CHAPTER III

ANALYSIS OF REVENUE

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3.1 INTRODUCTION:

In order to study the composition or structure of Sangola Nagarpalika Revenue income, it is necessary to analyse the changing pattern of revenue receipts and capital receipts. Generally, Nagarpalika obtain their income from six main sources. These six sources are divided into two parts:

(1) Revenue receipts,

(2) Capital receipts.

Revenue Receipts include two major heads, i.e. (a) general taxes, and (b) general non-tax revenue, or property tax; and on the other hand, **capital receipts** include (a) grants and contributions, (b) deposits and advances, and (c) miscellaneous, and (d) loans.

We will deal with them in a more detailed manner in what follows:

(a) General taxes: General taxes are imposed by Nagarpalika and these are of two types: (i) direct taxes, and (ii) indirect taxes. Direct taxes are property-tax, entertainment tax, motor vehicles tax, service tax, etc. Indirect taxes are octroi, terminal tax and road tax (toll), etc.

In some Municipal Acts, revenue is classified into tax revenue and non-tax revenue. Tax revenue is classified into two parts: (a) mandatory, and (b) discretionary. Mandatory taxes are also known as compulsory taxes. These taxes must be levied by the Nagarpalika Council. Discretionary taxes are left to the discretion of Nagarpalika Council. Before imposition of tax, Nagarpalika has to pass a resolution at general meetings, specifying the taxes to be levied and the rate at which the tax shall be levied. The Council, after considering the objections raised by local inhabitants, forward the same to the government for approval. After government approval, the council notifies the imposition of tax or taxes in the official gazette. In short, it is shown in the following chart:

(1) Tax Revenue		(2) Non-tax Revenue
Mandatory	Discretionary	
1. Taxes on Property	1. Tax on Animals	1. Property & other funds
2. Taxes on Vehicles	2. Tax on Traders	2. Grants-in-Aid
3. General Taxes	3. Octroi	3. Licence Fees
4. Drainage Taxes	4. Taxes	4. Loans.
5. Conservancy Tax	5. Toll	
	6. Betterment tax	
	7. Tax on advertisement	
	8. Theatre Tax	
	9. Any other Tax	
	10. Taxes on Deeds	

3.2 MAJOR COMPONENTS AND THEIR CHANGES:

In Sangola Nagarpalika, major component of revenue are Nagarpalika rates and taxes, octroi, contributory gain tax, special water supply tax, are the major components of the

Nagarpalika rates and taxes of revenue receipts of Sangola Nagarpalika.

For Sangola Nagarpalika, income derived from Nagarpalika rates and taxes is about 50 per cent and nearly 6 per cent of income is derived from the property tax. Thus, the revenue receipts account 56 per cent of the total receipts while capital receipts account for 44 per cent of the same. Out of the capital receipts, 24 per cent of income is derived from deposits and advances and 20 per cent of income is derived from government grants and contributions. 'C' Class municipal councils receive 44 per cent of their income from grants, while municipal corporations receive only 6 per cent of their income.[1]

Major components of Revenue Receipts of Sangola Nagarpalika are shown in Table 3.1. The first source of revenue is Nagarpalia Rates and Taxes. In the year 1974-75, Nagarpalika received Rs.2,17,293 as rates and taxes and its percentage to the total revenue is 43.8 percent. There is considerable growth in rates and taxes of Nagarpalika over the entire period of our study. In 1989-90, it was Rs.21,66,604 and its percentage to the total revenue was 40 percent. Nagarpalika rates and taxes include the following sub-items: Contributory gain tax, octroi, entertainment tax, publicity tax, vehicle tax, road tax (toll), special cleaning tax, special water supply tax, hotel tax, Kondwada fee

and plantation tax, etc. Nagarpalika rates and taxes increase during the period from 1974-75 to 1989-90 was 89.7%.

In the Nagarpalika rates and taxes, octroi, contributory gain tax and special water supply tax, are the major components of Nagarpalika revenue. The municipality raises the bullk of their income from rates and taxes. Generally, its proportion to the total income is 68 per cent in India.

3.2.1 Octroi:

Octroi is an ancient and primitive source of revenue. Octroi is one of the chief taxes provided in the Municipal Acts. This tax is levied on all goods which enter into he jurisdictional area for use, sale or consumption therein. The basis of octroi is that those goods which come in but go out again, which are exported or just pass through are either to be exempted or for such goods, refund has to be arranged after receiving the tax initially.

Though octroi is an ancient and primitive source of revenue, its continuance in the modern times is being opposed on various grounds, namely, that its incidence is uncertain and falls heavily on poor classes whose life necessities form the main items of such tax receipts, it hampers trade and industry, indirectly it hampers economic development. Collection of octroi and its refund causes great

inconvenience to the taxpayers and result in laxity in supervision and consequent evasion of tax and so on. Sir Charles Trevelyan descibed it as "the remaining of a barborous system of universal taxation".[2] According to U.K.Hicks, octroi is regressive in incidence, inequitable because of fraud and high inconvenient to the taxpayer. From the economic point of view, octroi hampers inter-local trade bolstering up the economic isolation which is one of the biggest obstacle to the development specially development from below.[3] Josiah Stamp held a similar view as he said, "In my judgment, both theoretical and on the result of the experience, no country can be progressive that relies to any extent upon octroi, which has nearly every vice".

Local Finance Enquiry Committee, 1950, and Taxation Enquiry Committee, 1952-53, or the Dr.John Mathai Committee also referred to the evils inherent in the octroi system.

Inspite of this universal criticism, it has not been found possible to abolish octroi. The Taxation Enquiry Committee observed, "Unfortunately, except a long range view of the situation, it is not practical to consider the wholesale abolition of octroi tax. It is obvious that unless adequate alternative resources are developed by all local bodies, such a course will have extremely adverse effects on the municipalities and municipal corporations".[4]

Either now or in the immediate future, it is impossible to imagine alternative sources of local taxation, which will give or provide octroi today. Both Taxation Enquiry Committee and Local Finance Enquiry Committee recommended the replacement of octroi by terminal tax. The Committee on Augmentation of Financial Resources of Urban Local Bodies, 1963, observed, "We are also of the view that bad as octroi is as a form of taxation, it cannot be abolished outright unless alternative resources of taxation, wich should compensate for the consequential loss of revenues are found".

Inspite of all these criticism, the octroi still persists because, firstly it is an old tax to which people have got accustomed; secondly it is a flexible source of revenue and gives daily some income to the municipal authority; thirdly being an indirect tax, the municipal bodies find it easier to impose octroi than direct taxes on lands and buildings.

In 1808, initially, octroi was imposed as 'center tax'. It was abolished in 1835 and was started again in 1860. Later on, it became a local tax in all provinces. In 1916, the Province of Bombay abolished octroi tax and imposed terminal tax instead of octroi tax, but the income derived from this tax was too low. So in 1937, terminal tax was abolished and octroi was re-imposed. The Government of India Act 1935, and later on Article 269 of the Constitution

of India provided the terminal tax on goods and passengers carried by railway, sea or air as well as on the freights. According to the Constitution, these taxes shall be imposed and collected by the Government of India but the proceeds thereof shall be assigned to the State Government. Since the terminal tax is a federal tax, it cannot be leived by any new municipalities; but Article 277 allowed the municipalities to continue this tax where it had been levied before the commencement of the Constitution. However, they have no power to increase the rate of terminal tax in future.

In 10 States where octroi is levied, its proceeds constitute nearly 20 per cent of the local receipts of local bodies and in the States of Rajasthan, Jammu Kashmir, Punjab and Madhya Pradesh, the contribution of octroi is very high by 80 per cent.

In our study, the amount of revenue from octroi tax continuously increased and its contribution to the total income is also magnificient, as can be seen from Table no.3.1 (on the following page).

