discussed at length here. The incidence of a direct tax can be regulated and it can be made to fall upon people who are able to bear the burden and the burden can be determined in accordance with the tax-payer's ability to pay. Direct taxes thus facilitate the equitable distribution of taxation and prevent classes of people who ought to contribute to the revenue of public authorities according to their ability, from escaping the fulfilment of their obligation as citizens. The advantage of an indirect tax like the Octroi or Terminal tax lies in this that besides being comparatively more easy to collect, it falls on all classes of the public without its incidence being felt. All those citizens who pay no direct tax and who almost escape their obligations to pay their quota to the civic treasury, are brought into its net. But this very favourable feature often constitutes its defect. Indirect taxes have a tendency to fall on the mass of the public which has the least ability to bear their burden. In the existing economic conditions in India, however, octroi duties are unavoidable. The bulk of the revenue of the Government of India, for instance, is derived from indirect taxation. Future imposition of the terminal tax is now prohibited and to that extent

the wishes of the Indian Taxation Inquiry Committee have been met. Octroi duties judiciously combined with direct taxes and carefully imposed and properly collected, constitute a source of municipal revenue which should be unobjectionable. Light taxation of the necessaries of life and of other essential articles such as raw materials of industry, will remove the main drawbacks of the octroi duties. It is necessary, here to note that municipal areas are large collecting and distributing centres for agricultural produce and finished goods and that the burden of octroi duties levied on these articles, has to be shared by producers and consumers outside the limits of cities and towns. A duty on a staple commodity like cotton entering an urban market, has a decided tendency to fall on cultivators bringing their produce for sale there while middlemen and dealers may escape their share of the corresponding burden of taxation. It is necessary to take this fact into account in devising octroi duties and other taxes. This is equally true of the share in the burden of municipal octroi borne by rural purchasers of articles in urban markets. There are groups of people following different occupations who do not make a fair contribution to municipal revenues since they do not fall definitely into any of the categories of persons subject to Central, Provincial or Local taxation. Persons with incomes below the exemption limit, do not, of course, pay the income tax to the Central Government, nor do they share a proportionate burden of the taxes of the Provincial Government. It is necessary that such persons should be made to contribute their quota to local revenues. A compulsory education cess and a license tax on professions have been recommended for this purpose. The tax on amusements ought appropriately to go to local bodies and a share in the proceeds of the sales tax should similarly be assigned. The Provincial Government will be entitled, by administrative action or by law, if necessary, to insist on local bodies imposing adequate taxation if it leaves a sufficiently wide field for local exploitation and shares its revenue with those bodies and does not appropriate all such sources for its own use.

34. We give below statistics of the revenue and expenditure of local boards :—

Statement showing Local Boards' Income (1937-38).

Source.	Amount.	Percentage to total revenue.
	Ra.	
1. Land Revenue	1,24,139	·8
2. Local rates	35,07,847	20·7
3. Interest	1,03,844	·6
4. Police	2,44,423	1·5

Source.	Amount.	Percentage to total revenue.
	Ra.	
5. Education	96,74,744	57·0
6. Medical	2,30,610	1·4
7. Scientific and other minor departments ..	61,358	·4
8. Civil Works	23,56,517	14·0
9. Miscellaneous	6,73,135	3·2
Total ..	1,69,76,648*	

*Details of Government Grants:—

	Ra.	
(a) Medical	1,33,009	
(b) Scientific and other departments ..	25,820	
(c) Civil Works	16,76,946	
(d) Miscellaneous	1,15,597	
Total ..	19,51,452	(11·5 per cent. of total revenue.)

Statement showing Local Boards' Expenditure (1937-38).

	Amount.	Percentage to total expenditure.
	Ra.	
1. Refunds and Drawbacks	78,665	·4
2. Interest	5,368	·03
3. Administration	5,79,202	3·3
4. Law and Justice	2,008	·01
5. Police	1,05,193	·6
6. Education	1,11,60,759	64·1
7. Medical	9,55,923	5·5
8. Scientific and other departments ..	1,48,255	·8
9. Prisons, etc.	88,658	·5
10. Civil Works	37,65,338	21·8
11. Famine Relief	88,857	·5
12. Miscellaneous	2,55,333	1·5
Total ..	1,72,33,595	

35. The total revenue of local boards, as may be seen from the above statements, amounts to about 1½ crores. There has been no improvement in the revenue of these bodies during the past decade. There are only two sources on which the boards have to rely and these are the cess on land revenue and Government grants. The bulk of their expenditure is incurred for education, civil works and medical relief, coming in order at a distance. It is an admitted fact that the needs of the people of rural areas who form the bulk of the population of the Province have not received the attention they deserve. Conditions with regard to the supply of drinking water, sanitation, medical relief and village communications are most unsatisfactory. Illiteracy is by itself a colossal problem. Large resources will have to be provided if any appreciable improvement is to be effected in the condition of the rural population. The only really productive source of income of local boards is land, but, land revenue is a Provincial tax and the boards can only levy a cess on it. Our suggestion that the cess should be increased will bring in some additional revenue, but the resultant addition to the resources will be hardly commensurate with even the urgent requirements of the situation. It will, indeed, go some way to facilitate the extension of primary education, but the problem will not be solved unless Government assign to local boards a definite share in land revenue. It is also necessary that the non-agricultural population who benefit by the amenities provided by the Boards, should bear their due share of the burden of local expenditure. A license fee on professions in proportion to the size of income is a suitable tax; and a house tax in villages where there are Panchayats, has been already provided for. The number of villages to be served is so large that only a favoured few can be supplied with amenities, the expenditure for which comes out of general revenue. We have, therefore, suggested that in the interests of a fair distribution of conveniences and amenities, special contributions should be levied on villages which want to have them. Moderate fees may thus be charged for medical assistance except in the case of very poor patients. Villages which want a road or a school ought similarly to be expected to make a contribution to the expenses involved. General amenities will be made available to all without distinction, but special conveniences will have to be paid for at least partly. Government assistance will, of course, have to be continued to local boards on a generous scale in view of the extremely limited resources at the disposal of these bodies. The grants will have to be placed on a firm and, if necessary, on a statutory basis. An increase in the number of Panchayats and their efficient working will relieve local boards of a part of their financial responsibilities and the result will be consonant with the recommendation and expectation of the Taxation Inquiry Committee in this behalf.

36. The Indian Taxation Inquiry Committee summed up its main conclusions on the finances of local bodies under the following heads: (1) The general rate of taxation is undoubtedly low; (2) too much reliance is placed on indirect taxes on trade and transit; (3) in the rural areas the jurisdictions of the local bodies are too large from the fiscal

point of view. The Committee emphasised the fact that the finances of local bodies all over the country were inadequate for the services which they had to perform and attributed this, among other causes, to the fact that the development of local bodies in India, unlike in most other countries, has taken place by a process of devolution of functions and powers and to the fact that "the taxation of real property which should be the main basis of local taxation, has in a great measure, in India, been reserved for the State".

37. We agree with the Taxation Inquiry Committee that the resources of local bodies in Bombay, as in other Provinces in India, are comparatively very limited and that they are inadequate for the discharge of functions entrusted to these bodies. This is particularly so in the case of local boards, which cannot raise revenue from land, this source having been, as the Taxation Inquiry Committee has pointed out, wholly appropriated by the Provincial Government. Since the publication of that Committee's report there has been little improvement in the financial position of local bodies in this Province. On the contrary it has considerably deteriorated owing to continued economic depression which has hit the rural population, in particular, very hard and owing also to the inability of the Provincial Government, due to financial difficulties, to make adequate grants to local bodies to which they are normally entitled. Added to the crippling effect of the economic depression, is the severe strain to which provincial and local finances have been subjected by schemes of economic and social reform which the Government of Bombay have undertaken as long overdue.

38. Having committed itself to the policy of complete prohibition within three years, the Government of Bombay have already imposed a property tax in the cities of Bombay and Ahmedabad to make up the deficit due to loss of excise revenue in these two cities. These measures may soon be extended to other urban areas. To add further to their resources, to carry out their rural programme, they are also levying a tax on the sale of cloth. The urban property tax and sales tax constitute an encroachment on the field of taxation of local bodies. If the taxes have, however, become unavoidable, it is but fair that a substantial share in the proceeds of the same should be allocated to them. The Taxation Inquiry Committee had emphasised, in view of the complete appropriation of the land tax by Provincial Governments, the desirability of the standardisation of the rate of that tax and the development of local taxation of real property. The Government of Bombay have recently attempted to place land revenue assessment on a reasonable basis to make provision for affording some relief to agriculturists. This measure is not, however, calculated to open any new fiscal field which the local boards may be expected to exploit for their own benefit and the chief legitimate source of their revenue is still denied to them. No substantial improvement in their financial position is possible unless they are allowed to share in the tax levied on land. That they may make the most of the situation, as it is, we have elsewhere recommended that local bodies should compulsorily raise the cess on land revenue to supply them with an

additional source to enable them to defray expenditure on the extension of primary education within their areas. With the same object in view, we have likewise recommended an education cess for the municipalities. A tax on houses has been already provided for under the Panchayat Act for villages covered by that law. The Indian Taxation Inquiry Committee took strong objection to octroi and terminal taxes on the ground that they had the undesirable effect of impeding trade and suggested that these taxes should be replaced, if not by taxation of property and persons, at least by something in the nature of a tax on sales. Whatever the objections against the levy of the terminal tax and the octroi, municipalities will find it impossible to dispense with this form of taxation for a long time to come. In the meanwhile, road tolls in rural areas have been abolished in this Province and the tax levied on motor vehicles had been enhanced. As has been pointed out above, the Provincial Government has already initiated the policy of levying the property tax in urban areas and made a start with a tax on sales in these areas for the benefit of its own treasury. Thus those sources of income which according to the Taxation Inquiry Committee, are the most appropriate for exploitation by local bodies, have been further narrowed. In the circumstances, the normal resources of local bodies, though they may be exploited to the fullest extent, as we recommend that they should be, are not likely to yield appreciable results.

39. Though we are not directly concerned with the comprehensive programme of rural development which the Bombay Government have undertaken and which is going to be carried out through official agency working with the advice and under the guidance of nominated District Development Boards, it is necessary to draw attention to the effects which that programme is likely to have on the functions and the finances of District Local Boards. A large part of the development programme is such as may well fall within the purview of the local boards, though a part is bound to lie beyond the boundaries of their normal functions. Care will, therefore, have to be taken to prevent overlapping and duplication in that respect and to utilise the local board agency as far as possible. Local boards are bodies constituted and working under special laws, with special functions and responsibilities, while the Development Boards are *ad hoc* bodies nominated by Government. There is surely a very wide scope for the co-ordination of the activities of Government departments which come in contact with rural life. But steps will have to be taken to prevent normal working of local boards from being encroached upon or impeded by the co-ordination programme of Government. It will be appropriate to entrust to the Boards as much of the programme of rural development as is practicable. There is again the important question of finance also involved here. While local boards are seriously handicapped by lack of funds in carrying out their normal duties it would be unwise and unfair if any of the funds which Government have been placing at their disposal in the shape of grants-in-aid, are diverted to the financing of their rural development

schemes. A regular receipt of Government grants is legitimately counted upon by local boards as a supplement to their own resources, earmarked for definite purposes, and if they are arbitrarily cut down even to provide funds for rural development, the work of local boards is likely to be seriously disturbed and considerable waste of funds will be involved. The above remarks apply also to Government's improvement schemes relating to Village Water Supply and Village approach roads. This note of caution is called for in view of the recommendations we have made elsewhere for placing local board finance on a strong footing.

40. Our conclusions on the subject matter of this Chapter may be briefly summarised thus :—

(1) In the distribution of resources as between the Central and the Provincial Governments, the latter has not been provided with sources of revenue adequate to the satisfactory discharge of its responsibilities.

(2) The Provincial Government has had to undertake several schemes of economic and social reform which had become overdue and which have entailed sacrifice of considerable revenue on the one hand and additional expenditure on the other.

(3) As a consequence, the Provincial Government has been driven to levy new taxation, e.g., a tax on immovable property and a tax on the sales of cloth in Bombay and Ahmedabad. The fiscal fields of the Provincial Government and of the local authorities are not clearly demarcated and the former has been exploiting the above potential sources of municipal revenue and others such as surtax on the use of electricity. Taxation of agricultural land has been a provincial fiscal source and the principal source of revenue of local boards is thus under provincial control.

(4) In the circumstances, it has become necessary for the Provincial Government to secure more productive sources of revenue for itself and to allow local bodies a fair share in its revenue and a fair field which may be fiscally exploited by them.

(5) As matters stand at present, the terminal tax, octroi duties and the house tax in the case of municipalities and the cess on land revenue in that of local boards are the only major sources of revenue of the local authorities.

(6) The admittedly low taxable capacity of the mass of the people is subjected to a heavy strain by central taxes both direct and indirect and affords a narrow margin for the Provincial Government and the local bodies to draw upon. The financial position of the latter, as subordinate authorities, is extremely difficult.

(7) This does not mean that there are no possibilities for the improvement of local finance. Apart from the benefit that may be derived from more efficient and economical management of affairs, local bodies ought to be able to raise more revenue from sources such as the house tax and the professional tax. Local Boards should raise the rate of the land revenue cess. But the method most suitable to these bodies lies in taxes and cesses levied upon people for definite

services rendered to them. A compulsory education cess in municipal areas would thus not be inequitable. Equally fair would be an increase in the land revenue cess to be partly earmarked for expenditure on primary education in rural areas.

(8) A proper civic sense has to be developed among the people so that they may understand that amenities and conveniences obtained and obtainable from local authorities have to be paid for.

(9) The programme of the Provincial Development Board, with a Rural Board in each district, launched by Government to co-ordinate and promote the very essential work of the economic development of the rural areas, comprehends a number of important items which properly lie within the purview of local boards. This arrangement has caused considerable disturbance in the working of the latter, and grants which should normally go to them are being diverted to the newly created bodies composed of nominated members. Care ought to be taken to see that the agency of local boards is utilised wherever practicable and adequate funds are placed at their disposal to enable them to carry out their part of the programme.

CHAPTER IV.

TAXATION.

41. In the last chapter we took a brief review of the position of local bodies with regard to their resources and discussed them in relation to the finances of the Provincial Government. It is proposed, in this chapter, to examine their resources in some detail with a view to explore the possibility of an increase in the revenues of those bodies. The extent and the quality of the functions performed by local authorities must, in the nature of things, determine the amount of revenue they will need. An examination of the obligatory and optional duties assigned to municipalities and local boards goes to show that their number is by no means small and they cover a very wide range of matters of public utility and convenience. The real problem is how to make it possible for the local bodies to perform their obligatory functions efficiently and to enable them to take up more and more of the optional duties and to discharge satisfactorily such of them as have been already undertaken. We see no reason, except in the case of Public Works, to recommend any important transfer of functions as between the Provincial Government and the local bodies. Various suggestions have been made to us as to the manner in which the financial resources of municipalities and local boards should be increased. It will be convenient to discuss the position in respect of different taxes and other sources of income of municipalities and local boards separately in sections A and B. There are some taxes and other sources of revenue which are available to both classes of local bodies. These have been discussed at length in section A or B according to convenience and a passing reference to them has been made in the other section.

(A) Municipalities.

House Tax.

42. The house tax has been justly regarded as an ideal tax for purely local purposes. Apart from the fact that the ownership of a house is a fairly good index of the tax-paying capacity of a person, it is the owners of houses who benefit most from local expenditure on sanitation and other improvements. This is particularly so in municipal areas. It is, therefore, reasonable to expect that municipalities should fully utilise this source of revenue. Our inquiry shows that there is considerable scope for raising the rate of the house tax in many municipalities. We find that some of these bodies prefer to rely mainly upon indirect taxes like the terminal tax and octroi duties and do not raise sufficient revenue from the house tax. It cannot be pleaded that house-owners have not the ability to pay house-tax at a higher rate, but the councillors appear to have neither the inclination nor the courage to take advantage of it. Whenever there is a clear case of such neglect on the part of any municipality to raise the house tax adequately, we suggest that the Provincial Government should not hesitate to take steps to increase the house tax under section 74 of the District Municipal Act, 1901, or section 103 of

the Bombay Municipal Boroughs Act, 1925. As far as the rural areas are concerned, the Panchayats Act of 1939 makes the house tax compulsory. In non-Panchayat areas, we do not recommend the imposing of a house tax.

Terminal Taxes and Octroi Duties.

43. It has been shown in the last chapter that Terminal-taxes and Octroi duties form a substantial part of the revenues of municipalities and that they will continue to occupy that position for years to come. All controversies regarding the inequities of the terminal tax as an item of local taxation have been set at rest by its prohibition under the Government of India Act, 1935. The legal position regarding the levy of Octroi and Terminal taxes by local bodies is now as under :—

(i) Those bodies who were levying terminal taxes immediately before the 1st April 1937 may continue to levy the same.

(ii) They can levy this tax at lower rates or over a narrower range but not at higher rates or over a wider range than on 31st March 1937.

They cannot increase the rates mentioned in the schedule.

They cannot add new items to the schedule.

(iii) They may abolish or reduce the tax in respect of any article.

(iv) They can close an existing naka or open a new one provided they do not extend the taxation limit or widen the scope to the tax.

(v) They cannot extend the scope of the tax by imposing it for the first time on goods carried by a particular form of transport. (*Vide* Circular No. 183, dated 2nd April 1938, quoted in Appendix No. III.)

44. The present levy of the terminal tax has been temporarily permitted until provision to the contrary is made by the Central Legislature. As soon as such legislation is passed these taxes will have to be substituted by an octroi duty. Under item No. 49 in list 2 of schedule 7 to the Government of India Act, 1935, the Provincial Government can authorise the levy *only* of "Cess on the *entry* of goods into a local area for *consumption, use, or sale* therein". It is time, therefore, that local bodies bestir themselves to take steps to substitute octroi duties for terminal taxes. Those bodies which are today levying the terminal tax will have to revise their schedules and considerably increase the present rates on several items and introduce a regular system of refunds. The earlier they do this and adjust their financial position the better for them. Local bodies which are not levying either the terminal tax or the octroi duty will have to consider the advisability of levying the latter duty as early as possible. The merits of these duties have been already discussed in the last chapter. The schedules will have to be carefully framed with a view to select articles for the imposition of the duty and to fix its rates in such a manner as to make

this source of revenue give a maximum yield without placing an unduly heavy burden on the shoulders on the poorer classes. Necessities of life and raw materials of industry must be lightly taxed whereas articles of luxury and comfort must bear a proportionately higher burden. Municipalities, when they prepare the schedules and the Government when they sanction them, have to be very watchful in this regard. Honest and strict supervision of the collection of the duty and of the grant of refunds presents difficulties which have to be overcome. Leakage and corruption must be severely put down. Otherwise the municipality loses its legitimate revenue, influential persons escape their proper burden and the poor have to suffer.

Levy of Terminal Tax on Goods in rapid Transit by Roads.

45. The Committee has been asked to suggest a suitable method to remove the complaint that the levy of the terminal tax by municipalities on goods in rapid transit by roads is a source of hardship to merchants and other residents in areas which are not directly served by railways. The terminal tax is at present levied by about 40 municipalities. Of these the most important ones are Ahmedabad and Brouch in the Northern Division, Dhulia and Ahmednagar in the Central Division and Dharwar and Hubli Borough Municipalities in the Southern Division. It appears that there are practically no complaints either regarding the heaviness of the rates of the tax or its incidence, so far as these municipalities are concerned. We realise, however, that even when the rates levied by municipalities are low, goods in transit passing through the limits of two or more municipal districts, each levying the tax, would be subjected to a heavy burden which would not be equitable to the communities ultimately consuming the goods. We understand that such is the case in respect of goods imported into the Kanara District, where they are subjected to the terminal tax at the Railway Centres and also in addition, at one or more towns *en route*. The question has assumed special importance all over the Province on account of the introduction of motor vehicles which carry goods to considerable distances.

46. We have already recommended that on account of the legal position created by the Government of India Act of 1935, municipalities should seriously consider the question of substituting octroi duties for the terminal taxes levied by them. The immediate abolition of the terminal taxes, however, is not a practical proposition in view of the fact that finances of many municipalities are largely dependent on this source of income. It is also impossible to give refunds in respect of all goods in transit because the rates have been designedly fixed low with a view that they may not fall heavily on goods in transit. It would indeed be desirable to abolish the terminal tax and substitute octroi duties by raising the present rates substantially and introducing the system of refunds for goods in transit. Such a step may have to be taken ultimately if the Government of India object to the continuation of the terminal tax, but the immediate substitution of an octroi duty for the tax, does not seem to be practicable. It would not be

suitable remedy straightaway to exempt goods in rapid transit from payment of the terminal tax. Such exemption would always give serious trouble at the "Nakas", because it would be difficult for naka Collectors to decide what goods are in rapid transit. It may also give rise to corrupt practices. Evasion of the tax would likewise become easier. A more satisfactory method would be to provide for a refund in the case of such rapid transit. Necessary bye-laws may be made for granting a refund in the case of these goods which are taken out of the municipal limits within a prescribed period. Though refunds are not ordinarily associated with terminal taxes, there seems nothing objectionable in law to provide for them. We, therefore, recommend that wherever there is a genuine case of real hardship made out in respect of such goods in transit, this method may be adopted.

