

A study of Tax and Non Tax Revenues as Financial Resources of Municipalities–Reference to Nandyala Municipality of Kurnool District

Dr. Loluru Nagarjuna¹, Prof. B. R. Megharaj²

¹PDF Scholar, in Dept. of Management

²Professor

S. K. University

Abstract: The importance and significance of Municipal finances arises in the context of fiscal decentralization. The finances of Municipalities arise from locally mobilized resources and the resources from the central / state governments in various forms. To enable the Municipalities to perform their functions, they have been authorized to levy taxes on persons, property and business. A large number of functions have been vested in decentralized bodies without sufficient finances. The study of analysis of finances of State and Central Governments in isolation (excluding that of the local bodies) will not provide a holistic picture of the public finances of the country. In this article the Tax and Non tax revenues were selected and analysed. In this paper the second grade Municipality of Adoni in Kurnool district of Rayalaseema region in Andhra Pradesh has been selected for the purpose of the study. The study covers 13 years period from 2003-4 to 2015-16. As the pre-2003-04 data is not properly available in respect of various financial resources and expenditure items of Adoni Municipality, the year 2003-04 has been chosen as the initial year of the study.

Keywords: Finances, Revenues, Taxes, Non taxes, Municipalities

Introduction

The importance and significance of Municipal finances arises in the context of fiscal decentralization. Therefore, it is pertinent to start with examining the theoretical aspects of fiscal decentralization so that the role and relevance of the Municipal finances can be established on a sound footing. The ‘Decentralization Theorem’, formulated by Oates (1972) suggests that a public good should be provided by that geographical jurisdiction which internalizes its provision and should include precisely the set of individuals that consumes it. The finances of Municipalities arise from locally mobilized resources and the resources from the central / state governments in various forms. To enable the Municipalities to perform their functions, they have been authorized to levy taxes on persons, property and business. A large number of functions have been vested in decentralized bodies without sufficient finances and this has resulted in the mere failure in fulfilling their functional responsibilities which lead to discontinuance of the Municipal system in many states of India. Local Self-Government Institutions or Local Bodies directly influence the welfare of the people by providing civic, social and economic infrastructure services and facilities in both urban and rural areas. Given their strategic position in delivering services in the hierarchy of Government set up, following the Constitutional (73rd & 74th) Amendment Acts, more functions, powers and resources have been provided to them.

Review of Literature

Three forms of decentralization are distinguished in literature of Davey (1996) and Rondinelli and Cheema (2002). Fukasaku and de Mello Jr. (1999) observed that fiscal decentralisation refers to the principles and practices concerning functional or expenditure responsibilities, revenue assignment and rectification of vertical and horizontal imbalances. In a broader sense, fiscal decentralisation is the fiscal empowerment of lower tiers of the government. The theoretical literature on fiscal decentralization has tried to answer the basic question - ‘who should do what’ to ensure the most efficient and equitable allocation and distribution of resources consistent with the preferences of the people [see Oates (1972), King (1984), Bird (2000), Shah (1994), Litvack et al (1998) and Bahl and Linn (1992)]. Traditionally, the theory of public finance identifies the three functions for the public sector as observed in the studies of Musgrave (1959) and Musgrave and Musgrave (1989). Rondinelli (1989) argued that being closer to the people, local bodies can more easily identify people’s needs and thus supply the appropriate form and level of public services. Bird (2000) outlines three major rules in the context of accountability for local public expenditures.

The Origin of Local Self – Government Institutions

In order to make the local self – government broad based and improve its working, Lord Mayo, Viceroy of India, issued an order in the form of a resolution of financial decentralization in 1870. The object of this resolution was to promote the working in education, public health, sanitation, medical relief and local works operation besides to afford opportunities for the development of self – government for strengthening Municipal institutions. The second phase of the development of local self – government was reached in 1882, when Lord Ripon paid his personal attention to provide better opportunities of participation in the management of the public affairs. The next stage in the growth of the local bodies was based on the recommendations of the Royal Commission on Decentralization in 1906.

Need for study

The need for revenues through taxes and non taxes raises growth in size of a modern state and the multiplication of its functions. When the area of a state is too large and the population is too great, it becomes difficult for the government of a state to ably administer the affairs of the state and at the same time to look after and attend to the particular needs of a particular area or the people. Economy is secured by local self – government. Local self – government shares the burden of the work of the government, where there is no local self – government, the governments would have to do everything through its officials. The local bodies provide the necessary information and advice on proposed legislation.