In Table 3.1, the amount of octroi tax has substantially increased from Rs.1,57,998 in 1974-75 to Rs.17,04,052 in 1989-90 in 1989-90 and its proportion to the total income in 1974-75 is 31.9% and in the year 1989-90, the percentage to the total income is 32.7% to the total

Table 3.1

Revenue Account Receipts of Sangola Nagarpalika

Heads of Revenue Receipts	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Nagarpalika Rates and Taxes:																
Contributory Gains Tax	24707 (4.98)	51617 (14.49)	78433 (10.72)	76510 (6.72)	75248 (7.04)	102779 (8.42)	82153 (5.23)	152374 (9.14)	157086 (7.66)	169197 (7.25)	164690 (7.06)	144739 (4.57)	195967 (5.32)	249052 (7.01)	358963 (7.32)	316278 (5.84)
Octroi	157998 (31.91)	200852 (56.42)	303655 (41.50)	331305 (30.00)	431539 (40.42)	469872 (38.47)	555717 (35.39)	649882 (38.96)	787183 (38.36)	788023 (33.79)	823269 (35.30)	1077589 (34.07)	1190639 (32.38)	1290523 (36.34)	1402243 (28.63)	1704052 (31.48)
Entertainment Tax	1748 (00.35)	1564 (00.43)	2280 (00.31)	1776 (00.16)	2456 (00.23)	2952 (00.24)	3709 (00.24)	5810 (00.35)	740 (00.04)	7125 (00.31)	4765 (00.20)	10180 (00.32)	11525 (00.31)	11410 (00.32)	10520 (00.21)	18720 (00.34)
Special Water Tax	18194 (3.67)	17409 (4.49)	26441 (3.61)	13561 (1.22)	19325 (1.81)	29182 (2.39)	25141 (1.60)	41731 (2.50)	102597 (5.00)	133955 (5.74)	106541 (4.57)	80685 (2.54)	96359 (2.62)	105544 (2.97)	108966 (2.22)	122200 (2.26)
Publicity Tax	- -	- -	270 (00.09)	681 (00.06)	726 (00.06)	840 (00.07)	382 (00.02)	- -	78 -	129 -	126 -	129 -	102 -	117 -	228 -	255 -
Vehicle Tax	823 (00.16)	219 (00.06)	345 (00.04)	298 (00.03)	135 (00.01)	805 (00.07)	504 (00.03)	4641 (00.28)	302 (00.02)	795 (00.04)	691 (00.03)	105 (00.01)	60 -	145 -	35 -	5 -
Road Tax	11088 (2.23)	11330 (3.18)	114036 (1.50)	10430 (0.94)	11010 (1.03)	13781 (1.13)	12753 (0.81)	11975 (0.72)	11113 (0.54)	9122 (0.39)	8318 (0.36)	10126 (0.32)	9643 (0.26)	8722 (0.24)	8314 (0.16)	7191 (0.13)
Special Cleaning Tax	1509 (0.30)	1224 (0.34)	480 (0.06)	774 (0.07)	795 (0.07)	1600 (0.13)	884 (0.06)	1267 (0.08)	3754 (0.18)	3525 (0.15)	3531 (0.15)	2614 (0.08)	2820 (0.07)	4080 (0.11)	2440 (0.04)	2200 (0.04)
Hotel Tax	55 (0.01)	195 (0.05)	168 (0.02)	186 (0.02)	96 (0.01)	408 (0.03)	392 (0.02)	359 (0.02)	305 (0.01)	468 (0.02)	360 (0.02)	152 (0.01)	560 (0.03)	344 (0.01)	434 (0.02)	266 (0.01)
Plantation & other	1168 (0.24)	314 (0.07)	- -	- -	- -	- -	- -	- -	4152 (0.20)	5996 (0.26)	6881 (0.30)	6763 (0.21)	8725 (0.23)	11212 (0.31)	15042 (0.38)	14187 (0.26)
Collection under Special Acts *	- -	-	1296 (0.18)	1136 (0.12)	1388 (0.13)	2976 (0.25)	1093 (0.07)	2133 (0.13)	1957 (0.09)	1102 (0.05)	3028 (0.12)	1187 (0.04)	3047 (0.10)	3717 (0.10)	3648 (0.06)	1701 (0.03)
Total Rates & Taxes	217293 (43.87)	284629 (79.95)	423606 (58.06)	435633 (39.56)	541414 (50.83)	625197 (51.19)	682741 (43.47)	870174 (52.17)	1035569 (51.95)	1119439 (49.41)	1122103 (48.11)	1334231 (42.11)	1519449 (41.32)	1684868 (47.45)	1910836 (39.02)	2187057 (40.41)

Note: Figures in brackets indicate percentage to the total revenue.

Source: Annual Reports of Sangola Nagarpalika.

revenue is lower in the year 1988-89 by 28.6% and higher in the year 1975-76 by 56.4%.

Octroi increases because of increase in population, increase in the shops and commercial establishments, increase in business activity, etc. When the population of any particular area increases, it creates demand for various consumption and capital goods. It leads to higher import of various goods and commodities in that area. Secondly, increase in the shop and commercial establishments leads to increase in the industrialization and business activity; as a result increase in the octroi tax.

In our study, octroi is very high in 1975-76, because in the meantime, two octroi posts were opened at Pandharpur Road and Miraj Road and prior to that for 10 years, octroi was not imposed on spins which was imported. But after 1975, octroi is imposed on spins.

3.2.2 Contributory Gain Tax:

Contributory gain tax is another major component of revenue receipt of Sangola Nagarpalika. Contributory gain tax is imposed on houses and buildings in the area of Nagarpalika. The Table shows in the year 1974-75, Nagarpalika received Rs.24,707 as contributory gain tax and its percentage to the total revenue is 4.98 percent. In 1989-90, it is Rs.3,16,278 and its percentage to the total revenue is 5.04

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per cent. The amount of contributory gain tax continuously increased in our study period. But in the year 1980-81, the amount decreased by Rs.8,453 and its percentage to the total revenue also decreased by 5.23 per cent and higher amount in 1988-89 Rs.3,58,963 and its percentage to the total revenue is 7.32%.

Contributory gain tax increases with an increase in the number of houses and buildings. Continuous increase in this tax is only because of rise in population. It leads to increase in the houses and buildings. In our study, it is the lowest amount because of low collection and it is highest because overdues collection of previous year, that is why this variation occurs in the contributory gain tax.

3.2.3 Special Water Supply Tax:

This tax is levied for the provision of water supply to the inhabitants of town. It is one of the major component of revenue receipts of Sangola Nagarpalika. The Table shows that in the year 1974-75, the Nagarpalika received Rs.18,194 as special water supply tax and its percentage to the total revenue is 3.67 per cent. In the year 1989-90, last year of our study, the Nagarpalika received Rs.1;22,200 as water supply tax and its percentage to the total revenue decreases in our study period, i.e. to 2.26 per cent. The amount of special water supply tax is highest in the year

1983-84 by Rs.1,33,955 and its percentage to the total revenue is 5.74 per cent. Water supply tax is lowest in our study in the year 1977-78 by Rs.13,561 and its percentage to the total revenue is 1.22 per ceent. It is higher because of overdues collection of previous year as well as increase in population. This leads to increase in water supply and taxes also increase. Water supply tax is lower because of collection of tax is low and overdues increase.

Minor Components:

3.2.4 Entertainment Tax:

Entertainment tax is an indirect tax. It is levied on the race-courses, dramas, cinema-shows, circus, etc. Though the bulk of the revenue from this tax is provided by the cinema. The tax is collected either in cash or through special adhesive stamps. Generally, entertainment of charitable or religious nature or for educational purpose or for propaganda or for the advancement of agriculture, industry and public health are exempted from entertainment tax.

In the beginning, entertainment tax was levied only within the limits of Municipalities, but now it has become state-wide and now imposed by the state.

