Urbanization is perceived as a determinant, as well as a consequence of economic development. Over the past two decades, many countries in Asia have experienced rapid economic growth. This has led to a rapid rise in their urban population. However, in spite of a significant increase in national wealth and personal incomes, the quality of life of an average urban resident is not satisfactory. Urban centers are characterized by squalor slums, traffic congestion, and shortages of water and power. While the national governments pursue the goals of economic development, it is generally left to the local governments to manage rapidly growing urban areas, and provides for basic services to the residents.

Urban management and governance has assumed an increasing importance, as the capacity of a nation to pursue its economic goals is contingent upon its ability to govern the cities. This is largely due to the significant contribution of the urban centers to the national income. The economic liberalization and decentralization of government have been the
most common features of developmental policies of most countries in the past decade. Nations have evolved policies, aimed at achieving high economic growth rates, integrating the national economy with the global one and increasing economic efficiency through greater competition. At the same time, decentralization polices, aimed at delegation, devolution and democratization have also been pursued. The emergence of these trends has a profound implication on urban management. In the general discussion of macroeconomic policies, the role of urban economies is not well recognized. The macro policies often have an anti-urban bias and the national governments have pursued programmes which restrict the growth of large cities, reduce migration to cities, and achieve a “balanced urban pattern”. It is only now that the role of city economies in national development has been understood. It is seen that in a global economy, there is an increasing competition among cities to attract cross-border investments.

The ability of a city to attract global investments largely determines the extent of investments in a nation. While the national governments are involved in macro policy formulations, it is left to the local government to provide for the necessary infrastructure and services to attract such an investment. Municipal authority in India was as old as Indus civilization of 3000 BC. But, as a political institution, it is totally British in its origin and fame. The first (Municipal) Corporation was established in 1688 in the port town of Madras. Subsequently, Corporations were established in Bombay and Calcutta during the year 1726. The next milestone in municipal administration is Lord Mayo’s Resolution of 1870. Lord Mayo realized the need for popular
association in civic functions. He conceived this in a broader setting of decentralization and as a measure of self-governance at the local level.

World over, cities are the central drivers of growth; they are the leading edge of economic dynamism. However, the extent to which cities fulfill this role by promoting competition, galvanizing innovation and accelerating growth depends critically on the nature and adequacy of urban governance and finance. Adequate finance is necessary to ensure satisfactory standards of infrastructure and services; governance systems determine not only the allocative and technical efficiency of spending but also the responsiveness and accountability with which services are actually delivered. Thus, good policies, efficient and responsive local governance systems and sound arrangements to finance public services are critical elements in sustainable urban development. They shape the nature and quality of public services provided, as well as the structure of incentives and accountability.

Financing urban infrastructure and services adequately is a formidable challenge. The infrastructure deficit in urban areas is not only large but growing. In contrast, the resources available to urban local governments are scant. With respect to financing urban infrastructure, development charges should be used more effectively and more should also be done to utilise public lands more effectively. In addition, to a considerable extent capital expenditure requirements will have to be financed through borrowing. Development of the municipal bond market is, therefore, an important area where much remains to be done. Credit rating municipal governments, encouraging them to undertake reforms, and ensuring hard budget constraints are all important for developing a healthy bond market. Another important
area is to encourage public private partnerships. The paper points out some successful cases of PPPs which have helped to augment water supply and solid waste management in municipal bodies. It is important to involve the private sector in the provision of urban services to the extent feasible to ensure efficiency and accountability.

Reform of urban governance and finance are critical not only to improving the quality of life of the people living in urban areas but also to ensure that cities, and especially the large metropolitan areas, become the drivers of economic growth in the country. Ensuring adequate availability of finances and improving governance is an imperative, and the rate at which urbanisation is taking place makes it urgent than reform initiatives must be undertaken. If India is to expand its national rate of economic growth significantly, concerted action to reform both urban policies and urban initiatives are required soon.

With this background the present attempts to study the revenue and expenditure pattern of Guntakal Municipality in Ananthapuramu district of Andhra Pradesh. The study is mainly confined to Guntakal Municipality as it is the oldest municipality in the district. The study deals with the various sources of income to the Guntakal municipality and the expenditure incurred by the municipality for the public and other purposes. The study examines whether the income sources of the municipality is stable over the years or not. The study examines the role of Guntakal municipality in enhancing the basic infrastructure facilities and other services to the public in its territorial jurisdiction.
The study is particularly confined to three Revenue Mandals, out of 6 Mandals Constituting Singanamala Constituency of Anantapur district, where the highest percentage of Scheduled Castes are of Madigas. They are followed by Mala, Adi Andhra, Rhelli sub castes of Scheduled Castes. Almost all Scheduled Castes talk Telugu. The researched collected data at random. On hundred questionnaires were administered in each sample Revenue Mandals.

