INTRODUCTION

In modern society, the emphasis of a Government has intend to cover the promotion of welfare of the whole economy. This has enormously increased the scope of functions which are purely local in nature and can best be performed by Local Governments only. Local Governments are assigned the task of performing these functions and of providing a large number of social services from "womb to tomb".

In India Local Government is widely known as local self-Government. This term originated when the country was under British administration and did not enjoy among Self-Government either at the Central or State levels. When a decision was taken by the British Government to associate Indians in administering local affairs it meant a slice of Self-Government for the people. But today the term Self-Government has lost its significance as the country enjoys Self-Government both at the Central and State levels.

In India, where there is a Federal Governmental system, the last layer, i.e., the Local Government plays a dominant role in the socio-economic development of the nation. 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 powers and functions of each layer of Government are normally specified in the written Constitutions of federations. The distribution of powers and functions among these three layers of the Government however, vary from one federation to another. The distribution also depends on the practice of federalism in each country. While all the three layers of Government affect the socio-economic and political life of the people, the Local Self-Government by virtue of their being closer to the people influence the lives of the people rather closely. Moreover, since the functions performed by the Local Government such as provision of roads and communications, drinking water supply, sanitation, education and health affect the people directly. Therefore, in the development of a federal economy like India, the Local Governments are playing a dominant role.

The Local Self-Governments are successfully discharging their functional responsibilities, but they are suffering with inadequate financial resources since its inception. Mere endowment of resource raising powers would not make the Local Governments effective unless the resource raising powers are effectively utilised and appropriate expenditure policies are pursued by the Local-Self-Government. In addition, the efficacy of Local-Self-Government
would also depend on the composition and productivity of Local Government expenditures in discharging their day-to-day services.

However, in India, Local-Self-Governments have not been enjoying the constitutional status. In other words, the Local Self-Government is not recognised as a third layer of Government with specific functions and powers. Local Government is a function assigned to the States in the Constitution of India. However at the centre two bills were introduced in the Parliament in 1989 namely, Panchayati Raj Bill and 2 Nagarpalika Bill to provide Constitutional status to the Local-Self-Government in India. The two controversial bills which were criticised as an infringement into the constitutional role of the States have been given up with the change of Government at the centre. But till to date many States are not implementing the Nagarpalika bill which proposed by the Central Government.

Local-Self-Government in India comprises Municipal Government for urban areas and Panchayati Raj for rural areas. Though Rural Local-Self-Government has a long history in India, the urban Municipal Government has a relatively recent history. The urban Local-Self-Governments at present is in a moribund state. Most of them are suffering
with inadequate financial resources with most functional responsibilities. Periodic elections have not been held to the Municipal bodies for several years in many States in India. In certain States, the elected bodies are superseded and officials have been appointed in the place of elected representatives.

In fiscal position, the Municipalities have been experiencing, a far more serious crisis than the Gram Panchayats, while the Municipalities are relatively better placed than the panchayats in terms of resource raising abilities. The expenditure responsibilities of Municipalities are far greater than the Gram Panchayats, while the Municipalities can raise property tax, profession tax, taxes on trade, non-tax revenues like fees, fines, remunerative enterprises. They have far greater expenditure responsibilities than the Rural Local Bodies.

The functional expenditure responsibilities of Municipalities such as primary education, secondary education, health, medical facilities, roads, sanitation, drinking water supply, street lighting have been absorbing increasing amount of resources. Under the impact of urbanisation, the demand for publicly provided services have been rising rapidly.
On the expenditure side, however, there is a growing demand for various Municipal services, leading to what is popularly known as 'urban fiscal crisis'. The crisis symbolises growing expenditure responsibilities, inelastic revenues, partly caused by inadequate tax effort and increasing reliance on the State Governments for grants. The fiscal crisis has also promoted a perverse expenditure structure which is predominantly non-developmental. A major portion of the Municipal expenditure is being spent on wages and salaries and on other items of non-developmental expenditure. As a result, the Municipalities are not in a position to supply the basic civic amenities and services at a reasonable level. They are not able to undertake either qualitative or quantitative improvements to their services. In many cases, the Municipalities are not able to reach substantial population. The poor quality of Municipal roads, the degradation in the sanitary facilities, the undependable and altogether unsafe drinking water supply, the over crowded Municipal schools, the ill-equipped and ill-staffed Municipal hospitals, the poor street lighting, the neglected Municipal parks and play grounds in every Municipality are a standing testimony to the fiscal distress of the urban Local-Self-Governments in India.
The Municipalities are losing their autonomy in expenditure determination with their ever growing expenditure, responsibilities and inelastic revenues as they heavily depends on State Governments for revenues. With the increasing dependence on the States for grants and loans, the States have enormous control over Municipalities in India. Most of the grants given by the State Governments are specific in nature resulting in a certain loss of autonomy. Even in revenue raising the Municipalities have been subjected to many controls by the State Governments. The rates of levying the various taxes are determined by the State Governments. Every Municipality has to seek prior permission of the State Government before bringing the changes in the tax laws. Even in respect of non-tax revenues, the Municipalities do not enjoy greater freedom. Thus, the Municipalities which are intended to be autonomous have virtually become State Government departments looking for direction and control from the State Governments in every aspect. This constitutes an erosion of the basic objective of Local-Self-Government, namely functional autonomy.

