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COMPOSITION OF EXPENDITURE ON ROADS BY PUNE MUNICIPAL CORPORATION, 1985-86 TO 2008-09

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Composition Of Expenditure On Roads By Pune Municipal Corporation, 1985-86 To 2008-09

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ABSTRACT

The analysis of the various kinds of expenditure on roads made by the Pune Municipal Corporation during the period 1985-86 to 2008-09 shows that the composition of this expenditure, in terms of the relative shares of different items and relative shares of different functions, has changed over the period of the study. The developmental functions on which capital expenditure is made have become increasingly more important as shown by their growing share in the total expenditure. The share of administrative expenditure, which is of a recurring nature, has continuously declined over the study period.

1. INTRODUCTION - URBAN ROADS

Roads are one of the vital components of the infrastructure in any urban area. Roads in urban areas are vital for both economic development and social integration since they facilitate the conveyance of both goods and people (MORTH 2010: i). As a city grows, mechanical transport is required for getting from one place to another and hence the necessity of a comprehensive road network that connects all parts of a city to all other parts. An efficient system of roads enables citizens to save time and to travel safely and economically within the area of the city (Walker 1981: 103). If the road network does not keep pace with the needs of the population, it becomes a bottleneck that could slow down the growth of the city and eventually lead to a decline in economic activity.

In India, the provision of roads in a city is the responsibility of the urban local government. The length of roads and the quality of roads provided by the urban local government depend to a large extent on the funds that are made available for this purpose and how these funds are used. Thus expenditure on roads is a crucial factor in the provision of this important service.

This issue of how much expenditure is made on roads and the composition of this expenditure was studied by taking the case of one urban local body, the Pune Municipal Corporation (PMC).

2. STATEMENT OF THE RESEARCH PROBLEM

This study sought to study the composition of the expenditure incurred on building and maintenance of roads by the Pune Municipal Corporation. Expenditure was divided into various activities like building of new roads, repair and maintenance, traffic control, street lights, etc., to find the priorities assigned to each of these functions by the Corporation and to identify changes in the composition of the total expenditure over the period 1985-86 to 2008-09.

3. OBJECTIVES OF THE STUDY

The subject of this research was to make a study of the composition of the expenditure on roads incurred by the Pune Municipal Corporation during the period 1985-86 to 2008-09. The specific objectives of this study were:

1. To study the composition of the budget and actual expenditure on roads made by the Pune Municipal Corporation during the period 1985-86 to 2008-09.
2. To identify the changes in the composition of the expenditure on roads by the Pune Municipal Corporation during the period 1985-86 to 2008-09.
3. To find the priorities assigned to the various functions of the Road Development Department of the Pune Municipal Corporation over the period 1985-86 to 2008-09.

4. HYPOTHESES OF THE STUDY

Given the objectives mentioned above, relevant data was collected and analysed. Through this analysis, the study attempted to examine the following hypotheses:

1. The composition of the expenditure on roads by the Pune Municipal Corporation has changed over the period 1985-86 to 2008-09.
2. The priorities assigned to the various functions of the Road Development Department of the Pune Municipal Corporation have changed over the period 1985-86 to 2008-09.

5. RESEARCH METHODOLOGY

This research is a case study of the Pune Municipal Corporation. Data was collected mainly from the Budgets of the PMC. The data was analysed with the help of statistical tools such as percentages, annual growth rate, compound annual growth rate, trend, coefficient of variation, ranking, etc.

6. AREA OF THE STUDY

In order to study the expenditure on roads within a city by its local government, the city of Pune was selected purposively. For this study, only the area of the Pune Municipal Corporation has been taken which was 243.84 sq. kms in 2010 (PMC 2010: 1). This is because the budget of the Pune Municipal Corporation is made with reference to the roads within this area.

7. SCOPE OF THE STUDY

The study is limited to the expenditure on roads by the Pune Municipal Corporation during the period 1985-86 to 2008-09. This study is limited only to the

expenditure on roads. The income side of the budget is not considered. The time period 1985-86 to 2008-09 was taken because the rapid growth of the city started during the 1980s (PMC 2005:3) hence demand for roads also increased from that time. This study is concerned with the expenditure on roads made by the PMC alone. Expenditure made by the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), has not been taken for this study as this scheme started only in 2005-06.

8. SOURCES OF DATA

This study is based primarily on secondary data, which was collected from the following sources.

1. Budgets of the Pune Municipal Corporation: The main source of the statistical data regarding the budget and actual expenditure on roads by the PMC was the Budgets of the PMC for the period 1985-86 to 2010-11. Expenditure figures were taken from the Revenue Expenditure and Capital Expenditure sections of the 'A' Budget of the PMC.

