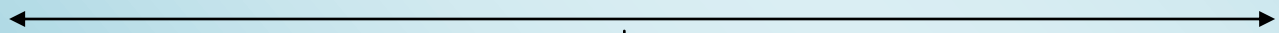


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INCOME TRENDS OF GUNTAKAL MUNICIPALITY OF ANANTHAPURAMU DISTRICT OF ANDHRA PRADESH

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ABSTRACT

Finance plays a vital role in Administration. Finance and Administration are as inseparable as a body and its shadow. Without money no activity can be performed by the Government. Finance is the life blood of Government in action. Finance fuels the administrative engine. Without finance the administration and its programmes cannot operate. Rightly, did Kautilya the ancient Indian political philosopher stated that all undertakings depends upon finance. Hence, the foremost attention shall be paid to the treasury. For every activity of the Government money is required. With more finances the Government can be expanded. Administration has close affinity with finance. In the words of L.D.White Finance and administration cannot be divorced, every administrative act has its financial implications.

KEY WORDS: Revenue, Property Tax, Entertainment Tax, Surcharge on Stamp Duty.

INTRODUCTION

The passing of the India Act XXVI of 1850 marked the first attempt at the creation of Municipalities in the districts. The Act authorized the Government to constitute any town into a municipality if its inhabitants were desirous of making better provision for public health and other amenities. The Executive authority was vested in Commissions consisting of the Magistrate and a certain number of persons appointed by the Governor-in-Council. Government contributed a sum equal to that raised by the inhabitants for this purpose. Ananthapuramu was one of the few places in the Presidency to which the act was applied.

In pursuance of the report of the Royal Army Sanitary Commission of 1863 which made several recommendations for the improvement of conditions of health in towns, Government undertook more extensive measures for the betterment of municipalities. The Madras Towns Improvement Act X of 1865 was consequently passed and applied to all towns with a population of 5,000 and more. According to this Act, Commissioners were appointed to manage municipal affairs and were authorized to levy certain taxes for meeting the charges on 'police' establishments, the construction of roads and the improvement of sanitation. The Commissioners were empowered to raise further funds for purposes such as lighting and water supply. Provision was made for the appointment of not less than 5 inhabitants as Commissioners with the District Magistrate as the President. The District Magistrate, the Local Magistrate and the P.W.O. Officer were Ex-Officio Commissioners. The Act was extended to Gooty in 1869.

The Towns Improvement Act III of 1871 replaced the Act of 1865. Under this Act, Municipalities were no longer required to contribute to 'police' charges. On the other hand, they were authorized to devote municipal funds for the promotion of education and the establishment of hospitals and dispensaries and other institutions of a local character not covered by the earlier Act. Some relaxation was made in the qualifications prescribed for the

members of the Municipal Commission and their term of office was extended from one to three years. Under the Act, the Commission consisted of not less than three non-official members with the Collector and the Revenue Divisional Officer as ex-officio members. The Government was empowered to appoint any official in the district as Commissioner on the condition that the number of such official members did not exceed one-half of the total strength.

The Madras District Municipalities Act IV of 1884 was passed on the recommendations of the Local Self-Government Committee constituted in accordance with Lord Rippon's resolution of 1882. This Act Superseded the Towns Improvement Act of 1871. It introduced the term 'Municipality' for the first time and also the word 'Council' and 'Councillors' for 'Commission' and 'Commissioners' respectively. The Municipal Council was to consist of not less than 12 members whose term of office was to be three years. The Revenue Divisional Officer was to be an ex-officio Councillor. All other Councillors might be wholly appointed or partly elected at the discretion of the Governor-in-Council and the elected members should normally be three-fourths of the total strength of the Council. Not more than one-fourth of the total number of Councillors, unless elected were to be Government officials. Each Council was to have a Chairman appointed by Government or elected by the Councillors and an elected Vice-Chairman. The Chairman was responsible for carrying out the purposes of the Act. The main sources of revenue of the municipalities consisted of a tax on lands and buildings levied at 7^{1/2} per cent of their rental value, water tax at 2 per cent, a tax on vehicles and animals, tolls as prescribed in the schedule of the Act and licence fee on offensive or dangerous trades. Other sources consisted of rents for the use of choultries, markets, slaughter-houses and cart-stands; fines and forfeitures, payments for municipal services; and grant-in-aid from State funds. The revenue so raised was to be spent on the maintenance and repair of streets and bridges; construction and maintenance of hospitals and dispensaries, choultries, markets, tanks, wells, drains, sewers, etc.; training and employment of medical practitioners, vaccinators and sanitary Inspectors; registration of births and deaths; lighting and cleaning of streets; expansion of education; construction, repair and maintenance of school buildings; and inspection of educational institutions and training of teachers. The only municipality then constituted under the Act was Ananthapuramu. Hindupur and Tadipatri were constituted into municipalities in 1920 under a new Act.