Primary Education Cess.

47. The Committee has been specifically asked to consider the question of the levy of a special educational cess by municipalities, the method of such levy, the incidence of such cess and the question of educational finance generally. We recommend that an Educational tax should be levied by all the municipalities. Section 59 of the Bombay District Municipal Act, 1901, should be amended on the lines of section 73 of the Municipal Boroughs Act, 1925, which provides for the levy of a special education tax, and like the house tax in the Village Panchayat Act, the levy of this tax should be made compulsory in both these Acts. The education tax should be a direct tax tacked on to the property tax at so much per cent. on the annual letting value or the capital value as the case may be. The rate of the tax in each municipality will have to depend upon the circumstances of each case. The cost of introducing compulsory primary education in each municipal area will have to be ascertained, the share of each municipality payable according to the present Primary Education Act will have to be determined and the Special Education Tax will have to be levied at a rate sufficient to produce the amount so required. Government's liability to pay its share according to the Primary Education Act must be met from provincial funds. In view of certain judicial decisions making out that the Primary Education Act was not sufficiently explicit in defining Government's obligation in this respect, we recommend that the Act should be so amended as to fix this liability on a contract basis. Obligations of both the contributory parties should be placed on a clear statutory footing.

48. In order that rural areas whose resources are limited, may have the benefit of compulsory primary education and the District Boards may be able to contribute their share of expenses towards the introduction of compulsion, we have recommended elsewhere an increase in the local fund cess and provided for a minimum contribution of 10 pies in

the rupee to be ear-marked for primary education. The municipal primary education cess and the increase in the land revenue cess will, in our opinion, go a long way towards financing schemes of compulsion.

49. We have recommended that the Education tax should produce an amount sufficient to enable the municipalities to bear their share of the burden, but the same cannot hold good in the case of local boards. The minimum of 10 pies that we have stipulated will have to be raised to a higher level in several cases to make up the due share of those bodies in the expenditure on education. We have noted that most of the boards who have raised their cess above one anna are devoting more than 10 pies towards primary education. We understand that the Bombay Suburban District is contributing 16 pies out of the two-anna levied. We have no doubt that other boards will raise this minimum to the extent necessary.

50. Government will have to arrange its own provincial budget with a view to provide funds sufficient to enable it to bear its own share of expenditure on compulsory primary education. We envisage the possibility that Government may find it difficult to do so as far as rural areas are concerned. In the circumstances, Government may be obliged to reduce the present statutory proportion of the education grant and we feel that richer municipalities may be expected to shoulder a little higher proportion of expenses for the benefit of backward areas which must be brought in a line with the more fortunate ones. This is, a question of making the most of such resources as are available and of distributing the expenditure and its burden in the most efficient and equitable way.

Tax on Professions.

51. The profession tax is, in our opinion, a suitable source of revenue for municipalities. We find that about 40 of them are levying this tax in the form of licenses or fees. Other municipalities should investigate the possibilities of exploiting this source of income. Revenue authorities will do well to bring to the notice of these municipalities from time to time such professions as they consider fit to be taxed in each area. The whole question of a profession tax has been discussed at length in section B of this chapter in connection with the revenues of local boards and attention is invited to our remarks there.

A Tax on Transfer of Properties.

52. One of the sources of additional revenues suggested for local bodies is a tax on the transfer of immoveable properties. These transfers are at present subject to taxation in the shape of stamp duties and also registration fees. These imposts, however, do not benefit the local bodies to whom improvements in the values of properties transferred are, in a great measure, due. It is, therefore, but proper that a share

of these duties should go to local bodies. It appears that under the Government of India Act of 1935 a tax on the transfer of agricultural lands is included in the provincial list, whereas a tax on transfers of non-agricultural property finds place in the concurrent list. We feel that steps should be taken to add a percentage on the stamp duty for the benefit of local bodies within whose area the properties transferred are situate. We understand that such duties are levied in Calcutta and Rangoon.

53. Another method would be to levy a special fee when transfer documents are presented for registration. It may also be possible rigorously to enforce the registration of transfers in the records of local bodies and to levy fees when documents are presented to local bodies for such transfers. The Registration Department should refuse to register documents in cases where transfers have not been effected in the records of local bodies. The rate may be from $\frac{1}{2}$ per cent. to 1 per cent. on the value of the property transferred. Transfers of properties under a certain value should be exempted. Perhaps the best form that this arrangement may take would be an assignment of 25 per cent. of the stamp duty recovered on transfers of property to local bodies concerned, the duty being raised if required for provincial purposes.

Non-Agricultural Assessment.

54. There is a universal demand on the part of the municipalities that the Non-Agricultural assessment fixed by Government on building plots within their limits are generally excessive and should be reduced considerably. We would request Government to go carefully into this complaint and take the necessary steps to redress the grievance.

Another demand pressed by the municipalities is that the whole or a substantial portion of non-agricultural assessment received by Government should be handed over to them. We feel that there is ample justification for the demand. Generally speaking, an increase in land values must, in a large measure, be attributed to the amenities provided by local bodies. This matter has been very carefully considered by the Taxation Inquiry Committee and we cannot do better than quote their remarks on this important subject—

“Another feature deserving of notice in relation to these collections is the tendency to hand over the whole or a large part of them to the local body concerned. Where development schemes are in progress and there are Government lands within the areas under development, it is a common practice to assist the scheme by making over the whole or part of the Government's title to the lands to the Development Trust. Similarly, as has been seen in the United Provinces the whole management of “nazul” lands and three-fourths of the proceeds of the same are made over to the municipal councils. A similar practice obtains in the Central Provinces, where the municipalities are credited, with four-fifths of the return. In the Canal Colonies of the Punjab, half of the corresponding income is made

over to them. In Madras, they are credited with an amount equivalent to the difference between the amount collected and an assumed rate of land income. All these proceedings embody a recognition of the fact that the increased return from the land is partly due to the amenities provided by the municipalities. These tendencies seem to the Committee to be in the right direction, and they recommend that the practice of making over a substantial fraction of the proceeds to the municipal bodies should be generally adopted."

We strongly urge that the Government of Bombay should not delay the due recognition of the claims of municipalities in this matter and recommend that 75 per cent. of the revenue derived by Government should be handed over to the municipalities concerned.

As regards local boards, at present they get the cess on non-agricultural assessment. In addition, they should get 10 per cent. of the principal amount on the analogy of 10 per cent. of the land revenue which we have recommended to be paid to them.

Taxes on Marriages, Adoptions and Feasts.

55. The list of taxes leviable under section 89 of the Village Panchayat Act of 1933 includes taxes on marriages, adoptions and feasts. We recommend that these taxes should be leviable in municipal and district local board areas also. The methods of assessment, however, will have to be different from those adopted under the rules framed under Village Panchayat Act. There the taxes on marriages and feasts are payable on the basis of expenditure incurred by the parties on such occasions. Marriages and feasts are classified in different groups according to the expenditure and the maximum rates of taxes for these occasions have been prescribed for each class ranging from annas 4 to Rs. 3, in the case of feasts, and annas 8 to Rs. 5 in the case of marriages. In the case of adoptions, however, the classification has been based on the financial position of the persons adopting and the maximum rates prescribed are the same as those prescribed for marriages. Appeal is provided against this assessment to the Mamlatdar.

56. It would appear comparatively easy in a village Panchayat to estimate the approximate costs in the case of marriages and feasts or the approximate financial positions of the persons adopting, because, the parties and their circumstances are more or less known to Panchayats intimately. In the case of municipalities and district local boards, however, this knowledge would not be available. We, therefore, suggest that a flat rate may be levied for all marriages and feasts, except in the case of those bodies which can devise a suitable machinery for assessing expenditure on marriages and the financial status of the parties concerned. It will be difficult, we recognise, to define feasts and to determine which of these should be taxed. The matter, however, needs to be carefully explored and the difficulties have to be got over. We suggest a flat rate of say Rs. 50 in the case of every adoption. This rate is not likely to fall heavily on

anyone, because adoptions are generally resorted to by persons with some financial status. In this connection, we further suggest that municipalities, local boards and panchayats be asked to maintain a register of marriages and adoptions, as they do in the case of births and deaths.

Entertainment Tax.

57. The Indian Taxation Inquiry Committee recommended the assignment of two State taxes to local bodies. One is the assignment of a share in the revenue derived by Government from non-agricultural lands in towns. We have dealt with this item above. The other assignment recommended, is a share of the entertainment and betting taxes. We would urge upon Government to transfer the whole of this revenue to the local bodies.

Surcharge on Electricity.

58. The Provincial Government derives considerable revenue from a surcharge or the duty on the consumption of electric energy. The whole of the amount received is appropriated for provincial purposes. Local Bodies have been claiming a substantial share of this revenue. This is a tax on the consumption of what has now become almost a necessary of life and the principle underlying the demand of local bodies appears to us to be sound. We, therefore, recommend that each local body should obtain 50 per cent. of the revenue derived by the Provincial Government from the net proceeds of the duty on the consumption of electricity collected within its area.

Petrol Tax.

59. In view of the recommendation we have made elsewhere for the transfer of Public Works Department roads to local bodies, we feel that there will be no difficulty in distributing to them receipts from petrol tax on some equitable basis, such as the consumption of petrol and mileage of metalled roads within the jurisdiction of local bodies.

60. Besides the general taxes dealt with above, there are other important sources which contribute to municipal revenues. Supply of drinking water, drainage and lighting are important and useful municipal functions and the analysis of financial statistics given in the last Chapter shows what payments are received in the shape of water rate and drainage tax for services rendered to the public. These services are expected to be self-supporting and the taxes levied for defraying expenditure incurred for them represent most appropriate and suitable contributions made by the public to municipal revenues. The general and special sanitary tax is a typical levy, the yield from which helps the municipal exchequer to finance important services rendered to the people.

Powers of taxation conferred on municipalities cover a wide range. These potential taxes taken individually may not be very productive, but in the aggregate, they are calculated to contribute substantially to the revenues. A professional tax in the shape of license fees and a tax on marriages and adoptions may be cited as instances. These taxes have been levied in this Province for centuries and people are familiar with them. A tax on the transfer of properties would also be very appropriate. Municipal bodies are very often reluctant to avail themselves to the fullest extent of the powers of taxation enjoyed by them, and by thus starving the exchequers, weaken their own capacity to render useful services to the people. It is, therefore, necessary that Government should keep a watchful eye on the management of the affairs of municipalities and require them to use their powers of taxation to the maximum. Government may cause enquiries to be made at the hands of experts and withhold grants to municipalities which are found remiss in the discharge of their duty in this behalf.

61. We feel that it is unnecessary to adduce further argument in support of our suggestion that certain municipal taxes such as an education cess should be made compulsory. The claims of the extension of compulsory primary education in municipal areas are undeniable and reform in this respect can no longer be put off. The resources of Provincial Government available for expenditure on education are limited and will have preferentially to be devoted to the spread of education in rural areas where illiteracy is a serious stumbling block in the path of all economic and social progress and where the resources of local boards are too meagre to be able to bear any additional financial burdens.

(B) Local Boards.

The Local Fund Cess.

62. The Local Fund Cess is the main source of income of the District Local Boards. It is levied and collected by Government along with the land revenue. The net proceeds (after deducting the expenses of assessment and collection) are handed over to the District Local Boards. The rate of the cess was originally fixed at one anna in a rupee of land revenue assessment. Pursuant to the recommendations of the Lawrence Committee and of Mr. Martin's Report, however, a provision was made in the Local Boards Act of 1923 (section 93), whereby District Local Boards were empowered to apply to Government for an increased cess at a rate not exceeding two annas on every rupee of land revenue. Since then the cess has been variously increased by different local boards. At present the cess is being levied at 1 anna in nine local boards, at 1 anna 3 pies in one, at 1½ annas in three and 2 annas in seven. A list containing the names of the local boards and the rates at which the cess is levied is given in appendix No. 4.

63. It has been suggested that the rate may be uniformly raised to two annas in all the districts. The general body of opinion is in favour of an increase in the rate, but does not approve the proposal to make

it uniform. It is argued that the cess is in the nature of a tax on land which is already taxed and that agriculturists are too poor to be able to bear any more burdens. If the resources of the local bodies are to be augmented, it is contended, the non-agricultural classes ought to be made to contribute towards their funds. We agree that it would not be fair to have a uniform rate of cess in all the districts. Economic conditions and the capacity of the people to pay vary from district to district.

64. The needs of the rural areas are, however, rapidly expanding. Primary education, sanitation, medical relief, communications and other improvements are all held up for want of funds. Moreover, the land revenue is likely to decline on account of the policy of the present Government to put it on a more equitable basis and to give much-needed relief to the agriculturists. With the decrease in the land revenue, the amount of cess recovered for the benefit of local bodies will be automatically reduced unless the rate of the cess is increased. We, therefore, recommend that the minimum rate of the cess should be raised from one anna to $1\frac{1}{2}$ annas. While recommending $1\frac{1}{2}$ annas as the minimum rate, we feel that the maximum may also be raised to $2\frac{1}{2}$ annas. Some of the boards which are already levying 2 annas may find it desirable to further raise the cess by half an anna. This extension of the limit will lend elasticity to the system of taxation. We wish to add that a statutory provision should be made to earmark 10 pies for primary education out of the 18 pies which we recommend as the minimum rate. Where the cess is levied at a higher rate, the boards may, at their discretion, provide a higher proportion for expenditure on primary education. Where the cess is proposed to be levied at a rate higher than 18 pies in a rupee, objections to such increase shall be invited from the public and considered by the board, before it decides to levy the same. Such an increase shall not come into force, if within three months of the decision by the board, Government veto the proposal.

65. We have considered the suggestion that the assessment of the cess should be made progressive. The idea underlying the proposal about levying the local fund cess at progressively higher rates according to the larger amounts of land revenue paid, has, as its basis, the theory that the greater the ability to pay, the higher should be the rate at which it is taxed. In our opinion, the more appropriate method to achieve the object aimed at, would be for the Provincial Government to levy a graduated tax on agricultural income. When such a tax is levied, a part of the same should be assigned to local bodies.

Cess on Village Sites and Lands in Alienated Village.

66. It has been suggested that the local fund cess should be levied on non-agricultural assessment in respect of (a) Village Sites and (b) alienated lands used for building purposes. With regard to (a) it should be noted that lands in Village Sites are held free of land revenue and no local fund cess is, therefore, levied on them. The proposal is that

calculations should be made as to what non-agricultural assessments on lands in village sites would amount to in accordance with rates under Land Revenue Rules current in different localities and that the local fund cess should be levied on the basis of the assessments so calculated. The Committee is unable to support the suggestion. The lands in village sites have been free from payment of land revenue from time immemorial. Though it may be strictly legal to levy a cess on them, there are weighty considerations against the levy. Except in city-surveyed areas, there are no records of holdings in village sites. A survey will, therefore, be necessary. Cost of measuring these holdings, calculating non-agricultural assessments on them and preparing and maintaining property registers showing each plot, its non-agricultural assessment, local fund to be levied thereon and names of holders etc., would entail heavy expenditure which will be out of all proportion to the revenue that can be derived from the source. Such a survey, moreover, would give rise to disputes and sow seeds of discord among the villagers and involve them in ruinous litigation. A further suggestion made in this connection is to separate agriculturist from the non-agriculturist residents of villages and to levy the cess on the latter. The presumption underlying this proposal, viz., that the lands concerned are held predominantly by non-agriculturists, does not appear to be correct. Most of the occupiers of the village sites are agriculturists. Moreover, the legal difficulty of distinguishing non-agriculturists from agriculturists would be almost insuperable.

67. As regards (b) alienated lands used for building purposes, at present they pay local fund cess on the full agricultural assessment and one-eighth of the non-agricultural assessment. It has been suggested that instead of the $\frac{1}{8}$ th, these lands should pay the full amount of the non-agricultural assessment. We support this suggestion on the principle of equity. We are, however, informed that there will not be much land falling into this category and that the yield would be very poor.

Quarries in Inam Villages.

68. Under section 75 (1) of the Local Boards Act, 1923, all fees levied in the district under the Bombay Land Revenue Code, 1879, for permission to remove sand or to quarry are assigned to local boards. In the case of alienated lands, however, fees, if any, recovered by Inamdars for quarry materials are not payable to local boards under the Act. Consequently no contribution is made by the Inamdars to the local fund from this source. In order to provide local boards with this additional source of revenue two methods are suggested :

(1) Local Boards should levy a tax on quarrying instead of merely having the fees assigned to them. Such a tax would fall on Government as well as on Inamdar's properties. Local Boards may be allowed to fix the rate of taxation subject to Government approval and quarries reserved for Government work should be exempted.

(2) Quarry fees which are levied by Inamdars in alienated lands should be subjected to local fund cess on the amount recovered by them.

69. The Committee is doubtful whether a tax on quarrying would be a suitable method. To bring the rate of the tax on a par with the fees levied under the Land Revenue Code and credited to District Local Boards would be a difficult process. This difficulty would be almost insurmountable, owing to the fact that quarrying operations are very irregular and vary from year to year or season to season because the demand for quarry materials is spasmodic and their prices fluctuate heavily. We, therefore, support the alternative suggested that the quarry fees collected by Inamdars should be subjected to local fund cess by a suitable amendment of the Local Boards Act.

70. We wish to add that this is not merely a question of raising an additional source of revenue. There is ample justification for levying this cess on quarries in alienated villages. It is a notorious fact that vehicular traffic to and from the quarries is a veritable cause of ruining the roads of local boards. These roads which are constructed by local boards suffer considerable damage particularly on account of the heavy bus traffic carrying quarry materials. The unhealthy and insanitary conditions created by labourers engaged in quarrying operations entail constant attention on the part of the local bodies.

71. The Committee is further inclined to suggest that Government should explore the possibilities of obtaining greater benefit for local boards in this matter than a mere local fund cess. Government will have to examine the legal rights of Inamdars in the matter or carry on negotiations with them with a view to induce them to part with a share of their income in this behalf. They will also have to examine the effect of the Government of India (Adaptation of Indian Laws) Order, 1937, referred to in our remarks on Fees and Fines under Chapter V.

Cess on Forest Revenue.

72. All districts are not uniformly endowed with nature's gift in the shape of forests. This natural wealth is unevenly distributed over the Province. In some districts where there are large forests, the area under cultivation is restricted, and Government and local board revenues therefrom are proportionately limited. We are of opinion that a cess of one and a half anna may be levied on forest revenue, this being the minimum rate we have proposed for cess on land revenue. We wish to make it clear that we do not recommend the cess to be levied on grazing or petty fuel fees but only on major forest produce like timber bamboos, sandalwood, etc., and minor but valuable products like myrabolums, lac, cinnamon, etc.

73. Local boards admittedly render useful service in the shape of roads, bridges and culverts to carry the forest products in the shape of medical relief to those engaged on forest work and in many other ways.

It stands to reason that those who make money out of these forest products should be made to bear a small burden of taxation. We do not apprehend that the levy of the cess will affect Government revenue on account of reduction in the sale proceeds of the forest products. Even if there is some decrease in their revenue, we think that Government should not grudge this assistance to local boards.

Assignment of Land Revenue.

74. Even when all our proposals regarding an increase in the local fund cess, levy of a cess on Forest revenue, assignment of a portion of the proceeds of the petrol tax, levy of a professional tax and the tapping of other sources are given effect to and even when Government grants are made definite and are placed on a statutory basis instead of remaining discretionary, the finances of local boards will require further augmentation. We have, therefore, very carefully considered whether the time has not arrived when a portion of land revenue may be assigned to local boards. As pointed out in the last Chapter, land revenue in India has been exclusively appropriated by Provincial Government and only a surcharge thereon in the shape of the local fund cess has been levied for the benefit of local boards.

75. Generally speaking, land revenue is an ideal tax for local purposes and eminently satisfies all canons of local taxation. In rural areas there is nothing except land that can be taxed. If, therefore, local expenditure incurred by rural bodies has to be met by local taxation, it is the land that must shoulder the burden. This is especially true in India where there are very few other sources in the rural areas that will yield any appreciable income.

76. Land revenue is really a "rate" as the term is understood in England; only the rate is fairly heavy in India. But it all goes to the Provincial coffers and filters down in dribblets in the form of grants to local bodies. It would appear that in practically all Western countries land revenue is the main source of the income of local bodies. Eminent expert authorities in India and foreign countries support this system as economically sound. Seligman, the great American authority on taxation, says that throughout the world reliance for local revenue upon the real estate is not only indisputable but is in complete harmony with the newer theories of finance. Bastable points out that all abstract reasoning and experience are in favour of this proposal. The Indian Taxation Inquiry Committee—than which there is no greater authority on India Taxation—recommend that a portion of the land revenue should go to the local boards.