The Municipalities in Andhra Pradesh belonging to all categories face a serious fiscal crisis with more functional responsibilities. While the own revenues of the
Municipalities have been growing at a relatively inelastic rate, their expenditure responsibilities have been rising at a rapid rate, resulting in a rise in their dependance on the State for grants. The inelastic own-revenues have not been exploited fully for various reasons. Large scale undervaluation of property, evasion and corruption in the tax administration have dampened the tax effort of Municipalities. Similar factors have contributed to a sluggish growth in non-tax revenues. In the matter of expenditure, the Municipalities are not able to control non-developmental expenditure and increase their share of developmental expenditure. Most of the non-developmental expenditure is spent on salaries, wages, dearness allowances and maintenance charges. Very little amount is spent on upgrading the quality of Municipal services or increasing their quantity. Additional investment on new services is a small fraction of total expenditure.

As the Municipalities are not in a position to meet the various expenditures from their own revenues the Municipalities are compelled to look up to the State Government for all kinds of assistance to meet their functional expenditure. The State Government has imposed several conditions on Municipal expenditure. Thus, the Municipalities in Andhra Pradesh have come to depend on the State Government.
for sanction of funds, direction and composition of expenditure, losing in the process their autonomy, which is very vital for a federal economy.

The level and composition of revenue structure to a large extent determines the magnitude and quality of Municipal services. The extent of State transfers determines the direction of Municipal services. The excessive control exercised by the State will disturb the autonomy of the Municipalities in discharging their functions. Therefore, the changing revenue and expenditure structure of Municipalities in Andhra Pradesh merits an in-depth study. Paradoxically, no serious study has been made till now to analyse the revenue and expenditure behaviour of Municipalities in Andhra Pradesh since its inception.

REVIEW OF LITERATURE

The Local Finance Enquiry Committee of 1950, the Taxation Enquiry Commission (1953-55), and the committee on Augmentation of Financial resources of Urban Local Bodies (1963), had examined and identified certain avenues of potential Municipal revenues which could be exploited.
Property taxation, profession tax, trades and vehicles apart from toll taxes were identified by these studies as potentially productive sources of revenue. These committees had also suggested appropriate transfers to the Municipalities in terms of conditional and unconditional grants and loans. Raipuri's study outlined certain canons of Municipal finances appropriate to a less developed economy like India such as the canons of basic needs, adoptability, economy and income elasticity, which every Municipality has to follow in designing the appropriate revenue and expenditure structure.

The study of Indian Institute of Public Administration, examined in the context of Municipal development plan, the need for integrating human material and financial resources for the balanced development of Municipalities. Mohit Bhattacharya's study examined the finances of Municipalities and State-Municipal financial relationship in the context of reorganising Municipal Government in India. In his opinion, there should be complete reorganisation of Municipalities. Shriram Maheshwari explained financial administration in Municipalities in her study on 'Municipal Reforms in India since Independence'. Abhijit Datta, in his study pointed out the existing defects in internal financial administration and in the system of State Government financial assistance. The Study of Das explored the
dimensions of State supervision and control over the Municipalities. He was of the opinion that the growth of Municipal Government was possible only through adequate decentralisation of financial and functional powers.