The data required for the study has been collected from the office of Guntakal Municipality. The researcher personally collected the data from the records of the concerned Municipality. Some more data has been collected from the Directorate 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 Guntakal in Rayalaseema region in particular. The chapter wise summary of the study in narrated hereunder.

In the first chapter as stated, it is summarized with the following objectives and hypothesis.

**Objectives of the Study**

The specific objectives of the present study are as follows:

1. To discuss the genesis and growth of urban local governments in India with particular reference to Andhra Pradesh.

2. To examine the changes brought out by 74th Constitutional Amendment in the functioning of urban local bodies.
3. To discuss the socio-economic and political profile of Guntakal Municipality.

4. To compare and analyze the financial performance in terms of revenue and expenditure of Guntakal Municipality.

5. To analyze the income and expenditure pattern of Guntakal Municipality.

6. To make suitable suggestions for the enhancement of financial resources of urban local bodies.

In the second chapter the researcher has studied the evolution and growth of urban local self governments in India as well as Andhra Pradesh. The chapter also presents the brief history and present status of Guntakal municipality. The developments in the evolution and growth of urban local governments in ancient, medieval and modern periods in India are covered in this chapter. Special focus is made on the developments in the growth of urban governments during colonial rule. As part of it the chapter discusses at length the Lord Rippon resolution, Royal Commission, Morley-Minto Reforms of 1909, Montague-Chelmsford, Government of India Act 193 etc. the chapter makes a comprehensive analysis of 74th Constitutional Act and its implications on the functioning of urban local governments in India. With regard to municipal governments in Andhra Pradesh, the chapter discusses the features of Andhra Pradesh Municipalities Act 1965, Andhra Pradesh Municipalities Law (Amendment Bill), 1986, Andhra Pradesh Municipal laws Amendment Act, 1994. The chapter also covers the issues like classification of municipalities in Andhra Pradesh, criteria for classification of municipalities, strength of Municipal Councils, details of reservation system at state level etc.
with regard to Guntakal Municipality, the study makes an overview of Guntakal town, location, characteristics and commercial importance of the town. The demographic profile of Guntakal town as per 2011 Census and religious composition of population, slum population and poverty among slum dwellers is also covered in this chapter. The political setup of Guntakal Municipality and party wise and social category wise elected members of Guntakal municipality in 2014 elections is also analyzed in this chapter.

The third chapter is devoted to study the financial resources of urban local bodies. As a part of it the chapter examines the distribution of taxes between the Centre, States and Urban Local Bodies (ULBs), conventional sources of ULB revenue and need for promoting the model practices of ULB financial management. The chapter also discusses the various revenue sources of ULBs like user charges, local taxation, general grants, specific purpose grants, borrowings, development charges, intergovernmental transfers, proceeds from sale of land and buildings, public-private partnerships and Municipal Bonds etc. The financial measures for local bodies under different Five Year Plans from 1st to 12th Five Year Plan were also covered in this chapter. The Role of Union Finance Commissions in strengthening ULB finances, grants recommended under different Finance Commissions and major recommendations of XIV Finance Commission with regard to urban local bodies were also discussed in this chapter.

The fourth chapter analyzes the trends in the revenue of Guntakal municipality during 2004-05 to 2013-14. Item wise revenue received by Guntakal municipality like revenues from property tax, rent of shop / buildings, non plan grant, surcharge on stamp duty, entertainment tax, fines &
penalty, advertisement tax, market fees, water supply tax, development charges, building license fees, encroachment charges, betterment charges, layout fees, layout conversion fees, miscellaneous sources, secondary school fees, school building rent, birth & death certificate fees, new taps from people deposits, grants for running upper primary, teaching grant in aid, government road grants, government grant and mp grants, school buildings grant, drought relief grants, drainage grant, SJSRY grants, State Finance Commission grants, State Finance Commission adjustment grants, park and play ground grants, APUR MSP grants, library cess etc.