77. Speaking on this subject the late Mr. G. K. Gokhale observed :

"In England the bulk of the contribution that comes from land goes to local bodies, the Central Government receiving only a very small amount as land tax. In France more than half the contribution from land goes to local bodies . . . In this country, however, the division

is in the proportion of 16 : 1, that is, sixteen-seventeenths goes to the State and only one-seventeenths to local bodies. Now there we have really a serious grievance . . . If we could get for our local bodies a much larger share of the contribution from the land even if the proportion was not high as in the West most of the financial troubles of these bodies will disappear."

(Quoted by Professor Kale in his work on Indian Economics.)

The question has been fully considered by public Commissions and other competent authorities in India. As we are here recommending a departure from the present system of taxation which has prevailed for years in India, the following extracts from authoritative reports will be appropriate.

78. The Decentralisation Commission recommended in 1907 as under :—

"In order to make the Boards more independent financially, the 25 per cent. Government grant on their land receipts should be distributed rateably to each district board. Any other Government grants which may still be necessary in poor districts, should be in lump sums, or in the shape of percentages of expenditure on such service as education. But such grants should in all cases be given under a quasi-permanent settlement and should not be subject to periodical revision. Nor should Government grants of this description be treated as justifying increased Government control."

79. Lawrence Committee appointed by the Government of Bombay in 1915 made the following recommendations :—

"We recommend further that to this same account (Local Fund Account) there should be added a share of the Local Revenue. In 1907 the Government of India appear to have accepted this principle when they allotted Rs. 7 lakhs as a contribution calculated on a basis of 3 pies in the rupee of Land Revenue.

* * * * *

We consider it of the greatest importance that these grants should be converted into permanent assignments of revenue and guaranteed against curtailments when the Provincial Government falls into financial difficulties. We are in fact suggesting that District Councils should be placed in the same relation to the Provincial Government and we submit that the arguments which the Provincial Government have so frequently employed in their negotiations with the Imperial Government apply almost with equal force to District Councils."

80. Mr. Martin the special officer whom Government appointed to consider the Lawrence Report and make recommendations has stated the case for such assignment very effectively :—

"The remaining suggestion is that of an assignment of a share of land revenue. This is undoubtedly the most appropriate source of aid to local boards. It is realised within their limits and paid by persons

who benefit by their operations. No other bodies could base any claim on the fact that a portion of a fund to which they did not contribute was returned to those from whom it was drawn. There are other arguments in favour of land revenue as a source of assistance to local boards. In rural areas, as has been pointed out by various authorities, land must be the main object of taxation. A house tax, a tax on the rayats' cattle, or a poll tax on himself are alternative or additional direct taxes which have been or are in force in various countries. None of these can be advocated as a general tax for rural India. Indirect taxation by octroi or similar means is impossible from the nature of the case and the Central Government has appropriated excise. The examination of other suggested taxes in the early part of this note will have shown that their possibilities are very limited. There remains the land. It is at present the chief source of local board revenue in India. In England in the form of rates it contributes largely to local taxation, the state land tax being of little importance. In France and Italy as has been shown before it contributes to both state and local funds, the latter getting the largest share, while in Germany the land tax has been wholly made over to local bodies. The difficulties in deriving further local revenue from it in India arises mainly from the fact that the State has already utilized this source of revenue. Whether land revenue is rent taxation or a rent charge need not be discussed in the present connection. What is felt is that land already contributes a large share to the public revenues and whether the difficulty in raising further funds from it for public purposes be economic or political, the result in the limitation of resources is, from the point of view of local boards, the same. If land made no other contribution to the general needs than the present one-anna cess, local taxation on it at a much higher rate would be little felt and paid without grievance. Again on the theory that land revenue is not a tax but a rent the argument may well be put forward that Government in its capacity as chief land owner of the country is directly interested in the meeting of its local wants and that in such matters as the improvement of communications and the creating of a healthy and intelligent agricultural population, the State in India has a peculiarly direct economic interest. There are, therefore, valid reasons for considering that rural areas and their local boards have special claims on the land revenue, and if a share of any definite revenue is to be assigned to local boards, the land revenue is a very obvious and natural one."

81. It has been strongly urged by witnesses before us that 25 per cent. of the land revenue should be assigned to local boards. In view, however, of the present financial position of the Provincial Government, we regard it as fair that 10 per cent. of the land revenue collected in each district should be assigned to the District Board. Unless this is done, we are afraid that the condition of local finance will remain unsatisfactory and that there will be no prospect of its becoming progressively more independent of provincial subventions.

A Tax on Professions.

82. It has been a long-standing grievance that non-agricultural classes in rural areas who enjoy the benefit of all the services rendered by local boards, do not contribute anything towards the expenditure of those bodies. Such of them as have incomes below the exemption limit pay no income tax and escape even provincial taxes. Those who carry on different trades in municipal areas have to pay the house tax and license fees which are a form of the professional tax. It has been estimated that an agriculturist who pays one anna local fund cess contributes about one per cent. of the value of his gross produce. Those who pay two annas local fund cess pay at a higher rate. The smallest agriculturist is not exempt from payment of the local fund cess. The non-agricultural class is generally more educated and intelligent and, therefore, takes greater advantage of schools and dispensaries run by local boards. It is, therefore, but fair that this class should shoulder its part of the burden of taxation. With the compulsory house tax in Panchayat areas these people will contribute something to the revenues of those bodies in common with the agriculturists who reside in the Panchayat villages. When the Panchayats levy other taxes, e.g., on the sale of goods within their limits, the non-agriculturists will bear a more reasonable share of the burden of taxation.

83. In order to devise methods for roping in these classes of persons, the Government of Bombay appointed Mr. D. H. Desai in the year 1930, to report on the problem of profession taxes. After due consideration of the report of this officer, Government issued Model rules for the levy of profession taxes. These rules are published under Section 100 (I) (b) of the Local Boards Act, 1923, as an accompaniment to Government Resolution, General Department, No. 3400, dated the 8th March 1933.

84. Under rule 3 of these Model rules, a profession tax has been described as an annual tax payable by :

- (a) every company which transacts business or carries on trade in the local area for not less than sixty days in aggregate in any year, and
- (b) every person who in any exercises profession, art or calling or transacts business or carries on trade or holds any paid appointment either public or private—

- (i) within the local area for not less than four months in the aggregate ; or

- (ii) without the local area, but resides within such local area for not less than four months in the aggregate.

By rule 6, incomes from following sources have been exempted from such payment :—

- (1) Agriculture,
- (2) Pension,
- (3) Interest or dividend from securities, shares or stocks.
- (4) Rents or profits from a house or land used for non-agricultural purpose and assessed to tax levied by any other local authority.

85. The schedule to the rules specifies the following groups that are proposed to be charged to profession tax :—

Group I.

- (1) Owners of Cotton Ginning Factories.
- (2) Owners of Cotton Pressing Factories.
- * (3) Owners of Flour Mills.
- * (4) Owners of Flour Mills with rice hullers and Oil Mills.
- (5) Manufacturers of aerated or mineral waters.
- (6) Owners of Hand Loom Factories.
- * (7) Owners of Factories not falling under entries 1 to 6 above which are driven by mechanical or electrical power.

*Factories which come under the Factories' Act should be assessed on a special graduated scale to be determined by the District Local Board according to local conditions subject to a maximum of Rs. 100.

Group II.

1. Excise and intoxicating drug licenses :
 - (a) Liquor shop-keepers.
 - (b) Toddy shop-keepers.
 - (c) Licenses of toddy booths.
 - (d) Licenses of bhang, ganja or opium.
2. Licenses of Public Conveyances plying for hire :
 - (a) Licenses of motor vehicles.
 - (b) Licenses of horse drawn carriages.
 - (c) Licenses of bullock-carts.
3. Hotel-keepers and boarding, eating or refreshment house-keepers.
4. All petty traders and shop-keepers not assessed under classes 1 to 3 with an average yearly income not exceeding Rs. 400.
5. Hawkers and itinerant vendors.
6. Persons carrying on any business, trade or calling, other than those falling under classes 1 to 5 above and under groups I and III including those who hold any public or private salaried appointments, who are in receipt of any aggregate yearly income.
 - (a) exceeding Rs. 400 but not exceeding Rs. 1,000;
 - (b) exceeding Rs. 1,000 but not exceeding Rs. 2,000;
 - (c) exceeding Rs. 2,000.

Group III.

1. Legal Practitioners—
 - (a) Practising barristers, advocates and pleaders.
 - (b) Mukhtyars.
2. Medical Practitioners—
 - (a) Practising physicians, surgeons and other registered medical practitioners.
 - (b) Dentists not falling under (a).
 - (c) Hakims, native physicians and other medical practitioners not falling under (a) or (b).
3. Engineers—
 - (a) Civil, Mechanical and Electrical Engineers and engineers other than those mentioned in (b).
 - (b) Mechanical Engineers working in ginning and pressing factories.
4. Contractors, brokers, architects, auctioners, insurance agents, photographers, owners of printing presses.
5. Stamp-vendors, petition writers and Gold and Silver smiths.
6. Carpenters, blacksmiths, tailors, barbers, potters and all other exercising a profession not included in any of the foregoing classes.

86. Rates or amounts payable by each of the above assesseees have been also mentioned. It seems rates have been fixed on a hypothetical calculation of a percentage varying from 2 to 5 per cent. of the gross income of each of them. Witnesses appearing before us have enumerated a number of other professions which can be added to the list. We do not propose to cite them here because we think that conditions in each local area vary so considerably that no uniform list would completely fit in with each of them. Nor is it possible to fix a uniform rate or amount that will be suitable for all districts. Each class will have to be independently assessed with reference to the conditions locally prevailing.

87. We endorse the view that these professional classes should be made to pay their share of the expenses of local administration. As regards the basis of assessment, income would have been an equitable basis. If this basis is not permissible under the Government of India Act, 1935, on the ground that this kind of taxation is a Federated subject, the assessment will have to be in the shape of lump sums fixed for each group based on the standards or units of measurement suitable to different professions. For example, the amount may be based on the outturn of a factory, e.g., per bale ginned in the case of a Ginning Factory, per engine horse-power in the case of factories, per head of cattle in the case of buffalo stables, per guntha of land occupied by brick or chunnam kilns etc. In the case of medical, engineering and other professions, the flat rate will have to be carefully selected. We cannot overlook the fact that a large number of people belonging to these classes have moderate incomes. The legal profession, for instance, is overcrowded and its earning capacity has continuously gone down so that it is

idle to expect any substantial contributions to local taxation from this class. It is true that some lawyers and doctors earn large incomes and possess good taxable capacity. It is difficult, however, to differentiate such people from those whose earnings are small, unless a tax depending on the amount of income is permissible to local bodies. A flat rate will, therefore, have to be so fixed as not to be oppressive to poor practitioners.

88. It has been pointed out to us that some of the blacksmiths, potters, tailors, barbers, carpenters, etc., are so very poor that it will be a real hardship if any taxes were levied on them. Furthermore, some of them may have agriculture as a major occupation and to them these professions may be subsidiary. It would, therefore, appear unfair to put more burdens on them. It is also urged that the amount of the profession tax to be collected in most of the villages would be very meagre and that the cost of collection would be out of proportion to the proceeds of the tax. We are alive to these difficulties. We are still of the opinion that those who carry on non-agricultural professions should be made to share the burden of taxes with others, though the amount payable by them may be fixed at a low rate consistent with their moderate paying capacity. Care must, however, be exercised in selecting the tax and the groups of persons to be taxed so that collection charges may not be too heavy compared to the yield of the tax.

89. The most difficult problem, however, relates to the agency for collection. District Local Boards cannot be expected to provide the staff required for collecting the professional tax if levied. To meet this difficulty it has been suggested that Government should lend their revenue machinery for the collection of the taxes. We approve the suggestion and think that Government should collect the professional tax through their village officers and may take from the local authorities collection charges in the same way as they do in respect of the collection of the local fund cess. We wish to point out here that the village officers should be paid special remuneration for the collection work. It has been estimated that 5 per cent. of the yield of the taxes collected would be considered adequate. In the case of factories, etc., we feel that direct collection by the district local boards would not be difficult and would be more economical. Village Panchayats may be asked to collect such taxes within their own areas. Village officers will have to be warned by higher revenue authorities to consider the collection work as a part of their normal duty which they cannot neglect with impunity. This warning seems to be necessary in view of the experience gained in this respect elsewhere. Not being subordinate to the district local boards, village officers have generally neglected this kind of work. In order to induce them to be careful, we have suggested above that adequate remuneration should be paid to them.

90. We would like to add that Government's fiscal and economic measures like the Sales tax and legislation regarding Money-lenders may encroach upon the sources of income which we have here recommended

for local bodies and that wherever such conflict between Provincial and local taxation arises, the interests of local boards should be adequately safeguarded. Government should hand over a substantial portion of their net collection in such cases to local boards.

Other Taxes.

91. (a) House tax, (b) Non-agricultural assessment, (c) Tax on marriages, adoptions and feasts, (d) Entertainment tax, (e) Surcharge on electricity and (f) Petrol tax.

In our remarks on the above taxes in municipal areas in section A of this Chapter, we have made recommendations regarding their application to Local Boards.

The Octroi Scheme for the Ratnagiri District.

92. The Committee has been asked to consider the question of the levy of octroi duties by different local bodies in the Ratnagiri District, particularly with reference to the proposal for a Joint Octroi Board, which has been under consideration of the Government and the different local bodies in the district for some time past.

93. The only practical solution appears to be to have one single octroi levy for the whole of the district and the division of the net proceeds among the different local bodies in some defined proportions. From an examination of the voluminous correspondence on the subject and of the discussions that have taken place on it, it appears that there is no material difference among the local bodies regarding the proportionate share to be distributed among them. The main difficulty, however, seems to relate to the constitution of the board for the joint administration of octroi. An agreement regarding the representation of different local bodies could not be arrived at conferences held for the purpose and the legal difficulties with regard to the administration of such a joint board have not been surmounted. Section 102 of the Local Boards Act provides that only one of the bodies entering into agreement for the collection of octroi is to run the administration. It would seem that Government have power under Section 46 (2) of the Act to require the concurrence of the unwilling local bodies and the formation of a Joint Board. Government should now intervene and enforce the formation of a joint board, safeguarding the interests of all units concerned. In this connection, we find that there was some correspondence between the Customs Authorities and the local bodies regarding the collection of octroi by the former at ports and somehow those authorities could not be persuaded to undertake the responsibility. If Government could induce them to give their assistance in the matter, the problem of joint collection could be easily solved. We hope that efforts will be made in this direction. If they do not succeed, however, it will be up to Government to enforce the scheme of a joint administration in order to safeguard the interests of the units concerned.

CHAPTER V.

OTHER FINANCIAL RESOURCES.

Grants to Local Bodies.

94. Grants to local bodies may be divided into two sections—
- (1) Grants to District Local Boards ;
 - and
 - (2) Grants to Municipalities ;
- and each of these may again be further divided into—
- (a) Statutory grants ;
 - and
 - (b) Non-statutory or discretionary grants.

1. Grants to Local Boards.

(a) STATUTORY.

(i) Grants on account of Salaries etc.

95. Grants on account of salaries of (1) Chief Officers or Engineers and (2) Health Officers. Under Section 119 of the District Local Board Act, 1923, Government pay two-thirds of the "salary" of either the Chief Officer or the Engineer (not of both) if the appointment is made with the approval of Government. Government have also laid down scale of salaries and grades for these officers which they would recognise for the payment of such grant. Government similarly pay two-thirds grant on the "salary" of the Health Officers appointed by Local Boards.

All the Local Boards have appointed either the Chief Officer or the Engineer and some have appointed both. One or two have combined the posts. Only two Boards have appointed Health Officers. We have stated elsewhere that grants in respect of Health Officers have not been encouraging enough and suggested that Government should go further and shoulder two-thirds of the total expenditure on the Health Department of District Boards to enable them to maintain such a Department. We have also suggested that the scales of pay of Health Officers may be reduced in view of the fact that capable persons are available on lower salaries.

96. We have, in this connection, to draw the attention of Government to Government Resolution, General Department, No. 259/33, dated the 24th February 1934, wherein they give an interpretation of the word "salary" used in Section 119 of the Local Boards Act, 1923. This Section lays down that Government shall pay two-thirds of the "salary" of such officers whose appointment is approved by Government. The Government Resolution says that the term "salary" in this Section does not include allowance payable during leave and states that Government will not pay any subsidy in respect of leave allowance of these officers.

This decision of the Government in the opinion of the Committee, is not fair. Government are, therefore, urged to revise it and to include leave allowance in the subsidy payable to local boards in this behalf. The local bodies have to pay these allowances to their staff and they are entitled to expect the payment of two-thirds of such amount under the provisions of this Section.

(ii) *Grants to compensate Local Boards for abolition of Tolls -under Section 9 (1) of the Motor Vehicles Tax Act.*

97. Levy of tolls by district local boards has been abolished and replaced by the motor vehicles tax. To compensate them for the loss of revenue caused by such abolition, the Motor Vehicles Act provides for a grant to local boards of an amount equal to the net average income of these boards for three years prior to such abolition, plus 10 per cent. over the amount. The following table gives the names of local bodies together with the amount they will receive under the scheme :—

	Rs.		Rs.
Ahmedabad	53,250	Poona	11,962
Kaira	3,379	Satara	27,970
Panch Mahals	2,611	Sholapur	34,829
Thana	1,19,230	Belgaum	43,610
Bombay Suburban	12,407	Bijapur	30,581
East Khandesh	55,641	Dharwar	39,569
West Khandesh	6,668	Kolaba	23,493
Ahmednagar	34,184	Ratnagiri	16,455
Nasik	18,517	Kanara	1,351

98. This arrangement is most unsatisfactory. The income from the motor vehicles tax is likely to increase from year to year and 10 per cent. increase to which payment of grants is restricted is hardly equitable. Some statutory arrangement should be made for providing an increase in grants proportionate to the increase in provincial revenue from this source. The present arrangement, like the commutation of one anna cess on excise revenue, is calculated to deprive local bodies of an increasing source of revenue and transfer the same to the provincial treasury.

(iii) *Primary Education Grants.*

99. At the time of the transfer of control of primary education to district local boards under the Primary Education Act of 1923, Government contributed 87 per cent. (see page 507 of the Reviews of Administration) of the total expenditure of district local boards on Primary Education. Under the Primary Education Act Government grant is two-thirds of the expenditure approved by Government. It may be mentioned that the word "approved" has permitted Government to disapprove legitimate expenditure incurred by local bodies on expansion of Primary Education. We know many schools have remained "unapproved" for a number of years simply because Government could not

see their way to "approve" them. Despite cuts in their grants which were freely applied by Government on account of their financial difficulties, local bodies have not spared their efforts to expand primary education by spending additional amounts out of their own slender resources. Apart from this the very basis of local bodies' claim to Government grants has been knocked off in a recent High Court case and the grants have been held to be merely discretionary. The Act should, therefore, be amended so as to define the legal liability of Government in most unambiguous terms. The proportion of 66-2 3 for local boards and 50 per cent. for municipalities should be definitely laid down for voluntary as well as for compulsory expansion schemes. Local Boards have come forward to shoulder their share of expenditure. It is the Provincial Government that has not fulfilled its obligation.

Local bodies appear to be inclined to continue to bear their share of expenditure as provided in the Primary Education Act for the expansion of primary education by the levy of additional cesses or taxes, provided, however, that Government do not insist on the continuance of their present policy of centralisation.

(b) NON-STATUTORY.

(iv) *Grants for Local Public Works.*

100. There are lump sum grants paid according to the decisions of the Commissioners as regards necessity and nature of works to be carried out. Following factors are taken into consideration by Commissioners in the distribution of these grants (*vide* Government Resolution, General Department, No. 9447, dated the 23rd May 1938):—(i) The income of each district local board in relation to the area to be provided for and the length of its roads. (ii) The comparative cost of maintenance and construction of roads, having regard to the rates of road materials and labour. (iii) The manner in which the expenditure was incurred and results obtained by the district local board in the previous year. (iv) The amount expended by the board from its own funds to supplement the Government grants. (v) The utilisation of the previous year's grant for the purpose for which it was primarily intended. (vi) Additional amounts, if any, required to supplement the boards' expenditure on special objects such as expensive bridges, etc.

