SUMMARY AND CONCLUSIONS

The Municipal Government plays an important role in a federal set up of a country. The Municipal functions such as roads and communications, water supply, sanitation, health, medical relief, education and regulation of trade in certain commodities affect the day-to-day life of the community directly. The Municipalities, however, would be effective in discharging their functional role only if they are endowed with adequate resource raising powers. Besides, their functional role would depend on their own resource effort.

The Municipal Government in India does not enjoy constitutional status. They are created, sustained, controlled and supervised by the States. They are endowed with only a few resource raising powers, whereas, they are assigned expanding responsibilities. The powers conferred on the Municipalities to levy taxes on property, professions, trade; carts, carriages and animals do not yield adequate revenues. Except property tax, all other taxes are very insignificant in terms of revenue. The potentially productive property tax is largely underexploited. For several socio-economic constraints, the non-tax revenue sources are not exploited to their full potential. The expenditure
responsibilities of Municipalities such as education, health, medical relief, roads, sanitation, drinking water and street lighting call for massive amount of resources. The rapid urbanisation and increasing proportion of poor people in the Municipalities have led to a rapid increase in the demand for Municipal services. The mismatch between own resources and expanding expenditure responsibilities has resulted in an increasing dependence of Municipalities on the State Government for grants and loans. The State Government, taking advantage of the growing fiscal dependence of the Municipalities, is controlling not only the magnitude and composition of Municipal expenditure but also the direction of expenditure.

Even with the growing State control, the transfers from the State are not adequate to meet the fiscal gap that exists at the Municipal level. The Municipalities have come to such a State where, their autonomy is largely eroded and are caught up in a 'fiscal crisis'. Undeterred by the fiscal crisis, the Municipalities continue to increase expenditure, which is largely non-developmental. As a result, the Municipalities are not in a position to supply basic civic amenities and services of a reasonable level and quality.
The loss of autonomy is equally pronounced on the revenue side. The rates, bases of various taxes are determined by the State Government. For several taxes, the ceilings are imposed by the State. Even in respect of non-tax revenues, the Municipalities are severely constrained by the State Government. Even when faced with severe resource shortage, the Municipalities do not increase their tax effort for various reasons. Large scale undervaluation of property, evasion, mounting arrears and corruption in tax administration have dampened the tax effort of the Municipalities.

Paradoxically, no serious study has been made to analyse the Municipal finances in Andhra Pradesh, which presents a picture of fiscal distress. Not a single study collaring all essential aspects of municipal finances in Andhra Pradesh has been made so far. While there is no dearth of studies, most of them are peripheral in their coverage and only a few aspects have been examined. No study has examined the long term trends in the changing fiscal position of the municipalities. Some studies have touched upon individual taxes, while others have concentrated on transfers from the State Government. The entire revenue structure has not been examined in an integrated fashion by any study. Even on the expenditure side, this is evident.

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The process of expenditure determination, the factors behind it, the composition and impact have not been systematically analysed in the earlier studies.

Similarly, the impact of various transfers on the expenditure pattern of the Municipalities has not received much attention. The size of the municipality and the socio-economic and demographic features of it influence the Municipal finances. These factors have not been studied by the earlier studies.

The Urban Local Government in Andhra Pradesh, as elsewhere in the country had its real beginning with the introduction of the reforms of 1919. The reforms assigned independent tax powers to the Municipalities. The scheme of dyarchy, which came later treated Local Government as a transferred subject, which enabled every province to introduce a new legislation to reforming the Municipal set up. But lack of leadership and national direction led to failure of Municipal institutions. The Government of India Act of 1935 assigned Local Government to the provinces. As a result, the Municipalities had to depend on the provinces for their existence and support. The Constitution of India continued the model of the Act of 1935. Till 1965, the Municipalities in Andhra region and Telangana region were
In 1965, the Andhra Pradesh Municipalities Act was passed which applies to all Municipalities in the State.

Local Government does not enjoy constitutional status in India and the local bodies are creations of the State, being guided, controlled and even superseded by their creator. But since they are democratic institutions, public opinion and their autonomous status act as some kind of checks on the control exercised by the States. But the growing dependence of the Municipalities on the State Governments for financial resources, enhances the control and direction of the States.

