



A STUDY ON SOURCES OF REVENUE OF ANDHRA PRADESH MUNICIPALITIES WITH EVIDENACES

Dr. Outa Vijayachandrudu,

Researcher, Dept of Economics, Sri Krishnadevaraya University, Anantapuramu.

Abstract

The resources of ULBs are classified as own resources comprising tax and nontax revenues, assigned revenues, Grants from State Government, grants from Central Finance Commission, grants under Centrally Sponsored Schemes. Article 243 of the Constitution of India empowers the State Legislature to authorize Municipal government to levy and collect taxes and non-taxes in their jurisdiction in accordance with the prescribed procedures and limits to effectively discharge the entrusted functions. Accordingly, under the Municipalities Act, 1965 and Municipal Corporation Act, 1994, powers were conferred to ULBs to mobilise revenue in the form of taxes and non-taxes. The own fiscal domain of ULBs consists of the following tax and non-tax sources. In this paper, an attempt is made to assess the finances of Urban Local Bodies based on the data collected from the Directorate of Municipal Administration and interactions with different stakeholders in urban local governments. The analysis of receipts of Urban Local Bodies separately for each category i.e., Municipal Corporations, Municipalities and Nagar Panchayats for the period 2019-20 to 2023-24 is presented in second section. The analysis of projected receipts and expenditures of ULBs, estimation of resource gap of ULBs and recommendations for devolution of finances to ULBs is presented in third section.

Keywords: Receipts, Urban Local Bodies, Municipalities.

Introduction

As per ToR, the Commission is required to review the financial position of Municipal Corporations, Municipal Councils and Nagar Panchayats and to suggest measures to improve their financial position. In this paper, an attempt is made to assess the finances of Urban Local Bodies based on the data collected from the Directorate of Municipal Administration and interactions with different stakeholders in urban local governments. The analysis of receipts of Urban Local Bodies separately for each category i.e., Municipal Corporations, Municipalities and Nagar Panchayats for the period 2019-20 to 2023-24 is presented in second section. The analysis of projected receipts and expenditures of ULBs, estimation of resource gap of ULBs and recommendations for devolution of finances to ULBs is presented in third section.

Sources of Revenue: The resources of ULBs are classified as own resources comprising tax and nontax revenues, assigned revenues, Grants from State Government, grants from Central Finance Commission, grants under Centrally Sponsored Schemes. Article 243 of the Constitution of India empowers the State Legislature to authorize Municipal government to levy and collect taxes and non-taxes in their jurisdiction in accordance with the prescribed procedures and limits to effectively discharge the entrusted functions. Accordingly, under the Municipalities Act, 1965 and Municipal Corporation Act, 1994, powers were conferred to ULBs to mobilise revenue in the form of taxes and non-taxes. The own fiscal domain of ULBs consists of the following tax and non-tax sources.

The 74th Constitution Amendment Act 1992 provides for 18 functions for ULBs. All the functions listed in this schedule have been devolved to ULBs in the State, except fire services. The ULBs as per Municipality Act Provide the following essential services in their jurisdiction.



1. Water Supply.
2. Construction and Maintenance of Roads.
3. Construction and Maintenance of drainage system.
4. Protection of Public health.
5. Sanitation, Conservancy and solid waste management.
6. Regulation and enforcement norms for construction and development of buildings.
7. Regulation of water bodies in public interest.
8. Regulation off actories and trades through licensing.
9. Maintenance of vital statistics.

Profile of ULBs: The composition of urban population among ULBs has undergone changes due to expansion of some ULBs, increased migration and natural population growth. During the Fourth State Finance Commission (2019), there were 14 Municipal Corporations, 73 Municipalities and 19 Nagar Panchayats. At present, the total number of Municipal Corporations and Municipalities and Nagar Panchayats have increased to 17, 82 and 24 respectively and the total population in ULBs increased from 1,36,33,338 to 1,49,02,697 as per the 2011 census. The population in 2024 in ULBs is estimated to be 1,76,86,439.

Objectives

1. To study the concepts of urban Local Bodies
2. To analyse the various sources of revenues/receipts of Andhra Pradesh Municipalities

Methodology

The present study is basically depends secondary data which are provided by the state government authorities and collected from the websites only. The data analysed the statistical data. The period of the study from 2019-20 to 2023-24, i.e., five years data. The statistical data is analysed by using various statistical tools like averages and annual growth rate.