101. The amounts allotted are solely based on the funds available to the Provincial Government who distribute lump sums to the Commissioners with instructions to take the above factors into consideration. Though these principles for distribution of the grants may be unexceptionable in theory it would be utterly impossible to apply them with accuracy while distributing grants to individual local bodies. There is, therefore, in practice a wide margin of discretion left with the Commissioners. Local Boards have merely to plead for large grants from year to year and depend more or less on favours rather than on any principles. We agree that it would be impossible to eliminate

altogether the element of discretion but we do feel that certainty and continuity in the amounts to be sanctioned should be attempted. Due consideration should be given to the efforts made by local bodies towards developing their financial position. Those who tax themselves adequately should have some preference over those who refuse to levy taxes to the extent which in the opinion of the Provincial Government, conditions in the area warrant.

102. Government ask each local body to submit every year a programme of works which it intends to undertake during each of the next three years and insist upon incorporating in the programme every year additions and alterations suggested by Collectors and Commissioners and upon their adhering to the programme. No alterations are permitted unless previous Government sanction is obtained. At the same time, Government do not give to the local bodies any indications as to what grants they may expect for the three years. This is unfair as it causes a lot of disturbance and inconvenience.

103. A distinction is made between original works, special repairs and ordinary repairs. It seems to be generally assumed that grants are not meant for ordinary repairs, expenditure whereon the local bodies are supposed to meet out of their own funds. It seems to have escaped the notice of the authorities, that the burden of ordinary repairs on all the works carried out originally by the aid of grants increases annually and the local boards' finances remain more or less steady. The result is that ordinary repairs tend to be neglected in the scramble for grants for new roads and special repairs. This danger is real and should be taken into account.

(iv) *Dispensary Grants.*

104. When the Surgeon General sanctions an annual grant-in-aid for a dispensary, the amount paid is half the net cost of maintenance as approved by him or one-third of the actual expenditure whichever is less, "so far as the budget allotment placed at the disposal of the Surgeon General permits". The estimates of the cost of maintenance included a contribution by local bodies to Government of Rs. 200 for a Bombay Medical Service Officer and Rs. 90 for a Subordinate Medical Service Officer who may be lent by Government to be placed in charge of the dispensary.

105. There are in all 166 hospitals and dispensaries in the rural areas and 284 in the urban areas, making in all 450. Of these, 44 are Railway dispensaries, 8 special Government dispensaries, including police, canal, salt department, Reformatory or agricultural dispensaries, 44 are Government civil hospitals and dispensaries maintained mainly at Government expenses, 39 being private unaided dispensaries and 14 private aided dispensaries. The remaining 296 dispensaries are run mainly from local and municipal funds. We recommend that in the case of those 296 dispensaries of which 121 are in rural areas and 175 in urban areas, Government aid should be in proportion of 50-50 in the case of the former and 40-60 in the case of the latter.

(v) Expenses of Local Board Elections.

106. Municipalities manage elections and defray their expenses from their own funds. District Board elections are managed by the Collector under sections 11, 13 and 14 of the Local Boards Act, 1923, and expenses for the purpose are incurred by Government. It seems, however, that Government treat these expenses as non-statutory grants to local boards. These expenses come to about Rs. 40,000 per annum. It has now been suggested that Government should stop this grant, that the district local boards should themselves bear the expenses incurred for the elections and further that sections 11, 13 and 14 of the Local Boards Act should be amended so as to provide that district local boards should also manage their elections.

We are unable to support these suggestions. We are of opinion that Government should continue to conduct the district local board elections and bear the expenses thereof. If these expenses are to be treated as grants, the grants should be statutory and not withdrawable at the discretion of Government. There is no analogy between municipal and district local board elections. The finances of local boards are poor and it will not be fair to expect them to bear this additional burden. Government have in their possession records required for the preparation of the electoral rolls and have at their command a staff for conducting the elections. Local boards have no such staff.

(vi) School Board Elections.

107. We should like to add that expenditure incurred by local boards for School Board elections should no longer be borne by them, in view of the fact that the powers of local authorities under the Primary Education Act are resumed by Government. If the School Boards are abolished, this question will be solved automatically. In the meantime, district local boards should be freed from this burden. At present this expenditure is not even admitted for Government grant under orders issued by Government under the Primary Education Act.

(vii) Veterinary Grants.

108. Veterinary service is one of the discretionary duties of municipalities and local boards. On account of the public sentiment in the matter or relief to diseased cattle, local bodies have been spending increased amounts towards this service. During the year 1936-37 they spent about Rs. 1,20,000 for veterinary dispensaries. Government grants which are only discretionary are very limited. Grants allotted for 1938-39 amount to Rs. 27,300 in all. This petty amount has been distributed to 116 dispensaries run by local bodies—most of these dispensaries getting only Rs. 200 annually. We recommend that these grants should be substantially increased and placed on a statutory basis. Local bodies are rendering a real service to the agriculturists by meeting expenditure for treatment of cattle disease.

(viii) Grants for Public Health Schemes.

109. Please see our remarks under Grants to Municipalities (paragraphs 114-116).

(ix) Establishment grants to Local Boards.

110. Under Government Resolution, General Department, No. 1134, dated 18th October 1921, Government sanctioned an annual grant of Rs. 5,000 to each district local board to assist these bodies in maintaining adequate establishments for the transaction of their business. In 1931-32, Government curtailed this grant by 25 per cent. to effect retrenchment in provincial expenditure. By Government Resolution No. 1134, dated the 12th April 1938, Government discontinued this grant altogether with effect from 1938-39 on the ground that it had outlived the purpose for which it was originally intended and encouraged certain local boards not to develop fully their financial resources. We feel that the tendency of certain boards not to develop fully their resources should not be met by discontinuance of the grant of "all the boards". In view of the grant Government would be justified in laying down conditions regarding the maintenance of an adequate and qualified staff. We therefore recommend the restoration of the grant in the case of those bodies who fulfil this condition.

2. Grants to Municipalities.*(a) STATUTORY.**(i) Primary Education Grants.*

111. Government are paying 50 per cent. of the approved expenditure. Please refer to our recommendations in this behalf in the section (1) above relating to local boards—paragraph 99.

(ii) Motor Vehicles Act.

112. We have dealt with these grants above in the local board section under paragraphs 97-98 and have pointed out the inequities of the arrangement at present in force under the Motor Vehicles Act. Municipalities have lost under these arrangements a potential source of an ever-increasing revenue. Those municipalities which before the passing of the Motor Vehicles Act had not levied tolls on motor vehicles or had restricted the area of their operation because the motor traffic had not developed to any appreciable extent or for any other reason will not be able to tackle this source in future.

(iii) *Towards the Salaries of Health Officers and Sanitary Inspectors.*

113. In our recommendations made under the heading "Responsibilities of local boards and municipalities regarding Public Health" in Chapter VII, we have stated that a grant of 50 per cent. of the approved total expenditure on Public Health should be given to municipalities.

(iv) *Public Health Schemes and Government Charges.*

114. The following scales of fees are levied by Government from local bodies for Public Health Schemes :—

(a) *For primary investigation and report.*—Travelling and halting allowances of the Consulting Public Health Engineer and his staff.

(b) *For carrying out detailed survey.*—Estimated cost of survey, including cost of establishment engaged.

(c) *For preparation of Projects with estimates.*— $2\frac{1}{2}$ per cent. of the estimated cost minus amounts paid for (a) and (b).

(d) *For scrutiny of schemes prepared by a non-Government agency.*— $1\frac{1}{2}$ per cent. of the estimated cost.

(e) *Inspection by Consulting Health Engineer in case of works by non-Government agency.*— $1\frac{1}{2}$ per cent. of the works outlay.

(f) *Construction of Works by Public Works Department.*—Establishment and tools and plant charges at 15 per cent. inclusive of $2\frac{1}{2}$ per cent. mentioned in (c).

115. There are besides travelling and other expenses recovered from local bodies. It has been a universal complaint from local bodies that these charges are prohibitive. It has been represented to us that Government assistance and expert advice should be made available to local bodies, on payment of nominal fees, if not absolutely free of cost. We are unable to accede to the latter suggestion. In view, however, of the necessity of encouraging public health projects of local bodies and of the importance of the matter to the province as a whole, we recommend that these charges should be considerably reduced.

116. We suggest that charges in respect of the first two items be forgone altogether. For items (c), (d) and (e) the percentage charges are prohibitive. They may be replaced by a scale of charges depending upon the estimated cost of the scheme. The maximum charges for very small schemes should not exceed 2 per cent. The scale might be progressively reduced and brought down to about $\frac{1}{4}$ per cent. for schemes costing say 7 lakhs of rupees. For item (f), the Committee recommends that the maximum charge which Public Works Department should levy should not go beyond $7\frac{1}{2}$ per cent. in any case. If the actual costs to Government

exceed the amount recovered from local bodies, we recommend that the excess should be treated as a grant to the local body concerned.

117. *Other Grants.*

(v) *Dispensary Grants* } See our remarks under Dispensary Grants
(vi) *Veterinary Grants* } to local boards—paragraphs 104, 105 and
108.

(vii) *Grants for Slum Clearance and re-housing of the poor and for housing Harijan employees of local bodies*—See Chapter VII.

Public Utility Concerns.

118. Several witnesses have stated that local bodies should run Public Utility concerns as a means of increasing their revenue. A number of such concerns have been mentioned as being suitable for the purpose. It is not necessary to discuss the academical question as to the propriety of local bodies organising and managing Public Utility concerns. We see no objection to the municipalisation of certain Utility services, provided Government sanction is previously obtained. Government will have to examine each proposal carefully and sanction it, after it is satisfied that the local body proposing a scheme is likely to run the concern efficiently and economically. We fear that not many local bodies will be found capable of running important Utility concerns. Experiments in this direction may, however, be permitted in the case of the larger municipalities, where successful running of Utility services like buses and trams should not be difficult. Water Supply, however, should, in our opinion, be always owned and managed by local bodies.

119. Whenever contracts are entered into by local bodies with private concerns for the supply of Utility services, like electricity, etc., they should reserve to themselves the right to purchase the concerns at the end of a stipulated period of years. Every contract in respect of utilities to be entered into by local bodies should be subject to the approval of Government, who may be expected to see to it that the interests of rate-payers are safeguarded. Government should render, free of cost, all possible technical and legal advice to local bodies, particularly smaller ones, in the matter of these contracts.

Loans.

120. The problem of Western countries is that of a great accumulation of local indebtedness and how to restrict or control its growth. The problem here is how to encourage local bodies to undertake works of permanent utility by resorting to loans. The following statement will

show the position of indebtedness of mofussil municipalities in our Province as on 31st March 1933 :—

Name	Unpaid Balance of the Loan.
	Rs.
1. Ahmedabad Municipality	33,70,000
2. Bandra Municipality	4,38,147
3. Kurla Municipality	1,62,051
4. Ghatkopar Municipality	28,911
5. Vile Parle Municipality	27,011
6. Ahmednagar Municipality	6,33,862
7. Amalner Municipality	98,996
8. Jalgaon Municipality	4,11,014
9. Dhulia Municipality	60,634
10. Nasik Municipality	514
11. Poona City Municipality	23,65,399
12. Lonavla Municipality .. ..	....
13. Baramati Municipality	1,753
14. Satara City Municipality	1,59,500
15. Vita Municipality	23,292
16. Panchgani Municipality .. ..	....
17. Sholapur City Municipality	57,826
18. Barsi Municipality	90,363
19. Bijapur Municipality	2,71,000
20. Bagalkot Municipality	12,000
21. Hubli Municipality	64,263
22. Ranebennur Municipality	3,635
23. Nargund Municipality	2,983
24. Nipani Municipality	15,000
Total	<u>82,98,154</u>

121. It will be observed that the above figures are for mofussil municipalities only. Local works financed by district local boards with loans are negligible. Again, only 24 municipalities out of a total of 130 have loan accounts. Unpaid balances of all the loans raised by these municipalities put together come to only Rs. 83,00,000 as against the annual income of over Rs. 2,00,00,000. Of these 83 lakhs, Ahmedabad and Poona account for Rs. 57 lakhs, i.e., about two-thirds. The purposes for which these loans were taken are Town Planning Schemes, Water Works, Drainage, Electric Extensions, Construction of roads, Markets, Municipal Offices, School Buildings, Public Latrines and purchase of Fire Engines and Hydrants.

122. This state of things reveals that most of the municipalities fight shy of loans for their capital expenditure. Such works as they undertake are met generally from current revenues. The problem therefore is how to discourage this pay-as-you-go habit and overcome the undue timidity of local bodies in the matter of raising loans. Advantages of spreading out the burden of expenditure on more or less permanent improvements over a number of years and of equalising the "even flow of expenditure" should be impressed upon them.

123. Expenditure from current revenue on permanent improvement generally results in starving essential services. Such expenditure should, therefore, be restricted. It may be laid down as a general principle that all expenditure on improvements of capital works should be met from loans, unless it comes out of accumulated surpluses or is of such a small amount when compared with the total revenue as would not result in stifling essential services. Municipalities should not go on accumulating surpluses with a view to spend them on capital works. Such a procedure tends to saddle the present generation with the financial burden of works the benefit of which will be reaped by posterity.

124. It is difficult to say definitely what capital works should be undertaken by raising loans. We may lay down the rough rule that all expenditure on works whose "effective life" extends beyond seven years should be met out of funds raised by loans. The Municipal Account Code should prescribe some such condition. Even where the life is shorter, we would recommend short-term over-drafts from banks. Government should adopt some summary procedure for sanctioning such short-term loans, for which local bodies should not have to resort to the lengthy procedure prescribed by the Local Authorities Loans Act. At present contracts entered into by local body for such works as the asphaltting of roads which provide for payment by a system of instalments extending over a period of twelve months are considered objectionable under section 2 (b) of the Local Authorities Loans Act, because such deferred payments are held to amount to loans and, therefore, the procedure for appropriate Government sanction prescribed by the said Act is insisted on. In such cases we recommend a summary procedure for Government sanction. For long term loans, borrowing from banks is not a practical proposition. Nor can a summary procedure for Government sanction be recommended in such cases. Safeguards provided in the Local Authorities Loans Act and Rules made thereunder are indeed necessary to prevent local bodies from incurring imprudent debts. But we do recommend a simplification of procedure or a readjustment of official machinery so that loan applications from local bodies can be disposed of within the shortest possible time. It is a universal complaint that Government take an inordinately long time to sanction loans. Adequate official guidance should also be provided to local bodies as regards the proper submission of the particulars required. Prolonged correspondence carried on in respect of such applications can be curtailed if the Departments concerned give up their present dilatory practice of dealing with such applications.

125. After the proposal for borrowing money is approved by Government the question arises as to whether Government should advance the loans or ask local bodies to raise them directly from the open market. We understand that the present policy of Government is to encourage local bodies to raise loans from the open market. We approve of this policy. It will give local bodies experience in the methods of borrowing for capital works. In a few cases where municipal loans cannot be raised locally at reasonable rates, the provincial Government should come forward to advance money for suitable approved works at a reasonable rate of interest.

Construction of New School Buildings.

126. The Committee has been asked to give its opinion as to whether local bodies would be able to adopt a regular programme of construction of school buildings, if they are encouraged to raise the necessary funds by means of loans. We do not feel that it would be a feasible proposition except in the case of a few bigger municipalities. We have recommended an increase in the Local Fund Cess, levy of Educational tax and other measures for improving the financial position of local bodies. In making these recommendations, we have specially borne in mind the necessity of larger expenditure on primary education. If our recommendations are accepted, we hope, that the laying down of a programme for the constructing of school buildings would become possible, provided loans are made available at low rates of interest and substantial Government subsidies towards the cost of construction are forthcoming.

Fines and Fees imposed and collected under Local Self-Government Acts.

127. At present fines imposed by Courts or fees and fines realised under the provisions of the Local Self-Government Acts are credited direct to local bodies. Under sections 78 to 80 of the Government of India Act, 1935, such payments can no longer be directly made. They must be credited to the general revenues. These provisions have therefore been omitted or amended by the Government of India (The Adaptations of Indian Laws) Order, 1937.

128. The committee has been asked to consider the following questions and give its opinion thereon :—

(i) Whether fees and fines realised under the several Acts should not be paid to local bodies.

(ii) If they should be paid, whether they should take the form of grants-in-aid which will be subject to the vote of the Legislature or

(iii) Whether they should be charged on the provincial revenues by a legislative enactment.

129. In reply to question No. 1, we have no hesitation in recommending that the proceeds of the fines and fees realised under the several Acts should be paid to local bodies. They have been receiving them so far and there is no reason why they should be deprived of this income. As regards questions Nos. (ii) and (iii), it would be more satisfactory if the amounts realised as fines and fees are charged on the provincial revenue by passing necessary legislation instead of their taking the form of grants-in-aid and being subjected every year to the vote of the Assembly. Pending such legislation, amounts realised may be paid to local bodies as grants. Care should be taken to put them on the same basis as statutory grants, not subject to withdrawal or reduction. In the case of fines, we agree that Government may fix a percentage deduction to defray the cost of collection of such fines, incurred by Government in the trial of cases. In the case of fees, etc., expenses are not likely to be appreciable. We, therefore, recommend that Government should not make any deduction when crediting them to local bodies.

CHAPTER VI.

ADMINISTRATION.

130. The successful working of democratic institutions like the local bodies is governed by three things, viz., (1) intelligent interest taken by rate-payers in their affairs, (2) wise policies laid down and carried out under their control and guidance by the elected members of these bodies and devotion to duty and vigilance on the part of office-bearers and (3) honest and efficient staff. Questions relating to the franchise and qualifications for members are also important from this point of view.

Adult Franchise.

131. In our opinion the time has now arrived to introduce adult franchise in the election of local bodies, rural as well as urban. It has been estimated that at present about 21 per cent. of the population in municipal and 9 per cent. in the local board areas enjoy the right of voting. It is further estimated that on the basis of adult suffrage 50 per cent. of this population will be enfranchised. In the municipal areas there is little difficulty in introducing adult suffrage. In the case of local board areas, the difficulties are, however, more apparent than real. Village Panchayats will be compulsorily established in all villages with a population of 2,000 and over. Many Panchayats will be established in the areas where the population is below 2,000. Adult franchise has been practically provided for in the Panchayat Act. There will, therefore, be no difficulty in the preparation of the rolls in all important parts of the rural districts. In non-panchayat areas, the village officers, with such extra assistance as may be needed, ought to be able to prepare electoral rolls and otherwise help in conducting elections.

132. Illiteracy has been advanced as an argument against the introduction of adult franchise. It is stated that it would be difficult to bring home to the illiterate people the value of a vote, to take them to the polling booths and make them mark the ballot papers correctly. Experience of recent elections to Provincial Assemblies and local bodies belie all these fears. Though the franchise was widened, the percentage of voters exercising their right of voting even in rural areas was very high and would compare not unfavourably with the percentage in the rural areas of advanced countries. The percentage of invalid votes cast in rural areas was also surprisingly small. The difficulties of bringing the voters to the polling booth are indeed there, but they are not insuperable. The number of polling booths can be increased and there is considerable room for economy in the expenses incurred for elections. The allowances paid to various officers may either be stopped or considerably curtailed. All elections may be held on Sundays so that services of Government staff and the staff of local bodies can be availed of without interference with their usual office work. We are laying so much emphasis on adult suffrage because of the civic and political education

that the right of voting brings to the masses. Literacy need not be made a condition precedent to the enjoyment of this right. Efforts to make people literate can very well go on along with those for making them politically conscious.

Qualifications of members and Office-bearers.

133. In the interest of efficiency, we recommend the following minimum qualifications for members and office-bearers of local bodies :—

<i>A. For members of :</i>	<i>Minimum Qualification :</i>
(1) Municipalities ..	.. Vernacular Final or IVth Standard English.
(2) Local Boards ..	.. Passing of the IVth Standard in any of the recognised Indian languages of the district.

<i>For Members of :</i>	<i>Minimum Qualification.</i>
(1) Borough Municipalities ..	.. A graduate of 7 years' standing.
(2) Local Boards ..	.. A graduate or a matriculate with five years' membership of a local body.
(3) District Municipalities ..	.. Matriculation.

134. We know that we are reducing the field for selection of members but the minimum qualifications laid down are so low that in practice the restriction will not operate as a hardship. Explanation, however, is called for, for prescribing higher qualifications for Presidents and Vice-Presidents. This we have purposely done because the Presidents are expected to be the pivots of local administration. In case no elected member possess the qualifications prescribed above for the office of the President or where the majority of the elected members so desire, they should be permitted to select any one from outside, who possesses the qualifications of a voter in addition to the qualifications prescribed for the President's office. In such cases the total number of members will be increased by one.

We have no doubt that if the above recommendations are adopted many of the evils attributed to the administration of local bodies will be mitigated, if not eradicated. Members and office-bearers with the qualifications proposed will be able to understand better the problems of local administration and will be able to discharge their duties more efficiently. With the rapid spread of education, no difficulty will be experienced in finding persons with the necessary qualifications to become members and office-bearers.

Elections.