Importance the study

The study of analysis of finances of State and Central Governments in isolation (excluding that of the local bodies) will not provide a holistic picture of the public finances of the country. Recognizing the fact that India is increasingly urbanizing, and given the estimate that of more than 50 per cent of India's population will live in urban areas in another three to four decades, one cannot afford to ignore the fiscal situation of Urban Local Bodies. Civic infrastructure and services in most cities and towns are in a poor state. With rising expectations from the public, the financing of civic infrastructure and services has assumed critical importance socially, economically and politically. The importance of local public finance also emanates from another critically important factor, *i.e.*, increase in poverty in cities and towns seems to be accompanying urbanisation – a phenomenon that is described as 'urbanisation of rural poverty'.

Limitation of the study

This study has been made mostly through secondary data and this study was restricted to one municipality *i.e.* Nandyala and this did not covered entire Kurnool city. There is always a limitation of availability of data.

Types of Local Governments in India

Local self–government can be divided into two types, one is Urban local self–government and another is Rural local self–government. The former includes several types of Municipal bodies for the towns and cities, depending on their size, population, industrial development and other important aspects. These bodies are:

- Municipal Corporation
- Municipal council / committee / Municipality
- Notified area committee
- Town area committee
- Township and
- Cantonment board

Powers and Functions of Municipalities

In a multi-level governmental system, the last layer plays an important role in the socio-economic development of the country. Traditionally, most of the federations have three layers of government, namely, the federal or Central Government, Regional or State Government and Local Self-Government. The functional responsibilities and powers of each layer of government are normally specified in the written constitutions of federations.

State Finance Commissions and Municipalities

Most of the First State Finance Commissions (SFCs) were constituted during 1993-96, and they submitted their reports to their respective state governments. These Finance Commissions had a challenging and tough task in discharging their duties efficiently. As it was the first time that the state governments have

undertaken such an exercise, the state authorities dealing with the Municipal administration and urban development did not have enough information and insights into the finances of the Municipalities to firm up their recommendations on various issues leading to financial crisis at the local level. The key recommendations of Finance Commission of various states are grouped into four major categories. They are:

- Recommendations of State Finance Commissions (SFCs) on augmentation of Municipal own Resources.
- Recommendations of SFCs on Tax sharing mechanism between the states and the urban local bodies.
- Recommendations of SFCs on Fiscal devolution from the states to Municipalities in the form of grants-in-aid.
- Other Recommendations of SFCs to strengthening the Municipalities.

Objectives of the Study

The present study is a modest attempt to bridge the gap in the literature. The focus of the study is a critical review of the trends in the financial resources and the pattern of expenditure of Municipalities during 2003-04 to 2015-16. More particularly, the objectives of the study are:

- To study the various financial resources of Municipalities in Andhra Pradesh in general
- To analyse the financial resources of Adoni Municipality in Kurnool district of Andhra Pradesh in particular.
- To summarise the findings and to suggest the suitable measures to improve the financial resources of Municipalities to meet their functional expenditure.

Methodology

The second grade Municipality of Adoni in Kurnool district of Rayalaseema region in Andhra Pradesh has been selected for the purpose of the study. The study covers 13 years period from 2003-4 to 2015-16. As the pre-2003-04 data is not properly available in respect of various financial resources and expenditure items of Adoni Municipality, the year 2003-04 has been chosen as the initial year of the study.

Sampling Design

The study area is selected on the basis of simple random sampling basis. For this purpose, Adoni Municipality of Kurnool district which is located in a drought prone Rayalaseema region of Andhra Pradesh with huge agricultural market and business area has been selected for the purpose of the study on the basis of simple random sampling method.

Sources of Data

The data required for the study has been collected from the office of Adoni Municipality. The researcher personally collected the data from the records of the concerned Municipality. Some more data has been collected from the Bureau of Economics and Statistics, Government of Andhra Pradesh, Hyderabad and from the Census Reports and the Municipal Directorate of Andhra Pradesh, Hyderabad has been a very useful source of information on different aspects of Municipal finances in Andhra Pradesh in general and the selected Municipality of Adoni in Kurnool district of Andhra Pradesh in particular.

Statistical Tools

The data has been rigorously analysed and presented in bivariate and multivariate tables. The simple statistical tools, index numbers and trend values have been carried out to analyse the various financial resources under various functions of selected Adoni Municipality in Kurnool district of Andhra Pradesh region. The bar-diagram and the time series analysis have been drawn wherever necessary.