In the fifth chapter an attempt is made analyze total expenditure incurred by Guntakal municipality, expenditure on public works – roads, construction of toilets, street lights and electricity charges, expenditure incurred on drinking water supply, expenditure incurred on drainage office maintenance, fogging and prevention of malaria, sanitation (white wash & bleaching powder), expenditure on drawing vehicles and their maintenance contract labour, the maintenance of maternity centre, contingency expenditure, miscellaneous expenditure, expenditure for the repairs of primary school buildings, on the Payment of M.V. Taxes, Municipal Hospitals, on the repair of office building, office building construction, expenditure on APURIMSP, Expenditure on LIC, expenditure on retired employees provident fund, expenditure on deposits and advance, expenditure on Professional Tax APGIS GILIS, expenditure on Guntakal municipality chairman transport, expenditure on law charges, expenditure on daily news papers, expenditure incurred for capture of on dogs, pigs, monkeys, expenditure on public health workers uniform, expenditure incurred on garbage vehicles, expenditure on
town planning section law fees, expenditure on mobile and telephone charges, expenditure on AV number plates, expenditure on books and forms, expenditure on survey, expenditure on advertisement in daily papers, expenditure on car rent, expenditure on jeep and tractor purchase and maintenance, expenditure on secondary education, expenditure on primary education, expenditure from MPLADS etc.

In the sixth chapter an attempt is made to present summary of the study conclusions major findings and suggestions.

**Findings of the study**

- It is evident from the study that the total revenue of Guntakal Municipality is erratically distributed over the years. During first four years of study it gradually increased year by year. In 2008-09 it sharply fall down and further declined in the next year. But after that it again gradually increased up to 2014-2015.

- It is clear from the study that the property tax shares in the total revenue of Guntakal Municipality showing downward trend from 2009-10 onwards. The share property tax in total revenue of municipality is highest in 2008-2009 and lowest in 2013-2014.

- It is clear from the study that the share of revenue from shops/buildings to total revenue of the municipality is gradually increasing except 2007-2008 and 2013-2014.

- The study reveals that there are wider fluctuations in the non-plan grants received by the Guntakal Municipality during the study period. But in the last year of study i.e. 2013-2014, highest non plan grants of Rs. 14,650,000 were received by the Guntakal Municipality.
The study shows that the share of surcharge on stamp duty in total revenue of Guntakal Municipality is not evenly distributed over the years. Its share in 2007-2008 financial years is only 2.60 per cent of total revenue and highest (9.80 per cent) in 2012-2013. 2 out of 10 years registered negative growth rate in the collection of surcharge on stamp duty in Guntakal Municipality.

It is clear from the study that the share of entertainment tax in the total revenue of Guntakal Municipality never crossed 2 per cent of total revenue.

As per the study the share of revenue from fines and penalties in Guntakal Municipality is less than 1 per cent to total revenue during 9 out of 10 years of study.

It can be noted that the revenue receipts of Guntakal Municipality under the head of advertisement tax registered 9 years of positive growth.

The study shows that the revenue received by Guntakal Municipality under the head of market fees is gradually increasing from 2007-08 onwards. The share of market fees revenue to total revenue of the Municipality is high (2.09 per cent) in 2011-12 and low (0.74 per cent) in 2007-2008.

It can be inferred from the study that water tax seems to be one of the important sources of income to the Guntakal Municipality. Its share to total revenue of municipality is also showing positive from 2007-2008 onwards with some exceptions. During 10 years of study the income from water tax increased more than 3 times.
The revenue from developmental charges ranges between Rs.2,50,000 to Rs.7,00,000 during the study period.

As per the study the receipts of Guntakal Municipality by issuing licenses to buildings is distributed unevenly. The highest amount of Rs.1, 20, 00,000 has been collected in 2011-12 and the lowest amount of Rs.3, 00,000 was collected in 2008-09.

The study indicates that the revenue collected by Guntakal Municipality under the head of encroachment charges showing downward trends from 2007-08 to 2011-12.

The study shows that the revenue from betterment charges in Guntakal Municipality showing more up and downs. In 2005-06, 2010-11 and 2013-14 there is a sharp increase in the revenue through betterment charges. On the other hand sharp decline in the receipts is registered in 2008-09.

It can be found from the study that the amount collected by Guntakal Municipality under the head of birth and death certificate fees is erratically distributed. The highest amount of Rs.4,50,000 was collected in 2012-13. On the other hand lowest amount of Rs.1,10,000 was collected in 2004-05.