The Committee on Augmentation of Financial Resources of Urban Local Bodies suggested, "the entire proceeds from

entertainment tax, which at present go to the state exchequer, should be earmarked for local bodies as they have a local basis and can also be administered by local authority with a certain degree of autonomy".[5] Rural : Urban Relationship Commmittee also emphasized the need of transferring the proceeds of this tax to the local bodies.

Entertainment tax is not very magnificent source of revenue and a very meagre income is derived from this tax. In the year 1974-75, Nagarpalika got income from entertainment tax of Rs.1,748 and its percentage to the total revenue is 0.35 per cent. In the year 1989-90, last year of our study, the income received from this tax is Rs.18,720 and its percentage to the total revenue is 0.34%. Entertainment tax increased continuously because the number of theatres and the rate of ticket increased. It is lowest in 1982-83 because of low collection and ticket rate is also low. Drastic changes occurred in 1989-90 because the number of theatres and shows also increased.

3.2.5 Publicity Tax:

The publicity tax is a tax on the advertisements published on Nagarpalika building walls and roadside. It is also imposed on signboards, banners, cinema boards. It is very complicated to collect and to impose on the taxpayers. The income derived from this tax is very negligible.

3.2.6 Vehicle Tax:

Generally, in many States, Nagarpalikas impose tax on vehicles. The Motor Vehicles Act, 1939, took away the power of all local bodies to levy taxes on the municipality propelled vehicles. Municipalities claimed some share in this tax on the ground that vehicles are using the municipal roads, which are constructed and maintained by the municipalities. Most of the state governments are giving compensation to the local bodies for the loss of revenue caused by deprivation to levy this tax. However, there is no uniformity in giving compensation or any rational basis. The Rural : Urban Relationship Committee accepted the right of the local bodies to share the proceeds from motor vehicles tax and recommended that "25 per cent of the receipts from this source should be allocated to local bodies". Vehicles used for family purposes and religious purposes are exempt from the imposition of this tax. If animals are used for entertainment or business purpose, wheel-tax is imposed on animals. Classification is made and different tax rate is charged on each type of vehicle.

Income derived from the vehicle tax is shown in Table 3.1. In the year 1974-75, the Nagarpalika received a revenue from vehicle tax of Rs.823 and its percentage to the total revenue is 0.16 per cent. In the year 1989-90, it was almost negligible.

3.2.7 Road Tax (Toll on Roads):

A toll on roads is a tax on animals and vehicles coming from outside and entering the limits of municipalities. It differs from terminal tax, for it is assessed on the vehicles and not on the weight of each consignment. There is every justification for imposing this tax on buses and trucks as the roads are to be maintained by the municipality. The main defect of the toll tax is that it becomes an obstruction to traffic and involves all the dangers of peculiarities inherent in the octroi system. The Taxation Enquiry Committee also recommended the abolition of toll tax with the exception that in case of new bridges costing a sum of about Rs.5.0 lakhs each, toll may be levied till the cost of the construction is recovered. The Commission has also suggested that the loss of revenue caused by the abolition of tolls may be made up by the Motor Vehicles Tax. As the toll tax is not an important source of revenue to any municipality, it can be abolished without any hesitation. Changes in toll tax are shown in Table 3.1. In the year 1974-75, toll on roads is Rs.11,088, its percentage to the total evenue is 2.23 percent. In the final year of our study, 1989-90, toll on roads is Rs.7,191 and its percentage to the total revenue is 0.13 per cent. Income from toll is not constant and does not show continuous increase. It decreased from 1979-80 to 1989-90. Toll tax is dependence upon animals and vehicles coming from outside and entering the limits of Nagarpalika.

3.2.8 Special Cleaning Tax:

This tax includes drainage tax and latrine tax. Drainage tax is levied for the purpose of providing public drains and sewers and their regular cleaning and maintenance. Latrine tax is levied on all those who have latrines. The special cleaning tax in the year 1974-75 is Rs.1,505 and its percentage to the total revenue is 0.3 percent. In the year 1989-90, the Nagarpalika received Rs.2,200 and its percentage to the total revenue is 0.04 per cent. The amount of special cleaning tax is highest in the year 1987-88 at Rs.4,080 and its percentage to the total revenue is 0.11 percent. Increase in the special cleaning tax is higher because of the collection of arrears of the previous year.

3.2.9 Hotel Tax:

Hotel tax also is not a major component of revenue of Sangola Nagarpalika. This tax is imposed on hotels and restaurants. The income derived from this tax is Rs.55 in 1974-75 andd its percentage to the total revenue is 0.01 per cent; and in the year 1989-90, hotel tax is Rs.266 and is percentage to he total revenue is 0.008 percent. The increase in the hotel tax is only because of overdues collection of the previous year and also because the number of hotels has increased.

3.2.10 Plantation Tax:

The nagarpalika received plantation tax from residential people. This tax is collected at the time of house-tax collection. The rate of plantation tax is determined by the government and the tax is used for the development of trees in the area of Nagarpalika. In the 1982-83, the Nagarpalika received Rs.4,150 as plantation tax and its percentage to the total revenue is 0.2% and in the final year of our study, i.e. 1989-90, Nagarpalika got Rs.14,187 and its percentage to the total revenue is 0.26%.

3.2.11 Collection of Tax under Special Act:

Under this heading, the following sub-items are included: Gumasta Registration Renewal Fee, Fees charged for birth-death registration, fines from courts. It is thus one more source of income of the local government. The Government gets fine because rules are sometimes broken. Sometimes, local government gets fine when animals are imprisoned in Kondwada. Sometimes, wild animals are sold in auction when the owners do not claim their animals. The local government gets income from the fine based on construction without permissiion, encroachment on Nagarpalika land, tax-evasion, etc.

3.3 REVENUE FROM PROPERTY TAX:

Property tax is a direct tax levied by the municipality. This is also known as 'house tax' or 'tax on lands and buildings'. The Committee on Augmentation of Financial Resources of Urban Local Bodies described it as 'property tax'. Among all the taxes levied by the munciipalities in India, property tax is a most rational tax. The Taxation Enquiry Commission recommended it to be the exclusive monopoly of local bodies because of its importance. However, most of the state governments like Madhya Pradesh, Maharashtra, Gujrat and Punjab have imposed the property tax.

Though the property tax is an important source of revenue of Nagarpalika, it is not levied in a uniform manner. There is a wide variation in the incidence of property taxes levied by different local bodies in various states, for example, a municipality in Madhya Pradesh levies it at a very low rate at 2.5% as against 32.5% in Patna and Ahmedabad Corporations. It is clear that some of the local authorities are fully exploiting this source of revenue by taxing the property at sufficiently high rates, but some other municipal authorities are reluctant to levy it as the burden of tax falls directly on the residents who are also the voters.

The assessment of the house tax is made in one of the following ways: (a) gross annual rent at which a property may reasonably be expected to be let, or (b) the actual rent whether contractual or payable under the rent control levied by the occupier to the owner or if the property is occupied by the owner, rent equivalent to that of similar properties in the locality.

The Rural Urban Relationship Committee repudiates the second principle on the ground of the principle underlying the recovery of tax is that the municipal bodies render civic services to occupants whether a family or group of persons lives in a house whose rent has either been frozen or is contractual, the occupants enjoy the same amenities. Whatever may be the justification for freeising the rent at old rates, the Committee sees no reason why two occupants of similar houses, one old and the other new, enjoying almost the same standard of services, should be treated differently in the matter of payment of property taxes. The costs of services maintained by the municipal bodies has been mounting, but for old buildings, property tax continues to be charged on the basis of the old valuation. It is unfortunate that inspite of statutory provisions for determining the valuation on the basis of reasonable rent, the municipal boards are still assessing annual value on tbe basis of actua. rent paid.

The Taxation Enquiry Commission, the Local

Finance Commitee and the Commitee on Augmentation of Financial Resources of Urban Local bodies have all stressed the need to improve the assessment machinery.

