CHAPTER - VII

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SUMMARY AND CONCLUSIONS

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7.1.1 It has been possible to come up with some important findings in the present study despite certain limitations in the availability of data. The observations and generalisations that have emerged in the study are of considerable importance in understanding the level of economic development of Andhra Pradesh, inter-district disparities in levels of development, patterns of urban growth, inter-dependencies of urban growth and population size with economic and infrastructural development and problems of municipal finances in the state. These generalisations may be helpful in planning strategies aimed at reducing the spatial imbalances and strengthening urban local bodies for a healthy urban and regional development in the state.

7.2.1 Several studies critically examined have shown that the per capita income of Andhra Pradesh has been less than that of the all-India average over the years. However, the growth rate of per capita income was higher in the state during seventies than that in the country. It has increased at an annual compound growth rate of 1.56 per cent in the state as against 1.37 per cent in the country as a whole during seventies. During sixties, the growth rate of per capita income was only 0.68 per cent in the state which was much less than that of 1.18 per cent in the
country. This indicates that the economy of the state has performed better during seventies when compared to sixties.

7.2.2 In agricultural sector, the state seems to have performed remarkably well during seventies. The value of productivity per hectare has increased at an annual compound rate of 4.04 per cent during 1970-73 to 1980-83 as against 0.44 per cent during 1962-65 to 1970-73. The corresponding growth rates at all-India level were 1.92 per cent and 2.04 per cent during sixties and seventies respectively. In terms of the proportion of industrial units, employment and value added by manufacture in the country from 1961 to 1968 and 1978, the increase in the proportion of Andhra Pradesh has been significant during seventies when compared to that in the preceding decade.

7.2.3 The State Domestic Product and the National Income have increased at a higher rate during seventies than in sixties at constant price though the growth rate of the former has been slightly less than that of the latter. There has been a shift in the composition of the income from primary to secondary and tertiary sectors. However, the state has a weaker manufacturing base and is more dependent on the primary sector than that in the country as a whole.

7.2.4 The male workforce participation rate has declined in the country as well as the state though the decline has been only marginal during seventies. The decline in the participation rate has taken place in urban areas also which indicates that the rural push factors may be more responsible than the urban pull.
factors for the large scale migration of people from rural to urban areas.

7.2.5 The share of cultivators has been higher in the country whereas that of agriculture labourers is higher in the state. Agriculture and allied activities accounted for about 67 per cent of the male workforce in the country as well as the state in 1981. The state has a higher proportion of household manufacturing workers but has a lower proportion of workers in the non-household sector when compared to that in the country. There is no significant difference in the share of workers in other industrial categories between the country and the state.

7.2.6 The urban areas have been witnessing a steady improvement in the share of non-household manufacturing sector though it is relatively less in the state. While the share of tertiary sector has come down in the country from about 57 per cent in 1961 and 1971 to 52.74 per cent in 1981, it has remained at about 56.72 per cent in the state without a significant change over the years.

7.2.7 Very high disparities are existing in the state in terms of agricultural and industrial development, availability of health facilities, per capita consumption of electricity and the number of motor vehicles per thousand population. The levels of development based on the aggregative composite index for 22 indicators in early seventies and 24 indicates in early eighties reveal that nearly half of the districts are backward in the state. The Coastal Andhra is more developed than the other two
regions. Telangana appears to be the most backward region in eighties in the state.

7.3.1 The state of Andhra Pradesh had a lesser proportion of urban to total population than that in the country as a whole during 1901-1981 except in 1951. The decline in urban growth rate was much steeper in the state in 1951-61 due to a rigorous application of the definition of town in 1961. The state has recorded a higher urban growth rate (48.26 per cent) than that of 46.02 per cent in the country as a whole during seventies. The class I urban centres account for a very high proportion of urban population in the country as well as the state which indicates a top-heavy structure of urban growth.

The urban centres recorded a higher growth rate in all size categories during 1971-81 than in the preceding decade in the state. During both the decades, the cities have recorded very high growth rate whereas the acceleration in the growth rate from sixties to seventies has been very high in class II towns. The urban growth rate has increased in all the districts during seventies as compared to that in the sixties in the state.

7.3.2 The high urban growth rate during seventies has taken place in the backward as well as some of the developed districts. While the backwardness and rural push factors caused high urban growth in the backward districts, economic and industrial development has influenced high urban growth in the developed districts. Thus, two distinct processes have caused high urban growth during seventies in the state.
7.3.3 The number of fast growing urban centres has increased from 16 to 62 while that of stagnating urban centres declined from 15 to 9 during 1961-71 to 1971-81 in the state. The percentage of fast growing towns declined and that of stagnating towns increased with decrease in the size class.

