



**FIFTH STATE FINANCE COMMISSION  
GOVERNMENT OF ANDHRA PRADESH**

**REPORT OF THE  
FIFTH STATE FINANCE COMMISSION  
2025-2030**

**PRESENTED ON  
31<sup>st</sup> DECEMBER, 2024**

**Prof S. Rathna Kumari,  
Chairperson**



**Fifth State Finance Commission,  
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Mangalgi-522503,  
Andhra Pradesh**

## **Fifth State Finance Commission**

In accordance with the provisions contained under Article 243-I and 243-Y of the Constitution. Section 235 of the AP Panchayat Raj Act 1994, and Section 132-A of AP Municipalities Act 1965 and in terms of the notification issued vide G.O.Ms. No. 29, Finance (PMU-CASPS, FC& IF) Department Dated 18-03-2023, the Andhra Pradesh Fifth State Finance Commission in its meeting held on 30-12-2024 resolved to submit the final report to his excellency, the Governor of Andhra Pradesh.

**Prof. S. RATHNA KUMARI  
Chairperson**

**Prof. M. PRASADA RAO  
Member**

**Prof. M.V.N PADMA RAO  
Member**

**Sri. KAKI. KRUPA RAO  
Member**

**Dr. K.V. RAMANA REDDY  
Member Secretary**



## PREFACE

The constitution of India mandates the formation of State Finance Commission every five years to review the financial position of the local bodies and make recommendations to the government regarding measures to strengthen their financial position.

I consider it as my privilege to serve as the Chairperson of the Fifth State Finance Commission and to fulfil the constitutional mandate and express my gratitude to His Excellency, Governor of Andhra Pradesh for giving me this opportunity. The Commission sincerely endeavoured to understand the problems faced by the local bodies, their strengths and weaknesses and their role in the overall governance structure of the state. The Commission has prepared this report aiming to make local bodies vibrant and self-reliant institutions of effective governance at the grassroots level.

The path to fulfilling this mandate was not free from challenges. The Commission faced a number teething problems related to non-availability of data, administrative delays in sanction of supporting staff, funds availability etc. Though the Commission is constituted on 18<sup>th</sup> March 2023, one year and three months is lost due to delay in getting supporting staff. However with dedication and collaborative effort, the Commission did its best to analyse the finances of the local bodies and of the State Government and to make appropriate recommendations in tune with ToR.

I wish to extend my appreciation for the cooperation received from the members of the Commission particularly to Sri K. Krupa Rao and Prof. M. Prasada Rao for their invaluable contributions. Sri K. Krupa Rao has been instrumental in collecting primary data from sample Panchayat Raj Institutions and also in arranging telephonic consultations on crucial issues with different stakeholders in local bodies. I also thank Prof. K. V. Ramana Reddy, Member Secretary for his cooperation and coordination and for giving valuable inputs on service delivery by Urban Local Bodies.

I extend my deep sense of gratitude to Sri. Piyush Kumar, Principal Finance Secretary to Government, Smt. M. Janaki, Secretary, Finance and Sri. Gautham Allada, Joint Secretary (C), Finance Department, Government of Andhra Pradesh for their guidance and support.

My sincere thanks goes to CEOs, Deputy CEOs, DPOs, MPDOs, EO PR&RD, DLPOs, Secretaries of Gram Panchayats, Municipal Commissioners, Additional Commissioners, Deputy Commissioners, Town Planning Officers, elected representatives of PRIs and ULBs,

who helped the Commission to identify the problems of local bodies for their active participations and dedicated contributions. I am highly grateful to officials of PR&RD particularly to Sri G. Veeranjanyulu, CAO and Sri. M. Sudhakar Rao, Additional Commissioner, PR&RD for their contributions. I would like to thank Prof. M. Raja Sekhar, Director ISEC, Bangalore, Prof. Sudarshana Rao, former Vice-Chancellor, Vikrama Simhapuri University, Sri. Prudhvikar Reddy, CESS, Hyderabad, Prof. Manish Gupta, NIPFP, New Delhi and Prof. K.V.S. Sarma, Sri. Narayana Swamy, Chairman of Karnataka SFC and members for their insights and expertise provided.

Special acknowledgement is due to Mr. Mohd. Taqiuddin, former Additional Director General, Centre for Good Governance, Hyderabad for his meticulous assistance in finalisation of the report particularly on Decentralised Governance and Audit & Account of Local Bodies. His expertise and dedication have been instrumental in shaping the Commission's findings and recommendations.

I also extend my sincere thanks to Prof. Raja Rami Reddy, Former Vice-Chancellor Vikrama Simhapuri University, Prof. A. Padmavathi, SV University, Dr. Nagaraja, Joint Secretary, Disaster Management and Dr. G. Parthasarathy, CAO, AP MARKFED for their support and encouragement to pursue this work.

I extend my wholehearted appreciation to the Fifth State Finance Commission officials Smt. S. Santha Kumari, Joint Secretary, V. Santharam, Accounts Officer, V. Aswartha Reddy, Section Officer, Smt. M. Sridevi, Accountant and other staff for their support in completion of the report.

The Commission has been careful in making recommendations duly considering the field level difficulties faced by local bodies. The report is submitted with expectation that its recommendations will serve as a strategic roadmap for improving service delivery capacity of local bodies thereby quality of life of the people on the path of development of Andhra Pradesh

Station: Mangalgiri, Guntur District, (AP)  
Date: 31-12-2024

Prof. S. RATHNA KUMARI  
Chairperson,  
Fifth State Finance Commission

# **FIFTH STATE FINANCE COMMISSION REPORT**

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## ABBREVIATIONS

AG	Audit General
AGR	Annual Growth Rate
AMR-APARD	Alimineti Madhava Reddy - Andhra Pradesh Academy of Rural Development
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
APDPM	Andhra Pradesh Development & Planning Model Services
APDPMS	Andhra Pradesh Development Permission Management System
APGBC	Andhra Pradesh Greening and Beautification Corporation
APMA	Andhra Pradesh Municipal Act
APMAM	Andhra Pradesh Municipal Accounts Manual
APMC	Andhra Pradesh Municipal Corporation
APMDP	Andhra Pradesh Municipal Development Project
APPR Act	Andhra Pradesh Panchayat Raj Act
APPTB	Andhra Pradesh Property Tax Board
APTIDCO	Andhra Pradesh Township and Infrastructure Development Corporation
APUFIDC	Andhra Pradesh Urban Finance and Infrastructure Development Corporation
APUIF	AP Urban Infrastructure Fund
APURMSP	Andhra Pradesh Urban Reforms and Municipal Services Project
ARV	Annual Rental Value
ASLBs	Accounting Standards for Local Bodies
ATR	Action Taken Report
BE	Budget Estimates
BT Road	Bituminous Road
C&AG	Comptroller & Audit General of India
C&D Waste	Construction and Demolition Waste
CAA	Constitutional Amendment Act
CAGR	Compound Annual Growth Rate
CAMB	Certificate Course for Accountant of Municipal Bodies
CAP	Certificate Course for Accountant of Panchayats
CDMA	Commissioner & Director of Municipal Administration
CEO	Chief Executive Officer

CESS	Centre for Economic and Social Studies
CFC	Central Finance Commission
CFMS	Comprehensive Financial Management System
CGST	Central Goods and Services Tax
CHCS	Community Health Care Centres
CNG	Compressed Natural Gas
CPHEEO	Central Public Health and Environmental Engineering Organisation
CPWS	Comprehensive Protected Water Supply
CSR	Corporate Social Responsibility
CSS	Centrally Sponsored Schemes
CTD	Commercial Tax Department
CV	Capital Value
DEABAS	Double Entry Accrual Based Accounting System
DI	Devolution Index
DISCOM (Power)	Distribution Company (Power)
DLPO	Divisional Panchayat Officer
DMA	Directorate of Municipal Administration
DMA& UD	Directorate of Municipal Administration & Urban Development
DPa	Devolution in Policy adjusted against Practice
DPO	District Panchayat Officer
DPo	Devolution in Policy
DPr	Devolution in Practice
DTCP	Directorate of Town and Country Planning
eGS	e-GramSwaraj (Simplified Work Based Accounting Application for Panchayati Raj)
ENC PH	Engineer-in-Chief Public Health
EO PR&RD	Extension Officer Panchayat Raj & Rural Development
FC	Finance Commission
FD	Fiscal Deficit
FRBM	Fiscal Responsibility and Budget Management
GDP	Gross Domestic Product
GIS	Geographic Information Systems
GoAP	Government of Andhra Pradesh
GoI	Government of India

GP	Gram Panchayat
GSDP	Gross State Domestic Product
GST	Goods & Services Tax
GVA	Gross Value Added
GVMC	Greater Visakhapatnam Municipal Corporation
HoA	Head of Account
HWCS	Health and Wellness Centres
ICAI	Institute of Chartered Accountants of India
IGST	Integrated Goods and Services Tax
IHHL	Individual Household Latrine
ISEC	Institute for Social and Economic Change
JnNURM	Jawaharlal Nehru National Urban Renewal Mission
LPCD	Litres Per Capita Per Day
LPG	Liquefied Petroleum Gas
LWM	Liquid Waste Management
MA&UD	Municipal Administration and Urban Development
MAS	Model Accounting System
MC	Municipal Corporation
MCF	Million-Plus Cities Challenge Fund
MEPMA	Mission for Elimination of Poverty in Municipal Areas
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MLD	Million Liters per Day
MoPR	Ministry of Panchayati Raj
MP	Municipal Council
MPDO	Mandal Parishad Development Officer
MPLADS	Members of Parliament Local Area Development Scheme
MPP	Mandal Praja Parishad
MRFs	Material Recovery Facilities
MT	Metric Tonnes
MW	Mega Watt
NA	Not Available
NAS	New Accounting System for PRIs
NIPFP	National Institute for Public Finance and Fiscal Policy

NIRDPR	National Institute of Rural Development and Panchayati Raj
NMAM	National Municipal Accounts Manual
NP	Nagar Panchayat
NUSP	National Urban Sanitation Policy
O&M	Operation & Maintenance
ODF	Open Defecation Free
OSR	Own Source Revenue
PD	Personal Deposit
PFMS	Public Financial Management System
PH&MED	Public Health and Municipal Engineering Department
PHCME	Primary Health Care Measurement Framework & Indicators
PHCs	Primary Health Care Centres
PMGSY	Pradhan Mantri Gram Sadak Yojana
PPP	Public Private Partnership
PR & RD	Panchayat Raj & Rural Development
PRI	Panchayat Raj Institutions
PSU	Public Sector Undertaking
PWS	Public Water Supply
RD	Revenue Deficit
RE	Revised Estimates
RLB	Rural Local Bodies
RR	Revenue Receipts
RWS	Rural Water Supply
S&RD	Stamps & Registration Department
SAC	Swachha Andhra Corporation
SBM	Swachh Bharat Mission
SC	Scheduled Caste
SFC	State Finance Commission
SLPES	State Level Public Enterprises
SOTR	State's Own Tax Revenue
SPSE	State Public Sector Enterprises
SSAAT	Society for Social Audit, Accountability and Transparency
ST	Scheduled Tribe
STP	Sewage Treatment Plants

SVAMITVA	Survey of Villages Abadi & Mapping with Improvised Technology in Village Areas
SWM	Solid Waste Management
TDRs	Transferable Development Rights
TGS	Technical Guidance and Supervision
TISS	Tata Institute of Social Sciences
ToR	Terms of Reference
TPD	Tonnes Per Day
UDA	Urban Development Authorities
UDF	Underground Drainage Facility
UDF	Urban Development Fund
UGD	Underground Drainage
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
UIG	Urban Infrastructure and Governance
ULB	Urban Local Bodies
UPHC	Urban Primary Health Center
UPI	Unified Payment Interface
VAT	Value Added Tax
VLT	Vacant Land Tax
VMC	Vijayawada Municipal Corporation
VWSC	Village Water and Sanitation Committee
WBM Roads	Water Bound Macadam Roads
WtE	Waste to Energy
ZPP	Zilla Praja Parishad



## CHAPTER - I

### INTRODUCTION AND METHODOLOGY

**1.1 Constitution of the Commission:** The Fifth State Finance Commission (Fifth SFC) of Andhra Pradesh was constituted by the Governor under Article 243-I and 243-Y of the Constitution. Section 235 of the AP Panchayat Raj Act 1994, and Section 132-A of AP Municipalities Act 1965, also support the constitution of the Commission. The orders, establishing the Commission were issued vide G.O.Ms.No. 29, Finance (PMU-CASPS, FC& IF) Department Dated 18-03-2023. The Commission consists of Chairperson and three full-time members and one member secretary. The details are as follows. The chairperson and members of the Commission took over charge on 23-03-2023. A copy of the notification constituting the Commission is given in Appendix 1.1.

1	Prof S. Rathna Kumari Former Vice-Chancellor of Sri Padmavathi Mahila University	Chairperson
2	Prof. M. Prasada Rao Rector (Rtd) Andhra University	Member
3	Prof. M.V.N Padma Rao Principal (Rtd) P B Siddhartha College of Arts and Sciences	Member
4	Sri. Kaki. Krupa Rao Former Project Director, MEPMA	Member
5	Prof. K.V. Ramana Reddy Professor (Rtd) Department of Commerce, Sri Krishnadevaraya University	Member Secretary

**1.2 Terms of Reference (ToR):** In accordance with the letter and spirit of these legal provisions, the State Finance Commission was given the detailed Terms of Reference (ToR).

The ToR mandated the following;

The State Finance Commission shall review the financial position of the Gram Panchayats (GPs), Mandal Praja Parishads (MPPs), Zilla Praja Parishads (ZPPs) and of the Nagar Panchayats (NPs), Municipal Councils (MPs), and Municipal Corporations (MCs) in the State and make recommendations to the Governor as to:

- (a) The principles which should govern:
- i. Distribution between the State Government and the Gram Panchayats, Mandal Praja Parishads, Zilla Praja Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them and the allocation between the said bodies at all levels of their respective shares of such proceeds;
  - ii. Determination of the taxes, duties, tolls, and fees which may be assigned to or apportioned by the said Panchayats, Mandal Praja Parishads, Zilla Praja Parishads, Nagar Panchayats, Municipal Councils, and Municipal Corporations;
  - iii. Sharing of grants-in-aid to the said Gram Panchayats, Mandal Praja Parishads, Zilla Praja Parishads, Nagar Panchayats, Municipal Council and Municipal Corporations from the Consolidated Fund of the State;
- (b) Measures needed to improve the financial position of the said Gram Panchayats, Mandal Praja Parishads, Zilla Praja Parishads, Nagar Panchayats, Municipal Councils, and Municipal Corporations including measures for improving the management of available resources;
- i. The Commission shall assess the financial requirements of the Panchayats and Municipalities as well as the ways and means to augment their resources to minimize dependence on additional financial support from the State Government to achieve swift and impartial fiscal consolidation to better deliver the civic services.
  - ii. The Commission shall also recommend on any other matter that may be referred to it, by the Governor, in the interest of sound finances of Panchayat Raj and Municipal Bodies referred to above.
  - iii. The Commission was asked to make its report available on or before 30th September 2024, but later the time for submission of the above report was extended up to 31.12.2024. The award period of the Commission is 2025-26 to 2029-30. A copy of ToR is given in Appendix – 1.2.

**1.3 Administrative Arrangements:** As has been the experience of the previous Commissions, this Commission also faced a number of teething problems relating to

infrastructure including office space and staff. These difficulties constrained its initial operational effectiveness. The Commission could initiate its preliminary tasks only in June 2023 when it was able to acquire office space on the 1<sup>st</sup> floor, IHC Corporate Building, Mangalagiri.

**1.3.1 Creation and filling up of support staff:** The task of creating and appointing supporting staff was a time consuming process. The government created and sanctioned ten posts in December 2023 (Appendix 1.3). These posts had to be filled either on deputation from the government or on Contract/Outsourcing basis. The sanctioned posts could not be filled due to delay in deputing the staff from the government. The staff joined office between April 2024 and August 2024. The last person appointed took charge only in December, 2024. It took one year and eight months to get required staff. The Commission requested the government to sanction three Research Officer/Statistical Officer Positions and four data entry operators, only one position of statistical officer and two data entry operators were sanctioned. In the state budget for 2023-24, no provision was made to cover the expenses of Fifth State Finance Commission. Securing a budget allocation and obtaining the necessary financial clearances proved to be a time-consuming process. After persistent and repeated follow-ups, the Commission received their funds in July 2024 nearly after 16 months after its constitution. In August, 2024 the Commission engaged the services of a consultant for providing professional services in the field of decentralized governance, audit and accounting system.

Notwithstanding the time and staff constraints, the Commission did its best to analyze the finances of local bodies and of the State Government and to make appropriate recommendations in tune with ToR.

The First, Second, Third and Fourth Finance Commissions of the State, recommended to appoint an officer on special duty, at least three months before the constitution of the Commission to obviate delay in providing office space, staff and infrastructure to enable the Commission to start functioning immediately after the members take charge. But, this has not been taken care by the Government.

**1.4 Methodology:** In view of the wide ranging tasks entrusted to the Commission and to act in furtherance of the letter and spirit of the ToR, the Commission decided to follow a rigorous methodology combining meticulous data collection and analysis besides elaborate consultations with wide ranging stakeholders. The Commission had the benefit

of the methodologies adopted by the other states particularly Kerala, Karnataka and Tamil Nadu. The Commission has undertaken the following steps to study and analyze the issues and problems relating to the finances of local governments and formulate recommendations.

**1.4.1 Brainstorming with Economists and Policy Experts:** The Commission engaged in discussions with economists, academicians, and policy experts from several research, training institutions and Universities, including National Institute of Rural Development and Panchayati Raj (NIRDPR) Hyderabad, Centre for Economic and Social Studies (CESS) Hyderabad, National Institute for Public Finance and Fiscal Policy (NIPFP) and Institute for Social and Economic Change (ISEC), Bangalore, Sri Venkateswara University and Andhra University.

**1.4.2 Meetings with Key Officials:** The Commission held individual meetings with the Principal Secretaries of Panchayat Raj and Rural Development, Municipal Administration, as well as heads from the Panchayat Raj and Municipal Administration Departments. These meetings provided insights into the administrative and financial operations of local government bodies.

**1.4.3 Consultations with Local Government Functionaries:** To gather input from elected representatives and the officials of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs), the Commission held meetings across the Rayalaseema and Coastal regions of the state. The discussions highlighted issues in administration, finance, and service delivery in local bodies.

**1.4.4 Consultations with Heads of Department:** Since multiple line departments oversee local governance functions, the Commission held interactions with department Heads of Rural & Urban local bodies, Director State Audit, Member Secretary AP Property Tax Board (APPTB), Finance Officer Andhra Pradesh Urban Finance and Infrastructure Development Corporation (APUFIDC), Commercial Tax Department (CTD) and Stamps & Registration Department (S&RD), Swachh Andhra Corporation, Directorate of Country & Town Planning (DTCP), Jal Jeevan Mission, PR Engineering, RWS&S to identify challenges in providing support to local governments.

**1.4.5 Discussion with the Department of Finance, GoAP:** The Commission held discussion with Secretary and Joint Secretary to Government, Finance Department regarding the present position of the state finance.

**1.4.6 Visit to Other States:** The Fifth State Finance Commission conducted an official visit to the State Finance Commission of Karnataka to gain insights into the decentralization processes implemented in Karnataka. The objective of this visit was also to study the methodologies employed to assess the financial requirements of Local Bodies and development of devolution formula. This visit provided valuable insights on Karnataka's approach to fiscal decentralization, enabling the Fifth State Finance Commission to refine its own methods and strengthen its recommendations to ensure effective and equitable fiscal support for local governance.

**1.4.7 SFC Conclave-2024:** The Chairperson of the Fifth State Finance Commission and Member Secretary participated in the State Finance Commission Conclave- 2024 held in Delhi and engaged in discussions with the Chairperson of the Sixteenth Finance Commission, the Secretary of the Ministry of Panchayati Raj and the Chairpersons of other State Finance Commissions. This knowledge exchange offered valuable insights into fiscal decentralization, enabling the Fifth State Finance Commission to refine its methodologies and enhance its recommendations for providing effective and equitable fiscal support to rural and urban local bodies in the state.

During this meeting the Chairperson Fifth State Finance Commission made a presentation about the issues relating to the local bodies in Andhra Pradesh. It was highlighted to the Sixteenth Finance Commission that the PRIs & ULBs in the last 5 years have increased their Own Source Revenues by 12% Compound Annual Growth Rate (CAGR). The financial constraints in the bifurcated state of Andhra Pradesh was also brought to the notice, the state is finding it difficult to bridge the resource gap in the local bodies for effective discharge of their functional responsibilities. The Chairperson requested the Sixteenth Finance Commission to allocate additional grants to them to meet the full expenditure requirements both on Operation & Maintenance (O&M) and capital investment.

**1.4.8 Detailed Analysis of the Earlier State Finance Commission Reports:** The Commission decided to go through the earlier State Finance Commissions and do detailed analysis of the recommendations made by them. The major task faced by the Commission

was to get reports of the previous State Finance Commissions, action taken reports, and government orders relating to the implementation of recommendations of State Finance Commissions. The Commission had the benefit of methodologies adopted by the previous State Finance Commissions in Andhra Pradesh.

**1.4.9 Commission sittings in Districts:** In order to understand the ground level realities of local governments with respect to finance, delivery of mandatory services, various other related issues and problems faced by them, the Commission visited all the districts and held interactions with those who administer the local governments. In each district, the Commission held meeting with CEOs, Zilla Praja Parishads, District Panchayat Officers (DPO), Divisional Panchayat Officers (DLPOs), Mandal Praja Parishad Development Officers (MPDOs), Extension Officers, Panchayat Raj & Rural Development (EO PR&RDs) from each mandal and three panchayat secretaries from each division.

These meetings and interactive sessions enabled the Commission to understand the actual financial position of PRIs and the adequacy and quality of services provided to them. The sittings of the Commission in the districts gave an opportunity to different stakeholders to represent their specific problems and grievances. Issues relating to administration, financial management, human resources, tax and non-tax revenues, expenditure pattern, transfer from government of Andhra Pradesh and Government of India, constraints in providing basic needs were presented to the Commission. The feedback received from the interactions was a major source of information to the Commission to assess the fiscal situation of local bodies and make appropriate recommendations.

With regard to ULBs, the Commission held meeting with the commissioners, additional commissioners, town planning officers, revenue officers and other related officers. The ULBs presented their views relating to administration, mobilization of tax and non-tax receipts, and problem of arrear collection and put forward many suggestions to augment their own resources. The inputs received from these sittings is a major source of information for assessing the performance of local bodies on various fronts and in formulating recommendations of the Commission. (Details of the meetings of the Commission is given in Appendix- 1.4).

**1.4.10 Procurement of Data and Information:** The major task of the Commission is procurement of data on (A) Finances of rural local bodies and urban local bodies. (B) Assessment of basic services provided in rural and urban local bodies. The non-availability of statistics continue to be the main problem faced by the State Finance Commissions. The Second State Finance Commission recommended that a “State Finance Commission Cell” may be created to maintain continuity in correspondence, take advance action for obtaining statistical data from the local bodies and make available the relevant records to Finance Commission. The Eleventh Finance Commission also recommended for creation of such a cell. The Government accepted the recommendation but no action was taken. The subsequent State Finance Commissions also reiterated that “there is a need to create a cell in Finance Department exclusively for attending the work of State Finance Commission”. The Fifth Finance Commission is not free from the problem of non- availability of data in full shape.

The data on revenue and expenditure of rural local bodies are procured from the Commissionerate of Panchayat Raj and Rural Development. The data on revenue, expenditure and borrowings of urban local bodies are collected from Directorate of Municipal Administration and Urban Development. The data pertaining to status of basic services viz., water supply and sanitation provided to the people in rural and urban areas are collected from Rural Water Supply (RWS&S) and Swachh Andhra Corporation, Public Health and Municipal Engineering Department (PH&MED).

The Source of data on State Finances are State Budget Documents, Audit Report on Finance and Accounts of Comptroller & Audit General of India (C&AG), Socio-Economic Surveys of Govt. of Andhra Pradesh and Union Finance Commission reports.

The Commission also collected data from sample Rural Local Bodies in the State through online platform. For collection of data and information from the sample local governments separate questionnaire for Zilla Praja Parishads, Mandal Praja Parishads and Gram Panchayats were prepared. Collection of data was a huge task and required continuous interactions with the district level officials. The CEOs, Zilla Praja Parishads were requested to coordinate and to ensure the replies from Mandala Praja Parishads. The District Panchayat Officers were requested to coordinate and ensure the replies from Gram Panchayats. Whatever data and information got from sample local bodies were incomplete and inconsistent. The capacity at the local bodies in keeping the books of

accounts especially at the Gram Panchayat level is very poor. Even after cross checking the data received with other data sources such as State Audit Department and data available at the Directorate of PR&RD, the anomalies in the data still remained. Hence the Commission could not utilise the data on finances for analysis and arriving at conclusions. However, the information given on non-financial aspects has been taken into consideration.

The Commission conducted a sample study on the accounts and audit of local bodies. The Commission prepared a separate questionnaire to assess the status of accounting and auditing practices in the local bodies. In addition, the Commission physically verified records of selected one Gram Panchayat, one Mandal Praja Parishad and one Zilla Praja Parishad and one Municipal Corporation

**1.4.11 Organization of the rest of Report:** The rest of the report is organized as follows. The second Chapter is devoted to a discussion on issues, and approach adopted by the Commission. The analysis of recommendations made by the earlier State Finance Commissions, action taken and implementation of the accepted recommendations by the government is presented in third Chapter. The Fourth Chapter deals with devolution of funds to local governments from Union Finance Commission. Fifth chapter deals with decentralized governance in Panchayat Raj Institutions and Urban Local Bodies. The State Finances over an eight-year period from 2016-17 to 2023-24 along with projections for 2025-26 to 2029-30 are discussed in Sixth Chapter. The review of Finances of Panchayat Raj Institutions is presented in Seventh Chapter. The Eighth Chapter deals with assessment of Finances of ULBs. Ninth chapter discusses about the account and auditing system in Panchayat Raj Institutions and Urban Local Bodies. The tenth and last Chapter contains the recommendations relating to policy issues, which have a direct bearing on the finances and performance of local bodies.

## CHAPTER - II

### ISSUES AND APPROACH

**2. Introduction:** The Commission conducted interactive meetings in twelve districts of the state separately for Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). In the meetings with PRIs, elected representatives & officials of sixty-five Gram Panchayats, twenty-six Mandala Praja Parishads and twelve Zilla Praja Parishads participated in the meetings and presented their problems and demands. With regard to ULBs, officials from thirteen Municipal Corporations, forty Municipalities and twelve Nagar Panchayats participated in the meetings. The Commission collected data on receipts and expenditures of PRIs and ULBs from Office of the Commissioner, Panchayat Raj and Rural Development (PR&RD) and Directorate of Municipal Administration respectively. The Commission also collected primary data on finances of Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads. Based on elaborate consultations with the key stakeholders and analysis of data, the Commission identified following issues relating to own source revenue, fiscal domain expansion and devolution etc.

#### ISSUES

**2.1 Own Source Revenue Mobilization:** The Gram Panchayats heavily relied on Central Finance Commission and State Government grants. The share of own source revenue in total receipts worked out to be 29 percent in 2023-24 despite the improvement in tax mobilization during the review period. With regard to Urban Local Bodies, the shares of own source revenue worked out to be 63 percent, 51 percent and 38 percent in Municipal Corporations, Municipalities and Nagar Panchayats respectively. Own revenue of local governments consists of tax and non-tax revenue. Property tax is the most important tax contributing to 80 to 90 percent of tax revenue. The Commission has recognized that there is progress in mobilizing property tax revenue during the review period. Despite the improvement in the mobilization of property tax by ULBs, significant gap between demand and collection of property tax is identified apart from untapped potential. Lack of prompt initiatives on the part of local governments to collect the arrears of tax revenue has resulted in accumulation of large amount of arrears. Further PRIs and ULBs are not tapping the full potential of their taxes and non-taxes.

**2.2 Absence of periodic revision of non-taxes:** The major source of non-tax revenue of local bodies include water charges, building plan and layout approval fee, trade license fee etc. Absence of periodic revision of non-tax sources viz., water charges, license fee, penalties, rent on buildings is identified as another reason for low own resource mobilization.

**2.3 Tax on vacant land:** As per the Andhra Pradesh Panchayat Raj Act and Andhra Pradesh Municipal Corporation Act the local bodies are empowered to levy and collect tax on vacant lands not used for agricultural purposes. The local governments have not taken much initiative to tap this source effectively.

**2.4 Implication of GST:** Implication of GST on Local taxes namely entertainment tax and advertisement tax and absence of compensatory mechanism is identified as the reason for low own resource mobilization. The state government which receives GST collection in lieu of advertisement and entertainment taxes do not compensate to local governments.

**2.5 Service Charges on Central Government Properties:** Central Government properties are exempted from payment of property tax. But, local governments can levy and collect service charges from the central government properties on the basis of services utilized at the prescribed rate. Due to several reasons, service charges were neither levied nor fully collected from central government departments.

**2.6 Tax on State Government Buildings:** The property tax on state government buildings belonging to different departments is not being paid by the respective departments due to lack of budget provision.

**2.7 Profession Tax:** Profession tax like property tax is a legitimate source of revenue assigned to the local governments. The revenue collected by the State from this tax is not being transferred to local governments in full as per eligibility.

**2.8 Diversion of CFC Grants:** As per the guidelines of Fifteenth Finance Commission the states shall transfer the grants-in-aid to the local governments within ten working days of having received them from the union government. But during the Commission's visits to districts, local governments brought to the notice of the Commission that the Fifteenth Finance Commission grants were not transferred to the local governments in 2022 and they were informed that these grants were adjusted towards pending electricity charges. The Commission also noticed delays in transfer of CFC grants to PRIs.

**2.9 Rapid Growth of Expenditure:** There has been a steady and steep increase in administrative establishment, operations and maintenance related expenditure of local bodies particularly in Municipalities and Municipal Corporations. The Gram Panchayats, Municipalities and Municipal Corporations reported that most of the sanctioned posts by the government are vacant and no serious effort is made to fill up these vacancies. Hence the local bodies had to appoint the staff either on outsourcing basis or contract basis. The Commission also identified that the expenditure on operation and maintenance is very high. The O & M cost constituted around 47 percent of revenue expenditure in Municipal Corporations while the same is around 70 percent in Municipalities and Nagar Panchayats, due to which expenditure increased significantly. The Commission was also informed that the capital assets are created by parastatal agencies but, the local governments have to bear the maintenance costs, without allocation of additional grants. The local bodies represented that electricity charges are paid based on slab-based commercial rates and heavy penalties are being imposed due to delayed payments.

**2.10 Pension payments to Non-Provincialised retired employees:** In the district meetings, CEOs of Zilla Praja Parishads brought to the notice of the Commission about the issues of payment of pension to non-provincialized retired employees of PRIs. They were forced to divert large amount from their own resources and general-purpose funds to meet the payment of pension to retired staff.

**2.11 Shortage of Staff:** A majority of local governments attended the sittings of the Commission pointed out that the shortage of staff-administrative, accounting, engineering etc. is a basic problem they face in discharge of their functions such as collection of taxes and delivery of public services. Further the staff available required additional training and capacity building.

**2.12 Delay in Release of Grants:** Several PRIs and ULBs brought to the notice of the Commission that there were abnormal delays in release of grants, revenue from assigned taxes, forcing the local governments to spend the funds hastily, thereby affecting quality of outcomes.

**2.13 Poor Performance of civic functions:** The basic function of local governments is to carry out civic functions. The ULBs have highlighted several challenges including inadequate resources, difficulties in execution of works, resistance from public and problem of land acquisition etc. which hinder their ability to effectively implement

projects of Solid Waste Management (SWM), Liquid Waste Management (LWM), Underground Drainage Facility (UDF). Resource constraint is also the main problem for PRIs in executing the basic functions like maintenance of roads, solid waste management and supply of quality water.

**2.14 Issues in PR Accounts:** As per the instructions of Government, the accounts of PRIs are to be maintained in Model Accounting System (MAS). The Commission has physically reviewed the accounts of PRIs and observed the following discrepancies in implementing Model Accounting System.

- a) There are misclassifications both in receipts and expenditure in PRIs.
- b) The accounts generated in e-GramSwaraj do not tally with manually prepared accounts.
- c) For want of online digital data of PRIs, the auditors are not able to conduct 100% audit in “Audit Online” software.
- d) The Accounts staff of PRIs have not been provided adequate training in Model Accounting System, e-GramSwaraj and Audit Online software for proper maintenance of accounts.

**2.15 Debt in ULBs:** The outstanding debt in ULBs as on 31-03-2024 is Rs. 99,658 lakh which include Rs. 60,677 lakh principal and Rs. 38,981 lakh interest. The debt servicing capacity of ULBs hinges on its ability to generate sufficient revenue surplus internally, after covering its revenue expenses. Many ULBs fail to meet debt servicing obligations due to significant financial stress. The small towns, frequently lacking a substantial revenue surplus, struggle to service their debts due to financial constraints. The APUFIDC as a government-owned entity, faces challenges in enforcing loan repayment in a strictly commercial manner. This situation highlights the urgent need for ULBs to improve fiscal discipline, enhance revenue generation, and adopt robust mechanisms for timely debt servicing, financial sustainability and effective utilization of borrowed funds.

## APPROACH

**2.16 Own Source Revenue Mobilisation:** The Commission strongly believes that Gram Panchayats, Municipalities, Municipal Corporations can strengthen their identities as local governments only if they mobilize their own resources. The approach of the Commission in mobilization of resources is given below.

- a) Fiscal federalism implies that if the actions of the higher tier i.e. in this case, the state government, impinge on the own revenue domain of the lower tier i.e. local governments there has to be fair compensation. This is particularly important in the context of Goods and Service Tax on entertainment and advertisement
- b) For various reasons, the rates of non-tax revenue have not been enhanced to keep pace with inflation, leading to revenue losses for local governments.
- c) Lack of and effective tax administration to improve tax effort
- d) Local governments can raise lot of local contributions, if there is proper frame work.
- e) Public-Private-Partnership (PPP) though limited, has potential in certain kinds of infrastructure, for which a framework has to be put in place to make it socially and financially viable.
- f) Fund raising under Corporate Social Responsibility (CSR) & voluntary donations.

**2.17 Expenditure Management:** An important approach of the Commission would be to enhance efficiency across activities. These would include a wide range of personnel management, and financial management, including assessment of own revenues to be collected, adopting cost-saving technologies, improving efficiency in planning and project management, asset management, enhancing community participation etc.

**2.18 Devolution of Powers to Local Government:** In Andhra Pradesh out of the 29 functions envisaged in the eleventh schedule of the constitution, 10 have been devolved to Rural Local Bodies. Of the 18 functions envisaged in the twelfth schedule of the constitution, 16 have been devolved to urban local bodies. Notwithstanding the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts and the passage of enabling legislation by the state in 1994 to devolve functions, funds and functionaries, Andhra Pradesh is considered as a laggard state when compared to other southern states in terms of functional and financial devolution as seen from the successive Devolution Index Reports of MoPR, GoI and the

C&AG Audit Reports. The basic objective of devolution would be to enable the local governments in the state to function as “institutions of self-government” as enshrined in articles 243G and 243W of the Indian constitution. The local governments would need to have more autonomy, which invariably brings along more responsibility. They should act as vehicle of good governance as Swaraj (Self-Governance) and Suraj (Good Governance) are the two sides of the coin.

**2.19 Devolution Recommended:** The Commission strongly believes that the devolution should be in the best interests of the people and beyond the fiscal interests of two governments. The approach of the Commission is to assign top priority to civic function and to devolve sufficient funds to fill the resource gap of local bodies.

The Commission estimated the resource gap for PRIs to be Rs. 7033 Crores for the period from 2025-26 to 2029-30. For devolution of funds among three tiers of PRIs, this Commission recommends 70% to Gram Panchayats, 15% to Mandal Praja Parishads and 15% to Zilla Praja Parishads. However for the intra-tier distribution among the relevant entities across the State it should be on the basis of population and geographical area in the ratio of 80:20.

In respect of ULBs the Commission estimated the resource gap to be Rs. 2016 Crores for the period from 2025-26 to 2029-30. For devolution of funds among three tiers of ULBs, this Commission recommends a weight based formula for a set of urban indicators namely Population 70%, Geographical Area 20% and inverse of Own Source Revenue (OSR) 10%. Based on the formula, the share or ratio of Municipal Corporations worked out to be 0.47, while the share of Municipalities and Nagar Panchayats worked out to be 0.41 and 0.12 respectively. However for the intra-tier distribution among the relevant entities across the State should be on the basis of population and area in the ratio of 80:20.

**2.20 State Finances of AP:** As per the Budget 2024-25 the State anticipates a revenue deficit of Rs. 34,743/- crore, equating to 2.1% of the GSDP. Although this marks a reduction from the previous year's 2.7%, it underscores the ongoing challenge of balancing revenue and expenditure. Similarly the fiscal deficit is projected at Rs. 68,743/- crore, or 4.2% of GSDP. This slight decrease from the prior year's 4.3% indicates persistent fiscal pressures, necessitating prudent financial management, effective revenue collection and economic performance to prevent further debt accumulation.

Despite the limited fiscal space available with the state government, in the true spirit of democratic decentralisation envisaged under the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, the state government has an obligation to strengthen the local bodies with required devolution of funds. The Commission expects that the government would make sufficient provision in the state budget for distribution of devolved funds to each local government for each year of the award period. This will help the local governments to get clear idea about the amount they are going to get in advance to discharge their functional responsibilities.

## CHAPTER - III

### STATE FINANCE COMMISSIONS OF ANDHRA PRADESH: A REVISIT

**3.1 Introduction:** The ToR of the Commission empowers it to examine the reforms suggested by the previous State Finance Commissions, endorse their implementation so that the objectives behind them can be attained. In this chapter an attempt is made to examine the nature of recommendations made by the previous four State Finance Commissions in the State and the Commitment of the state government towards implementation of the recommendations accepted.

**3.1.2** Article 243-I of the constitution of India provides for setting up of Finance Commission at the expiration of every fifth year by the State Government to review the financial position of panchayats and to make recommendations. Article 243-Y provides that the finance Commission constituted under article 243-I shall also review the financial position of the Municipalities and make recommendations. The intention of this clause is that all state Government transfers to local Governments should be governed by the State Finance Commission's mandate which is valid for five years period and should not be extended. The Fourteenth Finance Commission recommended that the State Government must make concerted efforts to strengthen the State Finance Commissions. The State Government would have to take measures to ensure timely constitution, proper administrative support and adequate resources for smooth functioning and timely placement of the State Finance Commission report before the state legislature with the action taken report. Fifteenth Finance Commission stated that most of the State Governments did not constitute them in time and did not give due importance to strengthen this critical constitutional mechanism. The current status of State Finance Commissions in the states is given in the table below.

Section 235 of the Andhra Pradesh Panchayat raj Act, 1994, 132-A Section of the Andhra Pradesh Municipalities Act 1965 deal with the constitution of finance Commission in the state. First three State Finance Commissions were constituted for undivided state of Andhra Pradesh and fourth State Finance Commission is the first State Finance Commission after bifurcation of the state.

**Table 3.1 Status of constitution of SFCs : Last SFC Constituted**

S. No	State	Last SFC Constituted
1	Assam, Bihar, Punjab, Rajasthan	VI
2	Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Odisha, Sikkim, Tamil Nadu, Tripura, Uttarakhand and Uttar Pradesh	V
3	Andhra Pradesh, Karnataka and West Bengal	IV
4	Chhattisgarh, Goa, Gujarat, Jharkhand and Manipur	III
5	Arunachal Pradesh, Mizoram	II
6	Erstwhile Jammu and Kashmir, Telangana	I

It can be seen from the table that several states still have not moved beyond the second or third State Finance Commission.

### **3.2 First State Finance Commission:**

In Andhra Pradesh, So far five State Finance CommissionS were constituted. The First State Finance Commission was constituted under the chairmanship of Sir T. Laxmana Swamy, vide Go.Ms.No. 367 dated 22.6 1994. The first State Finance Commission submitted its report in May 1997 and made 84 recommendations covering rural local bodies and urban local bodies. The Commission preferred sharing of state revenue to the local bodies (Global sharing) instead of assigning taxes levied by government to local bodies. The Commission recommended devolution of 10.93 percent of tax and non-tax revenue of the state to local governments, with 9.14 percent to rural local bodies and 1.79 percent to urban local bodies for the core functions. The total devolution to local governments worked out to be 39.24 percent of state own revenue including tax and non-tax receipts. The award period of the State Finance Commission was 1997-98 to 1999-2000.

**3.2.1 Horizontal Equity:** The Commission considered the stage of the development of Gram Panchayats for inter-se distribution of funds among Gram Panchayats. The total Gram Panchayats were categorized in to four types viz., ordinary, advanced, backward and Tribal. The funds were to be distributed as shown below.

- Ordinary Gram Panchayats — X
- Advanced Gram Panchayats —  $\frac{2}{3}X$
- Backward Gram Panchayats —  $1 \times \frac{2}{3}X$
- Tribal —  $2 \times \frac{2}{3}X$

The Commission recommended inter-se distribution of funds among Mandal Praja Parishads on the basis of the plinth area of the buildings and mileage of roads. With regard to Zilla Praja Parishads, the Commission recommended grants to rural water supply, roads, maintenance on the basis of plinth area/length of roads, number of bore wells and comprehensive protected water supply schemes in each district. In case of urban local bodies the Commission recommended to distribute the funds on the basis of Population (40% weightage), Area (excluding slum area) (40% weightage) and Areas of slums in each Municipality (20% weightage).

**3.2.2 Implementation:** The Commission recommended devolution of Rs. 979.16 crore to local bodies with Rs. 818.84 crore to rural local bodies and Rs. 160.32 crore to urban local bodies. But, the government accepted to devolve an amount of Rs. 434.42 crore (Rs. 363.95 crore to PRIs and Rs. 70.47 crore to Municipalities) accounting for 44.4 percent of the total devolution recommended by the Commission. After accepting devolution of 44 percent of the recommended grant, the government made provisions in the state budget for the years 1998-1999 and 1999-2000 for release of grant. Thus, as against grants for three years, grants were released only for two years. The Commission made 84 recommendations of which 60 were accepted fully and five were accepted with modifications.

### **3.3 Second State Finance Commission:**

**3.3.1** The Second State Finance Commission was constituted on 8.12.1998 under the Chairmanship of Prof. D.L. Narayana. The award period for the Commission was five years i.e. 2000-2001 to 2004-2005. The Commission recommended 40.92 percent of the States net revenue to the local bodies (18.5 percent to ULBs and 81.5 percent to PRIs.) Out of 82 recommendations made, the government accepted 46 recommendations and 14 were stated to be under consideration. The total amount recommended for devolution was Rs. 1793.94 crore (Rs.1167.33 crore for PRIs and Rs. 626.62 crore for ULBs) and the amount accepted for devolution by the government was Rs. 300 crore, viz., Rs. 200 crore to PRIs and Rs. 100 crore for ULBs per annum accounting only 17 percent of the amount recommended by the State Finance Commission. Within the share of ULBs, Corporations were awarded Rs. 20 crore per annum, while the Municipalities were given Rs. 80 crore per annum. It is to be noted that the Government permitted PRIs and ULBs to utilize 25 percent of the grants for maintenance and the rest for capital works and civic amenities.

It is also noted that even the grants accepted by the government were not fully released to the PRIs during the years 2003-2004 and 2004-2005 and an amount of Rs. 100 crore was short released. During the year 2005-2006 also out of Rs. 200 Crore released, Rs. 100 crore was diverted and paid to the A.P Transco towards current consumption charges. In the year 2006-2007 out of Rs. 169.45 crore released, an amount of Rs. 91 crore was diverted for individual sanitary latrines.

### **3.4 Third State Finance Commission:**

The third State Finance Commission was constituted under the chairmanship of Prof. D.L. Narayana vide 90 MS No.13 dated 16.1.2002. The Commission could not submit its report by 15.7.2004 as stipulated by the Government for non-receipt of information from the PRIs and Municipalities.

**3.4.1** The Third State Finance Commission was reconstituted on 29.12.2004 under the chairmanship of Prof. B. Satyanarayana as per G.O.MS.No.322. The Commission recommended devolution of Rs. 1274.34 crores to PRIs and Rs. 489.34 crore for ULBs for the award period 2005-10 under different heads and for different purposes, Which together worked out to 6.77 percent of state tax and non-tax revenues including the share in central taxes (4.89 percent to RLBs and 1.88 percent to ULBs). The Commission stated that the annual devolution to the urban and rural local bodies was Rs. 6354 crores and with the recommended additional devolution of 1763.72 crore, the total devolution would amount to Rs. 8117.12 crore constituting 31.14 percent of the total tax and non-tax revenue of the state including central share of taxes.

**3.4.2** The third State Finance Commission made 63 recommendations out of which 44 recommendations pertain to RLBs, while the remaining 19 recommendations relate to ULBs. Of the 44 recommendations pertaining to RLBs, 17 were financial and the remaining 27 were non-financial recommendations. It is disheartening to note that the government has accepted three recommendations only out of the 17 financial recommendations. With regard to non-financial recommendations, the Government had unconditionally accepted 19 recommendations. It is pertinent to note that even 8 non-financial accepted recommendations were not implemented. With regard to ULBs, the third Finance. Commission made 19 Recommendations of which 10 were financial, and 9 were non-financial. It is to be noted that only one recommendation relating to finance is accepted by the Government.

**3.4.3** But out of total devolution recommended to RLBs, only Rs. 113.64 crore per annum has been accepted by the Government constituting 8.9 percent of the grants recommended by the Commission. With regard to ULBs the Government accepted to devolve Rs. 123.12 crores only constituting 25 percent of the recommended grant by the Commission. This could be because the grants recommended for local bodies by the Union Finance Commission might not have been regarded as supplementary to the grants allocated by the State Government.

**3.4.4** A cabinet subcommittee was appointed to determine the transfers to the local bodies for the period 2010-15. The Committee recommended an amount of Rs. 515.24 crores for ULBs and Rs. 1595.04 crores for PRIs. However, the committee opined that post Thirteenth Finance Commission Report, the total devolution to the local bodies amounting to Rs. 1597.04 crores for PRIs and Rs. 515.24 crore for ULBs exceeding the amount recommended by the Third State Finance Commission. Thus it was held that the constitutional and legal requirements of devolution was fulfilled.

### **3.5 Constitution of Fourth State Finance Commission:**

**3.5.1** Government of Andhra Pradesh constituted the 4<sup>th</sup> State Finance Commission on Fifth January, 2015 under the chairmanship of Prof. M.L. Kantha Rao. The Commission was mandated to make its report available by 30<sup>th</sup> December, 2016. letter No: 328/mdll/2016-1 dated 3.3.2016 required the State Finance Commission to examine the Financial requirements to Mandal Praja Parishads and Zilla Praja Parishads as additional ToR and to furnish an Interim Report on or before 31<sup>st</sup> may 2016. The Commission submitted the interim report on 30.5.2016. The Commission did not recommend any additional amounts to PRIs in interim report over and above what was already provided in the budget 2016-1017 owing to the prevailing fiscal scenario of the state.

**3.5.2** The report of the Commission could not be finalized by December 2016 due to non-receipt of data from the local bodies in full shape. Therefore, the Commission requested the government to extend the time up to December 2017 to enable it to submit its final report, But, government on 7<sup>th</sup> march 2017 issued orders stating that the Fourth State Finance Commission ceased to exist with immediate effect and in pursuance of these orders the office of the Commission was wound up without submitting its final report.

**3.5.3** Government of Andhra Pradesh reconstituted the Fourth State Finance Commission under the Chairmanship of Gummadi Nancharaiyah on 8.2.2018 with 3 members and one member Secretary. The Commission submitted its report in October 2019. The Commission made 91 recommendations, 40 related to PRIs and 51 related to urban local bodies. The award period of the Commission is 2020-2021 to 2024-2025. The Commission recommended devolution of 6.50 percent of state's own tax revenue to PRIs and 3.26 percent of the state's own tax revenue to ULBs. The Commission arrived at resource gap of Rs. 26975 crores to PRIs and Rs. 13568 crores to ULBs for five years period. The Commission recommended that the PRIs and ULBs should be allowed to spend not more than 50 percent of the total tax transfer received for meeting the resource gap. The other 50 percent should be used for investment in core infrastructure areas in line with priorities indicated by the government. To ensure fiscal autonomy and equity, the Commission recommended devolution to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads in the ratio of 80:10:10. With regard to inter se distribution of funds among three tiers of PRIs viz., GPs, MPs and ZPs, the Commission considered four indicators namely Population, Geographical area, SC Population and ST Population with weights of 60, 20, 10 and 10 respectively. The Commission recommended that to ensure certain degree of fiscal equity, 90% of the total tax shares of urban local bodies are provided to all ULBs on Population Basis, while the remaining 10% should be provided only to Municipal Councils and Nagar Panchayats. The Commission recommended to give separate grant to Municipalities and Nagar Panchayats with less than one lakh population. It recommended that 90% of the funds devolved to PRIs should be utilized to meet the expenditure on basic amenities for each tier of PRIs, the remaining 10 percent should be utilized for improving the accountability and updating of books of accounts. The Commission recommended special fund of Rs. 52 crores per annum at the rate of 3 lakhs each to 1719 Gram Panchayats with less than 1000 population. The Commission recommended to increase per capita grant of GPs from Rs. 8/- to Rs. 25/-, from Rs. 16/- to Rs. 50/- to MPs and from Rs. 8/- to Rs. 25/- for Zilla Praja Parishads. In case of ULBs, the Commission recommended to enhance percapita grant to Rs. 50/- and to devolve an amount of Rs. 250 crores to ULBs to meet the maintenance cost.

**3.5.4** The Fourth State Finance Commission made 40 recommendations for PRIs including 14 financial and 26 non-financial recommendations. The government accepted 7 financial recommendations and two recommendations with modifications while the

government accepted 20 non-financial recommendations, 3 referred to the concerned departments and rejected 5 Financial and 3 Non-Financial recommendations.

The Commission made 51 recommendations for ULBs. (19 Financial and 32 Non-Financial recommendations) the government accepted 8 financial recommendation and three are referred to concerned departments to examine the issue. Out of 32 non-financial recommendations all the recommendation are accepted in principle but 14 recommendations are referred to concerned Departments/Organizations to examine and take necessary action.

**3.5.5 Implementation:** The Fourth State Finance Commission submitted the report on 30<sup>th</sup> October, 2019 on receipt of the report of the Commission, Government constituted a committee of ministers and Secretaries under the chairmanship of minister for finance to examine the recommendations of the fourth state finance Commission and for suggesting various measures to improve the financial position of local bodies vide G.O.Rt.No.268 of Finance Department dated 10.10.2022. The committee is constituted two years after submission of the report by the Fourth State Finance Commission and action taken report is placed before the state legislature in February, 2024 i.e. 51 months after submission of the report and after completion of 4 years of award period. The government did not operationalize the accepted recommendations during the last year of the award period.

### **3.5.6 Conclusion:**

The State Government has accepted around 60 percent of the recommendations made by the first, Second and Third Finance Commissions. But the State Government has not implemented all the recommendations accepted and the overall proportion of fully implemented recommendations in very low.

The Fourth State Finance Commission is the First State Finance Commission Constituted after bifurcation of the state of Andhra Pradesh. It is disheartening to note that the Government took more than four years to place the action taken report before the state legislature and not even a single accepted recommendations is implemented during the last year of the award. It is pertinent to note that an actual implementation left much to be desired.

## CHAPTER - IV

### UNION FINANCE COMMISSIONS AND DEVOLUTION TO LOCAL BODIES

**4.1 Introduction:** The origin and evolution of federal finance in India can be traced back to the Government of India Act 1919 and 1935. For a very long time, the scope of the Indian union remained limited to two entities namely union government and state government. In a healthy federation, both the units thought to have equal rights and powers. The states have the responsibility of delivering basic services to the public. Therefore, they experience a lot of pressure on their resources which are rather limited. In any federation, the sources and resources of the central government are generally wider and larger while those of the state governments are limited. This in turn results in vertical and horizontal fiscal imbalances.

**4.1.1** There is a constitutional mandate to address the issues of vertical and horizontal fiscal imbalances in system of two-level government in our federation. The Centre and the states in matters pertaining to resources are resolved through a mechanism in government by the finance Commission under article 280 of our constitution.

**4.1.2** The financial relations between state and local self-government is regulated by the State Finance Commission for the respective states, under Articles 243 (I) and (Y). Prior to the 73<sup>rd</sup> and 74<sup>th</sup> Amendment Act 1992. The Finance Commission used to continue the recommendations to the transfer of funds to the states under devolution of taxes and grants in aid. However, consequent on the amendments referred to the above article 280(3) (bb) and article 280(3) (c) of the constitution mandate the Commission to recommend measures to augment the consolidated fund of a state to supplement the resources of panchayats and Municipalities based on the recommendations of the respective State Finance Commission. It is a note-worthy feature of fiscal decentralisation in India that from the tenth finance Commission, all of them have taken the subsequent task of earmarking funds to local governments very seriously, particularly since the thirteenth finance Commission.

### **4.2 Tenth Finance Commission:**

**4.2.1** The Tenth Finance Commission was constituted before the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments. The Commission felt the need for augmenting the consolidated fund of the state for supplementing resources to local government and

recommended ad hoc grants for rural as well as urban local governments. An amount of Rs. 4380 crores was recommended for PRIs with a provision of Rs. 1100/- per capita based on rural population and an amount of Rs. 1000 crores was recommended to urban local bodies. The urban grant was to be distributed on the basis of slum population. These amounts were to be an additionally on and above the amounts already flowing from the State Governments.

### 4.3 Eleventh Finance Commission:

4.3.1 The Eleventh Finance Commission recommended a grant of Rs. 8000 crores for Rural Local Bodies and Rs. 2000 crores for Urban Local Bodies. In addition, State-specific grant of Rs. 98.61 crores was also recommended for maintenance of accounts for village panchayats and Rs. 200 crores was recommended for the creation of database relating to the finance of local governments. A significant recommendation was that the report of the C&AG in relation to audit of accounts of panchayats and Municipalities should be placed before a committee of the state legislature to be constituted on the same lines as the public accounts committee. It also highlighted the importance of creating a database on the finances of local governments. The Commission clarified that all the central public sector undertakings, including corporations and companies are subject to local government taxes. In respect of central government properties, user charges could be collected for services rendered. The Commission laid down that the funds should be spent on civic services including primary education and primary health care.

4.3.2 With regard to state-wise allocation of funds, the Commission opined that the efforts of the states in strengthening local governments should be rewarded. Further the revenue effort of the local governments was given a weightage of 10 percent. The devolution index included the following criteria and weightages.

**Table 4.1 XI FC Criteria of weightage for Horizontal Devolution**

Criteria	Weight
Population	40
Index of decentralization	20
Distance from high per capita income	20
Revenue efforts	10
Geographical Area	10

#### 4.4 Twelfth Finance Commission:

4.4.1 The Twelfth Commission recommended Rs. 25000 crores to be given over five years equivalent to 1.24 percent of the shareable tax revenue in the ratio 80:20 between the rural and urban areas. The Commission also focused on civic services. It also emphasized the importance of creating a database and maintenance of accounts.

The Commission gave up the index of decentralization and used the following criteria.

**Table 4.2 XII FC Criteria of weightage for Horizontal Devolution**

Criteria	Weight
Population	40
Geographical Area	10
Distance from high per capita income	20
Index of Deprivation	10
Revenue effort	20
(a). With respect to own revenue of states	10
(b). With respect to GSDP	10

4.4.2 The Commission had also stipulated that grants should be used for service delivery related to water supply and sanitation in the case of panchayats and 50% of grants provided to urban local bodies should be earmarked for solid waste management through PPP mode.

#### 4.5 Thirteenth Finance Commission:

4.5.1 The Thirteenth Finance Commission was a pathbreaker. Taking into account the demand of local bodies that they be allowed to benefit from the buoyancy of central taxes and the constitutional design of supplementing the resources of panchayats and Municipalities through grants-in-aid, the Commission recommended transfers to local governments as a percentage of the divisible pool of taxes, after converting this share to grants in aid under article 275. The proposal was to award 2.28 percent of the relevant divisible pool on t-1 basis, which would work out to 1.93 percent of the divisible pool during the relevant period of the Commission i.e. 2010-15. The grant has two components viz., basic component and performance component. The basic grant was estimated to be Rs. 57113 crores of which the performance grant worked out to be Rs. 30385 crores. The

thirteenth finance Commission restored the decentralization index basically focusing on the amounts devolved to the local governments from the state governments. The formula adopted was as follows.

**Table 4.3 XII FC Criteria of weightage for Horizontal Devolution of Local Bodies**

Criteria	Weights	
	PRIS	ULBS
Population	50	50
Geographical Area	10	10
Distance from highest per capita Income	10	20
Index of Decentralisation	15	15
SC/ST Population	10	-
FC local body grant utilization Index	5	5

**4.5.2** The Commission proposed to carve out a small portion of the basic grant and to allocate it exclusively for the development of the ‘Special Areas’.

The Commission came out with a set of conditions for the utilization of performance grant. They were

1. A separate budget document for local bodies (separately for PRIs & ULBs).
2. An audit system for all local bodies.
3. System of independent local body ombudsman.
4. Electronic transfer of funds to local governments.
5. Prescription of qualifications of persons eligible for appointment as members of State Finance Commission.
6. Enabling local governments to levy property tax.
7. Putting in place a property tax board for urban areas.
8. Notifying service standards starting with Municipal Corporations and Municipalities.
9. Municipal Corporation with a population of more than one million should prepare a fire hazard mitigation plan.

### 4.5.3 Grants Recommended to Local Bodies (2010-2015):

The details of general basic grant and performance grants recommended to the states for the award period are presented in table below

**Table 4.4 Thirteenth Finance Commission: Grants recommended to local bodies (2010-2015)**

S. No	Nature of Grants	PRIs	ULBs	Local Bodies
1	General Basic Grants	47207.1	15128.3	56335.4 (65.38)
2	General Performance Grants	21816.6	8009.5	29826.1 (34.62)
3	Total Grants	63023.7	23137.8	86161.5

Note: Figures in parenthesis indicate percentages

Source: GOI, Report of the Thirteenth Finance Commission

In addition to the basic and performance grants, the Thirteenth Finance Commission has also recommended special area basic grants of Rs. 798 crore and special area performance grants of Rs. 559 crores. Hence, the total grants recommended to local bodies worked out to Rs. 87159 crores for the period 2010-2015. Though the Thirteenth Finance Commission adopted a platform-based incentive approach, recommended a total volume of Rs. 87519 crores. The local bodies could not draw 12 percent of total amount allocated to them mainly due to non-submission of utilization certificates.

### 4.6 Fourteenth Finance Commission:

**4.6.1** The Fourteenth Finance Commission recognized the need to trust and respect local bodies as institutions of local self-governments. The Fourteenth Finance Commission took a pragmatic view on supplementing the resources of panchayats and Municipalities. The Commission noted that the local bodies need to spend not only on the provision of basic services to the people but also require support for administrative infrastructure and capacity building. Hence the Commission considerably enhanced the grants and provided Rs. 2,87,436 crore for the period 2015-20, constituting an assistance of Rs. 488 per capita per annum at the aggregate level. Of this the grant recommended to panchayats was Rs. 2,00,292.2 crore and Rs. 87,143.8 crores to Municipalities. Fourteenth Finance Commission continued with the Thirteenth Finance Commission recommendation of making the grants in two parts, viz., basic grant and performance grant. The Commission recommended that 90 percent of the grant as basic grant and 10 percent as the performance grant in the case of Gram Panchayats. In the case of Municipalities, the division between basic and performance grant was on 80:20 basis.

The Fourteenth Finance Commission in the case of rural local bodies, unlike the previous Commissions recommended grants only to Gram Panchayats and not to the other tiers at the district and block levels.

**4.6.2** The Commission stressed the importance of royalty on minor minerals and the issue of municipal bonds. It called for property tax reforms and considered advertisement and entertainment tax as local taxes. It recommended increasing the profession tax up to of Rs. 12000/- per year.

**4.6.3** For distribution of grants, it gave a weightage of 90 percent to population and 10 percent to area. The basic grant was intended to be used to improve the status of the basic services i.e. water supply, sanitation, stormwater drainage, maintenance of community assets, street lighting and burial and cremation grounds. In order to be eligible for performance grants, the local governments would have to show an increase in own sources of revenue and also submit audited annual accounts. In addition, the urban local bodies will have to measure and publish service-level benchmarks to basic services.

The data on grants recommended by Fourteenth Finance Commission to local bodies is presented in table below

**Table 4.5 Grants Recommended By Fourteenth Finance Commission to Local Bodies**

**(Rs. in crores)**

S. No	Local Bodies	Basic Grant	Performance Grant	Total Grant
1	Rural Local Bodies	180262.98 (90.00)	20029.22 (10.00)	20,02,922.0 (69.76)
2	Urban Local Bodies	69715.04 (80.00)	17428.76 (20.00)	87143.80 (30.3%)
3	All Local Bodies	249978.02 (87%)	37457.98 (13%)	2,87,436.00 (100.00)

Note: Figures in the parentheses indicate percentages

Source: GOI, Report of the Fourteenth Finance Commission

**4.6.4** It is evident from the table that the total size of the grant was Rs. 2,87,436 crore for the period 2015-2020 of this total, Rural local Bodies have received 69.7 while Urban Local Bodies received 30.3%. The share of basic grants was 90 percent for Rural Local Bodies, while it was 80 percent for Urban Local Bodies.

## **4.7 Fifteenth Finance Commission:**

**4.7.1** The Fifteenth Finance Commission made significant departures from the Fourteenth Finance Commission while considering the grants to local bodies.

- a) The Commission recommended grants to all tiers of the Panchayat Raj system.
- b) Recommended grants to the fifth and sixth schedule areas and cantonment boards
- c) Tied grants in the critical sectors of sanitation and drinking water under the Centrally Sponsored Schemes (CSS), namely, Swachh Bharat Mission and Jal Jeevan Mission
- d) Gradual increase in the share of funds to Urban Local Bodies to 40 percent.
- e) Differential treatment to 50 million-plus cities with special emphasis on air quality, ground water depletion and sanitation.

**4.7.2** The Fifteenth Finance Commission recommended total grants of Rs. 4,36,361 crores to local bodies for the period 2021-2022 to 2025-26 out of these total grants Rs. 8,000 crore was performance-based grants for the incubation of new cities and Rs. 450 crores for shared municipal services and Rs. 70,051 crore to strengthen and plug critical gaps in health care system at the primary health care level. A sum of Rs. 2,36,805 crore is earmarked for Rural Local Bodies, Rs. 1,21,055 crore for urban local bodies. The inter se distribution among states has a weightage of 90% for population and 10% for the area of the states. The quantum of grants for rural local bodies and Urban Local Bodies in each state is based on the ratio of 67:33 for the years 2021-2022 and 2022-2023, 66:34 for 2023-2024 and 2024-2025, and 65:35 for 2025-2026. The information on grants recommended to local bodies by Fifteenth Finance Commission is furnished in table below.

**Table 4.6 Fifteenth Finance Commission – Grants to Local Governments (2021-2022 -2025-2026) (Rs. in crores)**

S. No	Grants	2021-22	2022-23	2023-24	2024-25	2025-26	Total
1	Rural Local Bodies	44901	46513	47018	49800	48573	236805
2	Urban Local Bodies	22114	22908	24222	25653	26158	121055
3	Primary Health Sector	13192	13192	13851	14544	15272	70051
4	Incubation of New Cities	-	2000	2000	2000	2000	8000
5	Shared Municipal Services	90	90	90	90	90	450
6	Other Grants to Local Bodies	67015	69421	71240	75453	74731	357860
7	<b>Total</b>	<b>80297</b>	<b>84703</b>	<b>87181</b>	<b>92087</b>	<b>92093</b>	<b>436361</b>

Source: GoI, Fifteenth Finance Commission Report

**4.7.3** The Commission recommended grants for all the three tiers of panchayat raj institutions since the three tiers are parts of one system and are interlinked through backward and forward linkages. The Commission stated that availability of funds to all the three tiers would improve the functional coordination among them and facilitate the creation of assets across smaller jurisdictions, thereby increasing project viability in such areas. The Commission also recommended grants to fifth and sixth schedule areas and excluded areas in order to augment their resources for providing basic services through their respective local-level bodies.

**4.7.4** The Commission recommended that the inter se distribution among the three tiers of panchayats viz., village, block and district should be done by the state governments on the basis of the recommendations of State Finance Commission and in conformity with the following bands

- (a) Not less than 70 percent and not more than 85 percent for Gram Panchayats.
- (b) Not less than 10 percent and not more than 25 percent for block panchayats.
- (c) Not less than 5 percent and not more than 15 percent for Zilla Praja Parishads subject to the shares adding up to 100%

**Table 4.7 Range for Distributing Funds to the Three Tiers**

Range for Distribution	Gram Panchayats	Block Panchayats	District Panchayats
Minimum	70%	10%	5%
Maximum	85%	25%	15%

In respect of allotment of grants for excluded areas, allocation should be made based on population and area in the ratio of 90:10.