Financial Resources of Municipalities

The Municipal powers and duties determined either via centralization or decentralization principle must be supplemented by adequate financial resources to meet their functional responsibilities. The Municipal resources must have an equal degree of relation with the Municipal functions. The financial resources of Municipalities can be classified under four main categories.

- ✚ Income from remunerative enterprises organized by the Municipal institutions
- ✚ Gifts, contributions and donations from the public.
- ✚ Proceeds of taxes, licences, fees, duties, cesses, etc, which the institutions themselves can levy as provided under the Act, and
- ✚ Amounts transferred to them in the form of grants and loans by Centre and the State Government, through the concerned departments.

Table – 1.0
Tax Revenues of Adoni Municipality during 2003-2016 (Rs. in Lakhs)

Year	Property Tax	Vacant Land Tax	Advertisement Tax	Taxes on Animals	Tax on Carriages and Carts	Total Tax Revenues
2003-04	9.03	0.17	0.12	0.04	0.01	9.37
Percent to Tax Revenue	96.37	1.81	1.28	0.43	0.11	100.00
2004-05	11.23	0.21	0.11	0.01	0.02	11.58
Percent to Tax Revenue	96.98	1.81	0.95	0.09	0.17	100.00
2005-06	7.11	0.36	0.11	0.02	0.01	7.61
Percent to Tax Revenue	93.43	4.73	1.45	0.26	0.13	100.00
2006-07	21.42	0.41	0.12	0.02	0.02	21.99
Percent to Tax Revenue	97.41	1.86	0.55	0.09	0.09	100.00
2007-08	48.91	0.22	0.16	0.03	0.02	49.34
Percent to Tax Revenue	99.13	0.45	0.32	0.06	0.04	100.00
2008-09	52.17	0.25	0.13	0.02	0.03	52.60
Percent to Tax Revenue	99.18	0.48	0.25	0.04	0.06	100.00
2009-10	49	0.46	0.11	0.02	0.02	49.61
Percent to Tax Revenue	98.77	0.93	0.22	0.04	0.04	100.00
2010-11	87.02	0.51	0.12	0.02	0.02	87.69
Percent to Tax Revenue	99.24	0.58	0.14	0.02	0.02	100.00
2011-12	106	0.58	0.13	0.01	0	106.72
Percent to Tax Revenue	99.33	0.54	0.12	0.01	0.00	100.00
2012-13	62.37	0.23	0.22	0	0.02	62.84
Percent to Tax Revenue	99.25	0.37	0.35	0.00	0.03	100.00
2013-14	157.58	0.71	0.15	0.13	0	158.57
Percent to Tax Revenue	99.38	0.45	0.09	0.08	0.00	100.00
2014-15	78.93	0.93	0.4	0	0.012	80.27
Percent to Tax Revenue	98.33	1.16	0.50	0.00	0.01	100.00
2015-16	111.69	0.64	0.18	0.02	0.02	112.55
Percent to Tax Revenue	99.24	0.57	0.16	0.02	0.02	100.00
Annual Average	61.73	0.44	0.16	0.03	0.02	62.36
Percent to Tax Revenue	98.98	0.70	0.25	0.04	0.02	100.00

Source : Annual Accounts of Adoni Municipality, Adoni (Various Issues)

The income from property tax increased from around Rs. 9 lakhs to about Rs. 112 lakhs under study with significant fluctuations in some years. Its share to the tax revenues fluctuated between around 96 per cent and 99 per cent per annum. On the other hand its share to the total revenue of Adoni Municipality fluctuated between nearly 5 per cent and 24 per cent per annum.

On an average the share of property tax to the total tax revenues and to the total revenue over a period of 13 years under study was about 61 per cent and 14 per cent respectively. The income from Vacant land tax of Adoni Municipality varied from 0.17 per cent to 0.93 per cent per annum. The share of this revenue to the tax revenue fluctuated between 0.25 per cent and 4.73 per cent with significant variations. On the other hand this share of the revenue to the total revenue of Adoni Municipality fluctuated between 0.03 per cent and 0.57 per cent. On an average the revenue from this source to Adoni Municipality was Rs. 0.44 lakhs per annum with significant fluctuations from year to year.

