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MAJOR RECOMMENDATIONS FOR THE DEVELOPMENT OF SANGLI- MIRAJ - KUPWAD MUNICIPAL CORPORATION

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: -

Sangli-Miraj-Kupwad Municipal Corporation (SMKMC) is a well-known municipal Corporation in general in Maharashtra, and in particular in Western Maharashtra on various grounds. It is a recently established municipal Corporation, which is discharging responsibility to achieve rapid and all round development of the area under its jurisdiction. Hence, it will be appropriate to examine role of taxation in the development of Sangli-Miraj-Kupwad Municipal Corporation area. It is against this overall background, the present research study endeavors to assess the role of taxation in the development of Sangli-Miraj-Kupwad Municipal Corporation area during the latest period from 1998-99 to 2013-14. The present study also intends to study the possible solutions and new taxation avenues for the SMKMC.

KEYWORDS: Development of Sangli-Miraj - kupwad, Municipal Corporation.

I) INTRODUCTION

Local self-government constitutes an important segment of administration. It deals with the functions related to local areas and these needs are particularly local in nature. The local government bodies provide a good training to its citizens for democratic leadership at the country level in the matters of social, economic and political problems. They take the proper care of local needs. They perform good duties like sanitation, water supply, street lighting, parks, and maintenance of local roads, provision of primary education, libraries, museums, hospitals and dispensaries. The central government and state government have many other important functions to perform. The delegation of these functions to local self-government relieves the central as well as the state

government of a good amount of administrative work and burden. In addition, these functions are difficult to perform from some distance. The idea to allocate these functions to local self-governments based on economy, uniformity and efficiency. In this way, local self-government has emerged the third and bottom layer of the federal system of government in the country like ours. In short, local self-government has become an integral part of the national administrative machinery and playing the same pivotal role that assigned to local self-government in other developed democratic countries of the world.

In India, there are number of local authorities like Village Panchayats, District Council or Boards (Zilla Parishads), Samitis for Rural Areas and Municipal



Committees, Municipal Boards, Municipal Corporation s, Cantonment Boards, Notified area and Town Committees for urban areas. First Five-Year plan described, Panchayats have an indispensable role to play in the rural areas. Similarly, second plan also emphasized saying “In the programmes of local development works, local committees had to propose schemes, which they could undertake through their own labour with the support of the government. It has been recognized that unless there is comprehensive village planning which takes into account the needs of the entire community, weaker section like tenants, cultivator landless workers and artisans it may not benefit sufficiently from assistance provided by the government (Lekhi, R. K., 2006, p. 123). Whether in India or in other countries including Philippines, decentralization polices have always concentrated on the mechanism of decentralisation much more than on the goal or objective of decentralization. As Mohanty aptly observes, “whatever be the declared objectives in official decentralisation programmes, the primary aim of taking power to the people is to give them an efficient and responsive mechanism for the provision of local public goods and services. The achievement of this objective is the central problem of local self-government (Taxation Enquiry Commission Report, 1954, p. 374). Pandit Jawaharlal Nehru, inaugurating the Conference of Ministers of Local Self Government, has rightly marked, “Local Self Government is and must be the basis of any true system of democracy. We have habit of thinking of democracy at the top not so much below. Democracy at the top will not be successful unless it is built on the foundation from below.”