Besides, the need for achieving a certain degree of uniformity among the Municipalities in terms of service delivery has heightened the State control. There is an opinion that the State Governments in general are not enthusiastic about autonomy of Municipal bodies. On the contrary, the States have taken back several tax powers from the Municipalities. Therefore, it is advocated that the Municipalities should be given constitutional status with independent tax and expenditure powers. It is also suggested that, the democratic process of the Local Government can be strengthened with periodic mandatory elections.
advocates of this view recommend setting up of permanent finance commission to recommend resource transfer from the States.

At present, the Department of Local Self-Government under the Ministry of Municipal Administration exercises overall control over the Municipalities. The Department, however, does not have field level agencies to coordinate the work of several functionaries. A district level field agency will bring about a greater coordination between the Municipalities and the State Government.

The role of the Union Government in strengthening the urban local bodies is merely one of coordination rendering advice and take certain programme through the State Government. The Ministry of Urban Development is responsible for overall guidance.

Despite certain similarities in the basic features of the Municipal bodies across the States, there are certain dissimilarities too. The five kinds of Municipal bodies in the country, namely, city corporations, municipalities, town areas, notified committees and cantonment areas differ in status, powers and functions. City corporations enjoy greater autonomy in respect of financial matters than others.
Municipalities enjoy better status in relation to town areas and notified committees. The cantonments, however, are under the control of the Defence Ministry of the Union Government and do not come under the Municipal law of the State. The powers and functions of the Municipal bodies vary from State to State. The recently withdrawn Nagarapalika Bill was designed to bring about a greater degree of uniformity among the Municipalities.

On the basis of revenue, the Municipalities in Andhra Pradesh have been classified into five categories, namely, selection grade, special grade, first grade, second grade and third grade. With the growing urbanisation, the number of Municipalities should have increased. But changing the boundaries and merging of Municipalities had resulted in a fall in their number from 125 in 1960-61 to 82 in 1970-71. But in 1988-89, the number had increased to 112. The relatively prosperous districts of East Godavari, West Godavari, Guntur and Ranga Reddy account for more number of municipalities. Of the 112 Municipalities, only 8 are selection grade Municipalities. The districts of Coastal Andhra accounts for 49 Municipal bodies, of which 5 are selection grade with an annual income of Rs. 80 lakhs and above. The Rayalaseema region accounts for only 18 Municipalities, of which, Anantapur followed by Chittoor have more number of municipal bodies.
than others. Of the 18 Rayalaseema Municipalities, only one belongs to the selection grade.

No sound administrative, or theoretical tenants appeared to have governed the distribution of the assignment of functions to the local bodies. History and the influential role in this regard, while Local Government in general enjoys a greater functional role in western countries. Local bodies in India are given functions like health, sanitation, water supply, roads, parks etc.

The theory of federalism suggests that all functions which have a limited spatial incidence should be assigned to the local bodies, while the State and Central Government should provide services with State-wise and country-wide incidence, respectively. Whatever might be the theoretical justification, the Municipalities in India perform a few but very essential functions, which have a direct and day-to-day impact on the citizens. Functions entrusted to Municipalities in Andhra Pradesh fall under three categories. The first category includes civic functions such as sanitation, lighting etc. The second category of community functions include public health, registration of births and deaths, prevention of amicable diseases and medical relief etc. In addition, there are certain descretionary functions
such as promotion of public parks, libraries, rest houses, transport and other utilities.

With the growing resident population in the Municipalities and the increasing size of poor population have created enormous demand for public services. The taxable capacity of Municipal population, however, has not grown adequately to bridge the gap. As a result, the gap between services provided by and expected of Municipal bodies has continuously widened. The increasing slums, the deteriorating roads and the poor sanitation facilities are a reflection of the grave the municipal fiscal crisis. The low tax effort of municipal bodies and their high propensity for unproductive expenditure have further worsened the fiscal situation.

The expenditure pattern of the Municipalities ultimately decided the functional role of Municipalities. The nature of Municipal expenditure and forces determining it are vastly different from those of the Union and State expenditures. The standard budget classification of expenditure is also not quite relevant to the Municipalities. Unlike the Central and State expenditure, the Municipal expenditure is more transparent and verifiable. There exists a close correspondence between tax burden and expenditure benefits. Further, most of the Municipal expenditure is
current and recurring in nature. Moreover, the Municipal expenditure is largely controlled and its direction determined by the State Governments.