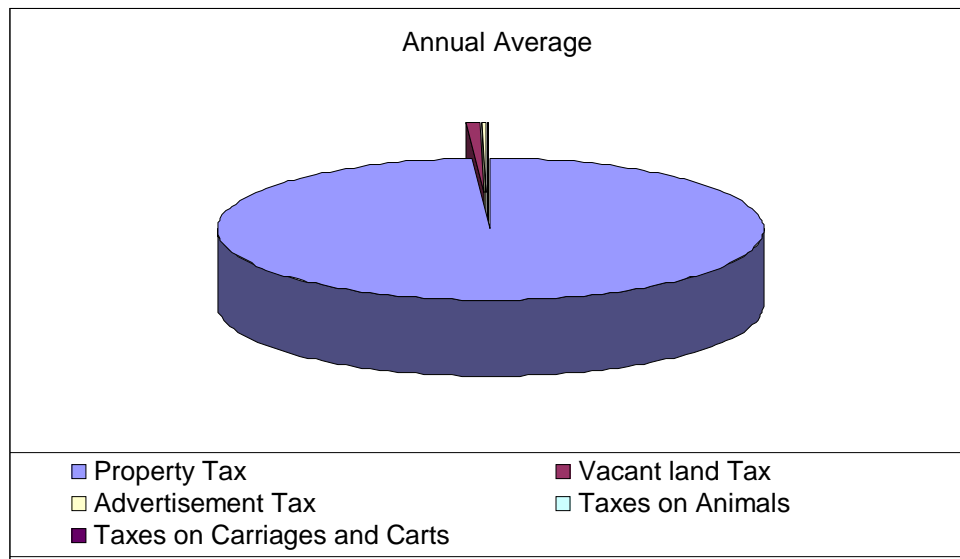


Diagram – 0.1 : Tax Revenues of Adoni Municipality - 2003-2016

The diagram 1.0 shows the annual average trend of various tax revenues of Adoni Municipality during reference period under study.

Advertisement tax is another source of tax revenue to Adoni Municipality. Its contribution to the total tax revenue varied from 0.09 per cent to 1.45 per cent during the decade under study as shown in Table 1.0. Its share to the total revenue fluctuated between 0.01 per cent and 0.03 per cent per annum and in some years under study its share was very negligible to the total revenue of Adoni Municipality under reference.

The taxes on animals is also another minor source of tax revenue of Adoni Municipality under study. The income from this source varied from Rs. 1000/- to Rs. 13000/- per annum. The annual average revenue from this source to Adoni Municipality was Rs. 0.03 lakhs per annum.

The income from the taxes on carriages and carts is a negligible source of revenue to Adoni Municipality. It was not yielded any income in two out of 13 years under study. The total tax revenues of Adoni Municipality increased from Rs. 9.37 lakhs in 2003-04 to Rs. 158.57 lakhs in 2013-14. During the next financial year i.e., 2014-15, the income from total tax revenues of Adoni Municipality was declined to Rs.80.27 lakhs and then this revenue increased to Rs. 112.55 lakhs during the next financial year 2015-16. On an average, it yielded an amount of about Rs. 62 lakhs per annum during the study period 2003-04 to 2015-16 with an annual contribution of nearly 15 per cent per annum.

TABLE – 2.0: NON-TAX REVENUES OF ADONI MUNICIPALITY DURING 2003 - 2016
(Rs. In lakhs)