1. Other publications of the PMC: These included the Environmental Status Reports for various years, the Development Plans of the PMC, etc.

9. FINDINGS

The aim of this research was to study whether there were any changes in the composition of the expenditure over the years and, if so, what were these changes and what caused them. The study also wanted to find out the priorities given to the various functions of the Road Department of the Pune Municipal Corporation.

The expenditure on roads was arranged year-wise and divided into six sub-periods in order to identify the changes in the composition of the expenditure.

Secondly, a functional classification of the expenditure was made to assess the relative priority given to different functions of the Road Department. The various kinds of expenditure was arranged according to the seven major functions of the Road Department, viz., 1) Provision of roads 2) Repair and maintenance of roads 3) Building and maintenance of bridges 4) Safety measures 5) Traffic Regulation 6) Miscellaneous functions and 7) Administrative functions.

Finally, these various functions were further clubbed together and divided into just two categories of developmental functions and administrative functions. The expenditure on each of these functions was analysed in terms of its relative share in total expenditure in each of the six sub-periods.

The major findings about the composition of the expenditure on roads by the Pune Municipal Corporation during the period 1985-86 to 2008-09 are as follows:

1) Change in the composition of expenditure: The total expenditure on roads is broadly of two types, revenue expenditure and capital expenditure. The composition of the expenditure in terms of the relative shares of these two categories has clearly changed over the 24 years taken for this study both in the budget as well as in the actual expenditure. These changes are explained below:

a) Changes in the composition of the budgeted expenditure: In the budget for expenditure on roads, the share of the planned revenue expenditure was larger than planned capital expenditure between 1985-86 and 1992-93. From 1993-94 onwards, capital budget became larger than revenue budget, and its share kept increasing till the end of the study period. The share of the revenue budget declined

from 66.02% in the first sub-period to 17.12% in the last sub-period. The share of the capital budget increased from 33.98% to 82.88%.

b) Changes in the composition of the actual expenditure: During the first half of this period, i.e. the twelve years from 1985-86 to 1996-97, revenue expenditure was larger than capital expenditure. However, the share of actual revenue expenditure was continuously falling, from 72.20% in the first sub-period to 62.91% in the second to 55.45% in the third. On the other hand, the share of actual capital expenditure was gradually increasing from 27.80% to 37.09% to 44.55% during the same period. From the fourth sub-period i.e. 1997-98 onwards, capital expenditure exceeded revenue expenditure. Its share continuously increased till it reached 80% at the end of the study period i.e. in 2008-09.

From the above observation about the relative shares of revenue and capital expenditure on roads, it may be concluded that the Road Department of the PMC gave less importance to the activities that fall under capital expenditure during the period 1985-86 to 1996-97. More funds were being spent only on maintaining the existing road network, with the largest outlay being made on electricity charges for street lights and on salaries, which are fixed costs and have to be incurred every year. The developmental work of building new roads, bridges, flyovers, putting up traffic regulation equipment etc., was given lower priority. It was only after 1996-97 that more expenditure started on developmental work. However, once this change in priorities took place, the expenditure on the items in the capital expenditure category grew very fast and is the priority area at present.

Some of the reasons that could be identified by this study for this change of priority from 1996-97 onwards were -

- a) Implementation of the Development Plan of 1987 in a big way from 1996-97 onwards.
- b) Expansion in the area of the Corporation to include 38 fringe villages in September 1997.
- c) Increasing traffic problems and congestion from mid - 1990s onwards.
- d) Construction of cement-concrete roads from 2000-01 onwards.
- e) Implementation of the Integrated Road Development Programme of the Government of Maharashtra from 2000-02 onwards.
- f) Rapid growth of industries from 2002 onwards.
- g) Excessive rainfall in the years 2005-06 and 2006-07.

2) Variation in the composition of expenditure: The composition of revenue expenditure remained almost the same throughout the study period. In all the sub-periods, street lights and salaries were the two largest items, the others being any two out of road repair, miscellaneous revenue expenditure and moving electrical poles. Road improvement, maintenance of machinery and bridge repair were always the smallest items, showing that they were given low priority.

The most important activity in the capital expenditure category was definitely resurfacing of roads. Priority was also given to building & improvement of new roads, road development and street lights, on which expenditure was high throughout the study period. In the later half of this period, cement-concrete roads, traffic

control, bridges and IRDP were important items of expenditure. The least allocations always were for subways and flyovers, miscellaneous capital expenditure, purchase of machinery and footpaths.