Like the assessment work, recovery of taxes is also an integral part of the taxation system. Most of the municipal bodies have neglected the work of recovery of taxes. The heavy arrears of taxes and dues in the large number of local bodies are mainly due to the lack of proper and adequate collection and supervisory staff and the unwillingness of the collecting agency to take prompt, timely action. Some incentives should be given in the form of rebates for prompt payment and provision to impose penalty in case of default in payment within the limit.

Under the property tax, the following sub-items are included: rent on land and buildings, income from medical institutions, market fees, butchery fees, income from garden, income from educational institutions, water supply charges, licence fees, escort duty, interest on tax, selling of stationery and other items, etc.

From Table 3.2 (on the following page), it is seen that the amount of property tax continuously increased from 1974-75 to 1989-90.

In 1974-85, Nagarpalika received Rs.17,555 as property tax and its percentage to the total revenue is 3.54 per

Table 3.2

Income from Property Tax

(In Rupees)

Items of Property Tax	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Land & Building Rent	9175 (1.85)	17470 (4.90)	17935 (2.45)	44793 (4.05)	28744 (2.69)	59613 (4.88)	47876 (3.05)	61430 (3.68)	61384 (2.39)	83791 (3.70)	88596 (3.80)	86937 (2.75)	164129 (4.46)	294456 (8.29)	354839 (7.25)	370093 (6.84)
Income from Medical Institute	3413 (0.70)	3198 (0.90)	3725 (0.51)	3042 (0.28)	4231 (0.39)	4761 (0.39)	6219 (0.40)	4848 (0.29)	4938 (0.24)	4163 (0.18)	4371 (0.19)	4499 (0.14)	4836 (0.13)	6012 (0.17)	6848 (0.14)	6997 (0.13)
Market Fees	2958 (0.60)	3771 (1.05)	4171 (0.57)	1707 (0.15)	1011 (0.09)	1508 (0.12)	880 (0.06)	835 (0.05)	4403 (0.21)	4898 (0.22)	4983 (0.21)	5989 (0.19)	6197 (0.17)	5286 (0.15)	4752 (0.10)	4534 (0.08)
Butchery Fees	- -	- -	148 (0.02)	147 (0.01)	125 (0.01)	88 -	138 (0.01)	55 -	368 (0.02)	528 (0.02)	454 (0.02)	305 (0.01)	377 (0.01)	393 (0.01)	451 (0.02)	530 (0.01)
Service Tax	- -	- -	726 (0.10)	854 (0.08)	1068 (0.10)	913 (0.08)	1066 (0.07)	1033 (0.06)	1031 (0.05)	1314 (0.06)	1184 (0.05)	1811 (0.06)	2523 (0.07)	3829 (0.11)	4396 (0.09)	3860 (0.07)
Interest on Tax	- -	- -	87 -	5232 (0.47)	1425 (0.13)	- -	- -	- -	- -	1286 (0.06)	391 (0.02)	438 (0.01)	401 (0.01)	276 -	353 -	1010 (0.02)
Escort Fees	- -	- -	289 (0.04)	624 (0.05)	2654 (0.24)	16170 (1.32)	16926 (1.08)	16806 (1.01)	18182 (0.89)	20310 (0.90)	22432 (0.96)	35385 (1.12)	38826 (1.06)	43114 (1.21)	50602 (1.03)	174629 (3.23)
Others	2009 (0.39)	1511 (0.42)	341 (0.05)	503 (0.04)	136 (0.01)	423 (0.03)	104 (0.01)	124 (0.01)	637 (0.03)	438 (0.02)	485 (0.02)	336 (0.01)	468 (0.01)	570 (0.01)	802 (0.01)	1338 (0.02)
Total Property Tax	17555 (3.54)	25952 (7.29)	27425 (3.75)	56905 (5.15)	39398 (3.69)	83477 (6.83)	73211 (4.68)	85176 (5.11)	90944 (3.83)	116730 (5.15)	122869 (5.27)	135702 (4.29)	217760 (5.92)	353039 (9.94)	423045 (8.63)	562992 (10.40)
Total Revenue Receipts	234848 (47.00)	310581 (87.25)	452233 (61.81)	493566 (44.70)	582119 (54.32)	708675 (58.02)	715953 (48.15)	995350 (57.28)	1126504 (54.90)	1236170 (54.56)	1244972 (53.39)	1469934 (46.48)	1737209 (47.25)	2037907 (47.39)	2333882 (47.65)	2750049 (50.80)

Note: Figures in brakcets indicate percentage to the total revenue

Source: Annual Reports of Sangola Nagarpalika.

cent. In the final year of our study, 1989-90, Nagarpalika property tax is Rs.5,62,992 and its percentage to the total revenue is 10.4 percent.

3.3.1 In the property tax, land and building rent is most important source of revenue to Sangola Nagarpalika. This is a major component of property tax. Table 3.2 shows that Nagarpalika received Rs.9,175 as land and building rent and its percentage to the total revenue is 1.85 per cent. In the final year of our study, i.e. 1989-90, it is Rs.3,70,093 and its percentage to the total revenue is 6.84 per cent. Revenue from property tax has continuously expanded. It is due to the increase in the rate of municipal building rent and shopping centre rents and construction of new shopping centre and the number of shops have also increased on the municipal land.

3.3.2 Escort Duty:

The next important source of revenue from property tax is the escort duty (tax). Before 1976, escort duty was not charged by Sangola Nagarpalika. After 1976, escort duty came into existence by starting of two new check posts on Pandharpur Road and Miraj Road. For the first three years, income from escort duty was very low. But from 1979-80, revenue from escort duty has increased substantially. It can be seen from Table 3.2 that in 1976-77, Nagarpalika received an income of Rs.289 from escort and its percentage

to the total revenue is 0.04%. In the final year of our study, 1989-90, the income received from escort duty is Rs.1,74,629 and its percentage to the toal revenue is 3.23 per cent. The increease in escort duty is due to increase in the transport of goods from one district to other and from one state to other. State Escort Tax is imposed on those vehicles which are coming in or going outside the town or city. So, escort tax increases with an increase in the number of vehicles coming in or going out of the town or city.

3.3.3 Market Fees:

It is popularly known as Bazarpatti. It is a sort of rent on municipal land which is used for the business on payment. The weekly bazar system is still followed in Sangola also. People from nearby villages come to purchase and sell the commodities on such days. The bazar is normally at a specific place in the city. The Nagarpalika takes Bazarpatti from the people who sell commodities on municipal land. The market takes place on the roads, roadsides, alleys, streets and shops. The Nagarpalika provides very little facilities at such places. Very meagre quantum of revenue is derived from the market fee. The Nagarpalika received Rs.2,958 as market fee in 1974-75 and its percentage to the total revenue is 0.06 percent in the final year of our study, 1989-90, which is Rs.4,534 and its percentage to the total revenue is 0.08 per cent. Market fee is highest

in the year 1986-87 by Rs.6,797 and its percentage to the total srevenue is 0.17 per cent.

3.3.4 Butchery Fees:

Butchery fees is not a major component of revenue receipts as well as not a significant tax of Nagarpalika. Butchery fee is a fee which is imposed on butchering sheep and goats. The Nagarpalika takes 50 paise fees per animal. Nagarpalika derived very meagre income from butchery fees.

In 1976-77, it is Rs.198 and its percentage to the total revenue is 0.02 per cent and in the year 1989-90, butchery fee is Rs.530 and its percentage to the total revenue is 0.01%. Butchery fee is increasing in absolute terms because the demand for meat has increased.

3.3.5 Service Tax (Charges):

Service taxes like property tax are governed by the same principle of benefit and ability. The tax burden of this is readily borne by the taxpayers. Taxes that are earmarked for special purposes are usually more acceptable and often even popular. Because people can see the relationship between such taxes and the services they want. These service taxes are: (1) water tax levied for the provision of water supply to the inhabitants of a town, (2) electricity or lighting tax levied to meet the cost of lighting the public streets.