#### **4.7.5 Eligibility Criteria to Avail Grants:**

**4.7.5.1** Falling in line with the recommendation of the previous Finance Commissions, this Commission also recommended two types of grants viz., tied grants and untied grants, 60 percent of the grants to rural local bodies should be tied, with 30 % of the total grants should be earmarked for drinking water, rainwater harvesting and water recycling, 30 percent of the grants should be tied to supporting and strengthening the delivery of two categories of basic services, sanitation and maintenance of ODF status which should include management and treatment of household waste and human excreta and fecal sludge management. With regard to urban local bodies, the Commission recommended that for cities with million plus population (million plus cities) 100 percent of the grants are performance-linked through the Million-Plus Cities Challenge Fund (MCF). One third of the total MCF of each city is earmarked for achieving ambient air quality. The balance two-thirds of the city wise MCF is earmarked for achieving service level benchmarks for drinking water (including rainwater harvesting and recycling) and sanitation and solid waste management.

**4.7.5.2** Basic grants are proposed only for cities/towns having a population of less than a million. It recommended that sixty percent of the basic grants for urban local bodies in non-million-plus cities should be tied to support and strengthen the delivery of,

- (a) Sanitation and Solid Waste Management.
- (b) Drinking water, rain water harvesting and water recycling. The remaining 40 percent of the grants can be used by the Urban Local Bodies for felt needs, excluding salaries and other establishment costs.

#### **4.7.6 Eligibility Criteria to Avail Grants (2021-22 & 2022-23):**

The Commission put some conditions to avail the funds sanctioned to local bodies. In the first and second year of the award period (2021-2022 and 2022-2-23) states

need to ensure that at least 25 percent of the Rural Local Bodies have both their provisional accounts for the previous year and audited accounts for the year before the previous available online in the public domain in order to avail of the full grants in that year. From the third year (2023-2024) onwards, grants will be released only to those local bodies having both provisional accounts of the previous and audited accounts for the year before previous and making these available online. For Urban Local Bodies in addition to the above conditions, states must approximately notify floor rates for property tax and there after show consistent improvement in collection in tandem with the growth rate of states own GSDP.

#### **4.7.7 Grants for Health:**

The Union Finance Commission noted that the Covid-19 pandemic has brought the limitation of India's health infrastructure to the fore and considered this to be an opportune time to involve the third tier in the health sector and extend additional resources to strengthen the primary health system at the gross root levels. The Commission believed that the involvement of local governments would make the health system accountable to the people. The Commission identified interventions that will directly lead to strengthen the primary health infrastructure and facilities in both rural and urban areas. A sum of Rs. 70,051 crore was earmarked for the health sector at the Rural and Urban Local Body levels. The components identified are

- (a) Support for diagnostic infrastructure to the primary health care facilities to sub centers, PHCs and urban PHCs
- (b) Block level public health units.
- (c) Urban health and wellness centers (HWCs).
- (d) Building sub centers, PHCs, CHCs.
- (e) Conversion of rural PHCs and sub centers into health and wellness centers.

#### **4.8 Implications for Andhra Pradesh:**

**4.8.1** Andhra Pradesh has faced a mixed impact from the devolution of Union Finance Commission grants to local bodies. The Finance Commission devolutions to local bodies were not given as additional grants until 2010. Since, Thirteenth Finance Commission, the State benefited from the increased flow of funds, as may be seen in the table below.

**Table 4.8 Grants Recommended to Local Bodies in Andhra Pradesh by Thirteenth and Fourteenth Finance Commissions (Rs. in crores)**

<b>XIII Finance Commission (2010-2015)</b>	<b>PRIs</b>	<b>ULBs</b>	<b>TOTAL</b>
General Basic Grant	3417.3	1254.6	4671.9 (65.4)
General Performance Grant	1809.3	664.2	2473.5 (34.6)
<b>Total Grant</b>	<b>5226.6 (73.1)</b>	<b>1918.8 (26.9)</b>	<b>7145.4</b>

<b>XIV Finance Commission (2015-2020)</b>	<b>PRIs</b>	<b>ULBs</b>	<b>TOTAL</b>
General Basic Grant	7788.68	2908.64	10697.32 (87.04)
General Performance Grant	865.41	727.16	1592.57 (12.96)
<b>Total Grant</b>	<b>8654.09 (70.4)</b>	<b>3635.80 (29.6)</b>	<b>12289.89</b>

Source: GoI, Reports of the Thirteenth and Fourteenth Finance Commission.

Note: Figures in parentheses indicate percentages.

**4.8.2** It is evident from the table that Thirteenth Finance Commission recommended a grant of Rs. 7145.6 crore to Andhra Pradesh of which the share of PRIs and ULBs was 73 percent and 27 percent respectively. Of the total grants recommended, basic grant accounted for 65 percent and performance grant for 35 percent.

**4.8.3** Fourteenth Finance Commission recommended a grant of Rs. 12,290 crores, comprising Rs. 8,654 crores to PRIs and Rs. 3,635 crore to ULBs. The share of basic grant in total grant was 87 percent. It can be seen from the table that in comparison with thirteenth finance Commission, Fourteenth Finance Commission increased the share of basic grants in total grants.

**4.8.4** Fifteenth Finance Commission recommended grants to local bodies under six heads

- a) Grants for rural local bodies.
- b) Grants for urban local bodies.
- c) Grants for health to be channeled through local governments.
- d) Performance based grants to the urban sector for the incubation of new cities.

e) Grants for shared municipal services.

The data on year wise grants to Rural and Urban Local Bodies recommended by the Fifteenth Finance Commission to Andhra Pradesh are given in the table below.

**Table 4.9 Year Wise Grants to Local Bodies in Andhra Pradesh (Rs. in crores)**

Years	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Rural	2625	1939	2010	2031	2152	2099	12856
Urban	1264	956	990	1046	1109	1130	6495
All States -Rural	60750	44901	46513	47018	49800	48573	297555
Urban	29250	22114	22908	24222	25653	26158	150305

Source: GoI, Report of Fifteenth Finance Commission

**4.8.5** It can be seen from the table that Rs. 12856 crore was recommended to Rural Local Bodies in Andhra Pradesh and Rs. 6495 crore to Urban Local Bodies during 2021-2026. The share of the Andhra Pradesh state in all states worked out to be 4.32 percent. The particulars on category wise grants released to Rural Local Bodies in Andhra Pradesh are furnished in table below.

The data on Fifteenth Finance Commission grants released to RLBs is given in the tables below.

**Table 4.10 Fifteenth Finance Commission Grants Released to Rural Local Bodies  
(Rs. in crores)**

S. No	RLBs	2020-21	2021-22	2022-23	2023-24	Total
1	<b>Zilla Praja Parishads</b>					
	<b>Basic Grant</b>	196.88	116.34	120.60	121.86	555.68
	<b>Tied Grant</b>	196.88	174.51	180.90	182.81	735.10
	<b>Total</b>	393.76	290.85	301.50	304.67	1290.78
2	<b>Mandal Praja Parishads</b>					
	<b>Basic Grant</b>	196.87	115.39	118.64	120.02	550.92
	<b>Tied Grant</b>	196.87	173.09	177.96	180.05	727.97
	<b>Total</b>	393.74	288.48	296.6	300.07	1278.89
3	<b>Gram Panchayats</b>					
	<b>Basic Grant</b>	918.75	535.41	548.60	557.02	2559.78
	<b>Tied Grant</b>	918.75	803.11	830.05	835.68	3387.59
	<b>Total</b>	1837.5	1338.52	1378.65	1392.70	5947.37
4	<b>Total RLBs</b>					
	<b>Basic Grant Total</b>	1312.50	767.14	787.84	798.90	3666.38 (43.05)
	<b>Tied Grant Total</b>	1312.50	1150.71	1188.91	1198.54	4850.66 (56.95)
	<b>Grand Total</b>	2625.00	1917.85	1976.75	1997.44	8517.04

Source: GoI, Report of Fifteenth Finance Commission

**4.8.6** It can be seen from the table that Rs. 1290.78 crores were released to Zilla Praja Parishads of which Rs. 555.68 crores were basic grants and Rs. 735.10 crores were tied grants. In case of Mandal Praja Parishads, total grants released during the period 2020-2021 to 2023-2024 were Rs. 1278.89 crores, including 727.97 crores tied grant and 550.92 crores basic grant. The released amount to Gram Panchayats during the period worked out to be Rs. 5947.37 crores of which Rs. 2559.78 crores were basic grants and Rs. 3387.59 crores tied grant. The total grants released to three tiers of RLBs were Rs. 8517.04 crores.

**Table 4.11 Fifteenth Finance Commission Grants Released to Urban Local Bodies  
(Rs. in lakhs)**

ULBs	2021-2022		2022-2023	
	Released	Expenditure	Released	Expenditure
<b>Municipal Corporation</b>				
Untied	12489	6822.88 (54.63)	13109.28	1754.31 (13.38)
Tied	18733.52	2631.69 (14.05)	19663.92	1205.42 (6.13)
<b>Municipalities</b>				
Untied	15341.37	8448.74 (55.01)	15431.85	1627.07 (19.83)
Tied	23012.05	1029.58 (4.47)	23147.77	322.59 (13.93)
<b>Nagar Panchayats</b>				
Untied	2249.63	1606.22 (71.40)	2618.87	243.39 (9.29)
Tied	3374.43	192.66 (5.71)	3928.31	1.45 (0.037)
<b>Million Plus Cities (02)</b>				
Tied	20220.57	1580.28 (7.81)	19350	-
<b>ULBs Total</b>				
Untied	30080.00	16877.84 (56.12)	31160.00	3624.77 (11.63)
Tied	65340.57	5434.15 (8.32)	66090.00	1529.46 (2.31)

Note: Figure in parenthesis indicate percentage of released grants

**4.8.7** A cursory glance of the table indicates the funds released to Urban Local Bodies viz., Municipal Corporations, Municipalities, Nagar Panchayats and Expenditure incurred by them during 2021-2022 and 2022-2023. It can be seen from the table that during 2021-2022, all ULBs could spend 56 percent of untied grants and only 8.32 percent of tied grants. During 2022-23, it is disheartening to note that only 11.63 percent untied grants and 2.31 percent of tied grant was spent by ULBs. It is to be noted that with regard to utilization of untied and tied grants during 2021-22, the performance of Nagar Panchayats is better than Municipalities and Municipal Corporation.

**Table 4.12 Category Wise Year Wise Grants Recommended to Urban Local Bodies in Andhra Pradesh 2020-2021 to 2025-2026 (Rs. in crore)**

Year	Category-I Million plus cities	Category-II Other than Million plus cities
2020-2021	270	994
2021-2022	204	752
2022-2023	211	779
2023-2024	223	823
2024-2025	237	872
2025-2026	241	889
<b>Total</b>	1,386 (21.33)	4,115 (78.67)

Source: GoI, Report of Fifteenth Finance Commission

Note: Figures in parentheses indicate their shares.

As seen from the table above, around 79 percent of the grants recommended for ULBs in Andhra Pradesh are earmarked for category-II Urban Local Bodies, while the share of grants recommended to category-I Urban Local Bodies was 21%.

**4.8.8** For category-I cities, the Commission recommended grants in the form of a Million-Plus Cities Challenge Fund (MCF). These grants are linked to the performance of cities in improving air quality and meeting service-level benchmarks for urban drinking water supply, sanitation, and solid waste management. In the state of Andhra Pradesh two cities are identified as Million-Plus cities viz., Vijayawada and Visakhapatnam. The details on purpose wise grants recommended to these million-plus cities in Andhra Pradesh are given in the table below.

**Table 4.13 Purpose Wise Grants Recommended To Million Plus Cities in Andhra Pradesh (2021-2026)**

City	Total Grant	Sanitation and SWM	Air Quality	Population
<b>Vijayawada</b>	514	344 (66.93)	170 (33.07)	1.48 million
<b>Visakhapatnam</b>	602	401 (66.61)	201 (33.39)	1.73 million
<b>Total</b>	1,116 (100.00)	745 (66.76)	371 (33.34)	3.21 million

Source: GoI, Report of the Fifteenth Finance Commission.

Note: Figures in parenthesis indicate percentages.

A cursory glance of the table, Indicates that about 67 percent of the grant is linked to service level bench marks and 33 percent of the funds are for improving the air quality in these two cities.

#### **4.8.9 Health Grants Recommended to Andhra Pradesh:**

The Fifteenth Finance Commission recommended health grants under Five Heads

- a) Support for diagnostic Infrastructure to the primary health care facilities.
- b) Block level public health units.
- c) Urban health and wellness centers.
- d) Constructing sub-centers, PHCs, CHCs.
- e) Conversion of rural PHCs and sub-centers into health and wellness centers.

The data on head wise grants recommended under health grants are furnished in table below. It is evident from the table that Rs. 2601 Crores was allocated under health grants to the state.

**Table 4.14 XV FC Recommended Health Grants to Andhra Pradesh**

<b>Particulars</b>	<b>Amount (Rs. in crore)</b>
I. Support for Diagnostic Infrastructure	673.22 (25.78)
Sub Centers	290.78
PHCs	306.18
Urban PHCs	76.26
II. Block level Public Health Units.	713.79 (27.44)
III. Urban health and wellness centers.	546.43 (21.00)
IV. Building less sub centers PHCs and CHCs.	6.22 (0.24)
V. Conversion of rural PHCs and sub centers into health and wellness centers	661.66 (25.44)
<b>Total Health Grant</b>	<b>2,601.32</b>

Approximately 26% of health grants were recommended for supporting diagnostic infrastructure. 27% for block-level health units and 25% for converting rural PHCs and sub-centers into health and wellness centers.

## CHAPTER - V

### DECENTRALISED GOVERNANCE AND DEVOLUTION OF POWERS & FUNCTIONS TO LOCAL BODIES

**5. Introduction:** Decentralized Governance in the Indian context signifies devolution of powers and functions to the third tier Local Governments to enable them to plan and implement schemes for economic development and social justice. In this chapter Fifth State Finance Commission has made an attempt to (a) Assess the status of decentralized governance and devolution in PRIs & ULBs and (b) Make recommendation for further strengthening of decentralized governance through devolution of functions, funds and functionaries. This chapter is presented in two sections. The devolution of functions, funds and functionaries for PRIs is analysed in the first section. Section two deals with decentralized governance in urban local bodies.

#### Section - I

##### 5.1 Decentralised Governance in PRIs:

**5.1.1 Constitutional Mandate:** Self-governing village committees had existed in India from ancient times. These village bodies were known as “Panchayats”. Under Article 40 of the Constitution, the States were mandated to, but the progress in this direction in many states was not satisfactory for various reasons. Visualizing the need for a more realistic decentralized governance, Government of India brought 73rd and 74th Constitutional Amendment Acts (CAA) 1992. The 73<sup>rd</sup> CAA provided for three tier Panchayat Raj System at Village, Intermediate and District level and 74<sup>th</sup> CAA provided for three types of self-governing institutions viz., Municipal Corporations, Municipal Councils and Nagar Panchayats in urban areas. The Statement of Objects and Reasons of the CAA stated that-

*“Though the Panchayat Raj Institutions have been in existence for a long time, it has been observed that these institutions have not been able to acquire the status and dignity of viable and responsive people’s bodies due to a number of reasons including absence of regular elections, prolonged supersession, insufficient representation of weaker sections like Scheduled Castes, Scheduled Tribes and women, inadequate devolution of powers and lack of financial resources”.*

The spirit of Constitutional Mandate was to change the governance structure at grass root level and to devolve powers and functions to the Panchayat Raj Institutions (PRIs) and the Urban Local Bodies (ULBs). Through the CAA, Article 243 to 243O and Schedule XI for PRIs and Article 243 P to 243 ZG and Schedule XII for ULBs were inserted in the Constitution. While the Schedule XI contains 29 functions the Schedule XII contains 18 functions for transfer to PRIs and ULBs respectively. However, the Constitution does not automatically transfer powers and functions to PRIs and ULBs but merely creates a frame (Art 243G) for the State Legislatures, *“to endow them, with such powers and authority as may be necessary to enable them to function as institutions of self-governance”*. The CAA also contains provisions for reservation of seats for women and weaker sections, regular elections and regular flow of funds through Central and State Finance Commissions. The CAA became effective from April 24, 1993.

**5.1.2 Conformity Laws of the State:** Government of Andhra Pradesh (GoAP) adopted the conformity law and enacted the Andhra Pradesh Panchayat Raj (APPR) Act in 1994 by repealing the then existing AP ZPP & MPP Act 1987 and AP GP Act 1964. This new APPR Act came into effect from 27-05-1994. Similarly, Government enacted the Andhra Pradesh Municipal Corporations Act, 1994 to set up Municipal Corporations in the State. The Municipalities and Nagar Panchayats are however, governed by the Andhra Pradesh Municipalities Act 1965.

The decentralization as envisaged in the CAA encompasses Political, Administrative and Fiscal decentralization. Though the political decentralization is complete in the State, the Administrative and Fiscal decentralization is still evolving with gradual transfer of functions, functionaries and funds to the local governments.

**5.1.3 Devolution to PRIs in the First Decade of CAA:** During the first decade of CAA from 1994 to 2004, GoAP issued orders devolving 17 items of the XI Schedule to the PRIs. In the year 2001 Government brought out Vision-2020 document seeking to work out a new model of governance in the State with focus on governance reforms. As part of reforms, “User Committees” were set up to facilitate the local communities to participate in the developmental programs. As a result of this, many of the functions devolved to the PRIs were taken over by the user committees. Thus the user committees and the other development agencies became parallel institutional structures marginalizing the elected local governments.

**5.1.3.1** It is to be noted that while Andhra Pradesh adopted many economic and governance reforms, it was slow in the matter of decentralization reforms to strengthen the three tier PRIs. There may be an apprehension on transferring functions, funds, and functionaries to PRIs, may be on the presumption that the Panchayats do not have adequate administrative and technical expertise. The AP Second State Finance Commission had also observed that necessary funds and functionaries were not fully transferred to the Panchayats

**5.1.4 Principle of Subsidiarity:** For devolving functions, funds and functionaries, a clarity on the role and responsibilities of different tiers of PRIs is provided by the “Principle of subsidiarity” and “Activity mapping”

The principle of subsidiarity stipulates that *“functions shall be carried out closest to citizens at the smallest unit of governance possible and delegated upwards only when the local unit cannot perform the task”*.

The Activity Mapping imply that the *“Subjects or functions first need to be unbundled and assigned to the different levels of government on clear principles of public finance, accountability and citizen-centricity”*.

**5.1.4.1** The Second Administrative Reforms Commission, in its Sixth Report relating to Local Governance, recommended that *“there should be clear cut delineation of functions for each level of local governance. This is not a onetime exercise and has to be done continuously while working out locally relevant socio-economic programs, restructuring organizations and framing subject matter laws”*.

**5.1.5 Devolution to PRIs in the Second Decade of CAA:** To secure effective devolution of powers to PRIs, GoAP in the year 2007 constituted a Task Force Committee to prepare proposals for devolving powers and functions to PRIs. This Committee basing on the activity mapping and the principle of subsidiarity demarcated 42 operational responsibilities for PRIs under the following 10 core subjects.

**Table 5.1 No. of Activities Transferred to PRIs**

S. No	Name of Line Department / Subject	No of Activities transferred	Corresponding funds transferred
1	Agriculture	3	2
2	PR&RD	8	8
3	Animal Husbandry	7	7
4	Welfare of weaker sections	7	7
5	Rural Water Supply	4	4
6	BC Welfare	5	3
7	Fisheries	4	4
8	Education	1	NIL
9	Health	2	NIL
10	Women & Child Welfare	1	NIL
	<b>Total</b>	<b>42</b>	<b>35</b>

**5.1.5.1** Basing on the Task Force Committee recommendations, Government in supersession of 17 earlier orders, issued fresh orders devolving functions along with funds to PRIs. But funds transfers were indicated only against seven subjects viz., Agriculture, Animal Husbandry, Fisheries, SC Welfare, BC welfare, Rural Water Supply, and Rural Development. In respect of remaining three viz., Education, Health and Women & Child Welfare only review powers were given without funds. The PRIs were directed to prepare and approve annual action plans for all the devolved activities. No functionaries were transferred along with the functions and it was simply mentioned that in respect of the devolved functions the concerned functionaries shall report to the respective PRIs. With regard to transfer of funds, following instructions were issued.

- a) The Budget Release Orders will be issued from Finance Department in the name of concerned Head of Department.
- b) The funds transferred for the activities devolved shall be adjusted to the PD accounts of concerned PRIs i.e., Zilla Praja Parishad / Mandal Praja Parishad / Gram Panchayat.
- c) The respective institution shall utilise the funds for the devolved activities and submit utilization certificate to the concerned Head of the Department.
- d) The PRIs shall follow the New Accounting System as detailed in G.O. Ms. No.172, PR&RD dated 16.05.2005 (But subsequently the GoAP adopted Model Accounting System for PRIs in GO Ms No 324 PR&RD dated 09-09-2010 to be implemented

from 01-04-2010). The PRIs were made responsible for proper auditing and reconciliation of the funds transferred to them.

The activities mapped at each level of PRIs along with the corresponding Heads of Accounts for transfer of funds for each devolved subject is shown in Appendix 5.1.A and the activity mapping is given in Appendix 5.1.B.

**5.1.6 Devolution Index of PRIs:** The Ministry of Panchayati Raj (MoPR) had been from 2006 onwards undertaking through independent institutions, the preparation of a Devolution Index (DI), which ranks States on the enabling environment that have been created in the States under the framework of the Constitution. The MoPR had entrusted the responsibility of developing the report on Devolution Index to the Tata Institute of Social Sciences for the year 2014-2015. The report ‘How effective is devolution across Indian States’ is the latest available outcome of the assessment of devolution of funds, functionaries and finances conducted by TISS in 25 states. The study constructed three indices of devolution- Devolution in Policy (DPo), Devolution in Practice (DPr) and Devolution in Policy adjusted against Practice (DPa). The indicative rankings show the extent of devolution for different components across the states to draw broad inferences. The effectiveness of devolution critically dependent on effective transfer of functions, functionaries and funds. As per the report of MoPR & TISS, the better performing states according to the indices are Kerala Sikkim, Karnataka, Maharashtra and West Bengal while Arunachal Pradesh, Bihar, Jharkhand and Uttar Pradesh are among the poor performers in the various Indices. The devolution index of top five states and of Andhra Pradesh are as follows.

**Table 5.2 Devolution Indices for Selected Indian States (2014-15)**

S. No	Name of State	DPo	DPr	DPa
1	Kerala	1	1	1
2	Sikkim	4	2	2
3	Karnataka	2	3	3
4	Maharashtra	3	4	4
5	West Bengal	5	8	5
6	Andhra Pradesh	14	20	18

Source: MoPR - ‘How effective is devolution across Indian States’

- a) In DPo Andhra Pradesh ranked Fourteenth, indicating that while the state had favourable policies regarding devolution, Kerala , Karnataka and Maharashtra are better in terms of policy formulation for empowering PRIs.

- b) Regarding DPr Andhra Pradesh ranked 20<sup>th</sup>. It suggests that while the state performed relatively well in implementing devolution policies, Kerala, Sikkim and Karnataka were superior in practically empowering local governance.
- c) Similarly, in DPa the rank of Andhra Pradesh is 18<sup>th</sup>. This metric indicates how well the policies are put into practice. The state like Kerala, Sikkim, Karnataka and Maharashtra have a better alignment between policy and practice.

**5.1.7 Status of implementation of devolved activities:** The Ministry of Planning and Panchayat Raj, Govt. of India has suggested activity mapping for all the three tiers of panchayats so that the issues of overlapping and accountability are sorted and effective service delivery is ensured. The state issued the activity map in respect of 10 subjects where each tier of panchayat is assigned certain specific functions/ programs as per the eleventh schedule of the constitution. The implementation of these activities is brought under schemes formulated by line departments following the guidelines of Planning Department. The role of PRIs is to plan and implement their activities according to the schemes already envisaged, but the PRIs are not consulted while planning in the way it is required. Some of the activities within the purview of a Panchayat, which are under the district sector, are implemented by the concerned departments and parasternal agencies under the state sector. Despite being constitutional bodies, these institutions are made to act as the departments/ agencies of the State Government. Hence, the GPs have little say in formulation and implementation of the programs.

5.1.7.1 During the field visits, the Fifth State Finance Commission has observed that implementation of the devolved functions is being done through other agencies, the role of statutory institutions has become nominal. *Hence, the Commission recommends that the concerned line departments may issue guidelines, provide technical support and transfer adequate funds to PRIs. In addition, allocation in the state budget should be reflected under appropriate minor heads (196/ 197/ 198) for ZPs, MPPs and GPs to ensure effective execution of devolved activities.*

**5.1.8 Village Secretariats:** To provide various government services to citizens at their doorsteps through a single-window system, GoAP in GO Ms No.110 PR&RD Dept. dated 19-07-2019 established “Village Secretariats” for every 2,000 residents in rural areas. The village secretariat consists of Panchayat Secretary and the functional assistants of all major line departments. The Panchayat Secretary functions as the Secretary/ Convener of

the Village Secretariat. The village volunteers have been integrated into the Village Secretariat system. All the functionaries at the Village Secretariat are supposed to act as an integrated workforce to assist the Gram Panchayat in performing its functions in a convergence mode for delivery of all essential public services. The Mandal level officers visit the Secretariats and guide the functionaries at field. The following are the observations of Fifth State Finance Commission about the functioning of Village Secretariat.

- a) The Village Secretariat system has introduced functional assistants from various departments, which can sometimes lead to overlapping roles and confusion over accountability. This may blur the lines between the traditional powers of Gram Panchayats and the functions of Village Secretariats.
- b) While the Village Secretariat is intended to assist Gram Panchayats, it risks undermining their autonomy by shifting the decision-making power to government-appointed officials. This can lead to the Gram Panchayat's reduced authority in local governance and planning.
- c) Functional assistants report to their respective line departments, creating delays in the implementation of decisions taken by Gram Panchayats.
- d) Village Secretariats consist of personnel from line departments, who may not be directly accountable to the elected panchayats, which can reduce the sense of community ownership and diminish the effectiveness of local governance.

**5.1.9** For Preserving the Autonomy of Gram Panchayats and to enhance decentralized governance the following are the recommendations of the Fifth State Finance Commission.

- a) To avoid overlap and confusion, the roles, and responsibilities of functional assistants in Village Secretariats should be explicitly defined vis-a-vis the elected Gram Panchayat. This should ensure that the Gram Panchayat retains control over local governance, and Village Secretariats merely assist in administrative functions.*
- b) Establish a formal coordination framework to align the activities of Village Secretariats with the priorities set by Gram Panchayats. This can include regular*

*joint meetings, performance reviews, and shared databases for efficient governance.*

- c) Functional assistants may report to Concerned Gram Panchayats and the MPDO for administrative purposes and to their respective line departments for technical matters.*

**5.1.10 Need for Roadmap for devolutions of Powers & Functions to PRIs:** Local governments, PRIs have key role to play for economic development and social justice in villages. Effective decentralization provides greater choice to the people to participate in decision making and this could act as a catalyst in development. Decentralization and devolution would be successful only when the State Government puts in place strong Panchayat Raj governance frameworks and develop the leadership capacity of the elected representatives to discharge the functional responsibilities.

*The Commission, therefore, recommends the following actions:*

- a) Conduct a thorough assessment of the status of devolution of powers and functions to the PRIs in the state, with a focus on identifying challenges, gaps, and opportunities to enhance decentralized local governance.*
- b) Analyse the 29 subjects listed in Schedule XI of the Constitution of India and prepare an Activity Matrix to clarify responsibilities at Zilla Praja Parishad, Mandal Praja Parishad and Gram Panchayat.*
- c) Based on the collected inputs, the State Panchayati Raj Department has to develop a roadmap for the effective devolution of the 3Fs to PRIs, in a phased manner, aimed at strengthening decentralized governance in rural areas.*

## **Section - II**

### **5.2 Decentralised Governance in Urban Local Bodies**

The 74th Constitutional Amendment Act provided constitutional status to Urban Local Bodies. It has empowered ULBs to perform 18 functions in the Twelfth Schedule of the Constitution of India. This chapter (a) Assess the status of decentralized governance and devolution in ULBs (b) Make recommendation for further strengthening ULBs.

**5.2.1 Constitutional Mandate:** The Article 243W of the Constitution authorized the State Legislature to enact laws to endow ULBs with powers and authority as may be necessary to enable them to function as institution of self-government. Article 243Q of 74th CAA provided for constitution of three types of Municipalities viz., (i) Nagar Panchayats, (ii) Municipalities/ Municipal Councils and (iii) Municipal Corporations. The Twelfth Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs.

**5.2.2 Conformity Laws of the State:** The ULBs in Andhra Pradesh are governed by the AP Municipalities Act 1965 as amended from time to time. The Municipal Corporations are governed by the Municipal Corporations Act of 1994. Government of AP have incorporated all the provisions of the 74<sup>th</sup> Amendment Act, in the above mentioned Acts. In respect of Municipal Corporations, out of 18 functions, GoAP devolved 13 functions fully and three functions partially to Municipal Corporations by incorporating relevant provisions in AP Municipal Corporation Act. Two functions viz., town planning and fire services were not devolved. But in respect of Municipalities/ Nagar Panchayats the Government devolved only seven functions fully and five functions partially by incorporating relevant provisions in the AP Municipal Act. The remaining six functions were not devolved. With regard to transfer of funds and functionaries the orders of Government are silent. The position relating to devolved functions to ULBs is given in Appendix 5.2.

**5.2.3 Implementation Status of devolved functions:** The specific roles being performed by the ULBs across 18 functions are outlined as follows:

- a) While 16 functions have been officially devolved to Municipal Corporations, they have full control over only five of them. In the remaining eleven functions, despite the devolution by the State Government through the provisions of the APMC Act, Parastatals and other State Government departments remain actively involved in their execution.
- b) Similarly, 12 functions have been devolved to Municipalities/ Nagar Panchayats, but they fully control only five. For the other seven functions, Municipalities/ Nagar Panchayats share responsibilities with Parastatals and State Government departments, despite the devolution through the APM Act.

- c) The Fifth State Finance Commission found that the ULBs are presently performing only 5-6 traditional functions like street sweeping, solid waste collection, Street lighting, Parks / Play grounds, Registration of births and deaths, Internal Roads, and Storm water drains etc, for which there are no parallel arrangements.

#### **5.2.3.1 Functions where ULBs have Full Jurisdiction:**

- a) Burials and burial grounds; cremations, cremation grounds and electric crematoriums.
- b) Cattle pounds; prevention of cruelty to animals.
- c) Regulation of slaughterhouses and tanneries.
- d) Public amenities including street lighting, parking lots, bus stops and public conveniences.
- e) Water supply for domestic, industrial and commercial purposes.

#### **5.2.3.2 Functions where ULBs have Partial Role:**

- a) Provision of urban amenities and facilities such as parks, gardens, playgrounds.
- b) Planning for economic and social development.
- c) Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded.
- d) Urban poverty alleviation.
- e) Regulation of land use and construction of buildings.
- f) Roads and bridges.
- g) Public health, sanitation, conservancy and solid waste management.
- h) Urban forestry, protection of the environment and promotion of ecological aspects.
- i) Promotion of cultural, educational and aesthetic aspects.
- j) Vital statistics including registration of births and death.
- k) Slum improvement and upgradation.

### **5.2.3.3 Functions not devolved:**

- a) Urban planning including town planning
- b) Fire services

**5.2.4 Urban Parastatals:** To carry out some of the important municipal functions in addition to ULBs, the Municipal Administration and Urban Development (MA&UD) Department has key role and parastatal agencies such as Andhra Pradesh Urban Finance Infrastructure Development Corporation (APUFIDC), Urban Development Authorities (UDAs), Directorate of Town and Country Planning (DTCP), the Andhra Pradesh Greening and Beautification Corporation (APGBC), Mission for Elimination of Poverty in Municipal Areas (MEPMA), Public Health & Municipal Engineering Department (PH&MED) and Swachha Andhra Corporation (SAC) for undertaking some of the functions expected to be performed by the ULBs

The responsibility of urban planning and regulation of land use vest with the Development Authorities. They formulate and implement Master Plans for cities drawing their powers from the Town and Country Planning Acts. The DTCP is in-charge of preparation of master plans. The Public Health, which includes Sanitation and solid waste management has become a program driven by a separate body for planning and implementing sanitation schemes through funds provided by Government of India under “Swachh Bharat Mission (SBM)”. The urban poverty alleviation programs are implemented by MEPMA. Thus, these parastatals, significantly erode the autonomy of ULB in the matters of urban and town planning. Land regularisation, building penalisation, building permission, and execution of major water supply projects and sanitation projects.

**5.2.5 Ward Secretariat:** The Ward Secretariat system was introduced in Andhra Pradesh vide GoMs no 217 MA&UD dated 20-7-2019 to decentralize administrative functions and bring governance closer to citizens. Government have provided 10 functional assistants of line departments called as “Ward Secretaries” at “Ward Secretariat” under the administrative control of the Municipal Commissioner of ULB. A total number of 3786 ward secretariats have been established with 37,860 Ward Secretary positions to deliver required services to eligible households. Each Ward Secretariat functions as a unit of administration, to serve multiple needs, and provides administrative support the ULB.

Despite its intention to improve service delivery, the Ward Secretariat system diverges from the 74th Constitutional Amendment Act, which mandates Ward Committees with elected representatives as the formal local governance structure. But the establishment of Ward Secretariats diminish the role of ward Committees, bypassing elected representatives. The Ward Secretariats are also not integrated with Ward Committees for accountability. Thus the ward Secretariat functioning as a parallel system dilute the roles of Area Sabha and Ward Committees.

**5.2.6 Ward Committee:** Article 243S of Constitution provides for constitution of Wards Committees for ULBs with a population of three lakh or more. As per Section 10 of AP Municipal Corporations Act, 1994 and Rule 3 of AP Municipal Council Rules, Wards Committees shall be constituted by all ULBs. The term of these bodies will be coterminous with the Municipal Council. The Ward Committees are supposed to act as a bridge between the ULBs and citizens. The ward committee provide a space for citizen participation in local level planning. They also perform functions such as sanitation works, drainage maintenance, distribution of water supply, and working of the street lights *etc.* The Fifth State Finance Commission has observed that Wards Committees are yet to be constituted in ULBs Non-constitution of Ward Committees, hampers the decentralization in ULBs.

**5.2.7 Area Sabhas:** As per Section 8B of AP Municipal Corporation Act, each ward in a Corporation shall be divided into such number of areas based on the population, so that each area shall consist of not less than two thousand and not more than five thousand population. There shall be an Area Sabha for each area with all the electors in the jurisdiction of the area. There shall be an Area Sabha Representative for each area to be nominated by the Municipal Corporation from the representatives of the civil society as may be prescribed. The functions to be discharged by Area Sabha are also specified in the Act. The Fifth State Finance Commission has noticed that Area Sabhas are yet to be formed in Municipal Corporations. With the result citizen participation in local governance through Area Sabha is not met.

***The Commission, therefore, recommends the following actions:***

- a) Government may establish Ward Committees and take steps to integrate them with existing Ward Secretariats and Area Sabhas to facilitate grassroots-level governance. It will foster self-governance, where residents can actively engage***

*in shaping policies related to their neighborhoods, thus creating a more inclusive and participatory governance model.*

**5.2.8 Need for Roadmap for devolutions of Powers & Functions to ULBs:** The State Government, wherever mandated by the 74<sup>th</sup> CAA, has created appropriate legal framework through the AP Municipal Acts without provision for enforcement. However, compliance to the constitutional provisions by Law does not guarantee effective decentralization on ground unless followed by effective implementation.

The Fifth State Finance Commission is very positive that the Government will take necessary initiatives which will lead to improvement in the Devolution Index, of the both for PRIs and ULBs.

## CHAPTER - VI

### STATE FINANCES: REVIEW OF REVENUE AND EXPENDITURE

#### 6.1 Introduction:

**6.1.1** The fifth State Finance Commission is mandated to make recommendations on the distribution between the State Government and the Gram Panchayats, Mandal Praja Parishads, Zilla Praja Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations of the net proceeds of the taxes, duties, tolls and fees leviable by the state which may be divided between them (2) the determination of the taxes, duties, tolls and fees which may be assigned to or apportioned by the local governments and (3) the sharing of grants in aid to the PRIs and ULBs from the consolidated fund of the State. As per ToR, in making the recommendations, the Commission shall regard the resources of the State Government and its burden of committed expenditure and liabilities, in particular on account of expenditure on civil administration, police, social, economic services and on non-plan revenue expenditure and debt servicing on behalf of local bodies.

**6.1.2** To make these recommendations, the Commission needs to assess various aspects of state finances such as trends in State's Own Tax Revenue (SOTR), non-tax revenue, expenditure, debt position, committed liabilities, the challenges arising due to adverse impacts on the economy and the expected fiscal trends during the award period of the Commission i.e. 2025-26 to 2029-30 to ensure that the devolution of funds balances the needs to the local governments with the fiscal space available to the State government. An attempt is made in this chapter to assess the fiscal situation of the government of Andhra Pradesh. As the structure of the state economy has important fiscal implications, it is briefly analysed based on GSDP data and then the budgetary transactions of the government of Andhra Pradesh are analysed in detail thereafter.

#### 6.2 Growth of Andhra Pradesh:

The size, sectoral composition and growth in gross state domestic product (GSDP) have important implications for the size and composition of the state's own revenues of the state and its ability to raise additional tax revenues. Table 6.1 shows the trends in GSDP and GDP for the period from 2016-2017 to 2023-2024 at current and constant Prices (base year as 2011-12). In terms of size, the GSDP at constant and current prices consistently grew at an annual average rate of 6.46 percent and 11.5 percent

respectively. The growth rate of state domestic product was not consistent during the period and it fell down drastically during 2019-20 and 2020-2021 years due to covid pandemic. The growth rate of GSDP of the state was higher than the Gross Domestic Product (GDP) growth at constant and current prices till the financial year 2017-2018. During the FY 2019-2020 there was not much difference in the growth of the state and India while during the year 2020-21 i.e., pandemic year, the GSDP registered a positive growth rate of 5.70 percent while the GDP registered a negative growth rate of -1.2 percent at current prices. In subsequent two years, notable recovery was observed and GDP growth rate was higher than GSDP growth rate at constant and current prices.

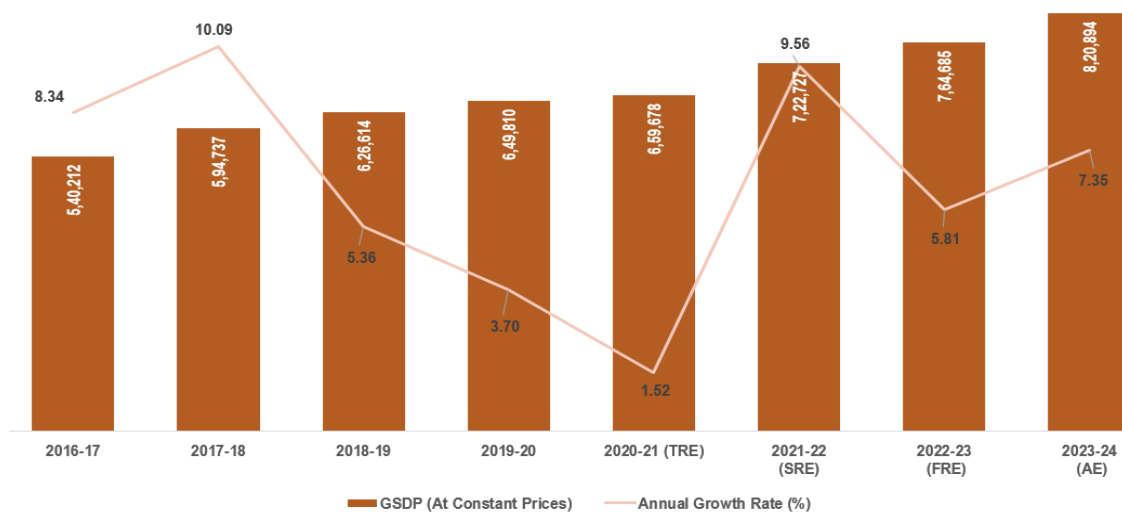
**Table 6.1: GSDP and GDP at Constant and Current Prices: 2016-17 to 2023-24**

**(Rs.in crores)**

Year	At Constant Prices		At Current Prices	
	GSDP	GDP	GSDP	GDP
2016-17	540212	12308193	684416	15391669
AGR	8.34	8.3	13.27	11.8
2017-18	594737	13144582	786135	17090042
AGR	10.09	6.8	14.86	11.0
2018-19	626614	13992914	873721	18899668
AGR	5.36	6.5	11.14	10.6
2019-20	649810	14515958	925839	20074856
AGR	3.70	3.9	5.97	6.4
2020-21	659678	13558473	978581	19800914
AGR	1.52	-5.8	5.70	-1.2
2021-22	722727	15021846	1148471	23597399
AGR	9.56	9.7	17.36	18.9
2022-23	764685	16071429	1303524	26949646
AGR	5.81	7.0	13.50	14.2
2023-24	820894	17381722	1439674	29535667
AGR	7.35	8.2	10.44	9.6
<b>Average AGR</b>	<b>6.46</b>	<b>5.5</b>	<b>11.53</b>	<b>10.08</b>

Source: Govt. of Andhra Pradesh, Socio-Economic Surveys (Various Years)  
Govt. of India, Indian Economic Surveys (Various Years)

**Figure 6.1: GSDP at Constant Price and Growth Rates of Andhra Pradesh during 2016-17 to 2023-24**



Source: Planning Department, Govt. of A.P

### 6.3 Per Capita Income:

The trends in per capita income of India and Andhra Pradesh are given in Table 6.2. A cursory glance of the Table indicates that the per capita income of the state of Andhra Pradesh was higher than that of the country at constant and current prices in all the years during the period under review and the rate of growth of per capita income of the state was higher than the rate of growth of per capita income of the country until the financial year 2018-2019 both at constant and current prices. The per capita income of the state increased from Rs. 120676/- in 2016-17 to Rs. 242479/- in 2023-24 at current prices. During the year 2020-2021 (covid pandemic year) the per capita income of Andhra Pradesh at current prices grew at the rate of 4.82 percent while it registered negative growth of -3.85 percent at all India level. Subsequently the rate of growth of per capita income of India exceeded that of Andhra Pradesh state during 2022-2023 both at constant and current prices. On the whole, the average rate of growth of per capita income in Andhra Pradesh and India at current prices worked out to be 10.72 percent and 9.8 percent respectively and also at constant prices the average growth rate of per capita income is 5.53 percent for Andhra Pradesh and 4.12 percent for India. Notwithstanding the impressive growth, Andhra Pradesh continues to lag behind other southern states in per capita income. It is observed that the rate of growth of per capita income in Andhra Pradesh was higher than in other states in 2017-2018 (Except Telangana in 2017-18) and during 2020-21 (covid year) the per capita income grew at the rate of 4.81 in Andhra

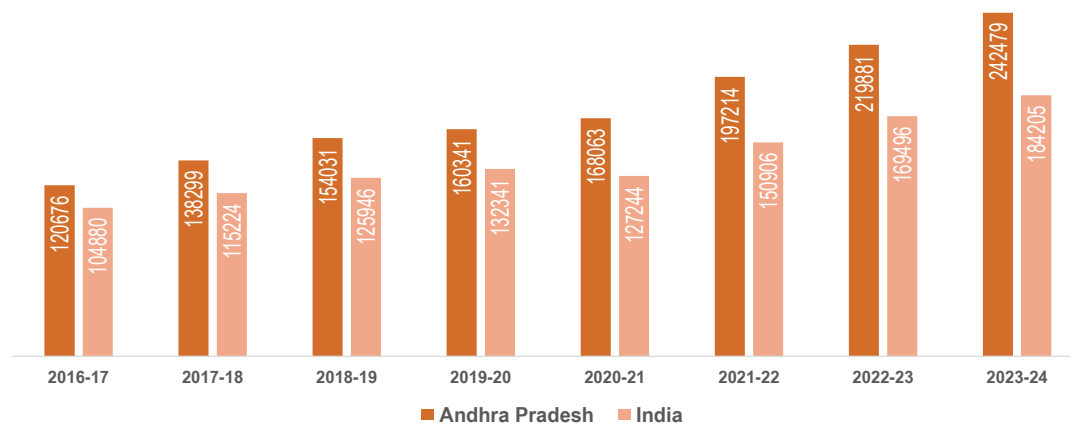
Pradesh while it registered negative growth rate in Karnataka, Kerala and Telangana. In Tamil Nadu, per capita income grew at the rate of 1.68 percent during 2020-21 (Table 6.3).

**Table 6.2: Per Capita Income at Current and Constant Prices (2016-17 to 2023-24)**

Year	At Current Prices (in Rs.)		At Constant Prices (in Rs.)	
	Per Capita Income AP	Per Capita income in India	Per Capita Income AP	Per Capita income in India
2016-17	120676	104880	94115	83003
AGR	11.74	10.6	6.21	6.88
2017-18	138299	115224	103177	87586
AGR	14.60	9.9	9.63	5.52
2018-19	154031	125946	108853	92133
AGR	11.38	9.3	5.50	5.19
2019-20	160341	132341	110587	94420
AGR	4.10	5.1	1.59	2.48
2020-21	168063	127244	110971	86034
AGR	4.82	-3.85	0.35	-8.88
2021-22	197214	150906	121762	94054
AGR	17.35	18.6	9.72	9.32
2022-23	219881	169496	126690	99404
AGR	11.49	12.3	4.05	5.69
2023-24	242479	184205	135806	106134
AGR	10.28	8.7	7.20	6.77
<b>Average Annual Growth</b>	10.72	9.8	5.53	4.12

Source: Government of Andhra Pradesh, Socio-Economic Survey for various years, Government of India, Indian Economic Survey for various years.

**Figure 6.2: Comparative picture of Per capita Incomes of India and Andhra Pradesh at Current Prices**



Source: Planning Department, Government of Andhra Pradesh

**Table 6.3: Per Capita Income of Southern States 2016-17 to 2023-24 at current Prices (in Rs.)**

States	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Andhra Pradesh	120676	138299	154031	160341	168063	197214	219881	242479
<b>AGR</b>	-	<b>14.6</b>	<b>14.26</b>	<b>4.09</b>	<b>4.81</b>	<b>17.34</b>	<b>11.49</b>	<b>10.27</b>
Karnataka	169898	185840	205245	222141	221781	266866	304474	332926
<b>AGR</b>	-	<b>9.38</b>	<b>10.44</b>	<b>8.23</b>	<b>-1.62</b>	<b>20.32</b>	<b>14.09</b>	<b>9.25</b>
Kerala	166246	183252	205437	208879	194432	234435	263945	NA
<b>AGR</b>	-	<b>10.23</b>	<b>12.11</b>	<b>1.67</b>	<b>-6.92</b>	<b>20.57</b>	<b>6.75</b>	-
Tamil Nadu	156595	175276	194373	206165	209628	242253	275583	313955
<b>AGR</b>	-	<b>11.93</b>	<b>10.89</b>	<b>6.06</b>	<b>1.68</b>	<b>15.56</b>	<b>13.76</b>	<b>13.92</b>
Telangana	159395	179358	209848	231326	225734	269161	311649	347299
<b>AGR</b>	-	<b>12.52</b>	<b>16.99</b>	<b>10.23</b>	<b>-2.422</b>	<b>19.24</b>	<b>15.78</b>	<b>11.44</b>
India	104880	115224	125946	132341	127244	150906	169496	183236
<b>AGR</b>	-	<b>9.86</b>	<b>9.31</b>	<b>5.07</b>	<b>-3.85</b>	<b>18.59</b>	<b>12.32</b>	<b>8.11</b>

Source: Ministry of Statistics and Programme Implementation Govt. of India. (ON3444)

Note: Position as of 15.03.2024

#### **6.4 Sectoral Composition of GSDP:**

Table 6.4 presents the information on the sectoral composition of Gross Value Added (GVA) at current prices for the period 2016-2017 to 2023-2024. The structure of the state economy has had a significant impact on the state's own tax and non-tax revenue potential as well as their expenditure responsibilities. The share of agriculture in GVA ranged from a minimum of 33.76 percent in 2016-2017 to a maximum 37.69 percent in 2020-2021. The share of the industrial sector in GVA increased from 24.08 percent in 2016-2017 to 25.69 percent in 2023-2024. But, the rate of growth of the industrial sector is not consistent and highly volatile. It is to be noted that the rate of growth of the industrial sector was very minimal i.e., 0.84 percent in 2019-2020 and picked up in later years. The share of the service sector in GVA declined from 42.15 percent in 2016-17 to 39.30 percent in 2022-23. The rate of growth of the service sector was negative and declined by -5.18 percent in 2020-21, which may be attributed to covid pandemic. It may be noted that the share of the industrial sector in GVA was less than the share of the agricultural sector in all the years under the reference period. Agriculture continues to be a significant contributor to GSDP, limiting the scope of additional revenue mobilisation. Thus, it can be concluded that due to bifurcation of the state, Andhra Pradesh economy turned into a state with sap service and industrial sectors and ascent agricultural sector which is reflected in gross value added of the economy. A comparison of sectoral contribution of Andhra Pradesh and all Indian shows that Andhra Pradesh is significantly lower than all India in industrial and service sectors and reverse in the case of agricultural sector. The growth rate is not encouraging in industrial and service sectors.

**Table 6.4: Sectorial Composition of GSDP in Andhra Pradesh at Current Prices  
(2016-17 to 2023-24) - (Rs. in crores)**

Sector/ Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Agriculture</b>	210863	258939	276335	310501	342577	390897	427961	453807
Share	33.76	35.70	34.62	35.99	37.69	36.49	34.97	34.14
AGR (%)	21.77	22.80	6.72	12.36	10.33	14.10	9.48	6.04
<b>Industry</b>	150394	170743	188601	190190	222900	271298	314856	341484
Share	24.08	23.54	23.63	22.04	24.53	25.33	25.73	25.69
AGR (%)	11.98	13.53	10.46	0.84	17.20	21.71	16.06	8.46
<b>Services</b>	263246	295590	333240	362157	343390	409022	480874	533833
Share	42.15	40.76	41.75	41.97	37.78	38.18	39.30	40.16
AGR (%)	5.74	12.29	12.74	8.68	-5.18	19.11	17.57	11.01
<b>Gross Value Added (GVA)</b>	624503	725272	798176	862848	908868	1071217	1223691	1329124
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>GSDP</b>	684416	786135	873721	925839	978581	1148471	1303524	1439674

Source: Directorate of Economics & Statistics, Government of Andhra Pradesh

## **6.5 Trends in Finances of State:**

**6.5.1** An overview of the finances of the state for the period from 2016-17 to 2024-25 is given in Table 6.5. The total revenue receipts, including tax transfer and grants from Govt. of India, increased from Rs. 98984 crore in 2016-17 to Rs. 201174 crore in 2024-25 (BE) registering average annual growth of 9.83 percent. The rate of growth of revenue receipts is highly volatile and ranges between 15.77 percent in the year 2024-25 (BE) and a negative growth rate of -3.17 percent in 2019-20. The negative growth rate of revenue receipts may be due to covid pandemic. The ratio of revenue receipts / GSDP ratio was relatively stable and varied between 11.97 percent in 2020-21 to 14.46 percent in 2016-17 percent during the period under reference. It is observed that the RR/GSDP ratio consistently declined from 2016-17 (14.46 percent) to 2020-21(11.97 percent) and marginally increased in subsequent years.

**6.5.2** The total revenue expenditure increased from Rs. 116178 crore in 2016-17 to Rs. 235917 crore in 2024-25 (BE) and as a proportion of GSDP was around 15 percent during the period (2016-17 to 2023-24 (RE)). The revenue expenditure registered average annual growth of 10.75 percent, which is marginally higher than the growth of revenue receipts. The rate of growth of revenue expenditure was highest in 2022-23 (26.45%) and least in 2017-18 (4.33%).

**6.5.3** The capital receipts constitute both debt capital receipts and non-debt capital receipts. The major portion of the capital receipts was under debt capital receipts with non-debt capital receipts constituting a meagre sum. The capital receipts of the state during the period accounted for an average of 6.49 percent of GSDP and capital receipts/GSDP ratio declined from 9.92 percent in 2016-17 to 5.22 percent in 2022-23 and estimated to be 5.54 percent in 2023-24 RE.

**6.5.4** The capital expenditure rose from Rs. 15181 crore to Rs. 32713 crore during the period and wide fluctuations are noticed in its growth with peaks and troughs. The capital expenditure as proportion of GSDP declined from 2.22% in 2016-17 to 1.62% in 2023-24 (R.E).

**6.5.5** With regard to statutory fiscal indicators, the revenue deficit shows significant fluctuations over the years. It started at Rs. 17194 crore (2.51 percent of GSDP) in 2016-17 and reached its peak at Rs. 35540 crore (3.63% of GSDP) in 2020-21. The RD was

recorded as Rs. 8611 crore (0.75% of GSDP in 2021-22). RD/GSDP averaged 2.39 percent during the study period. This was against the statutory target of zero RD. Apart from a lot of spending on social welfare programmes, revising the pay/ pension in the state is the major cause for periodic spike in revenue expenditure. Slowing of revenue receipts has also contributed to the widening deficits. Measures for the compression of expenditure and augmentation of revenue need to be undertaken to narrow down the deficit and ultimately eliminate it in a phased manner.

**6.5.6** The FD/ GSDP ratio consistently increased from 4.52% in 2016-17 to 5.64% in 2020-21. This increase in fiscal deficit was the net result of an extended revenue deficit, due to high rate of growth of revenue expenditure, moderate increase in capital expenditure and consolation through loan recoveries (Rs. 13735 crores). A significant reduction in FD/GSDP ratio (2.18%) was observed in 2021-22. The revised estimate for 2023-24 and the budget 2024-25 estimation of FD/GSDP ratio worked out to be 4.36% and 4.18 % respectively. It is observed that the Fiscal deficit was higher than the target of 3 percent. The financing requirements of FD had resulted in higher borrowings. The Debt/GDP ratio raised steadily from 27.87 percent in 2016-17 to 35.53 percent in 2020-21 and marginally declined to 32.6 percent in 2022-23. The primary deficit as % of GSDP ranged between a minimum of 0.25 percent in 2021-22 to a maximum of 3.59 percent in 2020-21. All the fiscal indicators viz., RD, FD and primary deficit were very high in the year 2020-21, which can be attributed to high rate of growth of revenue expenditure to meet the expenditures required to combat covid pandemic and fall in revenue mobilisation, due to Covid-19 pandemic that hit the state. Large-scale interventions are undertaken in the state to provide healthcare relief and solve livelihood issues of the people in the state. It can be observed from the data that Andhra Pradesh government was able to narrow down the deficits with augmentation of the state's own revenue in 2021-22. The financing requirements of FD had resulted in higher borrowings, raising debt – GDP ratio and interest payment/ RR ratio pushing the state towards a debt trap. Continuous monitoring and prudent fiscal management are necessary to ensure that the deficits do not reach unsustainable levels. Efforts should be made to enhance revenue collection, reduce the reliance on borrowing, controlling non-essential expenditures and prioritizing productive investments, which in turn can help in managing deficits effectively.

**Table 6.5 Major Indicators of Andhra Pradesh State Finances (2016-17 to 2024-25) - (Rs. in crores)**

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	RE	BE
								2023-24	2024-25
<b>1. Revenue Receipts</b>	98984	105062	114671	111034	117136	150552	157768	173767	201174
Annual Growth Rate	11.66	6.14	9.15	-3.17	5.5	28.53	4.79	10.14	15.77
As % of GSDP	14.46	13.36	13.12	11.99	11.97	13.11	12.1	12.07	12.26
<b>2. Capital Receipts</b>	67897	41258	50170	63127	69415	41042	68086	79776	93254
Annual Growth Rate	11.39	-39.23	21.6	25.82	9.96	-40.87	65.89	17.17	16.89
As % of GSDP	9.92	5.25	5.74	6.82	7.09	3.57	5.22	5.54	5.68
<b>3. Total Receipts</b>	166882	146320	164841	174161	186551	191595	225854	253543	294427
Annual Growth Rate	11.55	-12.32	12.66	5.65	7.11	2.7	17.88	12.26	16.13
As % of GSDP	24.38	18.61	18.87	18.81	19.06	16.68	17.33	17.61	17.94
<b>4. Revenue Expenditure</b>	116178	121214	128569	137475	152677	159163	201256	212450	235917
Annual Growth Rate	21.08	4.33	6.07	6.93	11.06	4.25	26.45	5.56	11.05
As % of GSDP	16.97	15.42	14.72	14.85	15.6	13.86	15.44	14.76	14.38
<b>5. Capital Expenditure</b>	15181	13491	19976	12242	18975	16373	7244	23330	32713
Annual Growth Rate	7.12	-11.13	48.07	-38.72	55	-13.71	-55.76	222.06	40.22
As % of GSDP	2.22	1.72	2.29	1.32	1.94	1.43	0.56	1.62	1.99
<b>6. Capital Disbursements (On loan disbursements)</b>	34776	9459	13571	18628	13735	13920	15570	17046	24499
<b>7. Total Expenditure</b>	166699	146944	163960	173701	187102	191594	225842	253557	294427
Annual Growth Rate	11.55	-11.85	11.58	5.94	7.71	2.4	17.88	12.27	16.12
As % of GSDP	24.36	18.69	18.77	18.76	19.12	16.68	17.33	17.61	17.94
<b>8. Revenue Deficit</b>	17194	16152	13899	26441	35540	8611	43487	38683	34743
As % of GSDP	2.51	2.05	1.59	2.86	3.63	0.75	3.34	2.69	2.11

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	RE	BE
								2023-24	2024-25
<b>9. Fiscal Deficit</b>	30909	32373	35441	39684	55167	25011	52508	62720	68743
As % of GSDP	4.52	4.12	4.06	4.29	5.64	2.18	4.03	4.36	4.18
<b>10. Primary Deficit</b>	19211	18526	20099	22031	35150	2846	27016	33286	39988
As % of GSDP	2.81	2.36	2.30	2.38	3.59	0.25	2.07	2.31	2.43
<b>11. GSDP</b>	684416	786135	873721	925839	978581	1148471	1303524	1439674	1641000
<b>12. Public Debt outstanding</b>	194862	223706	257510	301802	350557	378087	429526	491734.1	560094.3
As % of GSDP	27.87	27.83	28.02	31.02	35.53	31.46	32.6	33.71	34.14

Source: Andhra Pradesh Budgets in Brief 2016-17 to 2024-25 various issues,  
 Abbr.: RE: Revised Estimates. BE Budget Estimate.

## **6.6 Composition of Revenue Receipts:**

**6.6.1** Revenue receipts comprises Tax revenue and non-tax revenue of the state, share of central taxes and duties, and grants-in-aid by the union government. Table 6.6 gives an overview of the Revenue Receipts of the state from financial year 2016-17 to 2024-25 (BE). It can be seen from the Table that the tax revenue in absolute terms consistently increased from Rs. 44181 crore in 2016-17 to Rs. 85978 crore in 2023-24 and estimated at Rs. 109872 crore in 2024-25 (BE), and registered average annual growth rate of 12.88 percent during the period. The rate of growth of tax revenue was negative during 2019-20 and 2020-21 years. The share of tax revenue in total revenue receipts consistently rose from 44.63 percent in 2016-17 to 51.89 percent in 2019-20 and declined in subsequent years, due to Covid-19 pandemic that hit the state. It can be seen from the Table that SOTR/GSDP ratio varied between 6.65 percent in 2018-19 to 5.87 percent in the year 2020-21 and it is estimated at 6.6 percent of GSDP in 2023-24 R.E.

**6.6.2** The share of non-tax revenue in total revenue receipts declined from 5.25 percent in 2016-17 to 4.28 percent in 2023-24 (RE) and remains the same in 2024-25 (BE) (5.26 percent). The fall in share of non-tax revenue is more pronounced during the years 2019-20 and 2020-21, which might be attributed to the effect of covid pandemic during that period. Its share in GSDP declined from 0.76 percent in 2016-17 to 0.42 percent in 2022-23 and to 0.57 percent in 2023-24 (RE).

**6.6.3** The share in central taxes based on the recommendations of XIV and XV Finance Commissions and the share in CGST and IGST based on the interstate GST council recommendations have contributed significantly to the state revenue. The share of central government taxes and duties varied between 20.86 percent of revenue receipts in 2020-21 to 28.53 percent in 2018-19. As noticed in case of state tax revenue and non-tax revenue, the share of devolution from the central government in total revenue receipts declined and registered a negative growth rate during covid pandemic years.

**6.6.4** The other important source of revenue is grants from the Government of India made on the recommendations of the Finance Commission as well as other specific purpose grants including central grants for implementing centrally sponsored schemes. The total grants-in aid to the state increased from Rs. 23346 crore in 2016-17 to Rs. 34702 crore in 2023-24 (RE) and Rs. 30334 crore in 2024-25 (BE). The share of grants in aid in total revenue receipts declined consistently from 23.59 percent in 2016-17 to 19.7 percent

in 2019-20 and subsequently increased to 27.21 percent in 2020-21 and marginally declined to 26 percent in 2021-22 and 22.91 percent in 2022-23.

**6.6.5** On the whole the share of state's own revenue including tax revenue and non-tax revenue was around 50 percent of total revenue receipts during 2016-17 and 2017-18 and increased to around 55 percent during 2018-19 and 2019-20 but reverted back in subsequent years. In the Budget estimation for the year 2024-25, the state's own revenue is estimated to be around 60 percent. Hence, to improve the fiscal health of the state, there is an urgent need to improve tax and non-tax compliance by broadening the tax base and improving efficiency in tax collection. On the whole the RR/GSDP ratio consistently declined from 14.46 percent in 2016-17 to 13.11 percent in 2021-22 and is estimated to reach 12.26 percent in 2024-25 B.E.

**Table: 6.6: Composition of Revenue Receipts (2016-17 to 2023-24) (Rs. in crores)**

Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 R.E.	2024-25 B.E
<b>State Tax Revenue</b>	44181 (44.63)	49813 (47.41)	58107 (50.67)	57619 (51.89)	57428 (49.03)	71018 (47.77)	78089 (49.5)	85978 (49.48)	109872 (54.62)
<b>Annual Growth Rate</b>	10.67	12.75	16.65	-0.84	-0.33	23.66	9.96	10.10	27.79
<b>% of GSDP</b>	6.46	6.34	6.65	6.22	5.87	6.18	5.99	6.60	6.70
<b>Share of Central taxes and duties</b>	26264 (26.53)	28675 (27.29)	32711 (28.53)	28225 (25.42)	24441 (20.86)	35347 (23.48)	38113 (24.16)	45655 (26.27)	50392 (25.05)
<b>Annual Growth Rate</b>	20.04	9.18	14.07	-13.71	-13.40	44.62	7.83	19.79	10.38
<b>% of GSDP</b>	3.84	3.65	3.74	3.05	2.50	3.08	2.92	3.50	3.07
<b>Non-tax Revenue</b>	5193 (5.25)	3814 (3.63)	4396 (3.83)	3315 (2.99)	3395 (2.9)	5018 (3.33)	5417 (3.43)	7432 (4.28)	10576 (5.26)
<b>Annual Growth Rate</b>	6	-27	15	-25	2	48	7.95	37.20	42.30
<b>% of GSDP</b>	0.76	0.49	0.50	0.36	0.35	0.44	0.42	0.57	0.64
<b>Grants-In-Aid</b>	23346 (23.59)	22761 (21.66)	19457 (16.97)	21876 (19.7)	31872 (27.21)	39170 (26.02)	36149 (22.91)	34702 (19.97)	30334 (15.08)
<b>Annual Growth Rate</b>	6.47	-2.51	-14.52	12.43	45.69	22.90	-7.71	-4.00	-12.59
<b>% of GSDP</b>	3.41	2.90	2.23	2.36	3.26	3.41	2.77	2.66	1.85
<b>Total Revenue Receipts</b>	98984	105062	114671	111034	117136	150553	157768	173767	201174
<b>Annual Growth Rate</b>	11.66	6.14	9.15	-3.17	5.50	28.53	4.79	10.14	15.77
<b>% of GSDP</b>	14.46	13.36	13.12	11.99	11.97	13.11	12.10	12.07	12.26

Source: Government of Andhra Pradesh, Andhra Pradesh Budgets in Brief 2016 - 17 to 2024-25 various issues

Note: Figures in parentheses indicate percentage of Total Revenue Receipts

## **6.7 Tax Revenue:**

**6.7.1** The Table 6.7 gives tax wise trends for the period from 2016-17 to 2024-25 (B.E). The major item of the tax revenue until 2017-18 was sales tax/value added tax. With implementation of GST on 1.7.2017, VAT was replaced by GST, and the share of sales tax in total tax revenue declined from 73.5 percent in 2016-17 to 50.86 percent in 2017-18 and further declined to 23.07 percent in 2022-23. The share of GST collection in total tax revenue increased from 21.72 percent in 2017-18 to 36.23 percent in 2023-24 (RE). The percentage of sales tax in GSDP consistently declined from 4.75% to 1.54% during the period under study.

The growth rate of sales tax / VAT was 11.6 percent in 2016-17 i.e. before the introduction of GST and registered a negative growth rate in subsequent years. The GST collection was highly inconsistent and a trend pattern did not emerge and registered negative growth rate in 2019-20 and 2020-21. However, compensation given by the Government of India ensured growth of 11.25 percent in 2023-24(RE).

