



A Comparative Analysis of Selected Municipal Corporation's Revenue Sources from Taxes of Gujarat State

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Abstract

In this paper, the researcher compared tax revenue of selected Municipal Corporations namely Surat Municipal Corporation (SMC) and Vadodara Municipal Corporation (VMC) by using secondary data related to house tax, water tax and drainage tax. It is not appropriate to compare selected tax revenue so index as growth rate of selected tax revenue has been used for comparison. The researcher used parametric test like F test and t test for analysis and found that the growth of selected tax was almost same in both MCs.

KEY WORDS: SMC, VMC, House Tax, Water Tax, Drainage Tax

Introduction:

To achieve objective of economic development, India has to improve their current economic condition especially urban area. For this purpose, the government appoints Municipal Corporation to help state government by providing minimum civic services to citizen but it is far from satisfactory. It may lack of enough sources of income to provide better services. Day by day population of urban area is increasing and compare to population, the revenue of Municipal Corporation is not increasing and they have to depend on state government grant. ULBs have several tax and non tax sources of revenue. They have property tax, water tax, drainage tax, education taxes etc are tax revenue source and capital grant, subsidy, loan etc are non tax revenue source.

Review of Literature:

Rao, M. Nageswara (2005) in his study on "Power and Functional Responsibilities of Urban Local Bodies: Potential for Tax and Non Tax Revenues Commensurate with Services Expected" analyzed silent revolution in Tamil Nadu which is going on to break away from the traditional approach to more meaning full, scientific and innovative strategy that are resulting in significant result in urban sector. This study explained that the gap between the total revenue received and total expenditure which is huge and also shows that the non tax revenue does not contribute a satisfactory part in total revenue receipts. Performance of ULBs is dissatisfactory in the collection of tax. So the researcher suggested that centre and state should come to

their rescue by way of appropriate transfers which should be transparent. Better performance should be rewarded. Share from some of the buoyant central revenue to urban local bodies should be given due consideration as the economy of the country depends more and more on urban sector.

Bandyopadhyay (2011) in his study entitled 'Finances of Urban Local Bodies in Jharkhand: Some Issues and Comparisons' has compared finances and service delivery indicators of Jharkhand Urban Local Bodies with West Bengal ULBS and found that per capita property tax in Jharkhand is much lower than in West Bengal. Moreover Non tax revenues have dominated the own revenue collections in Jharkhand and are distributed quite evenly across the population size classes. However, the per capita non tax revenue in West Bengal is about four times as high as in Jharkhand. The expenditures are also compared with the Ramanathan and Dasgupta (2009) financial norms estimated for different urban services for Indian cities according to different size classes and found that the actual revenue expenditures can cover only 41 per cent of the revenue expenditures requirements. Actual capital expenditures can cover 3 per cent of the capital expenditure requirements on urban services.

Mehta Ketan J. (2013) in his research work entitled "A Comparative Study on Public Expenditure and Income of Rajkot Municipal Corporation" examined economic and social work of Rajkot Municipal Corporation during 2007-08 to 2011-12 and found that revenue income, revenue expenditure, capital income and capital expenditure are increased. But in comparison between income and expenditure, expenditure is 1.91% higher to income.

Datani Vijay S. (2009) has compared indicators of revenue income, capital income, revenue expenditure and capital expenditure among six municipal corporations in his research work entitled "A Comparative Study of Financial Condition of Municipal Corporation in Gujarat" during 2000 to 2005 and analyzed by ANOVA.

Research Methodology:

This study limited for two municipal corporations one is Surat Municipal Corporation (SMC) and second is Vadodara Municipal Corporation (VMC). Index is consider as growth indicator for the tax revenue in the study and it has been used for the comparison of selected tax head of MCs because index makes tax revenue of both MCs in equal position so comparison becomes very easy. The data has been collected from secondary source namely Statistics of Municipal Towns and Cities Gujarat 2008-09 to 2015-16 published by Gujarat government department. This data analyzed by parametric f test and t test.

Objective of the Study:

- to compare growth of revenue from house tax of selected municipal corporation's of the study

- to compare growth of revenue from water tax of selected municipal corporation's of the study
- to compare growth of revenue from drainage tax of selected municipal corporation's of the study
- to examine the growth pattern of revenue from property tax, drainage tax and water tax revenue of selected municipal corporation of the study.