The pattern of municipal administration remained unchanged till 1920. The Madras District Municipalities Act V passed that year provided for a larger proportion of elected members and an increase in the powers and resources of municipalities. An Inspector of Local Boards and Municipal Councils were appointed to supervise their working. The strength of a Municipal Council was fixed on the basis of population at a maximum of 36 and a minimum of 16 and the term of Councillors was three years. The Chairman was to be elected unless Government directed otherwise, but the Vice-Chairman was to be invariably elected from among the members. Not less than three-fourths of its members were to be elected and adequate representation was to be afforded to minority communities by means of nomination. The Revenue Divisional Officer ceased to be an ex-officio member. A paid executive authority known as 'Commissioner' could be appointed for a municipality at the discretion of Government. The Act provided for the levy of the Education tax for the expansion of elementary education.

The term of the Councils was extended under the transitory provisions of the District Municipalities Act (Amendment) of 1930. This Act modified the earlier Act of 1920 by dispensing with nominations and providing for the election of all the Municipal Councillors. It also removed the disqualification of women to stand for elections and extended the franchise to every tax payer. It provided for the reservation of seats for women and for minority communities such as Muslims, Indian Christians, Scheduled Castes, Europeans and Anglo-Indians. It made the offices of the Chairman and of the Vice-Chairman elective and provided for the provincialization of municipal services. There was also provision for the passing of a vote of no-confidence against the Chairman and the Vice-Chairman and for the adjudication of disputes between various local bodies by Government. The Municipal Chairman and Vice-Chairman who might be removed from office were debarred from standing for election for a period of six months.

Subsequent legislation, particularly relating to the sphere of municipal finances, followed a pattern similar to that of Local Boards. The Motor Vehicles Taxation Act, 1931 abolished the levy of tolls. The tax on motor vehicles was provincialized and Municipalities were compensated for the loss of revenue. Municipal Councils, which levied a low rate of property tax, could be directed to increase it. In 1945, they were also permitted to levy a surcharge on stamp duty payable under the Indian Stamp Act in respect of the instruments of sale, gift and mortgage registered in municipal areas.

Owing to the conditions of emergency created by the Second World War, elections to municipalities were postponed from time to time till 1947. The new elected Councils came into office in October, 1947. The first elections to Municipalities on the basis of adult franchise were conducted in 1952.

GUNTAKAL MUNICIPALITY

Guntakal became a municipality in 1948 and comprised the revenue villages of Guntakal and Timmancherla. The first elections to the municipality were held in 1950. In 1953 the municipality opened an Ayurvedic dispensary and a middle school. In 1954-55 it undertook the dustless surfacing of the roads. A library was opened the next year. In 1955 the middle school was upgraded to a high school. In 1958-59 the town came to have protected water supply. The next year the existing Middle School for Girls was upgraded to a High School. In 1961-62 the municipality constructed 28 houses under the Low Income Group Housing Scheme at a cost of Rs. 1,93,275. The houses were let out to the municipal employees and others on rent. By 1964-65, the municipality was maintaining 30.14 K.Ms., bituminised and 8.39 water bound macadam roads, 24 elementary schools, two high schools (one for boys and the other for girls), two libraries (one in old Guntakal and the other a children's library in the Rani Choultry), an allopathic dispensary, two Ayurvedic dispensaries (the second one opened in 1961-62) and a Maternity and Child Welfare Centre. Its remunerative enterprises included a daily vegetable market, a meat market, a beef market, a weekly shandy, a cart-stand, a jatka-stand, a bus stand and two slaughter houses. Besides the Hampiah Stalls the Low Income Group Houses were yielding also revenue to the municipality. Most of the remunerative enterprises are now auctioned. The municipality provides 40 tenements to sweepers and scavengers under the centrally sponsored scheme of housing. It levies property tax (including a tax for general purposes, water and drainage, scavenging, lighting and education), a library cess on property tax, profession tax, and a tax on vehicles, animals and, carts. Licence fees for running dangerous and offensive trades