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These taxes are levied not with the object of raising money but to meet the cost of services. However, it is the experience that receipts from these taxes are so meagre that they could not even cover the expenses of services. It is desirable that rates of service taxes should be such as they could raise the amount required for providing the services.

In the year 1976-77, Nagarpalika received Rs.726 as service charges or taxes and its percentage of the total revenue was 0.1 per cent. In the year 1989-90, Nagarpalika got Rs.3,860 as service tax and its percentage to the total revenue was 0.07 per cent.

3.3.6 Interest on Tax:

Local government invest very little amount from the tax revenue because they do not get adequate tax revenue. However, the Government has to appropriate some percentage of income in reserve fund. Generally, this fund is invested in Central and State Government debentures, NSS, commercial banks, fixed deposits, etc. Interest on this kind of investment is one of the sources of income to the Nagarpalika.

It can be seen from Table 3.2 that the Nagarpalika got Rs.87 as interest on tax in 1976-77 and its percentage to the total revenue is very negligible. In the final year 1989-90 of our study period, Nagarpalika received Rs.1,010

as interest on tax and its percentage to the total revenue is 0.02 per cent. The amount of interest on tax is higher in the year 1977-78 as Rs.5,232 and its percentage to the total revenue is 0.47 per cent.

3.3.7 Income from Medical Institutions:

Local Governments get some income from medical institutions. Income from this tax is mainly derived from selling of medicines by Nagarpalika Hospital and the Dispensary.

In the year 1974-75, Nagarpalika received Rs.3,413 as an income from medical isntitution and its percentage to the total revenue is 0.7 per cent. In the year 1989-90, the Nagarpalika received Rs.6,997 as an income from medical institution and its percentage to the total revenue is 0.13 percent. The amount of this tax increased because of selling of medicines also increased alongwith the prices of medicines.

3.3.8 Others:

In this main head, the following sub-items are included: notice-fee, warrant-fee and others. The amount of notice and warrant fees increased from Rs.10 to Rs.290.

3.3.9 Total Property Tax:

In the year 1974-75, property tax was Rs.17,555 and in the final year 1989-90, it was Rs.5,62,592. In our study period, property tax increased continuously, except in the years 1978-79 and 1980-81. It is due to increase in the municipal building rents, shopping centre rents, vegetable market rents, water supply income and the number of shops increased on the municipal land.

3.4 GOVERNMENT GRANTS-IN-AID:

The income of the local government is less in comparison with their needs, so the system of grants-in-aid to local authorities is followed to supplement their meagre sources of income. The State Government, to achieve the concept of Welfare State, assigns more and more functions to the local authorities. The local governments have to provide educational facilities, public health and public amenities. For this purpose, state government gives economic assistance to the local governments to maintain public health, public amenities or welfare activities. Some state governments have taken profession-tax, entertainment-tax; therefore, local governments expect some grants from the state government as a compensation.

However, the system of grants-in-aid has been criticised on various grounds. It has been said that "grants-in-

aid system" is against the principle of local autonomy. Government's grants-in-aid makes local governments dependent upon state government to the extent that they loose their identity.

Realizing the necessity of grants-in-aid, most of the Commissions and Committees appointed by the Government of India for the appraisal of urban local bodies have recommended the grants-in-aid system. Government grants-in-aid are most important for the smaller and financially weaker municipalities in the initial stages to enable them to stand on their own. Moreover, grants-in-aid also served as an instrument for the implementation of state policies by encouraging the local bodies to undertake special programmes. Grants-in-aid, therefore, form an essential part of local finances.[6]

In India, grants-in-aid are given to local bodies by state governments, which are of various kinds. They may be classified as:

(a) General purpose grants,

(b) Specific purpose grants,

(c) Compensatory grants,

(d) Miscellaneous grants.

(a) General Purpose Grant: It refers to the general assistance given to local bodies towards the cost of municipal administration.

(b) Specific Purpose Grant : This is essentially a grant for selected services and amenities. It is generally given on percentage basis on both recurring as well as non-recurring expenditure of local bodies. The pattern of grants-in-aid adopted by various state governments, particularly the basis of their distribution and regulation varies from state to state. The specific purpose grants are given to the local bodies for following purposes: (i) water supply and drainage schemes, (ii) construction of roads, drainage, bridges, etc. The rates of grants-in-aid, however, differ from state to state ranging from 20 to 66 per cent.

(c) Compensatory Grants: Besides general and specific purpose grants-in-aid, urban local bodies are also given shares from the revenues of certain states' taxes, particularly the motor vehicles tax and entertainment tax. These are in the nature of compensation on account of loss of revenue.

(d) Miscellaneous Grants: These refer to a large number of small items on which nominal grants are being paid to local bodies by the state governments. These include various items like grants for colleges, libraries, gymnasia, open-air theatres and so on. These are occasional grants and hence, they are not included in the regular system of grants-in-aid.

Thus, grants-in-aid constitute an important source of revenue to the municipalities. However, as the system

of grants-in-aid and the rates vary from state to state, it is desirable that the grants-in-aid system should be based on certain basic principles.

In the government grants and contributions, following sub-items are included: grants granted by the government to high-schools, dearness allowance grants, road repairing grants, public health grants granted by the Zilla Parishad to municipality for public health, land revenue non-agricultural assessment, convenience act, magesterial fine, local fund cess, entertainment grant, development plant grants, etc.

From Table 3.3 (on the following page), shows the grants and contributions received from the state government under different items. It also provides considerable amount of revenue for the Nagarpalika. In the year 1974-75, the Nagarpalika received Rs.9,406 as government grant, its percentage to total revenue is 1.89 percent and in the final year of our study, i.e. 1989-90, it is Rs.13,68,565, its percentage to the total revenue being 25.28 percent.

In the Government grants-in-aid and contributions, road repairing grants and dearness allowance grants are the major components of capital recipts.

3.4.1 Road Repairing Grants:

Road repairing grants is the most important item

Table 3.3

Capital Account Receipts

(in Rupees)

Government Grants-in-Aid	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Road Repairing Grants	4500 (0.90)	- -	5848 (0.80)	33342 (3.01)	33567 (3.14)	33567 (2.75)	33567 (2.14)	- -	116810 (5.69)	47345 (2.09)	69071 (2.96)	59416 (1.88)	85708 (2.35)	119574 (3.37)	288739 (5.90)	77770 (1.44)
Dearness Allowance Grants	- -	- -	155750 (21.28)	28860 (2.61)	216437 (20.27)	130844 (1.71)	120133 (7.65)	110147 (6.60)	152985 (7.46)	361305 (15.95)	279422 (11.98)	278221 (8.80)	362358 (9.85)	389900 (1.98)	472976 (9.66)	743671 (13.74)
Motor Vehicle Grants	61 -	61 -	61 -	61 -	61 -	61 -	61 -	- -	122 -	61 -	61 -	61 -	61 -	61 -	61 -	61 --
Salary and Allowance Grants	- -	- -	- -	- -	5195 (0.48)	23560 (1.93)	10363 (0.66)	- -	33087 (1.61)	17147 (0.76)	16526 (0.71)	20213 (0.64)	- -	21500 (0.61)	58844 (1.20)	36809 (0.68)
Land Revenue Grants	1825 (0.37)	7266 (2.04)	2908 (0.39)	14025 (1.27)	12452 (1.67)	19118 (1.57)	11321 (0.72)	- -	38539 (1.88)	18701 (0.83)	7862 (0.34)	13197 (0.42)	- -	15882 (0.45)	- -	15296 (0.28)
Entertainment Grants	- -	699 (0.19)	1289 (0.17)	2768 (0.25)	3338 (0.31)	4896 (0.40)	7788 (0.50)	8273 (0.50)	- -	23868 (1.05)	12406 (0.53)	12966 (0.41)	15678 (0.43)	15665 (0.44)	37666 (0.77)	29020 (0.54)
Developmental Plan Grants	- -	- -	- -	- -	- -	- -	45311 (2.89)	- -	291904 (14.23)	191557 (8.46)	- -	74100 (2.34)	12244 (14.48)	55661 (1.57)	194600 (3.97)	283310 (5.23)
Other Grants	3019 (0.61)	6711 (1.88)	706 (0.09)	1512 (0.14)	2216 (0.20)	72 -	- -	55 -	6744 (0.33)	46460 (2.05)	119128 (5.11)	106638 (3.37)	180707 (4.92)	237023 (6.68)	42330 (0.86)	182628 (3.38)
Total Grants	9406 (1.89)	14738 (4.14)	166563 (22.76)	79270 (7.22)	273267 (25.60)	212118 (17.36)	228544 (14.55)	118475 (7.10)	640191 (31.20)	706545 (31.18)	511477 (21.93)	564812 (17.86)	11777757 (32.03)	855268 (24.08)	1095216 (22.36)	1368565 (25.28)

Notes: Figures in brackets indicate percentage to the total revenue.