13 Bharadwaj in his study analysed the causes for the backwardness of Municipalities and suggested various improvements to Municipal services to meet the growth of urban population. Saxena examined the relevance and value of planning, programming and budgeting system to Municipal services. The study concluded that Municipal services can be more effectively provided, if PPB system was adopted by the Municipalities. The centralisation of powers in the hands of the State Government and consequent decline in the powers of Municipal Government was foreseen by Mohit Bhattacharya in his study 'Urban Local Government Perspectives'. In order to promote better relations, Bhattacharya suggested a new approach to State-Municipal functional cooperation.

16 Devaraj, in his study on 'Developments in Municipal Finance in India since 1947' brought out the changes that had taken place in revenue and expenditure structure of Municipalities. The author is of the opinion that the funds at the disposal of Municipalities were too inadequate to discharge their functions assigned to them. Further, he
suggested that the Constitution should be amended to transfer certain tax powers to the Municipalities.

17 Viswanathan in his study emphasised the importance of scientific budgeting and modern management techniques in Municipal bodies. Raj Choudhury on the other hand highlighted some of the issues relating to accounting and audit of municipal accounts.

19 Raipuri's study on 'State-Local Fiscal Relations in India' suggested that Local-Self-Governments should be replaced by urban development authority. Pratap Singh in his study on 'Municipal Finance in India' argued that the Local Bodies' loan finance and their limitations in raising loans were examined in Subrahmanyam's study on 'Local Borrowings in India'. In view of the centralisation of borrowing powers, Municipal debt did not assume greater dimensions. Subrahmanyam, therefore, advocated that loan finance should play a greater role in Municipal finance in India, to augment Municipal receipts and to promote responsible expenditure behaviour.

22 Rama Rao's study brought out the changes that have taken place in revenue and expenditure structure of Municipal Corporation of Bangalore. The study examined
mainly on financial resources of Municipal Corporation and a little importance was given to expenditure portion of Municipal Corporation.

23 Rama Rao and Nageswara Rao in their study on the 'Economics of Urban Local Public Sector' explored the growth of urban local bodies and their resource constraints in India with particular reference to urban local bodies in Karnataka. The study examined the horizontal and vertical differentials in the output of goods and services across the urban governments and brought out the determinants of urban local public expenditure through the statistical analysis of the data. In order to provide the services efficiently in urban sector, the authors advocated that it would be desirable to overcome the financial, allocational, budgetary, managerial and technical problems.

24 Abijit Datta explained changes in functions and revenues of municipalities in his study on 'Municipal Finances in India'. The study highlighted the existing methods of State transfers and suggested a new approach to State-Municipal functional co-operation. Shyam Nath, in his study on 'Impact of Rent Control on Property Tax Base in India' highlighted the impact of rent control legislation on property tax revenue of the municipalities in India. The
study pointed out that rent control depresses the rateable value of properties and thereby decrease the revenue from properties.

Rao's study on 'Municipal Finances in India' on the basis of an indepth analysis of municipal finances of all the States, critically reviewed the revenue and expenditure pattern of municipalities in India. The study examined tax and non-tax revenue and suggested various steps to increase revenue from property tax. Profession tax, octroi and non-tax receipts like rents, fees, etc. The author was of the opinion that municipal services can be more effectively provided, if grants are given on a continuing basis rather than on an adhoc basis. Further, he suggested various measures to increase the efficiency of municipal financial administration and examined the relevance of some of the recommendations on municipal finances made by the Union and State Commissions and Committees.

Gokulananda Dash's study on 'Municipal Finance in India' examined the problems which urban local governments in India encounter in general and urban local bodies of Orissa in particular. The study examined the tax and non-tax revenues, loans and grants for a 15 year period. He argued
that the real problem of the urban local bodies is not poor finances but weak financial administration. The study sought to examine the loop-holes in the tax collection, uncertainty of grants and loans in the urban local bodies. He advocated a significant setup in municipal revenues through greater tax effort and rational system of grants-in-aid and loans to the municipalities.

28 Biswanath Ghosh traced the benefits of the proposed 65th Constitution Amendment in his study on 'Nagarpalika Scheme for Urban Development'. The study emphasized that the proposed Nagarpalika Bill if enacted would gradually eliminate the chances of corruption and enable the urban local bodies to function more effectively.