also constitute a source of revenue to the municipality. The year 1964-65 opened with a balance of Rs. 1, 49,086. The receipts during the year were Rs. 8, 78,020 and the disbursements Rs. 8, 53,115. The incidence of taxation per head of population was Rs. 8.7.

INCOME TRENDS

Main sources of Income of municipalities in Andhra Pradesh are as follows:

A. Taxes

- a) Property Tax
- b) Advertisement Tax
- c) Government have taken over levy and collection of Profession Tax from 1987-88 and paying compensation to the ULBs

B. Non-Taxes

- i. Water Charges
 - a) Fee from Markets and Slaughter Houses
 - b) Rents from Commercial Complexes
 - c) Building Licence Fee
 - d) Trade Licence Fee
 - e) Betterment and development charges
 - f) Encroachment Fee
 - g) Contributions towards water supply connections

C. Assigned Revenues

- a) Entertainment Tax: 90% of Entertainment Tax collected by Commercial Tax Department is assigned to ULBs on quarterly basis.
- b) Surcharge on stamp duty : Surcharge on Stamp Duty is levied @ 2% of the value of the instrument by Registration Department and 100% of the Surcharge on Stamp Duty is allocated to ULBs on quarterly basis

D. Non-Plan Grants

- a) Grants under 13th Finance Commission
- b) SFC Grants

E. Plan Grants

- a) Jawaharlal Nehru National Urban Renewal Mission
- b) (UI&G, BSUP, UIDSSMT, IHSDP,)
- c) APMDP – World Bank Project
- d) Swarna Jayanthi Shahari Rozagar Yojana
- e) Indira Kranthi Padham (Urban)
- f) Rajiv Nagar Baata
- g) Environmental Improvement in Urban Slums
- h) Municipal internal roads
- i) Assistance for Pavalavaddi Scheme
- j) Assistance to New Municipalities for developmental works
- k) Indiramma Programme for Water Supply, ILCS
- l) Indiramma Programme for Infrastructure
- m) Provision of basic facilities in Municipal Schools
- n) Fencing of parks and playgrounds in ULBs
- o) Grants under Backward regions grant fund

The income trends of Guntakal Municipality during 2004-05 to 2013-14 are presented in table 1.

Table-1
Total Income of Guntakal Municipality during 2004-05 to 2013-14

S. No	Years	Total	Growth Rate
1	2004-05	106745802	-
2	2005-06	122279820	14.55
3	2006-07	124880349	2.13
4	2007-08	186317777	49.20
5	2008-09	132288836	-29.00
6	2009-10	109936230	-16.90
7	2010-11	123615200	12.44
8	2011-12	128899480	4.27
9	2012-13	137719560	6.84
10	2013-14	159582000	15.87

Source: Records of Guntakal Municipality

It is evident from table 1 that the total revenue of Guntakal Municipality is erratically distributed over the years. During first four years of study it gradually increased year by year. In 2008-09 it sharply fall down and further declined in the next year. But after that it again gradually increased up to 2014-2015. Negative growth trends are visible during 2 out of 10 years of study. The negative trends appeared in 2008-09 and 2009-10.