Source: Annual Reports of Sangola Nagarpalika.

of the government grants. The Nagarpalika received Rs.4,500 as road repairing grants in the year 1974-75 and its percentage to the total revenue was 0.9 per cent. At the end of the year 1989-90, it was Rs.77,770 and its percentage to the total revenue was 1.44 per cent. In the year 1975-76 and 1981-82, grants were not received for this purpose. The amount of road repairing grants was highest in the year 1988-89 (Rs.2,88,739) and its percentage to the total revenue was 5.9 percent. Road repairing grant is generally given on percentage basis on both recurring as well as non-recurring expenditure of the local governments.

3.4.2 Dearness Allowance Grants:

Dearness allowance grant is known as the general purpose grant, which is given to the local bodies towards the cost of municipality administration. It can be seen from the above Table that in the year 1976-77, Nagarpalika received Rs.1,55,750 as dearness allowance grant and its percentage to the total revenue was 21.28 per cent. In the year 1989-90, Nagarpalika received Rs.7,43,671 as dearness allowance grants and its percentage to the total revenue was 13.14 per cent.

Dearness allowance was increased in the year 1978-79 because the DA was given according to Bhole Commission. The DA was also increased in the last year of our study, i.e. 1989-90, because of the Fourth Pay

Commission. Funds were made available to strenthen the administrative structure of the municipalities. These grants should be linked with the performance of local bodies in raising their own funds.

3.4.3 Motor Vehicle Grants:

It is a grant given by the state governments from the revenue to the local governments. This is in the nature of compensation on account of loss of revenue. Thus, the vehicle tax compensation, for example, constitutes an important source of revenue for the Nagarpalika in some states.

The Table shows that the motor vehicle grant is Rs.61.00 given by the state government to the Nagarpalika. It was the same from 1974-75 to 1989-90.

3.4.4 Entertainment Grants:

It is a grant given by the state government from the revenues to the local bodies. This is in the nature of compensation on account of loss of revenue. In some states, the state government distributes the proceeds of the entertainment tax among local bodies after the deduction of establishment expenses. The Table shows that the amount of entertainment grant was Rs.699 in the year 1975-76 and its percentage to the total revenue was 0.19 per cent. In the last year of our study, i.e. 1989-90, entertainment grant

was Rs.29,020 and its percentage to the total revenue was 0.54 percent. The amount of entertainment grant was highest in the year 1988-89 by Rs.37,666 and its percentage to the total revenue was 0.77 percent. It is due to the increase in the numbers of theatres and fares.

3.4.5 Land Revenue Grants:

Land revenue grant is generally on percentage basis. According to the Taxation Enquiry Committee, the grants-in-aid should be preferred to the assignment of shares of taxes as a method of financing local bodies. Fifteen percent of the land revenue should, however, be assigned to the local bodies. This is not a major component of capital receipts of Nagarpalika. From the Table, it can be seen that the amount of land revenue grants was Rs.1825 in 1974-75 and its percentage to the total revenue was 0.37 per cent In the final year of our study, i.e. 1989-90, it was Rs.15296 and its percentage to the total revenue was 0.28 percent. The amount of land revenue grant was highest in the year 1982-83 by Rs.38,539 and its share to the total revenue was 1.88 percent. It is because of previous years' grant was given in the year 1982-83.

3.4.6 Salary and Allowance Grants:

In this, grants on following sub-items are included:

IR arrears, DA difference, bonus and HRA, etc. This is not a major component of revenue. In the year 1977-78, the amount of salary and allowance grants was Rs:1,512 and its percentage to the revenue was 0.14 percent. In the year 1978-79, there was a sudden rise or change in this amount by Rs.5,195 and its percentage to the total revenue was 0.48 percent. It was due to the Bhole Commission Report and in the last year of our study, i.e. 1989-90, salary and allowance grants was Rs.36,809 and its percentage to the total revenue was 0.68 percent. The salary and allowance grant was highest in the year 1988-89 by Rs.58,844 and percentage change to the total revenue was 1.2 percent. It is due to the increase in IR arrears, DA difference, bonus and HR allowance.

3.4.7 Development Plan Grants:

This grant is mainly given by the state government to local bodies for development of roads, construction of bridges, vegetable market, i.e. Phule Vegetable Market construction of drainage, multi-purpose meeting hall, etc. In the year 1980-81, the amount of development plant grants was Rs.45,311 and its prcentage to the total rvenue was 2.89 percent. In the last year of our study, i.e. 1989-90, it was Rs.2,83,310 and its percentage to the total revenue was 5.23 percent. In the study period, the amount of

development plan grant was highest in the year 1986-87 by Rs.5,32,244 and its percentage to the total revenue was 14.18 percent. The percentage was also quite high in the year 1982-83 by 14.23 percent. the amount was Rs.2,92,904 in the year 1982-83. It was due to the construction of vegetable market. It is due to the construction of bridges on roads and Nala and latrine development and conversion of latrines into flushing-type.

3.4.8 Other Grants:

It includes rebate on education duty, plantation, incentive grants, family planning grant, fine income, library, primary school, estate transfer grants, etc. These refer to a large number of small items on which nominal grants are being paid to the local bodies by the state government. It is not a major component of the total revenue of Nagarpalika. The account of other grants can be seen in the above Table. In the year 1974-75, was Rs.3,019 and its percentage to the total revenue was 0.61 percent. In the year 1989-90, it was Rs.1,82,628 and its percentage to the total revenue was 3.38 percent. The amount of other grants was highest in the year 1987-88 by Rs.2,37,023 and its percentage to the total revenue was 6.68 percent. It is because of these grants given for library and primary school.

Table 3.4

Capital Accounnt Receipts

Deposits and Advances	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Miscellaneous	714	2426	13677	53445	101285	47759	37858	31931	102493	79932	41783	61012	67754	70445	102409	71328
	(0.54)	(0.68)	(1.87)	(4.84)	(9.48)	(3.91)	(2.41)	(1.90)	(5.00)	(3.53)	(1.80)	(1.93)	(1.84)	(1.98)	(2.09)	(1.32)
Deposits	248253	28241	30932	50004	62612	75994	88175	114942	95991	126433	141351	438790	166604	252717	486570	270252
	(50.00)	(7.93)	(4.22)	(4.52)	(5.86)	(6.22)	(5.61)	(6.89)	(4.70)	(5.58)	(6.06)	(13.87)	(4.53)	(7.12)	(9.94)	(4.99)
Advance Receipts	-	-	66191	423451	48350	133832	291477	368793	59705	82818	260267	506761	304413	284605	589498	837240
	-	-	(9.32)	(38.34)	(4.53)	(10.96)	(18.56)	(22.11)	(2.90)	(3.65)	(11.16)	(16.02)	(8.28)	(8.00)	(12.03)	(15.46)
Other Miscellaneous	-	-	-	-	-	42994	168355	78375	27165	33858	57280	121267	223237	50057	102254	22186
	-	-	-	-	-	(3.52)	(10.72)	(4.70)	(1.32)	(1.49)	(2.45)	(3.83)	(6.07)	(1.41)	(2.08)	(0.41)
Loans	-	-	-	-	-	-	-	-	-	-	75000	-	-	-	187700	93200
	-	-	-	-	-	-	-	-	-	-	(3.21)	-	-	-	(3.83)	(1.72)
Capital Account Receipts	260374	45406	279365	610672	485516	512699	854410	672516	925547	1029587	1245072	1469934	1737209	1513093	2563648	2662774
	(52.58)	(12.75)	(38.18)	(55.30)	(45.48)	(41.98)	(51.85)	(42.70)	(45.10)	(45.44)	(46.62)	(53.52)	(52.75)	(42.61)	(52.35)	(49.55)
Total Receipts	495222	355988	731598	1104239	1067635	1221374	1570363	1667867	2052051	2265757	2332232	3162579	3676976	35551001	4897530	5412824

Note: Figures in brackets indicate percentage to the total revenue.