Year	Water charges	Water supply donations	Market Fees	Quarters Rent	Slaughter House fees	Cycle stand parking Fees	D & O Trade & Licence Fees	Betterment / Development charges	Building Licence Fees
2003-04	1.13	2.5	1.37	0.01	0.02	0.01	0.21	0.02	0.072
Percent to Non-tax Revenue	11.68	25.85	14.16	0.10	0.21	0.10	2.17	0.21	0.74
2004-05	1.46	1.82	1.08	0.03	0.02	0.01	0.11	0.04	0.65
Percent to Non-tax Revenue	12.71	15.84	9.40	0.26	0.17	0.09	0.96	0.35	5.66
2005-06	2.14	0.97	1.42	0.05	0.03	0	0.03	0.03	0.89
Percent to Non-tax Revenue	21.19	9.60	14.06	0.50	0.30	0.00	0.30	0.30	8.81
2006-07	2.2	1.26	1.53	0.06	0.01	0.02	0.53	0.04	0.91
Percent to Non-tax Revenue	13.78	7.89	9.58	0.38	0.06	0.13	3.32	0.25	5.70
2007-08	1.22	2.18	1.62	0.04	0.04	0	0.27	0.01	0.97
Percent to Non-tax Revenue	9.89	17.68	13.14	0.32	0.32	0.00	2.19	0.08	7.87
2008-09	4.03	1.19	1.74	0.07	0.05	0.03	0.48	0.04	1.02
Percent to Non-tax Revenue	24.23	7.16	10.46	0.42	0.30	0.18	2.89	0.24	6.13
2009-10	7	2.56	2.96	0.09	0.03	0	0.6	0.03	1.03
Percent to Non-tax Revenue	15.59	5.70	6.59	0.20	0.07	0.00	1.34	0.07	2.29
2010-11	7.32	2.84	3.45	0.12	0.03	0.01	0.97	0.18	1.21
Percent to Non-tax Revenue	20.51	7.96	9.67	0.34	0.08	0.03	2.72	0.50	3.39
2011-12	9.46	3.77	5.43	0.13	0.02	0.01	1.32	0.29	1.36
Percent to Non-tax Revenue	20.96	8.35	12.03	0.29	0.04	0.02	2.92	0.64	3.01
2012-13	6.43	1.97	6.43	0.24	0.02	0	1.3	0.98	1.45
Percent to Non-tax Revenue	15.73	4.82	15.73	0.59	0.05	0.00	3.18	2.40	3.55
2013-14	4.15	1.14	2.55	0.16	0.15	0	1.62	2.75	1.7
Percent to Non-tax Revenue	22.41	6.16	13.77	0.86	0.81	0.00	8.75	14.85	9.18
2014-15	21.92	5.67	3.55	0.7	0.03	0	2.09	1.88	1.65
Percent to Non-tax Revenue	46.62	12.06	7.55	1.49	0.06	0.00	4.44	4.00	3.51
2015-16	33.45	1.04	3.97	1.28	0.03	0.01	0.99	2.36	1.91
Percent to Non-tax Revenue	57.97	1.80	6.88	2.22	0.05	0.02	1.72	4.09	3.31
Annual Average	7.84	2.22	2.85	0.23	0.04	0.01	0.81	0.67	1.14
Percentage to tax Revenue	27.84	7.90	10.14	0.81	0.13	0.03	2.87	2.36	4.05

Source : Annual Accounts of Adoni Municipality, Adoni (Various Issues)

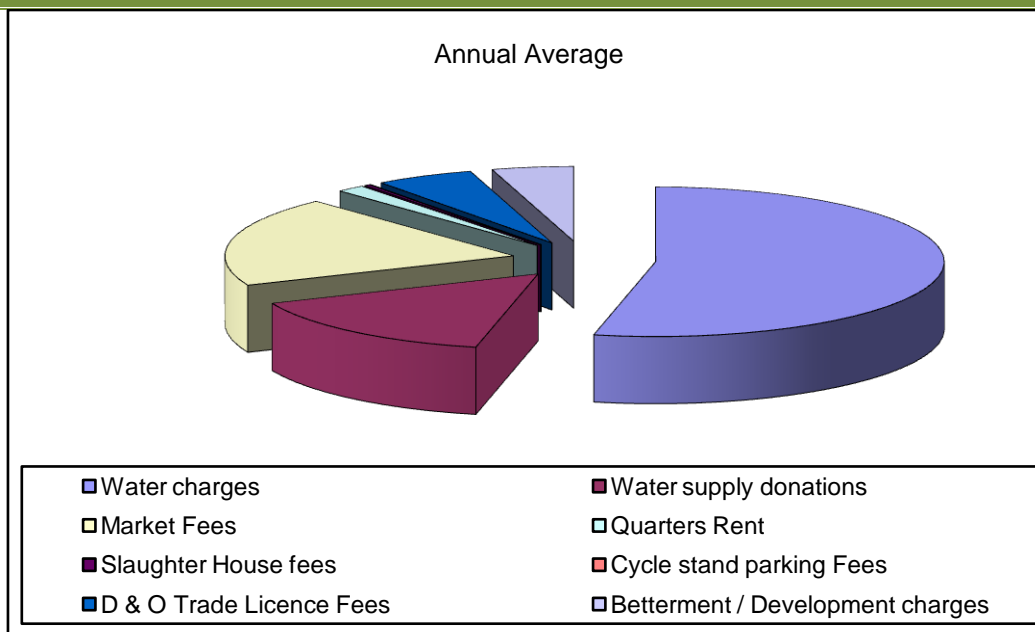


Diagram – 2.0 : Non-Tax Revenues of Adoni Municipality (2003–2016)

The income from water charges is the major source of non-tax revenue to Adoni Municipality compared to other non-tax revenues as shown in table 2.0. The receipts from this source increased significantly from Rs. 1.13 lakhs to Rs. 33.45 lakhs with significant fluctuations during the period under reference. On an average it yielded an amount of Rs. 7.84 lakhs per annum under study with an annual average share of 27.84 per cent of non-tax revenue and 1.83 per cent of total revenue.

