

PART - THREE

CHAPTER - I

OVERVIEW AND CONCLUSION

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Finance is the agent that directs the flow of economic activity. Finance function is the important managerial function in the area of financial decision-making. In a developing economy like India State must play a very active role in promoting economic development and social welfare by accelerating all types of infrastructural activities in which public finance is of utmost importance. Political structure of the State must be so shaped as to assist for promotion of human welfare as a whole. Modernisation of financial administration, decentralization of responsibility

and proper utilization financial resources of a state requires property study of the subject 'Public Finance'.

Local-Self-Government is a system under which Government by the people is a reality. These local authorities is regarded as principal welfare-agency at urban and rural local level. Investigator has tried to study the subject of public finance through micro-level approach and hence adopted a case for study. Recently data published by various Government Authorities revealed that local bodies are constrained in their development and social welfare activities, by resources at their disposal. Today we see the burning problem of Centre-State financial relations which is reflected in State-Local relations. For sound financial health of Local Bodies, study must be done for exploring the ways to enhance the finances of these local authorities.

NATURE OF THE CASE AND

STRUCTURE OF STUDY :

Local Governments are grass-root systems of Indian democracy in which consciousness for India's freedom arose. In modern age it is a stable basis of organised civil life at local level. The pattern of local Government has implications on the financial problems of local bodies. Nagar Parishads (municipalities) have greater financial constraints than municipal corporations at big city level.

Case study approach is a recent technique for enriching the reservoir of knowledge. It involves a deeper investigation of a single unit. So case study approach has been adopted by the investigator.

An analytical study of municipal revenues with special reference to Gadhinglaj Nagar Parishad (Kolhapur) for the period from 1980-81 to 1984-85 is the case study undertaken by the Researcher with the following objectives in view.

1. To know the revenue sources of the Nagar Parishad.
2. To study the collection procedure of revenue.
3. To know the difficulties involved in it and to throw the light on the possibility of raising the revenues.

Study includes the study of revenue-sources created by Nagar Parishad with previous sanction from the Maharashtra Government from time to time. Case is a problem case and data collected is historic and descriptive in nature. Data, opinion and information is collected through account books, opinions, interviews and observations. Collection of data in social sciences is a difficult task and it requires patience and courage on the part of the investigator.

Gadhinglaj city is established in the proximity of Hiranyakeshi River which was Gaon established by Late Chhatrapati Shahu. City has got the status of Municipal Council since 1887. Today Gadhinglaj Nagar Parishad has a property of .75 to 80 lakhs of rupees. Nagar Parishad receives revenue from the sources like octroi, property tax, vehicle tax, market place tax, water cess, sanitary cess, advertisement tax etc. Nagar Parishad makes disbursement of Rs. 60 lakhs annually. Even though Nagar Parishad appropriates 60 lakhs of rupees annually, it is facing acute financial shortage in developmental work. It has got tremendous targets to be fulfilled in the wake of rising city area, population, industries and trade. So investigator tries to study the important financial sources of the Nagar Parishad.

A brief overview and important conclusions of the each tax-source of Gadhinglaj Nagar Parishad within the period of five years from 1980-81 to 1984-85 under study is given below.

OCTROI :

Octroi is the important sources of the Nagar Parishad as it contributes an average at 25% to 30% of the total revenues in the period of five years. Octroi is levied on the goods/animals brought in municipal area. Octroi revenue increases directly with increase of importing of

goods in municipal area. As city area, population, trade activity, industry increases octroi automatically increases. Octroi is also directly related with the prices of - commodities brought into octroi limits. Tax evasion in case of octroi is also large due to untrained employees, lack of proper supervision, lack of weighing bridges, undervaluation of goods, biased attitude of employees towards assessing octroi amount. Yearly on average 20% of the total goods brought in octroi limits are untaxed. Small articles, ornaments, luxury goods and many other types of goods are brought in without paying the octroi. Octroi tax payers are also against the octroi cess because they face the problem of delay in arrival in market, many stoppages, losses to vehicles and time-consuming formalities. There are arrears in octroi-revenue due to delay of Government departments to clear it, inefficiency of employees and delay of tax collectors. In the period of five years under study octroi constitutes the financial backbone of Gadhinglaj Nagar Parishad all the above difficulties, loopholes, and inabilities are to be removed for improving the position of octroi revenue.

PROPERTY TAX :

Property tax is the consolidated tax on land and buildings located in Nagar Parishad area. It is the tax not on property but on the income derived by the owner from

possession and use of property. State for tax. Tax-rate is based on the annual rental value of the property and actual rent whichever is higher. Under this the responsibility for valuation and assessment of properties is placed on the shoulders of municipal bodies.