The Taxation Enquiry Commission (1953-54), while defining the role of the state Government, observed, “It is its responsibility to see that local bodies are efficiently organized that they perform their functions properly and that they take adequate part in the development of the country. Government control and help should however, be not as meticulous or minute as to destroy the autonomy of self-reliance of local bodies. The goal of the state efforts as well as the purpose of state control should be the development of local self governing institution into efficient instruments of administration capable alike of formulating policies and of executing them”(Mohanty, P. K., 1994, p. 4). Local expenditure depends not only on the extent of functional decentralization but also on the other two pillars of the municipal finance framework, i. e. the municipal administration structures and the sources of funds. Hence, there is large diversity in the composition of municipal expenditure across cities and countries. The justification for a system of local government starts from the theory of fiscal federalism (Venkatachalam Pritha, 2007, p.30). Local bodies have been playing a very important role in consolidating and strengthening self-rule. However, many problems come in the way of planning, evaluation and improvement. Poor quality of work force is the most worrisome factor. Other impediments are the indifference of employees not showing the required level of accountability and frequent political interference. With the 74th Constitutional Amendment there are horizontal responsibilities pertaining to ward committees that would look into local affair and anticipate less interference of state government in local affair. (Rama, Rao S., 2000, p. 24) Certain services like defense, telecommunication are ought to be with the central government.

However, there are certain functions, which are most suited to local government. Because at the level of local self-government a close link can be established and these functions can be well performed according to the changed circumstances. Sometimes, there is variation and adjustments from one place to another place. It is quite easy to base local taxes on an amicable mixture of benefits received principle, cost of service principle and principle of taxable capacity. Further, it helps to determine the relative taxable capacity at local level in comparison to the national level government. Broadly, the main local bodies functioning in our country at present, which may be classified with its allotted functions, powers to impose taxes in order to raise funds to finance, are as under:

1. Village Panchayats.
2. Panchayat Samitis.
3. Zilla Parishads.
4. Municipal Councils.
5. Municipal Corporations.

The present study also intends to study the problems of taxation with possible solutions and new taxation avenues for SMKMC.

II) OBJECTIVES OF THE STUDY:

The major objectives of the present research study are as follows:

1. To find out new avenues of taxation for additional revenue mobilization;
2. To examine role of taxation in the development of area under jurisdiction of Sangli-Miraj-Kupwad Municipal Corporation (SMKMC)

III) HYPOTHESES OF THE STUDY:

The hypotheses of the present research study are as follows:

1. Taxation is the backbone of Municipal Corporation Revenue.
2. Taxation plays an important role in supply of civic amenities by SMKMC.

IV) 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.

V) SIGNIFICANCE OF THE STUDY:

The importance of the present research study is as follows:

1. The present study is a unique addition to researches in Public Economics in general, and Local Finance in particular.
2. The study also highlights new avenues of taxation useful for mobilizing additional tax revenue.
3. The study explains what role taxation can play in providing urban development.

VI) REVIEW OF RESEARCH STUDIES:

In one important study, **Vitek & Karel (2006)¹** study the effectiveness of tax collection with reference to Czech Central and Local Governments. The present study examines tax revenue effective tax collection, administrative costs of taxation as well as central government administrative costs of taxation in the context of Czech Republic.

The study reveals important conclusions relating to fiscal operations of local governments with emphasis on tax revenue.

William A. Fischel (2002)² studied the Municipal Corporation, Homeowners and the Benefit view of the Property Tax. The present study examines the local and state funding to municipal Corporation benefit view of the property tax. He had studied Musgrave Samuelson model of public finance, Tiebout-Oates-Hamilton model of local government finance, corporate analogy make the governance of municipal more coherent. In this paper, main point is that local government can be entrusted to know their own interests.

Zodrow Garage R. (2006)³ has studied the Property Tax Incidence Debate and the Mix of state and Local Finance of Local Public Expenditure. In this paper he had concluded that the Self-Assessment Scheme of Hyderabad Municipal Corporation has not yet fully realized its potential, yield from property tax is going up is more and more corrections of the 20% year old in equity is taking place. The scheme will prove that even with very low rate of tax, the revenues from property tax can go up significantly if systematic issues are tackled rather than dealing with traditional economic aspects such as tax rate & tax base. The main thrust of this paper is to

examine the paper, while highlighting these the pure version of the benefit and capital tax views of the property tax are fundamentally incompatible, the various hybrid views discussed in this paper – all of which in his view, are considerably closer to the capital tax view than to the benefit tax view represents important steps towards reconciling the long standing debate in the literature about his view more accurately described the effect of the property tax.

