



GROWTH AND COMPOSITION OF REVENUE RECEIPTS OF MAHARASHTRA GOVERNMENT

Dr. Sandeep Krishnat Raval

M.A.,M.Phil.,Ph.D.,NET JRF,PGDCG,PGDFT.

Assistant Professor (Economics) , Smt .G.K.G.Kanya Mahavidyalaya Jaysingpur.

ABSTRACT :

Local Self-Government Institutions (LSGIs) or Local Bodies in India, being at the cutting edge level of administration, directly influence the well-being of the people by providing civic services and socio-economic infrastructure facilities. The Constitution (73rd and 74th) Amendment Acts, 1992 (for rural and urban local bodies, respectively) have accorded a constitutional status to these institutions as the third-tier of Government. The Constitution (74th Amendment) Act, 1992 has mandated grass roots level democracy in urban areas by assigning the



task of preparation and implementation of plans for economic development and social justice to elected municipal councils and wards committees. It has incorporated the Twelfth Schedule into the Constitution of India containing a list of 18 functions as the legitimate functional domain of Urban Local Bodies (ULBs) in the country. In view of this position, the demands placed by the public on municipal authorities for the provision of various civic services have increased considerably. Further, with globalization, liberalization, the rise of the service economy and revolution in information and communication technologies, cities are being increasingly required to compete as centers of domestic and foreign investment and hubs of business process outsourcing. Civic infrastructure and services are critical inputs for the competitive edge of cities in a fast-globalizing world. However, without a commensurate enhancement of their resource-raising powers, cities are faced with fiscal stress as a result of which their capacity to contribute to national development as engines of economic growth is severely constrained. Municipal governments in India are vested with the statutory responsibility for the provision and maintenance of basic infrastructure and services in cities and towns. (Makandar, N. M. and Mulla, I. K., 2013, p. 3)

KEYWORDS : *Local Self-Government Institutions (LSGIs) , Civic infrastructure and services , critical inputs.*

INTRODUCTION

Besides the taxes provided by the Act 1949, the responsibility of imposition and collection of some taxes of the Maharashtra Government has been given to the Corporation in the state due to the convenience of their imposition and collection at local level, since 1998, Sangli-Miraj-Kupwad Municipal Corporation has been imposing and collecting three taxes of the state government namely Maharashtra Education Tax, Employment Guarantee Tax and Residency Tax.

II) OBJECTIVES OF THE STUDY:

1 To study explains what role revenue receipts of Maharashtra government can play in providing urban development.

III) DATA BASE AND RESEARCH METHODOLOGY:

The present research study is a unique attempt to examine growth and revenue significance of taxation with reference to Sangli-Miraj-Kupwad Municipal Corporation (SMKMC) during the period from 1998-99 to 2013-14. The study also tries to identify the problems relating to municipal Corporation taxation, and possible remedies on the same.. This study relies on both the secondary as well as primary data. The necessary secondary data collected from the publications of Sangli-Miraj-Kupwad Municipal Corporation (SMKMC) like Annual Budgets, Annual Reports, Booklets, Official Records and all others.

The analysis of the data is carried out by using computer software packages like Excel and SPSS. Likewise, graphical presentation also has been attempted to show trends in some important variables. The important parameters which the present study uses, are growth in Total Expenditure, Growth in Tax Revenue, Nature and Extent of Development Activities, Taxation Problems, Trends in Taxation Rates, Tax Revenue Composition, Adequacy and Quality of Services being provided and others.

IV) SIGNIFICANCE OF THE STUDY:

The importance of the present research study is as follows:.