The index of town density is low in many districts in the state. The urban population in these districts is concentrated in their class I urban centres. On the other hand, it is equal to one and above in less urbanised districts like Medak, Karimnagar, Srikakulam and Vizianagaram because a large number of towns in these districts are distributed in the lower size categories. Only one town was declassified in 1981 as opposed to 37 in 1971 and 74 in 1961 whereas the number of newly identified towns was 10 in 1961, 40 in 1971 and 32 in 1981 in the state. Decline in the number of declassified towns, emergence of a good number of new towns and the rapid growth of a large number of existing urban centres have contributed to the high urban growth in the state during seventies.

7.4.1 The agriculture and allied activities are predominantly characteristic of smaller urban centres in the state. The urban growth in the state as a whole seems to have not been influenced by the manufacturing sector during seventies. However, the urban growth during seventies has promoted secondary and tertiary activities. This is indicated by a positive correlation of urban growth during seventies with workforce in secondary and tertiary activities in 1981. The larger urban centres have higher proportion of workers in secondary and tertiary sectors. The manufac-
turing base in the smaller and medium towns should be strengthened so that these can absorb the rural migrants and reduce the pressure on higher ones. As the population of urban centres increases, the rate of unemployment is also likely to increase.

7.4.2 A higher urban growth leads to a decline in the financial condition of local bodies. This is indicated by a negative correlation of the indicators of civic finance, except per capita receipts through taxes, with urban growth. The sanitation and public health are the most seriously affected civic amenities by rapid urban growth. The larger urban centres have higher levels of civic income and expenditure. The small and medium size urban centres with low levels of civic income/expenditure are facing serious problems due to rapid urban growth and are unable to provide adequate civic amenities.

7.4.3 The availability of road length per thousand population has declined from 0.95 Kms. in 1971 to 0.82 Kms. in 1981 due to increasing population pressure in urban areas. Similarly the urban growth exerts more pressure on, and adversely affects, the power sector in domestic, industrial and commercial uses and also the financing institutions. The larger size urban centres are better placed in terms of power sector. The smaller towns are at a disadvantage in this vital facility which adversely affects their economic activities.

There has been an increase in the proximity of urban centres with administrative and transport facilities over time. This did not have a significant influence on urban growth. In
terms of the per capita availability of medical, educational and recreational facilities, the urban growth has a negative impact in urban centres of all size categories. Thus the rapid urban growth is leading to a deterioration in the level of civic amenities in the state.

7.5.1 The ordinary income of the 40 municipalities analysed in the present study has increased by only 15.33 per cent at constant prices which was less than the estimated population growth rate of 24.58 per cent during 1981-82 to 1987-88. The per capita income has declined at a constant prices. This indicates that the population growth and rising inflation have neutralised the growth of the income and adversely affected the financial condition of the local bodies in the state. This decline in per capita income has taken place in class I and class II urban centres while class III towns have recorded an increase due to low population growth in them.

7.5.2 The expenditure, on the other hand, has increased by 29.07 per cent at constant prices and in per capita terms it has gone up in all the size categories of towns. There has been a substantial amount of surplus at both the points of time despite a decline in it. As a proportion to income, the surplus is higher in class I cities (12.89 per cent) when compared to class II (6.05 per cent) and class III (6.63 per cent) towns in 1987-88.

7.5.3 More than 50 per cent of the ordinary income is contributed by taxes whose share along with that of non-taxes has
come down slightly. The share of grants has increased. The small towns are more dependent on grants from the state government when compared to larger urban centres which have a higher share of income through taxes.

The share of property tax in the total tax income has gone up from 42.62 per cent in 1981-82 to 45.97 per cent in 1987-88. In per capita terms at constant prices, the property tax declined from class I to class III urban centres. The share of house tax in the total property tax has declined over the years as opposed to a significant increase in the proportions of water tax and lighting tax. Operation of rent control laws seem to be having a negative effect on the growth of property tax as an important source of municipal revenue. Besides, low level of collections, particularly in the small and medium size towns, is also hindering its growth.

To reduce the discretionary powers of the authorities while assessing the rental values, zonal system i.e. dividing a city/town into different identical zones, is a better alternative for property taxation. The Central government should amend the Article 280 of the Constitution to bring its properties under the purview of local taxation. When a large number of weaker section localities are exempted from payment of service taxes etc, the state government should pay compensation to the local bodies an amount equivalent to the expenditure incurred by them due to provision of services in these localities.

