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# Revenue Management by Municipal Corporations in Panjab- Case Study of Selected Municipal Corporations

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## Abstract

*Urban local bodies play an important role in the economic development of the country. There are 146 urban local bodies in Panjab. ULBs generate their funds from tax and non-tax sources and also receive funds from the state and central government. The present article is an attempt to study the revenue sources of municipal corporations in Panjab with special reference to Amritsar, Ludhiana, Jalandhar and Patiala Municipal Corporation.*

Key Words- Revenue, Urban Local Bodies, Municipal Corporations.

## Introduction

The finances of municipalities come from a mix of internal and external resources. The internal resources comprise revenues from taxes that the municipalities are statutorily allowed to levy, non-tax revenues from various fees, fines, levies, borrowings and state devolutions by way of share of taxes,

grants in aid for implementation of centrally sponsored schemes and grants in pursuance of the recommendations of the Central and State Finance Commissions.

## Review Of Literature

Ramakrisna Nallathiga (March, 2012), in his research article entitled ‘Analysing the Finances of Urban Local Bodies in India: A Cross Sectional Study, came to a conclusion that in India found that most of the urban local bodies generate low revenue surplus and the resource gap is also very low and they spending lower than the required minimum level of money on in providing civic amenities . The study also revealed that in ULBS there is regional disparities regarding the.

Abhay Pethe and Mala Lalvani (2013) in the working paper entitled “ A comparative study of Municipal Finances in Maharashtra ; Pattern problems and Prospects “examined the patterns of finances in urban local bodies in Maharashtra. And made a comparative study

of revenue and expenditure pattern of ULBs in Maharashtra. Devolution patterns of local bodies as envisaged by central and state commission and 74<sup>th</sup> constitution Amendment act was also studied in respect to finances.

D. Ravindra Prasad and V. Srinivas Chary, (April- June, 2014), in their research paper entitled 'The Fourteenth Finance Commission and Urban Services' concluded that as FCs and SFCs provide ad hoc grants-in aid to the urban local bodies, they are not able to meet the demand of urban infrastructure and service delivery demands.

### **Research Design**

Objectives of the Study:

The study consists of following objectives: -

1. To study the revenue sources of these three municipal corporations and to compare with each other.
2. To find solutions to increase revenues of these three municipal corporations

**Period of Study:** - The study will be conducted for 8 years from 2008-09 to 2015-16.

**Universe of the study:** - The study covers three municipal corporations in Punjab i.e. Amritsar, Jalandhar and Ludhiana.

**Sources of data:** - The data will be collected through primary and secondary sources.

Primary data will be collected with the help of Questionnaire and secondary data will be collected from various published reports of Govt.

### **Sources of Revenues of Urban Local Bodies**

In order to carry out their functions, the ULBs need adequate finances. They depend upon both internal and external sources for their revenues.

### **Some Important Taxes Actually Being Levied by the ULBs in Punjab by Municipal corporations are as follows: -**

**Vat** –Vat is collected under the Punjab Value Added Tax Act, 2005, 10% of the vat collected is credited to Punjab Municipal Fund and remaining 90% is transferred to consolidated fund of the scheme.

**Property Tax**—Property tax is an important tax for urban local bodies. The local property tax rates are: 10 per cent on residential buildings and 15 per cent on commercial buildings.

**Tehbazari**-Tehbazari is the rent/charges received by the municipality/corporation for the use of public land.

**Additional excise duty** in charged lieu of octroi on liquor. Additional excise duty on liquor which is brought within the municipal limits, is levied and collected by state and subsequently disbursed to the municipalities

on the basis of consumption of liquor in their respective areas.

### **Advertisement Tax**

. Any person who displays an advertisement on any land, building, post of structure or in any vehicles playing within municipal or corporation area, or by means of cinematograph, has to pay this tax. The state government can also direct an urban local body to levy this tax

### **Non-Tax Sources**

This source includes income from water supply/sewage fees, interest on investments, fees, fines and charges.

**Fines and Penalties** Urban local governments have been authorized under the statutes to claim fine and penalties in respect of matters under its control.

**Sale of Property** The municipality may also appropriate the proceeds out of sale of its movable and immovable properties which can be sold with the prior sanction of the state Government.