Thus it can be concluded that the composition of revenue expenditure remained more or less the same throughout the selected period. In comparison, the composition of capital expenditure showed more variation, with different items being given priority at different points in time, according to the need. This was because revenue expenditure included fixed costs like salaries & electricity charges, whereas the items in the capital expenditure category could be varied by the Road Department according to the situation.

3) Priorities of expenditure: When the expenditure on roads was classified according to the various functions of the Road Department, it was found that in the budget, the highest priority was given to the repair and maintenance function and the second priority was to the functions related to the safety of vehicles and pedestrians (Table No. 1). On the other hand, in the actual expenditure this order was reversed, with safety measures clearly being given more priority than repair and maintenance of roads (Table No. 2).

that in both the budget and actual expenditure, the share of the developmental functions in the total expenditure continuously increased whereas the share of administrative expenditure consistently declined over the 24 year period of this study (Table No. 3).

Table No.3
Relative Shares of the Expenditure on Developmental and Administrative Functions by the Road Development Department of PMC, 1985-86 to 2008-09.

Function	Percentage Share of Expenditure					
	Sub-Period 1	Sub-Period 2	Sub-Period 3	Sub-Period 4	Sub-Period 5	Sub-Period 6
Budget						
Developmental	62.50	68.61	78.81	84.10	92.92	95.84
Administrative	37.50	31.39	21.19	15.90	7.08	4.16
Total	100.00	100.00	100.00	100.00	100.00	100.00
Actual						
Developmental	61.60	66.66	74.43	86.21	92.07	95.73
Administrative	38.40	33.34	25.57	13.79	7.93	4.27
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Budgets of PMC, 1985-86 to 2010-11

In both the budget and actual expenditure, the average share of the developmental functions increased from about 60% in the first sub-period (1985-86 to 1988-89) to just over 95% in the last sub-period (2005-06 to 2008-09). During the same time, the share of administrative functions fell from about 40% to about 4% of total expenditure. This appears to be a healthy trend as more funds are made available for developmental purposes.

It is important to note that the actual expenditure in rupee terms has grown throughout the study period on both developmental as well as administrative functions. It is the share of developmental functions that has grown and the share of administrative functions in total expenditure that has declined.

10. CONCLUSION

It can be seen from the analysis of the various kinds of expenditure on roads that the composition of this expenditure, in terms of the relative shares of different items and relative shares of different functions, has changed over the period of the study. The developmental functions on which capital expenditure is made have become increasingly more important as shown by their growing share of total expenditure. The share of administrative expenditure, which is of a recurring nature, has continuously declined over the study period.

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Table No.1
Ranking of various Functions of the Road Department according to their Share in the Total Budget

Rank	Sub-Periods					
	1	2	3	4	5	6
1	Administration	Repair and Maintenance	Safety	Repair and Maintenance	Provision of Roads	Repair and Maintenance
2	Safety	Safety	Repair and Maintenance	Safety	Safety	Provision of Roads
3	Repair and Maintenance	Administration	Provision of Roads	Provision of Roads	Repair and Maintenance	Safety
4	Provision of Roads	Provision of Roads	Administration	Administration	Traffic Control	Traffic Control
5	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Administration	Administration
6	Bridges	Bridges	Bridges	Traffic Control	Bridges	Bridges
7	Traffic Control	Traffic Control	Traffic Control	Bridges	Miscellaneous	Miscellaneous

Source: Budgets of PMC, 1985-86 to 2010-11

Table No.2
Ranking of various Functions of the Road Department according to their Share in the Total Actual Expenditure

Rank	Sub-Periods					
	1	2	3	4	5	6
1	Administration	Safety	Safety	Safety	Provision of Roads	Repair and Maintenance
2	Safety	Repair and Maintenance	Repair and Maintenance	Repair and Maintenance	Safety	Provision of Roads
3	Repair and Maintenance	Administration	Administration	Provision of Roads	Repair and Maintenance	Safety
4	Provision of Roads	Miscellaneous	Miscellaneous	Administration	Administration	Traffic Control
5	Miscellaneous	Provision of Roads	Provision of Roads	Traffic Control	Traffic Control	Administration
6	Bridges	Bridges	Bridges	Bridges	Bridges	Bridges
7	Traffic Control	Traffic Control	Traffic Control	Miscellaneous	Miscellaneous	Miscellaneous

Source: Budgets of PMC, 1985-86 to 2010-11

4) Shares of Developmental and Administrative expenditure: Dividing the various kinds of expenditure into developmental and administrative categories, it was found