

URBAN PUBLIC SERVICES

Pricing and Subsidy Component



Naib Singh

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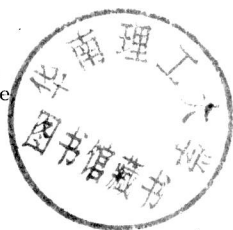
- Health and Security Services
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With Special Emphasis on Municipal Expenditure,
Income from and Subsidy Element in Urban Services

Edited by

NAIB SINGH

Department of Geography,
B.S.C. Ji, Government College
Sardargarh, Bathinda



Foreword by

DR. SURYA KANT

Reader, Department of Geography,
Panjab University, Chandigarh



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Foreword

Municipal bodies in India perform a variety of obligatory and non-obligatory functions, like water supply, sewerage and drainage, street lighting, public transport, fire brigade service etc., for the residents living under their respective jurisdictions. Poor state of municipal services in towns and cities in the country is a well recognised and documented fact. The National Commission on Urbanisation states, "urban centers have ... generated the most brutal and inhuman living conditions, with large sections of the citizens ... living in squatter settlements. The over crowding in slums and the desperate lack of water and sanitation leads not only to severe health problems but to the abject degradation of human life.... In the decades to come, who knows how much political tension and physical violence will be triggered off by the flagrant display of wealth which coexists with the rising expectations of the poor and with the appalling conditions of congestion and pollution which form their environment" (Vol. I, p. 1).

The malady seeks a diagnosis for its remedy. Analytical perspectives on the matter differ. One of the perspectives is that there is a reluctance to raise prices of services in face of sharp increase in expenditure on production, distribution and maintenance of these services in the wake of demographic growth, physical expansion of towns and cities along with rising cost of labour and material. The National Commission on Urbanisation also notes, "there is a universal complaint in India that local bodies, which are responsible for maintenance of existing services, are woefully short of resources, both for maintenance of existing services and for making the capital investment necessary for expansion" (Vol. II, p. 133). Deterioration in quality and availability of services is the natural outcome of all this. Less empowered social groups and peripheral localities do suffer the most in the process.

Although numerous studies are available on urban services and municipal finances yet seldom has been an attempt made to study the pricing mechanism of urban services so as to understand the bases on which urban services are subsidized and to find out a rational formula for their distribution. So far Indian Geography is considered, there is a complete dearth of such studies. The present book *Pricing of Urban Services—Pricing and Subsidy Component* by Naib Singh is a commendable exception. He is the first at least among the Indian geographers to take up this theme for innovative research.

A variety of questions raised in the book is very appropriate, timely and focused. Is there some basis for distribution of subsidies on urban services? Was there any social and or spatial discrimination in their distribution and what should be the rational approach to the subsidy element in the provision of urban services? In fact, the whole discussion in the book is centred around, how to build a sustainable system of urban services for towns and cities in India, which combines the virtues of service efficiency, social equity, operational effectiveness, dynamic growth and financial viability.

The job of finding answers to these questions has been handled with a fine research skill by Dr. Naib Singh. He picked up a case study of municipal towns in Bathinda district of Punjab. His personal knowledge on the working of services in the district, as he is settled in Bathinda city of the district, and extensive fieldwork conducted methodologically has been a great asset.

Some of the findings of his work deserve reproduction. Urban services in Punjab are highly subsidized. Only an amount of Rs. 32 18 million, making up only 8.0 per cent of total municipal expenditure (on average annual basis), is recovered; making less than 15 percent of total expenditure incurred by the municipalities on urban services. In other words, 85 paise out of each rupee goes as subsidy. At the level of individual town, the large towns were guided by the principle of economic efficiency in spending on services in comparison to small towns, whereas the concept of equity prevailed over the efficiency criteria. In 1996-97, where per capita subsidy rose to its peak level of Rs. 38, inter-municipal variations were the least. It seems that there is threshold point beyond which the growth of subsidy has to be kept within limit.