135. Election rolls are at present prepared in a most perfunctory manner. The rolls for elections to the Provincial Assembly are full of errors. Names are incorrectly given. Those of deceased persons and

of those no longer resident in the locality are not removed from the lists. Under the present law, names of persons included in the provincial Legislative Assembly rolls have automatically incorporated in the municipal and local boards' rolls. All the mistakes of the former are thus transferred to the latter. The first thing required, therefore, is to have independent local election rolls.

136. As a result of the recommendation we have made in favour of the adult franchise, many of the difficulties regarding ascertainment of the qualifications of voters will be removed. If the rolls are once carefully prepared, alterations therein will be mainly in respect of additions of persons who attain majority or of new adult residents and omissions of the deceased or of those who leave the jurisdiction. We would insist upon the yearly compilation of the rolls by every municipality. Along with annual reports, local bodies should be asked to supply information to Collectors regarding the preparation of their election rolls and these officers should insist upon their compilation every year. In case of default, the rolls may be got prepared by Collectors at the expense of the defaulting municipalities.

137. It is easy to bring on the roll all persons who are property owners or tax-payers. The case of tenants is a little difficult. Greater difficulty is however likely to be experienced in bringing on record all the adults residing with property owners and tenants. We, therefore, recommend that the law should provide for a compulsory return to be made by property holders of (i) adults who reside in premises occupied by them and (ii) their tenants. Tenants should be similarly required to give the names of all adults who reside with them. A penalty should be provided for omission to make the returns. Such returns should be made by land-lords every time a tenant vacates or takes up his premises. Municipalities should keep the roll corrected from month to month as these returns are made. In this connection we have to suggest that returning officers should be permitted to make corrections in the names of voters in the electoral rolls if clear identity is established.

138. It would be desirable if the conduct of elections is taken over from the municipalities and Collectors are made responsible for them. Appeals against the rejection of nomination papers are provided at present. They should also be provided against acceptances of nominations, as there is equal cause of complaint in the latter case. Election petitions are heard by a Judge who is considered a "persona designate". His decisions are not, therefore, appealable. The law should be amended in this respect and appeals should be allowed.

System of Voting—Cumulative or Distributive.

139. We have carefully considered the comparative merits of the Cumulative and Distributive systems of voting in relation to the conditions prevailing in our Province and we feel that Distributive voting should be provided for in election to all local bodies. All important

minorities have been given separate representation and their interests have been duly safeguarded. In the circumstances, we do not see why the system of cumulative voting should be retained. Cumulative voting tends to emphasise, widen and perpetuate communal and sectional differences, which the system of Distributive voting would help to prevent.

140. The distribution of votes should be made compulsory so that every voter will take interest in the merits of all the candidates and select from them such persons as he thinks. These improvements in the system will bring different communities in closer and friendlier relations to one another. We have examined the system of Distributive voting working in the Ahmedabad Municipal elections and find that minor communities have not suffered any disadvantage and that communal differences have been kept at bay.

Compulsory Voting.

141. It has been suggested that voting should be made compulsory at least in the case of municipal elections, and that a penalty should be imposed on voters who fail to record their votes without sufficient cause, such as illness, etc. We recognise that the act of voting is the exercise of a right as well as the performance of a duty. Adult franchise, which we have recommended, will provide for the universal extension of the right. Time has not yet come when we can insist upon the universal performance of the civic duty and inflict punishment for non-performance. We do not, therefore, accept the suggestion.

Partial retirement of Members every year.

142. We do not likewise approve the suggestion to introduce the system of partial retirement of a proportion of members of local bodies every year. The system has indeed its advantages. But we do not see sufficient justification for disturbing the present method of triennial general elections.

Alderman.

143. Since nominations to local bodies have been abolished, it has been suggested that the English system of co-opting a certain proportion of outsiders as members may be adopted here. We do not recommend this innovation. The system of co-option which prevailed in the Bombay Corporation is stated to have failed to give any satisfaction and had to be given up.

Period of Membership.

144. We are not in favour of extending the life of the Beards from 3 to 5 years. Five years is rather too long a period. Shorter the term of office, the greater the control of the voters over the members. A longer period tends to make the members apathetic and forgetful of their duties to their constituents.

Number of Members of Local Bodies.

145. The number of members of district local boards was recently increased when taluka local boards were abolished. The strength of municipal boards is more than adequate. We do not recommend any further increase in the strength of either of these classes of local bodies, even with the adoption of the adult suffrage. Members elected by constituencies with a large number of voters would generally be of better capacity than those returned by smaller constituencies and they would be less parochial in their outlook. A small council would, in our opinion, be able to discharge its duties more expeditiously.

Joint or Separate Electorate.

146. In the present state of communal feelings, we refrain from making any detailed recommendations on the issue of joint *versus* separate electorates. We would decidedly prefer joint electorate with reservation of seats for Mohamedans, Harijans and women. We hope that the time may soon come when we can do away even with such reservations. With the introduction of the adult franchise the reservations will be found to be unnecessary.

Committees.

147. Local Self-Government Acts provide for the appointment of several committees with executive powers. This provision is fully availed of and a number of committees are appointed and executive responsibility is divided among them. The practice generally is to find room for a number of members on one or more committees regardless of the qualifications, fitness or aptitude of the persons for the work of those committees. Chairmanships of these bodies are often offered to persons who are inconvenient just to placate them. Worse still, the posts frequently serve as pawns in the game of party politics. We find that much of the laxity in administration can be traced to this practice of dividing executive responsibility among several committees. Existence of numerous executive committees does not permit of any co-ordination and is mainly responsible for delay in the disposal of business. Much time of the staff is wasted in attending to the work of these bodies. In the circumstances, we recommend that all executive work should be concentrated in one committee which should be styled the "Standing Committee" in all the Acts.

Constitution of Standing Committees.

148. Two questions regarding the constitution of Standing Committee have been specifically referred to us, viz.,

- (i) Whether it is advisable to increase the number of members of the standing committee or district local boards to one-third of the total number of members.

(ii) Whether it is advisable to introduce the method of Cumulative voting in the election of sub-committees of all local bodies.

(i) *Number of Members of the Standing Committees of District Boards.*—Under section 36 (1) every local board has to appoint a standing committee consisting of not more than seven and not less than five members as the board may decide. It is provided in section 36 (3) that in addition to the members so appointed, the President shall be *ex-officio* member and Chairman of this Committee. This section was enacted when taluka local boards existed. The number of members on the district local board has been increased since their abolition. It is argued, therefore, that the strength of the standing committee should also be increased. The underlying idea is that all communal and regional interests should be represented by an increase in the number.

149. We are unable to accept the suggestion for increasing the number of the members of the standing committee. Such an increase would make the committee unwieldy and unbusinesslike. For expeditious disposal of the board's work, it is essential that this important committee should be a small and a compact body. If the introduction of communal and regional considerations is permitted in the appointment, sectional interests are bound to come into play in the execution of the board's work. Even when taluka local boards existed the standing committees were not appointed on any such sectional or regional considerations. We may add here that one of our suggestions for increasing the efficiency of local bodies is to concentrate, subject to the powers of the president, all executive functions in the Standing Committee. It is, therefore, essential that the committee should not be unwieldy.

150. (ii) *Cumulative voting for Sub-Committees.*—For reasons stated above the proposal regarding the introduction of cumulative voting in the composition of the sub-committees does not appeal to us. We are not in favour of cumulative voting even for elections to boards. We firmly believe that local bodies will never be efficient if sectional considerations are to prevail in the appointment of committees.

Nepotism and Favouritism.

151. We are asked to suggest means of eradicating certain evils like nepotism and favouritism found in the working of local bodies, "the existence of which", according to our term of reference, "cannot at present be denied". Some of the witnesses appearing before us have stated that these evils do exist to a certain extent in the working of local bodies. Indeed popular institutions in few countries would be absolutely free from these blemishes of public life. It would, therefore, be idle to deny their existence in the working of local bodies in India. The shortcomings of our local bodies in this respect are not, however, peculiar to them. They only reflect the common standard of public life one comes across generally in other social, political and business organisations. It is not to be supposed that the evils have assumed an abnormal magnitude in local bodies.

152. Our enquiries have led us to the conclusion that the complaints about nepotism and favouritism are considerably exaggerated and that there is no justification for the proposition that these evils are a predominant feature of the administration of local bodies. We are of opinion that wherever shortcomings may be found, they should be immediately removed. The remedy, however, lies not in putting greater official fetters on the working of local bodies or in reducing their powers and vesting them in a staff which is directly responsible to the Provincial Government, either wholly or partly. This method would drive the evils underground and conceal them from the public gaze.

153. One of the reasons why exaggerated reports about nepotism and corruption get currency is that local bodies do not take care to keep the public well-informed about their administration. They do not try promptly to meet the incorrect reports that are circulated. We have no doubt that if they make it a point to disseminate correct information among the voters, all the good work they do will receive due publicity and recognition, and there will be a check to evil practices wherever they exist. We would like to add here a word about publicity regarding the administration of local bodies. Government reports and newspaper comments serve a valuable purpose in educating the public and in bringing to light irregularities and abuses. We, therefore, recommend that efforts should be made to give effective publicity to the work of local bodies. Government would do well to embody in their annual reviews greater details regarding the working of these bodies. The Committee finds from the latest Government Resolution reviewing the working of local boards for the year 1937-38 that it has been decided to discontinue the publication of such reviews. This, in the opinion of the Committee, is a step in the wrong direction. We suggest Government should reconsider their decision.

154. It is necessary that civic education of rate-payers and prospective councillors should be taken in hand. This aspect of Local Self-Government has been so far neglected. We, therefore, recommend that this work should be immediately undertaken as a part of the adult education programme and may be carried out with the co-operation of the Local Self-Government Institute.

155. This disposes of the allegation regarding the general prevalence of nepotism and favouritism in local bodies. We have made various suggestions in appropriate places in our report which are calculated to minimise these evils wherever they exist. For example, while dealing with the recovery of taxes due from members of local bodies—a matter in which allegations of favouritism are often made—we have provided for the automatic disqualification of members for non-payment of municipal taxes during the year for which they have become due. Several other amendments in law have also been suggested with a view to eliminate the evils. We hope that when the remedies are brought into effect, the complaints will tend to disappear.

Local Government Areas.

156. (1) *Adjustment of areas.*—We recommend that Government should take early steps to amalgamate contiguous areas whose administrations can be run more economically and efficiently if unified. Such cases are mainly those of big cities and their surrounding units. Witnesses before us agreed that Poona and Poona Suburban Municipalities may be amalgamated with advantage. In fact we think that separate running of these two institutions is not at all justifiable. Similarly some of the municipal bodies in the Bombay Suburban District can be annexed to the Bombay Municipality. We believe Government are anxious to push forward some scheme for Greater Bombay. We believe there will be a good response from all parties concerned.

157. (2) *Small uneconomic municipalities.*—We find that there are some municipalities whose income stands in the neighbourhood of Rs. 10,000 per annum. They are hardly able to shoulder the burden of obligatory duties imposed on them by the District Municipal Act. The staff they employ is naturally very low paid and efficiency of service cannot be expected from such bodies. We, therefore, recommend that Government should carefully examine the financial working of each of such municipalities and consider whether there are possibilities of materially increasing their income. If there are no such possibilities in the near future, we recommend that they should be abolished. They will then be constituted into village panchayats under the new Panchayats Act.

158. (3) *Notified area committees and sanitary committees.*—We recommend that notified area committees and sanitary committees may be abolished at once and be replaced by Gram Panchayats. Cases of conversion of notified area committees into municipalities will be rare.

Appointment, Punishment and Removal of Principal Officers and formation of their Cadre.

159. We propose first to consider the provisions relating to the appointment, punishment and removal of chief officers, chief engineers, health officers and chief accountants and full-time paid auditors, if any, of local boards and borough municipalities and secretaries of district municipalities. These are officers for whom special provisions are considered necessary and we have included chief accountants and full-time paid auditors of district local boards and borough municipalities and secretaries of district municipalities in this group, because it is suggested that their status should be raised and that protection enjoyed by the first mentioned principal officers should be extended to them. We shall next deal with the important question of a cadre for these officers.

160. *Appointments.—(a) Qualifications.*—The only officer for whom qualifications are prescribed by statute is the chief officer of the borough municipality, who, under section 33 of the Municipal Boroughs Act, is required to be a graduate or a qualified engineer. Qualifications for other officers are prescribed by rules. Generally speaking, these qualifications are sufficiently high. We would, however, make the following recommendations:—

(i) Chief officers of district local boards and borough municipalities and secretaries of important district municipalities which entertain the services of engineers, should preferably be graduate in Law. We are of opinion that legal qualifications are desirable for these posts.

(ii) Under section 113 (h) of the Bombay Local Boards Act, Government have framed the following rule:—

“No person shall be qualified for the post of a chief officer unless he has passed one of the degree examinations of the Bombay University or corresponding examinations of the other recognised Universities.”

A suggestion has been made that this rule should be amended so as to empower a district local board to appoint to the post of a chief officer, a person who does not possess the qualifications prescribed in the rule but has passed the Local Fund Accountant's Examination and has served the Board for a number of years. In the interest of efficiency, the Committee is unable to recommend the proposed amendment of the rule. Qualifications required to make an efficient chief officer are altogether different from those that make a competent accountant. The experience gained in accounts work cannot be an adequate substitute for the breadth of view and administrative ability which are essential for a chief officer. We are against the lowering of the qualifications of this most important post.

(iii) Proviso 2 of section 33 (I) of the Municipal Boroughs Act which states that non-graduates may be appointed as chief officers or engineers of municipal boroughs with an annual income of less than two lacs of rupees, should be deleted. In our opinion, no municipal borough should entertain any non-graduate for these posts.

(iv) Secretaries of minor district municipalities should be at least matriculates, preference being given to those who hold the Local Self-Government Diploma.

161. *Salaries.*—It is not possible to prescribe any uniform scale of salaries for the principal officers for all the local bodies. The Committee is, however, of opinion that there is room for reduction in the scale of salaries which are now being paid to engineers and health officers. The scales may be suitably reduced. On the other hand, salaries of some of the Secretaries of district municipalities are very meagre. They ought to be increased so as to attract better qualified persons. Government have reserved to themselves under control sections of Local

Self-Government Acts power to check extravagance in the salaries fixed by them for these officers. We believe this is a salutary provision and Government should not hesitate to exercise its powers in this behalf wherever there are cases of extravagance.

Control over Appointments.

162. The Committee is of the opinion that beyond laying down qualifications for these principal posts, there should be no control over appointments except in the two cases mentioned hereafter—

(i) Where local bodies elect to receive from Government grants in respect of particular posts, it is but reasonable that Government should have a voice in the selection of the persons to be appointed to these posts.

(ii) We are inclined to extend the control of Government and to vest in them the power of vetoing appointments of the officers made by local bodies if, in the opinion of the Government, the persons appointed are incompetent to hold their posts. This power is not vested in Government today. The power of vetoing continuance in office, sanctioned in section 119 (3) of the Local Boards Act and section 34 (a) of the Municipal Boroughs Act is distinguishable from this power in that what we recommend is the exercise of power by Government in the initial stage when appointments are made. It only falls short of the power of approval of appointments and we have recommended it in view of the necessity of increasing the efficiency of local bodies which depend to a great extent on the competency of their officers and of our rejection of the suggestion for the formation of a cadre for the officers. The Committee, however, wishes to emphasise that Government should step in only to prevent incompetent persons being appointed to these posts. This power to veto the appointments should be exercisable by Government within three months of the notice of appointment given by the local body concerned.

Removal and Punishment.

163. We recommend the adoption of the following procedure for the removal and punishment of the officers mentioned above :—

1. A resolution in respect of any proposal for the removal or punishment of these officers, including that for suspending, reducing, fining, censuring, withholding increments or for inflicting punishment in any other form, should be passed by a majority of the total number of members at a special general meeting called for the purpose, after giving the officer concerned a reasonable opportunity of explaining the allegations made against him. For purposes of this arrangement "removal" should be understood to include cases of termination of service due to retrenchment.

2. The local body should submit to the Provincial Government through the Collector of the district, a copy of the proceedings of the meeting at which the resolution was passed, within seven days of the passing thereof.

3. (a) If the post to which resolution relates was one for which the local body had elected to receive a grant from Government, approval of Government of the resolution passed by the local body should be necessary.

(b) If the post to which the resolution relates is one for which no grant was received, the Provincial Government should be empowered by statute to exercise the right of vetoing the resolution.

4. The decision of Government disapproving or vetoing the resolution, as the case may be, should be communicated to the local body within three months from the date on which the local body communicated the resolution to the Collector, along with the reasons for such decision.

5. The decision of the Government so communicated should be final and binding upon the local body as well as the officer concerned.

6. In case such decision of the Government is not communicated to the local body within a period of three months as aforesaid the resolution of the local body would be final and no appeal would lie against it.

164. We have considered with care and sympathy the viewpoint, the officers put forward before us, and we feel that the above mentioned recommendations are calculated to give them all reasonable protection against vagaries and injustice. The controlling powers of the Provincial Government constitute additional protection. To go any further would, in our opinion, be an unnecessary and unjustifiable encroachment on the primary rights of Local Self-Government.

165. It will be relevant in this connection to examine the recommendation of the Thomas Reorganisation Committee on the subject under discussion, because, in the opinion of that Committee, important additional responsibilities like those associated with road and building works of the Government Public Works Department could be safely transferred to local bodies. The Committee made the following recommendations :—

1. "Chief officers, executive engineers, health officers, administrative officers and chief accountants should be appointed by the appropriate committee or if none such exists, by the Standing Committee. Disciplinary action should only be taken against these officers by a two-thirds majority of the board, and in the case of officers appointed with the approval of the Government with the previous sanction of Government."

2. "The subordinate staff should be appointed by the Chief Officer or other officers, for whose appointment the approval of Government is necessary, except in the case of any employee appointed on a scale of pay rising beyond the maximum of Rs. 150, in which case the appointment should be made by the appropriate committee, or if none exists, by the Standing Committee. Disciplinary action should rest with the appointing authority with an appeal to the president in the case of employees appointed by an executive officer and in other cases to the Board."

3. "The subordinate staff in all other cases should be appointed by the president, who should also be empowered to take disciplinary action, subject to an appeal to the board."

"We see no need to retain the rule which makes the previous sanction of the Commissioner necessary before disciplinary action can be taken against certain local board officers whose appointment is not subject to Government approval."

"The Municipal Boroughs appointments of Chief Officers, executive engineers and health officers are at present made by the municipalities. We would transfer all these powers to the Standing Committee. Disciplinary action should, we think, only be taken by a two-third majority of the municipality at a special meeting with the previous sanction of the Government when their approval was necessary to the appointments. In all other respects we recommend the same procedure that we have proposed in the case of district local boards both in the case of appointment and of disciplinary action. We would place the minor municipalities on the same footing as district local boards in all respects."

166. A comparison of these recommendations with those we have made above, will show that we have gone much farther in ensuring the employment of competent officers and giving them a better security in the tenure of their service.

Our recommendations differ from those of the Thomas Committee in two principal respects—

(1) The Thomas Committee provide for a resolution by a two-third majority in case of punishments or removal of officers. This provision is, by common consent, at the bottom of all troubles. Neither the officers nor the local bodies are satisfied with it though for different reasons. The officers complain that it fails to give them adequate protection. From the point of view of local bodies, the provision in effect, makes the officers almost irremovable and gives rise to factions. We have, therefore, rejected the recommendations of the Thomas Committee and suggested that in all such cases, a bare majority of the Boards' members should be effective, subject, however, to the right of the Provincial Government to veto the decision of the local body within the three months, if for reasons to be stated, they consider it to be improper. We are certain that this recommendation of ours

would give the officers all the protection they desire. We hope that local bodies will exercise their powers judiciously so as to render the exercise of the Government veto obsolete.

(2) The Thomas Committee further suggests that the power of appointment of subordinate officers carrying salaries of less than Rs. 150 per month should be vested in the Chief Officers. This recommendation appears to us to be inappropriate. The salary of an average Chief Officer will be very near Rs. 150 and of a Secretary of district municipality to which these recommendations are to be applied will be somewhere between Rs. 50 and 100. Even the Boroughs Act provides for appointments by Chief Officers of subordinates drawing only Rs. 50 or less. The Thomas Committee's recommendation cannot, therefore, be accepted.

167. It will not be out of place for us here to quote the very pertinent remarks of the Department Committee known as the Hadow Committee, appointed some time ago in England to report the qualifications, recruitment, training and promotion of local government officers. This Committee states :—

“The selection of officers, particularly of juniors is frequently left to the sole discretion of the chief officers of departments. The appointment requires confirmation but members of the local authority take no active part in it. The arrangement is convenient and no doubt, often enough works well, but it is open to the objection that any individual exercising the power of appointments is exposed to the risk of pressure on behalf of the particular candidates with possible result that selection ceases to be impartial. Moreover, we think, that the members of local authorities should take an active interest in all appointments to their service.