Sources of Finance

Table 1 Receipts of Municipalities (Rs.inlakhs)

Revenue Income	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Taxes	28677 (22.79)	33417 (29.91)	36713 (27.81)	47225 (32.94)	46393 (29.79)	38485 (28.78)
AGR	-	16.53	9.86	28.63	-1.76	13.32
Non-Taxes	25608 (20.35)	24786 (22.19)	28815 (21.82)	36740 (25.63)	33177 (21.30)	29825 (22.30)
AGR	-	-3.21	16.26	27.50	-9.70	7.71
OwnSource Revenue	54286 (43.13)	58203 (52.10)	65528 (49.63)	83964 (58.57)	79571 (51.09)	68310 (51.08)
AGR	-	7.22	12.59	28.13	-5.23	10.68
Assigned Revenue	13491 (10.72)	12013 (10.75)	14893 (11.28)	14927 (10.41)	11076 (7.11)	13280 (9.93)
AGR	-	-10.96	23.97	0.23	-25.80	-3.14



CFCGrants	44600 (35.44)	25604 (22.92)	39333 (29.79)	25926 (18.09)	36428 (23.39)	34378 (25.71)
AGR	-	-42.59	53.62	-34.09	40.51	4.36
Grantsunder CSS	1722 (1.37)	646 (0.58)	2096 (1.59)	813 (0.57)	326 (0.21)	1121 (0.84)
AGR	-	-62.49	224.46	-61.21	-59.90	10.21
MPLADS	223 (0.18)	87 (0.08)	129 (0.10)	362 (0.25)	727 (0.47)	306 (0.23)
AGR	-	-60.99	48.28	180.62	100.83	67.18
OtherCentral Government Grants	61 (0.05)	8343 (7.47)	1866 (1.41)	4631 (3.23)	5834 (3.75)	4147 (3.10)
AGR	-	13577.05	-77.63	148.18	25.98	3418.39
State Government Grants	10452 (8.30)	5626 (5.04)	7186 (5.44)	11860 (8.27)	20745 (13.32)	11174 (8.36)
AGR	-	-46.17	27.73	65.04	74.92	30.38
Other Receipts	1019 (0.81)	1188 (1.06)	1003 (0.76)	872 (0.61)	1027 (0.66)	1022 (0.76)
AGR	-	16.58	-15.57	-13.06	17.78	1.43
Total Receipts	125854	111709	132033	143355	155736	133737
AGR	0	-11.24	18.19	8.58	8.64	4.83
Loans	0	0	0	0	386	77

Source: Govt.of Andhra Pradesh, Directorate of Municipal Administration Note: Figures in parenthesis indicate percentage shares

The total receipts of Municipalities registered growth rate of 4.83 percent during the study period. The receipts in absolute terms increased from Rs. 125854 lakhs to Rs. 155736 lakhs in 2023-24. Own source revenue accounted for 51 percent of total receipts. Tax revenue contributed 28.78 percent and Non-tax revenue added 22.3 Percent to own revenue. Next important source is Finance Commission grants followed by assigned revenue and state government grants. It is observed that the average annual rate of growth of tax revenue is higher than that of non-tax revenue. The rate of growth of tax and non-tax revenue was maximum in 2022-23 and registered a negative growth rate in 2023-24.

The share of property tax in total tax revenue is around 95 per cent of total tax revenue in all the years. The share of property tax in total tax revenue is observed to be high in comparison with Municipal corporations. The tax on vacant land consistently increased and grew at an annual average growth of 16.47 per cent. The yield from advertisement tax is very insignificant and during the years 2020-21 and 2023-24, no revenue is received under this tax.

With regard to assigned revenue, the yield from surcharge on stamp duty is the only source of revenue. The average yield form collection of profession tax per annum is 0.12 lakhs.



Table 2 Composition of Tax Revenue –Municipalities (Rs. In Lakhs)

Tax	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Property Tax	27163 (94.72)	31913 (95.50)	34868 (94.97)	44747 (94.75)	43932 (94.70)	36525 (94.91)
AGR	-	17.49	9.26	28.33	-1.82	13.31
VLT on Properties	1349 (4.70)	1498 (4.48)	1712 (4.66)	2219 (4.70)	2462 (5.31)	1848 (4.80)
AGR	-	11.05	14.29	29.61	10.95	16.47
Advertisement Tax	137 (0.48)	0 (0.00)	132 (0.36)	220 (0.47)	0 (0.00)	98 (0.25)
Others	28	6	1	39	0	15
	0.10	0.02	0.00	0.08	0.00	0.04
Total	28677	33417	36713	47225	46393	38485