The income from water supply donations is another source of revenue to Adoni Municipality with annual average revenue of around Rs. two lakhs per annum. Its share to the total non-tax revenue and total revenue was 7.90 per cent and 0.52 per cent respectively. The income from water supply donations varied from Rs. 0.97 lakhs to Rs. 5.67 lakhs with a significant variations from year to year under reference. The reason for this is, the donations are mainly depends on willingness and commitment of the various agencies and individuals on public service. For that reason there are variations in the receipts of water supply donations to Adoni Municipality during the period under reference. The share of this revenue to the total non-tax revenues of Adoni Municipality was 7.90 %.

TABLE – 3.0: Non-Tax Revenues of Adoni Municipality during 2003-2016 (Rs. in lakhs)

Year	Encroachment Fee	Sale of Rubbish	Bunk Fees	Mutation Fees	Certificate Fee & Sale of Forms	Vacant site lease	Shop Rooms Rents	Miscellaneous	Loans	Total Non-Tax Revenues
2003-04	0.04	0.09	0.02	0.09	0.09	0.13	1.95	0.43	1.49	9.67
Percent to Non-tax Revenue	0.41	0.93	0.21	0.93	0.93	1.34	20.16	4.45	15.41	100.00
2004-05	0.03	0.14	0.01	0.1	0.08	0.11	1.97	0.37	3.46	11.49
Percent to Non-tax Revenue	0.26	1.22	0.09	0.87	0.70	0.96	17.15	3.22	30.11	100.00
2005-06	0.11	1.21	0.01	0.11	0.12	0.15	2.42	0.41	0	10.10
Percent to Non-tax Revenue	1.09	11.98	0.10	1.09	1.19	1.49	23.96	4.06	0.00	100.00
2006-07	0.1	1.24	0	0.1	0.16	0.96	2.42	0.28	4.15	15.97
Percent to Non-tax Revenue	0.63	7.76	0.00	0.63	1.00	6.01	15.15	1.75	25.99	100.00
2007-08	0.09	1.32	0.03	0.12	0.17	0.03	2.86	0.19	1.17	12.33

Year	Encroachment Fee	Sale of Rubbish	Bank Fees	Mutation Fees	Certificate Fee & Sale of Forms	Vacant site lease	Shop Rooms Rents	Miscellaneous	Loans	Total Non-Tax Revenues
Percent to Non-tax Revenue	0.73	10.71	0.24	0.97	1.38	0.24	23.20	1.54	9.49	100.00
2008-09	0.1	2.51	0.02	0.13	0.14	0.01	3.23	1.84	0	16.63
Percent to Non-tax Revenue	0.60	15.09	0.12	0.78	0.84	0.06	19.42	11.06	0.00	100.00
2009-10	0.13	1.81	0.01	0.12	0.2	0.87	3.44	2.01	22	44.89
Percent to Non-tax Revenue	0.29	4.03	0.02	0.27	0.45	1.94	7.66	4.48	49.01	100.00
2010-11	0.12	1.96	0.01	0.13	0.23	0.42	3.49	2.33	10.87	35.69
Percent to Non-tax Revenue	0.34	5.49	0.03	0.36	0.64	1.18	9.78	6.53	30.46	100.00
2011-12	0.04	0	0.02	0.15	0.28	1.15	4.42	2.48	14.8	45.13
Percent to Non-tax Revenue	0.09	0.00	0.04	0.33	0.62	2.55	9.79	5.50	32.79	100.00
2012-13	0.08	3.5	0.05	0.6	0	0	2.22	2.11	13.5	40.88
Percent to Non-tax Revenue	0.20	8.56	0.12	1.47	0.00	0.00	5.43	5.16	33.02	100.00
2013-14	0.15	0.26	0	0	0	0	3.01	0.88	0	18.52
Percent to Non-tax Revenue	0.81	1.40	0.00	0.00	0.00	0.00	16.25	4.75	0.00	100.00
2014-15	0.18	0.7	0	0.76	1.31	0	5.15	1.43	0	47.02
Percent to Non-tax Revenue	0.38	1.49	0.00	1.62	2.79	0.00	10.95	3.04	0.00	100.00
2015-16	0.02	0	0.2	0.37	0.8	0.21	7.2	3.86	0	57.70
Percent to Non-tax Revenue	0.03	0.00	0.35	0.64	1.39	0.36	12.48	6.69	0.00	100.00
Annual Average	0.09	1.13	0.03	0.21	0.28	0.31	3.37	1.43	5.50	28.16
Percentage to tax Revenue	0.33	4.03	0.10	0.76	0.98	1.10	11.96	5.09	19.52	100.00