Source: Annual Reports of Sangola Nagarpalika

3.5 DEPOSITS:

Under this main head, following sub-items are included: contractors' deposits, government education tax, employment guarantee sub-tax, octroi deposits, Kondwada deposits, Bank deposits, NSS, salary reserve fund, election deposit and other advances, etc.

Deposit is also a major component of the capital receipts of Nagarpalika finances, as can be seen from Table 3.4. In the year 1974-75, the amount of deposits was Rs.2,48,253 and its percentage to the total revenue was 50 percent. It was the highest percentage in our stucy period, because bank deposits, postal saving deposits and other advance receipt amounts were more. In the last year of our study, i.e. 1989-90, it was Rs.2,70,252 and its percentage to the total revenue was 4.89 percent. The amount of deposit was highest in the year 1988-89 by Rs.4,86,570 and its percentage to the total revenue was 9.94 percent. It was due to increase in the amount of contractors' deposits and other deposits. The percentage was lowest in the year 1986-87 at 4.53 and the amount of deposit was Rs.1,66,604. It was due to the low amount of octroi deposit and other deposits.

3.6 ADVANCE RECEIPT AMOUNT:

In this head, following sub-items are included: contractors, servants and other advance receipt amounts.

In the above Table, it can be seen that in the year 1976-77, the advance receipts amount was Rs.66,191 and its percentage to the total revenue was 9.32 percent. It was lowest because low advance receipts from the contractors. In the year 1989-90, the amount of advance receipts was highest by Rs.8,37,240 and its percentage to the total revenue was 15.46 percent. It was due to high advance receipt amount from the contractors and other advanced receipts. The percentage of advance receipts amount was highest in the year 1977-78 by 38.37 percent and the advance receipts amount was Rs.4,23,451.

3.7 OTHER MISCELLANEOUS AMOUNTS:

In the year 1979-80, it was Rs.42,994 and its percentage to the total revenue was 3.52 percent. In the last year of our study, i.e. 1989-90, the amount of other miscellaneous was Rs.21,186 and its percentage to the total revenue was 0.41 percent. It was the lowest percentage in our study period. The percentage to the total revenue was highest in 1980-81 by 10.72 percent and the amount was Rs.1,68,355.

3.8 LOANS:

The financial resources of the Nagarpalika in the form of taxes and the government grants are not enough to provide services of developmental plants. So, loans are

required to meet the developmental needs of the town. Loans are essential because the large capital works that the local body has to undertake could not be done out of revenues. The Nagarpalika derives the power of borrowing from local authorities under Loans Act, 1914. Indian local bodies, as a rule, cannot borrow for terms longer than thirty years, except with the special sanction of the Government of India. For borrowing from open market also, similar sanction is required in regard to loans exceeding Rs.5.0 lakhs. The purpose of local loans in India is connected with only two or three purposes, namely, water supply, drainage & roads and markets. Here we have no loan for education, hospital, etc., and very few for housing or town planning schemes (apart from those granted to the improvement trusts). The Nagarpalika brrowed Rs.75,000 in 1984-85 for water supply and its percentage to the total revenue was 3.21 per cent. In 1988-89, the Nagarpalika borrowed Rs.1,87,700 and its percentage to the total revenue was 3.83 percent. In the last year, i.e. 1989-90, the Nagarpalika borrowed Rs.93,200 and its percentage to the total revenue was 1.72 percent. The loan was taken for water supply, town planning and shopping centre.

It can be concluded from the above that the revenue receipts, as a whole, increased continuously and have been around 50 percent of its total income.

Capital receipts, on the other hand, in comparison, have gradually declined in percentage terms.

3.9 CONCLUSION:

In general, the financial position of the Nagarpalika is not very sound. The municipal budget shows a surplus of revenue over expenditure, but it is nominal because the municipality does not provide a very high standard of service. The municipality depends upon the state government for undertaking capital works like water supply, drainage, construction of roads.

Importance sources of income of the local government is their tax revenue. But the tax revenue has not increased sufficiently; so the financial position of the Nagarpalika has not been very sound. By and large, Sangola Municipality has still to depend on grants from the state government.

The financial prospects for the municipal government are indeed dim. One of the ways out, that is stressed very often is setting up of remunerative assets by the municipalities. The municipality should build durable assets like markets, theatres and shopping centres. This is the only possible solution to the financial crisis of Sangola Municipality.

Percentage Change over the Previous Year

3.10 SIMPLE GROWTH RATE:

We have thus seen that there has been a marked growth in some items of the revenue of the Nagarpalika, while in case of some other items, the growth has not been that significant. We shall now examine the actual growth rates for the entire period. We calculate the simple growth rate with the help of the following formula:

$$\text{Simple Growth Rate} = \frac{(\text{Terminal year amount} - \text{Base year amount})}{\text{Base year amount}} \times 100$$

Simple Growth Rate of Nagarpalika Revenue
(Percentage Change over the Previous Year)

From Table no.3.5 (on the following page), it is clear that the simple growth rate of Nagarpalika rates and taxes during 1976-77 was highest to 48.83. It is due to increase in the amount of contributory gain tax and octroi tax. Increase in the contributory gain tax is due to increase in the number of houses and the octroi tax increases due to increase in the population, shops, business activity and commercial establishments. The percentage change over the previous year was lowest in the year 1984-85 at 0.24. It is due to increase in the overdues of the contributory gain tax, water supply tax and the entertainment tax.

Table 3.5

Simple Growth Rate of Revenue

Year	Simple growth rate **OR** Percentage change over the previous year	Year	Simple Growth Rate	Year	Simple Growth Rate
1975-76	30.98	1980-81	9.20	1985-86	18.90
1976-77	48.83	1981-82	27.45	1986-87	13.88
1977-78	2.84	1982-83	19.05	1987-88	10.88
1978-79	24.28	1983-84	8.09	1988-89	13.41
1979-80	15.47	1984-85	0.24	1989-90	13.45

Table 3.6

Simple Growth Rate of Property Tax

Year	Simple growth rate OR Percentage change over the previous year	Year	Percentage change over the previous year	Year	Percentage change over the previous year
1975-76	47.73	1980-81	-12.29	1985-86	10.44
1976-77	5.68	1981-82	16.34	1986-87	60.47
1977-78	107.49	1982-83	6.77	1987-88	62.12
1978-79	-30.77	1983-84	28.35	1988-89	19.83
1979-80	118.88	1984-85	5.26	1989-90	30.08

Percentage change over the
Previous year of Property Tax:

From Table no.3.6 (on the preceding page), it can be seen that the percentage change over the previous year of property tax was higher in 1979-80 to 118.88 and was lowest in the year 1978-79 at -30.7.

It was highest due to increase in the amount of land and building rent due to overdues collection of previous year rent and escort duty. It was lowest because of increase in the overdues of land and building rent and decrease in the amount of collection of the escort duty.