“We conclude that as a general rule the selection of officers by interview should be carried out by a Committee or sub-committee of the council. We do not rule out the delegation of this duty to an officer or better still a group of officers, but we think that this arrangement should be exceptional and should be carefully supervised. Where officers are authorised to select juniors for appointments the local authority should require the submission of full reports of appointments proposed to the appropriate committee.”

We feel that the Hadow Committee's conclusion deserve careful consideration in relation to the provisions of the Municipal Boroughs Act in this respect. Chief officers should, in their own interests, welcome a curtailment of their powers to which the above recommendation applies.

In so far as our recommendations are silent on any of the matters referred to in the Thomas Re-organisation Committee's suggestions above quoted, it should be understood that we agree to them and suggest that all of them may be given effect to.

Cadre for Officers.

168. The question of the formation of a cadre for the principal officers of local bodies has aroused a good deal of interest and controversy owing to a number of apparently conflicting factors involved in it. Efficiency of administration is undoubtedly the predominant consideration. And the officers desire that for the sake of that efficiency, they should be given impartial treatment, be allowed independence of action and freedom from interference and that at the same time, security of tenure of service should be ensured to them. Local bodies on their part, feel that since the present arrangements afford ample protection to competent officers, it would be unnecessary and unfair to deprive them of the powers of control and discipline over their own servants and resent any weakening of their authority. Lastly the Provincial Government is interested in efficiency in local administration, impartial and judicious selection of the staff and justice and fairplay to officers.

169. In view of the complicated nature and importance of this problem, we have given anxious thought to its solution and attempted to find out how all the above factors may be effectively reconciled. We collected all relevant information on the subject and have had written and oral evidence recorded on it. It was found that "Cadre" meant different things to different witnesses anything from a compilation of lists of officers with their qualifications, and terms of pay, promotion, etc., to the provincial centralisation of groups of local services. Several witnesses, who in their written statements had supported the idea of a cadre under the impression that it meant only a systematisation of the existing arrangements about the recruitment, salaries, etc., of local bodies' officers, strongly opposed the innovation in their oral evidence, when they found that it implied the weakening of the control of these bodies over their staff such as is permitted under the prevailing system. These witnesses would on no account have appointments and transfers of their officers taken out of the hands of local bodies and entrusted to outside boards, howsoever they were constituted. On the other hand, officers who gave evidence before us pleaded for the transfer of control implied in appointments, etc., to a Provincial or Divisional Board.

170. The main points urged in support of a cadre were that officers of local bodies should be enabled to discharge their duties in an atmosphere of freedom and without fear or favour, that their tenure of service should be secured against freaks of party majorities and that they should have to run the risk of harassment, punishment or dismissal on grounds other than those of incompetence. It was also urged that they should open to them the prospect of going to local bodies which afforded higher salaries and greater responsibilities. The central idea, however, was that a bare majority of members of local bodies should not be able to remove or punish officers on account of party or personal prejudices or displeasures.

171. It will be seen from an examination of the provisions of the Municipal Boroughs Act and the Local Boards Act and the rules made thereunder that protection against unjust punishments and removal of principal officers has been given to the extent that a 3/4th majority of the whole number of members is required before any action is taken against the officers. As we have already pointed out, the officers find that the protection so afforded is not adequate. On the other hand, the local bodies allege that the officers have become irremovable on account of this rule, because they are able to manage to keep a 1/3rd majority always in their hands by means which are not always fair. The position created by these provisions was accurately described by Dewan Bahadur Harilal-bhai Desai, the then Minister for Local Self-Government, in his speech in the Bombay Legislative Council when clause 34-A of the Municipal Boroughs Act was under consideration, in the following words :—

“The provision requiring a two-thirds votes in sections 33 (2) (5) (b) for the removal of an executive officer is so great that such a number can hardly even combine for such a motion. It means complete stagnation. The present position of irremovability except by such vote is really undesirable in public interests. The position of executive officer at present is so secure that such officers can neglect their duties or misuse their powers with impunity by playing one fraction against another and by exercising the necessary patronage towards some to keep up their own position.”

We have already stated in paragraph 166 that the provisions regarding a two-thirds majority have led to most unsatisfactory result. We have, therefore, substituted a “majority of the whole number of members” in place of the two-thirds majority. In order to protect the officers against any injustice, we have recommended in paragraph 163 above that power should vest in Government to veto any resolution of a Board if in the opinion of Government, the punishment inflicted on the officer is unwarranted. We have no doubt that these provisions will give all the protection necessary to safeguard straightforward and competent officers and at the same time incompetent officers will not be able to place themselves in a position of virtual irremovability by managing to have the support of a two-third majority of members.

172. Let us consider the existing system of the appointment and control of local bodies' affairs from the points of view of these servants themselves, of Local Self-Government and of the Government of the Province. It has been demonstrated above that short of irremovability the officers have been provided with adequate safeguards and it would be absurd for them to seek complete freedom from all control of their own masters. As regards local bodies, they can legitimately claim in their restricted sphere, powers corresponding though subordinate to those possessed by the Provincial Government on a higher plane and they have to be allowed the exercise of such authority over their own servants, as has been conceded to them by law and constitution. The Provincial Government, on its part, ought to be satisfied with its position of

an appellate authority, exercising general control over subordinate Governments and having necessary powers to prevent and check abuse in the administration of local affairs. For Government to go beyond these limits would be tantamount to reversing the process of the development of local self-Government and retarding the progress of the education of the masses in the exercise of constitutional rights and liberties. It would mean an unjustifiable invasion of local self-government and curtailment of its limited authority.

173. We may now examine the proposed schemes for a cadre in the light of the above fundamental considerations. The cadre, as proposed takes two different forms. In the first, local officers are to be recruited and controlled, transferred and otherwise dealt with by the Provincial Government, the expenditure on their account being borne wholly or partly by that Government. In the second, the controlling authority is to be entrusted to a Provincial or Divisional Board consisting predominantly of representatives of local bodies. A little reflection will show that neither scheme would be found acceptable. The first kind of cadre is open to the formidable constitutional objection that its adoption will be the negation of local self-Government. Government would surely not like that the Provincial services should be recruited and controlled by the Government of India or the Secretary of State for India and on a parrrity of reasoning, local authorities would resent the provincialisation of their services. Willingness of Government to bear the whole financial burden of expenditure on local services would not alleviate the resentment and to expect local bodies to share in the expenditure would be adding insult to injury. The cost of the provincialisation of local services, as we have pointed out later on, would be prohibitive and Government would, on no account, be justified in undertaking it. The adoption of the scheme will deprive local bodies of all power and prestige and local Government will become a department of the Government of Bombay, elected members of local boards and municipalities occupying the unenviable position of advisers.

174. The second form of cadre in which an elected board takes the place of the Provincial Government is not free from objection and shares most of the practical defects of the first. The provincial basis will be too wide and the divisional will be too narrow. The appointments of officers made by an outside board will not be more satisfactory than if they were made by a local body, and are bound to cause dissatisfaction and heart-burning and will in no way make the position of the officers more pleasant. Transfers necessitated by exigencies of service will create numerous practical difficulties. Local bodies may not get the men whom they deem most suitable and they may be saddled with persons whom they do not want. Apart from the difficulty of language, local experience and local touch will be lacking in several officers who will find themselves in a strange and perhaps hostile atmosphere. There will be constant bickerings and unpleasantness and the Provincial or the Divisional Board will find itself in an invidious position. Centralisation of control and its exercise from outside, are apt to breed a spirit

of insubordination in the staff and friction between local authorities and their servants will be unavoidable. Financial, social and other conditions vary so widely from district to district and from division to division that the formation of cadres for groups and grades of local bodies' officers will be difficult of achievement and unworkable in practice.

175. For the above reasons it appears to us that the formation of a cadre in whatever form will, in existing conditions, create more difficulties than it is supposed, it will remove. We cannot, therefore, support proposals made to us in that behalf. If there are abuses in the prevailing system, Government should exercise powers vested in it, to eradicate them and the local bodies themselves must see to it that they give no cause for the intervention of Government. These bodies should realise that it is in the best interests of the efficiency of local administration that their selection of officers should be made entirely with a view to efficient conduct of affairs and that their treatment of these superior servants of theirs should be such as will conduce to the accomplishment of that end. Causes of friction can be avoided by goodwill on both sides and sympathy and tact will be found helpful in making administration smooth. It is deplorable that civic sense in local bodies should not have developed in India in the way it has done in England where local officers have neither statutory powers nor the protection of a two-thirds majority. A Departmental Committee in that country recently negatived the suggestion that such protection should be given to local officers. It is unfortunate that in spite of the provision of the above safeguards, bodies responsible for local administration should have come to be regarded as unfit to select and control their own officers.

176. It has been argued that even when a cadre is created, officers belonging to it, will continue as now, to carry out the policies and the instructions of municipalities and local boards and that consequently the fear of any friction between the two is baseless. There is no analogy here between the Provincial services and local bodies' cadres, as proposed. In the case of the former, officers have to obey the orders of the Provincial Government who control their services and to whom they are wholly responsible. With local bodies, the case would be different. Policies would indeed continue to be determined by local bodies but their officers who are to give effect to them will be responsible to an outside authority, be it the Provincial Government or a Board. The officers will be servants of two masters and their real master, the local authority, will not have a controlling voice. Further, there is no guarantee that the appointments and transfers made by an outside body will be satisfactory and the position of unwanted officers will be unhappy in many a local body. This aspect of the problem does not appear to have struck the minds of witnesses, who supported and defended a local officers' cadre in evidence before us.

177. We feel that co-operation among local bodies will facilitate at least transfers of officers from one body to another. We find that today a large number of superior posts are occupied by persons who have had previous experience in smaller local bodies. We understand that the

Employment Bureau of the Local Self-Government Institute has facilitated the transfers of a number of officers, particularly of smaller local bodies. We would further suggest in this behalf that provident fund rules of local bodies should be so revised that when an employee is transferred from one local body to another, his accumulated funds could be transferred to that body and that his service in the latter should be considered as a continuation of service he may have put in the former so as to enable the employee to get the benefit of contributions payable by both local bodies.

Cadre Schemes.

Provincialisation of services of Officers of Local Bodies.

178. We have already expressed our view regarding the proposal about a cadre for local officers. Government have, however, asked us to submit to them a concrete scheme in that behalf. The Committee received the following letter :

No. 2583/33/11123/C, General Department, Bombay Castle, 23rd June 1939. From the Junior Assistant Secretary to the Government of Bombay, General Department.

“ I am directed to say that your Committee has been asked (*vide* term of reference No. 3) to consider the advisability of the formation of a central cadre for the more important officers employed by local bodies, and, if the Committee's opinion is that the formation of such a cadre would be feasible, to advise regarding the precise form which such a cadre should take and present a practical well-worked out scheme for the purpose. It may happen that the Committee may come to the negative conclusion on the first point and in that event it will not prepare the practical scheme. The Committee is however requested to present a practical scheme of a Cadre irrespective of its opinion on the first point.”

As we have already pointed out a cadre can assume two main forms, viz., (1) complete provincialisation of the services and (2) control of the services in the way of appointment, transfers, etc., to be exercised by an elected board, Provincial or Divisional.

In the first scheme the officers will be completely provincialised and their salaries, allowances and provident fund contributions will be paid out of provincial funds. The officers will have to be grouped in two or three classes according to qualifications and scales of salaries and their appointments and transfers will have to be made in view of the needs as well as the size and capacity of local bodies concerned. As to the finance of the scheme, provincialisation of the principal officers of local boards and 120 municipalities will entail on the Provincial Government expenditure the exact amount of which could not be worked out for want of adequate information expected from some of the local bodies.

It has been estimated, however, that in respect of local boards, Government will have to incur by way of salaries alone Rs. 2,40,000 per annum. As for municipalities, the expenditure has been calculated in respect of only those with an income of Rs. 75,000 and above and it comes roughly to Rs. 4,20,000 per annum. Municipalities with income of less than Rs. 75,000 are left out of consideration, being considered too small to be brought into the scheme. Expenses for leave reserves will have to be added to this figure. A further addition to this expenditure will be on account of the extra establishment at the Secretariat required for working the Cadre.

Formation of a Provincial Board.

179. A modification of the above scheme is that of the formation of a Provincial Board of non-officials to be presided over by the Minister of Local Self-Government or a Revenue Commissioner, to control the appointments, promotions, transfers, punishments, etc. of principal officers. The scheme simply replaces the Provincial Government in the first scheme by a non-official board. The board will have to consist of at least three representatives of municipalities classified according to their income in each division and two representatives of district boards per Division, making in all 5 non-officials with the Minister or other officer as president. The board will have to meet about once in a month or two. There shall be a permanent administrative officer in charge with a separate staff. Travelling and halting allowances will have to be paid to the non-official members. Expenses in this connection will have to be met either by Government or be shared by the local bodies. In this scheme Government will not be expected to bear the full expenditure on account of officers but will have to meet the difference between the salary payable to an officer by the local body from which he is transferred and the pay of the officer who is transferred to that body.

Divisional Boards.

180. The Divisional Scheme will be on the same lines as the above except that the Boards will be smaller and they may have the Commissioners as their Presidents. The number of officers to be dealt with will be limited and the expenditure on the working of the scheme will be correspondingly smaller.

Composition and Recruitment of Staff.

181. Since the efficiency of the administration of the affairs of local bodies depends, to a large extent, on the quality of the staff employed, the question of the proper selection of the right type of personnel assumes considerable importance. It is necessary, for this purpose, to prescribe minimum qualifications required for the various posts on the establishment of these bodies and to constitute an impartial committee of selection

whose guiding principles should be considerations of quality and fitness in the candidates. The persons selected should be required to pass a prescribed test within a definite period before they are confirmed. While emphasising the primary requirements of efficiency in candidates and impartiality in their selection and appointment, we have to take note of an important aspect of this question to which our attention has been specially drawn. It has been stated that the staff of local bodies in some parts of the Province are predominantly composed of and even monopolised by members belonging to certain sections of society and that the claims of other classes, communities and castes have been altogether ignored. Without going into the causes which have brought about this state of things, wherever it exists, we recommend that subject to the conditions as to qualifications and fitness prescribed for different posts being satisfied, selection of candidates should be equitably distributed among members of different classes and communities. Aptitude for different services is not inherent in particular social groups and is acquired with suitable opportunities and experience. It appears, likewise, to be necessary, in the peculiar social, economic and political conditions prevalent in the Province to show special consideration to and to encourage recruitment to public services of members of communities which have lagged behind in educational progress, for example, the intermediate and backward classes, provided, of course, that they show their fitness for the performance of duties to be entrusted to them. Education is now rapidly spreading among all classes and it will not be difficult to recruit candidates in the manner suggested above.

Facilities for Training of Staff.

182. We understand that several local bodies give facilities to the staff for taking training in the classes run by the Local Self-Government Institute for the "L.S.G.D." Diploma. These facilities take the shape of a contribution to the Institute towards the fees of an employee, travelling allowance to attend the class, leave for study or for examination or an additional increment on passing the examination. It will be in the interest of local bodies to extend these facilities to all their staff, particularly the members who belong to backward and intermediate classes.

Assessment and Recovery of Taxes.

183. We may now discuss various difficulties which arise in the matter of assessment and recovery of taxes and propose remedies for their removal:—

(1) *Assessment of Properties.*—In the case of Borough Municipalities, the Chief Officer and in the case of the district municipalities, the Municipality, are made responsible for assessing properties. We recommend that Borough Municipalities may be permitted to engage the services of an outside independent officer in place of the Chief Officer, if they consider it necessary for assessment purposes. Such

an appointment is permissible under section 63 (2) of the District Municipal Act. This will reduce to a considerable extent complaints regarding favouritism alleged against Chief Officers.

(2) *Reports regarding Progress.*—Powers are vested in the Collectors under sections 213 (2) (a) of the Municipal Boroughs Act and 173 (1) (b) of the District Municipal Act to call for any return, statement, account or report which he may think fit to require each municipality to furnish. Under these powers, Collectors should make it a point to require from each Municipality a progress report on the following dates mentioned in Government Resolution, General Department, No. 975/33, dated the 17th November 1936 :—

31st January	.. Report regarding publication of assessment lists for the ensuing year.
31st March	.. Report regarding the completion of demand register.
30th April	.. Report that the bills of demand have been issued for service.
1st August	.. Statement showing demand, recoveries and arrears in respect of which warrants of distraint have been issued.
1st November	.. A second progress report in a similar form.
1st February	.. A third progress report.

At every stage, the Collector's office should carefully watch the above proceedings and draw the attention of the municipalities concerned to the delays or neglect whenever they may be discovered.

(3) *Quadrennial Revision.*—Sections 67 and 84 of the District and Borough Municipal Acts, respectively, prescribe that every part of the assessment lists shall be completely revised not less than once in every four years. Subject to this condition, the Municipality in the case of District Municipalities and the Chief Officer in the case of Borough Municipalities may adopt the previous year's list with necessary alterations for every subsequent year. It has been noticed that this quadrennial revision is sometimes neglected with the result that municipal revenue suffers. We recommend that Collectors should draw the attention of every municipality in the beginning of every third year after a general revision has taken place that it should take steps to revise its assessment for the fourth year and that if definite steps are not taken in due time to revise the list, the Collector should proceed to appoint an officer to carry out the revision, and the excess amount spent for the purpose may be recovered from the parties at fault.

4. *Notice Fees.*—Some cases are reported by auditors wherein notice fees are not recovered by the municipalities. This failure to recover fees in respect of notices which are served should be treated

on a par with the writing off of arrears and rules framed by municipalities under section 43 (j) of the District Municipal Act and section 58 (k) of the Municipal Boroughs Act should be strictly followed. Irregularities in the matter may be visited by a surcharge under the Local Fund Audit Act.

(5) *Warrants*.—Both the Municipal Acts provide for issue of warrants and recovery by distress of property. Section 33 of the District Municipal Act provides for distraint and sale of moveable property only whereas the Municipal Boroughs Act (section 105) provides for the attachment and sale of immovable property also. We recommend that the District Municipal Act may be brought in line with the Municipal Boroughs Act and the legal position should be made clear that the municipalities have a right to deliver possession of immoveable property attached and sold by it to the auction purchasers.

(6) *Recovery by Revenue Process*.—With a view that the rate-payers may not suffer on account of the non-recovery of municipal rates, we suggest that at the end of two years all arrears should become recoverable as if they were land revenue through the Collector, who may be empowered to act either on the application of the local body concerned or on his own initiative. This provision will eliminate all influences which, it is alleged, interfere with collection work. Such a provision occurs in the Town Planning Act, the Village Panchayats Act and the Local Boards Act.

(7) *Recovery of Tolls, Terminal Taxes and Octroi*.—It has also been brought to our notice that the law in respect of the recovery of tolls, terminal taxes and octroi duties is defective. We recommend that all the provisions of Chapter VIII of the District Municipal Act and the Municipal Boroughs Act, including the remedy of a civil suit, should be made available for the recovery of these dues by necessary amendment of the Acts.

(8) *Disqualification of Members in Arrears*.—Under section 15 (2) (f) of the District Municipal Act and section 28 (10) (e) of the Municipal Boroughs Act, it is provided that if any councillor during his term of office fails to pay any arrears of any kind due by him to the municipality within three months after a special notice in this behalf has been served upon him, he shall be disabled from continuing to be councillor and his office shall become vacant. It has been noticed that some members who ought to set an example to other tax-payers by prompt payment of municipal dues themselves run into arrears. It is further complained that the officers of local bodies do not like to take upon themselves the odium of serving special notices upon defaulting members or of incurring their displeasure. We recommend that those members who betray such poor sense of public duty by withholding payment of municipal dues should be made to vacate their seats without the necessity of a special notice being issued. Members should be automatically disqualified if the taxes remain unpaid during the year

in which they are payable. In the case of other dues, disqualification should operate after three months of the intimation given to the members about the amount due.

(9) *Return by Owners of Occupiers.*—Sections 63 and 73 (3) of the District Municipal and Boroughs Acts, respectively, provide for a return to be furnished by owners or occupiers of dimensions of land, annual letting value and estimate of value of land or building, etc. These particulars are essential for arriving at correct assessment of properties. The powers given by the sections are, however, rarely exercised by several municipalities with the result that assessment registers are often full of mistakes. Wider use of these powers should be made and action should be taken against persons who omit to supply information by taking proceedings for breaches of bye-laws framed on the subject.

(10) *Transfer of Properties to be brought on Record.*—Section 87 of the Boroughs Act provides for notice to be given to Chief Officers of all transfers of property by the transferees and provides for a penalty for failure to give such notice. Such a provision should be inserted in the District Municipal Act also. It is further necessary that the Government Registration Department should co-operate with local bodies in the matter and give information of every transfer of property to the Municipality within whose jurisdiction the properties are situated. Co-operation on these lines will eliminate all complaints that transfers are not brought on record in time. Strict watch should be kept by all local bodies to see that transfers of properties are not effected in municipal records if there are any outstanding arrears.

Agency for Collection of Taxes.