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

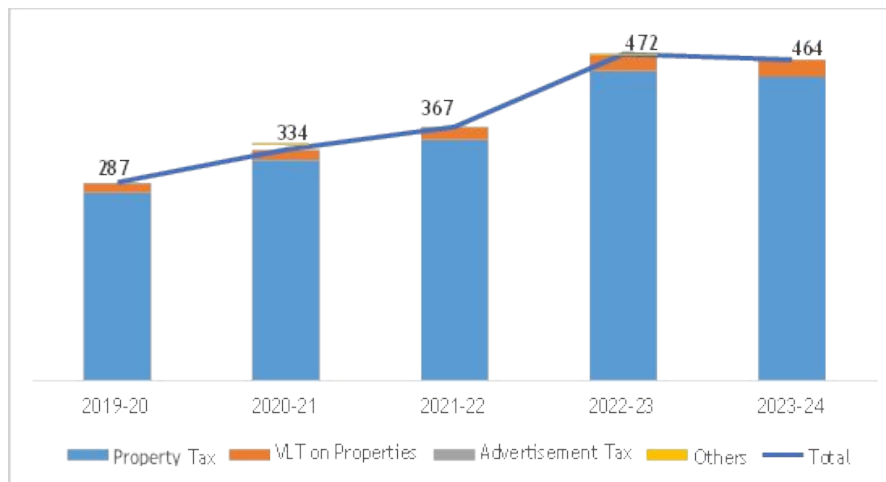


Table 3 Assigned Revenue-Municipalities (Rs.In Lakhs)

Assigned Revenue	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Average
Entertainment Tax	0.0231 (0.00)	0 (0.00)	0.015 (0.00)	0.34 (0.00)	0 (0.00)	0.08 (0.00)
Surcharge on Stamp Duty	13480.52 (99.92)	11998.87 (99.89)	14887.27 (99.97)	14863.32 (99.57)	11076.12 (100.00)	13261.22 (99.86)
Magisterial Fines	10.19 (0.08)	13.549 (0.11)	4.97 (0.03)	63.37 (0.42)	0 (0.00)	18.42 (0.14)
Total Assigned Revenue	13490.93	12012.54	14892.45	14927.13	11076.12	13279.84



Source: Govt.of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

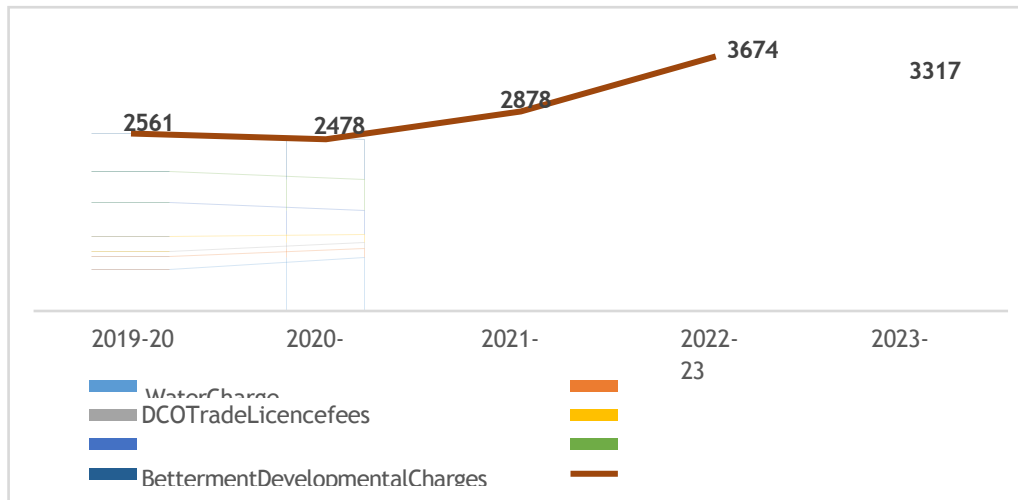
The information on trends in revenue of different non-tax items is given in table 3. It can be deduced from the table that the non-tax revenue increased from Rs.25610 lakhs to Rs. 33178 lakhs during the period under review and it grew at average annual growth rate of 7.17 percent. These are of yield from water charges in total non-tax revenue accounted for around 24 percent followed by building license fee, Rents and market fees in that order. It is observed that the rate of growth of yield from water charges is not consistent and highly volatile and it was negative during 2023-24. The annual average rate of growth rate of revenue from water charges is very less in comparison with other non-tax items.