**6.7.2** State excise revenue consistently increased from Rs. 4645 crore in 2016-17 to Rs. 15998 crore in 2023-24 (RE) and Rs. 25597 crore in 2024-25 (BE). In terms of its share in SOTR and GSDP, a positive trend is noticed during the study period.

**6.7.3** The revenue from motor vehicle tax steadily increased from Rs. 2467 crore in 2016-17 to Rs. 4557 crore in 2023-24 (RE) and Rs. 5203 crore in 2024-25 (BE). The share of revenue from motor vehicle tax in total tax revenue showed a decreasing trend from 6.10 percent in 2017-18 to 5.30 percent in 2023-24(RE) and declined further to 4.74 percent in 2024-25 (BE). The rate of growth of revenue from motor vehicle tax was maximum in 2022-23(25.84%) but drastically declined to 5.49 percent in 2023-24 (RE) and increased to 14.17 percent in 2024-25 (BE) with fluctuations in between. In terms of GSDP, its share decreased from 0.36 percent in 2016-17 to 0.49 percent in 2023-24 R.E.

**6.7.4** Another important source of revenue to the state exchequer is stamp duty and registration fee. The proportion of revenue from stamp duty and registration fee in SOTR which was 7.87 in 2016-17 showed an increase in 2017-18 (8.57 percent). Later also its share in SOTR showed a positive trend and reached 12.30 percent in 2024-25 BE. Its share in GSDP improved from 0.51 percent to 0.83 percent in 2023-24. Other sources of revenue put together (land revenue tax on immovable property other than agricultural

land, tax and duties on electricity. Tax on income and Expenditure and other taxes and duties which include profession tax etc.) constituted around 2.5 percent of SOTR in 2016-17 showed declining trend until 2021-22 (0.88 percent) and jumped to 6.28 percent in 2022-23 and 7.24 percent in 2023-24 (RE) and declined to 3.19 percent in 2024-25 (BE). The share of revenue from other taxes in GSDP increased from 0.16 percent in 2016-17 to 0.43 percent in 2023-24 but the improvement is not consistent and fluctuations are observed during the period. The share of SOTR in GSDP was the least, 5.87 percent in 2020-21 and maximum 5.97 percent in 2023-24 (RE).

**Table 6.7 Trends in State's Own Tax Revenue from 2016-17 to 2024-25 (BE) (Rs. in crores)**

Tax/ Revenue	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	RE 2023-24	BE 2024-25
Sales Tax	32484	25335	21914	21410	17800	20808	18004	18475	24500
Share in State's Own Tax Revenue	73.54	50.86	37.73	37.16	30.75	29.3	23.07	21.50	22.32
% of GSDP	4.75	3.22	2.51	2.31	1.82	1.81	1.54	1.76	1.49
Growth Rate	11.61	-22.01	-13.5	-2.29	-16.86	16.89	-13.48	2.62	32.61
State Excise	4645	5460	6220	6915	11575	14703	14799	15998	25597
Share in State's Own Tax Revenue	10.51	10.96	10.71	12	20	20.7	18.97	18.62	23.31
% of GSDP	0.68	0.69	0.71	0.75	1.18	1.28	1.24	1.25	1.56
Growth Rate	5.91	17.54	13.92	11.17	67.38	27.02	0.65	8.10	60.01
Taxes on Motor Vehicles	2467	3039	3341	3279	2966	3433	4320	4557	5203
Share in State's Own Tax Revenue	5.58	6.10	5.75	5.69	5.16	4.83	5.54	5.30	4.74
% of GSDP	0.36	0.39	0.38	0.35	0.3	0.3	0.39	0.49	0.32
Growth Rate	18.49	23.18	9.93	-1.85	-9.54	15.74	25.84	5.49	14.17
Stamps and Registration	3476	4271	5428	5318	5603	7635	8023	9542	13500
Share in State's Own Tax Revenue	7.87	8.57	9.34	9.23	9.68	10.75	10.28	11.11	12.30
% of GSDP	0.51	0.54	0.62	0.57	0.57	0.66	0.69	0.83	0.82
Growth Rate	-1.45	22.87	27.08	-2.02	5.35	36.26	5.08	18.94	41.47
State Goods and Services Tax (SGST)	-	10820	20611	20227	18871	23809	27981	31130	37489
Share in State's Own Tax Revenue	-	21.72	35.48	35.11	32.6	33.52	35.86	36.23	34.15
% of GSDP	1.58	2.62	2.31	2.04	1.93	2.07	2.24	2.38	2.28
Growth Rate	-	-	90.48	-1.86	-6.7	26.16	17.52	11.25	20.43
Other Taxes and Duties	1109	887	592	452	612	630	4899	6220	3499
Share in State's Own Tax Revenue	2.48	1.77	0.97	0.78	1.84	0.88	6.28	7.24	3.19

Tax/ Revenue	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	RE 2023-24	BE 2024-25
% of GSDP	0.16	0.11	0.07	0.05	0.06	0.05	0.37	0.43	0.21
Growth Rate	34.91	-19.59	-35.82	-19.96	135.1	-40.84	677.62	26.96	-43.74
GSDP	684416	786135	873721	925839	978581	1148471	1303524	1439674	1641000
Total	<b>44181</b>	<b>49812</b>	<b>58106</b>	<b>57601</b>	<b>57427</b>	<b>71018</b>	<b>78026</b>	<b>85922</b>	<b>109788</b>
% of GSDP	6.46	6.34	6.65	6.22	5.87	6.18	5.99	5.97	6.69

Source: Govt. of Andhra Pradesh Budget Documents various years (2016-17 to 2024-25)

It can be concluded that there is a shift in revenue composition. The sales tax, historically the largest contributor, has significantly reduced in share, replaced partially by SGST and state excise. The growth rates show high volatility, particularly for sales tax and other taxes indicating variability in economic activities and tax collection efficiency. The revenue from state excise and motor vehicle tax shows steady growth, suggesting stable revenue streams.

**6.7.5** The average share of taxes, namely stamps and registration fees, motor vehicles and other minor taxes constituted around 17.66 percent of the state's own tax revenue during the period. Given the inconsistent trend in individual items of tax collection, a buoyancy analysis has been made as in Table 6.8.

**Table 6.8 Growth Rate of SOTR and GSDP along with Tax Buoyancy**

Year	Growth rate of SOTR	Growth rate of GSDP	Buoyancy
2016-17	10.67	13.27	0.80
2017-18	12.75	14.86	0.86
2018-19	16.65	11.14	1.49
2019-20	-0.84	5.97	-0.14
2020-21	-0.33	5.70	-0.06
2021-22	23.66	17.36	1.36
2022-23	18.83	13.50	1.39
2023-24	21.64	10.44	2.07
AGR	12.88	10.28	1.25

Source: Calculated from Budget Documents (Various issues)

With average growth of SOTR around 12.88 percent and average growth of GSDP current prices at 10.28 percent, the average buoyancy was 1.25 indicating that the SOTR growth has been higher than the rate of a growth of GSDP. Year -wise analysis indicates that SOTR growth has not been commensurate with GSDP growth in 2016-17 and 2017-18, Tax buoyancy was negative in 2019-20 and 2020-21 which can be attributed to low tax collection during covid pandemic period and a significant post pandemic recovery is observed in subsequent years.

## **6.8 Non-tax revenues:**

**6.8.1** The major component of state's own non-tax revenue, was interest receipts, dividends and profits earned by the government through its investments in the State Level Public Enterprises (SLPES) followed by the other non-tax revenue, which comprises user

charges collected from economic, social and general services. Now, the reverse is the situation, mainly because of the reason that the government has dispensed with the practice of charging of notional interest on cumulative capital outlay on irrigation power projects from the year 2016-17, which the audit in its earlier reports has been highlighting this practice adopted by the government.

Table 6.9 presents the trends in non-tax revenue of the state from 2016-17 to 2023-24, segmented by different sources of income. The total non-tax revenue has shown a fluctuating trend but ultimately increased significantly from Rs. 5,193 crores in 2016-17 to Rs. 7432 crores in 2023-24 (RE). The overall growth rate from 2022-23 to 2023-24 RE is 136.52 percent, indicating a substantial increase in revenue. On an average, the total non-tax revenue constituted less than one percent of GSDP except in 2023-24 (RE) (1.07 percent).

**6.8.2** The revenue from Mines and minerals, consistently contributed the highest share to the non-tax revenue, ranging from 31.35% to 51.95% over the years. The income from this source increased significantly from Rs. 1,628 crore in 2016-17 to Rs. 3060 crore in 2023-24 RE, with estimated growth rate of 105.50% growth rate in the last year. The growth rates have been variable but generally positive, with notable growth in 2021-22 (32.23%) and 2023-24 (RE) (105.50%).

**6.8.3** The revenue from forests showed high volatility, with significant drops and spikes. The revenue from forests consistently increased from Rs. 234 crore during 2016-17 to Rs. 426 crore in 2018-19 but plummeted to Rs. 37 crore in 2019-20, and increased to 211 crores in 2022 - 23 and declined to Rs. 108 crore in 2023-24 (RE). The growth rate for 2023-24 is projected at -48.82%, reflecting a decrease from the previous year. Its share in total non-tax revenue which was 4.51 percent in 2016-17 fell down drastically to 0.8 percent in 2022-23.

**6.8.4** Regarding Interest receipts, this category shows a declining trend from Rs. 113 crore in 2016-17 to Rs. 21 crore in 2023-24 (RE). The share of total revenue from interest receipts has steadily decreased, reaching just 0.31% in 2023-24 (RE).

**6.8.5** The revenue from education has been highly inconsistent, with dramatic fluctuations. It dropped from Rs. 577 crore in 2016-17 to as low as Rs.19 crore in 2020-21 before recovering to Rs. 420 crore in 2021-22 and later declined to Rs. 35 crore in

2023-24 (RE). Its share in state non-tax revenue varied between 0.56% to 11.11 during the period. The growth rate is projected at 109.41% for 2023-24 RE. The medical and health sector shows steady growth, increasing from Rs.83 crores in 2016-17 to Rs.211 crores in 2023-24 (RE).

**6.8.6** Revenue from the police department has grown from Rs.212 crores in 2019-20 to Rs. 375 crore in 2023-24 (RE). The growth rate for 2023-24 (RE) is 106.22%. The revenue from the 'Others' Category dropped from Rs.2588 crores in 2016-17 to Rs. 825 crore in 2019-20 later increased Rs. 1721 crore in 2022-23 and Rs. 3622 crore in 2023-24 (RE).

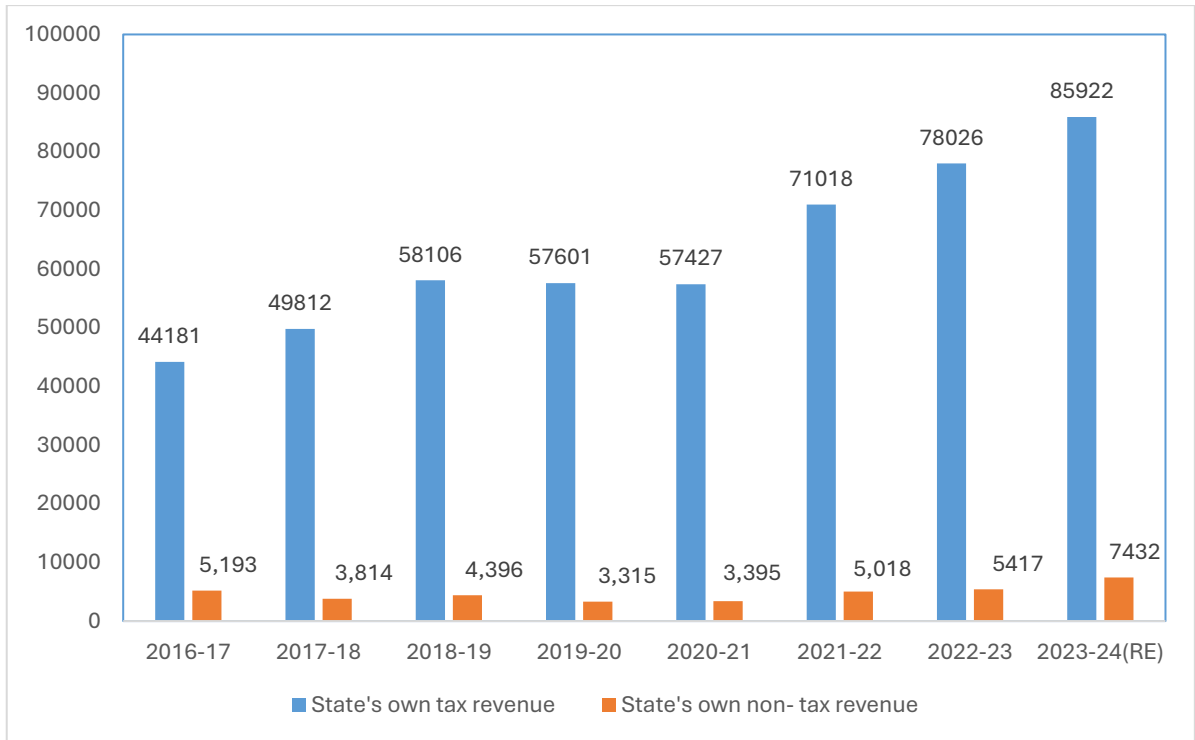
**6.8.7** The main conclusions can be drawn that several revenue streams show significant volatility, particularly forests and education. This indicates potential instability in certain revenue sources, necessitating closer monitoring and management. The major contributors, mines and minerals, remain as the dominant source of non-tax revenue, consistently contributing a substantial share. The category "Others" also constitutes a significant portion of total Non-tax revenue (though its variability suggests that it encompasses diverse and unpredictable sources). The projected figures for 2023-24 (RE) suggest a remarkable expected surge in revenue across almost all categories, with the total non-tax revenue expected to more than double from the previous year. This projection may reflect optimistic economic forecasts or planned policy changes to boost revenue. Given the substantial projected increases in mines and minerals, forests, and others, these strategic focus areas might be receiving focused attention and investments to drive revenue growth. Overall, while the state's non-tax revenue exhibits significant growth potential, the high degree of variability and dependence on a few key sources suggest a need for diversification and risk management to ensure sustainable fiscal health.

**Table 6.9: Trends in State's Non-Tax Revenue in Andhra Pradesh during (2016-17 to 2023-24) (Rs. in crores)**

<b>Tax / Revenue</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24 RE</b>
<b>Mines and Minerals</b>	<b>1,628</b>	<b>2,156</b>	<b>2,211</b>	<b>1,897</b>	<b>2,256</b>	<b>2,983</b>	<b>3024</b>	<b>3060</b>
Share (%)	31.35	56.53	50.30	57.22	66.45	59.45	59.79	51.95
Growth Rate	6.89	32.43	2.55	-14.20	18.92	32.23	30.51	105.50
<b>Forests</b>	<b>234</b>	<b>342</b>	<b>426</b>	<b>37</b>	<b>31</b>	<b>161</b>	<b>211</b>	<b>108</b>
Share (%)	4.51	8.97	9.69	1.12	0.91	3.21	0.80	5.84
Growth Rate	-50.32	46.15	24.56	-91.31	-16.22	419.35	-67.70	-48.82
<b>Interest Receipts</b>	<b>113</b>	<b>96</b>	<b>50</b>	<b>36</b>	<b>24</b>	<b>20</b>	<b>09</b>	<b>21</b>
Share (%)	2.18	2.52	1.14	1.09	0.71	0.40	0.37	0.31
Growth Rate	-15.04	-15.04	-47.92	-28.00	-33.33	-16.67	20.00	98.30
<b>Education</b>	<b>577</b>	<b>104</b>	<b>31</b>	<b>147</b>	<b>19</b>	<b>420</b>	<b>34</b>	<b>35</b>
Share (%)	11.11	2.73	0.71	4.43	0.56	8.37	4.13	3.66
Growth Rate	-32.59	-81.98	-70.19	374.19	-87.07	2110.53	-35.95	109.41
<b>Medical and Health</b>	<b>83</b>	<b>172</b>	<b>222</b>	<b>161</b>	<b>185</b>	<b>216</b>	<b>177</b>	<b>211</b>
Share (%)	1.60	4.51	5.05	4.86	5.45	4.30	3.49	2.95
Growth Rate	18.57	107.23	29.07	-27.48	14.91	16.76	5.09	100.44
<b>Police</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212</b>	<b>206</b>	<b>190</b>	<b>241</b>	<b>375</b>
Share (%)	0.00	0.00	0.00	6.40	6.07	3.79	4.45	5.05
Growth Rate	-	-	-	-	-2.83	-7.77	52.63	106.22
<b>Others</b>	<b>2558</b>	<b>944</b>	<b>1457</b>	<b>825</b>	<b>674</b>	<b>1026</b>	<b>1721</b>	<b>3622</b>
Share (%)	49.26	24.75	33.14	24.89	19.85	20.45	26.97	31.40
Growth Rate	37.01	-63.10	54.34	-43.38	-18.30	52.23	71.15	175.40
<b>Total</b>	<b>5,193</b>	<b>3,814</b>	<b>4,396</b>	<b>3,315</b>	<b>3,395</b>	<b>5,018</b>	<b>5417</b>	<b>7432</b>
Growth Rate	5.55	-26.55	15.26	-24.59	2.41	47.81	29.75	136.52
As % of GSDP	0.76	0.49	0.50	0.36	0.35	0.44	0.50	1.07

Source: Various volumes of Socio-Economic Survey, Planning Department, Govt of A.P Budget Estimates-2023-24 RE, Detailed Estimates of Revenue and Receipts Volume- II, Finance Department, Government of Andhra Pradesh

**Figure 6.3: Trends in Tax and Non-Tax Revenue in Andhra Pradesh during 2016-17 to 2023-24 (Rs. in Crores)**



## 6.9 Capital Receipts:

**6.9.1** Table 6.10 provides an overview of the trends in capital receipts in Andhra Pradesh during the period 2016-17 to 2024-25 (BE). The state Government had to rely on borrowings not only due to rising revenue deficit but also to finance capital expenditure and to meet debt repayment obligations. The non-debt capital receipts of the state, accruing primarily from the recovery of loans and advances are not a significant source of financing capital expenditure. Hence, the state Government had to borrow from the market, the Government of India and the public account subject to limitations imposed by the constitution (Article-293(3)) and the Finance Commission. The worsening macro-economic situation along with fiscal imbalances in the country led to the introduction of several reforms in the fiscal front. Fiscal discipline and fiscal consolidation at the centre and the states were thought to be in absolute necessity for the efficient management of the economy. The need for eliminating RD, contain FD and to make debt situation of the Governments sustainable and manageable, a rule based fiscal consolidation programme was introduced in the country.

**6.9.2** The government of India stepped up the borrowing limit of the states from 3 percent of GSDP to 5 percent in 2020-21 in view of the unusual fiscal pressures on the

states. Of the additional 2 percent, 0.5 percent was unconditional and the remaining 1.5% was conditional. Out of the conditional grant, 1 percent of GSDP is to be given in 4 tranches of 0.25% with each tranche linked to specified reform action related to distribution of electricity, universalisation of one nation, one ration card scheme, ease of doing business and revenues of urban local bodies. The remaining 0.50 percent is permissible, if milestones are achieved in at least three out of four reform areas.

**6.9.3** The total capital receipts increased from Rs. 67897 crore in 2016-17 to Rs. 93,254 crore in 2024-25 B.E. Its growth is not consistent and showed significant volatility with peaks and troughs. The total capital receipts as a proportion of GSDP declined from 9.9 percent in 2016-17 to 5.2 percent in 2022-23 and estimated at 5.54 percent in 2023-24 (RE). The share of open market loans in total capital receipts has been on the increase, while the importance of other sources, notably floating debt, has been on the decline. The share of open market loans rose from 30.60 percent in 2016-17 to 85.74 percent in 2023-24 (RE), while the share of loans from the Government of India varied from a minimum of 1.20 percent in 2016-17 to 12.35 percent in 2021-22. The share of other loans and deposit transactions registered a declining trend.

**Table 6.10: Trends in Capital Receipts in AP (2016-17 to 2024-25) (Rs. in crores)**

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	R.E 2023-24	B.E 2024-25
Open Market Loans	20783 (30.6)	25573 (61.98)	34757 (69.28)	48827 (77.35)	50896 (73.32)	46443 (113.85)	57478 (84.44)	68400 (85.74)	71000 (76.13)
Floating Debt (Gross)	29154 (42.94)	230 (0.56)	139 (0.28)	-370 (-0.59)	-	-	-	594 (0)	0
Loans from the GoI	814 (1.2)	947 (2.29)	1990 (3.97)	2030 (3.22)	4563 (6.57)	4896 (11.93)	8411 (12.35)	5011 (6.28)	18250 (19.57)
Other Loans	9171 (13.51)	1683 (4.08)	1364 (2.72)	1200 (1.90)	1977 (2.84)	1946 (4.74)	2096 (30.78)	2204 (2.76)	2193 (2.35)
Deposits Transactions etc.(Net)	5945 (8.76)	12774 (30.96)	11642 (23.2)	7084 (11.22)	10917 (15.73)	-14350 (-34.96)	104 (0.0015)	3543 (4.44)	1799 (1.92)
Loans and Advances	2029 (2.99)	51 (0.12)	277 (0.55)	4355 (6.9)	1063 (1.53)	2110 (5.14)	-4 (-0.08)	24 (0.08)	12 (0)
Total Capital Receipts	67897	41258	50170	63127	69415	41045	68084	79776	93254
Capital Receipts as % of GSDP	9.92	5.25	5.75	6.82	7.09	3.57	5.2	5.54	5.68

Source: Govt. of Andhra Pradesh Budget Documents (Various years), Note: Figures in Parenthesis indicate percentage shares

Abbr.: RE: Revised Estimates. BE Budget Estimates

## **6.10 Revenue Expenditure:**

**6.10.1** The revenue expenditure of the state consistently increased from Rs. 116178 crore in 2016-17 to Rs. 212450 crore in 2023-24 and estimated at Rs. 235917 crore in the budget for the year 2024-25 (BE). The revenue expenditure grew at an annual average rate of 10.75 percent during the period under study. Expenditure on general services comprising interest payments, pension and retirement benefits and administrative and fiscal services accounted for more than thirty percent of the total expenditure and registered average annual growth of 9.5 percent during the period. Expenditure on social services in absolute terms increased consistently, from Rs. 50228 crore in 2016-17 to Rs. 97189 crore in 2023-24 and estimated at Rs. 119086 crore in 2024-25 but its share in total expenditure varied from 43 percent in 2016-17 to 46 percent in 2023-24. However, expenditure on economic services has been on decline during 2016-17 to 2019-20, but increased significantly in subsequent years. Revenue Expenditure as proportion of GSDP varied between 13.86 percent to 16.97 percent during the period under review (Table 6.11).

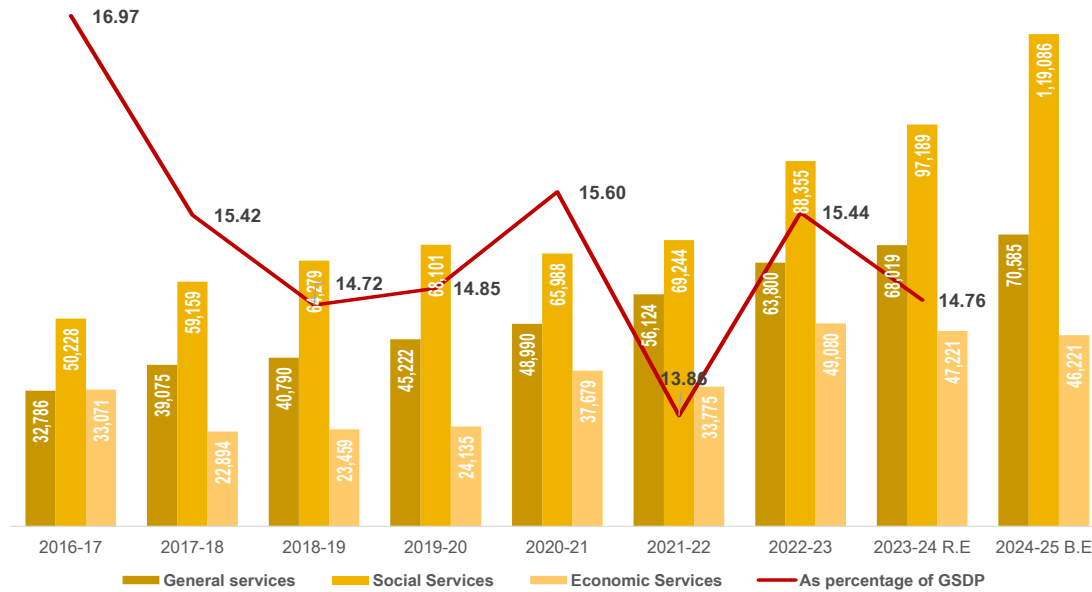
**Table 6.11: Revenue Expenditure in Andhra Pradesh (2016-17 to 2024-25 BE) (Rs. In crores)**

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	R.E 2023-24	B.E 2024-25	Average
I General services	32786 (28.22)	39075 (32.24)	40790 (31.73)	45222 (32.89)	48990 (32.09)	56124 (35.26)	63800 (31.7)	68019 (32.01)	70585 (29.91)	51710
Annual Growth Rate	14.74	8.64	4.39	10.86	8.33	14.56	13.67	6.61	3.77	9.50
II Social Services	50228 (43.22)	59159 (48.8)	64279 (5.00)	68101 (49.54)	65988 (43.22)	69244 (43.2)	88355 (43.9)	97189 (45.74)	119086 (50.47)	75737
Annual Growth Rate	8.14	17.78	8.65	5.95	3.10	4.93	27.59	9.99	22.53	12.07
III Economic Services	33071 (28.47)	22894 (18.87)	23459 (18.25)	24135 (17.56)	37679 (24.68)	33775 (21.22)	49080 (24.38)	47221 (22.22)	46221 (19.59)	35282
Annual Growth Rate	58.89	-30.77	2.47	2.88	56.12	10.36	45.31	-3.78	-2.11	15.48
IV Grants-in-aid/ Contribution	93 (0.08)	86 (0.07)	41 (0.03)	16 (0.01)	20 (0.01)	20 (0.01)	20 (0.01)	21 (0.01)	25 (0.01)	38
Annual Growth Rate	-19.83	-8.14	-52.32	-60.97	25.00	0	0	0	19.04	-10.80
Total	116178	121214	128569	137475	152677	159163	201256	212450	235917	162767
Average Annual Growth Rate	21.08	4.33	6.07	6.93	11.06	4.25	26.44	5.56	11.04	10.75
As percentage of GSDP	16.97	15.42	14.72	14.85	15.6	13.86	15.43	14.75	14.38	15.11

Source: Govt. of Andhra Pradesh, Budget documents (Various Years)

Note: Figures in Parentheses indicate percentage of Revenue Expenditure

**Figure 6.4: Revenue Expenditure in Andhra Pradesh (2016-17 to B.E 2024-25) (Rs. Crores)**



### 6.10.2 Expenditure on Wages and Salaries:

The information regarding the expenditure incurred on wages and salaries, pensions and interest payments are furnished in Table 6.12. The average amount of expenditure incurred towards payment of wages and salaries accounted for around 28 percent of revenue expenditure and 34 percent of revenue receipts, while pension payments on average accounted for around 12 percent and 14 percent of revenue expenditure and revenue receipts respectively. The expenditure on wages and salaries and pensions rapidly increased during the period and accounted for around 40 percent of the revenue expenditure. Interest payment, another growing item of expenditure consistently increased from Rs. 11697 crore in 2016-17 to Rs. 25492 crore in 2022-23 and Rs. 29481 crore in 2023-24 (RE). The share of interest payments in total revenue expenditure increased and accounted for 12 percent on average.

The total committed expenditure (salary + pension + interest payment) increased from Rs. 57100 crore in 2016-17 to Rs. 110698 crore in 2023-24 R.E. As a percentage of RR it was highest at 70.47 percent in 2020-21 and lowest at 55.28 percent in 2018-19. Its share in revenue expenditure ranged between 49.15 percent in 2016-17 to 57.63 percent in 2021-22.

**Table 6.12: Trends in Expenditure on Wages and Salaries Pension and Interest Payment (2016-17 – 2023-24) (Rs.in crores)**

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	R.E 2023-24	Average
<b>1. Expenditure on Wages and Salaries</b>	32530	32816	32743	42674	45029	49260	55534	59520	43763
As a % of Revenue Receipts (RR)	32.86	31.23	28.55	38.43	38.44	32.72	35.20	34.25	34
As a % of Revenue Expenditure (RE)	28.00	27.07	25.47	31.04	29.49	30.95	27.59	28.02	28
<b>2. Pensions</b>	12873	16236	15308	17386	17502	20300	22599	21697	17988
As a % of Revenue Receipts (RR)	13.00	15.45	13.35	15.66	14.94	13.48	14.32	12.49	14
As a % of Revenue Expenditure (RE)	11.08	13.39	11.91	12.65	11.46	12.75	11.23	10.21	12
<b>3. Interest Payments</b>	11697	13847	15342	17653	20018	22165	25492	29481	19462
As a % of Revenue Receipts (RR)	11.82	13.18	13.38	15.90	17.09	14.72	16.16	16.97	15
As a % of Revenue Expenditure (RE)	10.07	11.42	11.93	12.84	13.11	13.93	12.67	13.88	12
<b>Total Committed Expenditure</b>	57100	62899	63393	77712	82549	91725	103625	110698	81213
As a % of Revenue Receipts (RR)	57.69	59.87	55.28	69.99	70.47	60.93	65.68	63.70	63
As a % of Revenue Expenditure (RE)	49.15	51.89	49.31	56.53	54.07	57.63	51.49	52.11	53
<b>4. Revenue Receipts</b>	98984	105062	114671	111034	117136	150552	157768	173767	128622
<b>5. Revenue Expenditure</b>	116178	121214	128569	137475	152677	159163	201256	212450	153623

Source: Reserve Bank of India, State Finances, A study of Budgets of 2023-24, Govt. of Andhra Pradesh, Budget documents (Various years)

## **6.11 Capital Expenditure:**

The total capital account transactions of the state include capital expenditure on general, social and economic services, loans and advances to third parties and capital disbursements. The data on capital account transactions are furnished in Table 6.13. It can be seen from the Table that the actual capital expenditure which was 30.05 percent of total capital transactions in 2016-17 increased to 56.44 percent in 2018-19 and fell to 33.79 percent in 2019-20 and improved to 47 percent in 2022-23 and estimated at 61 percent in 2023-24 (RE). Capital disbursements on average accounted for 45.25 percent of the total capital account transactions. This is a clear reflection of the growing burden of loan repayment on the state.

**Table 6.13: Capital Account Transactions of Government of Andhra Pradesh (Rs.in crores)**

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Capital Expenditure	15180.77 (30.05)	13490.71 (52.43)	19976.33 (56.44)	12242.08 (33.79)	18974.95 (55.12)	16372.71 (50.48)	16846.69 (47)	31061.04 (61.22)	16173.64
Loans and Advances	563.82 (1.11)	2780.81 (10.81)	1843.33 (5.21)	5356.29 (14.78)	1715.11 (4.98)	2138.05 (6.59)	1816.14 (5.10)	1266.10 (2.49)	2017.05
Capital Disbursement	34777.19 (68.84)	9458.92 (36.76)	13570.84 (38.35)	18628.00 (51.42)	13735.00 (39.90)	13920.41 (42.92)	16920.56 (47.55)	18411.42 (36.29)	19784.69 (45.25)
a. Floating Debt	29154	230	139	-370	0	0	0	594	30878.41
b. Public Debt Repayment	3078.77	6650.04	10933.75	15383.16	10398.42	10339.62	11684.00	13090.47	9360.083
c. Loans from GOI	746.82	994.71	744.77	1310.89	1334.26	1394.28	1928.55	1469.79	1239.072
d. Other Loans	1796.79	1805.94	1866.21	1931.29	2002.40	2186.51	2678.01	3851.16	2227.782
e. Inter-State Settlements	0.65	8.23	26.11	2.66	-	-	-	-	46.626
<b>Total</b>	50521.78	25730.44	35390.5	36226.37	34425.06	32431.77	35583.39	50738.52	39392.57
Total Capital Account Transaction as % of GSDP	7.38	3.27	4.05	3.91	3.52	2.82	3.10	3.52	4.491
Capital Expenditure as % of GSDP	<b>2.22</b>	<b>1.71</b>	<b>0.21</b>	<b>1.32</b>	<b>1.94</b>	<b>1.42</b>	<b>1.29</b>	<b>2.16</b>	<b>1.623</b>

Source: Andhra Pradesh Budgets in brief 2016-17 to 2023-24 in Andhra Pradesh

Note: Figures in Parentheses indicate percentage of total

## **6.12 Public Debts Outstanding in Andhra Pradesh:**

In order to fund the increasing level of deficits, borrowing has increased sharply, which has resulted in an increase in total outstanding debt.

**6.12.1** Overall Growth in the total public debt has shown a significant increase over the years. It grew from Rs. 1,94,862 crore in 2016-17 to Rs. 429526 crore in 2022-23 and estimated to Rs. 491734 crore in 2023-24 (RE) and further increased to Rs. 560094 crore in 2024-25 (BE). This represents an approximate 2.85 fold increase over the period. The ratio of outstanding public debt and GSDP increased from 27.87 percent in 2016-17 to 32.6 percent in 2022-23 and 33.7 percent in 2023-24 (RE) (Table 6.14)

**6.12.2** The debt outstanding of the state has been undergoing structural changes. The outstanding debt on account of central loans, which constituted a major portion, started declining since 1999. Its share in total outstanding debt increased from 4.68 percent in 2016-17 to 5.72 percent in 2023-24 (RE) and estimated to be 8.1 percent in 2024-25 (BE). Market loans have therefore emerged as the single largest source of debt finance. The share of open market loans in total outstanding public debt consistently increased from 57.8 percent in 2016-17 to 73 percent in 2022-23 and 75 percent in 2023-24 (RE) and as a proportion of GSDP also increased from 16.46 percent in 2016-17 to 25.46 percent in 2023-24 (RE) budget indicating heavy reliance on it.

**6.12.3** The share of loans from small savings collections have also dwindled over time. Its share in total outstanding public debt declined from 7.59 percent in 2016-17 to 1.81 percent in 2022-23 and also further declined to 1.35 percent in 2023-24 (RE) and 0.98 percent in 2024-25 (BE), while the share of loans from other institutions declined from 6.86 percent in 2018-19 to 4.30 in 2022-23. Thus, sustained increases in public debt with heavy reliance on open market loans with a relatively short maturity period signifies increasing interest payments, highlighting the need for careful fiscal management.

**Table 6.14: Public Debt Outstanding in Andhra Pradesh (2016-17 - 2024-25 BE) (Rs. in crores)**

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 RE	2024-25 BE
Open Market Loans	112630.2 (57.8)	131553 (58.81)	155376.5 (60.34)	188820 (62.56)	229317.6 (65.41)	265421 (70.20)	311235 (72.46)	366564.5 (74.54)	416462.1 (74.35)
As % of GSDP	16.46	16.73	17.78	20.39	23.43	23.11	23.88	25.46	25.37
Loans from Central Govt.	9025.33 (4.68)	8977.41 (4.01)	10223.01 (3.97)	10942.54 (3.63)	14171.01 (4.04)	17672.44 (4.67)	24508.31 (5.70)	28138.34 (5.72)	45368.6 (8.1)
As % of GSDP	1.32	1.14	1.17	1.18	1.45	1.54	1.88	1.95	2.76
Loans from Other Institutions	13360.57 (6.86)	14601.6 (6.53)	15393.26 (5.98)	16318.52 (5.41)	16612.47 (4.74)	17544.43 (4.64)	18482.13 (4.30)	19858.87 (4.03)	20808.51 (3.71)
As % of GSDP	1.95	1.86	1.76	1.76	1.70	1.53	1.42	1.38	1.26
Small Savings	14792.12 (7.59)	13658.67 (6.11)	12504.27 (4.86)	11331.32 (3.75)	10158.37 (2.90)	8985.42 (2.38)	7812.47 (1.81)	6639.52 (1.35)	5506.06 (0.98)
As % of GSDP	2.16	1.74	1.43	1.22	1.04	0.78	0.60	0.46	0.33
Provident Fund	9484.2 (4.87)	13508.84 (6.04)	16583.28 (6.44)	16745.44 (5.55)	23275.97 (6.64)	26990.25 (7.14)	28277.47 (6.58)	29791.68 (6.05)	31176.81 (5.56)
As % of GSDP	1.39	1.72	1.90	1.81	2.38	2.35	2.17	2.07	1.90
Deposits and Reserve Funds	35569.73 (18.51)	41406.41 (18.51)	47429.57 (18.42)	57644.54 (19.10)	57021.5 (16.27)	41473.09 (10.97)	39210.37 (9.12)	40741.18 (8.28)	*40772.17 (7.27)
As % of GSDP	5.20	5.27	5.43	6.23	5.83	3.61	3.01	2.83	2.48
Total	194862.2	223706	257509.9	301802.4	350556.9	378086.6	429525.7	491734.1	560094.3
% of GSDP	27.87	27.83	28.02	31.02	35.53	31.46	32.6	33.71	34.13

Source: Govt. of Andhra Pradesh Budget documents (various Issues), \* Outstanding debt includes an un-apportioned amount of Rs.4422.59 crores

Note: Figures in Parentheses indicate percentage of Total Public Debt Outstanding

**6.12.4** It is to be noted that a substantial portion of the fiscal deficit is used to fund the revenue deficit. Since 2016-17 the share of revenue deficit in fiscal deficit has shown an increasing trend. Revenue deficit as a proportion of fiscal deficit has increased from 55.63 percent in 2016-17 and 61 percent in 2022-23 and marginally increased to 61.67 percent in 2023-24 (RE) and estimated to be 50.54 percent in 2024-25 (BE). Due to the increased share of Revenue deficit in Fiscal Deficit, the borrowings of the government have not contributed to Capital expenditure but are instead being used to meet requirements of revenue expenditure commitments.

**Table 6.15 Revenue Deficit as percentage of Fiscal Deficit**

Year	Revenue Deficit	Fiscal Deficit	Revenue Deficit as Percentage of Fiscal Deficit
2016 - 17	-17194	-30909	55.63
2017 - 18	-16152	-32373	49.89
2018 - 19	-13899	-35441	39.22
2019 - 20	-26441	-39684	66.63
2020 - 21	-35540	-55167	64.42
2021 - 22	-8611	-25011	34.43
2022 - 23	-29108	-47717	61.00
2023 - 24	-38683 (RE)	-62720 (RE)	61.67
2024 - 25	-34743 (BE)	-68743 (BE)	50.54

Source: Andhra Pradesh Budgets in Brief 2016-17 to 2024-25 Various Issues  
 Abbr: RE: Revised Estimates, BE: Budget Estimates

**6.13 Government Guarantees Outstanding in Andhra Pradesh:**

**6.13.1** The FRBM Act 2003 mandates the central government to specify the annual target for assuming contingent liabilities which are in the form of guarantees accordingly the FRBM rules prescribe a cap of 0.5% of GDP in any financial year on the quantum of guarantees that the central government can assume in the particular financial year. To ensure greater transparency in its fiscal operation in the public interest, the FRBM rules require the central government, at the time of presenting the annual financial statement and demand for grants to make certain disclosure statements of receivables and payables viz., tax revenues raised but not realised, arrears of non-tax revenue and guarantees given by the government.

Outstanding Government Guarantees, outstanding liabilities of the State do not include a few other contingent liabilities, which states may have to honour in certain cases. State Government guarantees the borrowings of State Public Sector Enterprises (SPSE), from financial institutions.

Table 6.16 presents the government guarantees outstanding in Andhra Pradesh from the financial years 2016-17 to 2021-22 (RE) and 2022-23 (BE), divided into two categories: Power and Others.

**6.13.2 Power Sector Guarantees:** The number of guarantees for the power sector shows significant variation over the years, starting at Rs. 5,344 crore in 2016-17 and increasing to Rs. 38,473 crore by 2022-23 (BE). The highest increase was in 2019-20, where the amount more than doubled compared to the previous year. The percentage change fluctuates greatly, with a peak increase of 120.08% in 2019-20. The smallest change was a decrease of 0.68% in 2018-19. Guarantee given to the power sector by the state government as a proportion of GSDP increased from 0.78 in 2016-17 to 0.82 in 2018-19. Subsequently, it increased continuously and recorded 2.37% of GSDP in 2021-22 and is estimated to be 2.95 percent in the 2023-24 budget.

**6.13.3 Other Guarantees:** Guarantees in the "Others" category also show substantial growth, starting at Rs. 4,321 crore in 2016-17 and reaching Rs. 1,00,402 crore by 2022-23 (BE). A dramatic increase occurred in 2017-18, where the amount surged to Rs. 41,603 crore from Rs. 4,321 crore in 2016-17. The percentage change was extremely high in 2017-18, with an increase of 862.81%. Subsequent years show a more moderate but consistent increase, with the lowest percentage change being 9.41% in 2021-22. Other Guarantees as proportion of GSDP increased from 0.63 in 2016-17 to 7.86 in 2021-22 (RE).

**6.13.4 Total Guarantees:** The total guarantees combined the Power and Other categories, showed a continuous increase from Rs. 9,665 crore in 2016-17 to Rs. 1,38,875 crore by 2022-23 (BE). There was a significant jump in 2017-18, similar to the trend seen in the "Others" category. The percentage increase was highest in 2017-18 at 404.80%. The following years continue to show substantial increases, with the lowest being 7.86% in 2021-22. Total Guarantees as a proportion of GSDP increased from 1.41 percent in 2016-17 to 10.23 in 2022-23 and are estimated to be 10.65 in the 2023-24 budget.

The conclusion is that in the Power Sector, the guarantees have grown steadily with some years of sharp increases, notably in 2019-20. In the other sector, the guarantees in this category show explosive growth, particularly in 2017-18, indicating a significant expansion or new commitments in that year. Overall, the total guarantees have increased every year, with particularly high growth rates in 2017-18 and 2019-20. The sharp increases, especially in 2017-18 and 2019-20, could indicate either large-scale investments or efforts to support sectors with financial guarantees, reflecting on the state's fiscal management strategies.

**Table 6.16: Government Guarantees Outstanding in Andhra Pradesh (2016-17 - 2022-23)**

**(Rs. in crores)**

Item	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Power	5344	7187	7138	15709	26418	27217	38473
AGR	-	34.49	-0.68	120.08	68.17	3.02	41.36
% of GSDP	0.78	0.91	0.82	1.70	2.70	2.37	2.95
Others	4321	41603	48370	62074	82518	90286	100402
AGR	-	862.8	16.27	28.35	32.93	9.41	11.20
% of GSDP	0.63	5.29	5.53	6.70	8.43	7.86	7.70
Total	9665	48789	55508	77783	108936	117503	138875
AGR	-	404.80	13.77	40.13	40.05	7.86	18.19
% of GSDP	1.41	6.20	6.35	8.40	11.13	10.23	10.65

Source: Andhra Pradesh budget documents for various years

#### **6.14 Off-budget borrowings of the Andhra Pradesh:**

Off-budget borrowings refer to financial resources that are not reflected in a State's budget and remain outside legislative control. These are typically sources raised by PSUs, and the principal/interest is repaid by the state government.

**6.14.1** Table 6.17 presents the data on off-budget borrowings of the government of Andhra Pradesh. It can be seen from the Table that there was consistent increase in off budget borrowings with marginal decline in 2018 and 2019 years. Off budget borrowings increased from Rs. 7162 crore in 2016 to Rs. 118394 crore in 2022. The increase is more significant in the year 2020. This substantial increase might be due to increased expenditure and fall in tax and non-tax revenue due to covid-19 pandemic.

**6.14.2** The state must monitor and control its off-budget borrowings to ensure long-term fiscal sustainability and avoid excessive debt accumulation. Efforts to be made for developing comprehensive debt management strategies to address the increasing reliance on off-budget borrowings and to ensure that borrowing levels are sustainable in the long run. By analysing the data and understanding the underlying trends, decisions to manage its finances more effectively is to be taken care of.

**Table 6.17: Off-Budget borrowings of the Andhra Pradesh  
as on March 31.03. 2016 to 2022**

**(Rs. in crores)**

<b>Andhra Pradesh</b>	<b>Off - Budgetary Borrowings</b>	<b>AGR</b>
2016	7,162	-
2017	11,867	65.69
2018	10,934	-7.87
2019	10,000	-8.53
2020	77,586	675.86
2021	1,12,115	44.50
2022	1,18,394	5.60

Source: CAG reports on State Finances Audit Report (2021, 2022)

Note: Annual Growth Rate

### **6.15 Debt Sustainability:**

The State needs to manage its liabilities effectively to ensure sustainable economic growth. The high percentage of liabilities to GSDP indicates potential challenges in fiscal management and the need for measures to control debt level. In order to promote prudent debt management policies, the Finance Commissions have been recommending to adopt certain limits to their borrowings and the consequent debt liabilities created. These include 1. Debt/ GSDP, 2. Debt/ RR, 3. Debt/ SOTR, 4. Interest/ RR, 5. Interest payment/ RE, 6. Interest payments/ GSDP ratios. The information on selected debt. Sustainability indicators are given in Table below

**Table 6.18: Debt Sustainability Indicators (2015-16 to 2023-24 (RE))**

Year	Debt/ GSDP	Debt/ RR	Debt/ SOTR	Interest/ RR	Interest/ RE	Interest/ GSDP
2015 - 16	28.04	191.16	424.47	11.11	10.26	5.81
2016 - 17	28.47	196.86	441.05	11.82	10.07	6.00
2017 - 18	28.46	212.93	449.09	13.18	11.42	6.19
2018 - 19	29.47	224.56	443.16	13.38	11.93	5.96
2019 - 20	32.60	271.81	523.79	15.90	12.84	5.85
2020 - 21	35.82	299.27	610.43	17.09	13.11	5.71
2021 - 22	32.92	251.13	532.38	14.72	13.93	5.86
2022 - 23	32.70	241.56	505.08	12.09	10.38	5.01
2023 - 24 (RE)	33.55	234.21	470.53	12.26	11.06	5.24

**6.16 Projected Revenue and Expenditure:**

The extent and nature of transfer to local governments tend to largely depend on fiscal capacity of a State Government which invariably happens after providing adequate resources for the state to meet its own commitments or the resource transfer to the local bodies are largely determined by the fiscal space available with the state government. Given that the award period of the Fifth State Finance Commission is 2025-26 to 2029-30, it would be necessary to assess the finances of the state for this period. The Commission has projected the revenues and expenditures of Government of Andhra Pradesh for the period 2025-26 to 2029-30. The projections are based on the trend growth rates in different components of revenue and expenditure for the period 2016-17 to 2023-24 and the budget estimates for 2024-25. The projected revenues and expenditure of the Government of Andhra Pradesh are presented in Table 6.19.

**Table 6.19: Projected Revenue and Expenditure of Govt. of  
Andhra Pradesh (2025-26 to 2029-30)**

**(Rs. in crores)**

Item	2025-26	2026-27	2027-28	2028-29	2029-30	Total 2025-30
GSDP at Current Prices	1788668	1993713	2222263	2477013	2760966	12847335
States own tax Revenue	122953	137592	153973	172305	192819	889514
States own non-tax Revenue	11515	12537	13649	14861	16179	79317
States own Source Revenue	134425	150023	167432	186860	208543	967731
Revenue Receipts	220351	241357	264366	289567	317172	1533987
Revenue Expenditure	260719	288127	318418	351893	388886	1843960
Interest payments	32640	36795	41479	46759	5712	192339
Wages & Salaries	72213	79541	87612	96503	106296	507725
Pensions & Retirement benefits	24797	26839	29050	31442	34032	169070
Central tax share	55287	60657	66549	73013	80105	386002
Grants-in-aid	31448	32603	33800	35041	36327	199552
Estimated Pre devolution revenue deficit	126294	138104	150986	165032	180343	876228
Estimated Devolution	86735	93259	100348	108054	116432	585554
Estimated Post devolution revenue deficit	39559	44845	50638	56979	63911	290675

Note: Based on trend growth rates for the period 2016-17 to 2023-24

**6.16.1** The projected revenues, expenditures, devolution and deficits for the award period present a bleak picture of the likely fiscal situation of the Government of Andhra Pradesh. If the assumptions behind the growth of GSDP, tax revenue, non-tax revenue, and expenditures are correct, the pre-and post-devolution deficit on the revenue account would be about 6.82 percent of GSDP and 2.26 percent of GSDP, respectively. If, there is a shortfall in revenue or devolution or if the expenditure exceeds the estimates made, the deficit would be higher than the estimate. The important factors responsible for growing revenue deficits and fiscal challenge are analysed hereunder.

## **6.17 Fiscal Challenges**

During the period 2019-20 to 2024-25, a series of problems entangled the state finance to such an extent so as to reorient its efforts and resources towards mitigating the impacts associated with it. During this period, several divergent factors beyond the control of the State Government aggravated the economic slowdown. The important problem that affected the State finances is covid-19 pandemic, due to which large scale interventions were undertaken in the state to provide health care, relief and solve livelihood issues of people in the state. The debilitating effects of covid-19 pandemic overshadowed the state finance against the budget estimates for 2020-21. There are clear cut indications of economic slowdown at the national and state level and a drastic reduction in tax and non-tax collections anticipated.

**6.17.1** The sectoral composition of GSDP has undergone changes due to bifurcation of the State. The contribution of the service sector to GSDP, a key determinant of tax revenue, has declined to 44% in 2014-15, which was 53% in 2013-14 in the undivided state of Andhra Pradesh. After bifurcation, its share further declined to 40% in 2023-24. Similarly, the contribution of agriculture to GSDP which was 23% in 2013-14 in the combined State of Andhra Pradesh went up to 30% in 2014-15 and 34% 2023-24. The structural changes in GSDP have reduced the potential tax base available to the State.

**6.17.2** The state has a long coastline of 972 kms vulnerable to frequent disasters such as cyclones, storm surge, floods and droughts beside other minor disasters such as lightning, heat wave, landslides etc. During 2014-24, the state experienced nine cyclones and Hudhud in 2014 was the biggest in terms of losses and damages. State experienced frequent floods/ heavy rains during 2014-2024. The recent Vijayawada flood in August/ September 2024, is the biggest in terms of economic loss followed by floods/ heavy rains

in 2020 and 20221. Frequent floods or droughts require the state government to incur huge amounts on relief and rehabilitation.

**6.17.3** Expenditure on social services comprising salaries and other establishment costs, interest payments, pension and other retirement benefits have been a growing item for several reasons and containing this expenditure poses a serious challenge to the state. The total outgo on interest payments amounted to Rs. 21340 crore in 2022-23 RE with 12% and 10.38% share in revenue receipts and revenue expenditure respectively and estimated to be Rs. 2528 crore in 2023-24 BE. The expenditure on Government employees in terms of salaries and allowances as well as pension/ family pensions for retired employees has been rapidly rising. The number of employees as on 01.01.2023 was 1127185 (Appendix 6.1) accounting for an annual wage and salary expenditure of Rs. 55428 crore which is bound to increase with PRC implementation and grant of additional increments of dearness allowances. Filling in existing vacancies in the Government may also add to the expenditure. The new Government has issued notification for the recruitment of teachers in Government schools. The expenditure on payment of pension is Rs. 20204.76 crore as on 01.01.2023 and is bound to increase in expenditure on retirement benefits. The pension liability is estimated to reach Rs. 315583.80 crore in 2030 (Table 6.20).

**Table 6.20: Pension Liability (2024 to 2030)**

**(Rs. in crores)**

Calendar	No of employees Retired	Pension Liability
2024	13643	25520.04
2025	13583	26470.61
2026	14095	27794.75
2027	14905	29320.81
2028	14734	30278.81
2029	14620	31343.16
2030	16227	33358.47
<b>Total</b>	<b>133417</b>	<b>315583.80</b>

**6.17.4** The priority of the Government is to implement a 6-point programme popularly known as ‘Super Six’ welfare schemes aimed at uplifting various sections of the population they are (1) Annadatha Sukhibava: this scheme provides working capital grant of Rs. 20000/- to each eligible farmer in the state (2) The Deepam, is another scheme offering three free Liquefied Petroleum Gas (LPG) cylinders per year (3) To provide free public transport to women (4) Thallikivandanam scheme offers financial support of Rs. 15000/- each to mothers of children studying in classes I to XII in both government and

private schools (5) Creating 20 lakh jobs over five year period and (6) Monthly support of Rs. 1500/- for women aged 18-59.

**6.17.5** The scope for expanding the fiscal space is possible either by augmenting the revenue resources or achieving allocative efficiency in expenditure or a combination of both. The scope for mobilising additional revenues by the state Government is limited. The three important taxes available to the Government for additional resource mobilisation are sales tax on commodities outside GST, stamp duty and registration fee, State excise and tax on motor vehicles. The current rates of these taxes are fairly high and the additional potential available is relatively limited. Even with the best efforts, the State Government may find it difficult to manage the fiscal situation unless the Sixteenth Finance Commission makes a generous provision of Revenue Deficit grants to the state besides extending special assistance grants to create the necessary infrastructure in the state and for the development of the Capital city of the state.

#### **6.18 Implications for Devolution:**

In view of the bleak fiscal situation of the state, the state Government's ability to meet the projected gap of the PRIs and ULBs as well as their infrastructural requirements would be very limited even within the existing framework of decentralisation. But for the transfers from the Central Finance Commission, the fiscal situation of PRIs and ULBs would have deteriorated further. The gap between revenues and expenditures of local bodies is quite substantial for both PRIs and ULBs. In view of the difficult fiscal situation of the state, Sixteenth Finance Commission has an equally important role to play in strengthening the PRIs and ULBs. On their part PRIs and ULBs would enhance their own revenues and economise on expenditures by opting for cost-effective models of service delivery. Despite the limited fiscal space available with the state Government in the true spirit of democratic decentralisation as envisaged under the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, the state government has an obligation to strengthen the local bodies with appropriate devolution of funds functions and functionaries in position. It is hoped that the government would also transfer necessary funds to PRIs and ULBs to meet their resource gaps as ensured under the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments to the constitution of India.

## CHAPTER VII

### FINANCES OF PANCHAYAT RAJ INSTITUTIONS

#### 7.1 Introduction:

The 73<sup>rd</sup> Amendment Act 1992 of the Indian constitution created a uniform three-tier system of rural government at the district, block and village levels and provides for the transfer of responsibilities and tax powers from the state government to these rural bodies. The Act has vested a wide range of powers to the PRIs to function as institutions of self-government. Andhra Pradesh is one of the pioneering states to successfully experiment the institutionalisation of the local governments in the state. In 1959, the state Panchayat Raj Act was enacted which paved the way for the institutionalisation of the three-tier Panchayat Raj system in the state. Keeping in view the objectives of the 73<sup>rd</sup> Amendment Act, the state government enacted the Andhra Pradesh Panchayat Raj Act in 1994. Andhra Pradesh has adopted three-tier PRIs in the state viz., Zilla Praja Parishads at district level, and the Mandal Praja Parishads at the intermediary level and the Gram Panchayats at the village level.

**7.1.1** Resource base of PRIs consists of own revenues generated by collection of tax and non-tax revenues, devolution at the instance of state and Central Finance Commission, central and state government grants for maintenance and development purposes and other receipts. The authorities responsible for reporting the use of funds in respect of Zilla Praja Parishads (ZPPs), Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs) are the Chief Executive Officers (CEO's), Mandala Parishad Development Officers (MPDO's) and Panchayat Secretaries respectively.

**7.1.2** As per ToR, the Commission is required to review the finances of local governments, assess their likely resource gap and make recommendations to strengthen their fiscal position. In this chapter an attempt is made to review the finances of rural local Bodies. The review covers the period from 2019-20 to 2023-24. In respect of RLBs, only the Gram Panchayats have taxing powers. The Mandal Praja Parishads and Zilla Praja Parishads do not have taxation powers and their own sources of revenue are confined to some insignificant nontax items and devolution. The data on finances of PRIs at state level were procured from Commissionerate of Panchayat Raj and Rural Development. In

addition, the Commission collected data from sample Rural Local Bodies in the state through online platform.

This chapter is presented in four sections. In the first section, the trends in size and composition of revenue and expenditure of all PRIs is presented. The analysis of receipts and expenditure of PRIs separately for each tier viz., Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads for the period 2019-20 to 2023-24 is presented in the second section. The analysis of projected receipts and expenditures of PRIs is presented in third section. The fourth section is devoted to the estimation of resource gap for PRIs for the award period i.e. 2025-26 to 2029-30 and recommendations of the Commission for devolution of finances to PRIs.

## **7.2 Profile of Rural Local Bodies in Andhra Pradesh**

With a view to provide the necessary context and background, an attempt has been made to present the profile of RLBs in Andhra Pradesh.

### **7.2.1 District-Wise Number of RLBs**

The Structure of local bodies consists of PRIs and ULBs. This classification is based on the rural-urban division. The rural areas are governed by PRIs at three levels viz., Zilla Praja Parishads at district level, Mandal Praja Parishads at Mandal level and Gram Panchayats at village level. The number of PRIs, district-wise at different levels is presented in table 7.1

The State Government in its budget 2022 proposed for the creation of 13 new districts, but Zilla Praja Parishads were not created on par with districts due to legal issue in relation to the five year tenure of chairmen of 13 Zilla Praja Parishads. Until the tenure of the already elected Zilla Praja Parishads chairmen is completed, new 13 Zilla Praja Parishads cannot be created. Hence at present though the number of districts is 26, there are only 13 Zilla Praja Parishads, confining their area of operation to erstwhile districts. In Andhra Pradesh, there are 660 Mandal Praja Parishads and 13,325 Gram Panchayats. The number of mandals range from a minimum of 4 in Visakhapatnam district, with highest being in Prakasam district (38) followed by Nellore (34) and Kadapa (35). The number of Gram Panchayats range from a minimum of 79 to a maximum of 774 across the districts.

**Table 7.1 District Wise No. of Local Bodies**

Name of The District	No. of ZPs	No. of MPPs (Old Districts)	No. of MPPs (New Districts)	No. of GPs
Srikakulam	1	38	30	916
Parvathipuram Manyam			15	452
Vizianagaram	1	34	27	777
Visakhapatnam	1	39	4	79
Alluri Sithatramaraju			22	430
Anakapalli			24	646
Kakinada			20	385
East Godavari	1	62	18	291
Konaseema			22	385
West Godavari	1	48	19	368
Eluru			28	572
NTR			16	288
Krishna	1	49	25	491
Guntur	1	57	17	258
Palnadu			28	527
Bapatla			25	461
Prakasam	1	56	38	730
SPSR Nellore	1	46	37	722
Tirupati			33	774
Chittoor	1	65	31	697
Annamaiah			30	501
YSR Kadapa	1	50	35	557
Nandyal			28	489
Kurnool	1	53	25	484
Ananthapuram	1	63	31	577
SS Puttaparthi			32	467
<b>Total</b>	<b>13</b>	<b>660</b>	<b>660</b>	<b>13325</b>

Source: O/o Commissioner PR&RD, GoAP.

### 7.3 Fiscal Scenario of Rural Local Bodies

#### 7.3.1 Receipts

Table 7.2 depicts the total receipts of the rural local bodies from the year 2019-20 to 2023-24. Central Finance Commission grants is the single largest source of the receipts of rural local bodies constituting around 47 percent of the total receipts during the review period. The second major contributor to the receipts of RLBs is grants under CSS, accounting for 14 percent of the total receipts of RLBs. The share of tax revenue in total receipts worked out to be 8 percent, while non-tax revenue added 9.4% to the total

receipts. Total own revenue (Tax and Non-Tax revenue) contributed only 17.52 percent of total receipts followed by assigned revenue (11.8 percent) and state government grants (9.45 percent). It is noted that tax revenue significantly increased during the years 2021-22 - 2022-23, which is due to the reforms introduced mainly in house tax levy imposed by Gram Panchayats and stringent efforts made to collect the tax from the households. It can be seen from the table that the percentage of total receipts to gross state domestic product decreased marginally between 2019-20 to 2023-24 from 0.46 percent to 0.43 percent.

**Table 7.2 Receipts of Panchayat Raj Institutions (Rs. in crores)**

Receipts	2019-20	2020-21	2021-22	2022-23	2023-24	Average per annum
Tax Revenue	286 (6.77)	360 (6.28)	418 (8.38)	433 (9.14)	463 (10.19)	392 (8.09)
AGR	-	25.87	16.11	3.59	6.93	13.13
Non-tax Revenue	447 (10.58)	397 (6.92)	388 (7.78)	403 (8.51)	652 (14.35)	457 (9.43)
AGR	-	-11.19	-2.27	3.87	61.79	13.05
Own Revenue	733 (17.35)	757 (13.20)	806 (16.16)	836 (17.66)	1115 (24.54)	849 (17.51)
AGR	-	3.27	6.47	3.72	33.37	11.71
Assigned Revenue	549 (12.99)	460 (8.02)	673 (13.49)	769 (16.24)	414 (9.11)	573 (11.82)
AGR	-	-16.21	46.30	14.26	-46.16	-0.45
Grants from State Government	333 (7.88)	412 (7.18)	688 (13.79)	430 (9.08)	426 (9.38)	458 (9.45)
AGR	-	23.72	66.99	-37.50	-0.93	13.07
Union Finance Commission Grants	2038 (48.23)	3794 (66.14)	1918 (38.45)	1977 (41.75)	1729 (38.05)	2291 (47.28)
AGR	-	86.16	-49.45	3.08	-12.54	6.81
Grants under central sponsored schema	573 (13.56)	313 (5.46)	903 (18.10)	723 (15.27)	860 (18.93)	674 (13.91)
AGR	-	-45.38	188.50	-19.93	18.95	35.53
Total Receipts	4226	5736	4988	4735	4544	4846
AGR	-	35.73	-13.04	-5.07	-4.03	3.40
Total receipts as % GSDP	0.46	0.59	0.43	0.36	0.32	0.43

Source: O/o Commissioner PR&RD, GoAP.

Note: Figures in parenthesis indicate percentage shares.

**7.3.1.1** The information on percapita receipts from different sources is given the Table 7.3. Which indicates that on an average Rs. 112/- is collected from each person in the form of tax, while per capita non-tax is Rs. 131/- during this period. It can be seen from the Table that the per capita total receipts showed a mixed trend. Per capita total receipts increased in absolute terms from Rs. 1209/- in 2019-20 to Rs. 1641/- in 2020-21 and declined to Rs. 1299/- in 2023-24. There is no consistent trend in total percapita receipts.

**Table 7.3 Per Capita Receipts of Panchayat Raj Institutions (In Rs.)**

Receipts	2019-20	2020-21	2021-22	2022-23	2023-24	Average Per annum
Tax Revenue	82	103	119	124	132	112
Non-tax Revenue	128	114	111	115	186	131
Own Revenue	210	217	230	239	319	243
Assigned Revenue	157	132	192	220	118	164
Grants from State Government	95	118	197	123	122	131
Union Finance Commission Grants	583	1085	548	565	494	655
Grants under Central Sponsored Schemes	164	90	258	207	246	193
Total Receipts	1209	1641	1426	1354	1299	1386

Source: O/o Commissioner PR&RD, GoAP.

**7.3.2 Expenditure:** Expenditure on establishment (salaries) increased from 7 percent of total expenditure in 2019-20 to 12 percent in 2023-24. Capital expenditure increased consistently from Rs. 205 crores in 2019-20 to Rs. 374 crores in 2023-24 and its share in total expenditure increased from 5 percent to 10 percent during the period under review. Mixed trend is noticed in regard to expenditure on operation and maintenance. In absolute terms the expenditure on operation and maintenance per annum is around Rs. 1727 Crores. It can be seen that 21 percent of the total expenditure is on welfare programmes (centrally sponsored schemes, state schemes and other welfare expenditure), around 10 percent on establishment expenditure, 42 percent on operation and maintenance of buildings and community assets, rural roads, water supply and sanitation and others. The

percentage of total expenditure to gross state domestic product (GSDP) declined from 0.45 percent to 0.25% during the period under study.

**Table 7.4 Expenditure of Panchayat Raj Institutions (Rs. in crores)**

Receipts	2019-20	2020-21	2021-22	2022-23	2023-24	Average per Annum
Establishment	293 (7.06)	374 (7.78)	420 (11.17)	458 (10.77)	424 (11.88)	394 (9.59)
AGR	0.00	27.65	12.30	9.05	-7.42	8.31
Operations and Maintenance	2249 (54.21)	2361 (49.10)	1168 (31.06)	1766 (41.53)	1090 (30.55)	1727 (42.04)
AGR	0.00	4.98	-50.53	51.20	-38.28	-6.53
Welfare	730 (17.59)	871 (18.11)	919 (24.44)	853 (20.06)	935 (26.21)	862 (20.98)
AGR	0.00	19.32	5.51	-7.18	9.61	5.45
Capital Expenditure	205 (4.94)	326 (6.78)	340 (9.04)	361 (8.49)	374 (10.48)	321 (7.81)
AGR	0.00	59.02	4.29	6.18	3.60	14.62
Other Expenditure	672 (16.20)	877 (18.24)	913 (24.28)	814 (19.14)	745 (20.88)	804 (19.57)
AGR	0.00	30.51	4.10	-10.84	-8.48	3.06
Total Expenditure	4149	4809	3760	4252	3568	4108
AGR	-	15.91	-21.81	13.09	-16.09	-2.23
Total receipts as % GSDP	0.45	0.49	0.33	0.33	0.25	0.37

Source: O/o Commissioner PR&RD, GoAP.