Hypotheses:

- H₀:** there is no significant difference in growth of revenue from house tax of the sampled units during the period of study
- H₀:** there is no significant difference in growth of revenue from water tax of the sampled units during the period of study
- H₀:** there is no significant difference in growth of revenue from drainage tax of the sampled units during the period of study

Analysis:

(Rs In Lakh)

| Year | House Tax | | Water Tax | | Drainage Tax | |
|----------------|-----------|----------|-----------|---------|--------------|---------|
| | SMC | VMC | SMC | VMC | SMC | VMC |
| 2008-09 | 9269.94 | 8562.75 | 2162.54 | 3687.95 | 3266.02 | 1718.54 |
| 2009-10 | 8980.22 | 8518.87 | 6154.63 | 3564.85 | 2674.54 | 2138.25 |
| 2010-11 | 10887.11 | 7909.76 | 3205.92 | 3538.63 | 2884.33 | 2096.84 |
| 2011-12 | 12259.56 | 9549.26 | 4826.78 | 3384.45 | 1834.56 | 2563.25 |
| 2012-13 | 15907.09 | 11111.51 | 4979.17 | 4042.39 | 1875.9 | 3041.37 |
| 2013-14 | 19800.78 | 13907.5 | 9739.45 | 5116.15 | 3954.38 | 3900.86 |
| 2014-15 | 24840.43 | 15399.24 | 17462.49 | 8170.12 | 9789.51 | 4280.62 |
| 2015-16 | 22744.83 | 15556.37 | 17595.05 | 8022.56 | 4484.31 | 4395.43 |
| Average | 15586.25 | 11314.41 | 8265.75 | 4940.89 | 3845.44 | 3016.90 |
| SD | 6227.07 | 3196.86 | 6137.98 | 2021.84 | 2571.97 | 1054.88 |

Source: Statistics of Municipal Towns and Cities Gujarat 2008-09 to 2015-16, Director of Economics and Statistics, Gandhinagar.

Interpretation

Above table indicate the trend of house tax, water tax and drainage tax revenue of SMC and VMC.

House tax of SMC was 9269.94 lakh in the year 2008-09 which was increased every year except year 2009-10. At the end of study period, the house tax became more than double from the initial year of the study in SMC. The average of house tax was 15586.25 lakh and standard deviation was 6227.07 for SMC. Other hand VMC house tax was 8562.75 at initial year of study. The house tax of VMC was increased during study period and became almost double in 2015-16. In this year, the tax was

15556.37 lakh in for VMC. The average and stander deviation of house tax was 11314.41 lakh and 3196.86 respectively for VMC. House tax was highest in the year 2014-15 for SMC and in 2015-16 for VMC

In the year 2008-09, the water tax was 2162.54 lakh for SMC and 3687.95 lakh for VMC. The water tax was increased by 8 times of initial year tax in 2015-16 and became 17595.05 lakh in SMC whereas this tax was increased by 2.5 time of initial year tax in 2015-16 and became 8022.56 lakh in VMC. During this study period average and stander deviation of Water tax were 8265.75 lakh 6137.98 lakh respectively for SMC whereas the average water tax and stander deviation were 4940.89 lakh and 2021.84 lakh respectively for VMC.

Lot of fluctuations have been seen in drainage tax of SMC. It was 3266.02 lakh in 2008-09 and became 4484.31 lakh in 2015-16 whereas drainage tax of VMC was 1718.54 lakh in year 2008-09 and became 4395.43 in 2015-16. The average and stander deviation of drainage were 3016.90 lakh and 1054.88 lakh respectively for VMC whereas it were 3845.44 and 2571.97 respectively for SMC

Index(based on Previous year)

| Year | House Tax | | Water Tax | | Drainage Tax | |
|---------|-----------|--------|-----------|--------|--------------|--------|
| | SMC | VMC | SMC | VMC | SMC | VMC |
| 2008-09 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 2009-10 | 96.87 | 99.49 | 284.60 | 96.66 | 81.89 | 124.42 |
| 2010-11 | 121.23 | 92.85 | 52.09 | 99.26 | 107.84 | 98.06 |
| 2011-12 | 112.61 | 120.73 | 150.56 | 95.64 | 63.60 | 122.24 |
| 2012-13 | 129.75 | 116.36 | 103.16 | 119.44 | 102.25 | 118.65 |
| 2013-14 | 124.48 | 125.16 | 195.60 | 126.56 | 210.80 | 128.26 |
| 2014-15 | 125.45 | 110.73 | 179.30 | 159.69 | 247.56 | 109.74 |
| 2015-16 | 91.56 | 101.02 | 100.76 | 98.19 | 45.81 | 102.68 |
| F test | 0.27 | Accept | 0.003 | Reject | 0.00006 | Reject |
| t test | 0.51 | Accept | 0.25 | Accept | 0.78 | Accept |

Source: Computed from Statistics of Municipal Towns and Cities Gujarat 2008-09 to 2015-16

Above table show index based on previous year of all selected tax revenue in both MCs. This index was taken for analysis of growth for all selected tax revenue of MCs because this index make easy to compare both MCs. Here, parametric F test applied to know variance is equal or not. If it is found that variance is equal than t test for equal variance will be used and if it is not equal than t test for unequal variance will be used. The result shows that After F test, variance of house tax in both MCs is equal where variance of water tax and drainage tax were not equal in MCs. After appropriate t test, we found that the growth of tax revenue of Municipal Corporation is equal.

Conclusion

The analysis reveals that both Municipal Corporations were generating higher revenue from house tax compare to other source of tax revenue. It is noticeable that the revenue of water tax was increased highly compare to other tax revenue especially in SMC. The growth rate was almost same in all selected tax revenue of both MCs during study period.

References

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