**Rents** -It includes rents from land and buildings, marriage places, dak bungalows, rest house, sareys etc.

**Income from Investments** Under section 55 of Punjab Municipal Act, 1911, a committee

### **Analysis and Interpretation**

may with previous sanction of the Deputy Commissioner invest any portion of its municipal funds in securities.

**x) Other Sources of Tax** Apart from the above described major sources of tax revenue other taxes which are levied by urban local government includes: - a) Tax on Animals b) c) Tax on transfer of property d) Tax for sanctioning building plans e) Show tax( f) Sanitary tax g) Water tax h) Education tax i) Tax on pilgrimage j) Tax on lotteries

### **B. External sources**

#### **(1) Grants-in-aid**

The ULBs get grants from Central and States Governments including share in taxes and grants in pursuance of the recommendations of the Central and the State Finance Commission. GOI grants include grants assigned under the recommendations of the Central Finance Commission and grants for implementation of schemes.

**(2) Borrowings:** ULBs finance developmental activities by raising funds through loans. They can get loans them only from the State governments. In certain cases, the Central government or other financial agencies like LIC, HUDCO, World Bank, etc. may lend money but on the guarantee of their respective State governments.

Table 1.1 Ratio Percentage of Tax Revenue to Total income

(In Lakhs)

	Jalandhar			Ludhiana			Patiala		
Year	Tax Revenue	income	Ratio	Tax Revenue	income	ratio	Tax Revenue	income	Ratio
2008-09	10026.36	27150.47	36.39	25961.7	37384.35	69.45	2939.16	8232.65	35.7
2009-10	12406.18	17162.78	72.28	28184.2	41364	68.14	3585.2	4830.83	74.21
2010-11	12730.34	20812.78	61.17	36994.24	55512.15	66.64	3941.31	5799.05	67.96
2011-12	13963.68	19987.33	69.86	37329.33	58078.48	64.27	4192.32	7433.08	56.4
2012-13	16612	28982.21	57.32	43200	74125	58.28	4609.69	6569.17	70.17
2013-14	16900.47	33605.32	50.29	44633.25	74086.78	60.24	5111.56	9947.28	51.39
2014-15	19268.86	23037.58	83.64	43363.25	63821.54	67.94	5392.32	7602.11	70.93
2015-16	21885	46160	47.41	47382	74250.91	63.81	6272	7991.2	78.49
Average	15474.11	24483.32	59.82	38380.99	59827.9	64.846	4505.44	7300.67	63.156
SD	3669.61	5990.428	15.214	7326.29	14628.78	3.974	1000.11	1574.67	14.282

(Source-Budgets of Municipal Corporations)

Table indicate the percentage ratio of Tax Revenue by Total income. To study the variation of this percentage ratio eight-year values of Tax Revenue by Total income has been taken from 2008-09 to 2015.2016.

From the table we can see that ratio percentage of total income of Jalandhar Municipal corporation differs from 36.39 in (2008-09) to 83.64 in (2014-15) by the total income. The average of the ratio was found to be 59.82 percent during the time span of eight years.

From the table we can see that ratio percentage of Tax income of Ludhiana Municipal corporation differs from 58.28 in (2012-13) to 69.45in (2008-09) by the total income. The average of the ratio was found to be 64.84 percent during the time span of eight years.

From the table we can see that ratio percentage of Tax income of Patiala Municipal corporation differs from 35.7percent in (2008-09) to 78.49 Percent in (2015-16) by the total income. The average of

the ratio was found to be 63.16 percent during the time span of eight years.

all the three municipal corporations Jalandhar municipal corporation is able to collect minimum tax revenue among all the municipal corporations.