The share of entertainment tax has declined slightly from 43.56 per cent to 41.06 per cent during the seven-year period considered in the analysis. However, its share has
increased in class III towns. In per capita terms at constant prices, the revenue from this source has come down in class I and class II urban centres but increased in class III towns. The local bodies will be able to get more revenue from entertainment tax if 99 per cent of the proceeds of this levy are transferred to local bodies (as opposed to 90 per cent at present) as was recommended by the High Power Committee in Andhra Pradesh. The revenue from surcharge on stamp duty has increased from 7.84 per cent to 10.94 per cent in the tax income of the local bodies. Despite increasing transactions and rising property values in urban areas, this source seems to be suffering from serious underassessment.

7.5.4 The profession tax accounted for a very low proportion of tax revenue in the state before its take over in 1987 by the state government. The compensation is sought to be paid on the basis of highest collections in one of the three years preceding its take over without any further increment. Due to serious constraints in the very nature of levying profession tax, the local bodies were not able to realise this source fully. Collections from this source have improved substantially after the state government took over. In view of the serious financial problems of the local bodies in the state, entire proceeds of this levy should be devolved to the respective local bodies after deducting some nominal collection charges.

The urban local bodies in the state have been discriminated against for the past few decades in terms of paying compensation in lieu of motor vehicle tax. The recommendation of the
High Power Committee (1971) that 20 per cent of the total revenue from this source should be distributed among the municipalities on the basis of their population should be implemented to strengthen their finances. The municipalities are not receiving any share of proceeds from entry tax which was introduced in the state in October, 1987. Since entry tax is a modified version of octroi, which is essentially a local tax, the state government should devolve a large portion of this revenue to the local bodies.

7.5.5 The share of non-taxes has declined slightly from 15.47 per cent in 1981-82 to 14.04 per cent in 1987-88. The per capita non-tax revenue at constant prices came down from Rs. 13.31 to Rs.11.18. Income from remunerative enterprises formed about 50 per cent and above of the non-tax income in class II and class III towns as opposed to about 32 per cent in class I urban centres. This indicates that larger local bodies receive more revenue through licence fees etc. than in the small towns due to higher degree of economic activities in the former.

7.5.6 The dependence of local bodies on the state government has increased during the seven-year period. This is indicated by the increase in the share of grants. Smaller urban centres have a higher proportion of income from grants when compared to class I urban centres. The proportion of grants given for education in the total grants is very high and it has gone up from 71.30 per cent to 82.85 per cent. Non-payment of even these grants in time is exerting serious pressure on the revenues of local bodies.
This is also resulting in the deterioration in the quality of infrastructure in educational institutions. The government meeting only 50 per cent of the increase in pay scales that too only for three years is resulting in the utilisation of all possible municipal resources for the payment of salaries alone. In the process, little attention is paid to the provision of civic amenities.

7.5.7 In the total revenue expenditure, education accounted for a high share followed by public health. While there has not been a significant change in the proportion of expenditure on management, the smaller towns are incurring a higher share on this component. This leads to a decline of expenditure on the civic amenities in small towns. The cities (class I) have higher per capita expenditure on the important civic amenities like water supply and drainage and public health whereas class II and III towns have higher figures on education and general administration.

Increasing the tax and non-tax revenue bases, higher devolution of funds, payment of grants in time and decreasing the expenditure on general administration particularly in small and medium towns are some of the important solutions for improving the financial condition of the urban local bodies in Andhra Pradesh.

7.6.1 The financial condition of the individual urban centres selected for case studies seems to be no better than that reflected at the state level. In the Coastal Andhra region, Vijayawada city's dependence on the state government has increased
after it became a municipal corporation. The city has experienced a decline in the level of civic amenities during seventies as indicated by the decline in per capita expenditure at constant prices on all the major components except water supply and drainage. The expenditure on salaries alone accounted for nearly 70 per cent of the total expenditure in 1987-88.

In Kakinada and Palakole municipalities, the income and expenditure have increased marginally in per capita terms at constant prices. This may be due to moderate and low population growth rates respectively in these urban centres. On the other hand, the Ongole municipality has registered a significant decline in its per capita income and expenditure at constant prices. The Vinukonda panchayat's income has come down from all the important sources while the expenditure has increased in real per capita terms.