1. The study explains what role revenue receipts of Maharashtra government can play in providing urban development.

V) REVIEW OF RESEARCH STUDIES:

Mathur, Om Prakash, Ray, Sanjukta et. al. (2006) studied the financing Municipal services reaching out to capital Markets. In this paper, they highlighted the flow of resources into urban infrastructure and services. This study takes note of such conditions and provides a framework for municipalities to assess their resource raising capacity credit worthiness as it is referred to for tapping the expending capital market for financing urban infrastructure services. In this paper, another focus is on the existing legal framework for municipal borrowing. The finances and functioning of four Municipal Corporations namely Agra, Allahabad, Bangalore and Vadodara with a view identifying the key differences between those Corporations that are able to reach out to capital markets and those that continue or prefer to rely on state government grants of financing their activities. The study reveals important conclusion that AGMC and AMC rely on grant financing of city-based infrastructure. Evidently, on account of a better credit performance, VMC and BMC have made use of institutional lending for financing infrastructure services. The study also concludes that debt financing as on instruments for financing urban infrastructure and services is still at an infant stage even with such municipal Corporations as Bangalore and Vadodara.

Pierre Ray (2010) studied the Inefficient and Unfair : The case against Ad Valorem Property Taxation in Trinidad and Tobago. In this paper, he examines the inefficiency and unfairness of property taxation in Trinidad and Tobago. He suggests the property Taxation in Trinidad and Tobago where more modern and efficient income Tax and VAT are well established and productive. The study reveals important conclusion that should abandon property taxation and focus energies on creating a tax system that will be well in the twenty-first century.

Fambon Samuel (2006) studied the Taxation in Developing Countries Case study of Cameroon Municipal Corporation. In this paper, he examines the increased budgetary and extra-budgetary resources generated by this sector helped to raise the investment rate in the economy, and to maintain a reasonable level of external indebtedness. In this paper he highlighted the efficient and equitable taxation encourages production and the accumulation of national wealth stimulates saving and investments and hence job creation. In this paper study, aims to contribute to a better understand of the

evolution of the tax system in Cameroon. In particular, the paper reviews the chronology of the main tax reforms and the evidence on the distributional aspect of taxation.

The study reveals important conclusion that tax administration and decentralization in the country and local government finances, it also attempts to explore the problems and successes associated with the implementation of tax reforms.

VI) GROWTH AND COMPOSITION OF REVENUE RECEIPTS OF MAHARASHTRA GOVERNMENT

The data regarding sources of Maharashtra Government tax Receipts of the Corporation during period from 1998-99 to 2013-14 is depicted in Table No. 1.

Table No.1
Growth and Composition of Revenue Receipts of Maharashtra Government

(Rs. in Lakh)

Year	Education Tax	% share	Employment Guarantee Tax	% share	Residency Tax	% share	Total Receipts
1	2	3	4	5	6	7	8
1998-99	85.64	86.87	12.94	13.13	0	0	98.58
1999-2000	112.32	50.93	108.22	49.07	0	0	220.54
2000-01	109.15	87.15	16.09	12.85	0	0	125.24
2001-02	119.76	87.47	17.17	12.54	0	0	136.93
2002-03	143.18	87.16	21.09	12.84	0	0	164.27
2003-04	146.78	87.77	20.46	12.23	0	0	167.24
2004-05	10.7	70.03	1.35	8.84	3.23	21.14	15.28
2005-06	55.71	85.76	7.14	10.99	2.11	3.25	64.96
2006-07	62.14	84.06	10.11	13.68	1.67	2.26	73.92
2007-08	233.55	83.85	34.18	12.27	10.79	3.87	278.52
2008-09	226.6	84.38	32.66	12.16	9.29	3.46	268.55
2009-10	61.41	86.21	8.07	11.33	1.75	2.46	71.23
2010-11	516	97.83	9.24	1.75	2.18	0.41	527.42
2011-12	485.5	83.45	79	13.58	17.31	2.98	581.81
2012-13	485	83.25	76	13.05	21.55	3.70	582.55
2013-14	509.25	83.26	79.8	13.05	22.62	3.70	611.67
CGR	12.64	-	6.10	-	-	-	11.56
C.V.	86.41	-	99.26	-	139.04	-	83.39
Mean	210.17	83.09	33.10	13.96	5.78	2.95	249.30

Source: Budgetary Documents of SMKMC

A MAHARASHTRA EDUCATION TAX:

Like Municipal taxes the ratable value is the base of Maharashtra Education tax. The ratable value is expressed in terms of rupees; therefore, income is the base of this tax. The tax rates differ from the use of property and slabs of retable value. The attempts are made to apply the principle of progressive taxation in the determination of tax rates.