Note: Figures in parenthesis indicate percentage shares.

**7.3.2.1** The total percapita expenditure increased from Rs. 1187/- in 2019-20 to Rs. 1216/- in 2022-23 but marginally declined in 2023-24 and the average percapita total expenditure is Rs. 1175/- during the period under review and it is observed to be with in the percapita receipts (Table 7.5). The Percapita expenditure on operation and maintenance per annum is around Rs. 494/- followed by expenditure on welfare (Rs. 246/-).

**Table 7.5 Per Capita Expenditure of Panchayat Raj Institutions (In Rs.)**

Receipts	2019-20	2020-21	2021-22	2022-23	2023-24	Average Per annum
Establishment	84	107	120	131	121	113
Operations and Maintenance	643	675	334	505	312	494
Welfare	209	249	263	244	267	246
Capital Expenditure	59	93	97	103	107	92
Other Expenditure	192	251	261	233	213	230
Total Expenditure	1187	1375	1075	1216	1020	1175

Source: O/o Commissioner PR&RD, GoAP.

#### **7.4 Gram Panchayats**

The Gram Panchayat is the unit of local self-government at the gross root level. In Andhra Pradesh, there are 13325 Gram Panchayats. Section 45 of the Andhra Pradesh Panchayat Raj Act, 1994 mandates that it shall be the duty of the Gram Panchayat to undertake the following activities in rural areas.

1. Construction, repair and maintenance of all buildings and public roads.
2. The lighting of public roads and public places.
3. Construction and maintenance of drains and disposal of drainage.
4. Cleaning of streets.
5. Provision of public latrines.
6. Opening and maintenance of cremation and burial grounds.
7. Preventive and remedial measures connected with any epidemic.
8. Sinking and repairing of wells.
9. Preparation of compost.
10. Registration of births and deaths.
11. Maintenance of cattle ponds.

##### **7.4.1 Discretionary Functions**

Section 46 of Andhra Pradesh Panchayat Raj Act, 1994 warrants village Panchayats to carry out the following requirements which are deemed to be discretionary functions of the Gram Panchayats subject to the limits of its resources. They include the construction and maintenance of dharma Salas, Preservation of groves and trees, development of pre-primary and elementary education, establishment and maintenance of dispensaries, laying and maintenance of parks, maintenance of libraries and reading rooms, maintenance of ware-house, cattle sheds, control of fairs, jataras and festivals, maintenance of Public slaughter houses, consolidation of holdings and soil conservation

etc. The Grama Sabha approves the village Development plan, annual budget, Audit Report.

#### 7.4.2 Receipts of Gram Panchayats

Resource base of Gram Panchayats consists of own revenue generated by collection of tax and non-tax revenues, assigned revenues, grants from state government, Central Finance Commission and central government. The fiscal domain Of Gram Panchayats consists of following tax and non-tax sources in Table 7.6.

**Table 7.6 Fiscal Domain of Gram Panchayats**

<b>Taxes</b>	<b>Non-taxes</b>
House Tax	User charges for water supply, drainage and street lighting
Advertisement Tax	License fees for shops/ Business/ Other establishments.
Kolagaram/ Katarusum	Building plan/ Layout approval fees.
Tax on Vacant land/Site	Income from Properties, markets and Fishery tanks
Vehicle Tax	Contributions/Donations
Tax on Agricultural Land for a specific purpose	

Source: O/o Commissioner PR&RD, GoAP.

Gram Panchayats have advantages in taxation since they are at the cutting edge level of the government. They can easily identify the potential assesses of different taxes. The data on total resources of Gram Panchayats from all sources during the Period 2019-20 to 2023-24 are presented in table 7.7.

**7.4.2.1** It can be seen from the table that the total receipts of Gram Panchayats increased from Rs. 2941 crores in 2019-20 to Rs. 4052 crores in 2020-21 and later declined due to reduction in release of CFC grants. The annual average total receipts of Gram Panchayats worked out to be Rs. 3021 crore. The grants from the Central Finance Commission is the single largest source of the receipts of Gram Panchayats ranging from 50.11 percent in 2022-23 to 74 percent of total receipts in 2020-21 and accounted for 61 percent of the average annual receipts during the period under reference. Own revenue comprising tax revenue and non-tax revenue is the second major contribution to Gram Panchayat receipts. The annual average share of own revenue in total receipts is 22.5 percent. The tax revenue has shown a steady upward trend from Rs. 286 crores in 2019-20 to Rs. 463 crores in 2023-24 with an average annual growth rate of 13%. The year-on-year increases

reflect improved collection mechanism and expanding tax base. Non-tax revenues, though stable during the initial years, exhibit a significant rise in 2022-23 reaching Rs. 340 crores, which indicates potential for greater contribution from non-tax sources. Tax revenue contributed 13 percent, while non-tax revenue added around 9.5 percent of the total receipts. The share of assigned revenue in the total receipts during the period under study was 9 percent while grants from state government constituted a minimum of 5.49 percent of total receipts. Grants from state government include percapita grant, sarpanch honorarium and unanimous Gram Panchayat grant. It is observed that receipts from tax revenue consistently increased while non-tax revenue, assigned revenue consistently showed a positive trend from 2019-20 to 2022-23 and marginally declined in 2023-24. The annual average rate of growth of tax revenue worked out to be 13 percent, while non-tax revenue registered a growth rate of 8.19 percent

**7.4.2.2** It can also be seen from the table that the average annual total receipts per Gram Panchayat worked out to be Rs. 22.67 lakhs comprising Central Finance Commission grants (Rs. 13.7 Lakhs) Own source revenue (Rs. 5.10 Lakhs) assigned Revenue (2.0 Lakhs) and State Government grants (1.24 lakhs).

The annual average tax revenue and non-tax revenue per Gram Panchayat was Rs.2.94 lakhs and 2.16 lakhs respectively .while during the Fourth State Finance Commission review period the average tax and non-tax revenue per Gram Panchayat was Rs. 1.59 lakhs and 0.99 lakhs respectively. It indicates that there is significant improvement in mobilization of own revenue by Gram Panchayats during the period 2019-2020 to 2023-24.

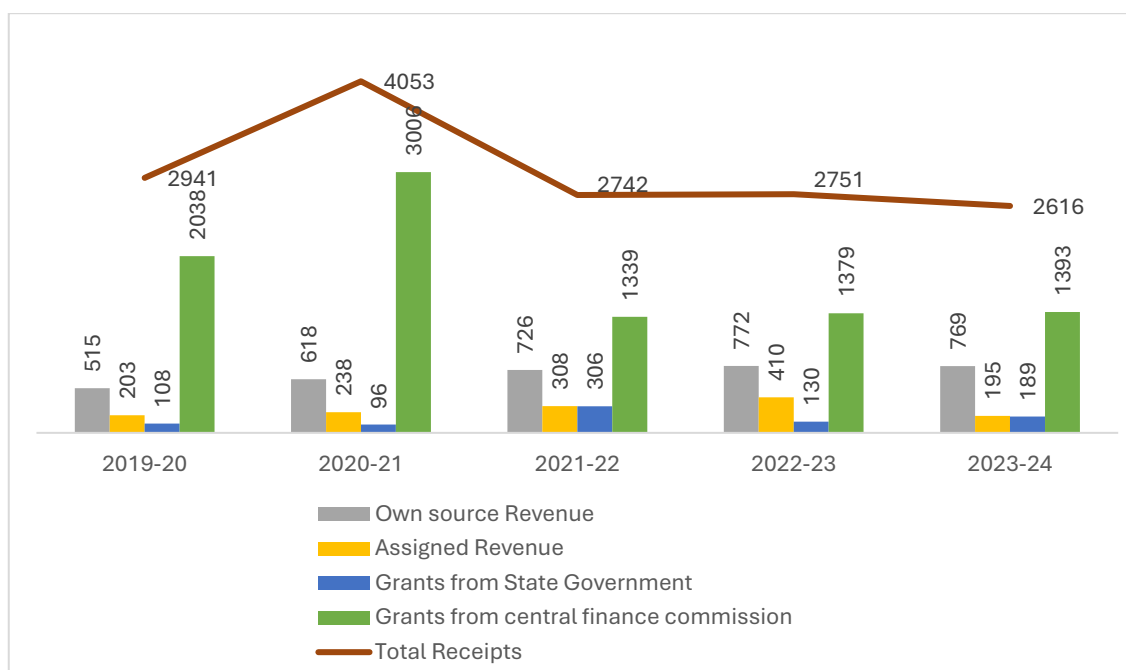
**Table 7.7 Receipts of Gram Panchayats in Andhra Pradesh (Rs. in crores)**

Receipts	2019-20	2020-21	2021-22	2022-23	2023-24	Average	Average per annum per GP (Rs.in lakhs)
Tax Revenue	286 (9.72)	360 (8.88)	418 (15.24)	433 (15.73)	463 (17.69)	392 (12.98)	2.94
AGR	-	25.87	16.11	3.59	6.93	13.13	
Non-tax Revenue	229 (7.79)	257 (6.34)	308 (11.23)	340 (12.35)	307 (11.73)	288.2 (9.53)	2.16
AGR	-	12.23	19.84	10.39	-9.71	8.19	
Own Source Revenue	515 (17.51)	617 (15.23)	726 (26.47)	773 (28.09)	770 (29.42)	680.2 (22.51)	5.10
AGR	-	19.81	17.67	6.47	-0.39	10.89	
Assigned Revenue	203 (6.90)	238 (5.87)	308 (11.23)	410 (14.90)	195 (7.45)	270.8 (8.97)	2.02
AGR	-	17.24	29.41	33.12	-52.44	6.83	
Grants from State Government	108 (3.67)	96 (2.37)	306 (11.16)	130 (4.72)	189 (7.22)	165.8 (5.49)	1.24
AGR	-	-11.11	218.75	-57.52	45.38	48.88	
Grants from Central Finance Commission	2038 (69.30)	3006 (74.19)	1339 (48.82)	1379 (50.11)	1393 (53.23)	1831 (60.61)	13.74
AGR	-	47.50	-55.46	2.99	1.02	-0.99	
Receipts under CSS	77 (2.62)	95 (2.34)	64 (2.33)	60 (2.18)	70 (2.67)	73.2 (2.42)	0.55
AGR	-	23.38	-32.63	-6.25	16.67	0.29	
Total Receipts	2941	4052	2743	2752	2617	3021	22.67
AGR	0	37.78	-32.31	0.33	-4.91	0.18	

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares.

**Figure 7.1 Receipts of Gram Panchayats in Andhra Pradesh (Rs. in crores)**



## 7.5 Tax Revenue of Gram Panchayats

Taxes constitute the foremost source of own revenue of Gram Panchayat. The trends in tax-wise revenue of Gram Panchayats at current prices are presented in table 7.8. The tax revenue Mobilization shows an increasing trend during the period under study. The composition of taxes include house tax, advertisement tax, vehicle tax and others including tax on vacant land/sites, kolagaram or katarusum, tax on agricultural land for a specific purpose etc.

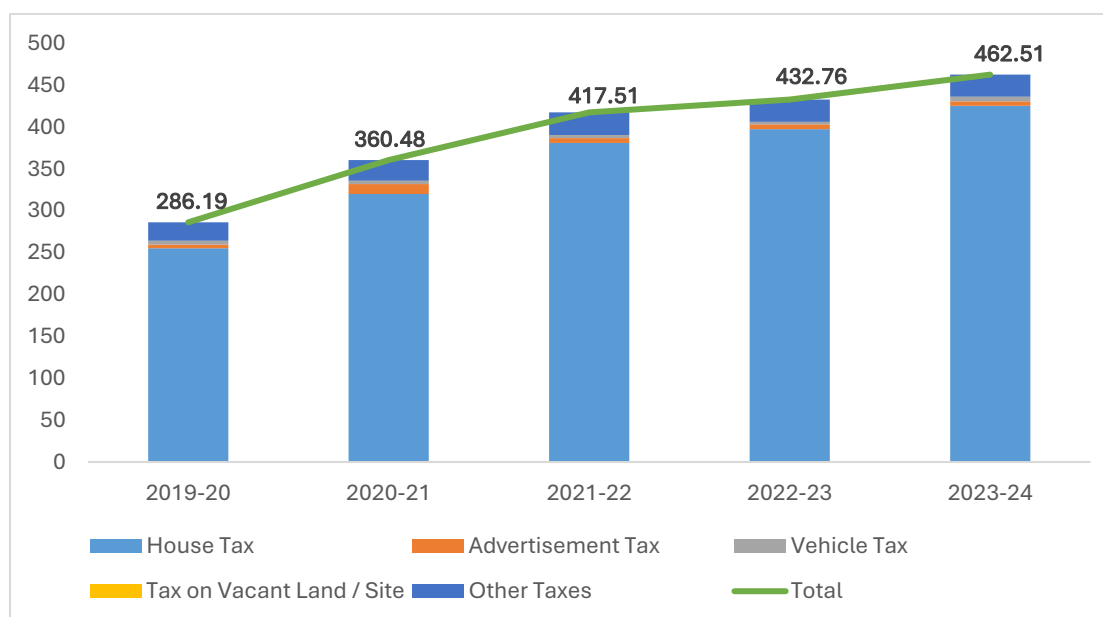
**Table 7.8 Composition of Tax Revenue of Gram Panchayats (Rs. in crores)**

Tax	2019-20	2020-21	2021-22	2022-23	2023-24	Average	Average Per annum Per GP (Rs. in Lakhs)
House Tax	255 (89.47)	320 (88.64)	381 (91.15)	397 (91.69)	425 (91.99)	356 (90.82)	2.67
AGR	-	25.49	19.06	4.20	7.05	13.95	
Advertisement Tax	4 (1.40)	12 (3.32)	6 (1.44)	6 (1.390)	5 (1.08)	7 (1.79)	0.05
AGR	-	200.00	-50.00	0.00	-16.67	33.33	
Vehicle Tax	4 (1.40)	4 (1.11)	4 (0.96)	3 (0.69)	6 (1.30)	4 (1.02)	0.031
AGR	-	0.00	0.00	-25.00	100.00	18.75	
Other Taxes	22 (7.72)	25 (6.93)	27 (6.46)	27 (6.24)	26 (5.63)	25 (6.38)	0.19
AGR	-	13.64	8.00	0.00	-3.70	4.48	
Total	285	361	418	433	462	392	2.94
AGR	-	26.67	15.79	3.59	6.70	13.19	

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares.

**Figure 7.2 Composition of Tax Revenue of Gram Panchayats (Rs. in crores)**



### 7.5.1 House Tax:

House tax is a recurring tax levied by Gram Panchayats on buildings and appended land. Section 61 of Andhra Pradesh Panchayats Raj Act 1994 empowers the Gram Panchayats to levy tax on all buildings and appended land situated within the jurisdictional area of the respective Gram Panchayats. The Andhra Pradesh Panchayat Raj Act 1994 gives option to Gram Panchayats to levy tax on the basis of capital value or annual rental value. According to the Act, when the Gram Panchayat has resolved to assess houses for the purpose of house tax either on their annual rental value or capital value, the rates fixed by the Gram Panchayats may either be proportional to the value of the house but shall in no case decrease as the value of the house increases. When a proportionate rate has been adopted by the Gram Panchayat, it may group the houses in the village into classes to simplify the calculation and collection of the tax.

1. Rules relating to levy of house tax under the Andhra Pradesh panchayat raj act.1994 were amended in 2002 in G.O.M.S No.98. The G.O states that “a general revision of assessment books shall be made before the commencement of every financial year. The house tax shall be raised every year by a uniform hike of 5% on the existing house tax of the previous year”.
2. In practice, the assessment is fixed by the village panchayat presidents without any clear guidelines regarding land value, value of building, area of houses, type of houses, age of the house etc.

**7.5.1.1** A general contention against levying and collecting taxes is that the tax base is nonexistent. People are not in a position to pay taxes due to poor resources. This has been challenged by Sahasranamam (2012) Nigerian et al (2014) who argue that “it is not the lack of tax base that hold revenue raising back, but lack of willingness to tax. “by tax planning authorities at the grass root level”. Along similar lines, the recent NIPFP 2019 report finds that local government’s income efforts have been inadequate and they continue to rely on high levels of government for funding and acting as agents executing different programmes of both state and union administration. Fifteenth Finance Commission also emphasized that mobilization of own revenues by self-governing local bodies leads to better ownership and accountability. Internationally, Property tax is one of the most effective instruments for revenue mobilization by local bodies and the

Commission stated that for historic reasons as well as of vested interests, property tax yields remain negligible in India.

**7.5.1.2** The information on house tax revenue of Gram Panchayats during the period 2019-20-2023-24 is furnished in table 7.8. It can be seen from the table that the house tax revenue of Gram Panchayats increased from Rs. 255 crores in 2019-20 to 425 crores in 2023-24. The share of house tax receipts in total tax receipts of Gram Panchayats is around 91 percent during the period under review. During this period, house tax collections grew at the rate of 13.95 percent. The average annual house tax revenue of Gram Panchayats is Rs. 356 crores and Rs. 2.67 lakhs per Gram Panchayat, while it was Rs. 1.42 lakhs per Gram Panchayat during fourth State Finance Commission review period (2014-15 –2018-19) indicating around 7.8 percent hike in house tax collections during the five year period. The per capita house tax collections by Gram Panchayats is Rs. 97/- per annum (Based on 2011 population).

**7.5.1.3** Notwithstanding improvement in the collection, there has been a persistent gap between demand and collection of house tax. Ever since large amount of flows have been ensured to local government through Union Finance Commission grants and state government grants, it has become unhealthy practice with the Gram Panchayats to show lack of interest in raising own resources especially tax collections. Table 7.9 gives a detailed account of demand, collection and balance of tax revenue of Gram Panchayat from the year 2019-20 to 2023-24. It is evident from the Table that the collection against demand is poor and this succinctly sums up the fiscal health of Gram Panchayat. On an average the tax collection accounted for 65.7 percent of demand during the review period, which means that 34.3% of the tax escaped assessment. The tax collection as percentage of demand increased from 46.8 percent in 2019-20 to 76.9 percent in 2022-23 and subsequently declined to 64.7 percent in 2023-24. The Commission is informed by the tax administrators, that they could not pressurise the tax payers to pay the tax due to political intervention in view of general elections in 2024. It is observed that the tax collection as percentage of demand is high in case of current demand in comparison with collection of tax arrears.

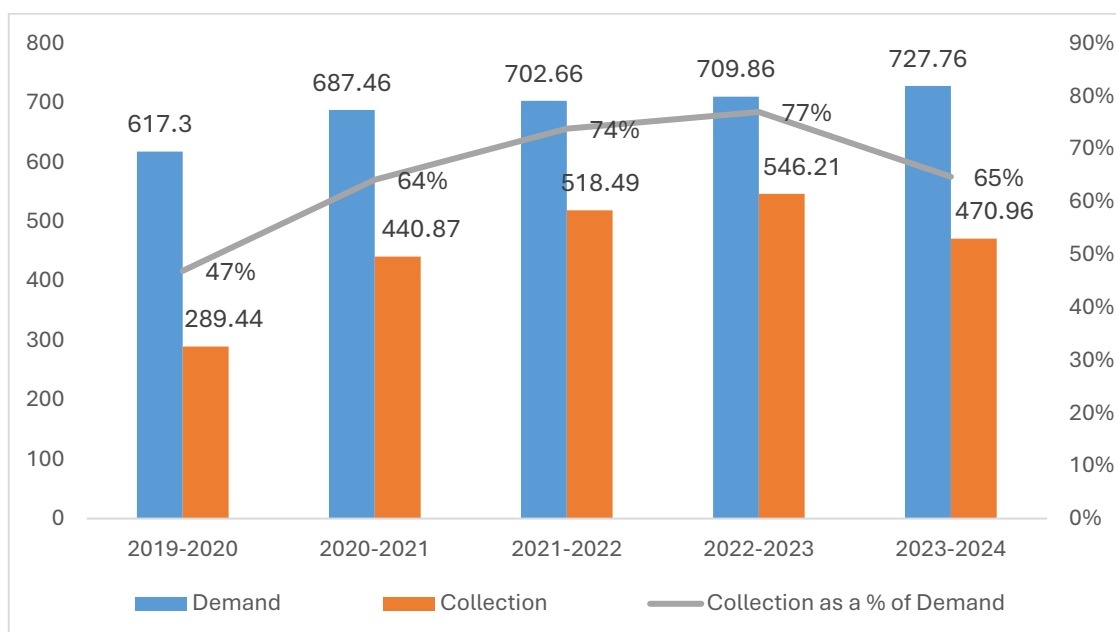
**Table 7.9. Demand and Collection of Property Tax by Gram Panchayats**  
(Rs. in crores)

Year	Demand			Collection		
	Arrear	Current	Total	Arrear	Current	Total
2019-2020	207	410	617	69 (33.33)	220 (53.66)	289 (46.84)
2020-2021	262	426	688	148 (56.49)	293 (68.78)	441 (64.10)
2021-2022	232	470	702	133 (57.33)	386 (82.13)	519 (73.93)
2022-2023	192	518	710	126 (65.63)	420 (81.08)	546 (76.90)
2023-2024	165	563	728	83 (50.30)	388 (68.92)	471 (64.70)
Total	1058	2387	3445	558 (52.74)	1708 (71.55)	2266 (65.78)

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parentheses indicate percentages. Property tax includes house tax, water, drainage and street lighting charges, library, sports and fire cess.

**Figure 7.3. Demand and Collection of Property Tax by Gram Panchayats (Rs. In Crores)**



**7.5.1.4** Property tax has emerged as the most important and productive source of revenue with increasing potential due to subsuming of entertainment tax in GST and the stagnation of profession tax due to non-revision of the ceiling fixed many years back by the constitution of India. It is a naturally progressive tax, easily assessable and collectable.

That it is non-mobile, the base of the tax is fixed and cannot be shifted out enhances its value. Yet this source has not been effectively tapped due to several reasons viz., undervaluation, policy inadequacy and ineffective administration.

**7.5.1.5** As per Commissionerate of Panchayat Raj and Rural Development, the house tax shall be raised every year by a uniform hike of 5 percent on the existing house tax of previous year. The Commission noticed that this has not been effected. The Gram Panchayats did not show much interest in revising the property tax rate and in collecting the tax demanded. This led to financial loss to Gram Panchayats. There is a tendency on the part of certain village panchayats not to revise the tax periodically in order to appease the people. From the year 2021-22 house tax is being levied on capital value basis.

**7.5.1.6** In the sittings of the Commission in various districts, there was a representation from the public that there is no transparency in house tax assessment. In some cases, the value of the house is underestimated by manipulating data regarding plinth area of the building, value of the building, type of house, age of building etc. Undervaluation of house tax is to be addressed seriously, since it leads to loss of revenue to Gram Panchayats.

**7.5.1.7** The Commission was informed that due to migration of families in search of livelihood/ employment, collection of house tax is a big challenge. In this context, the Commission opines that vacancy remission may be given to such assesses limited to 50% of the tax. During consultations with different stakeholders, it was conveyed that one of the ways of improving tax compliance is through an incentive system. The principles for an incentive grant are that it should be sufficient to attract active interest and the increase should be real and genuine. The government is giving best Gram Panchayat award taking into account tax effort and other parameters relating to basic needs.

**7.5.1.8** During interactions with secretaries of Gram Panchayats, they expressed the difficulty in collection of house tax since all Gram Panchayats do not have secretaries and one secretary has to collect tax for two or three Gram Panchayats.

**7.5.1.9** As per article 285(1) of the constitution of India. The property of the union government is exempted from all the taxes imposed by a state or any authority within a state. Thus the buildings of central government do not come under the ambit of property tax. This leads to loss of revenue to local governments. Fourteenth Finance Commission

pointed out that property tax is the largest item of tax revenue of local governments, increase in revenue is possible if all buildings are brought into the property tax net and recommended to take steps to amend the article 285(1) of the constitution of India so as to bring all buildings of central government under the ambit of property tax net.

**7.5.1.10** The Fifteenth Finance Commission opined that though the Government of India properties are exempted from property tax as per the article 285(1) of the constitution, the local governments can collect service charges on the Central Government properties. But the levy of service charges requires the local government to assess the central government property for property tax and fix the services charge and agree with the concerned Central Government department on the quantum of service charge and method adopted for computation.

**7.5.1.11** Further, during interactions at various districts, the Commission was conveyed that they could not collect property tax on State Government buildings belonging to different line departments, viz., Roads and Buildings, Hospitals, Collectorate, educational institutions, social welfare etc. They informed to the Commission that when they approached the State Government Depts. to collect property tax, they were informed by the respective departments that there is no budget provision for property tax payment.

**7.5.1.12** Based on interactions with PRI functionaries, general public and field level observations and data on demand – collection gap, the Commission strongly feels that house tax revenue has not been effectively tapped. The Fourth State Finance Commission identified gap in Demand and Collection of house tax and recommended for rationalisation of property tax system. In this regard the Fourth State Finance Commission recommended

1. To conduct a comprehensive survey to collect information on area, type of roof, type of use, type of flooring, no of floors and location of the properties.
2. To levy tax based on rental value of the property
3. To give permissible rebates in tax for one time tax payers
4. Appointment of additional staff and the appointed revenue staff should not be converted into agents of the government. The government has accepted the recommendation but not operationalised.

**7.5.1.13** This Commission makes the following recommendation for enhancing house tax/ property tax collection.

- a. Properties for levying tax should be categorised as residential, commercial and mixed category as in urban local bodies.*
- b. For all kinds of transaction of services related to buildings like transfer of ownership, provision or upgradation of power connection, provision of water supply connection, registration of wills, providing land and building as security for loans, house tax remittance without dues should be made mandatory and the person concerned has to produce the receipt from the respective local government as evidence.*
- c. Online payment of tax should be enabled for all the Gram Panchayats.*
- d. Provision should be made for making payments through all the unified payment interface (UPI) applications viz., google pay, phone pay, net banking and credit / debit card.*
- e. Permissible rebate in the amount of property tax may be provided for onetime payment as in urban local bodies and the offer may be publicised for improving tax effort.*
- f. Propagation of tax payment literacy favourably improves the revenue of panchayats and residents should be sensitized that prompt tax payment is linked with better service delivery.*
- g. All buildings of state government organisations should be brought under tax net. A mechanism should be initiated by the government to ensure that department wise and Gram Panchayat wise demand for property tax are consolidated and adequate budgeting provision sought from the finance department under relevant heads of account to prevent accumulation of arrears on state government buildings.*
- h. In view of the complex process involved in assessing central government properties for levy of services charges, the govt may provide necessary technical advice to the Gram Panchayats.*

*This Commission recommends to levy service charges on union government buildings as given below.*

- 1. If all services are fully give Water ----- 75 percent of tax leviable supply / street lighting / drainage*

2. *If only partial services given ----- 50 percent of tax leviable*
  3. *If nil services are given ----- 33 percent of tax leviable*
- i. *The Commission recommends to government to recruit panchayat secretaries for all panchayats including minor panchayats to improve tax effort.*
  - j. *To address the issue of undervaluation of property, the Commission recommends constituting a committee with (1) Eo-PRRD (2) Assistant Engineer, panchayat raj dept (3) Panchayat secretary (4) Mandal surveyor and (5) Delegate from registration department. Once the Committee estimates the value of houses of residents, there will not be any opportunity to change it and house tax collection will be significantly improved.*
  - k. *This Commission also recommend to the Govt. to utilise the scheme namely Survey of Villages Abadi & Mapping with Improvised Technology in Village Areas (SVAMITVA), a central sector scheme in Addressing the issue of undervaluation of houses/ properties in villages. This scheme leverages technology to survey and map rural properties. Under this, cadastral mapping is conducted using drones and technological tools to accurately demarcate property boundaries and establish ownership rights and enables proper calculation and collection of property tax. As per the annual report of MoPR for 2023-24, in Andhra Pradesh drone survey has been completed in 13280 villages and property cards were prepared covering 1073 villages.*
  - l. *In case of migrated families, vacancy remission may be given subject to maximum of 50 percent.*

### **7.5.2 Advertisement Tax**

Section 63 of Andhra Pradesh panchayat Raj Act, 1994 has empowered Gram Panchayats to levy Advertisements tax on all the advertisements with in the jurisdictional area of the respective local governments. The provision of advertisement tax has been repealed under section 174(2) of AP GST ACT 2017 with effect from 1-7-2017. Under sec 173(I) and (II) of the same Act, Gram Panchayats cannot levy tax on advertisement from that date. However the Gram Panchayats instead can collect permission fee incase, the land used for advertisement belongs to Gram Panchayat.

**7.5.2.1** The trends in advertisement tax revenue indicates inconsistency. The share of revenue from advertisement tax in total tax revenue ranged from 1.08 percent to 3.32

percent during the reference period. The average annual receipts of advertisement tax revenue worked out to be Rs. 7 crores and Rs. 5000/- per Gram Panchayat per annum. (Table 7.8) The receipts from advertisement tax continuously showed declining trend.

**7.5.2.2** As per the Andhra Pradesh Panchayat Raj Act, the Gram Panchayats have to get approval from Zilla Praja Parishads for fixing the tax rates and exemptions from the tax. During the Commission's sittings in the districts, the Gram Panchayats presidents/secretaries brought to the notice of the Commission that there are no clear guidelines about the tax rates to be collected for various types of advertisements namely wall paintings, writings, posters, banners boards etc. This Commission feels that

### **7.5.2.3**

1. Zilla Praja Parishads should give common guidelines about the rates of taxes to be collected and exemptions to be allowed by gram panchayats.
2. The Commission recommends that the tax rates should be revised once in three years with upward revision of 5 percent.
3. Gram Panchayats should be empowered to take legal action and levy penalties on persons who put up unauthorized hoardings and advertisements in addition to removing hoardings which have not received requisite permission.

### **7.5.3 Vehicle Tax**

There is a provision in the panchayat Raj Act, 1994 to levy tax on vehicles other than motor vehicles. The share of vehicles tax in total tax revenue declined from 1.40 percent in 2019-20 to 1.30 percent in 2023-24 and the average annual share during the period under review worked out to be 1.02 percent. In absolute terms, the vehicle tax collection increased from Rs. 4 crores in 2019-20 to Rs. 6 crores in 2023-24 registering average annual growth rate of 18.75 percent (Table 7.8).

### **7.5.4 Other Taxes**

Other taxes include tax on vacant land, kolagaram / katarusum, tax on agricultural land for specific purpose, land cess, tax/fees for use of parambokes or communal lands etc. The share of revenue from other taxes in total revenue constituted 6.38 percent during the period under review and grew at the average annual rate of 4.48 percent.

**7.5.4.1** The tax collected on vacant site/ land is very insignificant and majority of the Gram Panchayats are not collecting tax on vacant land due to resistance from the local people and political intervention. During the Commission visits to districts it was brought to the notice of the Commission that vacant lands are filled with bushes, stagnated water and poisonous creatures, cause environmental pollution and consequent impact on healthy living of the people. Another important issue raised by the local bodies is identification of owners of the vacant lands since the owners of the vacant land are not staying in the village and settled down elsewhere. ***Hence this Commission recommends that payment of tax on land/site along with arrears, if any should be linked with stamp and registration department at the time of selling the land or with buildings plan approval by Gram Panchayats or urban development authority. The payment of tax should be condition for approval of house plan, grant of any loan, sale and purchase deed, sale agreements, mortgage, lease deeds, power of attorney for sale, etc.***

**7.5.4.2** One of the obligatory tax the Grama Panchyat are empowered to levy under Section 60 of APPR Act 1994 is kolagaram / katarusum tax. This tax is levied on the village produce sold in villages. This is a specific tax collected from traders or individuals engaged in business transactions within the jurisdiction of Gram Panchayats. The kolagaram is a flexible levy designed to cover a wide array of trade activities within local markets with focus on agricultural and artisanal produce aligned with the rural economy. But, it is seen that this tax is not being levied and collected in most of the Gram Panchayats.

**7.5.4.3** The Commission based on the interactions with PRI officials and public, opines that kolagaram can be levied on poultry units involved in breeding, meat production, or egg production since these are economic activities conducted within panchayat boundaries. Andhra Pradesh has a significant poultry sector, producing a substantial percentage of poultry meat, making it a major source of rural revenue. Certain small-scale backyard poultry activities might fall under exemptions depending on their non-commercial nature or minimal environmental impact, but larger operations could be taxed based on trade volumes and production scale.

The following factors need to be considered for fixing Kolagaram Tax Rates:

- Size of the poultry unit (number of birds or production scale).
- Type of operation (commercial broilers, layers).

**7.5.4.4** The Gram Panchayats in Andhra Pradesh have significant potential to mobilize additional revenue through the imposition of a Kolagaram tax on brick manufacturing units. The, brick manufacturing units play a pivotal role in supporting infrastructure development. The state hosts approximately 2,500 fly ash brick manufacturing units. Each unit has a daily production capacity ranging between 10 and 30 tonnes of bricks. An estimated 25,000 individuals directly depend on these units for their livelihoods. In addition to this there exists a large number of cement Brick units also across the state.

**7.5.4.5** Government may implement a rational Koalgaram tax on brick units, considering the production capacity. A graded tax system can be designed to ensure fairness, with higher tax rates for units with larger production capacities. By leveraging the revenue potential of Bricks through Kolagaram tax, the Gram Panchayats will be able mobilise additional revenues thereby strengthening their finances.

## **7.6 Non - Tax Revenue**

**7.6.1** The information on item-wise non-tax revenue collections of Gram Panchayats during 2019-20 to 2023-24 are furnished in table 7.10. It can be seen from the Table that non-tax revenues rose from Rs. 227 crore in 2019-20 to Rs. 307 crore in 2023-2024 registering a growth rate of 8.43 percent. User charges accounted for highest share of total non-tax revenue (27.87 percent) followed by Building Plan/ Layout Approval Fee (18.47), Tap Fee (14.63), Fish Tanks (11%) and Trade License Fee (10.80). It is observed that though the share of user charges is high in total non-tax revenue vis-a-vis other Non-tax items, the annual average rate of growth of user charges is 11.7 percent only.

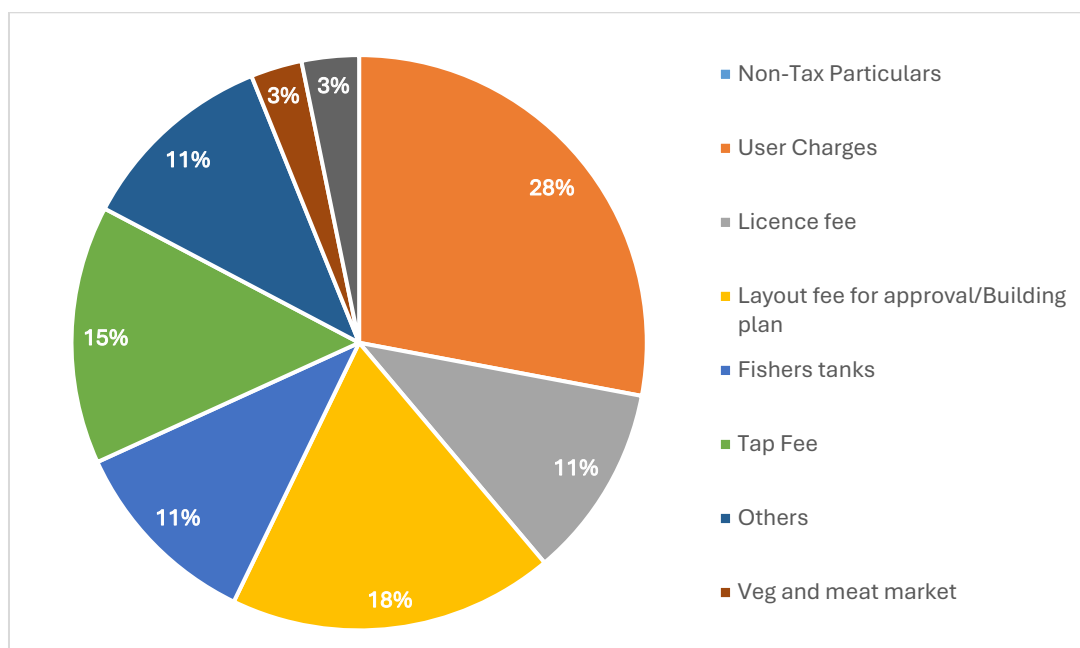
**Table 7.10 Non-Tax Revenue of Gram Panchayats (Rs. in crores)**

Non-Tax Particulars	2019-20	2020-21	2021-22	2022-23	2023-24	Average Per Annum	Average Per Annum per GP (Lakhs)
User Charges	61 (26.87)	72 (28.13)	87 (28.25)	88 (25.96)	94 (30.62)	80 (27.87)	0.6
AGR	-	18.03	20.83	1.15	6.82	11.71	
Trade Licence Fee	31 (13.66)	27 (10.55)	33 (10.71)	35 (10.32)	30 (9.77)	31 (10.80)	0.23
AGR	-	-12.90	22.22	6.06	-14.29	0.27	
Layout fee for approval/ Building plan	35 (15.42)	37 (14.45)	61 (19.81)	71 (20.94)	59 (19.22)	53 (18.47)	0.39
AGR	-	5.71	64.86	16.39	-16.90	17.52	
Veg and meat market	7 (3.08)	7 (2.73)	8 (2.60)	9 (2.65)	11 (3.58)	8 (2.79)	0.06
AGR	-	0.00	14.29	12.50	22.22	12.25	
Fishers tanks	26 (11.45)	33 (12.89)	34 (11.04)	37 (10.91)	29 (9.45)	32 (11.15)	0.24
AGR	-	26.92	3.03	8.82	-21.62	4.29	
Rents	8 (3.52)	7 (2.73)	10 (3.25)	11 (3.24)	10 (3.26)	9 (3.14)	0.07
AGR	-	-12.50	42.86	10.00	-9.09	7.82	
Tap Fee	35 (15.42)	39 (15.23)	46 (14.94)	48 (14.16)	41 (13.36)	42 (14.63)	0.31
AGR	-	11.43	17.95	4.35	-14.58	4.79	
Others	24 (10.57)	34 (13.28)	29 (9.42)	40 (11.80)	33 (10.75)	32 (11.15)	0.24
AGR	-	41.67	-14.71	37.93	-17.50	11.85	
Total	227	256	308	339	307	287	2.15
AGR	0	12.78	20.31	10.06	-9.44	6.74	

Source: O/o Commissioner PR&RD, GoAP.

Note: Figures in parenthesis indicate percentage shares.

**Figure 7.4 Non-Tax Revenue of Gram Panchayats (Rs. in crore)**



**7.6.2** User charges are collected for water supply, drainage and street lightings. Water charges consistently increased from Rs. 31 crores in 2019-20 to Rs. 48 crores in 2023-2024 (Table 7.11). Similar trend is noticed in case of user charges for drainage and street lighting.

**Table 7.11 Receipts of User Charges in Gram Panchayats (Rs. in crores)**

User Charges	2019-20	2020-21	2021-22	2022-23	2023-24	Average Per annum
Water Supply	31	38	44	46	48	41
AGR	-	22.58	15.79	4.55	4.35	11.82
Drainage	16	18	22	22	23	20
AGR	-	12.50	22.22	0.00	4.55	9.82
Street Lighting	14	17	20	21	24	19
AGR	-	21.43	17.65	5.00	14.29	14.59
Total	61	73	86	89	95	81
AGR	-	19.67	17.81	3.49	6.74	11.93

Source: Govt. of AP, O/o the Commissioner PR&RD

**7.6.2.1** Though user charges for water supply and drainage increased during the period under review, the expenditure incurred by Gram Panchayats for O&M cost of water

supply and sanitation is much higher than the collected revenue. The revenue collected through user charges contributed to around 14 percent of the operation and maintenance cost only (Table 7.14), Hence this Commission recommends to revise the user charges for water supply once in two years with an upward revision of 5 percent.

### **7.6.3 Trade Licence Fees**

Licence fee is one of the important source of non-tax revenue to Gram Panchayats. The important sources of License fees are from shops, business and other establishments and trades with steam. Licence fees is imposed as per section 119 and 120 of Andhra Pradesh panchayat-Raj Act, 1994. The yield from licence fee more or less consistently increased from Rs. 31 crores in 2019-20 to Rs. 35 crores in 2022-23. The share of Licence fee in total Non-tax revenue was 10.80 percent over the five year period.

**7.6.3.1** The licence fee rates are fixed long back since then there is no revision of the rates of licence fee. Timely revision of rates would have yielded a lot of revenue to Gram Panchayats. This Commission recommends to revise the rates with annual hike of 5 percent. Though there are provisions to levy and collect licence fees, many Gram Panchayats are not levying and collecting them due to various reasons. It will make a positive impact significantly on the revenue of Gram Panchayats if they are properly levied and collected.

### **7.6.4 Building Plan Approval Fee**

Building permit fee is an important source of non-tax revenue for gram panchayat. New buildings are mushrooming in both rural and urban areas. As per Andhra Pradesh Panchayat Raj Act and as per panchayat building rules, as the case may be, every person should obtain approval for a building before construction of any building after remittance of the fees prescribed as per the rules of the concerned local government. This is a good source of revenue to local governments and is a major tool to regulate buildings and layouts during the five years period under reference. The yield from this source grew at the rate of around 17 percent per annum during this period. The Commission recommends to revise the building permit fee once in three years keeping in view the human resource put in by the local government for the issue of building permit fee and reckoning a factor for inflation.

## 7.6.5 Fish Tanks

Fish tanks is another source of revenue to Gram Panchayats. On an average, revenue from fish tanks yield an income of Rs. 32 crores per annum. The revenue from fish tanks consistently increased from Rs. 26 crores in 2019-20 to Rs. 37 crores in 2022-23 and marginally declined in the year 2023-24. The share of revenue from fish tanks in total non-tax revenue is around 11 percent during the study period.

**7.6.5.1** As per the existing orders of Government, the rights of fishery auction in Minor Irrigation (MI) Tanks (Up to 100 Acre) vest with Gram Panchayats and with the Minor Irrigation department in the Tank above 100 Acres. The upset price for lease, is fixed by a Committee headed by Divisional Panchayat Officer in respect of GP tanks and by the District Collector in case of MI department tanks by following the procedure prescribed.

**7.6.5.2** Government have issued orders to lease out Fish Tanks to Inland Fishermen Cooperative Societies so that they can reap the benefit of use of public asset for their economic betterment and livelihoods. In case of absence/ unwilling of Fishermen Cooperative Societies, the fishery rights are allotted through public Auction. Government in Go Ms no 22 A&H dated 22-03-2003 have issued orders that 30% of lease amount realised by the MI department in respect of Tanks/ Reservoirs be apportioned to concerned Gram Panchayats

**7.6.5.3** During the field visits of the Commission, it was brought to the notice that (a) many Fishermen Cooperative Societies are subletting the leased tanks to third parties at significantly higher rates, resulting in financial losses for local government bodies.

**7.6.5.4** To address these challenges and safeguard the financial interests of Gram Panchayats, the Commission recommends the following measures Prevention of Subletting:

- a) Incorporate clauses in lease agreements to explicitly prohibit subletting of fishery rights by cooperative society*
- b) Impose stringent penalties on societies found subletting rights, including cancellation of leases and blacklisting from future allocations.*

## 7.7 Assigned Revenue

7.7.1 The taxes, duties, cesses and surcharges collected by the state government on behalf of local bodies and assigned to them are called assigned revenues. This category includes entertainment tax, surcharge on stamp duty, seignorage grant, profession tax, mineral cess, magisterial fines etc. The details of assigned revenue to Gram Panchayats are presented in table 7.12. Total assigned revenue constitute around 9 percent of total receipts. Surcharge on stamp duty is the major source of assigned revenue constituting 68.6 percent on an average per annum during the period under reference followed by seignorage grant (12.5) and profession tax (11) and others (7 percent) in that order.

**Table 7.12 Assigned Revenue of Gram Panchayats (Rs. in crores)**

Revenue Source	2019-20	2020-21	2021-22	2022-23	2023-24	Average	Average per annum per GP (Rs. in lakhs)
Surcharge on stamp Duty	138 (68.32)	177 (74.37)	187 (60.71)	325 (79.08)	103 (52.82)	186 (68.63)	1.4
AGR	-	28.26	5.65	73.80	-68.31	9.85	
Profession Tax	26 (12.87)	27 (11.34)	37 (12.01)	28 (6.81)	30 (15.38)	30 (11.09)	0.22
AGR	-	3.85	37.04	-24.32	7.14	5.93	
Seignorage Grant	17 (8.42)	16 (6.72)	50 (16.23)	39 (9.49)	47 (24.10)	34 (12.55)	0.25
AGR	-	-5.88	212.50	-22.00	20.51	51.28	
Entertainment Tax	1 (0.50)	1 (0.42)	1 (0.32)	1 (0.24)	1 (0.51)	1 (0.37)	0.005
AGR	-	0.00	0.00	0.00	0.00	0.00	
Mineral Cess	0 (0.00)	1 (0.42)	1 (0.32)	1 (0.24)	0 (0.00)	1 (0.20)	0.0045
AGR	-	-	0.00	0.00	-100.00	-33.33	
Magisterial fines	0 (0.00)	1 (0.42)	1 (0.32)	1 (0.24)	3 (1.54)	1 (0.37)	0.0045
AGR	-	-	0.00	0.00	200.00	66.67	
Others	20 (9.90)	15 (6.30)	31 (10.06)	16 (3.89)	11 (5.64)	19 (7.01)	0.14
AGR	-	-25.00	106.67	-48.39	-31.25	0.51	
Total	202	238	308	411	195	271	2.03

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

### **7.7.2 Seignorage Grant**

Seignorage collected on minor minerals is to be apportioned among the local bodies viz., GPs, MPs and ZPs. It can be seen from the Table 7.12 that the seignorage grant to Gram Panchayats increased from Rs. 17 crores in 2019-2020 to Rs. 47 crores in 2023-24, registering average annual growth rate of 51.28 percent during the period under reference. The share of seignorage grant in assigned revenue ranged between 6.7 percent in 2020-2021 to 24 percent in 2023-2024. The annual average amount of seignorage grant received by a Gram Panchayats was Rs. 25000/- only. During interactions with Gram Panchayat secretaries and sarpanches, it was brought to the notice of the Commission that seignorage grant is not paid to Gram Panchayats regularly. The Commission strongly opines that the seignorage grant should be transferred to Gram Panchayats quarterly. The ratio of existing seignorage fees allocation is 25% to Gram Panchayats, 50% to Mandal Praja Parishads and 25 percent to Zilla Praja Parishads.

**7.7.2.1** This Commission has noticed that the collected seignorage charges are not being assigned to local bodies in toto. The seignorage charges are collected by Director Mines & Geology and the collected amount is credited to state consolidated fund and the government has to transfer the fund to commissionerate of PR&RD for distribution among PRIs. In this regard the Commission has noticed significant gap between collection and release of funds for local bodies. Hence, the Commission recommends that the collected total seignorage grant should be assigned to local bodies after deducting cost of collection and transferred to local bodies quarterly.

#### **7.7.2.2 Seignorage Charges – Short release**

The Chairperson of Kurnool ZPP informed to the Commission that the releases of seignorage charges are not as per remittances. As per GO MS 255 PR & RD Department dated 02.08.2001, seignorage fee/ cess remitted to the state consolidated fund shall be apportioned among the PR bodies i.e., Gram Panchayats, Mandala Praja Parishads and Zilla Praja Parishads in the ratio of 25%, 50% and 25% respectively. The director, Mines and Geology shall intimate the commissioner, PR & RD and to concerned PR Bodies i.e., District Panchayat officer and Chief Executive Officer, Zilla Praja Parishad about the particulars of collection of seignorage fee and commissioner, PR&RD will make provision in the budget under the head of account for passing on the seignorage fee to PR Bodies. The Chairperson of Kurnool Zilla Praja Parishad informed to the Commission that there was short release of grant of RSs 34.96 crores to ZPP, Kurnool, Rs. 80 crores

to MPPs for the period 2019-20 to 2023-24 and the same has been brought to the notice of the Government.

### **7.7.2.3 Seignorage Fee on Sand and Minor Minerals**

The Commission is informed by some ZPP officials that the seignorage charges collected on sand and minor minerals from 2019-20 to 2023-24 is not transferred to ZPPs. The Chairman, Kakinada ZPP stated that an amount of Rs. 1948 lakhs has to be transferred to Zilla Praja Parishad by the Government.

### **7.7.3 Surcharge on Stamp Duty**

The proceeds from surcharge levied on stamp duty are being transferred to rural local bodies in ratio 3:1:1 to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads. A duty on transfer of property is levied in the form of surcharge on the basic duty imposed under the Indian stamp act 1899, on certain instruments on transfer of property. These include sale and purchase deed, sale agreements, agreements for development/construction, mortgage, gift deeds, and settlements in favour of family members, others and charitable trusts, exchange of property, release of property, lease deeds, power of attorney for sale or construction or development as well as other purposes and special power of attorney. The surcharge on transfer is 5% of the value of the instrument in most cases except in mortgages without possession (3%), settlements in favour of family members and religions trusts (3%) lease deeds (3%) etc. The surcharge is levied and collected by the registration department and the proceeds are being assigned to RLBs. The collection from surcharge on stamp duty rose from Rs. 138 crores in 2019-20 to Rs. 325 crores in 2022-23 and significantly declined to Rs. 103 crores in 2023-24. The annual average yield from this source is Rs. 186 crores during the study period. Its share in total assigned revenue is around 69 percent and it grew at the rate of 9.85 percent per annum. The revenue from this source was around Rs. 1.4 lakhs per Gram Panchayat per annum. The registration department should place quantum of collection of basic duty and transfer duty from each jurisdiction on its website such that RLBs can check the actual quantum of collection and transfers made. To ensure transparency, the Commission recommends that the details of collection of surcharges should be shared by the Registration department with the concerned Head of department, District collector and local body.

**7.7.3.1** Surcharge on stamp duty is one of the major source of revenue to PRIs. It is learnt that the share of ZPP in surcharge on stamp duty is not apportioned to ZPPs from the year 2019 to 2023. The CEO of Kakinada ZPP informed that an amount of Rs. 2093.88 lakhs is due from Stamp and Registration department. The CEO of Kurnool ZPP stated that the efforts to get regular apportionment of surcharge on stamp duty to ZPPs were in vain.

#### **7.7.4 Entertainment Tax**

Entertainment tax was historically a source to revenue of local governments. The constitutional amendment had exempted Entertainment tax from GST, if it is called as a local tax. Up to June 2017, the government of Andhra Pradesh was levying this tax and sharing 90 percent of the proceeds with local bodies (based on the principle of location) and 7% with film development chamber and retaining the remaining 3% as collection charges.

In Andhra Pradesh, with the introduction of GST, Entertainment tax was repealed under section 174(2) of Andhra Pradesh GST Act 2017 with effect from 1.7.2017. Thus entertainment tax imposed and collected by government of Andhra Pradesh has been replaced by GST and the government has been receiving its share in GST Collection. With the introduction of GST, the entertainment tax has been replaced by taxes on entertainment and amusement to the extent to be levied and collected by local governments.

**7.7.4.1** Local governments can collect tax on events like exhibition, performance, amusement, game, sport or race for which permissions are admitted on payment. A number of factors like development of cable and dish technology, internet, other new generation entertainment media etc. have caused decline in revenue from this tax.

**7.7.4.2** During 2019-20 to 2023-24, the Gram Panchayats have been receiving an amount of Rs. 60 lakhs on an average per annum from the entertainment tax and around Rs. 500/- on an average per Gram Panchayat and the receipt from entertainment tax registered a negative growth rate. The Gram Panchayats are deprived of this source of revenue with effect from 1.7.2017 and the state is not providing any direct compensation to the Gram Panchayats. Hence the Commission recommends that the state government should share the revenue from the GST on entertainments with the local bodies or compensate for the loss in entertainment tax as is being done by government of Kerala.

### 7.7.5 Profession Tax

Article 276 read with entry 60 in list 11 of schedule VII of the constitution empowers states to levy a tax on profession, trades, callings and employments up to Rs. 2500/- per annum, consequently the first schedule of the Andhra Pradesh tax on professions 1987 was amended by the Act 29 of 1996 revising the profession tax from Rs. 250/- to Rs. 2400/- per annum with effect from 1.08.1996 on a gradual basis. As per the provisions of Andhra Pradesh tax on professions, trades, calling and employment Act, 1997 the commercial tax department is the nodal agency for administering the tax. It can be seen from the table 7.12 that the Gram Panchayats received an amount from Rs. 26 crores to 37 crores per annum from profession tax during the review period. The average annual receipt from profession tax worked out to be Rs. 30 crores and Rs. 0.22 lakhs per Gram Panchayat. The yield from profession tax grew at the rate of 5.93 percent only during the review period. It requires to mention that the yield from profession tax is not showing corresponding increase in growth of trade, business employment and profession. The reason for the low growth in collection is that the persons engaged in some professions are not being assessed in levying tax. It has been brought to the notice of the Commission that many professionals like doctors, advocates and consultants are evading the payment of tax. Further, the main reason for the low growth in collection is the failure to make amendments to the constitution for revision of maximum tax leviable.

**7.7.5.1** The Commission is informed that there is no information to Gram Panchayats about the amount of the profession tax collected on different professions, trades, callings and employments in the jurisdictional area of the respective Gram Panchayats. Profession tax at present is administrated by the commercial tax department. Majority of the Gram Panchayats reported that they have not received their share in profession tax and resulted in revenue loss to them. Based on the information on collected amount of profession tax by commercial tax department and the amount devolved to PRIs, the Commission noticed that the devolution of profession tax revenue falls short of revenue collected. Around 25-30% of collected amount only is transferred to local bodies. Hence, the Commission strongly recommends to transfer the total amount of profession tax to Gram Panchayats after deducting the cost of collection in April ever year. The commercial tax department has to furnish information about the details of profession tax collected on different professions, trades, employment etc. This will facilitate Gram Panchayats to identity the tax evaders and augment their source of revenue.

**7.7.5.2** The maximum tax leviable under this item is governed by article 276(2) of the constitution. Hence, each time, a revision is required an amendment to the constitution fixing maximum limit. Such an amendment was brought in for the last time as far back as 1996. Starting from the Eleventh Union Finance Commission, UFCS made recommendations for revising the maximum rate leviable through amendments to the constitution. The eleventh Finance Commission recommended an upward revision of profession tax through a onetime amendment to the constitution facilitating the parliament to fix the ceiling from time to time without amending the constitution. This was endorsed in different forms by succeeding Union Finance Commissions. The Fifteenth Finance Commission suggested at the 2019-20 prices the upper limit of profession tax has to be Rs. 18000/- yearly instead of current rate of Rs. 2500/-. Yet there is a lack of interest on the part of the successive governments to bring in the amendment. The Commission strongly makes the point that the state government should demand the centre for an amendment to the constitution and follow up the matter. Another demand, the state shall make to the centre to amend the constitution in such a way so as to empower the parliament to revise the rates of profession tax without having to introduce a constitutional amendment on each occasion.

**7.7.5.3** Barring government employees, a majority of professionals like advocates, medical practitioners, tax practitioners, contractors, Commission agents etc are not assessed for profession tax due to lack of proper records. It is intimated by local governments that each and every trade and businessmen are not brought under the tax net.

**7.7.5.4** Most of the employees and workers in the unorganised sector and self-employed persons are not assessed for profession tax. The Commission recommends that a proper data base of all categories of professionals. Traders and businessmen, employees and workers in the unorganised sector and self-employed persons should be prepared and they be assessed for profession tax. Thus data base should be updated from time to time. Local governments may seek additional human resources. All commercial Institutions/Enterprises which have been issued licences under D&O licence rules should be assessed for profession tax.

## **7.8 Grants from State Government**

Under section 74 and the rules issued under sections 172 and 198 of the APPR Act 1994, percapita grants are being sanctioned by the government at Rs. 4/- ,Rs. 8/- and

Rs. 4/- to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively. This grant is meant for general purposes and can be spent as per the felt needs of the local bodies. The salary grant is given by the government. The wages of outsourcing employees are to be met from own revenue of the local government. The First State Finance Commission recommended to fix the percapita grant of Rs. 4/- to Gram Panchayats, Rs. 8/- to Mandal Praja Parishads and Rs. 4/- Zilla Praja Parishads. The Government accepted this recommendations and accordingly sanctioned the grants to local bodies. The Third State Finance Commission, has recommended to enhance percapita grant of Rs. 4/-, Rs. 8/- and Rs. 4/- to Rs. 8/-, Rs. 16/- and Rs. 8/- for Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively. The government accepted this recommendation but not implemented. The percapita grant to local governments was sanctioned on the basis of 2011 population. The Fourth State Finance Commission recommended to enhance the percapita grant to Rs. 25/-, Rs. 50/- and Rs. 25/- for Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively. The government has accepted this recommendation but not operationalised.

**7.8.1** In view of the growing revenue expenditure and mounting revenue gap and gaps in basic needs, this Commission also strongly recommends to enhance the percapita grant to Rs. 25/-, Rs. 50/- and Rs. 25/- to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively. The additional commitment to the Government is estimated to be around Rs. 295 crores. Further, this Commission strongly recommend to sanction percapita grant on the basis of 2021 instead of 2011 population as soon as 2021 census population is finalised.

**7.8.2** At present, the government allocates percapita grants to gram panchayats without considering socio-economic factors. The capacity of the Gram Panchayats to mobilize their revenue through taxes and non-taxes is not similar which means that the tax and non-tax potential will vary from region to region and from Gram Panchayat to Gram Panchayat with in region. There are 1895 Gram Panchayats with less than 1000 population and they do not have adequate resources to meet the electricity charges. Hence the government may support them by releasing special grant every year equivalent to actual electricity bill. The Government has accepted as per the recommendation made by the Fourth State Finance Commission but not operationalised.

## 7.9 Expenditure of Gram Panchayats

The information on expenditure of Gram Panchayats are presented in Table 7.13. The expenditure of Gram Panchayats is categorized under establishment, operation and maintenance, expenditure on welfare programs, capital expenditure and others. The expenditure under establishment mainly includes salaries to the staff of Gram Panchayats. The expenditure on operation and maintenance includes expenditure on maintenance of buildings and community assets, on rural roads, water supply and sanitation etc. Expenditure on welfare includes mainly expenditure on centrally sponsored schemes, and state schemes. During the period under review, the expenditure on operation and maintenance of assets registered a negative average growth rate of 11%, Establishment expenditure registered a growth rate of 12.8% and expenditure on welfare Programme registered average annual growth rate of 20% .The expenditure on operation and maintenance accounted for 55 percent of total expenditure followed by expenditure on establishment with the share of 12 percent. Capital Expenditure and expenditure on welfare constituted around 9 percent and 12 percent of total expenditure respectively. The average annual total expenditure per Gram Panchayat worked out to be around Rs. 18.45 lakhs during the reference period. The total expenditure of Gram Panchayats registered a negative growth rate of 6 percent per annum.

**7.9.1** Expenditure on operation and maintenance of buildings and community assets accounted for 40 percent of total operation and maintenance expenditure followed by water supply and sanitation with 34 percent and rural roads with 15 percent. It is to be noted that the average annual expenditure on maintenance of buildings and community assets is around Rs. 552 crores and there is no consistency in the growth of maintenance expenditure over the period (Table 7.14). The expenditure on maintenance of water supply and sanitation per Gram Panchayat is around Rs. 3.49 lakhs. On the whole, the total expenditure on operation and maintenance per Gram Panchayat worked out to be Rs. 10 lakhs per annum. The expenditure incurred on operation and maintenance of water supply and sanitation indicated fluctuations. It increased from Rs. 289 crores in 2019-20 to 1054 crores in 2020-21 and later it was around Rs. 300 crores to Rs. 360 crores. It is observed that the collection of revenue through water supply and sanitation charges is much less than the incurred expenditure.

**7.9.2** During the Commission’s visits to districts, the secretaries of Gram Panchayats informed that due to inadequate resources, they are not able to pay honorarium to Green Ambassadors/ Clap-Mitras. Earlier Swachh Andhra Corporation used to meet the expenditure towards payment of honorarium to the green ambassadors. At present they are not receiving any funds from Swachh Andhra Corporation. The Fourth State Finance Commission has recommended for 5% of property tax as user charges towards sanitation service to meet the payment of honorarium to green ambassadors. The government has accepted this recommendation. This Commission suggests the government to issue orders necessary changes in property tax levy in Gram Panchayats.

**Table 7.13 Expenditure of Gram Panchayats (Rs.in crores)**

Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	Average per Annum	Average Per annum per GP (Rs. in lakhs)
Establishment	211 (7.730)	298 (8.94)	318 (15.74)	346 (14.11)	327 (18.56)	300 (12.20)	2.25
AGR	-	41.23	6.71	8.81	-5.49	12.81	
Operations and Maintenance	2014 (73.75)	2049 (61.49)	789 (39.06)	1283 (52.32)	682 (38.71)	1363 (55.45)	10.3
AGR	-	1.74	-61.49	62.61	-46.84	-11.00	
Welfare	182 (6.66)	434 (13.03)	344 (17.03)	261 (10.64)	230 (13.05)	290 (11.80)	2.18
AGR	-	138.46	-20.74	-24.13	-11.88	20.43	
Capital Expenditure	142 (5.20)	251 (7.53)	263 (13.02)	255 (10.40)	251 (14.25)	232 (9.44)	1.75
AGR	-	76.76	4.78	-3.04	-1.57	19.23	
Other Expenditure	182 (6.66)	300 (9.00)	306 (15.15)	307 (12.52)	272 (15.44)	273 (11.11)	2.05
AGR	-	64.84	2.00	0.33	-11.40	13.94	
Total Expenditure	2731	3332	2020	2452	1762	2458	18.45
AGR	-	22.01	-39.38	21.39	-28.14	-6.03	

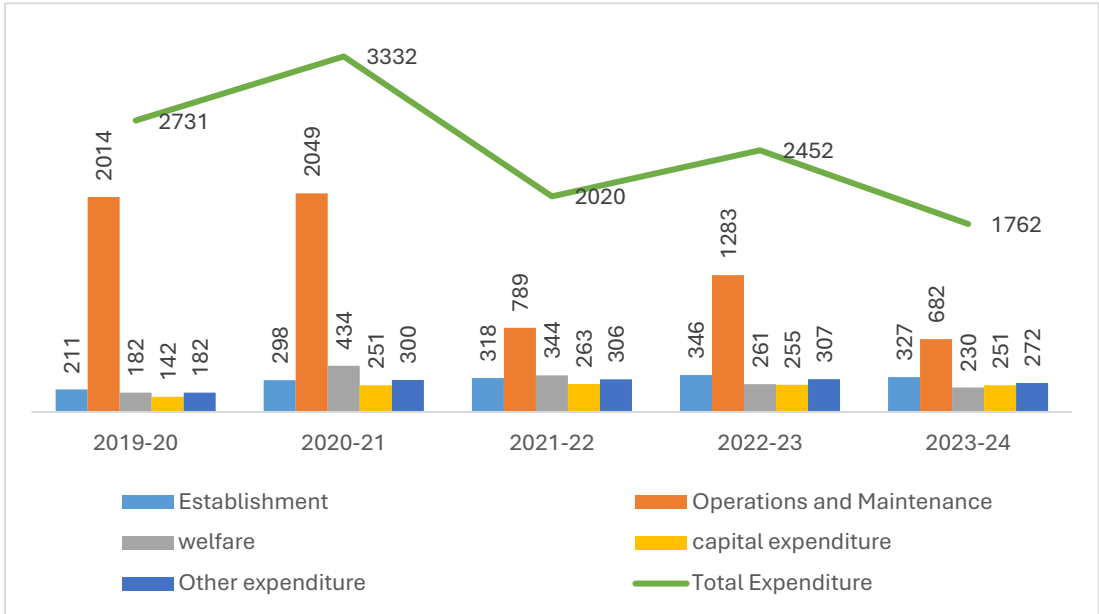
Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

Though user charges for water supply and drainage increased during the period under review, the expenditure incurred by panchayats for water supply and sanitation is much higher than the collected revenue. The revenue collected through user charges contributed to around 13 percent of the expenditure only.

It can be seen from the table 7.14 the average annual yield from water supply and sanitation charges is around Rs. 61 crores (Table 7.11), while the average annual expenditure worked out to be around 466 crores.