It is clear from the study that the revenue from new tap connection is gradually increasing except 2005-06 and 2007-08. It means that the people in municipal area recognized the importance of protected water for household consumption.

The study shows that the grants released by Union and State Governments to Guntakal Municipality for running primary and upper primary schools and teaching grants sharply decreased from 2009-10
onwards the State Government brought all primary and upper primary schools under one umbrella.

- The study reveals that in 2010-11 the Guntakal Municipality received highest amount i.e Rs.143, 190,00 of grants for laying the roads in municipal areas. In 2012-13 the Municipality received only Rs.256, 50,00 as road grants, which is lowest in 10 years of study.

- It is evident from the study that there are wide variations in the Government and MP grants received by Guntakal Municipality during 10 years of study.

- As per the study, the Guntakal Municipality received highest amount of Rs.8, 253,000 in 2010-11. On the other hand in 2006-07 the municipality received lowest amount of Rs.1, 5000,000 under the head of drought relief grants. The highest growth rate of 121.53 per cent in the drought relief grants is registered in 2009-10.

- There are several up and downs in the volume of drainage grants received by Guntakal Municipality over the years. The highest growth rate of 1659.70 per cent in the drainage grants is registered in 2009-10. The value of amount under drainage grant is more than Rs.2 crores in 2012-13 and 2013-14.

- The SFC adjustment grants received by Guntakal Municipality are constant during last three years of study. The share of SFC adjustment grants to total revenue ranges between 0.63 per cent (2013-14) to 5.03 per cent (2005-06).

- It can be inferred from the study that the grants received by Guntakal Municipality in the form of park and play ground is fluctuating between Rs.500, 000 (2009-10) to Rs.30, 00,000 (2005-06).
It is clear from the study that the grants received by Guntakal Municipality under APURMSP are not evenly distributed over the years. The share of APURMSP grants to total revenue of municipality is 4.48 per cent and 4.04 per cent in 2006-07 and 2010-11 respectively.

The study reveals that the total expenditure incurred by Guntakal Municipality is not evenly distributed over the years. Negative growth rate in expenditure pattern is registered in 3 out of 10 years of study. Positive growth rate in expenditure is registered in 7 out of 10 years of study.

It is clear from the study that the percentage of expenditure incurred on public works to total expenditure showing downward trends except 2009-10.

The actual amount sanctioned by Guntakal Municipality for the construction of toilets is gradually increasing from 2004-05 to 2009-10 and the highest amount of Rs.800,000 was sanctioned in 2011-12. But the share of toilet construction expenditure to total expenditure is less than half percent during 2004-05 to 2010-11.

The study indicates that the expenditure incurred by Guntakal Municipality on street lights and electricity is not evenly distributed over the years. In 2009-10, the municipality spent highest amount of Rs.65, 00,000 for providing street lights. In the same way the share of street light and electricity expenditure to the total expenditure of Municipality is high i.e. 5.76 compared to other years.
It is evident from the study that the expenditure incurred by Guntakal Municipality is on drinking water is gradually increasing except 2007-08 and 2009-10. The expenditure sharply increased in 2011-12 and 2012-13.

It can be inferred from the study that the expenditure incurred by Guntakal Municipality on drainage is negligible up to 2010-11. It slightly increased afterwards.

As per the study the expenditure incurred by Guntakal Municipality on stationary and printing ranges between Rs.75, 000 (2009-10) to Rs.12, 30,000 (2012-13). The share of stationary and printing expenditure total expenditure varies between 0.07 per cent to 0.90 per cent.

The actual amount incurred by the Guntakal Municipality on fogging showing upward trends expenditure incurred by municipality on fogging and pollution of Malaria increased more than 9 times.

It can be found from the study that the expenditure over the years. No expenditure on sanitation (white was & bleaching powder) was incurred in 2009-10 and 2010-11.

The study reveals that the expenditure on drawing and maintain vehicles is sharply increased from 2010-11 onwards. During 10 years of study the expenditure on drawing and maintenance of vehicles is increased nearly 8 times.

It is clear from the study that the expenditure incurred on contract labour is gradually increasing during 10 years of study. The expenditure on contract labour increased more than 16 times during the study period.
❖ It is regrettable to note that the Guntakal Municipality has not spared even single rupee for the maintenance of maternity centre from 2007-08 onwards.