Nallathiga Ramkrishna (2009)⁴ studied Resource Mobilization for Urban Development with reference to Urban Local Bodies in India. In this paper, he has studied the rising levels of urbanization and growth of urban population, the pressure on development of cities is increasing in India, as elsewhere in the world. The study is carried out the development of cities primarily constitutes the development of land and housing as well as the provision of community infrastructure services (both physical and socio economic) for the growing population. The major section of this paper is various functions of municipal Corporation viz. urban poverty alleviation, urban transport, urban forestry and animal welfare, and therefore the Urban Local Bodies (ULBS) needs to mobilise resources for meeting the pressures of urban development. In this paper, he suggested the Urban Local Bodies have to exploit the potential of non-conventional means of resource mobilization.

Jyothi (2011)⁵ studied the Municipal Finance in Haryana: Recommendation of 2nd State Finance Commission."In this paper, she highlighted the financial health of the municipal bodies with reference to harring Municipal Corporation. She identifies the municipal finance need to be improved urgently to enable the urban local bodies to perform their multifarious duties and functions effectively. The study concludes that finance being the effective instrument for the better functioning of municipalities. In this paper, he highlights the essential that the mobilizing of Financial Resources must be efficient. In this paper, some suggestions for the efficient functioning of the municipal bodies that a proper tax collection machines at body must reduce its expenditure on establishment of municipal bodies should be encouraged to take steps for innovative resources mobilization such as generation of income from entrepreneurial activities.

VII) IMPORTANT SUGGESTIONS:

The important suggestions on the problems relating to the revenue mobilization, taxes collection, supply of civic amenities and new avenues of taxations the present study gives are as follows:

1. SMKMC should endeavor for increasing importance of taxation in Total Revenue as well as Revenue Receipts collection through efficient collection of the present taxes.
2. SMKMC should give increased importance to the taxes collection through its centralization in only one department can be named as tax collection department; which should have knowledgeable, trained staff necessary for increasing tax collection efficiency.
3. Citizens from the SMKMC area should be well informed; awareness about taxation should be created and should be made aware of their duties and responsibilities about payment of municipal taxes.
4. The government of Maharashtra should give full autonomy of taxes imposition, collection and determination of tax rates.
5. A provision of very high penalty in monetary terms and other punishments should be imposed and implemented by the SMKMC for controlling number of tax duesers and amount of tax dues.
6. Taxation of the SMKMC especially house tax should be made progressive by introducing slabs of ratable values of property and tax rates.
7. It is very much urgent need of the hour to reintroduce Octroi and its honest and rigorous implementation and collection.
8. The SMKMC area has potentiality of avenues of new taxation such as tax on transactions in agricultural commodities (grains, fruits and vegetables) in market yards, tax on transactions in cloth market, tax on transaction in gold and silver market, tax on transaction in turmeric market, tax on transactions in animal market, transaction in Gur market, tax on transaction nearby Miraj railway junction and Sangli station and transactions in real estate market, share market.
9. Advertisement tax is an under imposed and under collected tax in SMKMC area, the Corporation should expand scope of this tax, increase tax rates and collect efficiently.