**Figure 7.13 Expenditure of Gram Panchayats (Rs.in crores)**



**Table 7.14 Expenditure of Gram Panchayats on Operations and Maintenance  
(Rs.in crores)**

Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	Average per annum	Average per annum per GP (Rs.in lakhs)
Buildings and community assets	1488 (73.88)	507 (24.74)	110 (13.92)	558 (43.49)	96 (14.08)	552 (40.47)	4.14
AGR	-	-65.93	-78.30	407.27	-82.80	45.06	
Rural Roads	137 (6.80)	313 (15.28)	175 (22.15)	219 (17.07)	168 (24.63)	202 (14.81)	1.52
AGR	-	128.47	-44.09	25.14	-23.29	21.56	
Water supply and Sanitation	289 (14.35)	1054 (51.44)	337 (42.66)	361 (28.14)	288 (42.23)	466 (34.16)	3.49
AGR	-	264.71	-68.03	7.12	-20.22	45.89	
Other Expenses	100 (4.97)	175 (8.54)	168 (21.27)	145 (11.30)	130 (19.06)	144 (10.56)	1.08
AGR	-	75.00	-4.00	-13.69	-10.34	11.74	
Total	2014	2049	790	1283	682	1364	10.23

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

**7.9.3** During interactions with PRI functionaries at three levels particularly at Gram Panchayat level, it was brought to the notice of the Commission that commercial rates of tariff are charged on electricity consumption and requested to charge at subsidized rates. They also informed to the Commission that the Fifteenth Finance Commission grants are diverted towards payment of electricity charges without providing details of electricity dues by the Gram Panchayats. The Commission is informed by the commissionerate of PR & RD that in the year 2022-23 an amount of Rs. 21968.26 crores out of basic grant and Rs. 13278 crores out of tied grant deducted towards pending CC charges.

#### **7.9.4 Payment of Electricity Dues by Gram Panchayats**

As per the information furnished by Commissioner, Panchayati Raj, the electricity dues in respect of Gram Panchayats (GP) as of June 2024 are Rs. 5851.58 crore which

include Rs. 3697 crore of actual power bills and Rs. 2154.58 of surcharge (Statement is given in Appendix 7.1)

It is also informed that average electricity consumption charges of GP are Rs. 1020 crore per annum or Rs. 85 crore per month. The average expenditure per GP per month comes to Rs. 53,400/- The electricity charges are to be met from GP general funds & Fifteenth Finance Commission grants.

**7.9.5** In Memo No. 02-21023(40)/1/2022/F Dt: 14.10.2022, the Commissioner PR&RD directed all the District Panchayat Officers to ensure that the GPs pay 40% of their electricity dues to DISCOMs from the Central Finance Commission or GP General Funds. They were also directed to prioritize payment of outstanding electricity charges to avoid surcharge. In spite of clear instructions, some of the Panchayats are not able to pay the electricity bills every month

The Commission has made the following observations

- a) Previously the electricity tariff for street lighting & water supply schemes was less than domestic rates. Now it is Rs.7.00/- per unit on par with domestic tariff. Because of increase in power charges the burden on GPs has increased substantially.
- b) DISCOMs are charging 7 paise per Rs. 100/- per day as surcharge which is further adding to arrear payments. Out of the outstanding electricity charges about 37 % constitute surcharge amount alone.
- c) If surcharge amount is waived the net outstanding amount comes to Rs. 3697 crore up to the end of June 2024.

**7.9.6** For regular payment of electricity charges and also to reduce the burden on Gram Panchayats the Commission makes the following recommendations

- a. Presently the tariff equivalent to domestic rates is being charged for street lighting and water supply. Since these are essential public services, Government may subsidize the electricity tariff of PRIs to mitigate the burden on PRIs.*
- b. The government may consider issuing instructions to DISCOMs to waive surcharges on outstanding payments for street lighting and water supply, recognizing these as public services.*

- c. To address the outstanding dues of ₹3,697 crore (excluding surcharges), the government may allocate one-fourth of the pending amount each quarter from the State Budget. This phased budgetary support will help in settling these long-standing dues systematically.*
- d. The PRIs may be strictly informed that the Electricity Charges should be the first charge on the General Funds. Its implementation may be ensured through a robust monitoring mechanism*
- e. Since most of the electricity charges are incurred on water supply connections, the installation of solar powered motor pumps should be taken up wherever feasible.*
- f. Smart switches for street lights may be fixed to avoid the electricity consumption during day time.*
- g. The Commission recommends to the local governments to examine the feasibility of developing solar power plants for the reduction of power charges.*

#### **7.10 Mandal Praja Parishads**

The Mandal Praja Parishads are at the intermediate level of rural local bodies, which have traditionally played a very important role in the implementation of various development programmes in rural areas. The Mandal Praja Parishads act as a link between Gram Panchayats and Zilla Praja Parishads. In Andhra Pradesh there are 660 Mandal Praja Parishads.

The MPPs are not empowered to levy taxes. The sources of funds for the MPPs are non-tax Revenue, Assigned Revenue, State Government grants, Union Finance Commission grants and grants under central sponsored schemes. The Mandal Praja Parishads development officer is the executive authority of the Mandal Praja Parishad. The data on receipts of Mandal Praja Parishads is given in Table 7.15. The major item of receipts was under central sponsored scheme grants, which ranged between 19% to 48% of total receipts during the review period. On an average, a Mandal Praja Parishads received 2.23 crores per annum. The receipts of Mandal Praja Parishads increased from Rs. 1191 crores in 2019-2020 to 1747 crores in 2023-2024 registering a growth rate of 12.6 percent during the period. Grants from state government contributed 18.44 percent of total receipts followed by Union Finance Commission grants (17.36%) and assigned revenue (13.57%). The total receipts per Mandal Praja Parishads per annum worked out

to be Rs. 2.23 crores. The share of own revenue of Mandal Praja Parishads in total receipts ranged from 2.4% to 18% during the review period. It is to be noted that the own revenue of MPPs declined significantly in 2020-21 and 2021-22 years. During Commission's visits in districts, MPDOs brought to the notice of the Commission that the seignorage grant and surcharge on stamp duty are not being assigned to MPPs regularly.

**Table 7.15 Receipts of Mandala Praja Parishads (Rs.in crores)**

Income	2019-20	2020-21	2021-22	2022-23	2023-24	Average per annum	Average per annum per MPP (Rs. in lakhs)
Own Non-Tax revenue	202 (16.96)	126 (10.74)	43 (2.44)	42 (2.81)	314 (17.97)	145 (9.84)	21.97
AGR	-	-37.62	-65.87	-2.33	647.62	135.45	
Assigned Revenue	283 (23.76)	135 (11.51)	233 (13.20)	222 (14.83)	127 (7.27)	200 (13.57)	30.3
AGR	-	-52.30	72.59	-4.72	-42.79	-6.80	
Grants from State Government	210 (17.63)	300 (25.58)	362 (20.51)	274 (18.30)	216 (12.36)	272 (18.44)	41.21
AGR	-	42.86	20.67	-24.31	-21.17	4.51	
Union Finance Commission Grants	0 (0.00)	394 (33.59)	288 (16.32)	297 (19.84)	300 (17.17)	256 (17.36)	38.79
AGR	-	-	-26.90	3.13	1.01	-7.59	
Grants under CSS	496 (41.65)	218 (18.58)	839 (47.54)	662 (44.22)	790 (45.22)	601 (40.77)	91.06
AGR	-	-56.05	284.86	-21.10	19.34	56.76	
Total	1191	1173	1765	1497	1747	1474	223
AGR	-	-1.51	50.47	-15.18	16.70	12.62	

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

### 7.11 Expenditure of Mandal Praja Parishads

The Expenditure of Mandal Praja Parishads is categorized under establishment, operation and maintenance, welfare, capital expenditure and other expenditure. During the period under review, the total expenditure registered average annual growth rate of 4.3%. In absolute terms the total expenditure incurred by Mandal Praja Parishads increased from Rs. 1239 crores in 2019-20 to Rs. 1429 crores in 2023-2024. The share of

expenditure on welfare accounted for 41 percent and registered average annual growth rate of 7.36 percent during the period. The share of expenditure on establishment in total expenditure increased from 6% in 2019-20 to 7.54% in 2022-23 and marginally declined in 2023-2024 and registered annual average growth rate of 6.6 percent. It is to be noted that the expenditure on operation and maintenance accounted for 12.58 percent of total expenditure of Mandal Praja Parishads, while it is 51% in case of Gram Panchayats. It can be seen from the table that the average expenditure per Mandal Praja Parishad worked out to be Rs. 1.98 crores during the period under reference (Table 7.16).

**Table 7.16 Expenditure of Mandala Praja Parishads of Andhra Pradesh  
(Rs.in crores)**

Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	Average per Annum	Average per Annum per MPP (Rs. in lakhs)
Establishment	76 (6.13)	69 (6.22)	93 (6.81)	104 (7.54)	86 (6.02)	86 (6.60)	13.03
AGR	-	-9.21	34.78	11.83	-17.31	5.02	
Operation & Maintenance	160 (12.91)	108 (9.73)	124 (9.08)	220 (15.95)	210 (14.70)	164 (12.58)	24.84
AGR	-	-32.50	14.81	77.42	-4.55	13.80	
Welfare	515 (41.57)	413 (37.21)	542 (39.71)	567 (41.12)	643 (45.00)	536 (41.10)	81.21
AGR	-	-19.81	31.23	4.61	13.40	7.36	
Capital Expenditure	44 (3.55)	61 (5.50)	76 (5.57)	81 (5.87)	95 (6.65)	71 (5.44)	10.75
AGR	-	38.64	24.59	6.58	17.28	21.77	
Other Expenditure	444 (35.84)	459 (41.35)	530 (38.83)	407 (29.51)	395 (27.64)	447 (34.28)	67.72
AGR	-	3.38	15.47	-23.21	-2.95	-1.83	
Total	1239	1110	1365	1379	1429	1304	197.57
AGR	0	-10.41	22.97	1.03	3.63	4.30	

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

## 7.12 Zilla Praja Parishads

In Andhra Pradesh there are 13 Zilla Praja Parishads. The information on receipts of Zilla Praja Parishads is furnished in table 7.17. The own revenue of the Zilla Praja Parishads has been limited to some non-tax items from which the revenue flow is limited. In 2019-20, the own revenue of Zilla Praja Parishads was Rs. 17 crores, marginally increased to Rs. 31 crores in 2023-2024. The total receipts of a Zilla Praja Parishad increased from 95 crores in 2019-20 to, Rs. 464 crores in 2023-24 registering annual growth rate of 108%. On an average, each Zilla Praja Parishad got Rs. 31 crores per annum during the period under reference. The major revenue received by Zilla Praja Parishads is through Union Finance Commission grants accounting for 63 percent of the total receipts during the review period. The receipts under assigned revenue increased from Rs. 63 crores in 2019-2020 to Rs. 92 crores in 2023-24 registering a growth rate of 15 percent per annum. The share of assigned revenue in total receipts of Zilla Praja Parishads declined from 66.32 percent in 2019-20 to 19.83 percent in 2023-24, and the share of State Government grants also declined from 16 percent in 2019-20 to 7.7% in 2023-2024. The grants sanctioned under central sponsored schemes are meagre accounting for 0.05 percent of total receipts of Zilla Praja Parishads.

**Table 7.17 Receipts of Zilla Praja Parishads (Rs. in crores)**

Receipts	2019-20	2020-21	2021-22	2022-23	2023-24	Average per Annum	Average per Annum per Zilla Praja Parishads (Rs. in lakhs)
Own Non-Tax revenue	17 (17.89)	15 (2.93)	37 (7.71)	22 (4.51)	31 (6.68)	24 (7.94)	184.61
AGR	-	-11.76	146.67	-40.54	40.91	33.82	
Assigned Revenue	63 (66.32)	87 (16.99)	131 (27.29)	138 (28.28)	92 (19.83)	102 (31.74)	784.61
AGR	-	38.10	50.57	5.34	-33.33	15.17	
Grants from State Government	15 (15.79)	16 (3.13)	21 (4.38)	26 (5.33)	36 (7.76)	23 (7.28)	176.12
AGR	-	6.67	31.25	23.81	38.46	25.05	
CFC Grants	0 (0.00)	394 (76.95)	291 (60.63)	302 (61.89)	305 (65.73)	258 (53.04)	1984.61
AGR	-	-	-26.14	3.78	0.99	-7.12	
Grants from CSS	0 (0.00)	0.26 (0.05)	0.32 (0.07)	0.21 (0.040)	0.21 (0.05)	0.20 (0.05)	1.53
AGR	-	0.00	0.00	0.00	0.00	0.00	
Total	95	512	480	488	464	408	3130.76
AGR	-	438.95	-6.25	1.67	-4.92	107.36	

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

### 7.12.1 Expenditure of Zilla Praja Parishads

A cursory glance of the Table 7.17 reveals that the total expenditure of Zilla Praja Parishads increased from Rs. 177 crores in 2019-20 to Rs. 376 crores in 2023-2024 registering a growth rate of 27.5% during the study period. There is a consistent growth of expenditure under operation and maintenance during 2019-2020 to 2022-2023 and accounted for 58 percent of total expenditure of Zilla Praja Parishads. Establishment expenditure grew at the rate of 15 percent per annum and its share ranged from 1.67 percent in 2022-2023 to 3.39 percent in 2019-2020. It can be seen from the table that the share of capital expenditure in total expenditure declined from 10.7 percent in 2019-20 to 7.45 percent in 2023-2024, the average annual share of expenditure on welfare accounted

for 10.23% during the study period. The average annual total expenditure per ZPP is Rs. 26.3 crores.

**Table 7.18. Expenditure of Zilla Praja Parishads in Andhra Pradesh**

**(Rs. in crores)**

Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	Average Per Annum	Average per Annum Per Zilla Praja Parishads
Establishment	6 (3.39)	7 (1.92)	7 (1.87)	7 (1.67)	10 (2.66)	7 (2.05)	0.54
AGR	-	16.67	0.00	0.00	42.86	14.88	
Operations and Maintenance	74 (41.81)	204 (55.89)	255 (68.18)	262 (62.68)	198 (52.66)	199 (58.19)	15.3
AGR	-	175.68	25.00	2.75	-24.43	44.75	
Welfare	33 (18.64)	23 (6.30)	34 (9.09)	25 (5.98)	62 (16.49)	35 (10.23)	2.69
AGR	-	-30.30	47.83	-26.47	148.00	34.76	
Capital Expenditure	19 (10.73)	14 (3.84)	1 (0.27)	24 (5.74)	28 (7.45)	17 (4.97)	1.31
AGR	-	-26.32	-92.86	2300.00	16.67	549.37	
Other Expenditure	45 (25.42)	117 (32.05)	77 (20.59)	100 (23.92)	78 (20.74)	84 (24.56)	6.46
AGR	-	160.00	-34.19	29.87	-22.00	33.42	
Total	177	365	374	418	376	342	26.31
AGR	0	106.21	2.47	11.76	-10.05	27.59	

Source: Govt. of AP, O/o the Commissioner PR&RD

Note: Figures in parenthesis indicate percentage shares

During the District visits CEOs and Chairpersons of ZPPs brought the following issues to the notice of the Commission for consideration and necessary action.

### 7.12.2 CPWS Schemes – Operation and Maintenance

Zilla Praja Parishads are assigned with the responsibility of maintenance of CPWS schemes with the technical support from RWS&S Department. The operation and maintenance cost is increasing year after year and ZPPs did find no other way except to utilize Central Finance Commission grants. The operation and maintenance of Cost of Comprehensive Protected Water Supply Schemes (CPWS) is very high since the schemes

were constructed decades ago and the existing pipelines, motors and other repairs are frequently effected. To add further, the electricity charges are increased by the Government, around 45% of the estimated cost is being incurred on payment of electricity consumption charges. But, the funds released are not sufficient to meet the O&M cost of CPWS schemes. The Chairperson of Kurnool ZPP and Kakinada ZPPs stated that during the period 2019-20 to 2023-24, they were able to meet only 36% and 50% of the estimated O&M cost with the funds released by Central Finance Commission. They opined that unless additional funds are allocated under State Finance Commission grants, it is difficult to provide drinking water to the villages.

**7.12.2.1** The drinking water facilities in rural areas are being provided by two types of schemes viz., Single Village Water Supply Schemes (SVS) and Multi Village Water Supply Schemes (MVS/CPWS). As per GoAP vide G.O MS.No.569PR&RD (RWSI) Dept. dated 22-12-2007, all MVS are being maintained by Zilla Praja Parishads and SVS by the Gram Panchayats. The O&M expenditure consists of (a) System staff (b) Chemicals and disinfection (c) Power charges and (d) Repairs and renewals. The RWS&S department is responsible for planning, designing, and providing technical support to PRIs for O&M of water supply schemes. The Chief Engineer (RWS&S) has informed that there are 549 MVS (CPWS) including schemes of Sri Satya Sai Water Supply Projects (SSSWSP) in four districts (Anantapur, East Godavari, Eluru & Alluri Sita Rama Raju).

**7.12.2.2** The CE (RWS&S) has furnished outstanding dues towards O&M of MVS/MVS for five years from 2019-20 to 2023-24. The total dues shown are Rs. 1146.77 crore which include Rs. 454.81 crore for system maintenance and Rs. 691.85 crore towards current consumption (CC) charges (The statement is given in Appendix 7.1).

**7.12.2.3** As per this statement the CC charges are 60 % of total dues. But normally the CC charges for water supply schemes constitute about 45% to 47% of total O&M cost. But for the delay in payment, DISCOMs are charging 7paise per Rs. 100/- per day as surcharge which is adding heavily to the arrears.

The Commission has made the following observations

- a) Previously the electricity tariff for water supply schemes was only Rs. 2.25 per unit. Now it is Rs. 7.00 per unit. Because of increase in power charges for water supply, the estimate costs have increased substantially.
- b) DISCOMs are charging 7paise per Rs100 /- per day as surcharge which is further adding to arrear payments Out of the outstanding electricity charges about 30 % to 40% constitute surcharge amount alone
- c) Presently in most districts O&M of MVS is out sourced to private contractors. The Commission recommends to constitute Village Water and Sanitation Committees (VWSCs) by PRIs as per guidelines of Jal Jeevan Mission and utilise their services for regular O&M of the water supply systems. So that the O&M expenditure will come down substantially.
- d) If the surcharge is not considered the actual CC charges pending for the above period of 2019-20 to 2023-24 approximately comes Rs. 210 crore. Thus total O&M dues pending in Zilla Praja Parishad works out to Rs. 666 crore (Rs. 456 crore + Rs. 210 crore) up to the end of 31-3-2024.

**7.12.2.4** For Enhancing O&M of Rural Water Supply Schemes the Commission make the following recommendations

- a) ***Reduction in Electricity Tariff: Presently the tariff equivalent to domestic rates is being charged for water supply. Since water supply is an essential public service Government may subsidize the electricity tariff for rural water supply schemes to mitigate the burden on PRIs.***
- b) ***Waiver of Surcharges: Government may also issue instructions to DISCOMs not to charge surcharge on outstanding payments, especially for water supply schemes.***
- c) ***Strengthening PRI Capacity for O&M: Strengthen Village Water and Sanitation Committees (VWSCs) by providing regular training, equipment, and technical support.***
- d) ***Clear Arrears: Allocate a one-time grant of Rs. 666 crore to clear outstanding arrears, especially electricity dues, to reset the financial position managing CPWS schemes.***

- e) Regular Audits: Implement robust financial tracking mechanisms and conduct regular audits to avoid future accumulation of arrears.*
- f) Revenue from Users: Encourage minimal user charges in a participatory model to ensure full cost recovery for operational expenses to reduce burden on state finances,*
- g) Energy-Efficient Systems: Promote the installation of energy-efficient pumps and solar-powered systems to lower electricity consumption and reduce dependency on grid power.*
- h) Standardized Guidelines: Develop uniform guidelines for O&M operations, focusing on cost containment, water quality monitoring, and reporting standards.*

### **7.12.3 Pension Payments**

**7.12.3.1** Another issue raised by ZPPs is payment of pensions to non-provincialised pensioners from general funds of ZPP. The non-provincialized employees were not employed by the ZPP and they were appointed by the District Panchayat Officers to work at various Gram Panchayats and to meet their pay and allowances from the respective Gram Panchayat in which they worked. Though they were appointed by the DPO, the non-provincialized employees have to contribute their pensionary contribution to ZPPs. Under para no 10 of section 11 of Gram Panchayat Act, 1994. Kakinada ZPP Chairperson submitted that there are many non-provincialised service/ Family pensioners and their pensions are being paid from the general funds of ZPP. It cause heavy burden on finances of ZPPs and are not able to take up developmental activities.

**7.12.3.2** The monthly pensions for non-provincialized employees of Panchayati Raj Institutions (PRIs) are paid from the General Fund of the Zilla Praja Parishads (ZPs). These pensions are treated as the first charge on the General Fund, ensuring priority in disbursement. According to information provided by the Chief Executive Officers (CEOs) of Zilla Praja Parishads, the annual liability for these pensions amounts to Rs. 6,76,48,930/-.The government, through G.O. MS. No. 18 PR&RD Dated 24-03-2017, issued orders for the reallocation of Zilla Praja Parishad General Fund wherein there is no provision for pension payment.

**7.12.3.3** These orders have implications for the availability of funds to meet pension obligations and other essential expenditures. During the visits to ZPs, the chairpersons and CEOs have expressed difficulties in payment of pensions to non Provincialised employees. To mitigate this difficulty, the Commission makes the following recommendations for consideration

*a) Reimburse the actual expenditure incurred to ZP through budgetary support.*

*or*

*b) Amend the GO Ms 18 PR & RD dates 24-3-2017 and make provision for payment of monthly pensions.*

By adopting these measures, Zilla Praja Parishads can better manage their financial resources, ensuring timely pension disbursements to non-provincialized employees while maintaining fiscal sustainability.

#### **7.12.4 Payment of Honorarium and Allowances**

The CEOs of ZPPs expressed the differently to meet the expenditure for payment of honorarium and allowances to Chairperson and members of ZPP. The Government in G.O.M.S No.89 PR & RD (PTs – III) Dept. Dated 07.09.2015 prescribed the monthly honorarium to be paid to the elected representatives of PRIs.

In addition, the ZPPs have to meet the expenditure towards allowances for attending meetings. The Commission is requested to recommend to Government for release of budget for this purpose. The CEO of Kakinada ZPP informed that they were not able to pay honorarium from April 2023 and the amount due is Rs. 87.2 lakhs.

#### **7.13 Assessment of gaps in basic services in Panchayat Raj Institutions (PRIs)**

The supply of basic services to the rural population is a major function of the Gram Panchayats. Though the Gram Panchayats in Andhra Pradesh have succeeded to a great extent in providing these services, there are many shortcomings and Gaps. The Commission has made an attempt to analyse the availability and gaps in providing basic services based on data and information available to the Commission.

##### **7.13.1 Water Supply**

The supply of water for drinking, cooking and other domestic purposes is an essential duty of the State and this task has been entrusted to Gram Panchayats. In Andhra

Pradesh, water supply is given through three schemes viz., PWS schemes, hand pumps and comprehensive protected water supply schemes. The information on gaps in water supply is given in the Table below

**Table 7.19 Gaps in Water Supply**

S. No	Water Supply	Total	Covered		Uncovered		Estimated Cost (Rs. in Crores)
			Total	Percent	Total	Percent	
1	Habitations supplying quality drinking water	48329	39437	81.60	8892	18.40	960.15
2	Households with piped water supply	8532745	5544199	64.97	2988646	35.03	27939.65

Source: O/o ENC, RWS&S, Vijayawada

It can be seen from the table that of the total habitations in the State around 81 percent are supplied quality water leaving a gap of 18 percent of the habitations. In case of piped water supply, 35 percent of the households are yet to get tap connection. To fill the gaps in supply of quality water with tap connection, the estimated cost is Rs. 27939.65 crore (Table 7.19).

**7.13.2** District wise analysis of supply of water indicates marginal variations. In terms of coverage of habitations in supply of quality water, the performance is highest in Vizianagaram (93%) followed by Guntur (91%) and Annamaiah (90%) districts. While it is least in Konaseema (47%) followed by Palnadu (64%) and Kurnool (67%) districts. The proportion of households with tap connections is highest in Annamayya district (96%) followed by YSR Kadapa with 95 percent and Tirupathi covering 94 percent of the households. The proportion of households with Piped water supply is lowest in Parvathipuram Manyam (28%) followed by Palnadu (32 Percent) and Bapatla (33 Percent).

**7.13.3 Roads:** The existing rural road network in Andhra Pradesh is spread over a length of about 80,468 kms about 42 percent of the road length is all weather surface (BT/CC). The surface wise details are shown below.

**Table 7.20 Length of the Rural Road Network**

Surface	Length (in kms)
BT Roads	28009
CC Roads	5738
WBM (Metal) Roads	8079
Gravel Roads	17913
Earthen Roads	20729
<b>Total</b>	<b>80468</b>

There are 1357 habitations with population more than 100 without single BT Road connectively. The details on unconnected habitations as per population are given under.

**Table 7.21 Details on Unconnected Habitations**

Population	No of Habitations	Length in kms	Estimated Cost (Rs. in crores)
100-250	1138	2287.16	2125.75
250-500	166	350.44	387.19
500-1000	46	92.84	182.34
>1000	7	9.94	213.60
<b>Total</b>	<b>1357</b>	<b>2740.38</b>	<b>2908.88</b>

Source: Panchayat Raj Engineering Department, Govt. of Andhra Pradesh.

In addition to give road connectivity to 1357 unconnected habitations the existing WBM (Metal) upgraded to blackup and the estimated cost for upgradation is Rs. 31089 crores. The existing all the BT Roads are not in good condition, around 15792 km require repairs out of which 7451 km is sanctioned under different programs and 8341 km need to be sanctioned and it requires Rs. 3000 crores.

To fill the Gaps in rural road infrastructure, the total amount required is estimated as Rs. 36997.88 crores.

**Table 7.22 Gaps in Rural Road Infrastructure – At a Glance**

S. No	Gap	No. of Habitations	Length in km	Amount in Crores
I	Providing Connectivity to Unconnected Habitations with Population > 100	1357	2,740.38	2908.88
II	Upgradation of existing WBM, Gravel & Earthen Road to Black Top			
	A) WBM (metal) roads		8,079.00	4,039.00
	B) Gravel & Earthen Roads		38,642.00	31,089.00
	Sub Total (A+B)		46,721.00	31,089.00
III	Repairs/ Upgradation to damaged BT Roads to make them motorable		8,341.00	3,000.00
	<b>Total (I+II+III)</b>	<b>1357</b>	<b>57,802.38</b>	<b>36,997.88</b>

**7.13.4** As per data provided by PR Engineering department, there are 1357 habitations in the state which do not have connectivity. The road length required to connect these habitations comes to 2740.38 kms. Government of India from the year 2000, has been providing financial support under 100% Centrally Sponsored Scheme PMGSY to States in construction of all-weather rural road connectivity in all habitations with a population of more than 500. From the year 2013 PMGSY-II has been launched for consolidating the existing rural roads network. The funding pattern is changed to 60:40 between Centre and State. Under PMGSY, the State Governments are required to submit annual project proposals which are considered by the Pre-Empowered Committee/ Empowered Committee in the Ministry of Rural Development after due scrutiny at State Technical Agencies (STAs)/ National Rural Road Development Agency and in case the proposals meet the programme requirements, the proposals get sanctioned.

The Commission therefore recommends that, the state government to put serious and sincere efforts may get maximum funds from the GoI under PMGSY to cover all the village with all-weather road connectivity.

### **7.13.5 Sanitation**

The government of Andhra Pradesh is committed to furthering the objectives of the Swachh Bharat Mission (SBM) by focusing on Sanitation and Solid Waste Management and Liquid waste management. In this regard, in addition to individual household toilets 36020 community sanitary complexes were constructed under SBM (G)

for those who cannot afford individual toilets due to lack of space and also at Public places, Markets etc., where large population congregations of people takes place. For solid waste management 660 plastic waste management units are established at Mandal level for treatment of plastic.

## **7.14 Projections**

**7.14.1** The Fifth State Finance Commission is required to assess the finances of rural local bodies for the period 2025-26 to 2029-30 and to estimate the resource gap. The Commission has to make recommendations for devolution of funds by State Government to PRIs & ULBs based on the estimated resource gap of respective bodies. This section deals with an analysis of the projected receipts of local governments from various sources and the expenditure on various items like establishment, operation and maintenance, expenditure on welfare, capital expenditure etc. The Commission also has to estimate the requirement of funds for PRIs to provide infrastructure and services to bridge the gap in provision of basic needs as per benchmarks for each category of basic needs during the award period.

**7.14.2** Several methods are widely used in forecasting the revenue and expenditure. Choice of the method depends on what is being forecast and the time horizon for forecast. Forecasting of revenues and expenditures assumes that the past combines with the current discretionary policy interventions to predict the future. The forecasting method adopted is given in Appendix 7.2.

**7.14.3** It is assumed that there will be 5% increase per annum due to discretionary changes in tax and non-tax revenue. An examination of the long-term data revealed that the discretionary changes produced about 5% of the revenue, although clear attribution of change in revenue to automatic and discretionary charges is not possible. It is also noted that 5% increase is based on past trends, given the limited degree of freedom available to the PRIs to introduce changes in tax and expenditure regimes.

The Commission assumed that overall expenditure would increase by 10% due to inflation, rising cost of services, operation and maintenance and outsourcing staff in addition to the implicit trend of growth (based on CAGR).

**7.14.4** Each item of tax and non-tax revenue and capital expenditure are projected for the year 2024-25 and thereafter for the State Finance Commission award period 2025-26 to

2029-30. The projections are made for each category of PRIs viz., Gram Panchayats, Mandala Praja Parishads and Zilla Praja Parishads. The Commission has considered own tax and non-tax revenue only while making projections.

**7.14.5** It may be noted that the projected values of revenues and expenditures are sensitive to the underlying CAGR and effect of discretionary policy changes assumed. There could be many unforeseen factors that could affect the revenues and expenditures of the PRIs such as policy decisions of the State Government including its transfers to local Governments, transfer from Government of India as well as Central Finance Commission. Therefore Projections made by the Commission may be considered as approximations and with due caution.

#### **7.14.6 Projected Own Revenue and Expenditure of Gram Panchayats**

Projection of own revenue do not include assigned revenue, Central Finance Commission grants and state government grants. The data on projected own revenue comprising tax and non tax revenue is given in the Table 7.19. The own revenue of Gram Panchayats for the period 2025-26 to 2029-30 is projected as Rs. 6493 crores, comprising Rs. 4136 crores as tax revenue and Rs. 2357 crores as non tax revenue. The average annual own revenue is estimated as Rs. 1299 crores with Rs. 9.74 lakhs per gram panchayat. The annual average percapita own revenue mobilization is projected as Rs. 371 Crores (Table 7.23).

**Table 7.23 Projected Own Revenue of Gram Panchayats (Rs. in crores)**

Year	Tax Revenue	Non- Tax Revenue	Own Source Revenue	Per Gram Panchayat (Rs. in lakhs)	Percapita OSR (In Rs.)
2025-26	613	378	991	7.44	283.4
2026-27	705	420	1125	8.44	321.73
2027-28	811	466	1277	9.58	365.20
2028-29	933	518	1451	10.89	415.0
2029-30	1074	575	1649	12.37	471.59
Total	4136	2357	6493	48.72	1856.92
Average per Annum	827	471	1299	9.74	371.38

The total expenditure of Gram Panchayats is estimated to be Rs. 13763 for the award period. The average total expenditure per annum is projected to be Rs. 2753 crores of which Rs. 2172 crores is projected as revenue expenditure while capital expenditure is

estimated to be Rs. 580 crores (table 7.24). The projected expenditure is higher than the projected own revenue of Gram Panchayats.

**Table 7.24 Projected Total Expenditure of Gram Panchayats (Rs. in crores)**

S. No	Expenditure Head	2025-26	2026-27	2027-28	2028-29	2029-30	Total	Average per Annum
1	Establishment	465	554	660	786	937	3402	680
2	Operation & Maintenance	559	506	458	415	375	2313	463
3	Welfare	302	347	399	457	525	2030	406
4	Others	381	450	533	631	746	2741	548.2
5	Total Revenue Expenditure	2082	1857	2050	2289	2583	10861	2172
6	Capital Expenditure	375	457	558	681	831	2902	580
7	Total Expenditure	2457	2314	2608	2970	3414	13763	2753
8	Per Gram Panchayat (Rs. In Lakhs)	18.44	17.36	19.57	22.29	25.62	103.29	20.66
9	Percapita Expenditure (In Rs.)	702.67	661.77	745.85	849.38	976.36	3936.03	787.20

#### 7.14.7 Projected Own Revenue and Expenditure of Mandala Praja Parishads

The own revenue of Mandal Praja Parishads for the five year period is estimated as Rs. 2723 crores and Rs. 4.13 crores per Mandal Praja Parishad. The own revenue of MPPs per annum is projected as Rs. 54.5 crores (Table 7.25). The total expenditure of Mandal Praja Parishads is projected to be Rs. 10374 for five year period viz., 2025-26 to 2029-30 of which Rs. 9310 crores is revenue expenditure and Rs. 1064 crores is capital expenditure. The total expenditure per Mandal Praja Parishads per annum is projected at Rs. 3.14 crores consisting of Rs. 2.82 crores as revenue expenditure and 0.32 crores as capital expenditure (Table 7.26).

**Table 7.25 Projected of Own Revenue of Mandal Praja Parishads (Rs. in crores)**

Year	Own Source Revenue	Pecapita of MPPs
2025-26	410	0.62
2026-27	469	0.71
2027-28	535	0.81
2028-29	611	0.93
2029-30	698	1.06
<b>Total</b>	<b>2723</b>	<b>4.13</b>
<b>Average per Annum</b>	<b>54.5</b>	<b>0.83</b>

**Table 7.26 Projected Total Expenditure of Mandala Praja Parishads (Rs. in crores)**

S. No	Expenditure Head	2025-26	2026-27	2027-28	2028-29	2029-30	Total	Average per Annum	Per Mandal per Annum
1	Establishment	110	123	139	156	176	704	141	0.21
2	Operation & Maintenance	280	323	373	431	498	1905	381	0.58
3	Welfare	718	759	803	849	897	4026	805	1.22
4	Others	459	494	532	573	617	2675	535	0.81
5	Total Revenue Expenditure	1567	1699	1847	2009	2188	9310	1862	2.82
6	Capital Expenditure	140	169	205	249	301	1064	213	0.32
7	Total Expenditure	1707	1869	2052	2257	2489	10374	2075	3.14

**7.14.8 Projected Own Revenue and of Zilla Praja Parishads**

The Fifth State Finance Commission projected own revenue of Zilla Praja Parishads as Rs. 309 crore for the five year period and Rs. 23.8 crores per Zilla Praja Parishad. The annual average own revenue mobilization by Zilla Praja Parishads is projected as Rs. 61.8 crores (Table 7.27).

**Table 7.27 Projected Own Revenue of Zilla Praja Parishads (Rs. in crores)**

Year	Own Source Revenue	Per ZPPs
2025-26	43	3.31
2026-27	51	3.9
2027-28	60	4.6
2028-29	71	5.5
2029-30	84	6.5
<b>Total</b>	<b>309</b>	<b>23.8</b>
<b>Average per Annum</b>	<b>61.8</b>	<b>4.8</b>

The total estimated expenditure to be incurred by Zilla Praja Parishads is Rs. 5220 crores comprising Rs. 4946 crores revenue expenditure and Rs. 274 crores capital expenditure. The expenditure to be incurred by Zilla Praja Parishads per annum is estimated to be Rs. 80 crores, around 65 percent is projected as expenditure on operation and maintenance (Rs. 3206 crores). The projected expenditure of Zilla Praja Parishads is higher than the own revenue of Zilla Praja Parishads indicating a significant resource gap/deficit.

**Table 7.28 Projected Total Expenditure of Zilla Praja Parishads (Rs. in crores)**

S. No	Expenditure Head	2025-26	2026-27	2027-28	2028-29	2029-30	Total	Average per Annum	Per ZPP per Annum
1	Establishment	14	17	21	26	31	109	22	1.68
2	Operation & Maintenance	344	452	595	784	1031	3206	641	49.31
3	Welfare	94	116	143	177	218	748	150	11.54
4	Others	115	140	170	207	251	883	177	13.61
5	Total Revenue Expenditure	567	725	929	1194	1531	4946	989	76.07
6	Capital Expenditure	39	45	53	63	74	274	55	4.23
7	Total Expenditure	606	770	982	1257	1605	5220	1044	80.3

**7.14.9 Projected Resource Gap of PRIs**

The details of the resource gap projected by the Fifth State Finance Commission is given in Table 7.29. The total resource gap for PRIs is estimated to be Rs. 19832 crores. The resource gap for Gram Panchayats, Mandal Praja Parishads and Zilla Praja Praishads is projected to be Rs. 7270 crores, Rs. 7651 crores and Rs. 4911 crores respectively for the five year period viz., 2025-26 to 2029-30. The resource gap per annum for Gram Panchayats would be Rs. 1454 crores, while it would be Rs. 1530 crores and Rs. 982 crores per Mandal Praja Parishads and Zilla Praja Parishads respectively.

**Table 7.29 Projected Resource Gap of PRIs for award period (2025-26 to 2029-30) (Rs. in Cores)**

Year	Gram Panchayats	Mandala Praja Parishads	Zilla Praja Parishads	Total
2025-26	1466	1297	563	3326
2026-27	1189	1400	719	3308
2027-28	1331	1517	922	3770
2028-29	1519	1646	1186	4351
2029-30	1765	1791	1521	5077
<b>Total Resource Gap</b>	7270	7651	4911	19832
<b>Resource Gap per annum</b>	1454	1530	982	3966

Note: Projected resource gap is the difference between total expenditure and total own source revenue. Projection of resource gap do not include assigned revenue, central finance commission grants and government of AP grants under State Finance Commission grant and per capita grant.

## 7.15 Total Resource Gap

The Fifth State Finance Commission's projections of revenue and expenditure do not take into account for the cost of providing basic services in core areas as per the normative standards. For provision of basic services such as water supply, sanitation, roads, solid and liquid waste management etc., in terms of availability, access, coverage, and quality as per normative standards, PRIs are required to improve the infrastructure and service delivery. The PRIs are aided and supported by Government of Andhra Pradesh, Central Finance Commission and GOI's centrally sponsored schemes viz., SBM, PMGSY, Accelerated Rural Water Supply programme, MGNREGA etc., to improve basic needs service delivery in Rural Local Bodies.

**7.15.1** Despite the efforts made by Government of Andhra Pradesh with its own resources and with the funding support of CFC and grants under centrally sponsored schemes, there are several service gaps in key areas, which require substantial investments. The RWS&S department, SBM and PR, engineering Department have provided estimates of resources required for meeting the infrastructure gaps in water supply, solid water management (SBM), Roads and drainage for the XVI Finance award period i.e. 2026-27 to 2030-31.

The expenditure required for meeting the gaps in water supply is estimated to be Rs. 25527.69 Crores for five year period as shown in the Table below.

**Table – 7.30 Funds Required for Rural Water Supply System for 5 Years (2026-27 to 2030-31) (Rs. in crores)**

S. No	PRI Tier	Water Supply Systems Handled	No. of Schemes/ Units	No. of Habitations/ Villages Covered	Funds Required for Five years from (2026-27 to 2030-31)		
					For Regular O& M	For Replacement of Oldest Schemes / Augmentation of Systems	Total
1	GPs	PWS Scheme & Others	52405	30976	11809.87	3836.05	15645.92
2	MPPs	Hand Pumps	199450	5702	243.33	0.00	243.33
3	ZPPs	CPWS Scheme	552	11933	4353.75	5283.70	9637.44

Source: O/o of ENC (RWS&S), GoAP.

The requirement of funds for solid waste management is estimated to be Rs. 4074.58 Crores by SBM&M.

**Table – 7.31 Funds Required for Solid Waste Management (2026-27 – 2030-31)**

S. No.	Component	Nos	Est. Cost (Rs. in Crores)
<b>Village Level Activities</b>			
1	O & M for Community Sanitary Complexes	36020	2388.40
<b>Solid Waste management Activities</b>			
2	Procurement of Auto Tippers for Plastic waste Collection & Transportation to PwM units	660	56.10
3	O & M for Plastic Waste Management Units	660	131.29
<b>O &amp; M for Tri Cycles / other vehicles</b>			
4	a) Skid Steer loaders	42	62.85
5	b) Tractors	6942	920.61
6	c) Auto Tippers	1663	220.54
7	d) Tri Cycles	24000	132.62
8	e) Fogging Machines	13217	73.03
9	f) HPTCs	13260	36.63
10	g) Incinerators	8507	52.51
<b>Total</b>			<b>4074.58</b>

Source: O/o of Swachh Andhra Corporation, GoAP.

The funds required for maintenance of Roads and upgradation is estimated to be Rs. 16552 Crores for five year period viz., 2026-27 to 2030-31.

**Table – 7.32 Funds Required for Rural Roads for 5 Years (2026-27 to 2030-31)**  
(Rs. in crores)

S. No	PRI Tier	Length of the Roads Available (In kms)	Funds Required for Five Years		
			For Maintenance	For Upgradation	Total
1	GPs (Earthen & Gravel Roads)	37897	832	3349	4181
2	MPPs (WBM Roads)	7898	767	4423	5190
3	ZPPs (BT Roads)	34840	3047	4134	7181
<b>Total</b>		<b>80635</b>	<b>4646</b>	<b>11906</b>	<b>16552</b>

Source: O/o ENC (PR&RD), GoAP.

**7.15.2** The total requirement of funds for meeting the gaps in water supply, SWM and Roads is estimated to be Rs. 46513.27 crores. Out of the total estimated requirement of funds for meeting the gaps in water supply, SWM and Roads, funds for operation and maintenance and capital expenditure is estimated as Rs. 25071.43 and Rs. 21081.85

crores respectively. This Commission is taking into consideration funds required for operation and maintenance only with the assumption that the funds required for creation of infrastructure will be met with the funds under central sponsored schemes viz., Jal Jeevan Mission, SBM, PMGSY and other programmes. In addition, the government of Andhra Pradesh is allocating funds for maintenance of CPWS Schemes and roads in the budget. Since it is assumed that funds for infrastructure requirements will be met from funds under CSS, the projected capital expenditure by Fifth State Finance Commission (Rs. 4240 crores) is deducted from estimated resource gap (Rs. 19832 crores).

**7.15.3** The estimated expenditure for O&M for Water supply, sanitation and roads is Rs. 25071.43 crores for the award period of Sixteenth Central Finance Commission i.e. 2026-27 to 2030-31. The award period of the Fifth State Finance Commission is 2025-26 to 2029-30. Hence, the Commission considered the estimated funds for O&M for four years i.e. 2026-27 to 2029-30, which would come to Rs. 20057.14 crores. The projected funds for operation and maintenance for four years (2026-27 to 2029-30) by this Commission (Rs. 6241 crores) is deducted from the estimated funds required for O&M given by different departments. The final requirement of funds for O&M is worked out to be Rs. 13816 crores.

**Table – 7.33 Total Requirement of funds to PRIs for the period 2026-27 to 2029-30**

S. No.	Component	Est. Cost (Rs. in Crores)
1	Resource gap of PRIs as estimated by Fifth SFC	15592
2	Additional funds required for O&M	13816
3	Total estimated Resources gap	29408

**7.15.4** This Commission has noticed wide resource gap for PRIs in Andhra Pradesh due to inadequate funds to meet the O&M costs, leave alone the required capital expenditure, despite the improvement in tax revenue, which grew at ten percent CAGR during the period under reference. The Commission has also identified mounting revenue deficits, fiscal deficits of Government of Andhra Pradesh and high percentage of liabilities to GSDP indicating potential challenges in fiscal management. The Commission's projection of revenue and expenditures of the Government of Andhra Pradesh for the period 2025-26 to 2029-30 present a bleak picture of the likely fiscal situation of Andhra Pradesh. Keeping the wide resource gap of PRIs and inadequate fiscal space of the state government to enhance funds to local bodies, it is expected that grants from Sixteenth Finance Commission and grants under CSSs could be used to meet a significant part of

the total assumed resources gap. In fact, the successive Central Finance Commissions have emphasised that their grants should be used for delivering the basic services.

**7.15.5** This Commission expects that there would be a minimum of 50% increase in Sixteenth Financial Commission grants to Andhra Pradesh over the grants recommended by the Fifteenth Finance Commission. Accordingly the Commission expects that the PRIs in Andhra Pradesh would receive Sixteenth Finance Commission grants to the tune of Rs. 15347 Crores during 2026-27 to 2030-31. The annual average grant would be Rs. 3069 Crores.

**7.15.6** The award period of Sixteenth Finance Commission in 2026-27 to 2030-31, while the award period of Fifth State Finance Commission is 2025-26 to 2029-30. Hence, the PRIs in Andhra Pradesh would get Rs. 12276 Crores for four years of the award period of the Fifth State Finance Commission i.e. 2026-27 to 2029-30. For the year 2025-26, the Fifteenth Finance Commission has recommended Rs. 2099 Crores.

**7.15.7** The Commission has identified that the assigned revenue is not devolved to local governments as per the collection and analysis of the data collected from respective departments and actual devolution to local bodies is around 30% of the collections only. During the review period, assigned revenue devolved to local bodies is around Rs. 2865 crores. Hence, the Commission has estimated assigned revenue to be Rs. 8000 crores for five year period.

**Table – 7.34 Projected Resource Gap of all PRIs (2025-26 to 2029-30)**

**(Rs. in crores)**

Total Estimated Resource gap of PRIs for 2025-26 – 2029-30	29408
Estimated XVI Finance Commission grants for Four Years	12276
Recommended XV Finance Commission grants for 2025-26	2099
Estimated Assigned Revenue	8000
Expected Resource Gap	7033
Expected Resource Gap Per Annum	1407

**7.15.8** The estimated resource gap for PRIs for the award period i.e. 2025-26 to 2029-30 is estimated at Rs. 7033 crores and Rs. 1407 crores per annum. In addition to the CFC grants to local bodies, the Government of Andhra Pradesh should play an important role in meeting the resource gap of the PRIs during 2025-26 – 2029-30.

### **7.15.9 Vertical sharing between tiers of RLBs**

The ratio recommended by the Fourth Finance Commission for vertical sharing of devolution of resources between the Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads was 80:10:10. The ZPPs made representation to enhance the grants in view of heavy burden of maintenance and cost of CPWS schemes. Keeping in view of financial position of ZPPs and multitasks being performed by MPPs, this Commission recommends vertical sharing ratio among RLBs as 70:15:15 i.e. 70 percent to Gram Panchayats, 15 percent to Mandal Praja Parishad and 15 percent to Zilla Praja Parishad. For intra distributing among GPs, MPPs and ZPPs, the Commission suggests to distribute the grants 80% on the basis of population and 20 percent on area basis.

The Commission recommends that the PRIs should be allowed to spend not more than 50% of devolved funds for meeting the resource gap. The other 50% should be used for investment in core infrastructure areas, in line with the priorities indicated by the government.

There is demand from local governments to make State Finance Commission grant awards specifying the amount of funds to be devolved to each local government for each year of the award. This will solve the problems and difficulties associated with estimation and release of funds every year. The local governments will get a clear idea about the amount they are going to get well in advance which will help them to plan their activities. In this context the Commission recommends to specify the amount of funds to be devolved to each local government for each year of the award period.

**7.15.10 Devolution of funds to PRIs during 2019-20 – 2023-24:** Government of Andhra Pradesh has provided grants in different forms viz., percapita grant, State Finance Commission grant and other grants including honorarium, TA etc. During the study period, an amount of Rs. 584 crores is devolved to PRIs as percapita grant. The devolution to PRIs as percapita grant is not included in estimation of resource gap of PRIs. The information on devolution of percapita grant to rural local bodies is given in table below.

**Table 7.35 Per Capita Grant Devolved to PRIs**

Year	GPs	MPPs	ZPPs	Total
2019-20	39.95	44.19	12.41	96.55
2020-21	29.04	84.03	13.51	126.58
2021-22	73.95	42.41	16.05	132.41
2022-23	39.46	43.81	18.28	101.55
2023-24	57.98	43.33	25.79	127.10
<b>Total</b>	<b>240.38</b>	<b>257.77</b>	<b>86.04</b>	<b>584.19</b>

Source: GoAP, O/o Commissioner PR&RD

In addition to percapita grant the Government of AP has transferred Rs. 1789 crores towards honorarium and others as shown below,

**Table 7.36 Grants transferred to PRIs towards Honorarium and others**

Year	GPs	MPPs	ZPPs	Total
2019-20	68.04	165.52	2.71	236.27
2020-21	67.38	215.82	2.01	285.21
2021-22	231.64	319.25	4.66	555.55
2022-23	90.69	230.12	8.07	328.88
2023-24	131.00	242.24	10.04	383.28
<b>Total</b>	<b>588.75</b>	<b>1172.96</b>	<b>27.49</b>	<b>1789.2</b>

Source: GoAP, O/o Commissioner PR&RD

Further, the government of Andhra Pradesh devolved funds to PRIs towards maintenance of comprehensive piped water supply schemes and roads as shown below. In the budget 2024-25 Rs. 100 crores is allocated for this purpose.

**Table 7.37 Funds transferred for maintenance of CPWS Schemes and Roads (Rs. in crores)**

Year	CPWS Schemes	Roads
2019-20	60.20	27.15
2020-21	70.26	21.66
2021-22	47.13	23.37
2022-23	56.13	5.51
2023-24	10.11	10.20
<b>Total</b>	<b>244</b>	<b>87.89</b>

In addition to these grants and transfers, the Government of Andhra Pradesh has been meeting the expenditure on salaries under HEAD '010' w.e.f 1<sup>st</sup> April 2009 to all PRIs. The expenditure incurred from 2019-20 - 2025-26 is furnished in the table below.

**Table – 7.38 Salaries of PRIs directly paid by Government of Andhra Pradesh  
(Rs. in crores)**

Year	Gram Panchayats	Mandal Praja Parishads	Zilla Praja Parishads	Total
2019-20	211.15	76.27	5.8	293.22
2020-21	298.31	69.34	6.64	374.29
2021-22	318.7	93.55	7.49	419.74
2022-23	346.26	104.21	7.34	457.87
2023-24	327.33	86.57	9.85	423.75
<b>Total</b>	<b>1501.75</b>	<b>430</b>	<b>37.12</b>	<b>1968.87</b>

Source: GoAP, O/o Commissioner PR&RD

**7.15.11** The Fourth State Finance Commission has recommended to increase the percapita grant to Rs. 25-50-25/- to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishad respectively and the Government has accepted it. This Commission assumes that this recommendation relating to enhancement of percapita grant will be implemented and the total grant for five year period would be Rs. 1750 crores and Rs. 350 crores per annum (based on 2011 population). Then the total resource gap would come to Rs. 5283 crores for five year period and Rs. 1056 crores per annum.

## CHAPTER VIII

### FINANCES OF URBAN LOCAL BODIES

**8.1 Introduction:** As per ToR, the Commission is required to review the financial position of Municipal Corporations, Municipal Councils and Nagar Panchayats and to suggest measures to improve their financial position. In this chapter, an attempt is made to assess the finances of Urban Local Bodies based on the data collected from the Directorate of Municipal Administration and interactions with different stakeholders in urban local governments. This chapter is divided into three sections. First section presents trends in receipts and expenditures of all urban local bodies. The analysis of receipts and expenditures of Urban Local Bodies separately for each category i.e., Municipal Corporations, Municipalities and Nagar Panchayats for the period 2019-20 to 2023-24 is presented in second section. The analysis of projected receipts and expenditures of ULBs, estimation of resource gap of ULBs and recommendations for devolution of finances to ULBs is presented in third section.

#### **8.2 Sources of Revenue:**

The resources of ULBs are classified as own resources comprising tax and non-tax revenues, assigned revenues, Grants from State Government, grants from Central Finance Commission, grants under Centrally Sponsored Schemes. Article 243 of the Constitution of India empowers the State Legislature to authorize Municipal government to levy and collect taxes and non-taxes in their jurisdiction in accordance with the prescribed procedures and limits to effectively discharge the entrusted functions. Accordingly, under the Municipalities Act, 1965 and Municipal Corporation Act, 1994, powers were conferred to ULBs to mobilise revenue in the form of taxes and non-taxes. The own fiscal domain of ULBs consists of the following tax and non-tax sources.

## Own Fiscal Domain of the Urban Local Governments in Andhra Pradesh

<u>Taxes</u>	<u>Non-Taxes</u>
Property Tax	User Charges
Tax on vacant Land	Market fees
Advertisement Tax	D&O (Dangerous & Offensive) Trade License
Entertainment Tax	Building Permit fee
Profession Tax	Layout approval fee
Tax on Carriages and Carts	Mutation fee
Tax on animals	Rents from Municipal properties
	Fines & penalties
	Slaughter House fee
	Others

The 74<sup>th</sup> Constitution Amendment Act 1992 provides for 18 functions for ULBs. All the functions listed in this schedule have been devolved to ULBs in the State, except fire services. The ULBs as per Municipality Act Provide the following essential services in their jurisdiction.

- Water Supply
- Construction and Maintenance of Roads
- Construction and Maintenance of drainage system
- Protection of Public health.
- Sanitation, Conservancy and solid waste management
- Regulation and enforcement norms for construction and development of buildings.
- Regulation of water bodies in public interest.
- Regulation of factories and trades through licensing.
- Maintenance of vital statistics.

**8.3 Profile of ULBs:** The composition of urban population among ULBs has undergone changes due to expansion of some ULBs, increased migration and natural population growth. During the Fourth State Finance Commission (2019), there were 14 Municipal Corporations, 73 Municipalities and 19 Nagar Panchayats. At present, the total number of Municipal Corporations and Municipalities and Nagar Panchayats have increased to 17, 82 and 24 respectively (Table 8.1) and the total population in ULBs increased from 1,36,33,338 to 1,49,02,697 as per the 2011 census. The population in 2024 in ULBs is estimated to be 1,76,86,439,

**Table 8.1 List of ULBs with Population (As per 2011 Census)**

Name of the ULB	During Fourth SFC Period (April 2019)		At Present		Current Population (*)
	No	Population	No	Population	Population
Municipal Corporations	14	7171493	17	8166364	10460008
Municipalities	73	5640121	82	5981611	6421210
Nagar Panchayats	19	821724	24	754722	805221
<b>Total</b>	<b>110</b>	<b>13633338</b>	<b>123</b>	<b>14902697</b>	<b>17686439</b>

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: \* The population figures are obtained from Directorate of Municipal Administration

#### **8.4 Fiscal Performance of ULBs**

**8.4.1 Receipts of ULBs:** Table 8.2 presents the total receipts of all urban local bodies from the year 2019-20 to 2023-24. It can be seen from the table that the total revenue receipts of ULBs increased from Rs. 414934 lakhs in 2019-20 to Rs. 556448 lakhs in 2023-24, registering average annual growth rate of 8 percent. Own revenue comprising tax and non-tax revenue rose from Rs. 198114 lakhs to Rs. 328508 lakhs during the period under review. The trend in own revenue is consistent up to 2022-23 and declined marginally in 2023-24. The average annual share of own revenue in total receipts worked out to be 56.5 percent, while it was at peak level of 62.5 percent in 2022-23. The average share of tax revenue and non-tax revenue worked out to be 30.4 percent and 26 percent respectively. The annual rate of growth of tax revenue is highest at 28.5 percent in 2022-23, which fell down drastically to 1.7 percent during 2023-24. The Commission is informed that due to election schedule in 2024, there was political pressure on the tax administrators not to force the tax payees to pay the tax in time. More or less similar trend is noticed in case of non-tax revenue. The annual rate of growth of non-tax revenue is negative in 2023-24.

Receipts under assigned revenue category declined both in absolute terms and as share in total receipts. Its share declined from 10 percent to 5 percent during this period.

The grants from Central Finance Commission constituted around 17 percent on an average per annum while, the state government grants constituted 9 percent of total receipts during this period. It is to be noted that receipts under central sponsored schemes is insignificant constituting around 1.2 percent of average annual total receipts. It is to

be noted that the grants under central sponsored schemes declined from Rs. 5826 lakhs in 2019-20 to Rs. 1892 lakhs in 2023-24, which implies that the State Government could not utilize the grants under CSS effectively. The CSSs implemented in ULBs are AMRUT and Smart City programs. The grants under other central government grants, MPLADS, UPHC grant and other central government grants constituted around 2 percent of total receipts. The average total annual capital receipts is around Rs. 163575 lakhs during this period.

**Table 8.2 Receipts of All ULBs (Rs. in lakhs)**

Revenue Income	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Taxes	104710 (25.24)	122597 (30.76)	137278 (29.67)	176367 (32.84)	179369 (32.23)	144064 (30.40)
AGR		17.08	11.98	28.47	1.70	14.81
Non-Taxes	93404 (22.51)	94623 (23.74)	122834 (26.55)	159573 (29.71)	149139 (26.80)	123915 (26.15)
AGR		1.31	29.81	29.91	-6.54	13.62
Own Source Revenue	198114 (47.75)	217220 (54.50)	260112 (56.22)	335940 (62.55)	328508 (59.04)	267979 (56.54)
AGR		9.64	19.75	29.15	-2.21	14.08
Assigned Revenue	43130 (10.39)	47623 (11.95)	53519 (11.57)	43676 (8.13)	27622 (4.96)	43114 (9.10)
AGR		10.42	12.38	-18.39	-36.76	-8.09
CFC Grants	96800 (23.33)	62866 (15.77)	87948 (19.01)	69895 (13.01)	78665 (14.14)	79235 (16.72)
AGR		-35.06	39.90	-20.53	12.55	-0.78
Grants under CSS	5826 (1.40)	10051 (2.52)	6777 (1.46)	4230 (0.79)	1892 (0.34)	5755 (1.21)
AGR		72.52	-32.57	-37.58	-55.27	-13.23
MPLADS	952 (0.23)	239 (0.06)	823 (0.18)	630 (0.12)	2133 (0.38)	955 (0.20)
AGR		-74.89	244.35	-23.45	238.57	96.14
Other Central Government Grants	2942 (0.71)	19567 (4.91)	4470 (0.97)	10829 (2.02)	14411 (2.59)	10444 (2.20)
AGR		565.09	-77.16	142.26	33.08	165.82
Total State Government Grants	48668 (11.73)	22972 (5.76)	31353 (6.78)	51870 (9.66)	59338 (10.66)	42840 (9.04)
AGR		-52.80	36.48	65.44	14.40	15.88
Other Receipts	18502 (4.46)	18041 (4.53)	17681 (3.82)	20003 (3.72)	43879 (7.89)	23621 (4.98)
AGR		-2.49	-2.00	13.13	119.36	32.00
Total Receipts	414934	398579	462683	537073	556448	473943
AGR		-3.94	16.08	16.08	3.61	7.96
Loans	414932	398577	3978	0	386	163575

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**8.4.2 Expenditure of all ULBs:** The information on expenditure of all ULBs is furnished in table 8.3. The total expenditure of all ULBs increased from Rs. 393672 lakhs

in 2019-20 to Rs. 554531 Lakhs in 2023-24 registering average annual growth rate of 11 percent. During the review period, revenue expenditure increased from Rs. 282903 lakhs in 2019-20 to Rs. 356447 lakhs in 2023-24. The share of revenue expenditure in total expenditure reduced to 64.28 percent in 2023-24 from 74.68 percent in 2020-21 and average share accounted for 68.5 percent during the period under review. The main components of revenue expenditure are pay and allowances, pensions, operation and maintenance, loan repayment and other miscellaneous expenditure. The annual average expenditure on operation and maintenance accounted for 54 percent of revenue expenditure and its share in revenue expenditure increased from 47.35 percent in 2019-20 to 54.74 percent in 2022-23 and marginally declined in 2023-24. The expenditure on pay and allowances increased from Rs. 14991 lakhs to Rs. 98485 lakhs during the review period and its share in total revenue expenditure increased from 5.3 percent in 2019-20 to 26.61 percent in 2023-24, while the expenditure on pensionary benefits is very insignificant.

Capital expenditure increased from Rs. 110769 lakhs in 2019-20 to Rs. 198084 lakhs in 2023-24, registering average annual growth rate of 24.86 percent. The share of capital expenditure in total expenditure improved from 28 percent in 2019-20 to 35.7 percent in 2023-24.

**Table 8.3 Total Expenditure of All ULBs (Rs. in Lakhs)**

<b>Maintenance</b>	<b>2019-20</b>	<b>2020- 21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Average</b>
Pay and Allowances (Non-Teaching staff)	14991 (5.30)	660 (0.28)	17587 (6.11)	24379 (7.15)	94845 (26.61)	30492 (10.13)
AGR		-95.60	2564.70	38.62	289.04	699.19
Pensionary Benefits	816 (0.29)	0 (0.00)	73 (0.03)	74 (0.02)	35 (0.01)	200 (0.07)
AGR		-100.00	-	1.37	-52.70	-50.44
Operation & Maintenance	133961 (47.35)	145394 (61.40)	183550 (63.74)	186755 (54.74)	165586 (46.45)	163049 (54.16)
AGR		8.53	26.24	1.75	-11.34	6.30
Loan Repayment (Interest)	10254 (3.62)	6498 (2.74)	8116 (2.82)	11383 (3.34)	12014 (3.37)	9653 (3.21)
AGR		-36.63	24.90	40.25	5.54	8.52
Other Expenditure	122881 (43.44)	84261 (35.58)	78626 (27.31)	118578 (34.76)	83967 (23.56)	97663 (32.44)
AGR		-31.43	-6.69	50.81	-29.19	-4.12
Total Revenue Expenditure	282903 (71.86)	236813 (74.68)	287952 (64.40)	341169 (70.62)	356447 (64.28)	301057 (68.56)
AGR		-16.29	21.59	18.48	4.48	7.07
Capital Expenditure	110769 (28.14)	80308 (25.32)	159198 (35.60)	141920 (29.38)	198084 (35.72)	138056 (31.44)
AGR		-27.50	98.23	-10.85	39.57	24.86
Total Expenditure	393672	317121	447150	483089	554531	439113
AGR		-19.45	41.00	8.04	14.79	11.10

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

## SECTION - II

### 8.5 Fiscal Performance of Municipal Corporations

**8.5.1 Receipts:** The total revenue receipts of Municipal Corporations consistently increased from Rs. 280055 lakhs in 2019-20 to Rs. 384300 lakhs in 2023-24, registering average annual growth rate of 17 percent during the period. Among the different sources of revenue receipts of Municipal Corporations, own revenue constituted from a minimum of 50.4 percent in 2019-20 to a maximum of 63.2 percent in 2023-24. The tax revenue contributed 31.28 percent and non-tax revenue added 28.17 percent to total own revenue. The annual growth rate of tax revenue is highest in 2022-23 (28.2 Percent) and declined

to 3.6 percent in 2023-24. Tax administrators informed to the Commission that they could not collect tax effectively, due to political pressure, in view of elections in 2024. Similarly, the non-tax revenue registered a negative growth rate in 2023-24. The annual average share of Finance Commission grants is 12.42 percent followed by state government grants (9.14 Percent) and assigned revenue with 8.78 percent in that order. Tax revenue and non-tax revenue registered a growth rate around 15 percent during the study period, while assigned revenue registered a negative growth rate. The receipts under central sponsored schemes contributed to 1.4 percent of total receipts. The average annual capital receipts (Loans) of Municipal Corporations worked out to be Rs. 1888 lakhs (Table 8.4). During five year period, Municipal Corporations have borrowed during 2019-20 and 2021-22 years amounting to Rs. 9439 Lakhs.