Source : Annual Accounts of Adoni Municipality, Adoni (Various Issues)

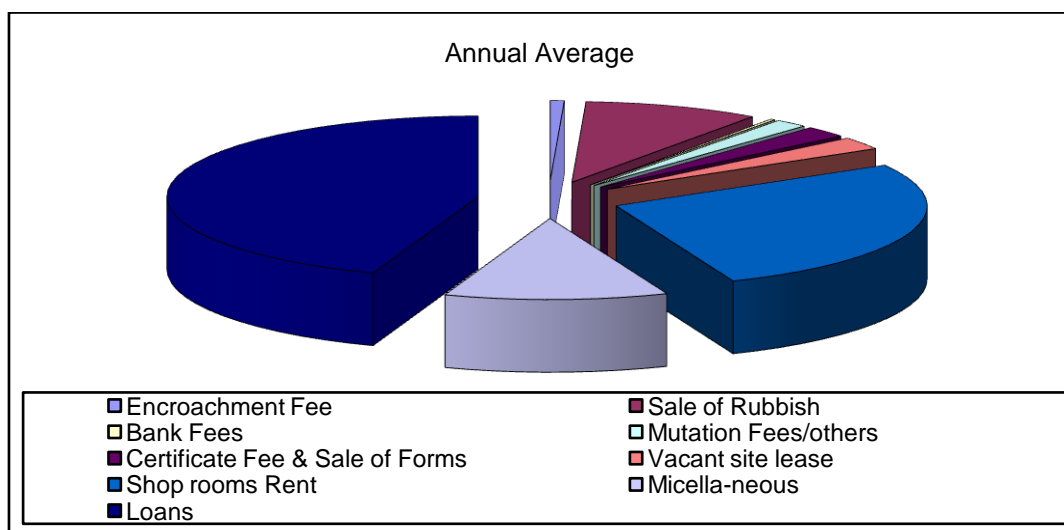


Diagram – 3.0 : Non-Tax Revenues of Adoni Municipality (2003–2016)

The another source of income to the non-tax revenues of Adoni Municipality is Market fees which contributed around 10 % of non-tax revenue of the Municipality as shown in table 3.0. The income from this source fluctuated between Rs. 1.08 lakhs and Rs. 6.43 lakhs with variations from year to year. Its annual average revenue was Rs. 2.85 lakhs per annum under reference. Slaughter houses are generally located in Municipal areas and these are generally maintained by the concerned Municipality. Similarly, Adoni Municipality has been getting income from slaughter houses. The income from slaughter houses of Adoni Municipality varied from Rs. 1000/- to Rs. 15000/- with a share of 0.06 per cent and 0.81 per cent of non-tax revenue under reference. The annual average revenue of this source was only Rs. 4000/- per annum with an annual average contribution of 0.13 per cent of non-tax revenues.

D & O Trade and Licence fees is one of the minor source of income to Adoni Municipality under non-tax revenues. The income from this source was fluctuated between Rs. 3000/- and Rs. 0.99 lakhs as shown in table 5.7. Its annual average revenue was Rs. 81000/- with an annual average share of 2.87 per cent of non-tax revenues and 0.19 per cent of total revenues of Adoni Municipality under reference. The income from betterment / Development charges increased from Rs. 2000/- to Rs. 2.36 lakhs with fluctuations in its yield in some years under study. The annual average revenue of this source was Rs. 0.67 lakhs and its contribution to non-tax revenues was 2.36 per cent per annum. Building licence fees is another source of non-tax revenue to Adoni Municipality. Its yield increased steadily from Rs. 7000/- to Rs. 1.91 lakhs. Its annual average contribution to the non-tax revenues of the Municipality was 4.05 per cent with an annual average yield of Rs. 1.14 per cent per annum under reference. As shown in table 3.0 the revenue from encroachment fee of Adoni Municipality yielded an annual average revenue of Rs. 9000/- per annum with a share of 0.33 per cent of total non-tax revenue and only 0.02 per cent of total revenue of Adoni Municipality under reference. The sale of rubbish is another minor source of revenue to the Municipality under non-tax revenues. Its yield per annum varied for Rs. 9000/- to Rs. 3.5 lakhs. Its annual average revenue was Rs. 1.13 lakhs with share of 4.03 per cent of total non-tax revenues per annum during the period under study.

Income from Bunk fees is another source of non-tax revenue to Adoni Municipality. It is a negligible source of revenue to the Municipality with an annual average revenue of Rs. 3000/- per annum. Its contribution to the total non-tax revenues and total revenues of Adoni Municipality was 0.10 per cent and only 0.007 per cent per annum as shown in table 5.8.