PROPERTY TAX

Property Tax is one of the main sources of revenue for the ULB. Residential and Non-residential (Commercial) properties, situated within the limits of ULB, are assessed for tax. Based on such assessments, taxes are levied on the property owners. The information regarding all the new constructions, existing construction and modifications to the property, if any, are be provided by the Town Planning Department for making necessary changes to tax assessment. The citizen has to register with the urban local body for taxation and assessments are made based on the physical dimensions of the property and other parameters to assess the taxes to the citizen. The Revenue section of the ULB/Municipal body is responsible for administration of property taxation for that respective ULB. Property tax is assessed for each property located in the limits of the ULB based on the Annual Rental Value and the Taxation rate. The Annual Rental Value of a property is calculated based on parameters like Plinth area, zonal location of the property, Residential/Non-residential status, age of the property, type of construction and other parameters applicable to specific situations. The Town planning section of the ULB provides all the details of the property with reference to its physical status and modifications. Table 2 gives the particulars with regard to collection of property tax by Guntakal Municipality.

Table-2
Revenues from property tax of Guntakal Municipality during 2004-05 to 2013-14

S. No.	Years	Amount in Rs.	% of total Revenue	Growth Rate
1	2004-05	19135000	17.93	-
2	2005-06	19500000	15.95	1.91
3	2006-07	21200000	16.98	8.72
4	2007-08	19500000	10.47	-8.02
5	2008-09	25000000	18.90	28.21
6	2009-10	6482880	5.90	-74.07
7	2010-11	8006400	6.48	23.50
8	2011-12	8640000	6.70	7.91
9	2012-13	8868960	6.44	2.65
10	2013-14	9504000	5.96	7.16

Source: Records of Guntakal Municipality

It is clear from table 2 that the property tax share in the total revenue of Guntakal Municipality showing downward trend from 2009-10 onwards. The share property tax in total revenue of municipality is highest in 2008-2009 and lowest in 2013-2014. The actual collected amount from property tax is also decreasing after 2008-09. In 2009-2010 only Rs. 64, 82,880 is collected through property tax in Guntakal Municipality. Positive growth rate in property tax collection is noticeable in 8 out of 10 years of study.

REVENUE FROM SHOP / BUILDINGS

The municipalities collect taxes and other commercial establishments on the basis of their location, age and condition. The revenue from shops/ buildings to Guntakal Municipality is presented in table 3.

Table-3
Revenue from shop / Buildings Rent of Guntakal Municipality during 2004-05 to 2013-14

S. No.	Years	Amount in Rs.	% of total Revenue	Growth Rate
1	2004-05	470000	0.44	
2	2005-06	4200000	3.43	793.62
3	2006-07	5500000	4.40	30.95
4	2007-08	6500000	3.49	18.18
5	2008-09	7500000	5.67	15.38
6	2009-10	8500000	7.73	13.33
7	2010-11	8500000	6.88	0.00
8	2011-12	9000000	6.98	5.88
9	2012-13	12684000	9.21	40.93
10	2013-14	127000	0.08	-99.00

Source: Records of Guntakal Municipality

It is clear from table 3 that the share of revenue from shops/ buildings to total revenue of the municipality is gradually increasing except 2007-2008 and 2013-2014. The share of revenue from shops/building in 2004-2005 is only 0.44 per cent of total Guntakal Municipality revenue. But its share increased to 9.21 per cent by 2012-2013. 9 out of 10 years of study registered positive growth rate with regard to the revenue from shops/buildings.

NON-PLAN GRANTS

The non-plan grants of Guntakal Municipality during 2004-2005 to 2013-2014 are furnished in table 4.

Table - 4
Revenue from Non plan grant of Guntakal Municipality during 2004-05 – 2013-14

S. No.	Years	Amount in Rs.	% of total Revenue	Growth Rate
1	2004-05	6970000	6.53	
2	2005-06	500000	0.41	-92.83
3	2006-07	868000	0.70	73.60
4	2007-08	6500000	3.49	648.85
5	2008-09	1000000	0.76	-84.62
6	2009-10	2700000	2.46	170.00
7	2010-11	5000000	4.04	85.19
8	2011-12	9740000	7.56	94.80
9	2012-13	2500000	1.82	-74.33
10	2013-14	14650000	9.18	486.00

Source: Records of Guntakal Municipality

Table 4 reveals that there are wider fluctuations in the non-plan grants received by the Guntakal Municipality during the study period. But in the last year of study i.e. 2013-2014, highest non plan grants of Rs. 14,650,000 were received by the Guntakal Municipality. The share of non-plan grants in total revenues of the Guntakal Municipality is also not evenly distributed over the years. It ranges between 0.41 per cent to 9.18 per cent of total revenues of the municipality. Highest growth rate of 648.85 non plan grants is registered in 2007-08 in the Guntakal Municipality. In all, 3 out of 10 years registered negative growth rate in the non-plan grants of the municipality.