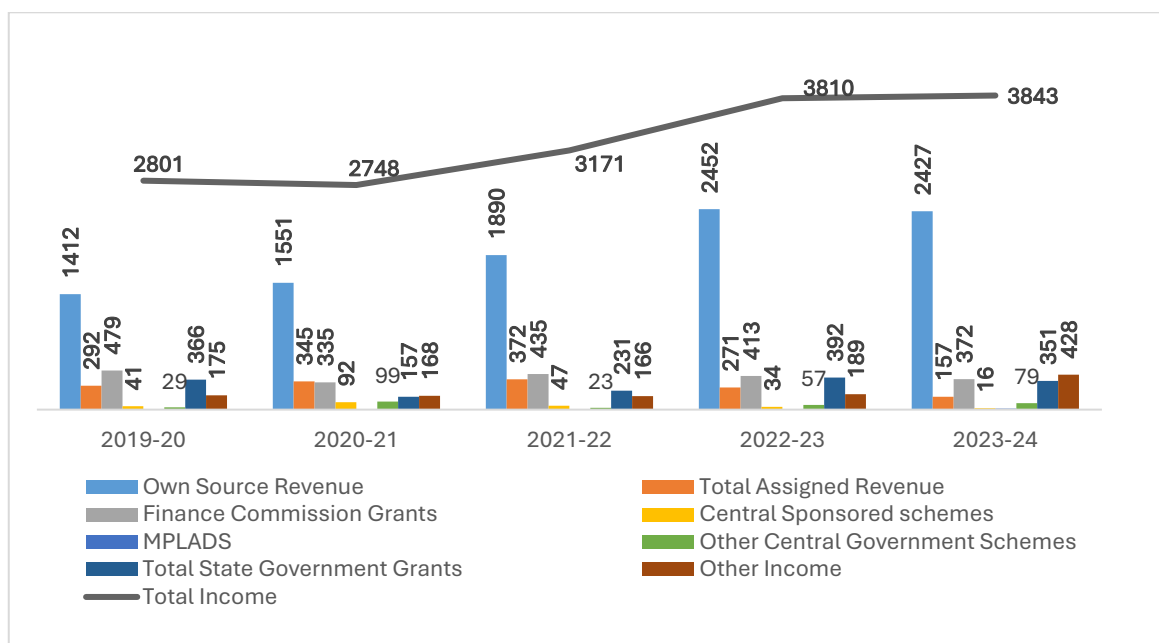
**Table 8.4 Receipts of Municipal Corporations (Rs. in lakhs)**

Revenue Income	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Taxes	74516 (26.61)	86729 (31.56)	97160 (30.64)	124598 (32.71)	129056 (33.58)	102412 (31.28)
AGR		16.39	12.03	28.24	3.58	15.06
Non-Taxes	66713 (23.82)	68370 (24.88)	91871 (28.97)	120623 (31.66)	113692 (29.58)	92254 (28.17)
AGR		2.48	34.37	31.30	-5.75	15.60
Own Source Revenue	141229 (50.43)	155099 (56.44)	189031 (59.61)	245221 (64.37)	242748 (63.17)	194666 (59.45)
AGR		9.82	21.88	29.73	-1.01	15.10
Assigned Revenue	29186 (10.42)	34514 (12.56)	37182 (11.72)	27105 (7.11)	15715 (4.09)	28740 (8.78)
AGR		18.26	7.73	-27.10	-42.02	-10.78
CFC Grants	47883 (17.10)	33467 (12.18)	43531 (13.73)	41289 (10.84)	37225 (9.69)	40679 (12.42)
AGR		-30.11	30.07	-5.15	-9.84	-3.76
Grants under CSS	4104 (1.47)	9179 (3.34)	4682 (1.48)	3416 (0.90)	1565 (0.41)	4589 (1.40)
AGR		123.66	-48.99	-27.04	-54.19	-1.64
MPLADS	701 (0.25)	152 (0.06)	689 (0.22)	183 (0.05)	1199 (0.31)	585 (0.18)
AGR		-78.32	353.29	-73.44	555.19	189.18
Other Central Government Grants	2881 (1.03)	9854 (3.59)	2298 (0.72)	5706 (1.50)	7939 (2.07)	5736 (1.75)
AGR		242.03	-76.68	148.30	39.13	88.20
State Government Grants	36604 (13.07)	15706 (5.72)	23109 (7.29)	39172 (10.28)	35079 (9.13)	29934 (9.14)
AGR		-57.09	47.13	69.51	-10.45	12.28
Other Receipts	17467 (6.24)	16834 (6.13)	16596 (5.23)	18868 (4.95)	42830 (11.14)	22519 (6.88)
AGR		-3.62	-1.41	13.69	127.00	33.91
Total Receipts	280055	274805	317118	380960	384300	327448
AGR		-1.87	15.40	20.13	0.9	17.10
Loans	5461	0	3978	0	0	1888

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.1 Receipts of Municipal Corporations (Rs. in crores)**



### 8.5.2 Composition of Tax Revenue of Municipal Corporations:

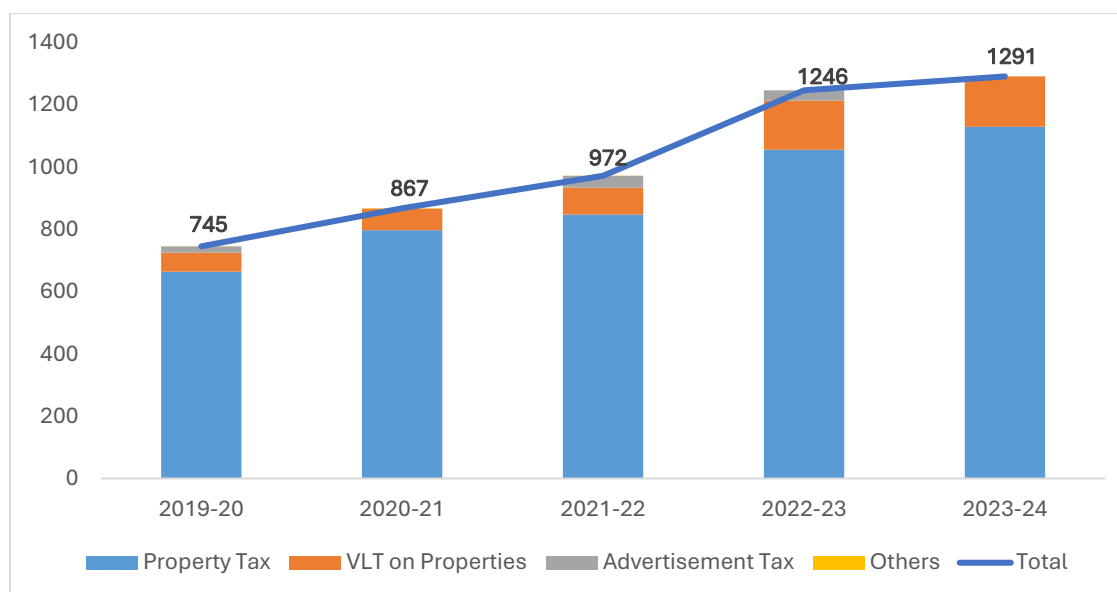
Among the taxes levied by Municipal Corporations, property tax contributed around 88 percent of the tax revenue of Municipal Corporations. The revenue yield from property tax increased from Rs. 66385 lakhs in 2019-20 to Rs. 112907 lakhs in 2023-24. The growth rate of property tax revenue is highest (24.5 Percent) in 2022-23 and a minimum of 6 percent in 2021-22 and average annual growth rate was 11.58 percent. The highest growth rate of tax revenue in 2022-23 is due to change in the method of assessment of property tax from rental value base to capital value base. Next to property tax is tax on vacant land contributing around 11.58 percent of total tax revenue. The revenue from tax on vacant land increased from Rs. 6125 lakhs in 2019-20 to Rs. 16148 lakhs in 2023-24 and registered average annual growth rate of 24.57 percent during the period with highest growth rate of 83 percent in 2022-23. Advertisement tax has become insignificant after GST and the yield from this tax is highly fluctuating. It can be seen from the table that there is no yield from this tax in the years 2020-21 and 2023-24 (Table 8.5).

**Table 8.5 Composition of Tax Revenue – Municipal Corporations (Rs. in lakhs)**

Tax	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Property Tax	66385 (89.09)	79699 (91.89)	84725 (87.20)	105518 (84.69)	112907 (87.49)	89847 (87.73)
AGR	0.00	20.05	6.31	24.54	7.00	11.58
VLT on Properties	6125 (8.22)	6953 (8.02)	8634 (8.89)	15791 (12.67)	16148 (12.51)	10730 (10.48)
AGR	0.00	13.52	24.17	82.89	2.26	24.57
Advertisement Tax	1978 (2.65)	0 (0.00)	3799 (3.91)	3289 (2.64)	0 (0.00)	1813 (1.77)
AGR	0.00	-100.00	-	-13.43	-100.00	-53.36
Others	28 (0.04)	78 (0.09)	2 (0.00)	0 (0.00)	0 (0.00)	22 (0.02)
AGR	0.00	179.36	-98.02	-70.78	-100.00	-17.89
Total	74516	86730	97160	124598	129056	102412
AGR	0.00	16.39	12.03	28.24	3.58	12.05

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.2 Composition of Tax Revenue- Municipal Corporations (Rs. in crores)**

**8.5.3 Assigned Revenue:** The data on income from assigned revenue are furnished in table 8.6. The taxes, duties, and cesses collected by the government on behalf of local bodies and assigned to them are called assigned revenues. This category includes entertainment tax, surcharge on stamp duty, seignorage grant, profession tax, mineral cess, magisterial fines etc. Total assigned revenue of Municipal Corporations declined from Rs. 29186 lakhs in 2019-20 to Rs. 15715 lakhs in 2023-24, registering a negative growth rate of around -8.63 percent per annum during the review period.

A duty on transfer of property is levied in the form of a surcharge on the basic duty imposed under the Indian Stamp Act 1899, on certain instruments on the transfer of property. The surcharge is levied and collected by the registration department and the proceeds are being assigned to local bodies. The collection from surcharge on stamp duty in Municipal Corporations declined from Rs. 23446 lakhs in 2019-20 to Rs. 15715 lakhs in 2023-24. The share of surcharge on stamp duty in assigned revenue increased from 80.3 percent in 2019-20 to 100 percent in 2023- 24. It implies that no revenue from entertainment tax, profession tax and magisterial fines is transferred to Municipal Corporations. The yield from profession tax accounted for 24 percent of assigned revenue but there is no revenue from this tax in 2023-24. With the introduction of GST, Entertainment Tax was replaced under section 174(2) of Andhra Pradesh GST act 2017 with effect from 1.7.2017. No compensation is paid to Municipal Corporations towards Entertainment Tax.

**Table 8.6 Assigned Revenue of Municipal Corporations (Rs. in lakhs)**

Assigned Revenue	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Entertainment Tax	16 (0.05)	0 (0.00)	1 (0.00)	0 (0.00)	0 (0.00)	3 (0.01)
Surcharge on Stamp Duty	23446 (80.33)	29352 (85.04)	31198 (83.91)	20614 (76.05)	15715 (100.00)	24065 (83.73)
AGR	-	25.19	6.29	-33.93	-23.77	-6.55
Profession Tax	5723 (19.61)	5162 (14.96)	5983 (16.09)	6457 (23.82)	0 (0.00)	4665 (16.23)
Magisterial Fines	1 (0.00)	0 (0.00)	0 (0.00)	34 (0.13)	0 (0.00)	7 (0.02)
Total Assigned Revenue	29186	34514	37182	27105	15715	28740
AGR	0.00	18.26	7.73	-27.10	-42.02	-8.63

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

\* Profession tax collected by Vijayawada and Visakhapatnam (GVMC) Municipal Corporations only.

#### **8.5.4 Non-tax Revenue:**

The information on item wise non-tax revenue collections of Municipal Corporations during 2019-20 to 2023-24 is furnished in table 8.7. It can be seen from the table that non-tax revenue of Municipal Corporations increased from Rs. 66714 lakhs in

2019-20 to Rs. 113691 lakhs in 2023-24, registering annual growth rate of 12.48 percent during the period under study.

Building license fee accounted for highest share of total non-tax revenue (27.4 Percent) followed by water charges (19.48 Percent), Rent (5 Percent) layout/ betterment charges (3.68 Percent), Market Fee (3.32 Percent) and trade license fee (2.68 Percent) in that order. The revenue from the category “others” account for 38 Percent of the non-tax revenue “others” include slaughter house fee, cycle stand fee, sale of rubbish, mutation fee, certificate fee, lease of vacant sites etc.

**Table 8.7 Composition of Non-Tax Revenue - Municipal Corporations**

(Rs. in lakhs)

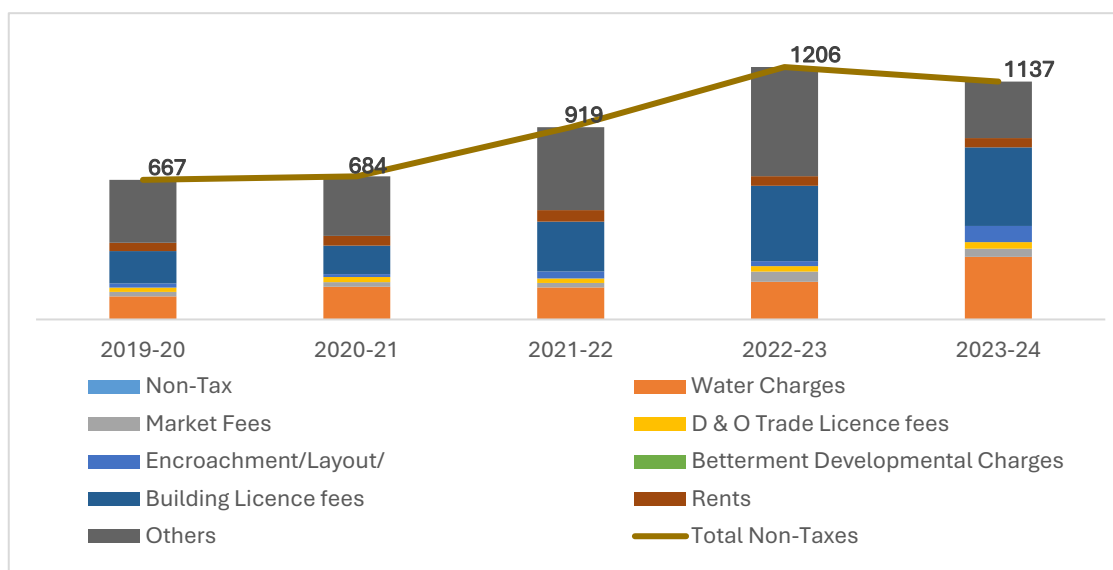
Tax	2019-20	2020-21	2021-22	2022-23	2023-24	Average
<b>Non-Tax</b>						
Water Charges	11066 (16.59)	15623 (22.85)	15281 (16.63)	17983 (14.91)	29900 (26.30)	17971 (19.48)
AGR		41.20	-2.20	17.70	66.30	30.75
Market Fees	2080 (3.12)	2231 (3.26)	2164 (2.36)	4908 (4.07)	3912 (3.44)	3059 (3.32)
AGR		7.30	-3.00	126.80	-20.30	27.70
D & O Trade Licence Fees	2115 (3.17)	2395 (3.50)	2138 (2.33)	2576 (2.14)	3123 (2.75)	2469 (2.68)
AGR		13.20	-10.70	20.50	21.20	11.05
Encroachment/ Layout/ Developmental Charges	1935 (2.90)	1439 (2.10)	3380 (3.68)	2418 (2.00)	7786 (6.850)	3392 (3.68)
AGR		-25.60	134.90	-28.50	222.00	75.70
Building Licence fees	15490 (23.22)	13568 (19.84)	23802 (25.91)	36028 (29.87)	37518 (33.00)	25281 (27.40)
AGR		-12.40	75.40	51.40	4.10	29.63
Rents	3961 (5.94)	4696 (6.87)	5475 (5.96)	4551 (3.77)	4405 (3.87)	4618 (5.01)
AGR		18.60	16.60	-16.90	-3.20	3.78
Others	30067 (45.07)	28420 (41.57)	39633 (43.14)	52159 (43.24)	27047 (23.79)	35465 (38.44)
AGR	0	-6	40	32	-48	3.60
Total Non-Taxes	66714	68372	91873	120623	113691	92254.6
AGR	0.00	2.49	34.37	31.29	-5.75	12.48

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.3 Composition of Non-Taxes Revenue Municipal Corporations**

(Rs. in crores)



### 8.5.5 Expenditure of Municipal Corporations:

Total expenditure of Municipal Corporations grew at an average annual growth rate of 7.05 percent. The share of revenue and capital expenditure worked out to be 69.7 Percent and 30.3 Percent respectively. It is to be noted that the growth rate of capital expenditure is higher than the growth rate of revenue expenditure. In total revenue expenditure, operation and maintenance expenditure accounted for 46.86 percent, while pay and allowances and loan repayment accounted for 9.2 percent and 4.16 percent respectively. The expenditure under ‘Others’ category constituted around 40 percent of revenue expenditure. ‘Others’ category of expenditure includes management expenses, law expenses, town planning expenses, and other miscellaneous expenditure.

With regard to trends in growth, the share of pay and allowances in total revenue expenditure increased from 5.68 percent in 2019-20 to 24.7 percent in 2023-24 with its share being minimum at 0.21 Percent in 2020-21. The expenditure on operation and maintenance consistently increased from Rs. 84553 lakhs in 2019-20 to Rs. 115439 lakh in 2022-23, later declined to Rs. 91875 lakh in 2023-24 and registered an average annual growth rate of 3.36 percent (Table 8.8).

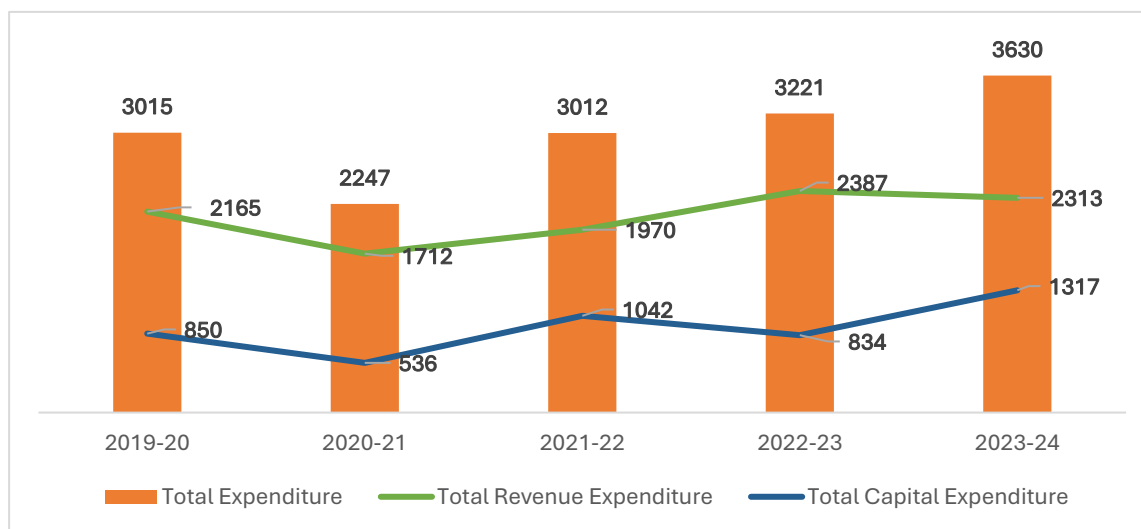
**Table 8.8 Expenditure of Municipal Corporations (Rs. in lakhs)**

Maintenance	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Pay and Allowances (Non-Teaching staff)	12301 (5.68)	355 (0.21)	12396 (6.29)	14937 (6.26)	57139 (24.70)	19426 (9.21)
AGR		-97.11	3391.83	20.50	282.53	899.44
Pensionary Benefits	323 (0.15)	0 (0.00)	27 (0.01)	0 (0.00)	5 (0.00)	71 (0.03)
AGR		-100.00	-	-100.00	-	-100.00
Operation & Maintenance	84553 (39.05)	90461 (52.85)	111882 (56.80)	115439 (48.37)	91875 (39.72)	98842 (46.86)
AGR		6.99	23.68	3.18	-20.41	3.36
Loan Repayment (Interest)	10227 (4.72)	6277 (3.67)	7370 (3.74)	9108 (3.82)	10861 (4.70)	8769 (4.16)
AGR		-38.62	17.41	23.58	19.25	5.40
Other Expenditure	109103 (50.39)	74071 (43.27)	65300 (33.15)	99186 (41.56)	71442 (30.88)	83820 (39.74)
AGR		-32.11	-11.84	51.89	-27.97	-5.01
Total Revenue Expenditure	216507 (71.80)	171164 (76.17)	196975 (65.40)	238670 (74.10)	231322 (63.72)	210928 (69.73)
AGR		-20.94	15.08	21.17	-3.08	3.06
Total Capital Expenditure	85034 (28.20)	53552 (23.83)	104201 (34.60)	83405 (25.90)	131684 (36.28)	91575 (30.27)
AGR		-37.02	94.58	-19.96	57.89	23.87
Total Expenditure	301541	224716	301176	322075	363006	302503
AGR		-25.48	34.03	6.94	12.71	7.05

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.4 Expenditure of Municipal Corporations (Rs. in crores)**



**8.5.6 Per Capita Tax and Non-Tax Revenue of Municipal Corporations:** The level of development and revenue effort varies across Municipal Corporations which are reflected in their respective own revenue mobilisation. The data on percapita tax revenue and non-tax revenue mobilisation are furnished in table 8.9. It can be deduced from the table that there are wide variations in percapita tax and non-tax mobilisation across MCs. The per capita tax mobilization ranges from Rs. 691/- in Machilipatnam Corporation to Rs. 1856/- in GVMC. There are five Municipal Corporations with less than Rs. 1000/- percapita tax mobilization, ten Municipal Corporations in the range of Rs. 1000/- to Rs. 1500/- percapita while two Municipal Corporations mobilised tax revenue more than Rs. 1500/-. The average percapita tax mobilisation worked out to be Rs. 1210/-.

Similar trend is noticed in case of Percapita non-tax revenue mobilisation. The percapita non-tax mobilization is least in Eluru (Rs. 461/-) and maximum in GVMC (Rs. 2336/-) followed by Vijayawada (Rs. 1367/-) and Tirupati (Rs. 1112/-). Year wise data on percapita tax and non-tax revenue mobilization are given in Appendix 8.1A. Percapita own revenue mobilization including tax and non-tax revenue is highest in GVMC followed by Tirupati and Vijayawada Municipal Corporations. There are three Municipal Corporations in the range of Rs. 1000 – Rs. 1500/-, six Municipal Corporations in the range Rs. 1500/- – Rs. 2000/-, eight Municipal Corporations with more than Rs. 2000/-. GVMC is only one Municipal Corporation with more than Rs. 3000/- percapita own resource mobilisation.

**Table 8.9 Frequency Distribution of Municipal Corporations by Per-Capita Tax Revenue and Per-Capita Non-Tax Revenue**

S. No.	Per capita Revenue Class	Per Capita Tax Revenue		Per Capita Non Tax Revenue		Per Capita Own Revenue	
		No	%	No	%	No	%
1	< 500	0	-	1	5.88	-	-
2	500 – 750	1	5.88	9	52.94	-	-
3	750 – 1000	4	23.53	2	11.76	-	-
4	1000 – 1250	5	29.41	3	17.65	-	-
5	1250 – 1500	5	29.41	1	5.88	3	17.65
6	1500 – 1750	1	5.88	0	-	2	11.76
7	1750 – 2000	1	5.88	0	-	4	23.53
8	> 2000	0	-	1	5.88	8	47.06
9	Average	1210		885		2095	
10	Minimum	691		461		1345	
11	Maximum	1856		2336		4191	
12	CV	0.25		0.51		0.33	

### 8.5.7 Per Capita Revenue and Capital Expenditure in Municipal Corporations:

The analysis of Per Capita revenue expenditure in Municipal Corporations reveals significant variations. The average per capita revenue expenditure in MCs is Rs. 1963/- and varied between a minimum of Rs. 988/- in Chittoor Municipal Corporation and maximum of Rs. 5068/- in GVMC. The per capita capital expenditure is highest in Mangalagiri – Tadepalli MC with Rs. 3234/- followed by Kadapa and Capital Expenditure is minimum in Srikakulam. The average per capita capital expenditure is estimated to be Rs. 1293/- (Table 8.10).

**Table 8.10 Frequency Distribution of Municipal Corporations by Per-Capita Revenue and Per-Capita Expenditure**

S. No.	Per capita Expenditure Class	Per Capita Revenue Expenditure		Per Capita Capital Expenditure	
		No	%	No	%
1	Less than 500	-	-	1	5.88
2	500 – 750	-	-	4	23.53
3	750 – 1000	1	5.88	2	11.76
4	1000 – 1250	2	11.76	4	23.53
5	1250 – 1500	1	5.88	2	11.76
6	1500 – 1750	3	17.65	-	-
7	More than 1750	10	58.82	4	23.53
8	Average	1963		1293	
9	Minimum	988		353	
10	Maximum	5068		3234	
11	CV	0.47		0.62	

It can be seen from the table that of seventeen MCs, four MCs are incurring per capita total expenditure less than Rs. 1500/-, 3 MCs are in the class interval of Rs. 1500/- – Rs. 1750/-. Year wise corporation wise information is given in Appendix 8.1A.

## 8.6. Municipalities

### 8.6.1 Receipts of Municipalities

The total receipts of Municipalities registered a growth rate of 4.83 percent during the study period. The receipts in absolute terms increased from Rs. 125854 lakhs to Rs. 155736 lakhs in 2023-24. Own source revenue accounted for 51 percent of total receipts. Tax revenue contributed 28.78 percent and Non-tax revenue added 22.3 Percent to own revenue. Next important source is Finance Commission grants followed by assigned revenue and state government grants. It is observed that the average annual rate of growth of tax revenue is higher than that of non-tax revenue. The rate of growth of tax and non-

tax revenue was maximum in 2022-23 and registered a negative growth rate in 2023-24 (Appendix 8.1B).

**Table 8.11 Receipts of Municipalities (Rs. in lakhs)**

Revenue Income	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Taxes	28677 (22.79)	33417 (29.91)	36713 (27.81)	47225 (32.94)	46393 (29.79)	38485 (28.78)
AGR	-	16.53	9.86	28.63	-1.76	13.32
Non-Taxes	25608 (20.35)	24786 (22.19)	28815 (21.82)	36740 (25.63)	33177 (21.30)	29825 (22.30)
AGR	-	-3.21	16.26	27.50	-9.70	7.71
Own Source Revenue	54286 (43.13)	58203 (52.10)	65528 (49.63)	83964 (58.57)	79571 (51.09)	68310 (51.08)
AGR	-	7.22	12.59	28.13	-5.23	10.68
Assigned Revenue	13491 (10.72)	12013 (10.75)	14893 (11.28)	14927 (10.41)	11076 (7.11)	13280 (9.93)
AGR	-	-10.96	23.97	0.23	-25.80	-3.14
CFC Grants	44600 (35.44)	25604 (22.92)	39333 (29.79)	25926 (18.09)	36428 (23.39)	34378 (25.71)
AGR	-	-42.59	53.62	-34.09	40.51	4.36
Grants under CSS	1722 (1.37)	646 (0.58)	2096 (1.59)	813 (0.57)	326 (0.21)	1121 (0.84)
AGR	-	-62.49	224.46	-61.21	-59.90	10.21
MPLADS	223 (0.18)	87 (0.08)	129 (0.10)	362 (0.25)	727 (0.47)	306 (0.23)
AGR	-	-60.99	48.28	180.62	100.83	67.18
Other Central Government Grants	61 (0.05)	8343 (7.47)	1866 (1.41)	4631 (3.23)	5834 (3.75)	4147 (3.10)
AGR	-	13577.05	-77.63	148.18	25.98	3418.39
State Government Grants	10452 (8.30)	5626 (5.04)	7186 (5.44)	11860 (8.27)	20745 (13.32)	11174 (8.36)
AGR	-	-46.17	27.73	65.04	74.92	30.38
Other Receipts	1019 (0.81)	1188 (1.06)	1003 (0.76)	872 (0.61)	1027 (0.66)	1022 (0.76)
AGR	-	16.58	-15.57	-13.06	17.78	1.43
Total Receipts	125854	111709	132033	143355	155736	133737
AGR	0	-11.24	18.19	8.58	8.64	4.83
Loans	0	0	0	0	386	77

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**8.6.2** The share of property tax in total tax revenue is around 95 percent of total tax revenue in all the years. The share of property tax in total tax revenue is observed to be

high in comparison with Municipal Corporations. The tax on vacant land consistently increased and grew at an annual average growth of 16.47 percent. The yield from advertisement tax is very insignificant and during the years 2020-21 and 2023-24, no revenue is received under this tax.

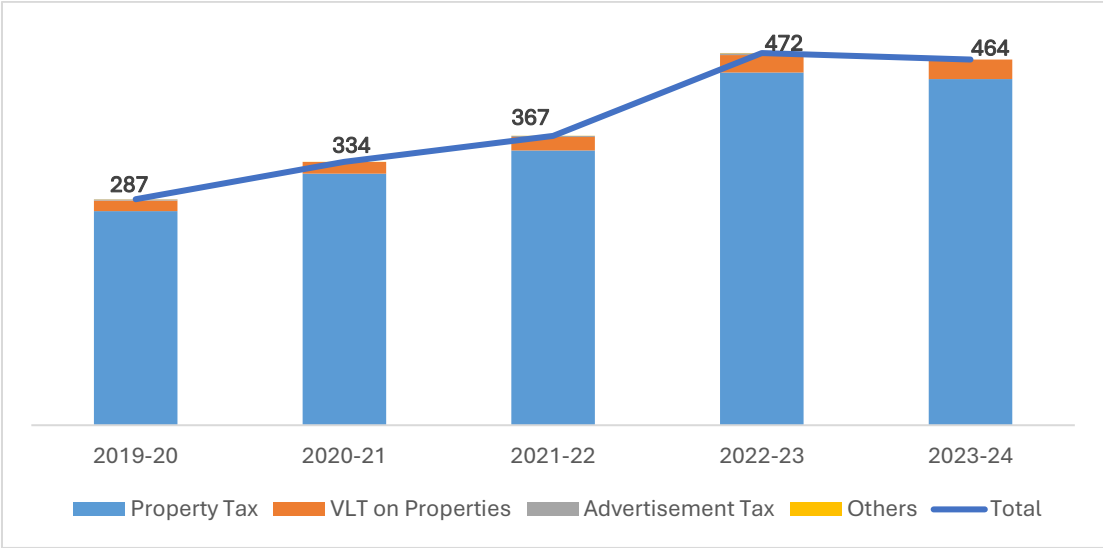
**8.6.3** With regard to assigned revenue, the yield from surcharge on stamp duty is the only source of revenue. The average yield from collection of profession tax per annum is 0.12 lakhs.

**Table 8.12 Composition of Tax Revenue - Municipalities (Rs. in lakhs)**

Tax	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Property Tax	27163 (94.72)	31913 (95.50)	34868 (94.97)	44747 (94.75)	43932 (94.70)	36525 (94.91)
AGR	-	17.49	9.26	28.33	-1.82	13.31
VLT on Properties	1349 (4.70)	1498 (4.48)	1712 (4.66)	2219 (4.70)	2462 (5.31)	1848 (4.80)
AGR	-	11.05	14.29	29.61	10.95	16.47
Advertisement Tax	137 (0.48)	0 (0.00)	132 (0.36)	220 (0.47)	0 (0.00)	98 (0.25)
Others	28	6	1	39	0	15
	0.10	0.02	0.00	0.08	0.00	0.04
<b>Total</b>	<b>28677</b>	<b>33417</b>	<b>36713</b>	<b>47225</b>	<b>46393</b>	<b>38485</b>

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration  
 Note: Figures in parenthesis indicate percentage shares

**Figure 8.5 Composition of Tax Revenue – Municipalities (Rs. in crores)**



**Table 8.12.1 Assigned Revenue – Municipalities (Rs. in lakhs)**

<b>Assigned Revenue</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>	<b>Average</b>
Entertainment Tax	0.0231 (0.00)	0 (0.00)	0.015 (0.00)	0.34 (0.00)	0 (0.00)	0.08 (0.00)
Surcharge on Stamp Duty	13480.52 (99.92)	11998.87 (99.89)	14887.27 (99.97)	14863.32 (99.57)	11076.12 (100.00)	13261.22 (99.86)
Magisterial Fines	10.19 (0.08)	13.549 (0.11)	4.97 (0.03)	63.37 (0.42)	0 (0.00)	18.42 (0.14)
<b>Total Assigned Revenue</b>	<b>13490.93</b>	<b>12012.54</b>	<b>14892.45</b>	<b>14927.13</b>	<b>11076.12</b>	<b>13279.84</b>

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**8.6.4** The information on trends in revenue of different non-tax items is given in table 8.13. It can be deduced from the table that the non-tax revenue increased from Rs. 25610 lakhs to Rs. 33178 lakhs during the period under review and it grew at average annual growth rate of 7.17 percent. The share of yield from water charges in total non-tax revenue accounted for around 24 percent followed by building license fee, Rents and market fees in that order. It is observed that the rate of growth of yield from water charges is not consistent and highly volatile and it was negative during 2023-24. The annual average rate of growth rate of revenue from water charges is very less in comparison with other non-tax items.

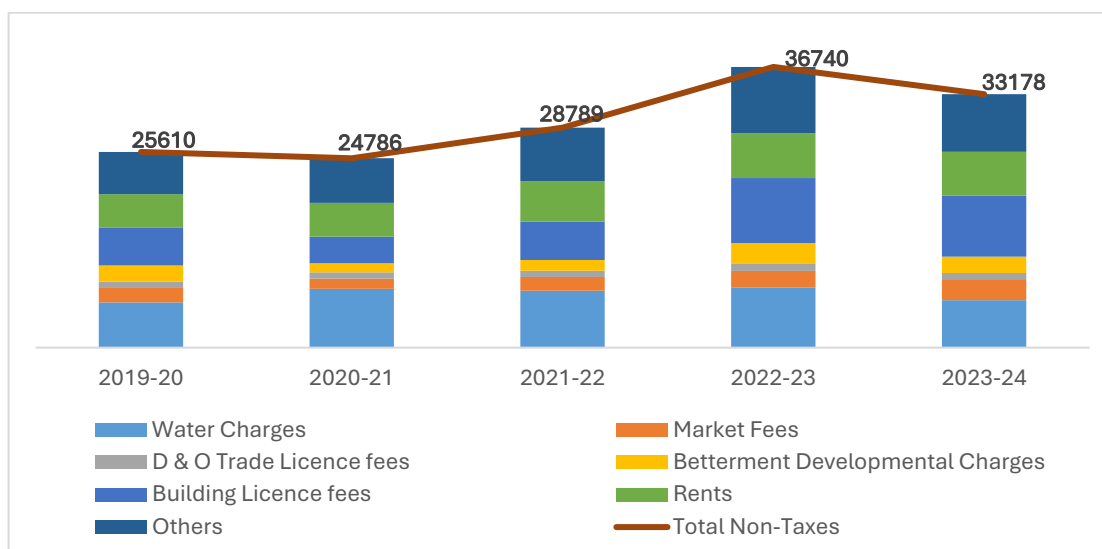
**Table 8.13 Composition of Non-Tax Revenue - Municipalities (Rs. in lakhs)**

<b>Non-Tax Revenue</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Average</b>
Water Charges	5927 (23.14)	7696 (31.05)	7444 (25.86)	7894 (21.49)	6218 (18.74)	7036 (23.59)
AGR	-	29.85	-3.27	6.05	-21.23	2.85
Market Fees	1992 (7.78)	1322 (5.33)	1815 (6.30)	2157 (5.87)	2634 (7.94)	1984 (6.65)
AGR	-	-33.63	37.29	18.84	22.11	11.15
D & O Trade Licence fees	730 (2.85)	829 (3.34)	804 (2.79)	977 (2.66)	923 (2.78)	853 (2.86)
AGR	-	13.56	-3.02	21.52	-5.53	6.63
Encroachment/ Layout/ Developmental Charges	2114 (8.25)	1205 (4.86)	1411 (4.90)	2665 (7.25)	2128 (6.41)	1905 (6.39)
AGR	-	-43.00	17.10	88.87	-20.15	10.70
Building Licence fees	4922 (19.22)	3470 (14.00)	5009 (17.40)	8503 (23.14)	8014 (24.15)	5984 (20.07)
AGR	-	-29.50	44.35	69.75	-5.75	19.71
Rents	4391 (17.15)	4426 (17.86)	5305 (18.43)	5875 (15.99)	5718 (17.23)	5143 (17.25)
AGR	-	0.80	19.86	10.74	-2.67	7.18
Others	5534 (21.61)	5838 (23.55)	7001 (24.32)	8669 (23.60)	7543 (22.73)	6917 (23.20)
AGR	-	5.49	19.92	23.83	-12.99	9.06
Total Non-Taxes	25610	24786	28789	36740	33178	29821
AGR	-	-3.22	16.15	27.62	-9.70	7.71

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.6 Composition of Non-Taxes-Municipalities (Rs. in lakhs)**



**8.6.5 Expenditure of Municipalities:** A cursory glance of the table 8.14 reveals that the total expenditure of Municipalities declined by 3.5 percent in 2020-21. Later constantly increased by 58 percent and 10.5 percent in 2021-22 and 2022-23 respectively. The average annual expenditure incurred by all the Municipalities worked out to be Rs. 117319 lakhs and Rs. 1431 lakh per Municipality. The expenditure on operation and maintenance accounted for a major share in revenue expenditure ranging from 70 percent to 74 percent during the period 2019-20 and 2022- 23 and drastically declined in the year 2023-24. The expenditure on operation and maintenance as share in revenue expenditure in Municipalities is high in comparison with Municipal Corporations. It is interesting to note that the expenditure on pay and allowances drastically jumped from Rs. 2303 lakhs in 2019-20 to Rs. 34008 lakhs in 2023-24. Its share in total revenue expenditure increased from 3.65 percent to 46.5 percent during the period under review. The share of revenue expenditure in total expenditure declined from 72 percent to 54 percent, while the share of capital expenditure increased from 28 percent to 46 percent during the period under review which is a welcoming feature.

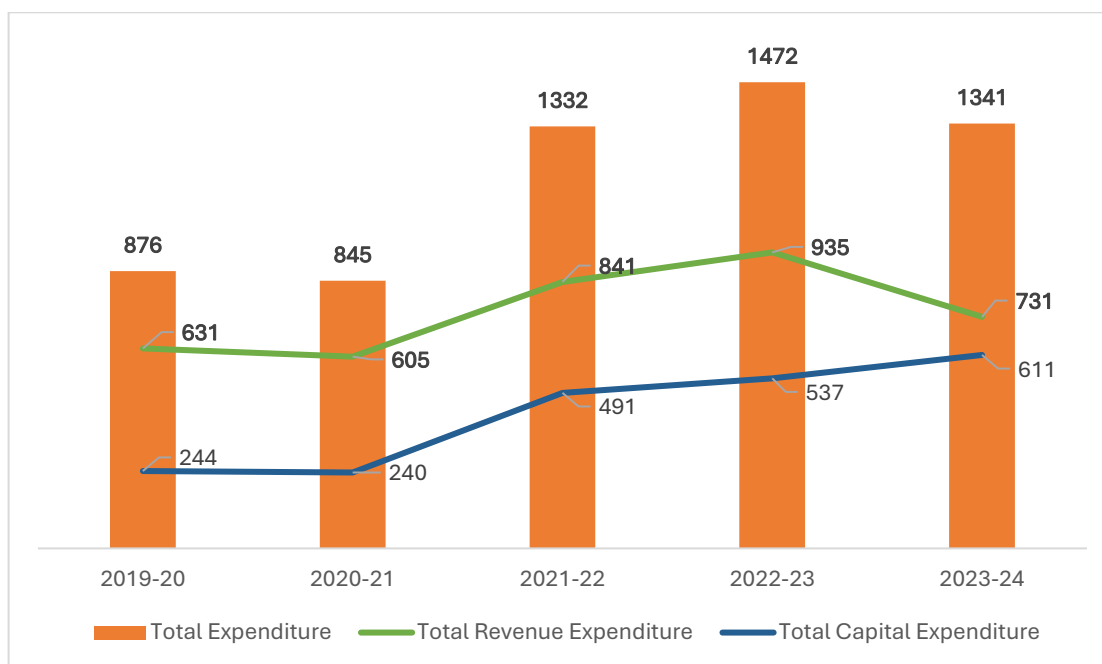
**Table 8.14 Expenditure of Municipalities (Rs. in lakhs)**

<b>Expenditures</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Average</b>
Pay and Allowances (Non-Teaching staff)	2303 (3.65)	280 (0.46)	4614 (5.48)	8228 (8.80)	34008 (46.54)	9887 (13.21)
AGR	-	-87.84	1547.86	78.33	313.32	463
Pensionary Benefits	478 (0.76)	0 (0.00)	27 (0.03)	41 (0.04)	16 (0.02)	112.4 (0.15)
AGR	-	-100.00	-	51.85	-60.98	-36.37
Operation & Maintenance	46841 (74.20)	50520 (83.46)	66096 (78.56)	65809 (70.41)	26402 (36.13)	51134 (68.30)
AGR	-	7.85	30.83	-0.43	-59.88	-5.41
Loan Repayment (Interest)	28 (0.04)	221 (0.37)	746 (0.89)	2275 (2.43)	1153 (1.58)	885 (1.18)
AGR	-	689.29	237.56	204.96	-49.32	270.62
Other Expenditure	134810 (21.35)	9508 (15.71)	12646 (15.03)	17117 (18.31)	11495 (15.73)	12849 (17.16)
AGR	-	-29.47	33.00	35.36	-32.84	1.51
Total Revenue Expenditure	63132 (72.10)	60529 (71.64)	84130 (63.15)	93470 (63.51)	73075 (54.48)	74867 (63.81)
AGR	-	-4.12	38.99	11.10	-21.82	6.04
Total Capital Expenditure	24426 (27.90)	23960 (28.36)	49103 (36.85)	53704 (36.49)	61067 (45.52)	42452 (36.19)
AGR	-	-1.91	104.94	9.37	13.71	31.53
Total Expenditure	87558	84489	133233	147174	134142	117319
AGR	-	-3.51	57.69	10.46	-8.85	13.95

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.7 Expenditure of Municipalities (Rs. in crores)**



#### 8.6.6 Per Capita Tax and Non Tax Revenue of Municipalities

The information of distribution of Municipalities according to per capita tax revenue and non-tax revenue is give in table No. 8.15.

**Table No. 8.15 Per Capita Tax and Non Tax Revenue in Municipalities (in Rs.)**

S. No.	Per capita Revenue Class	Tax Revenue		Non Tax Revenue		Own Source Revenue	
		No	%	No	%	No	%
1	Less than 500	16	19.75	47	58.02	-	0
2	500 – 750	43	53.09	27	33.33	8	9.88
3	750 – 1000	15	18.52	5	6.17	17	20.99
4	1000 – 1250	5	6.17	1	1.23	26	32.10
5	1250 – 1500	1	1.23	-	-	21	25.93
6	More than 1500	1	1.23	1	1.23	9	11.11
7	Average	698		498		1196 (Kondapalli)	
8	Minimum	311 (Pedana MC)		164 (Kondapalli)		566	
9	Maximum	2706 (Nandyala)		1618 (Nandyala)		4988	
10	CV	0.44		0.43			

A bird's eye of the table reveals that there are wide variations in Per capita tax revenue, and non tax revenue across Municipalities. Per capita tax revenue ranges from a minimum of Rs. 311/- in Pedana Municipality to Rs. 2706/- in Nandyala Municipality. The average per capita tax revenue is recorded as Rs. 698/-. Around 53% of MPs are in the class interval of Rs. 500 – 750/-.

With regard to per capita non tax revenue, more or less similar trend is noticed. The minimum non tax revenue is Rs. 164/- in Kondapalli MP and maximum of Rs. 1618/- is collected in Nandayal MP. Taking both per capita tax and non tax, around 10% of MPs are able to mobilise less than Rs. 750/-, while 11% of the MPs could mobilise more than Rs. 1500/-. The per capita tax and non tax revenue of MPs is significantly less in comparison with MCs. Per capita own revenue is noticed to be least in Kondapalli MP (Rs. 566/-) and maximum in Nadayala with Rs. 4988/-.

#### **8.6.7 Per Capita Revenue and Capital Expenditure of Municipalities**

An analysis of per capita revenue and capital expenditure across the Municipalities indicate significant variations, the average per capita revenue expenditure and capital expenditure is estimated at Rs. 1326/- and Rs. 864/- respectively. The per capita revenue expenditure in Municipalities ranged between minimum of Rs. 433/- in Kondapalli MP and Maximum of Rs. 3403/- in Nandyala MP. The per capita capital expenditure is observed to be highest in palamaneru (Rs. 4999/-) and lowest in Kondapalli (Rs. 147/-). The data on frequency distribution of Municipalities by per capita revenue expenditure and per capita capital expenditure are shown in table 8.16, which indicates wide variations across the Municipalities. It is observed that around 21.5% of Municipalities spent less than Rs. 1000/- as per capita revenue expenditure, while 28% of MPs spent per capita revenue expenditure of more than Rs. 1500/-. With regard to per capita capital expenditure 74% MPs could spend less than Rs. 1000/-, while around 4% MPs could spend more than Rs. 2000/-. It can be concluded that the financial capacity of MPs to incur revenue as well as capital expenditure significantly varied across the Municipalities.

**Table 8.16 Frequency Distribution of Municipalities by Per-Capita Revenue Expenditure and Capital Expenditure (Average per 2020-21 to 2023-24) (in Rs.)**

S. No.	Per capita Expenditure Class	Per Capita Revenue Expenditure		Per Capita Capital Expenditure		Per Capita Total Expenditure	
		No	%	No	%	No	%
1	< 500	1	1.23	17	20.99	-	-
2	500 – 750	5	6.17	22	27.16	1	1.25
3	750 – 1000	11	13.58	21	25.93	-	-
4	1000 – 1250	21	25.92	12	14.81	3	3.70
5	1250 – 1500	20	24.69	4	4.94	4	4.94
6	1500 – 1750	9	11.11	1	1.23	9	11.11
7	1750 – 2000	11	13.58	1	1.23	19	23.46
8	> 2000	3	3.70	3	3.70	45	55.55
9	Average	1326		864		2189	
10	Minimum	433		147		580	
11	Maximum	3403		4999		6845	
12	CV	0.32		0.74		0.39	

## 8.7 Nagar Panchayats

**8.7.1 Receipts:** The information on receipts of Nagar Panchayats from various sources are given in table 8.17. Receipts of Nagar Panchayats consistently, increased during the period (except 2022-23) and registered an average annual growth rate of 14 percent. Tax and non-tax revenues increased from Rs. 1516 lakhs and Rs. 1082 lakhs in 2019-20 to Rs. 3920 lakhs and Rs. 2270 lakhs in 2023-24 respectively. Own source revenue constituted around 39 percent of total receipts during period and it is significantly less in comparison with Municipal Corporations and Municipalities where the share of owned revenue exceeded 50 percent (Appendix 8.1C).

**Table 8.17 Receipts of Nagar Panchayats (Rs. in lakhs)**

Revenue Income	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Taxes	1516 (16.80)	2449 (20.30)	3406 (25.17)	4544 (35.63)	3920 (23.88)	3167 (24.83)
AGR	-	61.54	39.08	33.41	-13.73	30.07
Non-Taxes	1082 (11.99)	1467 (12.16)	2147 (15.87)	2210 (17.33)	2270 (13.83)	1835 (14.39)
AGR	-	35.58	46.35	2.93	2.71	21.90
Own Source Revenue	2598	3916	5553	6754	6190	5002
AGR	0	50.73	41.80	21.63	-8.35	21.16
Assigned Revenue	453 (5.02)	1096 (9.09)	1445 (10.68)	1644 (12.89)	831 (5.06)	1094 (8.57)
AGR	-	141.94	31.84	13.77	-49.45	34.53
CFC Grants	4317 (47.84)	3794 (31.45)	5084 (37.58)	2680 (21.01)	5012 (30.54)	4177 (32.75)
AGR	-	-12.11	34.00	-47.29	87.01	15.40
Grants under CSS	0 (0.00)	227 (1.88)	0 (0.00)	0 (0.00)	0 (0.00)	45.4 (0.36)
AGR	-	-	-100.00	0.00	0.00	-33.33
MPLADS	28 (0.31)	0 (0.00)	5 (0.04)	85 (0.67)	207 (1.26)	65 (0.51)
AGR	-	-100.00	-	1600.00	143.53	547.84
Other Central Government Grants	0 (0.00)	1371 (11.37)	305 (2.25)	491 (3.85)	638 (3.89)	561 (4.40)
AGR	-	-	-77.75	60.98	29.94	4.39
State Government Grants	1612 (17.87)	1640 (13.60)	1057 (7.81)	837 (6.56)	3513 (21.40)	1732 (13.58)
AGR	-	1.74	-35.55	-20.81	319.71	66.27
Other Receipts	15 (0.17)	18 (0.15)	81 (0.60)	264 (2.07)	22 (0.13)	80 (0.63)
AGR	-	20.00	350.00	225.93	-91.67	126.06
Total Receipts	9023	12062	13530	12755	16413	12757
AGR	0	34	12	-6	29	13.8
Loans	5000	0	0	0	0	1000

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

The share of Finance Commission grants in total receipts accounted for 33 percent followed by state government grants (13.58 percent) and assigned revenue (8.57 percent). Consistent trend is noticed in tax revenue, non-tax revenue and assigned revenue during the first four years of the period. While, the growth is not consistent and volatile with

regard to other sources. It is to be noted that the dependency of Nagar Panchayat on Central Finance Commission grants is high with 33 percent share in comparison with Municipalities (26 percent) and Municipal Corporations (12 percent).

**8.7.2** As observed in case of Municipal Corporations and Municipalities the property tax is the major source of revenue and it constitutes 96 percent of the tax revenue (Table 8.18). The revenue mobilized from tax on vacant land accounted for 3.5 percent of total tax receipts. The Nagar Panchayats received assigned revenue in the form of surcharge on Stamp duty only, which increased from Rs. 436 crores in 2019-20 to Rs. 1644 crores in 2022-23 and declined by 50 percent in 2023-24.

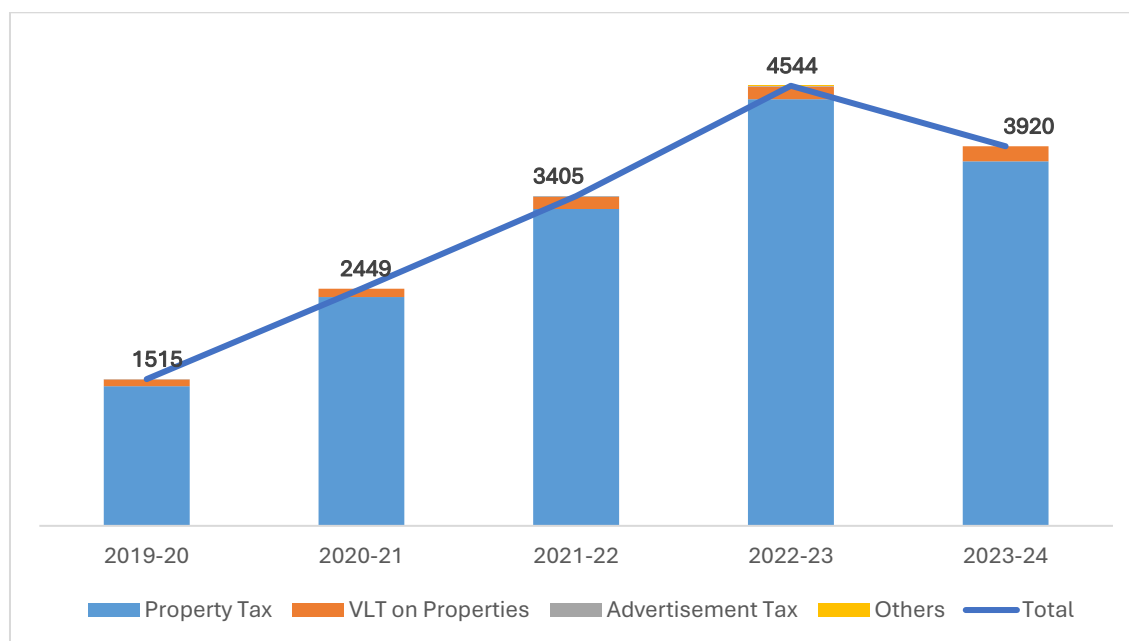
**Table 8.18 Composition of Tax Revenue - Nagar Panchayats (Rs. in lakhs)**

Tax	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Property Tax	1442 (95.18)	2363 (96.49)	3272 (96.09)	4405 (96.94)	3765 (96.05)	3049 (96.30)
AGR	-	63.87	38.47	34.63	-14.53	30.61
VLT on Properties	69 (4.55)	86 (3.51)	126 (3.70)	131 (2.88)	155 (3.95)	113 (3.58)
AGR	-	24.64	46.51	3.97	18.32	23.36
Advertisement Tax	4	0	7	8	0	4
Others	0	0	0	1	0	0.2
Total	1515	2449	3405	4544	3920	3167
Surcharge on Stamp Duty	436 (100)	1096 (100)	1444 (100)	1644 (100)	831 (100)	1090 (100)
AGR	0	151.38	31.75	13.85	-49.45	37
Total Assigned Revenue	436	1096	1444	1644	831	1090

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.8 Composition of Tax Revenue - Nagar Panchayats (Rs. in lakhs)**



### **8.7.3 Composition of Non-Tax Revenue – Nagar Panchayats:**

The information on item-wise non-tax receipts of Nagar Panchayats is furnished in table 8.19. A bird's eye view of the table indicate that on an average yield from water charges accounted for 24 percent of total non-tax revenue followed by building permit fee (19 percent) rents from panchayat properties (12.32 percent) and market fees (12 percent). The annual rate of growth of non-tax revenue is observed to be positive with 2.7 percent, while it was negative in case of Municipal Corporations and Municipalities in the year 2023-24.

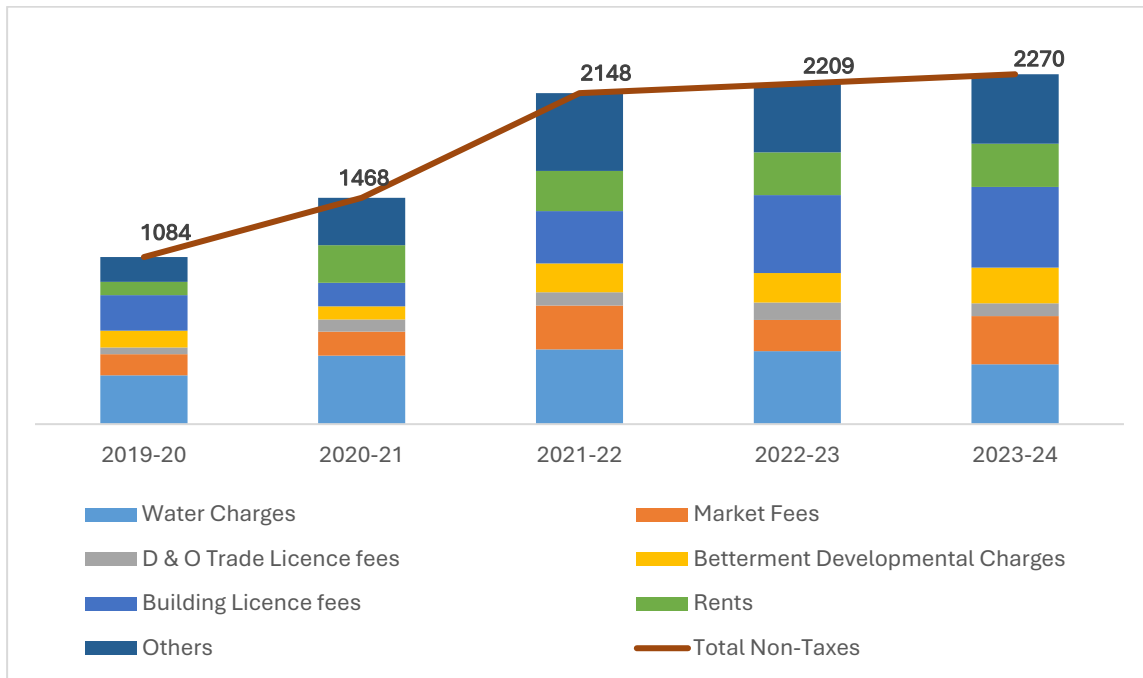
**Table 8.19 Composition of Non-Tax Revenue - Nagar Panchayats (Rs. in crores)**

<b>Non-Tax</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Average</b>
Water Charges	317 (29.24)	445 (30.31)	485 (22.58)	474 (21.46)	388 (17.09)	422 (22.98)
AGR	-	40.38	8.99	-2.27	-18.14	7.24
Market Fees	137 (12.64)	155 (10.56)	285 (13.27)	202 (9.14)	313 (13.79)	218 (11.90)
AGR	-	13.14	83.87	-29.12	54.95	30.71
D & O Trade Licence fees	44 (4.06)	79 (5.38)	86 (4.00)	113 (5.12)	83 (3.66)	81 (4.41)
AGR	-	79.55	8.86	31.40	-26.55	23.31
Encroachment/ Layout/ Developmental Charges	109 (10.06)	85 (5.79)	187 (8.71)	191 (8.65)	232 (10.22)	161 (8.76)
AGR	-	-22.02	120.00	2.14	21.47	30.40
Building Licence fees	230 (21.22)	153 (10.42)	339 (15.78)	506 (22.91)	523 (23.04)	350 (19.08)
AGR	-	-33.48	121.57	49.26	3.36	35.18
Rents	86 (7.93)	244 (16.62)	261 (12.15)	277 (12.54)	280 (12.33)	230 (12.51)
AGR	-	183.72	6.97	6.13	1.08	49.48
Others	161 (14.85)	307 (20.91)	505 (23.51)	446 (20.19)	451 (19.87)	374 (20.37)
AGR	-	90.68	64.50	-11.68	1.12	36.15
<b>Total Non-Tax</b>	<b>1084</b>	<b>1468</b>	<b>2148</b>	<b>2209</b>	<b>2270</b>	<b>1836</b>
AGR	-	35.42	46.32	2.84	2.76	21.84

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.9 Composition of Non-Taxes Revenue - Nagar Panchayats (Rs. in crores)**



**8.7.4 Expenditure:** Total expenditure of Nagar Panchayats constantly increased from Rs. 4573 lakhs in 2019-20 to Rs. 14805 lakhs in 2023-24 (Table 8.20). The share of revenue expenditure in total expenditure is around 63 percent in 2022-23 more or less equal to Municipalities (63.8 percent) and Municipal Corporations (69.7 percent). It is observed that the share of the expenditure on operation and maintenance in total revenue expenditure ranged from a minimum of 50 percent in 2023-24 to 86 percent in 2020-21. The annual average share worked out to be 68 percent which is very high in comparison with Municipal Corporations (47 percent) and Municipalities (68 percent).

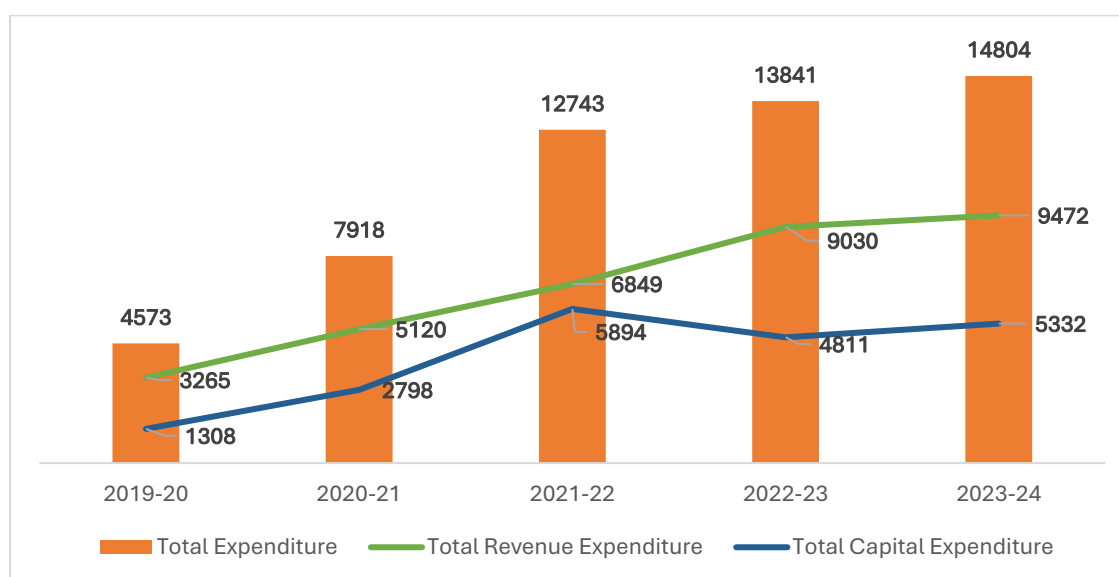
**Table 8.20 Expenditure of Nagar Panchayats (Rs. in lakhs)**

Maintenance	2019-20	2020-21	2021-22	2022-23	2023-24	Average
Pay and Allowances (Non-Teaching staff)	387 (11.85)	25 (0.49)	577 (8.43)	1215 (13.46)	3698 (39.04)	1180 (17.49)
AGR	-	-93.54	2208.00	110.57	204.36	607.35
Pensionary Benefits	14 (0.43)	0 (0.00)	19 (0.28)	33 (0.37)	14 (0.15)	16 (0.24)
AGR	-	-100.00	-	73.68	-57.58	-27.96
Operation & Maintenance	2567 (78.62)	4414 (86.21)	5573 (81.38)	5507 (60.99)	4731 (49.94)	4558 (67.56)
AGR	-	71.95	26.26	-1.18	-14.09	20.73
Loan Repayment (Interest)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0.00)
AGR	-	0	0	0	0	0
Other Expenditure	297 (9.10)	681 (13.30)	680 (9.93)	2275 (25.19)	1029 (10.86)	992 (14.71)
AGR	-	129.29	-0.15	234.56	-54.77	77.23
Total Revenue Expenditure	3265 (71.40)	5120 (64.66)	6848 (53.74)	9030 (65.24)	9473 (63.99)	6747 (62.61)
AGR	-	56.81	33.75	31.86	4.91	31.83
Total Capital Expenditure	1308 (28.60)	2798 (35.34)	5894 (46.26)	4811 (34.76)	5332 (36.01)	4029 (37.39)
AGR	-	113.91	110.65	-18.37	10.83	54.25
Total Expenditure	4573	7918	12742	13841	14805	10776
AGR	-	73.15	60.92	8.63	6.96	37.42

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

Note: Figures in parenthesis indicate percentage shares

**Figure 8.10 Expenditure of Nagar Panchayats (Rs. in lakhs)**



### 8.7.5 Per capita Tax Revenue and Non Tax Revenue of Nagar Panchayats

As observed in the case of MCs and MPs, wide divergences are noticed in per capita tax and non tax revenue across Nagar Panchayats (Table 8.21). The per capita tax revenue in Nagar Panchayats ranged between Rs, 142/- in Allur NP and Rs. 799/- in Giddalur NP. The average per capita tax revenue is observed to be Rs. 451/-, while the average per capita non tax revenue is observed to be Rs. 259/- in NPs. The per capita non tax revenue is observed to be at minimum (Rs. 65.64/-) in Podili and maximum in Palakonda (Rs. 500/-).

**Table No. 8.21 Frequency Distribution of Nagar Panchayats by Per-Capita Tax Revenue and Non Tax Revenue (Average per 2020-21 to 2023-24) (in Rs.)**

S. No.	Per capita Revenue Class	Tax Revenue		Non Tax Revenue		Own Source Revenue	
		No	%	No	%	No	%
1	Less than 500	15	62.5	23	95.83	6	25
2	500 – 750	7	29.17	1	4.17	8	33.33
3	750 – 1000	2	8.33	-	-	7	29.17
4	1000 – 1250	-	-	-	-	3	12.50
7	Average	451		259		705	
8	Minimum	142		66		224	
9	Maximum	799		500		1249	
10	CV	0.39		0.43		0.37	

### 8.7.6 Per Capita Revenue Expenditure and Capital Expenditure in Nagar Panchayats

An analysis of Per capita revenue expenditure and capital expenditure in Nagara Panchyats indicate significant variations. The annual average revenue expenditure in NPs is noted to be Rs. 828/-, ranging between Rs. 195/- in Allur and Rs. 2197/- in Tiruvuru. The Per capita capital expenditure is at bare minimum of Rs. 39/- in Allur and maximum (Rs. 1963/-) in Giddalur NP. (Table 8.22). The per capita total expenditure varied between Rs. 234/- (Allur) to Rs. 3206/- (Tiruvuru).

**Table No. 8.22 Frequency Distribution of Nagar Panchayats by Per-Capita Revenue Expenditure and Capital Expenditure (Average per 2020-21 to 2023-24) (in Rs.)**

S. No.	Per capita Expenditure Class	Per-Capita Revenue Expenditure		Per-Capita Capital Expenditure		Per-Capita Total Expenditure	
		No	%	No	%	No	%
1	Less than 500	6	25	13	54.17	4	16.67
2	500 – 750	6	25	3	12.50	1	4.17
3	750 – 1000	5	20.83	4	16.67	4	16.67
4	1000 – 1250	3	12.50	1	4.17	3	12.50
5	1250 - 1500	2	8.33	1	4.17	3	12.5
6	1500 - 1750	1	4.17	-	-	1	4.17
7	More than 1750	1	4.17	2	8.33	8	33.33
8	Average	828		605		1424	
9	Minimum	195		39		234	
10	Maximum	2197		1963		3206	
11	CV	0.57		0.87		0.61	

The analysis of comparison of per capita revenue and per capita expenditure among MCs, MPs and NPs is presented in Table 8.26.

**Table 8.23 Average Per Capita Revenue and Per Capita Expenditure of ULBs (in Rs.)**

ULBs	Per Capita Tax Revenue	Per Capita Non tax Revenue	Per Capita OSR	Per Capita Revenue Expenditure	Per Capita Capital Expenditure	Per Capita Total Expenditure
MCs	1210	885	2095	1963	1293	3256
MPs	689	498	1187	1326	863	2189
NPs	451	259	710	828	606	1433

The per capita tax revenue and non tax revenue, per capita revenue expenditure and per capita total expenditure in respect of MCs are substantially higher than MPs and NPs. This implies that MCs have relatively better resources. The low per capita tax and

non tax mobilization in Municipalities and Nagar Panchayats probably might be due to ineffective tax administration and less effort to collect tax and non taxes and low tax base.

## 8.8 Debt Liabilities of Urban Local Bodies

### 8.8.1 Borrowings by Local Bodies

Government in the ToR of Fifth State Finance Commission requested the Commission to analyze in detail the outstanding debt position of the Local Bodies as on 31<sup>st</sup> March, 2024 and recommend necessary steps to sustain appropriate debt levels. The “Debt liability” of a local body, is the sum total of principal and the interest amount of a debt, that is yet to be paid before the liability is closed. The debt of local bodies generally consists of Government loans, open market loans, loans from financial institutions and external borrowings. These borrowings are intended to create assets and generate returns to service the debt.