Among all the three-municipal corporation Ludhiana Mc earns highest tax revenue among

Table 1.2 Ratio Percentage of Non-tax Revenue to Total income (In Lakhs)

	Jalandhar			Ludhiana			Patiala		
Year	Non-tax income	Ratio	Non-tax income	Ratio	Non-Tax income	Ratio	Non-Tax income	Ratio	
2008-09	7117.57	26.22	4664.64	12.48	5293.35	64.3	8232.65	64.3	
2009-10	4756.6	27.71	6931.39	16.76	1245.63	25.78	4830.83	25.78	
2010-11	5373.04	25.81	8923.21	16.07	1857.69	32.03	5799.05	32.03	
2011-12	4191.41	20.97	9154.84	15.76	2144.74	28.85	7433.08	28.85	
2012-13	1866.41	6.44	13425	18.11	1912.06	29.11	6569.17	29.11	
2013-14	8995.88	26.76	14241.18	19.22	4825.72	48.51	9947.28	48.51	
2014-15	3315.23	14.39	10948.43	17.15	2279.79	29.99	7602.11	29.99	
2015-16	3575	7.74	10056.13	13.54	3076.7	38.5	7991.2	38.5	
average	4898.89	19.505	9793.1	16.136	2829.46	37.133	7300.67	37.133	
SD	2118.66	8.232	2958.77	2.093	1377.6	12.289	1574.67	12.289	

(Source-Budgets of Municipal Corporations)

Table indicate the percentage ratio of Non-Tax Revenue by Total income. To study the variation of this percentage ratio eight-year values of Non-Tax Revenue by Total income has been taken from 2008-09 to 2015-2016.

From the table we can see that ratio percentage of Non-tax income of Jalandhar Municipal corporation differs from 6.44 in (2012-13) to 27.71 in (2009-10) by the total

income. The average of the ratio was found to be 19.51 percent during the time span of eight years.

From the table we can see that ratio percentage of Non-Tax income of Ludhiana Municipal corporation differs from 12.48in (2008-09) to 13.54in (2015-16) by the total income. The average of the ratio was found to

be 64.84 percent during the time span of eight years.

From the table we can see that ratio percentage of Tax income of Patiala Municipal corporation differs from 35.7percent in (2008-09) to 78.49 Percent in (2015-16) by the total income. The average of

the ratio was found to be 16.14 percent during the time span of eight years.

Among all the three-municipal corporation Patiala Mc earns highest non tax revenue among all the municipal corporations. Ludhiana municipal corporation is able to collect minimum tax revenue among all the three municipal corporations.

Table 1.13

Ratio Percentage of Grants from Government by Total income (In Lakhs)

Year	Jalandhar	income	Ratio	Ludhiana	income	Ratio	Patiala	income	Ratio
2008-09	10007	27150.47	36.86	5259.06	37384.35	14.07	2059.44	8232.65	25.01
2009-10	1350.6	17162.78	7.87	5563.42	41364	13.45	1811	4830.83	37.49
2010-11	2709	20812.78	13.02	5700	55512.15	10.27	97.76	5799.05	1.69
2011-12	1832.24	19987.33	9.17	1075.42	58078.48	1.86	58.15	7433.08	0.78
2012-13	4711.47	28982.21	16.26	10000	74125	13.49	240.63	6569.17	3.66
2013-14	7709	33605.32	22.94	2449.6	74086.78	3.3	590.62	9947.28	5.94
2014-15	3058.95	23037.58	13.28	7809.89	63821.54	12.28	556.27	7602.11	7.32
2015-16	20400	46160	44.19	8011.89	74250.91	10.79	403.43	7991.2	5.05
average	6472.28	24483.32	20.45	5733.66	59827.9	9.94	727.16	7300.67	10.87
SD	5965.31	5990.428	12.49	4748.69	14628.78	4.439	723.07	1574.67	12.34

(Source -Budgets of Municipal corporations)

Table indicate the percentage ratio of grants from government by Total income. To study the variation of this percentage ratio eight year values of grants from government by Total

income has been taken from 2008-09 to 2015-2016.

From the table we can see that ratio percentage of income from grants from

government of Jalandhar Municipal corporation differs from 7.87 in (2009-10) to 44.19 (2015-16) and in by the total income. The average of the ratio was found to be 20.45 percent during the time span of eight years.

From the table we can see that ratio percentage grants from government of Ludhiana Municipal corporation differs from 3.3 in (2013-14) in to 14.07 in (2008-09) by the total income. The average of the ratio was found to be 9.94 percent during the time span of eight years.

From the table we can see that ratio percentage of grants from government of Patiala Municipal corporation differs from 78 percent in (2011-12) to 37.49 Percent in (2009-10) by the total income. The average of the ratio was found to be 10.87 percent during the time span of eight years.