10. SMKMC should levy and collect the taxes like water supply, drainage, sanitation for collecting capital receipts necessary for development of infrastructure for such civic amenities.
11. The government of Maharashtra should increase the share of its tax revenue from its taxes namely Residency Tax, Employment Guarantee Tax, Education Tax to contribute to the SMKMC Tax Revenue.
12. The quantity and quality of the civic amenities being provided by the SMKMC is not to the extent necessary especially of water supply, drainage and gutter, roads, parks and gardens, public library, public latrines and urinals etc., union government and state government should extend financial assistance both for Revenue as well as Capital Expenditure to the Corporation.
13. The civic amenities like water supply, drainage and gutters is totally absent in the area like Kupwad and some areas from Miraj city and the areas like guntewari in Sangli city should be developed and provided by raising funds from industrialists, businessmen, rich families and Central and State governments on priority basis.
14. SMKMC should launch a well defined and planned programme of registration of all unregistered properties and their correct valuation of ratable values and municipal taxation to the earliest possible for enhancing its Tax Revenue.
15. SMKMC should urgently revise and rationalize the theatre tax in the era of wide scope entertainment for increasing its contribution to the Tax Revenue.
16. SMKMC should impose and collect sincerely and honestly all taxes provided in Bombay Provincial Municipal Corporations Act 1949 which be useful in enhancing its Tax Revenue collection.
17. SMKMC has to increase its Capital Expenditure on civic amenities through raising loans from the financial market.
18. SMKMC should collect necessary Capital Receipt by floating its bonds and debentures in the capital market by making due provision of repayments.
19. Along with taxes the SMKMC should also adopt user charges policy for civic amenities being supplied with due care of socio economically backward communities.
20. SMKMC should initiate a programme to the earliest possible for registration of business activities such as hawkers, retail traders and merchants along the road sides and houses in its area and collection of various charges and fees being collected.
21. Government of Maharashtra and Union government should provide grants in significant amount for both capital and revenue expenditure for providing civic amenities like drinking water, purification of water, waste water treatment plants, drainage and gutters.
22. SMKMC should develop civic amenities like roads, solid waste collection and disposal, waste water collection and proper disposal, public libraries on the new experiment bases like Build, Operate and Transfer (BOT) by taking due precaution of poor and socio economically deprived people.

VIII) TESTING OF HYPOTHESIS:

Here an attempt is made to test the hypotheses of the present research study. This study has in all two hypotheses.

Hypothesis No. 1: Taxation is the backbone of SMKMC revenue.

H0: Taxation is the backbone of SMKMC revenue.

H1: Taxation is not the backbone of SMKMC revenue.

The analysis of revenue collection by the SMKMC during 1998-99 to 2013-14 shows that it was 81.43 percent of Total Revenue in 1998-99 which stood at 48 percent in 2013-14 with mean of 70 percent adequately proves that taxation is the backbone of Total Revenue of the SMKMC. Likewise, the share of Tax Revenue to Revenue Receipts were 82 percent in 1998-99, which increased to 82.12 percent in 2013-14, with an average of 72 percent during 1998-99 to 2013-14, clearly shows taxation is prominent in Revenue Receipts collection of the SMKMC also. It is therefore the testing of hypothesis 1 shows it is strongly proved, hence it is accepted because SMKMC is collecting a lion's share of Total Revenue as well as Revenue Receipts through its taxes only.

Hypothesis No. 2: Taxation plays an important role in supply of civic amenities by SMKMC.

H0: Taxation plays an important role in supply of civic amenities by SMKMC.

H1: Taxation does not play an important role in supply of civic amenities by SMKMC.

The analysis of the data results relating to the supply of civic amenities by the SMKMC with help of Tax Revenue collected, it is found that Tax Revenue of the Corporation has played important role in providing the civic amenities like roads, primary education, water supply, drainage and gutter, public latrines and urinals, waste collection and disposal, parks and gardens, but when the ratios of these civic amenities to the one thousand persons is taken into account they are meager and insignificant only. Besides this, taxation has not played a considerable role in the development of public libraries, public hospitals. This clearly reveals that taxation is playing important role in the development and supply of civic amenities in the area under SMKMC, but there is a need for increasing quantity and quality of all the civic amenities in the Corporation area. Therefore, the role of taxation in the development and supply of the civic amenities in SMKMC area is necessary to be enhanced. Hence the hypothesis second is tested but not proved therefore it is rejected.

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**Dr. Sandeep Krishnat Raval**

**M.A.,M.Phil.,Ph.D., NET JRF, PGDCG, PGDFT., Assistant Professor (Economics),
Smt. G. K. G. Kanya Mahavidyalaya, Jaysingpur.**

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