Property tax-proceed is related to growth rate of properties to be owned by the people. Revenue from this source is increasing from the year 1980-81 to 1984-85. It constitutes on average, about 17% to 20% of the total tax revenues in period under study. Rate fixation, valuation and assessment is done as per Government rules. Objections against assessment are entertained within specified limits. Then Valuation Officer disposes the cases after investigation. Annual average recovery of property tax is 80% in five years under study. Areas are collected by instalments with interest. There is no tax evasion but arrears. It is found that people cannot bear high property tax. It is also revealed that many properties are undervalued and false receipts of rents are produced. It is also observed that rent-fixation is far off from reality, old constructions are ~~xxx~~ taxed at low rate, assessment authority sometimes influenced by political giants.

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WATER TAX :

Water tax is levied at different rates for domestic and other than domestic use. Tax is also different on various sizes of pipelines. Special water tax is one of the important sources of revenues and comes third in the share of total revenues of Gadhinglaj Nagar Parishad within the period of five years. In Gadhinglaj city there is rising demand for water supply connections. This source on average constitutes 10% of the total tax revenues. Important thing observed is that cost of water supply department is much more than its revenue and revenue and expenditure. Yearly expenditure is double than income from water tax. Government is stressing on the principle of 'Self-Supporting Schemes'. Rate of water tax at present is at low level. It is also observed that waste of water, is more and there is no control on use of water by the public in the period of five years. Only 40% of the house-owners have water connections. Rates are fixed on the size of pipeline. These are important causes of low revenue from this source.

TAX ON MARKET PLACE :

It is examined that the tax is levied on the market place levied by the retailers, in municipal area. Revenue from this source during the period of five years is at low level. Trend is rising but not perceptible. Revenue from this source is dependent on the extent of marketing activity and response

of customers to dealers who stay on the road. It is also found that there is no supervision on the calculation of tax and occupation of places on the road. Rate of twenty paise per square metre charged in five years is very low rate. Due to increase in foot-path marketing there is hope for increment in the revenue.

ENTERTAINMENT TAX :

Entertainment tax is levied on any show, function, drama, cinema, circus, tamasha held in municipal area. Government has prescribed very low rate of tax i.e. Rs. 3 to 7 per show irrespective of its proceed - so consequently revenue is also at low figure in the period under study. Revenue from this source is directly related to number of shows held in municipal area. Nagar Parishad has neglected this source due to wide fluctuations in the proceed. Authority charging tax and authority giving permit for show is different so high rate cannot be claimed by Nagar Parishad.

ADVERTISEMENT TAX :

Tax is levied on an individual and an institution which makes advertisement on lands, buildings, walls in municipal area. In the period of five years different rates are applied for different types of advertisements. Maximum and minimum rates are also prescribed. Revenue from this source is of very small amount in the period under study.

Revenue depends on advertisement campaigns and local commercial conventions. It is found from the survey that all advertisements are not taxed, no inspection is made of advertisements in the period under study. With private collusion between traders and municipal employees advertisement is made tactfully without paying tax.

VEHICLE TAX :

Tax is levied on the vehicles under the Motor Vehicles Act 1939, given and kept in municipal area for use. When vehicle tax levied agitation by public caused authority of Nagar Parishad to stop to administer this tax. As per section 2 of Bye-laws 1982 vehicles include those owners of which are unable to pay tax. Major portion of vehicle tax is shared by the State Revenue from this is of very negligible amount in the period. Even one employee's salary cannot be paid from this revenue.

SANITARY TAX :

It is a tax upon private latrines within municipal area which are cleaned by municipal agency or sewage of which is conducted or received into municipal sewers at rates given.

Number of latrines and revenue from this tax is related to the new constructions taking place in the city. It is observed that there is no proper system of sewers in the

city, so as per rule Nagar Parishad cannot levy tax where there is not facility of sewages. Major responsibility of raising the revenue lies with the Gadhinglaj Nagar Parishad.

Government of Maharashtra transferred the revenue from sale-purchase of cattles to Shahu Market Committee, Gadhinglaj, from the hands of Nagar Parishad. Nagar Parishad receives revenue from other sources like hotel tax, fees, penalties, rents of properties let out, but there sources are of fixed nature. Nagar Parishad receives grants and subsidies of different types as per Government allocation towards local bodies. So this revenue is out of control of Nagar Parishad.

There is no constitutionally allocated exclusive tax field to be utilized by the local bodies. These taxes which our local bodies impose are constitutionally speaking, state taxes and they delegated to local bodies through statutes. So exploitation of tax sources by local bodies is subject to the whims of the state. All the commissions went into the question of need for reservation of certain taxes for exclusive use by the municipal bodies. Without integration of municipal and

state planning, it is not only possible to ensure necessary development finance to local bodies but such an effort is in confirmity with the national perspectives.

Investigator has tried to suggest measures for augmenting the revenues of Nagar Parishad, in the light of above mentioned statements.

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