The income from Mutation fees in Adoni Municipality increased significantly from Rs. 9000/- to Rs. 76000/- with significant fluctuations from year to year in its yield. Its annual average revenue was Rs. 21000/- with an annual average share of 0.76 per cent of non-tax revenues and 0.05 per cent of total revenues under reference. The receipts from miscellaneous revenues under non-tax revenues of Adoni Municipality fluctuated between Rs. 0.19 lakhs and Rs. 3.86 lakhs. Its annual average share to the non-tax revenues was 5.09 per cent per annum and its annual average share to the total revenues of Adoni Municipality was only 0.33 per cent per annum. The receipts from loans from other agencies were fluctuated between Rs. 1.49 lakhs and Rs. 22 lakhs. Its annual average yield was Rs. 55 lakhs per annum with an annual average share of 19.52 per cent of its non-tax revenues and 1.28 per cent of total revenues. The table 5.7 the total non-tax revenues of Adoni Municipality increased significantly from Rs. 9.67 lakhs to Rs. 57.70 lakhs with variations from year to year. The trends in various non-tax resources are graphically presented in diagram 5.4 and 5.5.

Conclusions

To enable the Municipalities to perform the functions, they have been authorized to levy taxes on persons, property and business. A large number of functions have been vested in decentralized bodies without sufficient finances and this has resulted in the near failure in fulfilling their responsibilities, leading to discontinuance of the system in many states in India. The general revenues of Adoni Municipality in Kurnool district of Rayalaseema region in Andhra Pradesh like other Municipalities in the state are tax revenues, non-tax revenues, assigned revenues, plan grants, non-plan grants and other miscellaneous financial resources as imposed by the Municipality and received from the higher layer institutions and other agencies concerned. The major tax revenues of Adoni Municipality are Property tax, Vacant land tax, Advertisement tax, Tax on animals, Tax on carriages and carts.

The Non-Tax revenues are another major own sources of revenue to Adoni Municipality. The various items of non-tax revenues are Water charges, Water supply donation, income market fees, rent from Municipal quarters allotted to the employees of Adoni Municipality, fees from slaughter houses located in the Municipal area, revenue from the maintenance of Cycle stand parking place by the private people, fees from D & O Trade and Licence fees, the revenue from betterment / Development charges, Building licence fees, income from encroachment fees, revenue from sale of rubbish, Bunk fees, Mutation fees, income from certificate fee & sale of forms, receipts from the lease of vacant site, rents from shop rooms owned by Municipality, Loans received

from higher layer institutes and other agencies and other miscellaneous revenues are come under the non-tax revenues of Adoni Municipality.

References

- [1]. Aadhe, G.S. (1972), “Municipal Finances”, *Bombay Civic Journal*, Vol. 20, No. 1,
- [2]. Agarwal, P.P (1959), *The System of Grants-in-Aid in India*, Asia Publishing House, Bombay.
- [3]. Ajit Kumar Jain (1996), *Local Government Finance in India*, Proceedings of the National Conference of ‘Emerging trends in Indian Local Government Finance’ held at National Institute of Rural Development, Hyderabad, October, 20 – 25.
- [4]. Albert, Breton, (1977), “The Theory of Local Government Finance and the Debt Regulations of Local Governments”, *Public Finance*, Vol. 32, No. 2.
- [5]. Alderfer, Harold, F (1964), *Local Government in Developing Countries*, McGraw-Hill, New York.
- [6]. Aleem, M.A. (1975), ‘A Study in Municipal Administration of Secunderabad Cantonment’, *Quarterly Journal of the Local Self-Government Institute*, April-June & July-September, 455 – 66.
- [7]. Allan Williams, (1966) “The Optimal Provision of Public Goods in a System of Local Government”, *Journal of Political Economy*, Vol. 36, No.4, February.
- [8]. Appa Rao T (1974), *Municipal Government in Vishakhapatnam*, Ashra Printing Industrial School & Press, Visakhapatnam.
- [9]. Appa Rao, T., and Bapuji, M. (1973), “The Municipal Chairman in Andhra Pradesh”, *Quarterly Journal of the Local Self-Government Institute*, 44(1).
- [10]. Arabi, U (2006): “Solid Waste Management in Metropolitan Cities: The Case of Mangalore”, in P.S.N. Rao (ed.), *Urban Governance and Management: Indian Initiatives*, Kanishka Publishers, New Delhi.