Among all the three-municipal corporation Jalandhar Mc gets highest grants and Ludhiana municipal corporation gets minimum grants.

### Analysis of Variance

One-way analysis of variance has been made for the mean comparison of major financial indicators of municipal corporations.

Mean Comparison of Tax Revenue to total income				
Municipal Corporation	Average	Standard Deviation	F Value	P Value
Jalandhar	59.82	15.214	0.347	0.711
Ludhiana	64.846	3.974		
Patiala	63.156	14.282		
* Significant at the 0.05 level significant difference Pair having significant difference (Jalandhar and Ludhiana, Ludhiana and Patiala and Jalandhar and Patiala ) , (p <= 0.05, Significant at 5% level of significance)				

Above table shows the mean comparison of Tax Revenue to Total Income across the four municipal corporations. Above table indicate mean values along with SD value for the above-mentioned ratio. With the of One Way Analysis of Variance statistics it shows the average of ratio of Tax Revenue to Total Income for Amritsar, Ludhiana, Jalandhar and Patiala Municipal corporations for eight years

of period from 2008-2009 to 2015-2016. Above result indicate F-value (0.347) is found to be not significant, as p-value is (0.711). So, by rejecting the above assumption, it can be concluded that, there exist no significant difference between mean values of the defined ratio amongst Amritsar, Ludhiana and Jalandhar and Patiala municipal corporations.

Mean Comparison of Non-Tax Revenue to total Income				
Municipal Corporation	Average	Standard Deviation	F Value	P Value
Jalandhar	19.505	8.801	17.679	0.000
Ludhiana	16.136	2.238		
Patiala	37.133	13.138		
Significant at the 0.05 level significant difference Pair having significant difference ((Jalandhar and Ludhiana Ludhiana and Patiala and Jalandhar and Patiala, Amritsar and Patiala, ( $p \leq 0.05$ , Significant at 5% level of significance				

Above table shows the mean comparison of Non -tax from 2008-2009 to 2015-2016. Above result indicate revenue to total income across the three municipal F-value (17.679) is found to be significant, as p-corporations. Above table indicate mean values value is (0.000).So, by rejecting the above along with SD value for the above-mentioned ratio. assumption, it can be concluded that, there exist With the of One Way Analysis of Variance statistics significant difference between mean values of the it shows the average of ratio of Non-Tax revenue to defined ratio amongst Amritsar, Ludhiana and total Income for Ludhiana, Jalandhar and Patiala Jalandhar and Patiala municipal corporations. Municipal corporations for eight years of period

Mean Comparison of Grants from Government to total Income
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Municipal Corporation	Average	Standard Deviation	F Value	P Value
Jalandhar	20.45	12.49	2.477	0.108
Ludhiana	9.94	4.44		
Patiala	10.87	12.34		
Significant at the 0.05 level significant difference Pair having significant difference (( Jalandhar and Ludhiana Ludhiana and Patiala and Jalandhar and Patiala, , (p <= 0.05, Significant at 5% level of significance)				

Above table shows the mean comparison of Grants revenues. Good growth of tax and non-tax from government to total income across the three revenue is an important indicator which municipal corporations. Above table indicate mean reflects the strength of municipal corporations values along with SD value for the above-mentioned to undertake service provisioning ratio. With the of One Way Analysis of Variance responsibilities. The corporations should statistics it shows the average of ratio of Grants from increase revenue base, competitive revenue government to total Income for Ludhiana, Jalandhar structure, time based rate revisions to increase and Patiala Municipal corporations for eight years of revenues.

period from 2008-2009 to 2015-2016. Above result indicate F-value (2.477) is found to be not significant, as p-value is (0,108). So, by rejecting the above assumption, it can be concluded that, there exist no significant difference between mean values of the defined ratio amongst Ludhiana and Jalandhar and Patiala municipal corporations.

### Conclusion

The municipal corporations in Punjab are able to meet their expenses with the help of grants received for government and tax and non-tax

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5.Municipal budget, Jalandhar Municipal Corporation.

6.Municipal budget Patiala Municipal Corporation.

7.Municipal budget, Ludhiana Municipal Corporation.