The Fifth State Finance Commission called for detailed information from the ULBs about the debt raised and the outstanding debt liabilities. To bridge the financing gap in the capital expenditure, 114 ULBs borrowed amounts from various funding agencies and as 31<sup>st</sup> march 2024 the debt liabilities of these ULBs is as follows.

**Table 8.24 Outstanding Debt of ULBs**

S. No	Source of Borrowing	No of ULBs	Amount Outstanding as on 31 <sup>st</sup> March 2024 (Rs. in lakh)		
			Principal	Interest	Total
1	APURMSP	37	4351	3854	8205
2	APMDP	6	8088	3117	11205
3	UIG (JnNURM)	5	22331	15110	37441
4	UIDSSMT (JnNURM)	47	22496	14299	36795
5	AP PROJECTS	6	597	482	1079
6	BANKS	13	2814	2119	4933
	Total		<b>60677</b>	<b>38981</b>	<b>99658</b>

### 8.8.2 Outstanding Debt as on 31-03-2024

The outstanding debt as on 31-03-2024 is Rs. 99658 lakh, which include Rs. 60677 lakh principal and Rs. 38981lakh interest. The share of outstanding interest is about 39 % of total liability. The details of loans raised by the ULBs, together with the outstanding debt as on 31<sup>st</sup> March 2024 are given in the Appendix 8.3.

### **8.8.3 Borrowings from Multilateral Agencies**

The Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP) is a World Bank assisted scheme for bringing about urban sector reforms and improvement in civic infrastructure in ULBs. Under this project 37 availed loans through APUFIDC. The outstanding liability as on 31<sup>st</sup> March 2024 is Rs. 8205 lakh which include Rs. 4351 lakh principal and Rs. 3854 lakh interest

There is another world bank assisted AP Municipal Development Project (APMDP) under implementation in 6 ULBs. Under APMDP, 70 percent funds are provided by GoAP as grant and 10 percent funds must be provided by the concerned ULB. Under this project, loan amounting to Rs. 15595 lakh was sanctioned to 6 ULBs through APUFIDC. The outstanding liability as on 31<sup>st</sup> March 2024 is Rs. 11205 lakh which include Rs. 8088 lakh principal and Rs. 3117 lakh interest

### **8.8.4 Borrowings from Government Agency - APUFIDC**

To enable the ULBs to access low-cost capital, there exists a two-tier institutional arrangement in the State viz., (a) AP Urban Infrastructure Fund (APUIF) and (b) AP Urban Finance and Infrastructure Development Corporation Ltd. (APUFIDC). The APUFIDC is a Government Company under Section 617 of the Companies Act, 1956 to act as asset manager of APUIF. The APUFIDC was the nodal agency for implementation of Jawaharlal Nehru National Urban Renewal Mission (JnNURM). The funding under JnNURM was in the ratio of 80:10:10 among GoI, State Government and concerned ULB. Of the Government share, 80 percent was released as grant and balance 20 percent as loan. In mission cities, funds were provided under Urban Infrastructure and Governance (UIG) scheme and in non-mission cities, under another parallel scheme called Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Under UIG loan amounting to Rs. 27886 lakhs was sanctioned to 6 ULBs through APUFIDC. The outstanding liability as on 31<sup>st</sup> March 2024 is Rs. 37441 lakhs which include Rs. 22331 lakhs principal and Rs. 15110 lakhs interest. Similarly, under UIDSSMT loan amounting to Rs. 25500 lakhs was sanctioned to 47 ULBs through APUFIDC. The outstanding liability as on 31<sup>st</sup> March 2024 is Rs. 36795 lakhs which include Rs. 22496 lakhs principal and Rs. 14299 lakhs interest. Under AP Project loan amounting to Rs. 807 lakhs was sanctioned to 6 ULBs. The outstanding liability as on

31<sup>st</sup> March 2024 is Rs. 1079 lakhs which include Rs. 597 lakhs principal and Rs. 482 lakhs interest

#### **8.8.5 Borrowings from Commercial Banks**

Banks and other financial institutions commit capital to the ULBs only if there is a high probability of loan repayments. 13 ULBs in the state have raised loans from Punjab National Bank amounting to Rs. 47272 lakhs. The outstanding liability as on 31<sup>st</sup> March 2024 is Rs. 4933 lakhs which include Rs. 2814 lakhs principal and Rs. 2119 lakhs interest.

#### **8.8.6 Debt Servicing by the ULBs**

The debt servicing capacity of a ULB is the internally generated revenue surplus that is left with them to service the debt after meeting its revenue expenses. From the data furnished by the APUFIDC it is seen that ULBs which have raised loans from external agencies or commercial banks are repaying the loan along with interest promptly on due dates. But in case of APUFIDC debt, it is found that most of the ULBs are not servicing the debt repayment obligations. Certain small towns which have low amount or no amount of overall revenue surplus are not able to service the debt as there is stress on their finances to meet the O&M expenditure. But at the same time other ULBs in spite of having operating surpluses are deferring the debt servicing expenditure. Thus, it is clear that the ULBs, in the State, are not effectively managing APUFIDC debt. Even though the APUFIDC sanctioned the loans only after entering into agreements, the corporation being owned and operated as Government institution, may be finding it difficult to deal with Municipalities in a commercial manner. Once a loan is fully given and utilized by the loanee, repayment should be demanded. The APUFIDC is regularly sending communications for payment of overdue loan installments, but there is no response from the ULBs. Due to default on the part of ULBs a large liability has been built up on account of outstanding loan amounts.

#### **8.8.7 Recommendations**

To enable the ULBs to service their debt promptly, the Commission make the following recommendations.

- a) Government may consider to collateralize the loans sanctioned by APUFIDC with the accounts of the concerned Municipality at State Bank of India. Repayment of loans shall be made first charge on the general revenues of the*

*ULBs and the bank may be authorized to deduct debt service payments directly from ULBs accounts. Alternatively, the mechanism of “Escrow Accounts” may also be used to ensure loan servicing.*

- b) The borrowing Municipality invariably has to make provision in its budget every year for interest and redemption payments to the lender for the term of the loan. The concerned authorities who approve the ULB budgets must ensure that adequate provision is available in the budget for loan repayments and the loan installments are drawn and paid promptly*
- c) The MA&UD department may establish prudent borrowing ceilings for ULBs based on the capacity for debt repayment, limiting the total debt service up to a certain percentage of ULB revenue to ensure that the ULBs sustain their debt.*
- d) Government may consider enacting “Fiscal Responsibility Act for ULBs” to help ULBs to widen their resources, establish sound equilibrium between their receipts and expenditures, reducing the fiscal gap, improve fiscal balance and build surplus capital savings to undertake development projects.*

## **8.9 Augmentation of Own Resources of Urban Local Bodies**

**8.9.1** As per ToR the Commission has to assess the financial requirements of the panchayats and Municipalities as well as the ways and means to augment their own resources. In this context an attempt is made to identify the reasons for poor resource mobilisation and suggest measures to overcome them. In this context an effort is also made to examine the impact of subsuming entertainment tax and advertisement tax under GST. Own sources of revenue of ULBs consist of taxes and non-taxes. As per the provisions of Municipality Act, ULBs can levy property tax, advertisement tax, entertainment tax and collect cesses and charges on sanitation, water supply, street lightning and drainage. Besides, ULBs are empowered to levy trade license fee, building permit fee, registration fee fines etc.

### **8.9.2 Property Tax**

Among the taxes, property tax is the most important tax levied by ULBs. On analysing the data furnished by ULBs to the Commission, it is found that this tax item accounts for 29.38% in MCs, 28.21% in MPs and 22.94% in NPs of total receipts during 2023-24. With the subsuming of entertainment tax in GST and the stagnation of profession tax due to non-revision of the ceiling fixed long back by the constitution of

India, property tax has emerged as the most important and productive source of revenue with increasing potential. It is a progressive tax and easily assessable and collectable. During the review period, reforms were made in property tax assessment.

### **8.9.2.1 Property Tax Reforms in ULBs**

As per the guidelines, for accessing Fifteenth Finance Commission grant (2021-26), the States must set (a) Minimum floor rates for property tax by 2021-22. (b) From 2022-23 onward, states will receive ULB grants based on this compliance. From 2023-24 onwards growth in property tax must match the State's average GSDP growth over the last five years. The following is the demand, collection of PT along with growth in PT collection in each year.

The member Secretary, AP Property Tax Board has informed the Fifth State Finance Commission that as part of implementation of FRBM reforms and Fifteenth Finance Commission mandatory guidelines, the Government in GOMs No 198 MA&UD dated 24-11-2020 has initiated property tax reforms and switched to Capital Value (CV) system from Annual Rental Value (ARV) system with effect from 01-04-2021. Under the CV system the property tax is levied at such percentage of the capital value of land and building as fixed by the respective Municipal Council. The minimum and maximum tax rates are 0.1% to 0.50 % for residential buildings and 0.2% to 2% for non-residential buildings. The Commission was further informed that the property tax is revised as and when guideline values of buildings and lands are revised by Stamps and Registration department and to reduce the tax burden on tax payer, limitations are built into the system while revising the tax. While implementing the CV system, the ULBs, consult the Property Tax Board before fixation of rate of Property Tax. From the information furnished by member secretary AP Property Tax Board it is seen that in all most all the ULBs, the property tax rates are fixed at 0.15 % of CV for residential buildings, at 0.30 % of CV for non-residential buildings and at 0.20 % of CV for the vacant lands.

**8.9.2.2** Following the bifurcation of the state, an Expert Committee tasked with the demerger of the former Property Tax Board recommended that the Government of India be approached to remove the PTB from Schedule IX. The GoAP accepted this recommendation in January 2018, agreeing to request deletion of the item from Schedule

IX in the context of the APPTB demerger. However pending constitution of full-fledged APPTB, presently the CDMA is officiating as Chairperson of the Board.

Property tax is the most important own source of revenue to ULBs. Due to the reforms in property tax, the revenue from property tax increased by 24 percent in 2022-23 in MCs, 28 percent in MPs and by 34 percent in NPs. Notwithstanding the improvement in tax collections, there has been a persistent gap between demand and collection of property tax.

**8.9.2.3** The information on demand and collection of property tax in Municipal Corporations is given in table 8.25. Which indicates that total collection of property tax increased from 35.35% to 42.56% of total demand. It is to be noted that collection of property tax in case of current demand improved from 58% in 2019-20 to 77% in 2023-24, while there is no improvement in collection of arrears, marginally improved from 14.68% to 17.65% during the review period. The large gap between demand and collection of property tax is mainly due to failure of tax administration in collecting arrears of property tax.

**Table 8.25 Demand and Collection of Property Tax of Municipal Corporations  
(Rs. in crores)**

	Demand/ Collection	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Demand</b>	Arrear	967	760	1459	1882	1819
	Current	872	560	1030	1196	1325
	Total	1839	1320	2489	3078	3144
<b>Collection</b>	Arrear	142	176	301	478	321
	Current	508	394	716	950	1017
	Total	650	570	1017	1428	1338
<b>Collection as % of Demand</b>	Arrear	14.68%	23.16%	20.63%	25.40%	17.65%
	Current	58.26%	70.36%	69.51%	79.43%	76.75%
	Total	35.35%	43.18%	40.86%	46.39%	42.56%
<b>Balance</b>	Arrear	825	584	1158	1404	1498
	Current	364	166	314	246	308
	Total	1189	750	1472	1650	1806

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

**8.9.2.4** The performance of Municipalities in property tax collection is relatively better in comparison with Municipal Corporations. The proportion of property tax collected in demand improved from 52% to 61% during the review period. There is significant improvement in collection of tax in current year, which is increased from 64% to 81%

during the review period. Though the collection of arrears improved from 29% in 2019-20 to 47% in 2022-23, suddenly fell down to 26% in 2023-24. The performance of Municipalities in collection of arrears is relatively better than Municipal Corporations.

**Table 8.26 Demand and Collection of Property Tax of Municipalities (Rs. in crores)**

	Demand/ Collection	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Demand</b>	Arrear	187	985	250	339	280
	Current	366	613	372	430	485
	Total	553	1598	622	769	765
<b>Collection</b>	Arrear	54	168	97	160	74
	Current	233	429	280	373	394
	Total	287	597	377	533	468
<b>Collection as % of Demand</b>	Arrear	28.88%	17.06%	38.80%	47.20%	26.43%
	Current	63.66%	69.98%	75.27%	86.74%	81.24%
	Total	51.90%	37.36%	60.61%	69.31%	61.18%
<b>Balance</b>	Arrear	133	817	153	179	206
	Current	133	184	92	57	91
	Total	266	1001	245	236	297

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

**8.9.2.5** More or less similar trend is noticed in Nagar Panchayats. The total collection of property tax is increased from 36.5% of demand to 62% during the review period. The performance of Nagar Panchayats in collection of arrears is relatively better than Municipal Corporations and Municipalities.

**Table 8.27 Demand and Collection of Property tax of Nagar Panchayats (Rs. in Crores)**

	Demand/ Collection	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Demand</b>	Arrear	18	15	21	31	23
	Current	23	16	28	36	40
	Total	41	31	49	67	63
<b>Collection</b>	Arrear	3	4	7	17	7
	Current	12	11	17	29	32
	Total	15	15	24	46	39
<b>Collection as % of Demand</b>	Arrear	16.67%	26.67%	33.33%	54.84%	30.43%
	Current	52.17%	68.75%	60.71%	80.56%	80.00%
	Total	36.59%	48.39%	48.98%	68.66%	61.90%
<b>Balance</b>	Arrear	15	11	14	14	16
	Current	11	5	11	7	8
	Total	26	16	25	21	24

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

**8.9.2.6 Reasons for Gap in Demand & Collection:** The data on property tax collection from all the ULBs in the state, demonstrates both the potential and challenges within each category of ULB. In the overall analysis, the Commission has observed that, while the growth in collections is promising, it is not proportional to the rising demand. The consistent gap between demand and collection might indicate non-compliance or lack of resources for effective enforcement. During the discussions, the elected representatives and the officials of ULBs, informed the Fifth State Finance Commission that, the following are the possible reasons for the gap in demand and collection

- 1. Unpaid Taxes on Central Government and State Government Buildings:**  
Taxes are not being paid by the buildings owned by the central government and state government.
- 2. Court Cases against the assessments:** Many private parties went to court on assessment and delay in disposal of appeals is resulting in rising arrears.
- 3. Untraceable Properties Due to Road Widening:** Due to Road-widening projects, some properties are untraceable, complicating tax collection efforts.
- 4. Inactive Industrial Units:** Many industrial units are non-operational, and declared as sick units leading to decreased revenue from these properties.
- 5. Challenges in Capital Value Estimation:** Accurately estimating the capital value of properties remains challenging, often resulting in underassessment and reduced revenue.
- 6. Lack of Cooperation from Weaker Section Colonies:** Colonies developed for weaker sections are not paying property tax, as many of the assesses are not actually stay in the allotted houses, and the actual residents refuse to pay tax.
- 7. Difficulties in tax collection in slum areas:**  
People living in slum areas and as such tax paying capacity is very low resulting in arrears.
- 8. Frequent Waiver of interest on outstanding PT:** The arrears of PT include 2% interest per month for delayed payment. But Government is frequently issuing orders waiving the interest amount if dues are paid. To avail this exemption from payment of interest amount, people are waiting for such orders and not clearing the dues.
- 9. Insufficient Collection Staff and Training:** There is a shortage of trained collection staff, affecting tax administration and collection efficiency.

### 8.9.2.7 Recommendations

For maximising Property Tax Revenues of ULBs, the Fifth State Finance Commission recommends the following measures. By implementing these recommendations, the Government can address inefficiencies in property tax collections, increase municipal revenue, and improve overall fiscal health in ULBs.

- a. There is a general unwillingness to impose tax at a higher band, on the part of local Governments even in relatively prosperous areas. Most of the local governments go for a lower end of the permissible tax band, which is provided by government even in the case of flourishing non-residential properties. The ranges for fixation of property tax rates by the local governments are given below.*

<i>Type of Buildings</i>	<i>Recommended by Government</i>	<i>Adopted by ULBs</i>
<i>Residential Buildings</i>	<i>0.1% to 0.5%</i>	<i>0.15</i>
<i>Non-Residential Building</i>	<i>0.2% to 2%</i>	<i>0.30</i>

- b. To increase the property tax rate from 0.15% to 0.20% for residential buildings and from 0.30% to 0.50% for non-residential buildings.*
- c. ULBs to make provision for making payments through all the unified payments interface UPI applications viz., Google Pay, Phone Pay, Net Banking and Credit/Debit Cards.*
- d. Houses demolished due to road expansion should be exempted from property tax assessment. Action / amendment may be made in Municipal Corporation Act that it was the duty and liability of the owners of the buildings to intimate to the local government when their buildings are demolished and if not they were liable to pay till the date of intimation.*
- e. There are many cases of home based office and commercial activities which are being ignored by ULBs. This Commission recommends that the ULBs have to check the purpose for which the property is being used.*
- f. Unidentification of conversion of residential houses into a commercial complex is another issue to be taken care by ULBs.*

- g. For all kinds of transaction of services related to buildings like transfer of ownership, provision of upgradation of power connection, provision of water supply connectivity, registration of wills, providing land and building as security for loans, property tax remittance without dues should be mandatory and the person concerned has to produce the receipt from respective local Government as evidence.*
- h. All buildings of state government organisation should be brought under tax net, a mechanism should be initiated by the Government to ensure that department wise and urban local body wise demand for property tax are consolidated and adequate budgeting provision sought from the finance department under relevant heads of account to prevent accumulation of arrears on state government buildings.*
- i. GIS mapping of all ULBs and digital tracking system to bring left out properties into the assessment process should be completed in all Municipalities and Municipal Corporations. A special drive for GIS mapping should be launched for nagar panchayats to cover all nagar panchayats in a phased manner. This may be included in Andhra Pradesh Municipal Development Project (APMDP).*

The Andhra Pradesh Municipal Development Project (APMDP) has developed GIS-based base maps for 110 ULBs. However, the property tax layer data is not included in the preparation of GIS-based master plans. To have comprehensive database the revenue data updation is also to be incorporated, which will address the revenue leakages i.e. unassessed and under- addressed properties.

### **8.10 Vacant Land Tax**

Vacant land tax is another important source of tax revenue to ULBs. During the review period 2019-20 to 2023-24, the share of tax on vacant land in total own tax revenue was around 10% in Municipal Corporations, 4.8% in Municipalities and 3.58% in Nagar Panchayats. Vacant land tax grew at an average annual growth rate of 25.47%, 16.47% and 23.36% in MCs, MPs and NPs respectively. The tax rate which was 0.5 percent of the market value of the property, was brought down to 0.20% of the market value per annum.

**8.10.1** During interactions with officials of MCs, MPs and NPs, they raised the problem of identification of the owner of the vacant land, and difficulty in collecting VLT annually. At present VLT is being collected at the time of seeking approval for construction of building. The Commission recommends the following to enhance VLT revenue to ULBs.

**8.10.2** The Systematic GIS-based survey of the land followed up with a field verification of ownership based on the relevant revenue records should be carried out. Based on this inventory of vacant land, vacant land tax should be levied.

Instead of levying and collecting vacant land tax only at the time of seeking/giving planning permissions, the vacant land tax should be collected regularly and annually.

Payment of tax on vacant land along with arrears should also be linked with sale of land, providing land as security for loans, registration of wills etc.

For unassessed vacant lands, the period of limitation for recovering dues as per the Municipal Corporation ACT, which is three years should be enhanced to five years.

## **8.11 Profession Tax**

Article 276 of the Constitution of India empowers the state governments to levy and collect profession tax up to Rs. 2500/- per annum. Consequently, the first schedule of the AP tax on professions 1987 was amended by Act 29 of 1996 revising the profession tax from Rs. 250/- to Rs. 2500/- per annum with effect from 1-8-1996. As per the provisions of AP tax on professions, trades calling and employment act 1997 the commercial taxes department is the nodal agency for administering the tax and the Municipalities are prevented from levying the tax.

**8.11.1** Earlier, devolution of profession tax to the local bodies was made by Commercial Tax Department. But with effect from 30-6-2001, fund shall be disbursed by Government centrally by allotment of budget to Commissioner of Panchayat Raj and Commissioner of Municipal Administration and in turn departments will reallocate the profession tax amount to local bodies.

**8.11.2** This Commission collected data on collection of profession tax for five years i.e.2019-20 to 2023-24 from office of the chief commissioner of state taxes. As per the information provided by office of the chief commissioner of state taxes, the commercial

tax department collected an amount of Rs. 1383.72 crores. It was brought to the notice of the Commission during interactions with the officials of ULBs, the Profession tax is not devolved to ULBs, in lieu of direct payment of salaries to the provincialised staff by the government. While GVMC and VMC are collecting profession tax by themselves.

**8.11.3** There is a huge “escaped” tax in this area, particularly in respect of employees in private businesses and establishments and self-employed professionals. There is no linking of data even within Local Governments to capture potential assesses of profession tax, let alone linkage with database of the GST department, Labor Department etc. Non implementation of accepted decision of Union Finance Commission has resulted in the stagnation of upper limit stagnating for more than a quarter of the century.

**8.11.4** The profession tax is a local tax and legitimate source of revenue assigned to the local Government in all federal states. Hence, the revenue from this tax should be entirely transferred by the Government to the ULBs after deducting cost of collection.

- There should be an intensive drive to create a data base of potential profession taxpayers by collecting and collating data on establishments, employees from their own database of Local Governments, database of Labor Department and GST department. From each Local Government, selected members should be given training to this purpose.
- The State Government should take up with Government of India the early passage of the necessary constitutional amendment to enhance and remove the ceiling on profession tax that can be levied and to simplify the process of raising the profession tax as recommended by Fourteenth and Fifteenth Central Finance Commission.

## **8.12 Advertisement Tax**

Advertisement tax though a local tax, was subsumed in GST with effect from 1-7-2017 under section 173 (i) and (ii) of the same Act. However, the ULBs can collect permission as display and device fee from the individuals who displays, erects, exhibits, fixes or retains upon over any land, building, wall hording or structure, any advertisement to public view in any manner whatsoever in any place whether public or private for public view. During the review period, advertisement tax accounted for very negligible share of

owned tax revenue (0.77% in MCs and 0.25% in MPs and 0.12% in NPs) during the years 2020-21 and 2023-24 there was no income from advertisement tax to ULBs.

At present the collection of display and device fee is limited due to absence of rules/ bylaws to govern its levy. To facilitate periodic collection of display and device fee there is an urgent need to draft rules/ bylaws for the levy and collection of fee on outdoor advertisements.

**8.12.1** The Commission recommends that the government may issue detailed guidelines/ rules empowering ULBs to levy and collect display and device fees to strengthen the finances of ULBs. Local bodies may consider the following parameters while fixing fees

- a. Location importance (High traffic areas may attract higher fee)
- b. Type of Hoarding/Advertisement
- c. Duration
- d. Size and visibility
- e. Environmental and esthetic impact

### **8.13 Entertainment Tax**

The entertainment tax used to be levied and collected under the provisions of AP Entertainment Tax 1939, on the price charged for admission to any place of entertainment which includes cinemas, theatrical performances, and amusement parks etc. The rates of tax depend on the location of the theatre, the type of theatre and the number of shows option exercised. Consequent on introduction of GST Act, 2017 the entertainment tax which was levied by local bodies has been subsumed in GST. Thus, the PRIs and ULBs are no longer enjoy the power to levy entertainment tax which amounts to loss of revenue

**8.13.1** To address this revenue shortfall, the government may consider compensating local bodies for the loss of entertainment tax by making specific budgetary provisions under the State Goods and Services Tax Act, 2017 as being done by Government of Kerala. This measure would help ensure that local bodies maintain financial stability and continue providing essential public services effectively.

### **8.14 Surcharge on Stamp Duty**

Under the AP Panchayat Raj Act and Andhra Pradesh Municipalities Act, local bodies are empowered to levy a surcharge on the stamp duty imposed by the State Stamp Act on instruments related to the transfer of immovable property.

The surcharge is collected by the Inspector General of Stamps and Registrations along with the base stamp duty. The collected surcharge is to be distributed quarterly among local bodies as per the prescribed share.

During interactions with stakeholders in ULBs, it was brought to the notice of the Commission that the surcharge on stamp duty is not shared among the ULBs regularly during the review period and the Commission confirmed the same with the Department of Stamps and Registrations.

**8.14.1** The Commission recommends that the entire funds related surcharge on stamp duty may be devolved to local bodies every quarter without delays. The Inspector General of Stamps and Registrations may be mandated to maintain and share detailed records of surcharge collections, segregated by Gram Panchayats and ULBs and ensure that local bodies receive their rightful share of surcharge revenue, empowering them to improve service delivery.

## **8.15 Water Charges**

Under the AP Municipalities Act, all the ULBs are mandated to levy and collect water charges for providing potable water supply to residents and businesses. The charges are typically regulated based on usage, connection size, and category of consumers domestic, commercial, or industrial etc. Efficient water supply management is a critical function of ULBs that directly impacts the quality of life of citizens. For water supply services the local governments incur recurring Operation and Maintenance (O&M) costs which include electricity, workforce, repairs, and maintenance of infrastructure. Full recovery of water charges ensures that ULBs have adequate funds to cover these expenses, reducing reliance on government grants. By ensuring adequate (O&M) funds, ULBs can enhance service delivery and promote equitable resource use.

**8.15.1** The Fifth State Finance Commission has obtained data related expenditure incurred and water charges collected for Operation & Maintenance (O&M) of water supply system in respect of 17 Municipal Corporations 82 Municipal Councils and 24 Nagar Panchayats for the period from 2019-20 to 2023-24 and analysed in the Table below. As per this data, the collection of water charges in ULBs was between 47.8% to 62.66% during 2019-20 to 2022-23. The collection of water charges by Municipal Corporation improved from 50 percent in 2019-20 to 61 percent in 2022-23. In the year 2023-24, the collection of water charges was more than the operation and maintenance

cost. Municipal Corporation wise data for five year period reveals that Kakinada, Machilipatnam and Vijayawada have collected more than the operation and maintenance cost. The corporations are mobilising revenue in the form of sale of water and donations in addition to water charges, if revenue mobilisation through sale of water is considered in addition to water charge, Vijayawada on an average for five year period collected 80 percent over and above the operation and maintenance followed by GVMC (70 percent), Kakinada (61 percent) and Machilipatnam (22 percent) (Appendix 8.4).

**8.15.2** The water charge collection by Municipalities increased from 43 percent to 56 percent during the period. Municipality-wise analysis revealed that the performance of selection grade Municipalities collected 54 percent of operation and maintenance costs followed by grade 1 Municipalities with 30 percent of operation and maintenance cost only (Appendix 8.5). The collection of water charges by Nagar Panchayats improved from 59 percent to 65 percent during the period.

**Table 8.28 Recovery of Water Charges in Urban Local Bodies (Rs. in lakhs)**

ULB	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Municipal Corporations</b>	O & M charges	22011	23950	26219	29538	26711
	Collection	11066	15622	15281	17983	29900
	Collection as % of O& M charges	50.27%	65.23%	58.28%	60.88%	111.94%
<b>Municipalities</b>	O& M charges	13651	12963	20929	15107	11075
	Collection	5927	7696	7444	7894	6218
	Collection as % of O& M charges	43.42%	59.37%	35.57%	52.25%	56.14%
<b>Nagar Panchayats</b>	O& M charges	537	1011	1321	1214	601
	Collection	317	445	485	474	388
	Collection as % of O& M charges	59.03%	44.02%	36.71%	39.04%	64.56%
<b>Total Urban Local Bodies</b>	O& M charges	36199	37924	48469	45859	38387
	Collection	17310	23763	23210	26351	36506
	Collection as % of O& M charges	47.82%	62.66%	47.89%	57.46%	95.10%

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

As per G.O.Ms.No.197 dated 23.11.2020, the Municipal Councils/ Corporations are required to fix self-sufficiency rates within the recommended tariff range as shown below and such self-sufficiency rates shall be increased every year by 5% to recover the increased O&M costs and after the increase, the same shall be treated as new self-sufficiency rate for that year.

Category of users	Tariff range (in Rs.)
Households (in Rs. per month)	100 - 350
Bulk Domestic (Metered) in Rs/KL	30 – 50
Commercial (in Rs/KL)	60 – 140
Industrial (in Rs/KL)	40 - 80

**8.15.3** The Commission sought the information about the water charges collection from ULBs. ULBs across the state charge relatively lower rates for water supplied through tap connection. While full cost pricing is not feasible, the water rates in different ULBs should in some measure be related to the cost of supply, usage, quantum of water supplied, the size of the pipe etc. An examination of the range of rates charged for different users across the ULBs in the state do not indicate any significant variation, except in Vijayawada Municipal Corporation where slab system is introduced. It may also be noted that the users are required to pay certain amount of donations to meet the initial cost of providing tap connection. While full cost pricing is neither feasible nor desirable, there is certainly scope for augmenting revenue from water charges by rationalising water charges, taking into account the source of water and potential use as well as duration of assured water supply. Similarly there is also scope for mobilising additional donations/ non-refundable deposits to meet the cost of providing private connections. Further there is scope to check unauthorised tap connection and illicit tapping of water lines.

**8.15.4 Recommendations:** The analysis of water charges collection across ULBs highlights significant disparities and inefficiencies in cost recovery. To address these challenges and ensure adherence to the Government’s directive of 100% recovery, the Fifth State Finance Commission make the following recommendations.

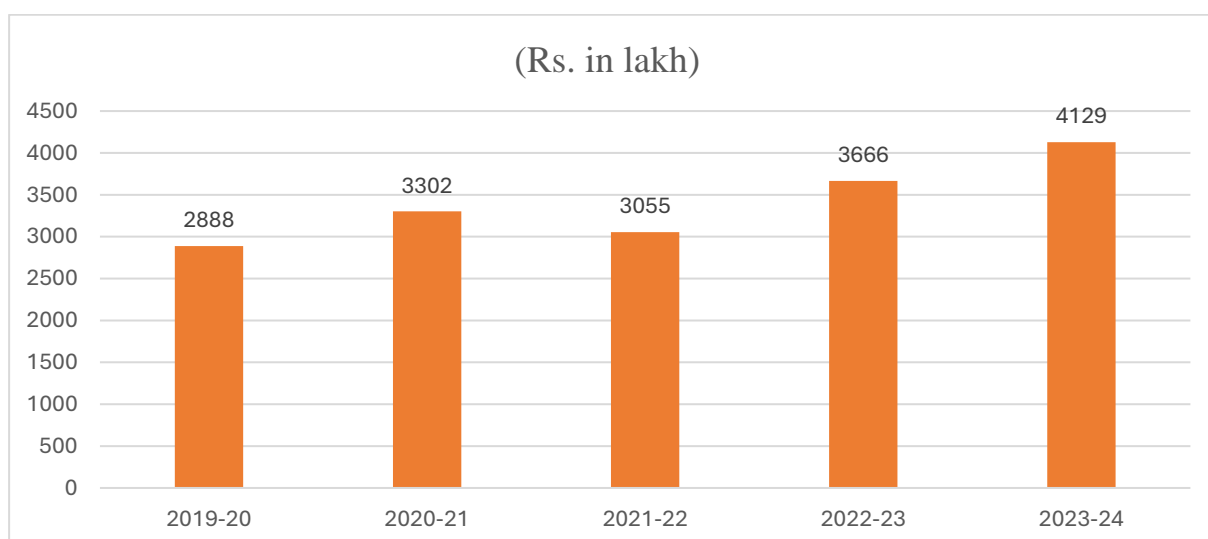
- 1. The majority of ULBs are charging Rs. 100/- per month for residential purpose. It may be enhanced to Rs. 200/- and revise rate by 5% hike once in every two years. The Commission also recommends to enhance water charges for commercial, industrial and bulk domestic purposes once in every two years.***

2. *Focus on addressing water losses due to leakages and illegal connections. Upgrade metering infrastructure for accurate billing and monitoring.*
3. *Educate citizens about the importance of paying water charges to sustain water services and infrastructure.*
4. *Establish grievance redressal systems to address public complaints regarding water supply and billing.*
5. *All house connections should be metered in phased manner initially, high cost residential and commercial establishments should be targeted.*
6. *Enforce penalties for habitual non-payment while offering amnesty schemes for long-standing dues to encourage compliance.*
7. *To enhance donations/ non-refundable deposits to meet cost of providing private connections.*

#### 8.16 Trade License Fee

ULBs are empowered to issue trade licenses under the AP Municipal Act to regulate businesses within their district. With the growing number of businesses, trade license fees can become a significant revenue source if properly enforced. The performance in license fee collection is as follows.

**Figure 8.11 Trade Licence Fee of ULBs**



The licence revenue has grown at a moderate annual rate of 9.8% over the 5 years. This indicates consistent demand for licences, which might result from gradual increases in administrative or operational fees and a growing population or businesses needing

licences. However unregistered businesses and weak enforcement of regulations can limit collections. A moderate CAGR suggests a reliable but not overly aggressive growth trajectory, suitable for stable revenue planning.

**8.16.1 Recommendations:** ULBs generate revenue from trade license fees, which ensure regulatory compliance and business standardization. To improve revenue collection, the following strategies can be implemented:

- a) Create an online platform for easy registration, fee payments, and renewal of trade licenses. Issue e-licenses to eliminate paperwork and ensure quick access for both businesses and authorities.*
- b) Implement a unified platform for obtaining all necessary permissions for businesses to reduce delays and encourage compliance.*
- c) Identify unregistered businesses through field surveys and geotagging.*
- d) Maintain an updated database of all businesses within municipal limits for monitoring.*
- e) Impose fines on unregistered businesses to encourage licensing. Conduct regular inspections to identify defaulters and bring them into the system.*
- f) Use social media, municipal websites, and local events to spread awareness about trade license requirements.*
- g) To revise trade license fee once in two years with upward revision of 5%.*

## **8.17 Unauthorized Layouts**

Unauthorized layouts in rural and urban areas refer to residential or commercial developments that have been constructed without proper approval or permission from the relevant authorities. These layouts pose significant challenges for Urban Development Authorities (UDAs) and ULBs, as they result in revenue losses and create planning and infrastructure issues.

- a) UDAs lose potential income from land conversion fees and layout approval charges.
- b) ULBs are unable to collect vacant land tax or property tax due to the absence of proper records and documentation.

These layouts often lack following basic amenities.

- a) The buildings in these layouts may not have been constructed according to approved plans, which can lead to safety hazards and structural issues.
- b) The roads and drainage systems in these layouts may not be properly designed or constructed, leading to waterlogging, flooding, and other issues.
- c) Unauthorized layouts may not have access to basic amenities like water supply, electricity, and sanitation.
- d) These layouts may not comply with zoning regulations, leading to mixed land use and other issues.

**8.17.1** To address this issue, the Commission make the following strategies:

- a) Local Authorities may create detailed documentation and mapping of unauthorized layouts to identify property owners and assess taxable values.
- b) Conduct public awareness campaigns to educate property owners about the importance of paying property taxes and UDA conversion fees.
- c) Collaborate with residents and community leaders to identify and report unauthorized constructions and encourage property owners to pay taxes and fees
- d) Implement regularization schemes to encourage property owners in unauthorized layouts to come forward and pay the necessary taxes and fees.

By implementing these strategies, local authorities can improve the collection of property tax and UDA conversion fees from unauthorized layouts, which can help fund infrastructure development and improve public services.

## **8.18 Building Permit Fees and Charges in ULBs**

Government of Andhra Pradesh in Go MS No 119 MA &UD dated 28-3-2017 have issued AP Building Rules and model bye laws for construction of any residential or commercial building or property within the limits of the urban local bodies. The citizen has to approach the Town planning section of the respective ULB, which issues permission for construction of buildings based on specific set of rules and regulations.

**8.18.1** The initial Building Permit Fee along with the Application is Rs. 3000/- for plot size upto 200 sq mt and Rs. 10,000/- for plot size above 200 sq.mt. The town planning section calculate various fees such as admission fee, developmental charges, regularization charges, building license fees, scrutiny fees, demolition charges etc., and collect the same before issue of approvals. The sanction of Building Permission for all

categories of the buildings is done through Andhra Pradesh Development Permission Management System (APDPMS).

As per the information furnished by the CDMA the realisation of building permit fee for the period from 2019-20 to 2023-24 is as follows.

**Table 8.29 Building Permit Fee Revenue: ULBs**

S. No	Year	Building Permission Fee (Rs. in lakh)
1	2019-20	20641
2	2020-21	17191
3	2021-22	29149
4	2022-23	45037
5	2023-24 (Average Per Annum)	46056 (31615)

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration

**8.18.2** The data highlights a progressive trend in building license fee collections over the years from 2019-20 to 2023-24. Starting at Rs. 20,641 lakh in 2019-20, the upward trajectory continued into 2023-24, reaching Rs. 46,056 lakh, the highest in the observed period. The average annual collection over these five years stands at Rs. 31,615 lakh, reflecting a robust growth pattern in recent years, likely driven by increased construction activity, urban development, and policy changes encouraging compliance.

**8.18.3** The Director State audit vide Ir no 18/G/2024 dated 12-9-2024 informed the following.

*In respect of approval of Building Applications, the collection of various Fees 'are made through A.P.D.P.M.S (Andhra Pradesh Development Permission Management System). The accounts are being maintained at CDMA office and consolidated amount is being released in instalments without details of fees collected for each application. All Receipts pertaining to all ULBs are being received centrally and CDMA is distributing in lump sum without proper details about the amount received application wise. In that context, the correctness of the amount received by any particular ULB could not be verified.*

**8.18.4** To ensure transparency and accountability in the collection and distribution of fees for building applications processed through the APDPMS, the Commission make the following recommendations.

- a) Develop and implement a detailed accounting mechanism within APDPMS to record and track fees collected for each building application, segregated by ULB.*
- b) Establish a system for generating and sharing application-wise fee reports with respective ULBs in real-time. This will enable individual ULBs to verify the correctness of the amounts collected.*
- c) Integrate an automated reconciliation module within APDPMS to match collected fees against the actual applications processed, ensuring accuracy in fee distribution.*

Implementing these measures will enhance the reliability of the fee management system, empower ULBs to manage their resources effectively, and ensure equitable and transparent financial administration.

**8.18.5 Recommendations:** Building permit fees represent a significant revenue source in growing urban areas. To maximize collections, ULBs may focus on the following strategies:

- a) The Commission recommends to revise the building permission fee in accordance with the money value once in every three years.*
- b) Introduce a user-friendly online system for plan approvals, fee payments, and status tracking. Set clear timelines for processing applications to encourage compliance and reduce unauthorized constructions.*
- c) Use drones or GIS technology to monitor construction activities and detect unauthorized buildings. Impose fines on developers or property owners for starting construction without necessary approvals.*

## **8.19 Expenditure Issues:**

Expenditure management is as important as mobilisation of additional revenue. Undertaking expenditure without observing canon of economy, efficiency and productivity would only result in ineffective use of resources mobilised through tax and

non-tax resources. Mahatma Gandhi ji in 'India of my Dreams' Quoted "If I were a tax payer within the jurisdiction of local area or a Municipality, I Would refuse to pay a single pie by way of additional taxation and advise others to do likewise, unless the money we pay is returned fourfold"

**8.19.1** The Comptroller and Auditor General (C&AG) often highlight areas requiring improvement and recommend economy measures for better financial management. The key findings and recommendations of C&AG are as follows.

- a) **Underutilization of Funds:** Many ULBs spend less than 30% of their budget on developmental activities, with the rest going to administrative expenses. Similarly in respect of Centrally Sponsored Schemes, the central allocation is not being fully utilised due to non release of State Share in time. Issues like delayed project implementation and unauthorized cost escalations increase financial burdens. Instances of misuse of funds and underutilized infrastructure projects, lead to significant wastage
- b) **Cost Control:** Cost control involves measures to reduce unnecessary expenditure and improve financial efficiency. This includes curbing administrative overheads, enforcing fiscal discipline, and adopting energy-efficient technologies. Efficient procurement practices and monitoring mechanisms can minimize wastage and misappropriation, leading to better fund utilization
- c) **Asset Management:** Asset management ensures that public assets like land, buildings, and equipment are utilized optimally. Strategies include regular maintenance, avoiding underutilization, and monetizing idle assets through leases or partnerships. Robust inventory tracking systems can help local bodies monitor and maximize the utility of their assets
- d) **Governance and Accountability:** Good governance and accountability are crucial for transparent and effective local administration. This involves adhering to financial regulations, conducting regular audits, and fostering citizen participation in decision-making. Digital governance tools can enhance transparency, while capacity-building programs for officials ensure adherence to best practices
- e) **Sustainability Initiatives:** Sustainability initiatives prioritize eco-friendly and resource-efficient approaches to urban management. Local bodies are encouraged to invest in renewable energy, improve waste management systems, and

implement green infrastructure projects. These efforts align with global sustainability goals and enhance the quality of life for residents

To ensure more effective financial management, better service delivery, and sustainable rural and urban development *the Commission suggest that all the local Governments may implement the economy measures for better financial management suggested by C&AG as above.*

### **8.19.2 Public-Private Partnership (PPP) in Development**

Public-Private Partnership (PPP) is a collaborative framework where public and private entities come together to finance, design, implement, and operate projects that serve public needs. In Andhra Pradesh, PPP has emerged as a crucial model to drive infrastructure and service delivery in both urban and rural areas, addressing challenges like limited public funding, expertise gaps, and efficiency demands.

**8.19.2.1 PPP Projects in ULBs:** Under PPP model a number of projects are being implemented in the ULBs, such as Waste to Energy projects in Visakhapatnam and Guntur Municipal Corporations in collaboration with Jindal Urban Waste Management. These plants, convert combustible waste into electricity. The power generated is sold to Eastern Power Distribution Company. Similarly solar micro grids have been established with active participation Tata Power Solar to provide electricity for both households and small businesses.

Thus there is significant potential for ULBs to design and implement projects under the PPP model, particularly in areas such as water supply and solid and liquid waste management. Adopting the PPP approach can help address challenges such as limited public funding and gaps in technical expertise. ULBs may be encouraged to explore opportunities for initiating development projects through the PPP framework to enhance service delivery and infrastructure development. The Commission therefore make the following recommendations to enhance the efficiency and impact of PPP models.

- a) Establish a unified and detailed PPP policy framework for Andhra Pradesh, outlining clear roles, responsibilities, and risk-sharing mechanisms for both public and private entities. Facilitate long-term revenue-sharing models to ensure private sector interest while safeguarding public welfare.*

*b) Issue guidelines for contract negotiation, monitoring, and dispute resolution to ensure transparency and fairness. Create dedicated PPP cells at the district to facilitate collaboration and oversee ongoing projects. Organize capacity-building programs to train local bodies staff in PPP project planning, execution, and monitoring.*

### **8.19.3 Minimizing Electricity Charges in Local Body Operations**

Electricity charges constitute a significant expenditure for local bodies. To address this issue, adopting innovative energy solutions and green energy practices is essential. Local bodies should focus on measures such as integrating renewable energy sources, conducting regular energy audits, and leveraging advanced waste-to-energy technologies. These strategies not only reduce energy costs but also promote sustainable practices that align with environmental goals. Some of the recommended strategies are as follows.

**8.19.4 Adoption of Waste-to-Energy (WtE) Technologies:** Waste-to-Energy plants provide a dual advantage of waste management and energy generation. These facilities convert organic waste into electricity, heat, or fuel, thus reducing the volume of waste sent to landfills and contributing to the energy grid. In Andhra Pradesh, two functional WtE plants in Visakhapatnam and Guntur, each with a 15 MW capacity, treat 1,800 TPD of waste from 80 ULBs. Operated by Jindal Urban Waste Management Ltd., the generated power is sold to DISCOMs under a power purchase agreement. Expanding such projects can further enhance energy self-sufficiency.

**8.19.5 Integration of Solar Energy:** Solar power is a clean and abundant energy source. The Government of India's "PM-Surya Ghar-Muft Bijli Yojana," introduced in August 2024, emphasizes use of solar energy in villages. The recommended strategies include

- a) Promote rooftop solar installations in municipal buildings and public spaces.
- b) Integrate solar panels into street lighting systems and water pumping schemes.
- c) Facilitate community solar projects to reduce dependence on external energy sources and enhance local energy security.

**8.19.6 Implementation of Energy Audits:** Conducting energy audits is a crucial step in identifying inefficiencies in energy use. These audits help local bodies:

- a) Detect discrepancies between energy inputs and actual usage.
- b) Optimize the performance of electrical equipment and systems.

- c) Develop targeted strategies to reduce energy wastage and lower operational costs.

**8.19.7 Recommendations:** For minimizing Electricity Charges in local body operations, the Commission makes the following recommendations

- a) *Policy Support and Financial Assistance: Provide financial incentives and grants to local bodies for adopting green energy solutions such as solar energy installations and WtE technologies. Facilitate partnerships with private sector players to enhance investments in renewable energy projects.*
- b) *Monitoring and Evaluation Framework: Establish mechanisms to monitor the energy savings achieved through these initiatives. Periodically evaluate the performance of energy-saving measures to ensure continuous improvement.*

## **8.20 Assessment of Basic Services**

Funds required for providing basic services in ULBs is increasing day by day in Andhra Pradesh due to rapid urbanisation. The Commission made an attempt to assess the status of urban services in water supply, sewerage and sanitation, solid waste management and roads and drains based on data and information drawn from different sources. The analysis presents a clear picture of deficiency in delivery of specific services in ULBs.

### **8.20.1 Status of Drinking Water Supply**

In urban infrastructure, the drinking water sector has been accorded the highest priority as it is one of the basic living needs of the citizens. The Central Public Health and Environmental Engineering Organisation (CPHEEO) specify the norm of 135 litres percapita per day. The number of ULBs having the resources and capacity to deliver 135 LPCD of water to its citizens are given in table below.

**Table 8.30 Assessment of Gaps and Requirements of Funds for Water Supply in ULBs (As on 05.06.2024)**

S. No	Basic Services	Total ULBs	Covered		Uncovered or gap		Funds Required/ Estimated (Rs. in crores)
			Number	%	Number	%	
1	Drinking Water Supply with > 135 LPCD by ULBs	123	20	16	103	84	24500
2	Piped Water Supply						
	Municipal Corporations	17	17	85	17	15	7500
	Municipalities	77	77	70	77	30	8000
	Nagar Panchayats	29	29	30	29	70	4000
	Total	123	123		123		44000

Source: Public Health and Municipal Engineering Department, Govt. of Andhra Pradesh

The data furnished in the table reveals prevalence of critical gaps in supply of water, an important service to be provided by ULBs. Out of 123 ULBs only 20 ULBs have the resources and capacity to deliver 135 LPCD of water to it's citizens. To meet the gap, an estimated amount of Rs. 24500 Crores is required as per the estimates of PHCME. With regard to piped water supply, all the 17 Municipal Corporations have covered 85 percent of the households leaving a gap of 15 percent. With regard to Municipalities, the uncovered gap is 30 percent of the potential target. In Nagar Panchayats which have been upgraded as Municipalities recently, the gap is very high at 70 percent of the households. The total estimated fund required to meet the gap in water supply as per PH&ME Department is Rs. 44000 Crores.

**8.20.2 Sanitation Service Gaps:** The National Urban Sanitation Policy (NUSP), 2008 envisages 100 percent collection and processing of all liquid and solid waste including human waste.

The Swachbharat mission is one of the biggest initiatives of the Government of India for sanitising the country and Andhra Pradesh is at the forefront of its implementation. Total sanitation requires that all households need to be provided functional toilets, besides providing common and public toilets. Total sanitation implies that all ULBs should be declared as Open Defecation Free (ODF), all ULBs should have dedicated solid waste management processing and disposal sites. Moreover, all ULBs are

required to have waste processing capacity of 6140 tonnes per day. But the data furnished by CDMA, SAC and PH&ME Department indicates that there are substantial gaps in the services as given in table 8.31.

**Table 8.31 Sanitation Service Gaps in 123 ULBs**

S. No	Basic Services	Total	Covered		Uncovered or Gap		Funds Required (Rs. in crores)
			Number	%	Number	%	
1	HH with Toilets/ Sanitation (in Rs. lakhs)	316504	243612	77%	72892	23%	Rs. 218.68 Cr (Rs. 30,000/ IHHL)
2	ULBs which are ODF	123	123	100%	0	0	NA
3	Solid waste Management (SBM) ULBs with processing and disposal sites	123	46	37%	77	63%	Rs. 382.06 Cr
	Solid waste Management (SBM) ULBs disposal sites (legacy waste)	122	122	100%	0	0	Rs. 469.88 Cr
4	Municipal Waste Processed by ULBs*	123	123	100%	0	0	Rs. 382.06 Cr

Source: GoAP, CDMA, Swachh Andhra Corporation

It can be seen from the table that out of 316504 households in Andhra Pradesh, 72892 households constituting 23 percent do not have toilets. Further out of 123 ULBs, only 46 ULBs (37%) have solid waste processing and disposal sites while 63% of ULBs do not have solid waste processing and disposal sites.

The goal of SBM Urban 2.0 is to make garbage-free cities by 2026 and one of the major objectives is to ‘Lakshya Zero’ Dumpsite to remediate 16 crore metric tonnes of legal waste dumpsites covering nearly 15000 acres of city land which poses a major threat to the environment and contribute to air and water pollution.

In Andhra Pradesh, efforts are made to remediate legacy waste in all the ULBs. Till now out of 85.9 lakh tonnes, 42.34 lakh MTs of legacy waste has been remediated and remaining 43.76 MTs are to be remediated and the estimated fund required is Rs. 469.88 crores.

### **8.20.3 Underground Drainage and Roads**

Provision of underground drainage facility is one of the key component objective of AMRUT and Swacha Bharat missions. It can be seen from the table that only 40 percent of the population in Municipal Corporations have the provision of underground drainage facilities with sewerage network while only 3 percent and one percent of the population have the provision of UDF in Municipalities and Nagar Panchayats respectively. Thus there is a substantial gap in the provision of UDF network in all ULBs. Another important service to be provided by all ULBs is upgradation of urban roads and development of a drainage system with an adequate storm water drainage facility.

It can be seen from the table that 45 percent of the households have storm water drains covered with concrete stone lining and the remaining 55 percent are not covered under this facility and 10 percent of the roads are to be upgraded.

The PH & ME department has estimated that an additional amount of Rs. 55000 crores is required for these services.

**Table 8.32 Assessment of Gaps and Requirements of Funds for UGD and Roads in ULBs (As on 05-06-2024)**

S. No	Basic Services	Total	Covered		Uncovered or gap		Funds Required Estimated (Rs. in crores)
			Number	%	Number	%	
1	No of ULBs with UGD Network						
	Municipal Corporations	17	17	40	17	60	8000
	Municipalities	77	77	3	77	97	12000
	Nagar Panchayats	29	29	1	29	99	2000
2	Up-gradation of urban roads in kms (asphalt, concrete & WBM)	123	123	90	123	10	7000
3	Urban Drainage – Storm Water Drains covered with concrete/ stone lining	123	123	45	123	55	26000
	<b>Total</b>	<b>123</b>	<b>123</b>		<b>123</b>		<b>55000</b>

Source: GoAP, Public Health and Municipal Engineering Department

### **8.21 Status of Solid Waste Management in ULBs**

The existing 123 ULBs with 3928 wards generate 6890 TPD of Municipal Solid Waste. Out of 3928 wards, 3859 wards are practicing segregation of waste at source. The ULBs have distributed 1.21 crores dustbins @ 3 Bins to each household free of cost for segregation of waste at household level. The Percentage of collection of Segregated Waste from Source is 98.25 with 100 percent door to door garbage collection. The waste generated in urban areas is being processed as detailed below.

#### **8.21.1 Processing of Wet Waste**

For processing wet waste the ULBs have installed two types of plants 1) Waste to Compost Plants and 2) Bio-methanation plants. The Waste to Compost Plants process organic waste (wet waste) through composting to produce nutrient-rich compost. The Bio-Methanation Plants convert organic waste into biogas and organic manure through anaerobic digestion. These plants manage organic waste while generating renewable

energy. The Compost produced is being sold to farmers. It is also being used in Parks for greenery in central medians and avenue plantation etc. Similarly, the CNG gas produced is being sold to commercial establishments such as Hotels & Restaurants. The existing plants in the ULBs along with the capacity for processing the wet waste are as follows.

**Table 8.33 Existing Waste Processing Plants in ULBs**

S. No	Type of plant	No of plants	ULBs covered	Capacity (TPD)
1	Waste to Compost Plants	33	37	1391
2	Bio-CNG Plants	4	8	175
3	Integrated Solid Waste Management Plants	9	10	380
4	Windrow Composting units	68	68	1844
		<b>114</b>	<b>123</b>	<b>3790</b>

### 8.21.2 Material Recovery Facilities (MRFs)

Material Recovery Facilities (MRFs) sort dry waste into recyclable and non-recyclable materials. Sorted recyclables, such as plastics, metals, paper, and glass, are sold to identified recyclers by ULBs, contributing to a circular economy. Fully operational MRFs are already established in three key Municipal Corporations viz., GVMC Vijayawada and Tirupati. These facilities have set benchmarks for efficient dry waste processing and resource recovery. To address immediate needs, interim MRFs have been established in 120 ULBs. Approximately 945 TPD (Tonnes Per Day) of dry waste is being processed. These interim facilities ensure continuity in dry waste management until permanent MRFs and Integrated Solid Waste Management Plants are established. Expediting the completion of under-construction facilities and strengthening market linkages will further enhance the effectiveness of the waste management system, paving the way for a cleaner and more sustainable future.

### 8.21.3 Construction & Demolition Waste Processing Plants

Construction and Demolition (C&D) waste is one of the largest contributors to municipal solid waste in urban areas. Effective management of C&D waste is crucial to minimize its environmental impact and to promote the circular economy. C&D waste processing plants have been established in GVMC, Vijayawada, Tirupati and Kurnool Municipal Corporation. These plants are operational and play a pivotal role in the

systematic treatment of C&D waste. The processed C&D is utilized in footpath works and landscaping and in construction, including building and road works. The processed products such as paver blocks and sand are sold to private agencies and contractors. Fly Ash Bricks & 20 mm metal are being manufactured in Kurnool and being sold to private agencies & contractors, generating revenue for the ULBs.

#### **8.21.4 Waste to Energy Projects in ULBs**

The Waste to Energy (WtE) projects in Visakhapatnam and Guntur Municipal Corporations are key initiatives for sustainable waste management. Each plant processes 900 TPD, handling waste from 27 ULBs in Visakhapatnam and 53 in Guntur. They employ a combustion process to convert municipal solid waste into energy. The feed stock includes paper, plastics, and other high-calorific materials. These plants, developed by Jindal Urban Waste Management, utilize a combustion process to convert combustible waste into electricity. Commissioned in 2021, the power generated is sold under a 25-year agreement to Eastern Power Distribution Company of Andhra Pradesh.

Additionally, 43 ULBs have partnered with five cement plants to treat 355 TPD of combustible waste. This collaboration addresses waste disposal by co-processing it in cement kilns, reducing landfill dependency and enhancing energy recovery. This plant diverts significant waste volumes from landfills, decreasing environmental hazards like leachate and methane emissions. Supplies clean energy, reducing dependence on fossil fuels. These plants Promotes resource recovery, aligning with sustainability goals by reusing waste as energy. They are providing Employment in waste collection, sorting, plant operation, and maintenance for local communities. Due to reduction in open dumping minimizes air, water, and soil pollution, decreasing disease vectors. Power sale agreements provide consistent income for plant operators and Municipalities.

#### **8.21.5 Status of Sewage Generation and Treatment in ULBs**

As per the 2011 Census, the urban population of Andhra Pradesh stands at approximately 1.5 crore. The state generates approximately 1503.20 Million Liters per Day (MLD) of sewage. Presently there are 114 Sewage Treatment Plants (STPs) across 52 ULBs with a Total Treatment Capacity of 700.40 MLD. The present shortfall in treatment capacity is 802.80 MLD. The existing plants are treating 520.85 MLD and out of this 233.83 MLD of water is being re-used.

**8.21.6 STPs under Construction:** A significant effort is underway to enhance sewage treatment capacity with various projects in progress. A total number of 160 STPs covering 102 ULBs with a treatment capacity of 697.34 MLD is reported to be in progress. After these projects are operational, a gap of 105.46 MLD will remain.

**Table 8.34 Sewage Treatment Plants in ULBs**

S. No	Project owner	No of STPs	ULBs covered	Capacity MLD
1	ENC (PH)	62	33	536.37
2	APTIDCO	45	41	29.60
3	Dept -SBM 2.0	53	28	131.37
	<b>Total</b>	<b>160</b>	<b>102</b>	<b>697.34</b>

Source: Lr 1282446/K/2020 dt 19-9-2024 of MA&UD Dept. sent to GoI

**The following are the observations of Fifth State Finance Commission:**

- a) The state treats only 520.85 MLD out of 1503.20 MLD sewage generated, indicating a treatment efficiency of 34.64%. Efforts should focus on operationalizing under-construction STPs and optimizing existing facilities to bridge the gap.
- b) With 233.83 MLD of treated water being reused, there is scope to increase this figure through innovative reuse projects in agriculture, industrial applications, and groundwater recharge
- c) Continuous monitoring of STPs and effective maintenance is vital to ensure they operate at maximum efficiency post-completion.
- d) There is need to plan new STP to cover the gap of 105.46 MLD. This can be taken up under SBM 2.0 and AMRUT 2.0. This may expedited to ensure environmental protection and improving the quality of life for the urban population

## **8.22 Estimate of the Resource Gap**

The Fifth Finance Commission is required to assess the resource gap of ULBs for the period 2025-26 to 2029-30 and make recommendations based on such estimated resource gap. Accordingly, the Commission projected receipts of ULBs from tax and non-tax sources and expenditure on various heads and the anticipated requirement of funds to provide essential services during the award period. Revenues of ULBs are projected without considering State Government grants, CFC and Government of India grants.

Several methods are widely used in forecasting revenue and expenditure. Choice of the method depends on what being forecast and the time horizon of the forecast. All revenues and expenditures forecasting assume that the past combines with the current discretionary policy interventions, to predict the future.

**8.22.1** An examination of the long-term data also reveals that the discretionary changes produced about 5 percent of the revenue, although clear attribution of change in revenue to automatic and discretionary changes is not possible. With regard to expenditure, the Commission has assumed that each year overall expenditure would increase by at least 10% due to inflation, rising cost of services, O&M and outsourced staff, in addition to the implicit trend growth (based on CAGR). It may be noted that the predicted values of revenues and expenditures are sensitive to the understanding CAGR &  $D_{pit}/D_{jt}$  assumed. There could be many unforeseen factors that could affect the revenues and expenditures of the ULBs such as the policy decision of the State Government including its transfers to local bodies, transfers from GoIs as well as the CFC. Therefore, projections made by the Commission may be considered as approximations and with due caution.

Using the estimating equations, each item of tax and non-tax revenue expenditure under different heads, revenue and capital expenditure are projected for 2024-25 and then thereafter for the State Finance Commission award period i.e. 2025-26 to 2029-30. The Commission has projected revenue and expenditure for each category of ULBs viz., Municipal Corporations, Municipalities and Nagar Panchayats. While projecting revenues, the Commission has taken into account own tax and non tax revenues only.

### **8.22.2 Projected Tax and Non Tax Revenues of ULBs**

Using the methodology outlined above, the Commission has estimated the own revenue and expenditures of MCs, MPs and NPs. The data on projected tax and non-tax revenues and expenditures for the award period are given in the tables below.

**Table 8.35 Projected Tax and Non-Tax Revenues of ULBs (Rs. in crores)**

ULB	2025-26	2026-27	2027-28	2028-29	2029-30	Total
<b>Municipal Corporation</b>						
Tax Revenue	1680	1875	2092	2335	2606	10588
Non- tax Revenue	1470	1636	1820	2025	2252	9203
Total Own Revenue	3150	3511	3912	4360	4858	19791
<b>Municipalities</b>						
Tax Revenue	588	647	713	785	864	3597
Non- tax Revenue	385	406	428	450	474	2143
Total Own Revenue	973	1053	1141	1235	1338	5740
<b>Nagar Panchayats</b>						
Tax Revenue	60	72	87	106	128	453
Non- tax Revenue	32	37	43	50	58	220
Total Own Revenue	92	109	130	156	186	673
<b>All ULBs</b>						
Tax Revenue	2328	2594	2892	3226	3598	14638
Non- tax Revenue	1887	2079	2291	2525	2784	11566
Total Own Revenue	4215	4673	5183	5751	6382	26204

It may be noted from the table that the total projected own revenue mobilisation including tax and non-tax revenue is estimated at Rs. 19791, Rs. 5740, and Rs. 673 crores for Municipal Corporations, Municipalities and Nagar Panchayats respectively for the award period of Fifth State Finance Commission i.e. 2025-26 – 2029-30.

**Table 8.36 Projected Expenditure of ULBs 2025-26 to 2029-30 (Rs. in crores)**

ULB	2025-26	2026-27	2027-28	2028-29	2029-30	Total
<b>Municipal Corporation</b>						
Revenue Expenditure	2610	2644	2680	2715	2752	13401
Capital Expenditure	1712	1869	2040	2226	2430	10277
Total Expenditure	4322	4513	4720	4941	5182	23678
<b>Municipalities</b>						
Revenue Expenditure	850	875	901	928	956	4510
Capital Expenditure	772	830	893	960	1032	4487
Total Expenditure	1622	1705	1794	1888	1988	8997
<b>Nagar Panchayats</b>						
Revenue Expenditure	157	194	240	297	368	1256
Capital Expenditure	101	133	177	234	310	955
Total Expenditure	258	327	417	531	678	2211
<b>All ULBs</b>						
Revenue Expenditure	3617	3714	3821	3940	4075	19167
Capital Expenditure	2585	2832	3109	3420	3772	15718
Total Expenditure	6202	6546	6930	7360	7847	34885

**8.22.3** The projected expenditure do not include additional investment requirements for meeting critical service gaps in water supply, sanitation, underground drainage, roads, solid waste management etc. Further the expenditure growth projected is based on trend growth during 2019-20 to 2023-24 and assuming that an additional expenditure of 10% would be incurred each year due to maintenance, inflation and such other factors.

**8.22.4 Projected Resource Gaps:** Resource gap is the difference between projected expenditure and own revenues. The estimated resource gap for all ULBs is arrived at Rs. 8682 Crores for the Fifth State Finance Commission award period i.e. 2025-26 to 2029-30. Tier wise resource gap is projected at Rs. 3887 crores, Rs. 3257 crores and Rs. 1538 crores for MCs, MPs and NPs respectively (table 8.37).

**Table 8.37 Projected Resource Gap for ULBs (Rs. in crores)**

ULB	2025-26	2026-27	2027-28	2028-29	2029-30	Total
<b>Municipal Corporation</b>						
Total Expenditure	4322	4513	4720	4941	5182	23678
Own Revenue	3150	3511	3912	4360	4858	19791
Gap	1172	1002	808	581	324	3887
<b>Municipalities</b>						
Total Expenditure	1622	1705	1794	1888	1988	8997
Own Revenue	973	1053	1141	1235	1338	5740
Gap	649	652	653	653	650	3257
<b>Nagar Panchayats</b>						
Total Expenditure	258	327	417	531	678	2211
Own Revenue	92	109	130	156	186	673
Gap	166	218	287	375	492	1538
<b>All ULBs</b>						
Total Expenditure	6202	6546	6930	7360	7847	34888
Own Revenue	4215	4673	5183	5751	6382	26204
Gap	1987	1873	1747	1609	1465	8681

**8.22.5** It is to be noted that projections of expenditure do not take into account for the requirement of funds to meet the gaps in infrastructure for providing basic needs as per normative standards. The Directorate of municipal administration has provided estimates of resources required for meeting the infrastructure gaps in water supply, sanitation service, underground drainage, roads and other infrastructure gaps in basic services for the Sixteenth Central Finance Commission award period i.e. 2026-27 to 2030-31. The data on funds required to meet the gap in infrastructure is given in the table below.

**Table 8.38 Resource Requirement of ULBs to meet the Gaps in Infrastructure  
(Rs. in crores)**

Item	Municipal Corporations	Municipalities	Nagar Panchayats	Total ULBs
Water Supply	1344.92	1073.79	125.89	2544.6
Sanitation Service	1223.8	774.58	40.95	2039.33
Underground drainage	4160.95	864.83	54.00	5079.78
Roads	2251.75	1669.07	208.78	4129.60
Other Infrastructure	3068	652.46	168.59	3889.05
<b>Total</b>	<b>12049.42</b>	<b>5034.73</b>	<b>598.21</b>	<b>17682.36</b>

Source: Govt. of Andhra Pradesh, Directorate of Municipal Administration.

The table reveals that the resource required to meet the gaps in infrastructure is estimated at Rs. 17682.36 Crores for all ULBs. The resource requirement is estimated to be highest for Municipal Corporations at Rs. 12049.42 Crores followed by Municipalities at Rs. 5034.73 Crores and Nagar Panchayats at Rs. 598.21 Crores. If these costs are added, the total resource gap would be substantially higher as shown in the table below.