The Corporation imposes and collects Maharashtra Education Tax and gives all tax proceeds to the state government. In return the Corporation gets a certain percentage of the proceed to meet collection expenditure.

• REVENUE SIGNIFICANCE OF MAHARASHTRA EDUCATION TAX :

From the data in Column No 1, it is seen that Revenue from Maharashtra Education Tax of the Corporation shows growth with fluctuations, which was Rs. 85.64 lakhs in 1998-99 increased to Rs.

146.78 lakhs in 2003-04, but declined to Rs. 10.70 lakhs in 2004-05, increased to Rs. 233.55 lakhs in 2007-08 but declined to 61.41 lakhs in 2009-10 and again increased to Rs. 509.25 lakhs in 2013-14 with an increase of 9 times over 1998-99. The percentage share of Revenue from Maharashtra Education Tax to Tax Revenue indicates wide ups and downs during the period under review, which was 86.87 percent in 1998-99 which fell to 50.93 percent in 1999-2000, again rose to 87.77 percent in 2003-04, but declined to 70.03 percent in 2004-05, again increased to 97.83 percent in 2010-11, but declined to 83.26 percent in 2013-14. The percentage share oscillated during the period under our consideration. This tax contributed on an average by 83.09 percent to tax revenue of the Corporation throughout the period. The CGR (Compound Growth Rate) of Maharashtra Education Tax is 12.64 percent per annum during the period under study. The Maharashtra Education Tax C.V. is 86.41 percent during the study period.

B EMPLOYMENT GUARANTEE TAX:

To tackle the problem of famine arose in 1972 and also as a measure on the problem of unemployment, the Government of Maharashtra introduced Employment Guarantee Scheme (EGS) in 1972. The main objective of the scheme was to provide physical employment as to control the growing unemployment in the State. To meet expenditure of the scheme additional resource collection was needed for State Government and to collect required revenue the Government of Maharashtra introduced Employment Guarantee Tax gave its collection to the urban Local Bodies. (Kamble, P. S., 2001, pp. 102-103)

• REVENUE SIGNIFICANCE OF EMPLOYMENT GUARANTEE TAX:

From the data in Column No 2, it is seen that Revenue from Maharashtra Employment Guarantee Tax of the Corporation shows growth with fluctuations, which was Rs. 12.94 lakhs in 1998-99 increased to Rs. 108.22 lakhs in 1999-2000, but declined to Rs. 1.35 lakhs in 2004-05, increased to Rs. 32.66 lakhs in 2008-09, declined to Rs. 9.24 lakhs in 2010-11. Again increased to Rs. 79.80 lakhs in 2013-14, with an increase of 9 times over 1998-99. The percentage share of Revenue from Employment Guarantee Tax to Tax Revenue indicates wide ups and downs during the period under review, which was 13.13 percent in 1998-99, which increased to 49.07 percent in 1999-2000. However, declined to 12.23 percent in 2003-04, but increased to 13.68 percent in 2006-07, declined to 1.75 percent in 2010-11, increased to 13.05 percent in 2013-14. The percentage share oscillated during the period under our consideration. This tax contributed on an average by 13.96 percent to tax revenue of the Corporation throughout the period. The CGR (Compound Growth Rate) of Employment Guarantee Tax is 6.10 percent per annum during the period under study. The Employment Guarantee Tax C.V. is 96.26 percent during the study period.

C. RESIDENCY TAX:

Residency Tax is imposed as per provisions in the Maharashtra Tax on Residential Premises Act, 1974. The objects of the tax are checks on extravagant use of available living space, more residential accommodation of which there is an acute scarcity, a source of revenue etc. The tax is levied and collected on buildings or their parts in Corporation areas, which contain larger residential premises on the basis of floorage and ratable value. The floorage means the total floor area of the premises, excluding the thickness of wall. The building includes a house, of house or any other similar structure, whether of masonry, cement, bricks or other like material.