Percentage change over the previous
year of Government Grant-in-Aid:

It can be seen from Table no.3.7 (on the following page) that the percentage change over the previous year was highest in 1976-77 to 1030.16. It was highest due to increase in the dearness allowance grant for the new pay-scales to Nagarpalika servants.

The percentage change over the previous year was lowest in the year 1978-77 at -52.11. It was lowest because of low dearness allowance grants received from the State Government. Percentage change over the previous year being negative means low grants received from the state government.

Table 3.7

Simple Growth Rate of Government Grants-in-Aid

Year	Simple growth rate **OR** Percentage change over the previous year	Year	Percentage change over the previous year	Year	Percentage change over the previous year
1975-76	56.7	1980-81	7.74	1985-86	10.43
1976-77	1030.16	1981-82	-48.16	1986-87	108.52
1977-78	-52.11	1982-83	440.35	1987-88	-27.38
1978-79	242.56	1983-84	10.36	1988-89	28.06
1979-80	-22.38	1984-85	-27.61	1989-90	24.96

Table 3.8

Simple Growth Rate of Deposit Advance and Loans

Year	Simple growth rate **OR** Percentage change over the previous year	Year	Percentage change over the previous year	Year	Percentage change over the previous year
1975-76	-88.62	1980-81	116.76	1985-86	99.82
1976-77	250.98	1981-82	2.57	1986-87	-32.92
1977-78	381.68	1982-83	-67.47	1987-88	-15.39
1978-79	-76.76	1983-84	32.95	1988-89	132.56
1979-80	127.84	1984-85	119.91	1989-90	-10.48

Percentage change over the previous
year of Deposits, Advances and Loans:

In Table 3.8 (on the preceding page), it is seen that the percentage change over the previous year of deposits, advances and loans is highest in the year 1977-78 to 381.68 and was lowest in the year 1975-76 (-88.62). It was highest because of high amount of deposits and advance amounts received from the contractors, workers and others.

It was lowest due to low amount received from the deposits, advances amount to Nagarpalika.

Percentage change over the
previous year of Revenue Receipts:

In Table 3.9 (on the following page), it can be seen that the percent change over the previous year of revenue account receipts was highest in the year 1976-77 at 45.61 and was lowest in the year 1980-81 at 1.03. It was high due to more revenue from rates and taxes, especially the rise in the octroi, because of strictness in the collection of octroi-tax. The percentage change over the previous year of revenue receipts was due to low collection of contributory gain tax, low water supply tax and low property tax collection as well as increase in the overdues of the above taxes.

Table 3.9

Simple Growth Rate of Revenue Receipts

Year	Simple growth rate **OR** Percentage change over the previous year	Year	Percentage change over the previous year	Year	Percentage change over the previous year
1975-76	32.25	1980-81	1.03	1985-86	35.21
1976-77	45.61	1981-82	39.02	1986-87	18.18
1977-78	9.14	1982-83	13.18	1987-88	17.30
1978-79	17.94	1983-84	8.06	1988-89	14.52
1979-80	21.74	1984-85	5.60	1989-90	17.01

Percentage change over the
previous year of Capital Receipts:

Percentage change over the previous year of capital receipts is shown in Table 3.10 (on the following page). The percentage change over the previous year of capital receipts was highest in 1976-77 to 515.26. It was due to more grants-in-aid to Nagarpalika, mainly the dearness allowance and road repairing grants.

The percentage change over the previous year of capital receipts was lowest in 1975-76 at (-82.56). It was due to low grants received by the Nagarpalika, especially the road repairing and dearness allowance grants.

Percentage change over the previous
year of Revenue of Nagarpalika:

Percentage change over the previous year of total revenue of the Nagarpalika can be seen from Table 3.11 (one page after). It was highest in the year 1976-77 at 105.51. It is due to high amount of revenue from octroi and dearness allowance grants received by the Nagarpalika.

Percentage change over the previous year of revenue was lowest in the year 1975-76 at -28.11. It was due to low collection of Nagarpalika rates and taxes and low grants received from state government to Nagarpalika.

Table 3.10

Simple Growth Rate of Capital Receipts

Year	Percentage change over the previous year	Year	Percentage change over the previous year	Year	Percentage change over the previous year
1975-76	-82.56	1980-81	66.65	1985-86	18.06
1976-77	515.26	1981-82	-21.29	1986-87	18.18
1977-78	118.59	1982-83	37.62	1987-88	12.90
1978-79	-20.49	1983-84	11.24	1988-89	69.43
1979-80	5.60	1984-85	20.93	1989-90	3.86

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Table 3.11

Simple Growth Rate of Total Revenue

Year	Percentage change over the previous year	Year	Percentage change over the previous year	Year	Percentage change over the previous year
1975-76	-28.11	1980-81	28.57	1985-86	35.60
1976-77	105.51	1981-82	6.21	1986-87	16.26
1977-78	50.93	1982-83	23.03	1987-88	-3.42
1978-79	-3.31	1983-84	10.41	1988-89	37.91
1979-80	14.40	1984-85	2.93	1989-90	10.52

3.11 COMPOUND GROWTH RATE:

As against the simple growth rates that we have explained above, we also tried to apply compound growth rate formulated and compare the rates of growth. The following formula was used to calculate the compound growth rate:

$$Y_t = Y_c (1+r)t \quad .... \quad (7)$$

where, Y_t : value of terminal year

Y_c : value of starting year

r : compound growth rate

t : number of years.

$$r = 100 \left[\left(\frac{Yt}{Yc}\right)^t - 1 \right]$$

Compound growth rate of revenue receipt of Nagarpalika are shown in the following Table 3.12

Table 3.12

Compound Growth Rates of Revenue Receipts

Sr. No.	Items	Period	Compound Growth Rate
1.	Nagarpalika rates and taxes	15 yrs	16.6%
2.	Non-tax revenue	15 yrs	26.0%
3.	Revenue Receipts	15 yrs	17.8%

It can be seen from the above Table that the most significant items of revenue receipts are non-tax revenue or property taxes. It implies that in the revenue receipts, property tax is more significant over the entire study period,

than Nagarpalika rates and taxes. The compound growth rate of Nagarpalika rates and taxes is 16.6 over the 15 years of study period and the non-tax revenue or property tax. Compound growth rate is 26.0 percent over 15 years of our study. The compound growth rate of revenue receipts is 17.8 over the entire 15 years of our study.

Table 3.13

Compound Growth Rate of Capital Receipts

Sr. No.	Items	Period	Compound Growth Rate
1.	Grants-in-aid	15 years	39.37
2.	Deposits	15 years	0.56
3.	Advances	13 years	21.50
4.	Loans	2 years	11.47
5.	Capital Receipts	15 years	16.76

From the above Table, it can be seen that the compound growth rate of grants-in-aid is the most significant item of the capital receipts. The compound growth rate of grants-in-aid is highest at 39.37 per cent. On the other hand, the compound growth rate of deposit is lowest at 0.56 percent. The compound growth rate of advance amount is 21.5 percent and it is next highest compound growth rate in the capital receipts. Compound growth rate of loans is the third-highest rate of compound growth of capital receipts.

The compound growth rate of capital receipts is 16.76 percent over the 15 years of the study period.

In comparison with the revenue receipts and capital receipts, compound growth rate of revenue receipts is high.

Compound growth rate of the total revenue is 17.28.

3.12 CONCLUSIONS:

Following are the major conclusions drawn from the above analysis of the growth of revenue.

Most of the income is derived from taxes and non-tax revenue. In comparison with rates and taxes, property tax is high because the compound growth rate of rates and taxes is lower in comparison with the property tax.

The Nagarpalika rates and taxes as well as the property tax are not also significant. Most of the municipalities depend upon the state governments for grants-in-aid.

Most of the municipalities also depend upon government grants because the sources of income are scarce. The compound growth rate of capital receipts is low in comparison with the compound growth rate of revenue receipts.

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