SURCHARGE ON STAMP DUTY

Surcharge on Stamp Duty is levied at the rate of 2 per cent of the value of the instrument and collected by Registration Department and assigned to ULBs. In all Municipal Corporations the amount is remitted on daily basis without any deductions. In Municipalities, the revenues are remitted on monthly basis to the extent of 95 per

cent and 5 per cent retained for administration charges. Table 5 gives the details of revenue from surcharge on stamp duty of Guntakal Municipality during 2004-05 - 2013-14.

Table – 5
Revenue from Surcharge on stamp duty of Guntakal Municipality during 2004-05 - 2013-14

S. No.	Years	Amount in Rs.	% of total Revenue	Growth Rate
1	2004-05	4146000	3.88	
2	2005-06	4522000	3.70	9.07
3	2006-07	5500000	4.40	21.63
4	2007-08	4853407	2.60	-11.76
5	2008-09	8165000	6.17	68.23
6	2009-10	8000000	7.28	-2.02
7	2010-11	8000000	6.47	0.00
8	2011-12	12000000	9.31	50.00
9	2012-13	13500000	9.80	12.50
10	2013-14	14000000	8.77	3.70

Source: Records of Guntakal Municipality

The data in table 5 shows that the share of surcharge on stamp duty in total revenue of Guntakal Municipality is not evenly distributed over the years. Its share in 2007-2008 financial years is only 2.60 per cent of total revenue and highest (9.80 per cent) in 2012-2013. 2 out of 10 years registered negative growth rate in the collection of surcharge on stamp duty in Guntakal Municipality. The actual amount collected from surcharge on stamp duty crossed more than 1 crore from 2011-2012 onwards and it reached highest point of culmination of Rs. 14,000,000 in 2013-2014.

ENTERTAINMENT TAX

Nearly 90% of Entertainment Tax collected by Commercial Tax Department is assigned to ULBs on quarterly basis. Entertainment falls in List 2 of the Seventh Schedule of the Constitution of India and is exclusively reserved as a revenue source for the state governments. Historically, before India acquired independence, British government imposed heavy taxes on the events of amusements and entertainment, where a large gathering of Indians could have caused rebellion or mutiny. Thus, various entertainment tax acts of the state

governments permit the rate of tax beyond 100%. After independence, old enactments continued and there has been no revision or repeal of these acts. .Andhra Pradesh Government collects 15 per cent entertainment tax on Telugu cinema tickets and 20 per cent on non- Telugu Films. Table 6 gives the particulars of entertainment tax collected by Guntakal Municipality during 2004-2005 to 2013-2014.

Table – 6
Revenue from Entertainment tax of Guntakal Municipality during 2004-05 - 2013-14

S. No.	Years	Amount in Rs.	% of total Revenue	Growth Rate
1	2004-05	1508000	1.41	-
2	2005-06	1768000	1.45	17.24
3	2006-07	2000000	1.60	13.12
4	2007-08	1557317	0.84	-22.13
5	2008-09	1650000	1.25	5.95
6	2009-10	1700000	1.55	3.03
7	2010-11	1600000	1.29	-5.88
8	2011-12	1500000	1.16	-6.25
9	2012-13	2621000	1.90	74.73
10	2013-14	2600000	1.63	-0.80

Source: Records of Guntakal Municipality

It is clear from table 6 that the share of entertainment tax in the total revenue of Guntakal Municipality never crossed 2 per cent of total revenue. The negative growth rate in collection of entertainment tax is registered in 4 out of 10 years of study. The highest negative growth rate of -22.13 is registered in 2007-2008. On the other hand, highest positive growth rate of 74.73 is registered in 2012-2013. The actual amount collected is not evenly distributed over the years.

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