7.6.2 In Rayalaseema, the rapidly growing Tirupati municipality has experienced a decline in income as well as expenditure in per capita terms at constant prices. The local body of Dharmavaram has recorded a marginal increase in the corresponding figures. However, the figures are low which may be due to the backwardness of Ananthapur district. The income of Rajampet has declined while the expenditure has increased in real per capita terms.

7.6.3 The local bodies in Telangana are also financially in a distressing condition like their counterparts in Rayalaseema and Coastal Andhra regions. There has been a decline in revenue
income (from all the main sources except surcharge on stamp duty) and expenditure (on all the components except management) in Nizamabad city in per capita terms at constant prices. The Mahabubnagar municipality has become more dependent on entertainment tax than property tax. While the local body has registered a marginal increase in income and expenditure in real per capita terms, the latter has declined on water supply and drainage, public health and general administration.

Jagtial seems to have maintained a relatively stable financial condition which may be due to its realising almost cent per cent of the tax revenues. However, the increase in per capita expenditure at constant prices on public health and street lighting has been only marginal. The Sangareddy municipality is facing serious financial problems due to the accumulation and non-recovery of huge amounts of arrears. Among the municipalities, Kaghaznagar is spending the highest per capita expenditure on management followed by Palakole. The tax revenue of Kaghaznagar has been seriously eroded by the non-payment of property tax by nearly one-third of the tax-paying houses in the town. Thus a distinct pattern has not been observed in terms of revenue income/expenditure and size class of urban centres in different regions of the state. The municipalities in Coastal Andhra have higher levels of property tax per holding when compared to those in the corresponding size classes in Rayalaseema and Telangana. Accessibility to higher levels of administrative network, overall economic development of the district/region and higher level of collection enhance the property tax revenue of urban local bodies and strengthen their finances.
7.7.1 In course of discussions with local authorities especially with the Commissioners or officials in-charge of the municipalities, strong opinions were expressed regarding the factors responsible for their financial problems and proposed solutions. Some of the relevant opinions on which there were broad agreements and that seem reasonable in the context of the data analysis presented above are discussed here.

7.7.2 A substantial proportion of the municipal revenue income is spent on the salaries in various departments leaving very little for developmental activities. This is more so for small and medium towns. To enable the municipalities to perform civic functions better the state government should directly pay the salaries for at least certain categories of municipal employees. The Andhra Pradesh Chamber of Municipal Chairmen has been persistently demanding the provincialisation of municipal services.

7.7.3 Education is another important problem being faced by the municipalities in Rayalaseema and Coastal Andhra regions. The local authorities have to manage the buildings, furniture etc. while the state government meets only the expenditure on salaries through grants. Consequently the schools are maintained in old and dilapidated buildings or in rented buildings with a few exceptions here and there. Hence a serious request for meeting the expenditure relating to the construction of new buildings for schools and repairs to the old ones and provision of furniture etc. Some municipal authorities were in favour of
taking over these educational institutions by the state government itself to reduce the burden on the local bodies.

7.7.4 For the assessment of property tax, the zonal system i.e. dividing the municipality into various identical zones for the purpose of assessing rental values have been preferred. This will reduce, to a large extent, the discretionary powers of the assessing authority. A strong opinion was expressed in favour of devolving the entire proceeds of the profession tax after deducting some nominal collection charges. The municipalities are collecting library cess as a percentage on the property tax. However, the whole amount is deposited to the Zilla Grandhalaya Samstha (District Library Society). This is highly unjustified since the local bodies are also maintaining libraries at their own expenses. The library cess collected by a local body from its local population should be retained by it to maintain its libraries in a better way.

7.7.5 The compensation in lieu of motor vehicle tax is paid as per the amount fixed more than twenty five years ago. It has to be updated and should be paid according to road length or population in the local body. The compensation should be increased as per the rise in the general price index. The grants should be released to the local bodies in the beginning or middle of the financial year. The local bodies in the backward districts may be given higher proportion of grants. Thus, it can be concluded that there are two distinct processes causing urban growth in the state of Andhra Pradesh.
Firstly, it is the process of industrialisation and economic development which is resulting in rapid urban growth in some of the developed as well as semi-developed districts. Secondly, it is the structural backwardness which results in push factor migration from rural areas and promotes high demographic growth particularly in small and medium urban centres. This process seems to be predominant in the backward districts of the state. Availability of civic infrastructure and amenities does not seem to have a significant effect on urban growth. On the other hand, urban growth is exerting serious pressure on civic amenities, particularly in small and medium towns. Finally, one can argue that the general level of economic development in the district would have a positive impact on the process of urban growth and the level of municipal earnings and expenditures in the urban centres.