Five out of eight urban services examined were fully subsidized, while remaining three were partially subsidized. Public health and sanitation received the highest amount of Rs. 15.30 million or about 30 per cent of total subsidy amount. Against this, the fire brigade services, received only Rs. 1.46 million or less than 3 per cent. Of all the services, three urban services viz., public health and sanitation, sewerage and roads cornered nearly 73 per cent of total subsidy amount during the period. Recovery rate varied from a high of about 46 per cent in case of water supply service to a low of less than 8 per cent in sewerage service.

Per capita amount of subsidy on urban services recorded strong positive association with all the attributes of towns, included in the analysis, but association was exceptionally strong with growth rate of population and per capita amount of expenditure. In other words, rapidly growing and high per capita spending towns provided very high per capita amount of subsidy on urban services.

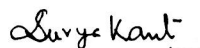
In view of the high subsidy component in provision of urban services, there is a need for rationalization. The immediate solution that comes to mind is a hike in the tariff structure of urban services. Some of the core issues involved in the matter are: (i) Convincing people of the fact that they are getting highly subsidized urban services and that the poor quality of services being rendered is related largely to this fact; consequently he must pay for these services adequately, (ii) Working out a scenario in which the consumer is convinced that it is not the administrative mismanagement but the financial crunch which is more responsible for the prevailing situation, and (iii) preparing the local politician to cooperate by resisting the tendency towards populism and opposing it to encourage any rationalization of pricing of urban services. The situation is more favourable now than ever before. Already a favourable wind is blowing towards rationalizing of the prices of urban services. The urban-dwellers have also started getting a feel of it. Their mindset is now changing towards the content of emerging realities.

Such perceptive observations are a hallmark of Dr. Naib Singh's book. His entire work is noted for clarity of concepts, rigour of methodology, and depth of insights. He displays a remarkable capacity to draw incisive geographic inferences from his study.

He displays a slended commitment to objectivity while dealing with any issue. Fieldwork based observations and analysis further enhance the quality and objectivity of the work accomplished.

He has provided a model for others interested in similar themes. At the same time, it devolves upon dynamic and energetic Dr. Naib Singh that he continues exploring the hidden dimensions of this theme. Above all, the book contains several messages worthy of serious considerations by the audience in geography, economics, public administration, and urban and regional planning in addition to bureaucrats and policy planners, journalists, activists and an informed general audience. Dr. Naib Singh deserves our heartiest congratulations at accomplishing a singularly splendid job. I wish the book all success.

Chandigarh



SURYA KANT

Reader

Department of Geography
Panjab University

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Coming through the demands of research work, one is amazed by the reactions one may get from one's colleagues, friends, close associates and professionals. What I have found most wonderful is the unexpected inspiration and strength that came to me from unexpected quarters and made me all the more resolute in my purpose. I acknowledged that some Divine hand is quietly and resolutely guiding me on my way. I take this opportunity to give thanks to all those who contributed towards making the path easier and were my guiding lights in this research.

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Bathinda

NAIB SINGH

Contents

Foreword	xi
Acknowledgements	xv

SECTION I

1. INTRODUCTION	3
Obligatory Functions	4
Discretionary Functions	5
Literature on Urban Services Subsidy Element	7
The Study Area	12
Organisation of Study	15
2. PROFILE OF TOWNS	16
Introduction	16
Bathinda City	18
Historical Background	19
Physical and Demographic Growth	20
Rampura Phul	22
Historical Backgrounds	23
Physical and Demographic Growth	23
Maur Mandi	25
Historical Background	26
Physical and Demographic Growth	26
Raman Mandi	28
Historical Background	28
Physical and Demographic Growth	28
Goniana Mandi	29
Historical and Religious Background	29
Physical and Demographic Growth	31
Bhucho Mandi	33
Historical Background	33
Physical and Demographic Growth	34