Table 4 Composition of Non Tax Revenue –Municipalities in Andhra Pradesh

Non-Tax Revenue	2019-20	2020-21	2021-22	2022-23	2023-24	Average
WaterCharges	5927 (23.14)	7696 (31.05)	7444 (25.86)	7894 (21.49)	6218 (18.74)	7036 (23.59)
AGR	-	29.85	-3.27	6.05	-21.23	2.85
Market Fees	1992 (7.78)	1322 (5.33)	1815 (6.30)	2157 (5.87)	2634 (7.94)	1984 (6.65)
AGR	-	-33.63	37.29	18.84	22.11	11.15
D&O Trade Licence fees	730 (2.85)	829 (3.34)	804 (2.79)	977 (2.66)	923 (2.78)	853 (2.86)
AGR	-	13.56	-3.02	21.52	-5.53	6.63
Encroachment/ Layout/ Developmental Charges	2114 (8.25)	1205 (4.86)	1411 (4.90)	2665 (7.25)	2128 (6.41)	1905 (6.39)
AGR	-	-43.00	17.10	88.87	-20.15	10.70
Building Licence fees	4922 (19.22)	3470 (14.00)	5009 (17.40)	8503 (23.14)	8014 (24.15)	5984 (20.07)
AGR	-	-29.50	44.35	69.75	-5.75	19.71
Rents	4391 (17.15)	4426 (17.86)	5305 (18.43)	5875 (15.99)	5718 (17.23)	5143 (17.25)
AGR	-	0.80	19.86	10.74	-2.67	7.18
Others	5534 (21.61)	5838 (23.55)	7001 (24.32)	8669 (23.60)	7543 (22.73)	6917 (23.20)
AGR	-	5.49	19.92	23.83	-12.99	9.06
Total Non- Taxes	25610	24786	28789	36740	33178	29821
AGR	-	-3.22	16.15	27.62	-9.70	7.71

Source: Govt.of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares



Among the taxes levied by Municipal Corporations, property tax contributed around 88 percent of the tax revenue of Municipal Corporations. The revenue yield from property tax increased from Rs.66385 lakhs in 2019-20 to Rs.112907 lakhs in 2023-24. The growth rate of property tax revenue is highest (24.5 Percent) in 2022-23 and a minimum of 6 percent in 2021-22 and average annual growth rate was 11.58 percent. The highest growth rate of tax revenue in 2022-23 is due to change in the method of assessment of property tax from rental value base to capital value base. Next to property tax is tax on vacant land contributing around 11.58 percent of total tax revenue. The revenue from tax on vacant land increased from Rs. 6125 lakhs in 2019-20 to Rs. 16148 lakhs in 2023-24 and registered average annual growth rate of 24.57 percent during the period with highest growth rate of 83 percent in 2022-23. Advertisement tax has become significant after GST and the yield from this tax is highly fluctuating. It can be seen from the table that there is no yield from this tax in the years 2020-21 and 2023-24.

Conclusions

The data on income from assigned revenue are furnished in table 8.6. The taxes, duties, and cesses collected by the government on behalf of local bodies and assigned to them are called assigned revenues. This category includes entertainment tax, surcharge on stamp duty, seignorage grant, profession tax, mineral cess, magisterial fines etc. Total assigned revenue of Municipal Corporations declined from Rs. 29186 lakhs in 2019-20 to Rs. 15715 lakhs in 2023-24, registering a negative growth rate of around -8.63 percent per annum during the review period. A duty on transfer of property is levied in the form of a surcharge on the basic duty imposed under the Indian Stamp Act 1899, on certain instruments on the transfer of property. The surcharge is levied and collected by the registration department and the proceeds are being assigned to local bodies. The collection from surcharge on stamp duty in Municipal Corporations declined from Rs.23446 lakhs in 2019-20 to Rs.15715 lakhs in 2023-24. The share of surcharge on stamp duty in assigned revenue increased from 80.3 percent in 2019-20 to 100 percent in 2023-24. It implies that no revenue from entertainment tax, profession tax and magisterial fines is transferred to Municipal Corporations. The yield from profession tax accounted for 24 percent of assigned revenue but there is no revenue from this tax in 2023-24. With the introduction of GST, Entertainment Tax was replaced under section 174(2) of Andhra Pradesh GST act 2017 with effect from 1.7.2017. No compensation is paid to Municipal Corporations towards Entertainment Tax.



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