184. With a view that taxes may be collected speedily, economically and impartially, it has been suggested that an agency independent of local bodies should be employed so as to counteract the influence of members and officers which militate against the speedy recovery of taxes and against the impartial treatment of tax-payers. We have carefully considered all the aspects of this question and we believe that no independent agency would be either suitable or desirable except in the cases mentioned below.

In the case of District Local Boards the Local Fund Cess which is the main item of their revenue, is collected by the revenue authorities along with the land revenue. There are practically no other taxes excepting the professional tax which is recommended to be levied by the Local Boards. For the recovery of the professional taxes, we have already suggested that as far as the municipal and Village Panchayat areas are concerned the agency should be the municipalities and the Panchayats. In the local board areas such a tax on important manufacturing concerns may be collected by the district boards and taxes on other professions may be collected through the Revenue agency.

As regards market dues, they may be collected, if the local body so desires by the farming out system such as is permitted in the case of Borough Municipalities. The same procedure may be made permissible in the case of District Municipalities. For the terminal tax and octroi, railway authorities may continue to collect the taxes wherever practicable. In the case of the Ratnagiri District we have suggested that the Customs authorities should be invited to assist in the collection of the octroi duties to be levied jointly by the local bodies of the district. For the tax on transfer of properties, which we have proposed, the same may be collected by Government by the method of additional stamp duty or by an additional registration fee collected through the Registration Department of Government. As for the Wheel Tax, we suggest that as far as public conveyances are concerned it would be better if instead of the municipal agency, the police authorities collect it along with the license fees. The municipal agency should collect the taxes due for private conveyances.

We suggest that the power of local bodies collecting the taxes, may be widened wherever necessary, on the lines of the recovery of land revenue. Police help may also be given more freely when distress warrants are executed. Except market dues, we do not recommend collection of taxes by contract. We would not, however, like to object to the system of rebate for prompt payment of taxes. A rebate system would in our opinion help speedier collection of taxes and to some extent reduce the collection charges.

Bye-laws and rules.

185. We find that a large number of local bodies have not framed bye-laws in respect of important matters affecting public health. By far the largest number of municipalities have failed to frame bye-laws for the regulation of dangerous diseases. This state of things should not be tolerated. We, therefore, recommend that Government should frame model bye-laws on all important subjects and ask local bodies to adopt them with such alterations as they may consider necessary to suit local conditions. A time-limit should be set within which the local bodies should submit draft bye-laws to be applied to their districts. If they fail to do so, Government should be empowered to make model bye-laws applicable to the district with such alterations as they may deem necessary.

It should be mentioned that before bye-laws framed by Government are made applicable, due reminders shall be sent to local bodies to frame their own bye-laws and Government should take care to institute proper inquiries into local conditions before deciding upon the modifications in the model bye-laws. This may appear to be a radical measure but in view of the fact that several local bodies have so far shown utter disregard in this important matter, we are constrained to make this suggestion.

We further recommend that the same procedure may be followed in respect of rules to be framed by local bodies especially those which are essential for efficient administration.

Purchase of Municipal Requirements.

186. There is considerable scope for favouritism and corruption in the purchase of municipal requirements. In order that local bodies should obtain the best value for the money they spend for the purchase of stores, it is necessary that proper and *bona fide* inquiries regarding the prices and qualities of the required materials should precede every purchase. Selection of articles is often made by persons who have a very limited knowledge of the different qualities available in the market. Quotations are invited without giving proper specifications regarding quality, size or measurement or maker. Sometimes inquiries are restricted to a few dealers and qualities are selected, not because they are suitable but because other available qualities are not known or worse still, because some favoured merchants are stocking them. Comparisons of quotations so received are not of much use. These quotations merely beguile the auditors or inquisitive members into the belief that tenders were invited, that the lowest tenders were accepted and that everything was overboard.

In order to remedy this state of things, we would support the recommendations of the Examiner of Local Funds, who in his oral evidence before the Committee, approved of the practice of inviting tenders through the Local Self-Government Institute in respect of all municipal requirements. We understand that big municipalities like those of Ahmedabad and Poona as well as very small local bodies have found by experience that the services of the Institute in this respect are very valuable. We recommend this practice for the favourable consideration of all local bodies. We wish to add that quotations should be received in sealed covers. After the same are received and opened they must be carefully kept secret from the staff so that interested parties may not be able to obtain the rates quoted. Purchase from local merchants may be made, but at competitive rates after inviting outside quotations. Local dealers must be made to feel that they have to face competition.

Insurance of Municipal Properties.

187. We find that almost all local bodies have been insuring their properties and vehicles against risk from fire and accident through the Local Self-Government Institute. The Institute, we are given to understand, was able to obtain for them the highest percentage of rebate. The rebate system however has ceased with the passing of the new Insurance Act. In this behalf we support the suggestion made by Sardar Vallabhbhai Patel at the Conference of Local Bodies held at Broach that a co-operative insurance scheme for local bodies should be prepared by the Institute and all local bodies should join it. We understand that such a scheme is in operation in England. We recommend the formation of such a scheme by the Local Self-Government Institute.

Municipal Accounts Code.

188. It is necessary to have a suitable Code for municipal accounts and procedure as there is one for Local Boards. It will add greatly to the efficiency of local bodies if they have an authoritative guide for their day-to-day administration. We understand that the preparation of such a Code has been under the consideration of Government since long. We recommend early completion and publication of the same,

CHAPTER VII.

FUNCTIONS.

Transfer of P. W. D. Roads and Buildings to Local Bodies.

189. For quite a number of years, conferences of local bodies have persistently demanded the transfer of roads from the management and control of Public Works Department to the local bodies. It has been admitted on all hands that some steps should be taken whereby the necessity of maintaining two engineering organizations, the provincial and the local, could be obviated. The problem has been engaging the attention of the Government and the public for a long time. The necessity of effecting economy in public administration and of decentralising responsibility have caused several inquiries to be made with a view to effect this transfer with the necessary safeguards against inefficiency and waste of public money. In the year 1917 the Public Works Department Reorganization Committee, known as the Sly Committee reported that :

“The centralisation of such works in a Government Department would result in a serious discouragement to local self-Government which it is the policy of the Government to advance The general trend in the advance of local self-Government in all countries is for the transfer of public works to local bodies and we recommend that it should be the declared policy in India to transfer public works (excluding irrigation which was outside the scope of the said Committee's reference) from public works department to local bodies.” (Foot-note quoted at page 825 of the Review of Administration, 1933.)

190. The Government of India accepted this recommendation and commended the same to the local Governments. With a view to give effect to this recommendation, the Government of Bombay decided to make experiments in the direction of such transfers. In 1923, Government transferred public works in seven out of the twelve talukas of Ahmednagar District from the Public Works Department to the Ahmednagar District Local Board on the following conditions :—

1. The Government should retain administrative control over all the Provincial roads and buildings so transferred. No work of an original nature or of the nature of special repairs should be undertaken without obtaining prior sanction of the Public Works Department to plans and estimates.

2. That the Executive Engineer, Ahmednagar District, and the Superintending Engineer, Central Division, should have the right to inspect the provincial roads and buildings whenever they may wish to do so, and to send out inspection notes to the President, District Local Board, for his information and guidance with such instructions

regarding repairs, improvements and additions and alterations to them as they may deem necessary.

3. That allotments agreed upon for repairs and maintenance of the said works should be placed at the disposal of the District Local Board annually.

4. That the works in question should be transferred for a period of three years in the first instance, and the whole situation be reconsidered at the expiry of that period, as the further retention of the works under the District Local Board must depend on the degree of success of the experiment.

5. The payment made by Government to the District Local Board for the maintenance of Government buildings and roads above referred to should consist of the cost of the work done *plus* a percentage for establishment which should be based on the percentage: the total cost of the Board's Public Works Department establishment bears to the total expenditure on works and repairs executed by that establishment.

6. That the tools and plants existing on the roads proposed to be transferred to the District Local Board should be handed over free of charge and no charges should be levied by the District Local Board on that account.

7. In charging for work done the District Local Board should deduct the value of the road metal to be transferred to them.

191. The works transferred under the above conditions included in the year 1923, 185 miles of roads and 46 buildings, so that all provincial works in seven talukas out of 12 were placed under the management of the Ahmednagar District Local Board. Subsequently two large works, a causeway over the Bhima river costing Rs. 2,88,139 and the construction of a Kacheri costing Rs. 85,711 were entrusted to this Board. Later on, the Imnapur-Toka road which is considered important from a military point of view, was transferred, though the military authorities were diffident about the capacity of the Ahmednagar District Local Board to maintain it up to their required standard. Some other provincial works were subsequently transferred.

192. Expenditure on provincial works carried out by the District Local Board agency from the years 1923 to 1934-35 is given below :—

Year.			Expenditure.	Year.			Expenditure.
			Rs.				Rs.
1923-24	..	..	40,769	1929-30	..	..	91,473
1924-25	..	..	1,01,267	1930-31	..	..	1,18,739
1925-26	..	..	1,38,882	1931-32	..	..	76,667
1926-27	..	..	1,59,574	1932-33	..	..	38,615
1927-28	..	..	1,25,675	1933-34	..	..	40,544
1928-29	..	..	80,510	1934-35	..	..	34,684

The reports of Government officers for all these years, with the exception of one, testify to the efficient manner in which these transferred works have been maintained. The only unfavourable report was ably rebutted by the District Local Board and that rebuttal had the able support of the Commissioner of the Division. The Government subsequently accepted the recommendation of the Commissioner with the result that the transferred Public Works Department works have been allowed to remain with the Ahmednagar District Local Board to this date.

193. It appears that the experiment of sufficient duration was not made with Poona District Local Board. Nor was the suggestion of the Thomas Reorganization Committee to make an experiment with the Thana District Local Board given effect to.

194. From the experiment with the transfer in Ahmednagar District the following facts emerge :—

1. That a substantial mileage of the Public Works Department roads and important buildings have been maintained by the Ahmednagar District Local Board evidently satisfactorily.

2. That the safeguards laid down by Government when effecting the transfer have been found adequate.

3. The financial results are on the whole satisfactory.

4. The usual charge laid against local bodies that they unduly interfere with the executive, has been found to be baseless, as far as the experiment is concerned.

195. The experiment having proved successful, the exigencies of the provincial as well as local finances require that possibilities of effectively transferring all the public works roads and buildings should now be investigated. In order to gauge the extent of such transfer, we give in appendix No. V a statement of the metalled and unmetalled roads maintained by the Public Works Department and local authorities during the year 1937-38.

196. This statement shows that out of a total of 9,947 miles of metalled roads in the Province, 3,583 are maintained by local authorities and 6,097 miles by the Public Works Department and out of a total of 9,376 miles of unmetalled roads as many as 8,807 miles are in charge of local bodies and only 569 miles are under the Public Works Department. The Thomas Reorganisation Committee estimated the total cost of such Public Works Department works at about sixty lakhs. ms

Classification of Public Works Department Roads.

197. The roads in charge of Public Works Department are divided into three classes :—

Class I.—Roads of importance to more than one province or division.

Class II.—(a) Roads of major importance to more than one district and feeder roads to Railways, water-ways and to Class I roads.

(b) Roads of minor importance of the same Class II.

Class III.—Other roads of importance only to the district in which they are situated.

198. We feel that there ought to be no difficulty in effecting a complete transfer of the third class roads to local authorities. They may be fully vested in them with the allocation of adequate funds. As regards the trunk roads coming in class I which are of inter-provincial and inter-divisional importance and the class II roads of inter-district importance the safeguards suggested by the Thomas Committee should be adopted, viz., that the local authorities should merely act as agents of Government, who would decide how the money available should be spent. The District Local Board engineer would prepare the annual repair estimates, Government approving or revising the estimates and passing the works on the advice of their own Inspector.

199. We suppose that the safeguards suggested by the Thomas Committee regarding class I and II roads would obviate any difficulties that may be raised by the Government of India regarding the proper application of the Petrol Funds Allotment.

Buildings in charge of Public Works Department.

200. There are a large number of residential and non-residential buildings for the construction and maintenance of which the Public Works Department is responsible. The annual cost of ordinary repairs executed by the Department has been estimated at about 18 lakhs of rupees. We believe that the Public Works Department would be glad to transfer this responsibility to the local authorities because it takes a very large part of the time and energy of the officers and subordinates of the Department to look after the maintenance in a proper state of repairs of this large number of buildings, though the cost involved is not great.

201. We agree with the recommendation of the Thomas Committee that the responsibility for the maintenance of these buildings should be transferred to local authorities. We would, however, add that adequate allotment should be made to local bodies for expenditure in this behalf so that they may not be an undue burden on them as they are today on the Public Works Department.

202. We are of opinion that a transfer of the Works to the care of the District Local Boards would be possible if they take care to engage competent engineers and the engineering staff. This is indeed a most essential condition. The success of the Ahmednagar experiment may be ascribed to a certain extent to the fact that the engineer and the staff have been found to be competent. We have no reason to believe that the other District Local Boards would not come up to the standard in respect of the engineering personnel. Some boards, where such a qualified staff has not been employed, may be compelled to do so before the transfer is effected. In paragraph 162 we have provided adequate safeguards against appointments of incompetent engineers by providing that Government should have a right to veto such appointments.

203. It may be mentioned in this connection that the Madras Government have attempted to meet the situation by the short-cut of forming a service of District Local Board engineers controlled, transferred, paid and pensioned by Government. The Braganza-Godbole Committee recommended the adoption of this method. As regards the merits of this system, we have the emphatic opinions of the Government of India, who condemn the system in the following words :—

“ This system would effect little more than a change in the name and organization of the department ; it would give the District Boards no responsibility in regard to their engineering staffs and in some provinces, would remove from them definitely powers which they even now possess. To this extent, it would be a retrograde measure and in no case does it appear to offer any very material advantage over the present system. The primary object of any organization should be decentralisation and widening of the scope of Local Self-Government, neither of which would be effected by the institution of a new Government service in place of the existing department.”

204. All opinions, including the report of the Braganza Committee, were examined by the Thomas Reorganisation Committee in 1933 and their well considered opinion is given in the following very pertinent words :—

“ We first examined the scheme now in force in Madras under which the district board engineers are borne in a provincial cadre to which they are appointed by Government who bear the whole cost of their pay and who alone have power to punish them, grant them leave or transfer them from one district to another. It has been suggested to us that this system should be introduced in this Presidency or that in the alternative the power to appoint and punish district board engineers and to determine their conditions of service should be vested in a board under the chairmanship of the Minister for Local Self-Government. We are opposed to either of these suggestions. They do, in effect, little more than substitute a new Government agency for that already existing, in which we see no advantage whatever. In our opinion the choice of its engineer must rest with the local board and if the local board has so little civic sense that it cannot be trusted to choose an officer solely on the grounds of administrative ability, professional capacity and integrity, we are of the opinion that the transfer should not be made.

“ We realise, of course, that in view of the large financial commitments which the scheme involves, Government would have to lay down certain safeguards to protect the position of the engineer, but these should be such as to preserve, to the greatest reasonable extent, the collective security of the board.”

We have also provided adequate safeguards against punishment and removal of these officers in our recommendations made in paragraph 163.

205. We have not estimated the financial results of this transfer. We feel assured, however, that even though the transfer may not result in a substantial saving to Government, it should, under no circumstances, result in loss to them. The local knowledge and experience which the District Local Board alone can bring to bear on the subject, will conduce to economy. At any rate, the transfer will, to a considerable extent, relieve the Provincial Government of their direct responsibility in the matter—a relief which they badly need. Any scheme of decentralisation which leaves them free to devote their attention to other more important work should be encouraged. The problem is thus not only financial or of Local Self-Government alone, but of relieving the congestion at the centre. The problem has been hanging fire since long and we recommend that the Government should take early steps to effect the transfer.

Minor Irrigation Works.

206. There are a number of minor irrigation works scattered over in the province. Their management can very well be transferred to local bodies within whose jurisdiction they fall. The details regarding the works to be transferred and extent of control to be retained by Government can be determined only by an examination of each individual work. We would therefore leave these questions to be determined by Government.

Village Water Supply.

207. Our remarks regarding Government programme of rural reconstruction in Chapter III apply, in a special measure, to the Village Water Supply Scheme adumbiated in the Government Resolution, General Department, No. 92, dated 9th February 1939. This resolution consolidates all Government orders regarding Village Water Supply. Local Boards have a legitimate grievance that the functions assigned by the Government Resolution to the District Committees legitimately belong to them and should not be interfered with. The Committee hopes that Government will recognise the force of this contention and take the necessary measures to meet it. Their other complaint is that the agency for carrying out the water works, whatever their cost, should be the District Board and not the Public Works Department. This complaint will vanish, if our recommendation regarding the transfer of provincial works to Local Boards is accepted, because the Government Resolution under reference says that all the Village Water Supply Works may be entrusted to those District Boards, like Ahmednagar to whom public works are transferred. We would however recommend that pending such transfers of public works, all Village Water Supply Works should be entrusted to Local Boards. In respect of works costing more than Rs. 5,000, the work of estimating planning as well as of construction should be entrusted to those local bodies who entertain the services of approved Engineers.

Primary Education.

208. In view of the great national importance of Primary Education, we have recommended special additional taxation both in rural and urban areas and suggested economies in its administration so that universal compulsory education may be introduced in the immediate future. While recommending this considerable increase in the local taxation, the Committee cannot overlook the question of the administrative machinery. The Primary Education Act has been quite recently overhauled and the powers which the Act of 1923 gave to the local bodies have been substantially withdrawn. Government must evidently have carefully considered the matter before they took the drastic step of depriving these popular bodies of the powers which were acquired by them as a result of prolonged public agitation led by great leaders like the late Mr. G. K. Gokhale and Mr. Vithalbhai Patel. We are therefore reluctant to enter in this place into the merits of the step taken by Government. All we are concerned with here is to remark that unless these powers are restored, our proposals about the imposition of an Educational tax and an increase in the local fund Cess, have little chance of meeting with popular support. On the contrary, they may encounter strong opposition, which would be justified on the principle that it is unfair to expect people to pay for a service unless their representatives have a substantial share in its administration.

209. The Lawrence Committee approvingly quote the following very apt extract from the Report of the Departmental Committee on Local Taxation published in England in 1914 :—

“If Semi-National services (like the Primary Education) are to continue to be locally administered, it is most important that local interest in them should be encouraged to offer their services on local councils. To ensure this, local authorities should be given considerable discretion in the administration of their services and should not be reduced to the position of agents of Government Departments.”

If, therefore, the Provincial Government expect local bodies to contribute towards the expansion of primary education, they will have to be trusted to administer this service. It has been represented to us that instead of the present dual system, whereby local bodies have been made answerable for the administration of primary education without the necessary powers to discharge the responsibility it would appear to be more logical for the Provincial Government to do away with the School Boards altogether and find the finance necessary for running the administration and that Government cannot have it both ways. We sympathise with and support this view.

Public Health.

210. The Committee has been asked to consider whether Acts relating to Local Boards and Municipalities should not be amended with a view to (i) compel the local bodies to employ a prescribed health staff,

(ii) laying down the duties and powers of such staff, (iii) fixing the responsibility of these bodies in respect of the provision of funds for sanitary measures in their areas more precisely than at present—

(a) Under section 54 of the District Municipal Act, 1901, it is the obligatory duty of a District Municipality to make reasonable provision for such sanitary measures as—

(i) cleansing public streets, places and sewers and all spaces not being private property which are open to the enjoyment of the public, removing noxious vegetation, and abating all public nuisances,

(ii) regulating or abating offensive or dangerous trades and practices,

(iii) reclaiming unhealthy localities,

(iv) constructing, altering and maintaining markets, slaughter-houses, latrines, privies, urinals, drains, sewers, drainage works, sewage works, etc.,

(v) public vaccination,

and subject to such reasonable provision for the above items it is also obligatory to make provision for such measures as may be required to prevent the outbreak of and suppress and prevent the recurrence of dangerous diseases.

(b) Under section 68 of the Municipal Boroughs Act obligation is imposed to make reasonable and adequate provision for the same objects.

(c) The Local Boards Act, 1923, however, provides only for "public vaccination and measures necessary for the public health". These duties are prescribed in more general terms and the obligation is further restricted to the performance of these duties "only so far as the local funds at their disposal will allow".