The exemptions of this tax are, building vesting in or belonging to the Central or State Government buildings vesting in any other state government or belonging to any local authority and used exclusive for public purposes, and not use or intended to be used for purpose of profit, buildings vesting in the board of trustees of the part of Bombay and not used for purpose of profit, building or part thereof vesting in counsel general or by any other name of such officials and such buildings or parts are used or intended to be used for residential purpose and not for purpose of profit.

The tax is levied and collected on buildings or parts thereof situated in Corporation areas containing any residential premises. If situated in Greater Bombay area the floorage of such premises is more than 125 square meters and the ratable value thereof is more than Rs. 1500, if situated in other Corporation area the Floorage of such premises is more than 150 square meters and the ratable value thereof is more than Rs. 1500. The tax rate should be 10 percent of ratable value of the Corporation has been imposing the tax since 1998.

- **REVENUE SIGNIFICANCE OF RESIDENCY TAX:**

From the data in Column 6, it is seen that Revenue from Residency tax of the Corporation shows The very low amount of this revenue. During 1998-99 to 2003-4 not getting amount collection of this tax has but in 2004-05, it rose to Rs. 3.23 lakhs after 2005-06, 2006-07 and 2007-08 Rs. 2.11 lakhs, Rs. 1.67 lakhs and Rs. 10.79 lakhs collected from this tax respectively. In 2011-12, 2012-13 and 2013-14 Open Land Tax Revenue collection was Rs. 17.31 lakhs, Rs. 21.55 lakhs and Rs. 22.62 lakhs respectively. The percentage share of Revenue from Residency Tax to Tax Revenue indicates wide ups and downs during the period under review, which was 21.14 percent in 2004-05 which fell to 3.25 percent in 2005-06, again rose to 3.87 percent in 2007-08, but declined to 0.41 percent in 2010-11, increased to 3.70 percent in 2013-14.

The percentage share oscillated during the period under our consideration. This tax contributed on an average by 2.94 percent to tax revenue of the Corporation throughout the period. The Maharashtra Residency Tax C.V. is 139.04 percent during the study period.

VII) CONCLUSION:

Revenue plays vital role in fiscal operations of the government at any level .In absence of revenue the government cannot undertake the assigned duties to get fulfill its predetermined objectives. Likewise, in the analysis of finances of SMKMC revenue is very essential aspect of the study. The examination of the revenue of the Corporation reveals that there was no sufficient revenue to complete the various works by the SMKMC. The taxes are not productive except octroi, and other taxes and Non-Tax Revenue collection was insignificant. It is obvious from the foregoing discussion that there is need for improving the financial administration in the SMKMC. Several suggestions have been made as below.

A) For argumentation of more Revenue

- i) Revision of Taxation
- ii) Better Tax Administration
- iii) Resource mobilization through Non-Tax Avenues
- iv) Privatization of services and contributions from private parties with due care of poor.

B) Reduction of Expenditure

- i) Cost reduction and Cost Control
- ii) Property and Performance Audit
- iii) Management Information System Use
- iv) Privatization or contract of services to increase efficiency and quality of civic service

Thus, the collection of financial resources is not the responsibility of the administration only but also representatives and the citizens for sound financial position of the government like the Corporation.

VIII) REFERENCES :

- 1.Makandar, N. M. and Mulla, I. K. (2013), 'Assessing the Financial Health of City Municipal Corporation : A Comparative Study, Indian Streams Research Journal, Volume 3, Issue 9.
- 2.Mathur Om Prakash, Ray Sanjukta (2006), 'Financing Municipal Services Reaching out to capital markets.' The Indian institute of public administration, India, pp. 1-7.

3. Ray Pierre (2010), 'Inefficient and Unfair, The case against Ad valorem Property Taxation in Trinidad and Tobago' Ray Pierre Inefficient and Unfair – Final Paper edited. Doc. Trinidad and Tobago, pp. 1-9.
4. Samuel Fambon (2006), 'Taxation in Developing Countries Case Study of Cameroon Municipal Corporation.' World Institute for Development Economic Research, Research Paper No. 206/02, United Nations University, pp. 1-18.
5. Kamble, P. S. (2001), Finances of Kolhapur Municipal Corporation, Ph. D. thesis Shivaji University, Kolhapur