Kot Fatta	34
Historical Background	36
Physical and Demographic Growth	36
Sangat Mandi	38
Historical Background	38
Physical and Demographic Growth	38
Main Highlights	39
3. MUNICIPAL INCOME AND EXPENDITURE	42
Per Capita Municipal Income and Expenditure:	
Inter-District Comparison	44
Inter-District Variations in Share of Municipal Income and Expenditure	48
Municipal Income by Sources: Inter-District Comparison	50
Inter-district Variations in Municipal Expenditure by Expenditure Heads	55
Inter-Municipal Variations in Income	61
Inter-Municipal Variations in Municipal Expenditure	64
Subsidy on Urban Services: Comparative Picture	67
Inter-district Variations in Subsidy Share	69
Inter-district Variations in Per Capita Subsidy on Services	71
Main Highlights	74
4. PUBLIC HEALTH AND SECURITY SERVICES	79
Water Supply	79
Sources and Coverage	80
Expenditure Pattern and Trends	92
A. Aggregate Expenditure on Water Supply	92
B. Change in Expenditure, 1980-98	96
C. Per Capita Expenditure	98
Income Pattern and Trends	102
A. Aggregate Income from Water Supply	102
B. Change in Income, 1980-98	104
C. Per Capita Income	106
Subsidy Component	108
A. Aggregate	108
B. Inter-Municipal Variations	109
C. Spatio-Temporal Changes	111
D. Per Capita Subsidy	113
Spatial Discrimination in Distribution of Subsidy	116

Main Highlights	119
Sewerage and Drainage	123
Sewerage	124
Sewerage System: Evolution and Expansion	125
Subsidy on Sewerage: Pattern and Change	136
Per Capita Subsidy	140
Spatial Discrimination in Distribution of Subsidy	
Component	145
Main Highlights	149
Drainage	152
Expenditure on Drainage	154
Change in Expenditure Share	158
Per Capita Subsidy	160
Spatial Discrimination in Subsidy on Sewerage and	
Drainage	165
Main Highlights	168
Public Health And Sanitation	169
Sanitary Staff in Municipal Towns of Bathinda	170
Infrastructure for Sanitation	172
Subsidy on Public Health and Sanitation Service	175
A. Aggregate Picture	175
B. Subsidy as Proportion of Municipal Expenditure	
and Change in it	180
C. Composition of Expenditure/Subsidy	183
D. Per Capita Expenditure/Subsidy on Sanitation	187
Spatial Discrimination	191
Main Highlights	193
Fire Brigade Service	196
Fire Services: Infrastructure and Staff	197
Expenditure: Pattern and Change	199
Main Highlights	202

SECTION II

5. INFRASTRUCTURE SERVICES	207
Roads	207
Municipal Roads: Spatial Expansion and Coverage	210
Subsidy: Pattern and Change	221
Per Capita Subsidy	224
Spatial Discrimination	230
Main Highlights	234

Street Lighting	236
Municipal Expenditure on Street Lighting	237
Per Capita Expenditure/Subsidy	242
Spatial Discrimination	246
Main Highlights	254
6. ENVIRONMENTAL IMPROVEMENT SERVICES	257
Slum Improvement	257
Slums in Towns of Bathinda	258
Expenditure on Slum Improvement	262
Per Capita Expenditure/Subsidy on Slums	264
Main Highlights	265
Recreational Facilities	267
Expenditure: Pattern and Change	267
Income: Pattern and Change	272
Subsidy: Pattern and Change	274
Spatial Discrimination in Subsidy on Recreational Facilities	279
Main Highlights	280
SECTION III	
7. SUBSIDY COMPONENT IN URBAN SERVICES	287
Aggregate Amount of Subsidy	288
Inter-service Variations in Subsidy	291
Growth of Subsidy Amount	295
Inter-Municipal Disparities in Distribution of Subsidy	297
Inter-Municipal Differentials in Subsidy on Services	300
Inter-Municipal Disparities in Per Capita Subsidy	308
Recovery Rates: Inter-Service and Inter-Municipal Differentials	314
Correlates of Subsidy Element	318
A. Subsidy Element and Non-quantitative Attributes of Towns	318
B. Subsidy Element and Quantitative Attributes of Towns	320
Rationalisation Approach to Subsidy Element	320
Main Highlights	326

8. SUMMARY AND CONCLUSIONS	330
Appendix I: Bathinda District: Municipal Finance, 1980-98	354
Appendix II: Bathinda District: Income and Expenditure of various Municipalities, 1980-98	358
Bibliography	363
Index	373

SECTION I