211. If these sanitary duties are to be properly discharged, an adequate health staff is essential. So far only two District Boards and 15 Municipalities have appointed health officers and there are in all about 90 Sanitary Inspectors appointed in 43 Municipalities. Figures for Sanitary Inspectors employed by District Local Boards are not available, but their number must be quite negligible. Inadequate sanitary staff being generally due to want of funds, Government (Government Resolution, General Department, No. 8747, dated 26th March 1936) agreed to pay one-half of the salaries of the Sanitary Inspectors. Under section 119 (2) of the Local Boards Act, 1923, the District Local Boards are entitled to claim $\frac{2}{3}$ of the pay of the Health Officer appointed by them, if the appointment is approved by the Government. These subsidies however have failed to induce the local bodies to entertain the necessary staff. The reason for this is that, when a Health Officer is appointed he has to be provided with sanitary inspectors, clerks, office accommodation, equipment and carriage allowance. Funds must also be provided to carry out his suggestions, if his services are to be of any use. It is on account of these expenses that most of the local bodies

have not been able to entertain health officers. We, however, feel that all Borough Municipalities should be compelled to engage Health Officers by making a statutory provision in this behalf, as in the case of the Chief Officer. We recommend that Government should pay 50 per cent. of the approved expenditure on the Health Officers' establishment in the case of the District Municipalities and $\frac{1}{3}$ in the case of district local boards. We hope that this will go a long way to solve the problem. We further suggest that the minimum scale of Health Officers' salaries laid down by Government, is too high and that it can be suitably reduced. We feel that competent officers can be secured on a reduced scale.

212. Model rules prescribing duties and powers of the sanitary staff should be issued by Government. Inspectors under the Director of Public Health should visit the areas from time to time and report as to whether the rules are satisfactorily carried into effect.

213. We do not think that it would be feasible to prescribe a general percentage of expenditure to be incurred by municipalities or local boards on public health. Such a uniform percentage would be arbitrary because conditions vary considerably. We do not recommend any Government control of the staff beyond their approval of the personnel and the expenditure for which a grant is given.

Epidemics.

214. Epidemics cannot be treated on a territorial basis. In whatever area an epidemic may be raging, it is menace to the health of the whole province. It is therefore proper that Government should undertake the responsibility of dealing with epidemics. We further recommend that in view of the slender resources of local bodies, the burden of expenses for dealing with epidemics should fall wholly on Government with the proviso that the services of all the staff of the dispensaries under the control of local bodies as well as their public health staff should be placed at the services of Government whenever there is an outbreak of an epidemic. We have considered the alternative suggestion asking local bodies to contribute a certain proportion of their income to Government towards the maintenance of permanent epidemic staff; but we do not recommend the adoption of such a plan in view of the financial position of local bodies and of the necessity of keeping the control with Government in the matter.

If the Provincial Government is not able to accept the financial burden involved in our recommendation, we suggest that in the case of Borough Municipalities, the cost incurred by them for the suppression of epidemics should be borne by them and that Government on their part should give the assistance of their expert health staff and supply the vaccines required free of cost.

Vaccination.

215. Under the Local Boards Act and both the Municipal Acts, it is the obligatory duty of the district local boards and municipalities to make

provision for public vaccination. We believe that the time has now come when control of vaccination should be transferred entirely to those local bodies who maintain a Health Officer. If the recommendations we have made elsewhere regarding grants for Health Officers and their establishment are accepted, Government will be relieved of a considerable part of their responsibility in this matter. In the year 1931 a Government Resolution laid down several conditions for transferring such control to local bodies. The principal condition was the maintenance of a Health Officer and taking over of the staff of the Government Vaccination Department by local bodies. We recommend that steps be taken to effect such transfer of control at an early date in all cases where it has not been so far effected.

Slum clearance.

216. The Committee has been asked to consider the problem of slum clearance with special reference to the housing of the poorer sections of the population in the general and of the Harijan employees of the municipalities and local boards in particular. We have discussed the subject under the following headings :—

(i) Slum Clearance, (ii) Rehousing of the poor, (iii) Financial burden in respect of (i) and (ii), (iv) Housing of the Harijan employees of Municipalities, (v) Houses unfit for human habitation, (vi) Regulation of huts and (viii) Housing accommodation for factory employees.

(i) *Slum Clearance*.—Under section 54 (g) of the District Municipal Act and section 68 (9) of the Municipal Boroughs Act, it is an obligatory duty of these municipalities to make provision for reclaiming unhealthy localities.

Under sections 149 and 184 of the District Municipal and Boroughs Acts respectively, Provincial Government may confer on these municipalities special powers in respect of unhealthy areas. These are the only powers under the Municipal Acts regarding slum clearance.

As “unhealthy localities” have not been defined or described in the Acts, the following definition taken from the English Housing Classes Act, 1890, and with the word “hut” added, has been suggested :—

“An area in which (a) any house, courts or alleys are unfit for human habitation, or (b) the narrowness, closeness and bad arrangement, or the bad condition of the streets and groups of houses within such areas, or the want of light, air ventilation or of proper convenience or any other sanitary defects, or one or more of such causes, are dangerous or injurious to the health of the inhabitants either of the buildings in the said area or of the neighbouring buildings.”

217. We believe that section 149 of the District Municipal Act and section 184 of the Municipal Boroughs Act give adequate description

of unhealthy localities. We reproduce relevant extracts from the section—

“ If the Provincial Government is of opinion that risk of disease has arisen or is likely to arise either to any occupier in, or to any inhabitant in the neighbourhood of any area by reason of any of the following defects, namely :—

(a) the number in which either buildings or blocks of buildings, already existing or projected therein, are, or are likely to become crowded together, or

(b) the impracticability of cleansing any such buildings or blocks of buildings, already existing or projected, or

(c) the want of drainage or scavenging or the difficulty of arranging therein for the drainage or scavenging of any such buildings or blocks or area as aforesaid, or

(d) the narrowness, closeness, bad arrangement or bad condition of the streets or buildings or group of buildings,

it may by notification confer on the municipality to which such area is subject, all or any of the powers.....etc.”.

The word “ building ” has been defined in the Act so as to include hut, shed, etc.

218. The powers mentioned in these sections cannot be exercised by municipalities unless they are specially conferred by Provincial Government. We recommend that these powers should automatically vest in all municipalities which entertain Health Officers. We have recommended elsewhere that the appointment of Health Officers should be made compulsory in the case of the borough municipalities and optional subsidised service be provided for in the case of district municipalities. Elaborate provisions will have to be made for the following matters :—

- (1) Regular inspection of the area for detection of slum conditions ;
- (2) Periodical reports to Government regarding result of inspection carried out by municipalities ;
- (3) Closures of the unhealthy houses ;
- (4) Demolition of the premises ;
- (5) Appeals to a specially appointed tribunal against closure and demolition orders ;
- (6) It should be made clear that municipalities would not be held liable to pay any compensation for closing and demolition of insanitary dwellings.

219. (ii) *Rehousing Schemes*.—If a municipality proposes to launch improvement schemes by acquiring the area cleared up, the acquisition proceedings as laid down in the Land Acquisition Act will not be found

suitable for the purpose. The compensation payable under that Act would be heavier and is not justifiable because *ex hypothesi* the properties are situate in unhealthy localities. The usual additional compensation of 15 per cent. should not be allowed in respect of such compulsory purchase. The market value of such lands should not be calculated on the basis of rental value derived from over-crowded, unhealthy and insanitary structures built thereon. The cost of putting them into normal habitable and sanitary condition should be taken into consideration and deducted before arriving at the rental value.

The Consulting Surveyor to Government has made a further suggestion, where by the making of an improvement scheme a property is increased in value, the local authority if they make a claim within one year after the date on which Government authorities improvement scheme to be carried into execution shall be entitled to recover from any person whose property is so increased in value one-half of that increase.

We agree with this suggestion but wish to add a word of caution. Enhanced values based on hypothetical calculations are often found to be imaginary and operate as a heavy burden on the property holders who are called upon to pay for such betterment. We recommend that such owners should be made to pay for only 33 per cent. of such betterment value and not 50 per cent. and that too in instalments spread over a number of years if they so desire.

220. *Rehousing of the Poor*: closely connected with the clearance of Slums is the problem of rehousing those who are dishoused by such schemes. The poor who are dislodged, cannot, find suitable accommodation for the rent they were paying before the clearance schemes were introduced. It should, therefore, be the duty of the municipality to see to their rehousing at a reasonable rent.

221. (iii) *Financial Burden of the Scheme for Slum Clearance and Rehousing of the Poor*.—It should be clearly recognised that municipal funds, unaided by Government, cannot stand the burden of such rehousing schemes. Part of the cost may be recouped from betterment charges mentioned above and part from resale of excess land acquired for clearance. The suggestion made above for reducing compensation payable for land acquisition will minimise costs. Despite all this Government help will have to be liberally given. Loans at a substantially lower rate will of course be necessary. Sanitary grant towards such clearance should also be given. Lands for building houses for the poor wherever Government possess them will have to be given to municipalities free of cost or at nominal prices. We recommend that Government should help such schemes by a grant of 50 per cent. of the deficit in its housing schemes.

222. (iv) *Housing of the Harijan Employees of Municipalities*.—Though several municipalities are making efforts to house their Harijan employees, it would be desirable to make a compulsory duty of all

municipalities to provide such housing facilities. Wherever possible, Government should help them by giving long leases of Government land at nominal rents. We understand that Government have rendered such help to some municipalities and recommend that Harijan employees' housing scheme should be immediately prepared by all municipalities and carried out by means of (i) free gifts of Government land and (ii) loans by Government at a low rate of interest and (iii) special grants.

223. (v) *Houses unfit for Human Habitation*.—Legal provisions in respect of houses unfit for human habitation are inadequate. In the first place, the District Municipal Act should be brought up in line with the Municipal Boroughs Act by the incorporation of a section therein on the lines of section 163 (I) of the Municipal Boroughs Act and the amendment be made applicable only where a Health Officer is engaged. The powers exercised by the standing committee in this respect under the Municipal Boroughs Act, may be vested in the President of the District Municipality. Both the Acts must provide for appeals against closing or demolition orders to a specially appointed tribunal.

224. (vi) *Regulation of Huts*.—A suitable definition of "Hut" be incorporated in the Act. There is no such definition at present. We suggest that suitability of the following definitions of buildings, dwelling houses and huts given in the Madras Public Health Act, 1938, may be considered:—

"*Building*".—(a) a house, outhouse, stable, latrine, godown, shed, hut, wall (other than a boundary wall not exceeding eight feet in height) and any other such structure, whether of masonry, bricks, wood, mud, metal or any other material whatsoever;

(b) a structure on wheels or simply resting on the ground without foundations; and

(c) a ship, vessel, boat tent, van and any other such structure used for human habitation.

"*Dwelling House*".—"Dwelling house" means a building constructed, used or adopted to be used, wholly or principally, for human habitation or in connection therewith.

"*Hut*".—"Hut" means any building which is constructed principally of wood, mud, leaves, grass, thatch, or metallic sheets, and includes any temporary structure of whatever size or any small building of whatever material made which the local authority may declare to be a hut for the purposes of this Act.

Under section 97 of the District Municipal Act and section 125 of the Municipal Boroughs Act any one wishing to erect a hut has simply to inform the municipality or the Chief Officer of his intention to erect it. The sections should be amended making such permission necessary.

One of the main difficulties in respect of huts is the practice of landlords to let out their lands for putting them up. Huts are built on such lands by poor persons in the most haphazard manner. Colonies of such huts spring up in almost all municipal areas. There are no sanitary conveniences provided for the inhabitants; the people case themselves anywhere and the whole neighbourhood is rendered most insanitary. There is hardly any arrangement for water supply or drainage, the huts have neither plinths nor windows and they are generally over-crowded. The landlord's only concern is to send his servant to collect the rents and he does not care for the sanitation of the premises. Municipal Acts may be amended by making landlords responsible for keeping the premises in a sanitary and habitable condition. Section 162 which empowers the Chief Officer to pull down such structures should be more frequently used.

Agriculture and Local Industries.

225. Section 50 (j) of the Local Boards Act, 1923, provides that local boards may at their discretion spend for—

“the establishment and maintenance of model farms, the acclimatisation of exotics, the distribution of superior kinds of seed, improvement of the breed of cattle and horses, the introduction and preservation of fish and the advancement and improvement of agriculture and local industries.”

This section is very wide in its scope. We find that proper attention has not been paid to this most important subject of agricultural improvements and the promotion of local industries, no doubt on account of inadequate finances of local boards. In order to remedy this state of things we suggest that for—

(1) *agricultural improvement :*

the Agricultural Department of Government should make greater efforts to come into closer contact with local boards and show to them from time to time how best they could render help in the matter. Government should utilise local board agency for all their work in connection with agricultural improvement. Government should encourage local boards to take interest in the activities of the Agricultural Department by adequate grants-in-aid;

(2) *improvement of local industries :*

there is a vast field for work in this connection. This Village Industries Association which, we understand, has been doing considerable research work, should be able to guide local boards and show them the way, Government on their part giving adequate financial assistance to those bodies.

Cattle-Pounds.

226. Management of cattle-pounds leaves much to be desired. Impounded cattle are often huddled together in small enclosures, with

barely any protection against the sun or rain. Watering and feeding arrangements are meagre. The main concern of the person in charge of the pounds is to make money out of the scheduled feeding charges for the unfortunate animals. The keeper is, with rare exceptions, a police patil, who is hereditary servant of the Crown. In addition to his usual salary, he receives a small remuneration for looking after these pounds. Since the transfer of the pounds by Government to local bodies, these patils have become partly responsible to local bodies, so far as their services in respect of these pounds are concerned. This dual position accounts for a great deal of the mismanagement of these pounds. Audit notes are full of instances of this state of affairs. Misappropriation of petty amounts is a usual feature. Local Bodies are unable to exercise adequate control over the patils, whom they can neither fine nor remove. They can merely complain to Government for the lapses of these recalcitrant pound-keepers. In the circumstances, we recommend that the management of pounds should be retransferred to Government, who should, after defraying the cost of such management, pay over to the local bodies the net proceeds from fines and fees recovered in this behalf. The method of payment should be, as recommended by us elsewhere, by charging the net proceeds to the Provincial revenues and not by way of grants.

Modern Museums.

227. Under section 56 (6) of the District Municipal Act and section 71 (b) of the Municipal Boroughs Act, it is one of the discretionary duties of municipalities to construct, establish or maintain museums. It has been suggested that this duty should be made obligatory by amendment of section 54 of the District Municipal Act and section 68 of the Municipal Boroughs Act. We appreciate the suggestion as we recognise that museums have educative value that cannot be denied. People of all ages and classes are expected to derive intellectual and material benefit from well-conducted museums and municipalities are bodies which may appropriately be expected to render service to the public in this behalf. But in view of the parlous state of municipal finances and of several urgent calls on them which have perforce to remain unattended to, we would not make provision for museums obligatory. It would, however, be worthwhile for the bigger municipalities to set up and finance museums which would cater for the needs of whole districts and Government money expended on grants towards their maintenance would be most usefully spent. A museum in a district town may present a vivid picture of its economic conditions and possibilities and stimulate a desire for development and progress. It should be taken advantage of by the rural as well as the urban population of the district and agriculture, handicrafts, forestry, different types and manufactures and the arts may prominently figure in them. The museums will prove helpful in the promotion of the Provincial Government's programme of rural development. The funds, non-recurring and recurring, required for them may be secured from public endowments and donations, from municipal contributions and

Government grants. If necessary, a Museums Act may be passed providing for the creation and maintenance of museums. To begin with, it may be convenient to have model museums in central cities of the three Divisions of the Province and the experiment may be extended gradually as experience of their working is gained. The various departments of Government will find in these museums good media for propaganda and public instruction.

Libraries.

228. It is desirable that every local body should maintain, according to its means, a suitable collection of books on matters pertaining to Municipal Law and Administration for the use of its staff and members. A small amount provided every year in the budget will, in the course of a few years, build up an adequate collection. Bigger municipalities can have a more ambitious library. In cities like Bombay, Ahmedabad, Surat, Poona and Sholapur, there ought to be a comprehensive library of all standard books on municipal subjects. Such a municipal library should be open to the public for consultation without fees. Propagation of the knowledge on municipal subjects so great a desideratum in our country that we should like to go further and include amongst obligatory duties, the maintenance of a library on municipal subjects.

Public Libraries.

229. We further recommend that municipalities should try to run public libraries or at least literally assist the existing ones within their jurisdiction.

Joint Administration of certain Functions.

230. Sections 39, 47 and 46 respectively of the District Municipal, Municipal Boroughs and Local Boards Acts provide for the appointment of joint committees of local bodies governed by different local self-Government Acts of the Province for purposes in which they are jointly interested and for delegation of powers to such committees. In virtue of these powers, some local bodies have entered into agreements for the administration of some services in which they are jointly interested. The most prominent instance of such co-operation is that of municipal dispensaries which extend medical relief to persons residing within the jurisdiction of local boards. In such cases local boards contribute certain amounts to municipalities. The Constitution of dispensary committees is based on the joint representation of these combining bodies. The Weights and Measures Act is worked jointly in several cases as in the Thana, Broach and other districts. Ferries are run jointly in the Broach District. A terminal tax cordon has been formed by the Poona City Municipality, Poona Suburban Municipality and the Poona Cantonment. There is an arrangement between the Surat and Rander municipalities for supply of water by the former to the latter. Isolation

hospitals are run jointly by the Poona Municipality, Poona District Local Board, Poona Suburban Municipality and the Poona Cantonment Board. To this last mentioned joint administration Government are also a party and contribute a part of the expenses. We have not examined all these schemes in detail but are given to understand that the services are run more or less smoothly to the common benefit of the combining units. The same thing, however, cannot be said of the proposals for a joint Octroi board in the case of Ratnagiri District. In the last case we have suggested elsewhere that Government should intervene and evolve a scheme which should as far as possible satisfy the just claims of the combining units.

231. The following are some of the services which may be jointly administered in suitable places with advantage to the combining units:—

- (i) Weights and Measures Department.
- (ii) Water Works and Water Supply.
- (iii) Drainage Works.
- (iv) Disposal of Night-soil and Sewage.
- (v) Generation and Supply of Electric Energy.
- (vi) Isolation Hospitals.
- (vii) Human and Animal Dispensaries.
- (viii) Chemical and Analytical Laboratories.
- (ix) Construction and Maintenance of Slaughter Houses.
- (x) Certain Utility concerns.

This list is only illustrative and not exhaustive.

232. We make the following recommendations:—

(1) It is desirable that further possibilities of such joint action should be investigated.

(2) Investigations and preliminary surveys will have to be carried out into areas which fall within the jurisdiction of more than one unit, sometimes of several units. Government have at their command technical advisers whose services should be requisitioned.

(3) We further recommend that Government should assist the local bodies by bringing to their notice the possibilities of joint administration in cases where it would be the advantage of all the combining units.

(4) A word of caution regarding the method of joint administration is necessary. It would be better in many cases to leave day to day work in the hands of a major local body which should have the sole control over the staff pertaining to such service. A separate *ad hoc* body for administrative purposes is not a convenient mode of transacting business. As far as possible, the joint interests should only lay down terms of working any project of contributing their share of expenses or dividing income and leaving the whole administration to one competent unit.

(5) Where there are contiguous local bodies all interested in joint administration of numerous services it is a case for amalgamation of local bodies not for the creation of *ad hoc* committees. Such, for example, are the cases of Poona, and Poona Suburban Municipalities and Bombay Municipality and its suburban local bodies.

(6) Proposals for the appointment of certain officers, like the Health Officer or Sanitary Inspector responsible to several local bodies for looking after areas falling within their jurisdiction should be accepted with great caution. Officers who are servants of more than one unit are likely to fail to give satisfaction to any of them. Schemes for such divided control should be avoided as far as possible.

CHAPTER VIII.

CONCLUSION.

233. Improved finance and a higher standard of administration are problems of vital importance to local bodies today and it will have been seen that they dominate the discussion and the recommendations of this report. Other topics dealt with relate to the expansion and adjustment of the functions of local bodies. They have been considered on their own merits, and their bearing on the above two subjects has been clearly indicated. The evidence placed before us and our own investigations have brought into light a conflict of opinion and a clash of viewpoints which are natural in the midst of the variety of interests and parties concerned in the administration of local bodies. [The Provincial Government, the members and the staff of local bodies, tax-payers and rate-payers in municipal and local board areas and the general public of the Provinces are all deeply interested in a satisfactory solution of the problems involved in the working of local self-government and we have tried our best to give due weight to opinions and suggestions received from and on behalf of all these quarters. These views and the information supplied to us in connection with them, have been carefully and critically examined, and while constantly keeping before our eyes the ideal of efficient self-government and the basic principles underlying it, we have considered every question from the practical point of view. If we have evinced sympathy for the claim of local bodies that they should be free from undue official interference and control, we have at the same time provided for a good deal of Government control wherever we thought it was called for in the interest of efficient and progressive administration and for the benefit of the public. It need not be added that the social, political and economic conditions in the midst of which progress and improvement will have to be achieved, must be carefully taken into account in formulating proposals for development and giving effect to them. We earnestly hope that our recommendations will be viewed as a whole and against the background depicted above and that if adopted, they will open to local bodies the way to steady progress.]

We owe it ourselves to record our sense of appreciation for the untiring work which our colleague, Mr. Barfivala, has put in and for the assistance he has rendered to us by placing the results of his study and research and his varied experience at our disposal.

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Bombay, 27th October 1939.