The distinction between revenue and capital expenditures which are essentially ordinary in nature are treated as capital items and vice versa. The distinction between plan and non-plan expenditure which is so vital at the Central and State levels is not followed at all at the Municipal level. Conventionally, the expenditure is divided into three categories, namely, expenditure on public goods such as street lighting, roads, health etc., expenditure on merit public goods such as primary education, medical care etc., and commercial and industrial activities such as water supply and electricity. Functionally, the expenditure can be divided into obligatory and optional expenditures. Some authors have classified Municipal expenditure into investment expenditure and current expenditure.

The Municipal Act of Andhra Pradesh specifies the purposes for which the Municipal resources may be applied. These purposes are divided into two categories, namely, obligatory and discretionary. Expenditure on health, education, management, street lighting and roads are treated as obligatory while expenditure on public libraries, parks and
town planning are classified as optional. To match the requirements of obligatory expenditure, however, there is no provision for adequate own resources.

The outlay allocations depend upon the package of services rendered by local bodies. The expenditures of Anantapur Municipality do not match the revenues. This does not lend credence to efficient management of Municipal finances.

Ordinary and capital expenditure together constitute total expenditure. Ordinary expenditure includes expenditure on management, communications, education, public health, remunerative enterprises, lighting, water supply and drainage, town planning and allied activities. Capital expenditure consists of expenditure on construction of roads, buildings, markets and other remunerative enterprises. Ordinary expenditure is meant for maintenance, whereas capital expenditure is intended to development.

We observe a two-fold increase in total expenditure during the study period of 1985-86 to 1994-95. This increase is not commensurate with the increase in civic demands. The expenditure falls short of required expenditure keep up of Anantapur Municipality on sound lines. The
ordinary expenditure and its increases do not reveal any pattern. The increases in expenditure are not uniform. Nor the capital expenditure reveals any planning in the provision of socio-economic infrastructure in Anantapur Municipality. Wide fluctuations are observed in the ordinary expenditure though one witnesses increase in ordinary expenditure throughout the study period.

The relative proportions of certain items of expenditure over a decade under study have changed. The percentage of expenditure on management is lower than doubled. Similarly the percentage of expenditure on water supply and drainage is lower than doubled. This is understandable since larger demands are placed on water and drainage systems through population increases nevertheless, the decreased proportion of expenditure on public health is an area which deserves the utmost attention.

The increase in per capita expenditure is not uniform. In the initial years there is no significant in the per capita expenditure. Of various items of expenditure, education accounts for nearly doubled amount of the ordinary expenditure over the years. Per capita expenditure on education increased though not steadily for most of years. The allocations made for elementary education and secondary education are not judicious. The elementary education
received 64.22 per cent of total expenditure on education during the study period. The secondary education accounted for 35.77 per cent. The large enrolment of elementary schools call for more allocations than they were made. Further, vocational education which is very much emphasised in New Educational Policy did not receive adequate attention.

The expenditure incurred on public health forms around 24 per cent of ordinary expenditure over the period. The provision of all weather proof roads necessitates conversion of gravel roads and earthen roads into the roads of higher order. Even the proper maintenance of bitumin tar roads and cement concrete roads calls for sufficient expenditure allocations over a period of 10 years.

The capital expenditure is incurred by the Municipality to create new assets and to provide economic infrastructural facilities to the Municipality. The Municipality creates new buildings to schools, hospitals and commercial establishments. The existing roads are sometimes upgraded. similarly new roads are laid to reach new areas of the Municipality. Such upgradation and new construction of roads calls for capital expenditure. New drains are constructed from time to time to create additional civic amenities. All these call for capital expenditure.
The major items of capital expenditure are roads and buildings, water supply and drainage and lighting. The capital expenditure on remunerative enterprises is conspicuous by its absence for most of the years.

The capital expenditure on water supply and drainage has increased more than two times over the period. Additional capacity created in water and drainage system, however is not sufficient. More allocations to this item should be made. Such allocations are necessary be judged from escalations in installed costs and operational costs of the system.

As a result of growing population and consequent increase in the size of urban people, the Municipalities are not in a position to fulfil their functions amidst inadequate financial resources. It is necessary to improve the financial resources of Anantapur Municipality to fulfil various functions as provided in the Municipal Acts in recent years.