29 Kopardekar highlighted the evolution of local bodies in the British and post-Independence era. Mathur, in his study entitled 'Funds to Local Bodies: Issues and Options' examined the recommendations of various committees relating to grants-in-aid to local bodies. The study recommended that the State Governments should modify the grants-in-aid structure and its application at individual municipal level by taking into account their financial roles, financial position and other local characteristics.
The studies of Mishra, Rathee, Bambri, Bhargava, Pratap Singh, Reddy, Mahesh Bhatta and Bharadwaj brought the fiscal distress of the municipalities in their respective study areas and identified the reasons for the crisis and offered various solutions for the municipalities to overcome the crisis.

While there is no dearth of studies on municipal finances in Andhra Pradesh, there are no major studies on municipal finances in Andhra Pradesh. The Highpower Committee on Municipal Finances and Financial Administration had examined the principal sources of revenue and suggested various steps to increase revenue from property tax, profession tax and non-tax receipts like rents, fees, etc. The committee suggested various measures to increase efficiency of municipal administration in Andhra Pradesh. Ram Reddy's study on municipal finances, examined municipal finances in the overall context of municipal administration in Andhra Pradesh. Most of the studies are not based on an indepth analysis of sample municipalities. The study of Ramaswamy Naidu entitled 'Local Finances in Andhra Pradesh' is an important early study on local finances in Andhra Pradesh. The revenue and expenditure, tax and non-tax receipts, loans and investments of the sample municipalities were examined
for the period 1952-62. The study sought to examine the financial position as well as changes that were taking place in revenue and expenditure position of municipalities. The study covered a brief period of 10 years and several developments have taken place in the municipal financial structure since 1962.

It is clear from the foregoing review that not a single study covering all essential aspects of municipal expenditure in Andhra Pradesh has been made so far. Most of the studies are peripheral in their coverage in the sense that only on the aspects of Municipal finances have been examined, but not on the Municipal expenditure. The trends in the expenditure of the municipalities over a period of time have not been examined. Most of the studies have touched upon individual taxes, while some studies have dealt with financial management in the municipalities. Certain other studies have concentrated on State Government grants and loans to municipalities. Most of the studies have not examined all the expenditure related problems in an integrated fashion. Lack of an integrated approach to the study of Municipal expenditure is an evident as above references. The process of expenditure determination, the composition of expenditure and its impact have not been systematically analysed in the earlier studies. More particularly, the
impact of various kinds of fiscal transfers on the expenditure behaviour of the Municipalities has not received the attention, which it deserves from the scholars on Municipal expenditures. Further, the fiscal problems of the Municipalities are not uniform across all grades of Municipalities. The size of the Municipality and the socio-economic status of its inhabitants have a bearing upon the state of Municipal functional expenditures. Similarly, the composition of inhabitants also has an impact on the health of municipal finances and its various functional responsibilities.

OBJECTIVES OF THE STUDY:

The present study is a critical review of the functional expenditure pattern of Anantapur Municipality during 1985-86 to 1994-95. More particularly, the objectives of the study are:

1. To make a critical review of the functional expenditure pattern of Municipalities in general.

2. to study the expenditure behaviour of Anantapur Municipality,
3. to assess the nature and magnitude of dependence of Municipalities on the State Government; and

4. to assess and analyse the various items of expenditure in Anantapur Municipality during a period of 10 years i.e., from 1985-95.

METHODOLOGY

The data were collected through secondary sources like Municipal Budget Reports, Administration Reports and mainly from Annual accounts and Audit Reports of Anantapur Municipality. To study the expenditure pattern of Anantapur Municipality, the expenditure determinant analysis has been used. Simple statistical tools have been carried out to analyse expenditure pattern under various functions.

SAMPLING DESIGN

The study area is selected on the basis of simple random sampling basis. For this purpose, Anantapur Municipality which is located in a drought prone Rayalaseema region
of Andhra Pradesh has been selected for the purpose of the study.

CHAPTER SCHEME

The present study is presented in five chapters. The first chapter deals with introduction, importance of the study, review of literature and methodology.

The second chapter covers the evolution of urban local bodies in Andhra Pradesh.

The third chapter reveals the expenditure pattern of Municipalities in Andhra Pradesh.

The fourth chapter analyses the expenditure pattern of Anantapur Municipality over a period of 10 years.

The last chapter summarises the conclusions and findings of the study.
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