❖ It can be inferred from the study that the Guntakal Municipality has not spent any amount for the repair of Primary school buildings in 2004-05. Thereafter also there are wider variations in the amount spent for the repairs of primary schools buildings.

❖ It is evident from the study that the expenditure incurred by Guntakal municipality for the maintenance of municipal hospitals is showing upward trends from 2011-12 onwards. 3 out of 10 years of study registered negative growth rate.

❖ It is clear from the study that the total amount spent for the repairs of office building gradually increased from 2005-06 to 2007-08 and thereafter it sharply declined. In 2011-12 and 2012-13 once again the expenditure for the repairs of office building increased sharply.

❖ It is evident from the study that these are wider variations in the amount allocated for the construction of new office building. The amount allocated for the construction of new office building ranges between Rs.10, 00, 00 (2007-08) to Rs.1, 72, 73,726 (2006-07).

❖ The share of expenditure on APURIMSP to total expenditure fluctuating between 1.09 per cent to 11.21 per cent. Negative growth rate in the expenditure incurred on APURIMSP is registered in 4 out of 10 years of study.

❖ It is clear from the study that the expenditure incurred on LIC by Guntakal Municipality is erratically distributed over the years. The total
amount of expenditure incurred ranges between Rs.10, 00,000/- Rs.70, 00,000/-. 

- It is evident from the study that the expenditure incurred by Guntakal Municipality on deposits and allowances is gradually increasing except 2007-08 and 2013-14. Highest allocations of Rs.97, 85,440 were made in 2012-13 and lowest allocations of Rs.13, 50,000 were made in 2004-05.

- The study shows that the expenditure incurred by Guntakal Municipality on garbage vehicles varies between Rs.2, 63,000 to Rs.7, 41,333. But, the expenditure incurred over the years is not evenly distributed over the years.

- It can be inferred from the study that there are wider variations in the expenditure incurred on advertisement in local dailies. Such expenditure varies between Rs.50,000 (2007-08) to Rs.26,05,861 (2006-07). Except 2006-07 and 2010-11 the share of expenditure on advertisements in dailies to the total expenditure of Guntakal Municipality is less than 1 per cent.

**Recommendations**

- A municipal finance list shall be included in the constitution through amendment to provide assured and sustainable sources of income to the ULBs.

- Property tax reforms like periodic revision, strengthening assessment, levy and collection procedures, improving billing and collection efficiency, elimination of exemptions, provision of penal clauses on illegal constructions, identifying un-assessed and under-assessed
properties, etc., should be prioritized by ULBs to improve their finances and to mobilize more resources.

- The user charges should be revised periodically by linking them to service improvements.

- The inefficiencies in internal revenue mobilization is an area of concern and the ULBs should address this on a priority. The ULBs should exploit all the untapped sources which municipal Acts empower them. The internal mobilization will, to some extent, bridge the finance gap and allow them the functional autonomy.

- The GoI should give effect to the decision taken on raising the ceiling on profession tax as this source has potential in all states to mobilize additional revenues. Efforts should be made by the state governments to enforce the laws relating to profession tax. The states may take a leaf from the Gujarat, Kerala and Tamil Nadu practices.

- The state government should exploit entertainment tax effectively through improved methods of levy and collection.

- The state governments should remove the restrictions on the borrowing powers of the ULBs and give them the freedom based on their credit rating to mobilize resources.

- Credit rating of ULBs should be made mandatory at regular intervals, which will develop spirit of competition between cities/towns and also enable those who have better rating to access funds from the capital market or float bonds for capital investment.

- In view of the wide gap in the provision of basic services and open defecation the grants to be recommended by 14 FC may be invested to
meet the basic needs viz., water supply, sanitation, sewerage and storm water drainage and elimination of open defecation. The SMTs - municipalities and NPs - should get priority, as access to services to households and their resource base is weak.

There is a need for continuous political education on the rights and obligations of ULBs and their functionaries.

The boundaries of the ULBs be redefined by incorporating the peripheral or peri-urban and contiguous areas to the existing city or town after the publication of Census reports every ten years.

The good practices in urban governance should be disseminated and become part of training and other capacity building programs. Awareness of good practices, their successes and even the reasons for failure would enable the ULBs to initiate implementing these initiatives/practices with open mind adopting them to the local milieu.