### **8.23 Total Resource Gap**

The funds required to meet the gaps in infrastructure is estimated by DMA for five years i.e. 2026-27 to 2030-31, award period of Sixteenth Central Finance Commission. The award period of Fifth State Finance Commission is 2025-26 to 2029-30 and is not coterminous with Sixteenth Central Finance Commission award period. Hence, this Commission has considered the estimated funds required to meet the gaps in infrastructure provided by DMA for four years only i.e. 2026-27 to 2029-30 and it would come to Rs. 14145 crores. Further the funds projected by Fifth State Finance Commission to meet the capital expenditure for the year 2025-26 is considered to arrive at estimated funds required to meet the gaps in infrastructure. The details are given in the table below.

**Table 8.39 Total Resource Gap in ULBs (Rs. in crores)**

	<b>MCs</b>	<b>MPs</b>	<b>NPs</b>	<b>Total</b>
Resource gap of ULBs projected by Fifth SFC	3887	3257	1538	8682
Additional funds required to meet the infrastructure gaps for four years i.e 2026-27 to 2029-30 as estimated by DMA	9639	4028	479	14145
Funds required to meet the projected capital expenditure for the year 2025-26 as estimated by Fifth SFC	1712	772	101	2585
<b>Total Resource Gap</b>	<b>15238</b>	<b>8057</b>	<b>2118</b>	<b>25413</b>
Projected capital expenditure by Fifth SFC for the period 2026-27 to 2029-30 (Deducted)	8565	3715	853	13133
<b>Total</b>	<b>6672</b>	<b>4342</b>	<b>1265</b>	<b>12279</b>
XV CFC Recommended funds for ULBs for the year 2025-26 (yet to be released)	-	-	-	1130
<b>Total Resource Gap</b>				<b>11149</b>

Since this Commission taking into account, the estimated capital requirements to fill the gaps in infrastructure as estimated by Directorate of Municipal Administration (DMA), funds projected by Fifth State Finance Commission to meet the capital expenditure for four years i.e. 2026-27 to 2029-30 and the Fifteenth Central Finance Commission funds allocated to ULBs for the year 2025-26 are deducted from the estimated resource gap. The total resource gap for ULBs is estimated to be Rs. 11149 Crores.

**8.23.1** The grants sanctioned by Union Finance Commissions and grants under central sponsored schemes makes a significant part of the resources of the ULBs. In fact, the successive Central Finance Commissions have emphasized that their grants should be used for delivering the basic functions assigned to the ULBs. The Fifteenth Finance Commission while recommending grants to ULBs emphasized that solid waste management, quality water supply, water recycling and rejuvenation are all significant national priorities and critical for long-term sustainable development of cities. It is recognised that India's economic growth momentum cannot be sustained if urbanisation is not actively facilitated. Cities have to become the engines of the country's growth and development World Urbanisation Prospects 2018 has indicated that India's urbanisation will be around 37-38% percent in 2025 and India's urbanisation will start overtaking the rural sector from 2045-46 onwards. Keeping this trend in view, the Fifteenth Finance Commission emphasised that there is a need to act immediately to prepare the urban areas

meet these future challenges and to promote them as engines of economic growth and investment hubs. Accordingly, the Fifteenth Finance Commission gradually increased the share of ULBs to 35 percent by the end of the Fifteenth Finance Commission award period and recommended Rs. 5231 crores to urban local bodies for the period 2021-2026 by increasing grants to ULBs by 44% over Fourteenth Finance Commission grants (3636 Crores). This Commission expects that Sixteenth Finance Commission would increase grants to ULBs by a minimum of 50% over the grants recommended by Fifteenth Finance Commission.

**8.23.2** In addition to CFC grants, ULBs could also utilise the grants received under centrally sponsored schemes such as AMRUT, Swachh Bharat, Smart City mission etc. During the period 2019-2020 to 2023-24, urban local bodies utilised Rs. 288 crores under CSS, Rs. 48 crores under MPLADS and Rs. 522 crores under other central government grants. Totally ULBs received Rs. 858 crores as transfer from central government. It is expected that there would be 50 percent hike in the utilisation of grants under Centrally Sponsored Schemes and other central government grants, during the period 2025-26 to 2029-30. Hence this Commission urges the Government of Andhra Pradesh to make concerted efforts to utilise the CSS grants to maximum possible extent. Despite the estimated transfers from CFC and Government of India, there would still have a resource gap of Rs. 2016 crores as shown below.

	(Rs. In Crores)
Total Estimated Resource gaps for ULBs	Rs. 11149
Estimated Sixteenth Central Finance Commission grants for ULBs	Rs. 7846
Estimated grants from GOI (CSS)	Rs. 1287
Estimated resource gap to ULBs for the period 2025-26 – 2029-30	Rs. 2016

**8.24 Approach:** Local Bodies are grass root governments, the closest to the people among the three tiers of governments. While making recommendations for the scheme of devolution of grants, the Commission has taken in to consideration the role of the local bodies in the overall structure of governance, their current financial position, resource requirements, functional delegation and ultimately the quality of service required for the residents of the local bodies. The Commission also taken in to account the financial position of the State Government.

### **8.24.1 Estimated Devolution of Funds from State Government to ULBs**

This Finance Commission has arrived at a resource gap of Rs. 2016 Crores for ULBs for the award period 2025-26 to 2029-30, with the assumption that Sixteenth Central Finance Commission grants and grants under CSS and other central government grants will be increased by 50% during the award period. The expected gap will go up if the Sixteenth Central Finance Commission grants and grants under CSS fall short of the assumptions made or vice-versa. The resource gap estimated by the Commission is Rs. 2016 crores and there would not be any significant jump in resources transferred by the AP Government to ULBs.

## **8.25 Scheme of Devolution**

### **8.25.1 Method Adopted by Previous State Finance Commissions**

The First State Finance Commission recommended devolution of funds by state government to local bodies as share in tax and non-tax revenue, so that the local bodies can share buoyancy of state taxes for distribution of recommended funds among ULBs, the Commission has evolved devolution index as shown below.

Population	-	40%
Area excluding slum area	-	40%
Area of slum area in Municipality	-	20%

The Second State Finance Commission has recommended need based grants to local governments for various purposes. The Commission then translated the recommended grants as 10.39% (6.79% to RLBs and 3.62% to ULBs) of total tax and non tax revenues of state including the share of central taxes for the year 2000-01.

The Third State Finance Commission recommended devolution of funds to ULBs as grants based on requirement of funds by Municipalities for maintenance and providing civic amenities. The Commission did not evolve any criteria for sharing the funds among the three layers of ULBs and recommend to share the grants to ULBs on requirement basis.

The Fourth State Finance Commission has projected the resource gap of Rs. 13568 crores to ULBs and recommended to devolve 3.26% of state own tax revenue. With regard to inter se distribution among MCs, MPs and NPs, the Fourth State Finance Commission recommended to distribute 90% of the recommended grants on the basis of

the population and the remaining 10% of the funds are to be distributed exclusively for Municipalities and Nagar Panchayats on the basis of population in view of low per capita revenues in Municipalities and Nagar Panchayats.

### 8.25.2 Method adopted by this Commission

While making recommendations for the scheme of devolution of funds to local bodies the Commission has taken into consideration the following,

1. Severe fiscal stress and limited space available to the government for augmentation of transfers to local bodies.
2. The input of CFC grants and grants under CSS.
3. The role of local bodies in overall structure of governance.
4. Their current financial position.
5. Resource requirements.
6. Unexploited potential of own revenue of local government.
7. Direct payment of Salaries to staff of local governments.

Keeping in view of these, this Commission recommends to transfer Rs. 2016 crores required to meet the resource gap as grants under the Head “State Finance Commission Assistance”.

### 8.25.3 Sharing ratio between three tiers of ULBs

For devolution of funds among three tiers of ULBs, this Commission recommends a weight based formula for a set of urban indicators as shown below.

**Table 8.40 Sharing Ratio between three tiers of ULBs**

S. No.	Indicator	Weight
1	Population	70%
2	Area	20%
3	Inverse of per capita own revenue	10%
<b>Total</b>		<b>100%</b>

Based on the formula, the share of MCs worked out to be 0.47 while the share of Municipalities and Nagar Panchayats worked out to be 0.41 and 0.12 respectively. Hence, the Commission suggests to distribute funds of Rs. 947 crores, Rs. 827 crores and Rs. 242 crores respectively for the award period of 5 years i.e. 2025-26 to 2029-30.

The method of calculation of formula for devolution of funds among Municipal Corporation, Municipalities and Nagar Panchayats is given in Appendix 8.6.

#### **8.25.4 Devolution of funds among each class of ULB**

For horizontal devolution of funds among three tiers of ULBs, this Commission recommends to distribute 80% of the funds on the basis of Population and 20% on the basis of Geographical Area.

The Commission recommends that each ULB should spend a minimum of 50% of devolved funds for meeting the resource gaps for investment in core infrastructure areas in line with priorities indicated by the Government.

**8.25.5 Per Capita Grant:** Due to rapid urbanization and growing expenditure on municipal services this Commission recommends to release percapita grant of Rs. 50/- to each ULB, as recommended by Fourth State Finance Commission and accepted by the government. The estimated amount would be about 75 crores per annum if 2011 population of 1.49 crores is taken in to consideration. If the current estimated population of 1.77 crores is taken into account the total amount of percapita grant would be Rs. 88 crores per annum.

#### **8.25.6 Special Grant for Capacity Building**

Due to increased functions of ULBs, increased devolution of funds under CSS, CFC and other central government grants, greater transparency through RTI, globalization, climate change etc, the ULBs are placed in a complex and challenging role with increasing expectations of their performance and their ability to respond effectively and efficiently to the needs of the people. Hence, there is a need to invest in human capital to manage rapid urbanization with available resources in a sustainable manner. To strengthen the capacity of ULBs and their staff, various training programs should be conducted. Capacity building programs for officials ensure adherence to best practices. In Andhra Pradesh, there is no institute to give training to staff of ULBs to strengthen their capacities. This Commission recommends that, to cater to the needs of Urban Local Body staff, a “State Institute of Urban Management” may be established in Andhra Pradesh on the lines of Tamil Nadu Institute of Urban Studies.

### **Funding:**

#### **Capital Cost:**

1. Government may provide land for the Institute free of cost. 2. The estimated cost would be about Rs. 50 crore including all facilities. 3. Government may seek funding from urban local bodies and allow them to pay their contributions in phases over 12-24 months. 4. Government may provide capital cost, through the state budgets.

#### **Operation Cost:**

1. Government may seek funding for operational cost from the central government. 2. Government may provide financial assistance through state budget as required. 3. Explore the possibilities raising external funding from international organisations, foundations and corporations. If the government views that to meet the cost of establishment of an institute for urban studies is difficult financially, government may establish an “urban resource center” in the “Administrative Training Institute” at Bapatla, Andhra Pradesh and can utilize the infrastructure available for the institute and can meet the operational cost from the different sources stated above.

### **8.26 Devolution of Funds to ULBs during 2019-20 – 2023-24**

The government of Andhra Pradesh has provided different types of grants under different Heads to ULBs amounting to Rs. 2142 Crores during five year period 2019-20 to 2023-24 as shown in the table below. It is given to understand that the grants given by Government of Andhra Pradesh is in the form of matching grants for implementing Centrally Sponsored Schemes.

**Table 8.41 Resource Transfer by Government of Andhra Pradesh to ULBs 2019-20 to 2023-24 (Rs. in crores)**

<b>Types of Grants</b>	<b>Amount</b>
Government of Andhra Pradesh	1771
SFC Grants	123
SCSP	205
TSP	43
<b>Total</b>	<b>2142</b>

Source: Government of Andhra Pradesh, Directorate of Municipal Administration

Note (\*): Transfer for SWM, Roads, Water Supply and Scheme for grade Municipalities and Nagar Panchayats etc.

**8.26.1 Salaries of Staff in ULBs:** In addition to the above transfers, the Government of Andhra Pradesh is meeting the salaries of provincialized staff of ULBs. The total salary expenditure, pension payments and retirement benefits of provincialised staff has been paid by the State Government directly through treasury under detailed Heads of Account “010” salaries and “2071” pensions with effect from 01.04.2009 in all PRIs and ULBs except in GVMC and Vijayawada Municipal Corporations. This is in lieu of statutory and non-statutory grants to be released to the ULBs. Necessary arrangements have been made with AP Municipality Act, AP Tax on Profession Act and AP Stamps and Registration Act to facilitate payment of Salaries directly by the Government (vide G.O. Ms. No. 179, Dt: 25-02-2009 of Municipal Administration and Urban Development) (GI Department) as shown below.

**Table 8.42 Salaries of ULB staff directly paid by the Government of Andhra Pradesh 2019-20 to 2023-24 (Rs. in crores)**

Head	2019-20	2020-21	2021-22	2022-23	2023-24
Establishment Cost	982.17	996.78	956.03	1088.42	1132.07
Municipal Ward Secretaries	136.83	484.08	542.70	814.81	1023.67
District Officers	27.08	26.48	26.47	29.88	31.95
Head Quarters Office	4.39	4.18	3.96	4.69	5.14
Regional Planning for fast developing urban complexes	4.63	4.15	3.76	4.05	4.64
District Offices (DTCP)	4.16	3.83	3.52	3.66	3.93
Grand Total	1159.26	1519.50	1536.45	1945.52	2201.50

The Government has transferred an amount of Rs. 8362 Crores to ULBs during the review period i.e. 2019-20 – 2023-24.

## CHAPTER - IX

### ACCOUNTS AND AUDIT OF LOCAL BODIES

#### 9. Accountability of Local Bodies

Effective accounting systems are essential for local governments both to provide measures with the financial information that need to manage their service and to account citizen and tax payer for the use of public resources. These elected institutions act as trustees in the eyes of the public and nothing builds citizen confidence in their functioning more than timely and accurate accounting and auditing. In this chapter an attempt is made to review the accounting systems being followed in local bodies. The first section presents the accounting and audit system in PRIs while the accounting practices in urban local bodies are reviewed in the second section. One of the Terms of Reference (ToR) of the Fifth State Finance Commission is to examine various aspects of accounts & audit of PRIs in the state, and suggest strategies to enhance the accountability of these institutions.

#### 9.1 Panchayati Raj Institutions (PRIs)

The Constitutional mandate given to the PRIs and the structured devolution of funds from the state and central governments have ensured availability of large quantum of resources to PRIs to discharge the functional responsibilities assigned to them. The financial reporting arrangements in PRIs are the key to ensure accountability. Recognizing the need of transparency and accountability, the 73rd Constitutional Amendment Act incorporated provisions for initiating the accounting reforms in PRIs. Article 243J of the Constitution says, *‘the legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the Panchayats and the auditing of such accounts.* The 11th Finance Commission felt that a sound and robust “Accounting and Audit System” is necessary in local bodies. It made many recommendations that set in motion a series of actions to improve the accountability in Panchayats.

#### 9.1.1 Accounting System- New Accounting System

As per the recommendations of 11th Finance Commission the C&AG, in 2002 prescribed a single-entry cash-based accounting system for PRIs and standardized 16 formats for preparation of budget and accounts. This system of accounting recommended by C&AG, was named as “*New Accounting System for PRIs*” (NAS). Pursuant to these

recommendations, the GoAP issued orders in GO. Ms No172, PR & RD Dept., dt. 16.5.2005 for adopting the New Accounting System by all the Panchayat Raj Institutions in the state.

**9.1.2 Model Accounting System:** For further simplification of New Accounting System of Panchayats, the MoPR in the year 2008, constituted a “Technical Committee on Budget and Accounting Standards for PRIs”. This committee recommended a simplified ‘*Model Accounting System*’ (MAS) for Panchayats. Under MAS the financial transactions are classified in four tiers in place of five tiers, and only 8 accounting formats are to be maintained in place of 16. The States were requested to switch over to the MAS from 1<sup>st</sup> April 2010. The adoption of MAS was one of the conditions stipulated by Thirteenth Finance Commission to access the performance-based grants. In accordance with these instructions, GoAP in GOMs No 324 PR&RD (Accts I) Dept. dated 09-09-2009 issued orders for adopting the model accounting system in all the PRIs w.e.f from 1<sup>st</sup> April 2010.

**9.1.3 Registers Prescribed for Keeping Accounts:** Under Model Accounting System following eight registers are recommended to document the financial transactions. All the registers/ books /accounts shall be maintained in the forms prescribed.

**Table 9.1 Registers Prescribed for Keeping Accounts in PRIs**

S. No	Form No	Name of Register
1	Form I	Monthly/Annual Receipts and Payment Accounts
2	Form II	Consolidated abstract register
3	Form III	Reconciliation Statement with Bank and Treasury
4	Form IV	Statement of Receivable and Payable
5	Form V	Register of Immovable of Property
6	Form VI	Register of Movable property
7	Form VII	Inventory Register
8	Form VIII	Register of Demand, Collection and balance

From the data obtained from various PRIs, it is noticed that only the first three registers are being maintained in the PRIs. The other 5 registers from Form IV to Form VIII are not being maintained.

**9.1.3.1 *The non-maintenance of critical financial registers in PRIs hinders accurate record-keeping and verification of financial transactions. The Commission recommends that the State PR Dept. should strictly enforce the maintenance of all eight registers under the MAS, particularly those related to immovable and movable***

*properties, receivables and payables, and demand and collection. The supervisory officers during inspections should ensure that these registers are updated and certified properly.*

**9.1.4 Work Based Accounting for PRIs: e-GramSwaraj:** To improve the accountability in PRIs, the MoPR, initially deployed “Panchayat Raj Accounting Software (PRIA Soft)” in PRIs under the “e-Panchayat” Mission Mode Project. To further strengthen e-Governance MoPR launched e-GramSwaraj (Simplified Work Based Accounting Application for Panchayati Raj) which aims to bring in better transparency in the decentralised planning, progress reporting and work-based accounting. Once the receipts and expenditure entries are captured in the system through voucher entries, the e-GramSwaraj (eGS) generates all the reports in the formats prescribed under MAS. The Ministry has also integrated eGS with Public Financial Management System (PFMS) to make real time payments to vendors/service providers.

#### **9.1.5 Implementation of MAS & e-GramSwaraj**

The Fifth State Finance Commission has prepared a questionnaire on Accounts and Audit matters and sent to PRIs in few districts across the state. In addition, the State Finance Commission has also undertaken a random verification of books of accounts and the audit reports of PRIs in Guntur district to review the implementation of MAS and e-GramSwaraj. On verification of annual accounts of Zilla Praja Parishad, Guntur, Mandal Praja Parishad, Guntur and Challavari Pallem Gram Panchayat in Guntur District, the Commission has noticed variations in manually prepared accounts and system generated accounts. Institution wise variation in accounts are given in Appendix 9.1.

The following are the reasons for variation in the manually prepared and system generated account.

- a) The differences in opening balances are not reconciled and all the vouchers relating receipts and payments are not recorded in the e-GramSwaraj
- b) The Fifteenth Finance Commission grants are routed through PMFS which is integrated with e-GramSwaraj
- c) The State grants towards Staff Salaries & others are routed through CFMS, which is not integrated with e-GramSwaraj

- d) The Panchayat funds /OSR are operated directly and Payments are made through cheques. The Panchayat funds are also not integrated with e-GramSwaraj.
- e) PRIs are not initiating all payments by first creating a Voucher in e-GramSwaraj.
- f) For all expenditure other than Fifteenth Finance Commission grants, entries in e-GramSwaraj are made later.

**9.1.5.1** *The discrepancies between manually prepared accounts and e-GramSwaraj generated accounts indicate serious issues in panchayat financial management. The Commission recommends the State PR Dept should (a) integrate e-GramSwaraj with CFMS and Panchayat General Funds (b) implement a robust reconciliation mechanism in all the PRIs to align manual accounts with e-GramSwaraj records. (c) ensure that all receipts and payments are properly recorded in the e-GramSwaraj.*

**9.1.6 Misclassification of Transactions in e-GramSwaraj:** on verification of following e-GramSwaraj Accounts of selected PRIs, misclassifications in transactions are noticed

**9.1.6.1** *The misclassification of expenditure under e-GramSwaraj undermines financial accuracy and accountability. The Commission recommends that the State PR Dept should focus on strengthening financial oversight mechanisms to ensure accurate classification of transactions under appropriate major and minor heads. The training to PRI accounting staff should include correct classification and codification of transactions to avoid misclassification at data entry stage.*

**9.1.7 Implementation of MAS & e-GramSwaraj - Report of Audit:** The Fifth State Finance Commission made a query to the Director State Audit, as to “Whether accounts of PRIs are being maintained in the “Model Accounting System”? To this, the Director State Audit informed the following through letter no Lr. No.G /2024-25 dated 30-10-2024 (Copy given in Appendix 9.2A)

- a) *The Receipts and Payments Account being generated in the GramSwaraj portal do not match with the manual R&C accounts in figures HoAs wise.*
- b) *Daily closing of cash book is not being followed in majority of the institutions especially in GPs.*

- c) *The classification for each transaction is not being mentioned in the cash book maintained in physical format and is being done with lot of misclassifications in online environment.*
- d) *Transactions of Fifteenth Finance Commission only are being recorded promptly in cash book due to mapping with PFMS module. Most of the Gram Panchayats are not recording transactions under OWN FUNDS. So the Annual Receipts and Payments Accounts (Format-1) in such cases reflect only Fifteenth Finance Commission accounts.*
- e) *The transactions recorded in the PFMS result in automatic generation of accounts in e-GramSwaraj, which activity is limited only to Fifteenth Finance Commission Funds. But entry of transactions pertaining to Own Funds has been random and sporadic across the PRIs*
- f) *There is variation between manual cashbooks maintained by the GP vis-à-vis e-GramSwaraj cashbook. While in Fifteenth Finance Commission, the bank interests don't reflect in e-GramSwaraj, in Own Funds where they are maintained, there is a huge variation in O.B, Receipts & payments and C.B.*
- g) *The CB under Fifteenth Finance Commission grant left unspent is shown as balance under treasury balance and the same is exhibited as unspent in e-GramSwaraj though the same is spent through CFMS and not processed through PFMS.*
- h) *Most GPs are booking bills under various Major and Minor HoAs under the object head 80-Other expenditure only instead of using the appropriate HoA.*
- i) *The Receipts and Payments are being posted only at the end of the year and as such monthly accounts are not being maintained*
- j) *Reconciliation is not being done on a regular basis in majority of the institutions and no attempt is being made to wipe off the transactions involved in reconciliation for years together.*
- k) *Budget was neither being prepared nor entered in e-GramSwaraj and the Budget columns in Annual Receipts and Payment Accounts are reflecting zeroes.*

**9.1.7.1** Preparation of Budget of PRIs in NAS instead of MAS: As required in MAS, the Budget Estimates of PRIs must be prepared in Form- I, by adopting the classification prescribed. As verified from the Budget document of ZPP Guntur and Budget Document of Gram Panchayat Chllavari Palem of Guntur district for the year 2024-25 it is noticed that the Budget is being prepared in format prescribed under the New Accounting System (NAS) instead of in the Format of MAS. Since the Head of Accounts of NAS & MAS vary, the Panchayats will not be able track the expenditure with reference to approved budget.

*The inconsistent use of formats for budget preparation across PRIs poses challenges in tracking expenditure against the approved budget. The Commission recommends that the State PR Dept. should ensure mandatory use of MAS-prescribed formats for budget preparation to ensure consistency, better tracking, and comparison of budgeted and actual expenditures.*

### **9.1.8 Accounting Standards for Local Bodies (ASLBs)**

To improve the financial reporting quality of the local bodies, the Institute of Chartered Accountants of India (ICAI), has issued “Accounting Standards for Local Bodies (ASLBs)”. These ASLBs are in conformity with the MAS. The Technical Committee on Budget and Accounting Standards for Local Bodies constituted by MoPR has considered these ASLBs and recommended to State Governments for implementation.

**9.1.8.1** *To improve the financial reporting quality of PRIs, the Commission recommends that the State PR Dept. may incorporate these Accounting Standards for PRIs in respective statutory rules. This would enhance transparency, standardization, and the comparability of financial statements.*

### **9.1.9 Database on Finances of Panchayats**

By and large all the State Finance Commissions in their reports expressed concern over the virtual absence of necessary financial database at Panchayat level. The Central Finance Commissions are repeatedly pointing out that they are not being provided with finance data of Panchayats and as a result it was difficult to assess the resource gap at local level. The Eleventh Finance Commission made the Director State Audit responsible to maintain the data base of local bodies in the formats prescribed by C&AG. But the fact

remains that the aggregate information on the finances of Panchayats in the prescribed formats is neither available with the State Audit nor with the PR&RD department. There exists no mechanism for compilation of audited financial data of Panchayats at a centralized place.

*A central repository of financial data for Panchayats is urgently required to enable effective planning and financial management. The Commission recommends that the State PR Dept should create a centralized financial database for PRIs at both the district and state levels, to be managed either by the PR&RD Department or the Director of State Audit. This database should consolidate audited financial data from all Panchayats, making it available for financial planning, resource allocation, and audits.*

#### **9.1.10 State level Monitoring Committee for Model Accounting System**

The MoPR in letter no 19011/54/2011-P&J, dt. 26.08.2011 has requested all the states to constitute a Monitoring Committees at State Level, to resolve issues related to MAS for Panchayats. Accordingly, GoAP in GOMs No G.O. Ms.No. 38 PR&RD Dated.02-02-2013, constituted a “State Model Accounting System Committee” to ensure expeditious implementation of Model Accounting System and resolution of issues if any. The committee is headed by the Principal Secretary PR &RD Dept and the Accountant General AP (local bodies) and Director State Audit besides others are the members.

**9.1.11 Post of Account Officers in ZPP Surrendered to Government:** Government of AP in G.O.Ms. No. 674 PR&RD (EV) dt 30-9-2020, have created 51 new posts of “Divisional Development Officer” in PR Dept. by surrendering 169 non-gazetted posts and 51 gazetted posts which includes the posts of Accounts officers of ZPP. The ZPP Accounts officers were in-charge of the Accounts and Finance wing and acted as a financial advisor and internal auditor of ZPP. All matters relating to financial sanctions in ZPP use to pass through the Accounts Officer. Now without the post of Accounts officer, there is no officer to supervise and Accounts section in ZPP.

**9.1.1.11.1 *The abolition of the Accounts Officer post in ZPP has left a significant gap in financial oversight. The Commission recommends to reinstate the Accounts Officer post in each ZPP. If reinstatement is not feasible, the State PR Dept. may allocate/***

*transfer the duties and the functions of Accounts officer the Dy. Chief Executive officer ZPP to ensure proper financial management, internal auditing, and accountability.*

#### **9.1.12 Capacity Building and Training of Accounts Staff of PRIs**

Capacity building and Training of the accounting staff of PRIs is crucial as it directly impacts the effectiveness, accuracy, and accountability of financial management at the grassroots level. The Director State Audit informed the Fifth State Finance Commission that (a) Training must be imparted as a continuous process on preparation of accounts and on Audit on line process including Action Taken Report (ATR) process. (b) Technical extension knowledge is very much required for the staff of PRIs as Information Technology has spread to every quarter of operation in maintaining of accounts. (c) The training program need to be designed with practical orientation and it should continue till the staff is able to maintain Account themselves

**9.1.12.1** *To strengthen the accounting wing of PRIs, the Commission recommends that the State PR Dept. should develop a structured, continuous training program focusing on core areas like maintenance of accounting registers, preparation of Budget, preparation of monthly and annual accounts, online audit processes, and follow-up action on audit reports and adherence to statutory requirements and MAS. This will enable accounting staff to maintain the books of accounts correctly and ensure transparent financial practices.*

**9.1.12.2** The C&AG in collaboration with Institute of Chartered Accountants of India (ICAI) is offering a three months “Certificate Course for Accountant of Panchayats (CAP)”. *The Commission recommends that the State PR Dept. may encourage accounting staff of PRIs to enrol in this course and get certified. The department may also consider to reimburse the registration fee from General Funds of concerned PRIs to the staff who obtain the C&AG certificate.*

#### **9.1.13 Audit of PRIs**

The Primary Auditor of PRIs under section 266 of AP PR Act 1994 is Director State Audit, The Primary responsibility of statutory Audit is to provide assurance to the stakeholders on the veracity and reliability of accounts of PRIs through Financial Audit. The Audit also identify the other irregularities, in implementation of development schemes, which are documented as Audit Reports. As per the information furnished by Director State Audit,

all the Audits of PRIs in the state have been completed up to 2022-2023 and Audit for the FY 2023-2024 is under progress. The audit reports are uploaded in Audit Dept. portal ([www.dsa.ap.gov.in](http://www.dsa.ap.gov.in)). As per the report of Director State Audit, the following are number of the audit objections along with amount involved in the audit of PRIs.

**Table 9.2 Audit Objections along with amount pending in PRIs**

S. No	Name of PRI	No of Objections	Amount Rs. in crores
1	Gram Panchayats	4039530	2970.90
2	Mandal Praja Parishads	191677	774.97
3	Zilla Praja Parishads	47775	2800.91
	<b>Total</b>	<b>4278982</b>	<b>6546.78</b>

Source: Report of Director of State Audit

As required under section 9 of AP State Audit Act 1989, the executive officer of concerned PRI after receipt of audit report shall remedy the defects pointed out in the audit and send final replies to audit officer for settlement of objections. The Director State Audit in letter dated 12-9-2024 has informed the Fifth State Finance Commission that. *It has become very difficult for the department to initiate action against the persons responsible for the said objections by following the due procedure as per the rules since most of them have either retired from service or died and whereabouts are not readily available. The Department is taking all possible steps on follow-up action by issuing instructions to the District Audit Officers and Regional Deputy Directors for expedite the settlement of audit objections. But the results are not so satisfactory and tangible effect could not be achieved as the Executive Authorities of PRIs are not coming forward with proper replies with supporting documentary evidences to admit the audit objections*

**9.1.13.1** *There is a significant backlog of unresolved audit objections, which shows weak follow-up from PRIs. The Commission recommends that the State PR Dept. should consider adopting a streamlined settlement mechanism, including constitution of district level committee to fast-track the processes. Regular training and capacity building programs for PRI staff may be conducted on audit response protocols.*

#### **9.1.14 Audited Accounts of PRIs**

The Fifteenth Finance Commission has recommended that online availability of both the provisional accounts for the previous year and the audited accounts for the year before the previous year is an entry-level condition for accessing grants. Failure to meet

this requirement risks the PRIs losing their share of the Fifteenth Finance Commission's grants. During field visits, the Fifth State Finance Commission has observed that the Auditors of State Audit Dept. are not verifying the accounts prepared by the concerned PRIs under the MAS. Instead, auditors are preparing a simple Receipts and Payments statements on their own without indicating accounts code and attaching the same to the audit report uploaded on Audit Department's website ([www.dsa.ap.gov.in](http://www.dsa.ap.gov.in)) To this the Director of State Audit has informed the following vide letter No G/2024-25 dated 30-10-2024

- a) *“In majority of cases especially in the case of Gram Panchayats Accounts are prepared at the instance of Audit and the books of accounts are closed after the visit of audit party. Accounts are not being maintained in model accounting system by recording financial transactions in the formats prescribed thereof. The cash book maintained in the physical format is not in the format prescribed under the model accounting system and the transactions of receipts and expenditure are not being recorded in strict compliance of the recommendations made by the successive Central Finance Commissions. Such being the scenario prevailing in majority of PRIs audit is constrained to take up and complete the audit process as per the books of accounts maintained at institutions level.”*
- b) *“In order to complete the audit process within the stipulated time so as to enable PRIs to access Finance Commission Grants without any cuts, a statement of receipts and payments is being obtained from the authority concerned and its correctness is being checked against the entries in the books of accounts including subsidiary registers if any and the statements of receipts and expenditure as obtaining in the CFMS portal”.*
- c) *“It shall be endeavor of the audit department that annual accounts are maintained in the model accounting format and all the functionaries in the department are geared up to meet this eventuality as required training was imparted to them through AMR-APARD and other agencies from time and again and if needs be a separate capacity building program will be organized internally or under the aegis of C&AG under TGS”*

### **9.1.15 Certification Audit**

For facilitating Financial Audit, the CAG has issued revised ‘Guidelines for Certification Audit of PRIs’ in 2021. These Guidelines present sequential stages in the entire audit and the auditors must expressly state the “Auditor’s Opinion” as to whether the account properly presents the receipts as well as the payments. The Fifth State Finance Commission has observed that the Director State Audit has yet to implement C&AG guidelines for certification Audit of PRIs. However the Director state Audit informed the Commission in letter dated 12-9-2024 that *as per the guidelines issued by C&AG on certification of accounts, the subordinate offices have been instructed to follow the process while concluding Audit Report and certify accounts with express opinion. The same will be implemented at the right time in the auditable institutions*

**9.1.15.1 *The Commission recommends that the State Audit Department may expedite the implementation of “Certification Audit” in PRIs and issue required Audit Certificate by Expressing Audit Opinion, to enhance transparency and credibility of Panchayat accounts.***

### **9.1.16 Audit Online**

With the recommendations of Fifteenth Finance Commission emphasizing on availability of audited accounts of individual Panchayats it is imperative that the PRIs get their accounts audited on time. In this regard, MoPR had initiated a web-based Application “AuditOnline” for facilitating financial audit of accounts of all the three tiers of PRIs. The Panchayat can take up follow up action on the Audit Report and submit compliance report to Audit. The Director of State Audit vide letter dated 12-9-2024 informed the Commission that *since FY 2019-20, the Audit Reports of PRIs are being uploaded on AuditOnline Portal. The following challenges are faced while dealing with the audit online portal:*

- a) *Few ZPs were not yet mapped in Audit Online Portal due to reorganization of districts.*
- b) *Lack of adequate of infrastructure such as Lap-tops, and Desk tops and internet accessibility in certain rural and remote areas to generate and upload reports instantly.*
- c) *Inadequate server capacity due to heavy pressure at busy times and much time is being wasted in uploading the reports on time.*

- d) *Technical extension knowledge is required for the staff of both Audit & Auditee institutions.*
- e) *The staff of PRIs are supposed to respond to entry and exit conferences duly updating the replies to the provisional audit observations. But they are not responding with proper replies with documentary evidences to go further i.e., to drop or to convert the observation into objection. Therefore, the observations are inevitably converted in to objections.*

### **9.1.17 Social Audits**

As per section 15 (5) (d) of the national Rural Employment Guarantee Act of 2005, social audit of all works in the jurisdiction of village panchayats is to be carried out by the Grama Sabha and prompt action has to be taken on the objection raised during the social audit. Section 17 of the MGNREGA mandates that regular social audits be conducted in the Gram Sabhas at least once every six months. The GoAP has institutionalized the Social Audit by establishing an independent and autonomous body under the name “Society for Social Audit, Accountability and Transparency (SSAAT)”, which is responsible for facilitating conduct of social audit. In the “O&M Policy of RWS Schemes” issued through GO. Rt No. 2290 PR&RD (RWS) department dated 20-12-2012, it is specifically mentioned, that the Social Audit shall be conducted on all the aspects of Rural Drinking Water Supply schemes and findings are displayed and discussed. The Commission observed that the Social Audit in respect of O&M of water supply is yet to be operationalized in the Gram Panchayats. The SSAAT is also mandated to conduct the social audit of Social Security Pension, Watershed Development etc.

The Ministry of Panchayati Raj has issued guideline for social audit of Fifteenth Finance Commission grants utilization. As per these guidelines the social audit of Fifteenth Finance Commission grants will be undertaken at least one in three years in respect of all the three tier of PRIs. States need to draw an up a calendar such that every year at least 1/3<sup>rd</sup> of total PRIs are covered in social audit. The basic objective of social audit of Fifteenth Finance Commission grants are to ensure achievement of public accountability in delivery of basic services.

*To enhance transparency, accountability, and public participation besides the social audit of MGNREGS, Government may expedite the social audit of Fifteenth Finance Commission grants.*

## **Urban Local Bodies**

### **9.2 Accountability of Urban Local Bodies**

The 74th Amendment Act of 1992 provides a basic framework of decentralisation of powers and authorities to the Urban Local Bodies or Municipalities at different levels. Article 243Q of constitution classified urban areas into three tier structure depending on the population of the area viz., Nagar Panchayat, Municipal Council and Municipal Corporations. Article 243W authorised the State Legislature to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government. Further as per Article 243J of the Constitution, the legislature of a State, have to make provisions with respect to the maintenance of accounts by the local bodies and the auditing of such Accounts.

In Andhra Pradesh the ULBs have been empowered with such powers and responsibilities to enable them to function as effective institutions of self-government. To provide basic services in its jurisdiction, each ULB bear the responsibility of managing its public funds effectively and transparently. The citizen who contributes resources, expect a fair account of how a Municipality is spending its tax collections and other resources in public interest. The citizen's needs are addressed through budget documents, annual accounts, and audit reports. Therefore, presence of an efficient and transparent "Financial Reporting System" is extremely important for the ULBs. In this chapter, various aspects of accounting and auditing in ULBs is renewed and strategies to strengthen the accountability of these institutions are discussed.

#### **9.2.1 Initiatives for Improving Accountability in Urban Local Bodies**

The 11th Finance Commission emphasized the importance of a robust "Accounting and Audit System" for ULBs and made the following recommendations to strengthen their accountability. These initiatives aim to build a more accountable, transparent, and citizen-responsive governance framework for ULBs across the nation

- a) The Comptroller & Auditor General of India (C&AG) should prescribe formats for budget preparation and account for the ULBs

- b) Major and minor heads should be created in the state budget for fund transfers to ULBs
- c) The C&AG should oversee Technical Guidance and Supervision (TGS) to ensure proper maintenance of accounts and auditing in ULBs.
- d) The Director of State Audit should operate under the TGS of the C&AG, like how Chief Electoral Officers function under the Central Election Commission.

### **9.2.2 Accounting Policies of ULBs**

Pursuant to recommendations of the Finance Commission, the C&AG prescribed accounting policies and formats for preparation financial statements in ULBs. Accordingly, the Ministry of Urban Development GoI, formulated “National Municipal Accounts Manual (NMAM)”. The NMAM comprehensively details the accounting policies, procedures, guidelines to ensure correct and complete, recording of municipal transactions and produce accurate financial reports. As per this manual, all the ULBs across the country are required to maintain their accounts on “Double Entry Accrual Based Accounting System (DEABAS)”. Accordingly, the GoAP developed the following state specific manuals for maintenance of accounts in DEABAS and its auditing. These manuals were approved in G.O.Ms. No.619 MA dated 21 August, 2007.

- a) Andhra Pradesh Municipal Accounts Manual
- b) Andhra Pradesh Municipal Budget Manual
- c) Andhra Pradesh Municipal Asset Management Manual
- d) Andhra Pradesh Municipal Uniform Budget and Accounts Code
- e) Handbook on Municipal Financial Accountability
- f) Andhra Pradesh Municipal Audit Manual

The AP Municipal Accounts Manual (APMAM) is the foundation of good management as it envisages a superior method of tracking the resources of ULBs to provide a comprehensive financial picture. The financial statements reflect not only “financial transactions” but also the ‘financial performance’ of the ULBs.

### **9.2.3 Accounting Practices in ULBs**

As per AP MAM the accounts of all ULBs are maintained under DEABAS. The Accrual based system of accounting attempts to record financial effects of transactions in the period in which they accrue, rather than recording them in the period in which cash is received/ paid. The financial transaction is classified under five segments – Funds, Functions, Account heads, Functionary and Field. Each transaction is recorded with a seven-digit classification structured i.e., a) Major Head – 3digit b) Minor Head - 2 digit and c) Detailed Head -2 digit. The Annual financial statements of the ULB include (i) Balance Sheet (ii) Income and Expenditure Report (iii) Statement of Cash Flows (iv) Receipts and Payments Account (v) Notes to Accounts; and (vi) Financial Performance Indicators.

### **9.2.4 Implementation of APMAM & DEABAS**

To review the implementation of APMAM and DEABAS, the Fifth State Finance Commission visited Guntur Municipal Corporation (GMC), inspected the books of accounts, and interacted with Addl. Commissioner and staff of accounts wing. For maintenance of accounts the Commission was informed that the ULBs in the state are using the “e-Municipal ERP Application”. This application with 21 modules digitizes all the functions of ULBs. All transactions are updated on real time basis, including online tax collection. Account head is mandatorily used for every financial transaction for classification, balancing as well as reporting. Once the transaction is posted, the same is updated in all relevant ledgers and the trial balance, income & expenditure account and balance sheet are generated.

9.2.4.1 The Director, State Audit is the statutory auditor for ULBs under AP State Audit Act, 1989. The Fifth State Finance Commission made a query to the Director State Audit, as to “Whether accounts of ULBs are being maintained in the DEABAS and as per APMAM.in the state? To this, the Director State Audit informed the following to the Commission through Lr. No. 18 / G /2024 dated 12-09-2024 (Copy given in Appendix 9.2B)

a) *The Double Entry based Accrual Accounting System in respect of ULBs is being maintained without maintaining the registers prescribed.*

- b) *It is mandatory to maintain all the Registers for each financial year from 1st April to 31st March of every year. In the ULBs, the prescribed Registers for all Taxes and Non-Taxes are dispensed with due to online maintenance of all receipts. But the online Registers are reflecting the consolidated Demand and collection of that particular financial year only without classification year wise. As such, in the absence of year wise data, the dues of the Time barred period could not be arrived at.*
- c) *In respect of approval of Building Applications, the collection of various Fees is made through A.P.D.P.M.S (Andhra Pradesh Development Permission Management System). The accounts are being maintained at CDMA office and consolidated amount is being released in instalments without details of fees collected for each application. All Receipts pertaining to all ULBs are being received centrally and CDMA is distributing in lump sum without proper details about the amount received application wise. In that context, the correctness of the amount received by any ULB could not be verified.*
- d) *In respect of the TDRs Account (Transferable Development Rights) the online or Offline records are mostly not made available to verify the correctness of the TDRs issued and its Utilization. In the absence of the verification of the said records, any loss due to excess awards than the actual eligibility while issuing TDRs and utilization thereof by the Third Party to whom the TDRs are transferred could not be checked.*

**9.2.4.2 To enhance financial accountability, the Commission recommends that, MA&UD department should ensure that (a) The ULBs maintain all the 15 prescribed registers with year-wise updated data as per APMAM. (b) All ULBs regularly update the receipts side of cash books (c) All ULBs mandatorily maintain detailed application-wise building application fees receipts managed via APDPM (d) All ULBs maintain complete records for Transferable Development Rights (TDRs) for verification in audit.**

### **9.2.5 Audited Financial Statement**

The Fifteenth Finance Commission has recommended that online availability of both the provisional accounts for the previous year and the audited accounts for the year before the previous year, is an entry-level condition for accessing grants. Failure to meet this requirement risks the ULBs. After completion of Audit the Auditors are uploading

the audit report of ULBs in the Audit Department’s website ([www.dsa.ap.gov.in](http://www.dsa.ap.gov.in)). But this report contains only the Audit para / audit objections but not the audited financial statements. The Director in Lr. No. 18 / G /2024 dated 12-09-2024 informed the Commission that the Audited Accounts of ULBs are being uploaded in the “City Finance Portal” (<https://cityfinance.in/>). This portal is an online platform of Ministry of Housing and Urban Affairs, which facilitate digital submissions of financial reports and statements including audited annual accounts of ULBs. On verification of this portal, it is observed that as on 31<sup>st</sup> October 2024, the status uploading Audited financial statements is as follows.

**Table 9.3 Audited Accounts of ULBs uploaded to City Finance Portal**

Year	Audited Accounts uploaded on Portal
2018-19	116
2019-20	118
2020-21	120
2021-22	122
2022-23	NA
2023-24	NA

Source: <https://staging.cityfinance.in/rankings/annual-financial-statements>

### 9.2.6 Auditing Standards of ULBs

According to the AP MAM the objective of statutory audits is to support ULBs in effectively discharging their functional responsibilities by providing analysis, evaluations, and recommendations, on the municipal activities during the audit period. The “Auditing and Assurance Standards” prescribed by the C&AG and in AP MAM outline the principles, norms, and practices auditors are expected to follow to ensure quality of audit results. Currently, ULB audits are conducted under the provisions of the AP State Audit Act, 1989, and AP State Audit Rules, 2000. These provisions primarily address post-audit and concurrent audit procedures but lack specific guidance on “Auditing Standards.” The Director of State Audit has identified 19 categories of objections/ irregularities in ULBs. The auditors largely focus on compliance audit and voucher audits in these areas only. Since ULBs are implementing many welfare and development projects, it is essential to conduct “Performance Audits”, to evaluate whether these schemes are being executed economically, efficiently, and effectively. Performance audit outcomes provide valuable insights to stakeholders for informed decision-making and timely corrective actions.

**9.2.6.1** *The Commission recommends that the Government may amend the AP State Audit Act and AP State Audit Rules to incorporate the auditing standards prescribed by C&AG for ULBs. Additionally, provisions should be included in this Act to conduct performance audits of all developmental programs and schemes of ULBs This would enhance the quality of audits and promote greater accountability within ULBs.*

### **9.2.7 Audit Certification**

As per the guidelines prescribed by C&AG and in the AP Municipal Audit manual, the auditor of ULB has to conduct “Certification Audit” and shall specifically state in the audit report: (a) Whether, in his “opinion”, books of account as required by the relevant Act Rules and the APMA have been kept and (b) Whether the balance sheet, income and expenditure statement, receipts and payments statement and cash flow statement agree with the books of account.

**9.2.7.1** The Fifth State Finance Commission has observed that the Director State Audit is yet to implement C&AG guidelines for certification Audit of ULBs However the Director has informed the Commission that *as per the guidelines issued by C&AG on certification of accounts, the subordinate offices have been instructed to follow the process while concluding Audit Report and certify accounts with express opinion. The same will be implemented at the right time in the auditable institutions.*

**9.2.7.2** *The Commission recommends that the State Audit Department may expedite the implementation of “Certification Audit” in ULBs and issue required “Audit Certificate” by expressing “Audit Opinion”, to enhance transparency and credibility of Panchayat accounts.*

### **9.2.8 Follow up Action on Audit Reports**

The Director, State Audit, as a Primary Auditor of ULBs provide assurance to the stakeholders on the veracity and reliability of accounts through Financial Audit. The Audit also identify the other irregularities, which are documented as Audit Reports. The Director in letter 18/G /2024 dated 9-9-2024, informed the Commission that “*All the audits of ULBs are done up to 2022-2023 and Audit for the FY 2023-2024 is under progress. The audits are conducted as per the approved action plan and all the reports are issued and uploaded in City Finance Portal by 15.05.2024 within the due date fixed*”. As per the report of Director, the following are number of the audit objections are pending in ULBs.

**Table 9.4 Number of Audit objections along with amount pending in ULBs**

S. No	Name of ULB	No of Objections	Amount Rs. in Crores
1	Municipalities	69802	2311.16
2	Municipal Corporations	52150	22085.85
3	Nagar Panchayats	4460	39.77
	<b>Total</b>	<b>126412</b>	<b>24436.78</b>

The procedure is prescribed in AP Municipal Audit Manual, the Municipal Commissioner, within two months from the receipt of the audit report, shall rectify the irregularities and place the action taken report before the Council meeting. Within one month of the said meeting, the Commissioner shall send to the Director a report having rectified the defects or irregularities.

**9.2.8.1** The Director State Audit has further informed to the 5<sup>TH</sup> State Finance Commission that “the audit objections are pending for settlement from the year 1970 involving crores of rupees. It has become very difficult for the department to initiate action against the persons responsible for the said objections by following the due procedure as per the rules since most of them have either retired from service or died and whereabouts are not readily available. The Department is taking all possible steps on follow-up action by issuing instructions to the District Audit Officers and Regional Deputy Directors for expediting the settlement of audit objections. But the results are not so satisfactory and tangible effect could not be achieved as the Executive Authorities of ULBs are not coming forward with proper replies with supporting documentary evidences to admit the audit objections.

***There is a significant backlog of unresolved audit objections, which shows weak follow-up from ULBs. The Commission recommends that the state MA&UD dept should consider adopting a streamlined settlement mechanism, including constitution of District level committee to fast-track the processes. Regular training and capacity building programs for Municipal staff may be conducted on audit response protocols.***

### **9.2.9 Surcharge & Disallowance**

The Andhra Pradesh State Audit Act, 1989 includes a provision for "surcharge," defined as the amount an auditor deems a person liable for, if they cause loss, waste, or misuse of ULB funds. The Section 10 of State Audit Act, 1989 empowers the Director to disallow any illegal expenditure and issue a “surcharge certificate” to the person

responsible. The affected individual within two months may file an “appeal” either through a civil court or the finance department in the government. If no appeal is filed and payment is not made, the amount can be recovered as arrears of land revenue. It appears that, no surcharge proceedings are being initiated in respect of ULBs by the Director State Audit, though surcharge certificates are being issued in respect of PRIs. A review of Audit reports of ULBs in the state reveal large number of losses and misuse in ULB funds.

#### **9.2.10 Accounts Staff of ULBs**

In G.O.MS. No. 588, MA&UD, dated 31-12-2011, the GoAP issued the Municipal Accounts Subordinate Service Rules, applicable to all Municipalities across the state. Under these rules, the following accounting positions were created for Municipalities:

- a) Category I : Accounts officer
- b) Category II : Junior Accounts Officer
- c) Category III: Senior Accountant
- d) Category IV: Junior Accountant

**9.2.10.1** During visits to Municipal Corporations, elected representatives and officials highlighted to the Commission that the lack of qualified accountants and accounts officers in the corporations has created challenges for the accounts wing. They emphasized the importance of establishing these positions within the corporations as well.

**9.2.10.2** *To enhance the efficiency of accounts section in Municipal Corporations, the Commission recommends that the Government may consider creating the positions of Accounts Officer and Junior Accounts Officer in Municipal Corporations by upgrading one or two existing posts from the Accounts wing.*

**9.2.10.3** Adequate and frequent training should be imparted to the staff handling accounting. Strengthening the capacity of the staff for under taking online accounting is to be under taken. The C&AG in collaboration with Institute of Chartered Accountants of India (ICAI) is offering a three months Certificate Course for Accountant of Municipal Bodies (CAMB).

**9.2.10.4** *The Commission recommends that the State Municipal Administration Dept. may encourage the accounting staff of ULBs to enrol in this course and get certified. The department may also consider to reimburse the registration from General Funds of concerned ULB to the staff who obtain the C&AG certificate.*

### **9.2.11 Social Audit in ULBs**

The audit process in ULBs generally includes financial audits conducted by state auditors, with technical guidance from the C&AG. The Social Audit is an extension of public accountability. In Social Audits, the community members carry out surveys and physical verification of assets or services such as water supply, sanitation, waste management, and infrastructure development etc. Findings from the audit, include instances of fund misuse, delays, and service gaps, which are documented and presented to the ULB for corrective measures. The Fifth State Finance Commission has observed that presently no social audit is being conducted in ULBs.

***9.2.11.1 To ensure transparency and accountability, the Commission recommends that the MA&UD department may consider introducing Social Audit in ULBs especially for government schemes and welfare programs with support from community-based organizations and the State Social Audit Unit.***

## CHAPTER - X

### SUMMARY OF RECOMMENDATIONS

**10.1 Introduction:** The Fifth Finance Commission was mandated to provide actionable recommendations for strengthening the financial position and functional efficiency of Rural and Urban Local Bodies in the State. The work of the Commission was guided by the Terms of Reference issued by the Government and aligned with the model format prescribed by the Thirteenth Finance Commission. Despite the initial administrative and financial hurdles, the Chairperson and Members diligently pursued tasks in a timely manner.

The Commission has recognised that the gap between revenues and expenditures of local bodies is quite substantial for both PRIs and ULBs. The Commission recognised the high dependency of local bodies, particularly PRIs on higher-level governments for funding. But for the transfers from CFC, the fiscal situation of PRIs and ULBs would have deteriorated further. The Commission strongly believes that the local bodies can strengthen their identities as local governments only if, they mobilise their own resources. On their part, PRIs and ULBs have to enhance their own resources and economise on expenditures by opting for cost effective models of service delivery. The expert committee on OSR of RLBs constituted by Ministry of Panchayati Raj, Government of India reported that the gap between potential tax and actual tax collected was 50% in 2019

The analysis of revenue, expenditure and debt of Government of Andhra Pradesh present a bleak picture of the fiscal situation of the state government. Keeping in view the functional responsibilities of the local bodies on the one hand and committed expenditure on the part of the state administration on the other, a balanced and careful approach has been charted out in the devolution exercise to address issues of anomalies prevailing in local bodies. Despite the limited fiscal space available with the state government, in the true spirit of democratic decentralisation as envisaged under 73rd and 74th Constitutional Amendment Acts, the state government has an obligation to strengthen the local bodies by providing necessary funds.

As per ToR, the Commission is required to project own revenue and expenditures of PRIs and ULBs for the award period of this Commission i.e. 2025-26 to 2029-30. In estimation of resource gap of local bodies, the Commission included tax and non-tax revenue of local bodies only. The state government grants given to local bodies is not

included in estimation of receipts for the award period. To arrive at the resource gap, the possible resource transfer from Sixteenth Central Finance Commission and CSS is taken in to consideration. The Commission has made projections of own source revenue and expenditure of local bodies on the basis of trends during the previous five years i.e. 2019-20 to 2023-24. The projection of revenue and expenditure of Government of Andhra Pradesh is made on the basis of trends during the previous 8 years i.e. 2016-17 to 2023-24.

## **10.2 Devolution**

The Commission has estimated the total devolution to local bodies at Rs. 9049 crores for the award period of the Commission 2025-26 to 2029-30. It works out to be 1.16 percent of the projected state's own tax revenue for this period. The Commission recommends to devolve Rs. 7033 crores to PRIs and Rs. 2016 crores for ULBs for five year period 2025-26 to 2029-30. The devolution would be Rs. 1810 crores per annum. The Central Finance Commission grants should be treated as additional grants to local governments.

## **10.3 Recommendations for PRIs**

### **10.3.1 Financial Recommendations**

1. The resource gap for PRIs is estimated to be Rs. 7033 crores for the five year period i.e. from 2025-26 to 2029-30 and it works to be Rs. 1407 crores per annum. Hence, the Commission recommends to devolve the recommended amount during the award period (Para 7.15.8 & Table 7.34).
2. Keeping in view of the financial requirements of PRIs, the Commission recommends to distribute the recommended funds in the ratio of 70:15:15 to Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads respectively (Para 7.15.11).
3. For intra-distribution among GPs, MPPs and ZPPs, the Commission suggests to distribute 80% of the grants on the basis of population and 20% on area basis (Para 7.15.11).
4. The Commission strongly recommends to enhance percapita grant to Rs. 25/-, Rs.50/- and Rs. 25/- to GPs, MPPs, and ZPPs respectively. The state government has already accepted to enhance the percapita grant to Rs. 25/-, Rs.50/- and Rs. 25/- to GPs, MPPs,

and ZPPs respectively as per the recommendation made by the fourth State Finance Commission, but not operationalized. This Commission recommends to implement the enhancement of percapita grant as already accepted by the government. The additional commitment is estimated to be around Rs. 295 crores. This Commission opines that the enhancement of percapita grant will give some relief to PRIs in making provision for supply of basic needs (Para 7.8.1).

5. The Gram Panchayats with less than 1000 population do not have adequate resources even to pay the electricity charges. This Commission reiterates the recommendation made by the Fourth State Finance Commission that the gram panchayats with less than 1000 population should be supported with electricity charges by the government as per actual as already accepted by the government. Hence the government may release special grant every year equivalent to actual electricity bill of the minor panchayats. There are 1895 minor gram panchayats in the state. The required funds for this purpose is estimated to be around Rs. 35 crores per annum (Para 7.8.2).
6. The Commission reiterates the recommendation made by Fourth Finance Commission for 5% of property tax as user charge towards sanitation service to meet the payment of honorarium to green ambassadors/clap mitras. The government has already accepted this recommendation (Para 7.9.2).
7. The Commission has noticed short release of seignorage charges to PRIs. The Commission recommends to release the seignorage charges and transfer the actual amount collected to GPs, MPPs and ZPPs as per the prescribed ratio after deducting the cost of collection (Para 7.7.2.2).
8. As per the report titled 'Panchayat Profiles' (August 2024) 71% of GPs in the state do not have computers. Since the government is encouraging the concept of digital Panchayats, it is necessary that each panchayat should have at least one computer for implementing e-GramSwaraj applications. Hence, the Commission recommends that government may provide Rs. 6 crores to needy minor panchayats to purchase computers (Field Observation).
9. With regard to profession tax, the Commission has identified that during five year period i.e. 2019-20 – 2023-24, an amount of Rs. 25 to 35 crores per annum was devolved to Gram Panchayats much less than the actual amount of collection of

profession tax. The Commission recommends to transfer the total amount of profession tax revenue collected to GPs after deducting the cost of collection (Para 7.7.5.1).

10. The Commission recommends to devolve the funds collected as surcharge on stamp duty to GPs, MPPs and ZPPs as per the prescribed ratio after deducting the cost of collection (Para 7.7.3.1).
11. The Commission recommends that the state government should share the revenue from the GST on entertainment tax with local bodies as compensation for the loss in entertainment tax as is being done by Government of Kerala (Para 7.7.4.2).
12. To address the Gram Panchayat's outstanding electricity dues of Rs. 3,697 crore (excluding surcharges), the government may allocate one-fourth of the pending amount each quarter from the State Budget. This phased budgetary support will help in settling these long-standing dues systematically.
13. Payment of Pensions to non-provincialised pensioners are being paid by Zilla Praja Parishads from general funds which causes heavy burden on finances of ZPPs. The annual liability of these pensions amounts to Rs. 6.76 crores per annum. To mitigate this difficulty, the Commission recommends 1. Reimburse the actual expenditure incurred to ZPPs through budgetary support or to amend the G.O.Ms. No. 18 PR&RD, Dt: 24-03-2017 and make provision for payment of monthly pension in general funds (Para 7.12.3).
14. The Commission is informed by CEOs of ZPPs that the operation and maintenance cost of CPWS schemes is very high and the funds released under CFC grants and availability of general funds are not sufficient to meet the operation and maintenance cost of CPWS schemes. CE (RWS&S) has furnished outstanding dues towards O&M of CPWS for five years as Rs. 1146.77 crores. If surcharge is not considered total O&M cost pending in ZPPs works out to be Rs. 666 crores. Hence, the Commission recommends to allocate one time grant of Rs. 666 crores to clear outstanding arrears (Para 7.9.4 & 7.9.5).

### **10.3.2 Non-Financial Recommendations**

#### **10.3.2.1 Augmentation of Own Source Revenue**

Based on the interactions with PRI functionaries, general public and field level observations and data on demand – collection gap, the Commission strongly feels that

house tax revenue has not been effectively tapped. The Commission makes the following recommendations for enhancing the house tax collection (refer para 7.5.1.3 and 7.5.1.13).

15. Properties for levying tax should be categorised as residential, commercial and mixed category as in urban local bodies.
16. For all kinds of transaction of services related to buildings like transfer of ownership, provision or upgradation of power connection, provision of water supply connection, registration of wills, providing land and building as security for loans, house tax remittance without dues should be made mandatory and the person concerned has to produce the receipt from the respective local government as evidence.
17. Online payment of tax should be enabled for all the Gram Panchayats and Provision also should be made for making payments through all the unified payment interface (UPI) applications viz., google pay, phone pay, net banking and credit/ debit card.
18. Permissible rebate in the amount of property tax may be provided for onetime payment as in urban local bodies and the offer may be publicised for improving tax effort.
19. Propagation of tax payment literacy favorably improves the revenue of panchayats and residents should be sensitized that prompt tax payment is linked with better service delivery.
20. All buildings of state government organisations should be brought under tax net. A mechanism should be initiated by the government to ensure that department wise and Gram Panchayat wise demand for property tax are consolidated and adequate budgeting provision sought from the finance department under relevant heads of account to prevent accumulation of arrears on state government buildings (Para 7.5.1.11).
21. In view of the complex process involved in assessing central government properties for levy of services charges, the govt may provide necessary technical advice to the Gram Panchayats. This Commission recommends to levy service charges on union government buildings as given below.

1. If all services are fully given Water supply / Street lighting/ drainage ----- 75 percent of tax leviable
2. If only partial services given ----- 50 percent of tax leviable
3. If nil services are given ----- 33 percent of tax leviable

(Para 7.5.1.10)

22. The Commission recommends to government to recruit panchayat secretaries for all panchayats including minor panchayats to improve tax effort (Para 7.5.1.8).
23. The title 'house tax' should be changed in Andhra Pradesh Panchayat Raj Act 1994, to generic title 'property tax' as the nomenclature gives a wrong impression that only houses are taxed and non other categories of building. Necessary amendments may be incorporated in the Act.
24. To address the issue of undervaluation of property, the Commission recommends constituting a committee with (1) EO-PR&RD (2) Assistant Engineer, Panchayat Raj Dept. (3) Panchayat Secretary (4) Mandal surveyor and (5) Delegate from registration department. Once the Committee estimates the value of houses of residents, there will not be any opportunity to change it and house tax collection will be significantly improved (Para 7.5.1.6).
25. This Commission also recommend to the govt to examine the utility and feasibility of application of scheme namely Survey of Villages Abadi & Mapping with Improved Technology in Village Areas (SVAMITVA), a central sector scheme in addressing the issue of undervaluation of houses/ properties in villages. Under this, cadastral mapping is conducted using drones and technological tools to accurately demarcate property boundaries and establish ownership rights and enables proper calculation and collection of property tax. As per the annual report of MoPR for 2023-24, in Andhra Pradesh drone survey has been completed in 13280 villages and property cards were prepared covering 1073 villages (Para 7.5.1.13m).
26. In case of migrated families, vacancy remission may be given subject to maximum of 50 percent of house tax (Para 7.5.1.7).
27. The receipts from advertisement tax continuously showed declining trend. To augment the advertisement tax revenue to Gram Panchayats, Zilla Praja Parishads should give common guidelines about the rates of taxes to be collected and exemptions to be allowed by gram panchayats (Para 7.5.2.2).

28. The Commission recommends that the advertisement tax rates should be revised once in three years with upward revision of 5 percent (Para 7.5.2.3).
29. Gram Panchayats should be empowered to take legal action and levy penalties on persons who put up unauthorized hoardings and advertisements in addition to removing hoardings which have not received requisite permission (Para 7.5.2.3).
30. The Commission recommends that the payment of vacant land tax should be linked with the approval of House Plan by Gram Panchayats or Urban Development Authority. It should also be linked with Stamps and Registration Department at the time of selling land, mortgages, lease deeds, power of attorney, grant of loan by financial institutions etc (refer para 7.5.4.1).
31. The Commission recommends to levy kolagaram tax on poultry units involved in breeding, meat production or egg production. The following factors need to be considered for fixing kolagaram rates. 1. Size of the poultry units (Number of Birds or Production Scale), 2. Type of Operation (Commercial Broilers and Layers). To this extent the government may issue necessary rules as deemed fit (refer para 7.5.5.2).
32. The Gram Panchayats in Andhra Pradesh have significant potential to mobilise additional revenue through the imposition of kolagaram tax on brick manufacturing units. The Commission suggests to implement a rational kolagaram tax on bricks units considering the production capacity. A graded tax system can be designed to ensure fairness, with high tax rates on units with larger production. The government may issue rules as deem fit (refer para 7.5.5.3 & 7.5.5.4).
33. The revenue collected through user charges on water supply contributed to 14% of the operation and maintenance cost only. Hence, the Commission recommends to revise user charges for water supply once in two years with upward revision of 5% (Para 7.6.2.1, Table 7.11).
34. Though there are provisions to levy and collect trade license fee, many Gram Panchayats are not levying and collecting trade license fee. The Commission recommends to levy trade license fee and to revise the rates with annual hike of 5 percent (refer para 7.6.3.1).

35. To revise the building permit fee once in three years keeping in view the human resource put in by the local body for the issue of building permit and reckoning factor for inflation (Para 7.6.4).
36. The Commission has noticed that the fishermen societies are subleasing fish tanks. Hence the Commission recommends to incorporate clauses in lease agreements to explicitly prohibit subletting of fishery rights by cooperative society and to impose stringent penalties on societies found subletting rights, including cancellation of leases and blacklisting from future allocations (Para 7.6.5.3).
37. The Commission strongly makes the point that the State Government should demand the Centre for an amendment to the constitution regarding profession tax and follow up the matter. The state shall make to the Centre to amend the constitution in such a way so as to empower the parliament to review the rates of Profession tax without having to introduce a constitutional amendment on each occasion (Para 7.7.5.2).
38. Most of the employees in the unorganized sector and self-employed persons are not assessed for profession tax. The Commission recommends that a proper data base of all categories of professionals, traders and businessmen, employees and self-employed persons should be prepared and they be assessed for profession tax. All commercial institutions/ enterprises which have been issued licenses under D&O license rules should be assessed for profession tax (Para 7.7.5.4).
39. Since most of the electricity charges are incurred on water supply connections, the installation of solar powered motor pumps should be taken up wherever feasible (Para 7.9.2 & 7.9.3).
40. Presently the tariff equivalent to domestic rates is being charged for street lighting and water supply. Since these are essential public services, Government may subsidize the electricity tariff of PRIs to mitigate the burden on PRIs (Para 7.9.2 & 7.9.3).
41. The government may consider issuing instructions to DISCOMs to waive surcharges on outstanding payments for street lighting and water supply, recognizing these as public services (Para 7.9.2 & 7.9.3).
42. The PRIs may be strictly informed that the Electricity Charges should be the first charge on the General Funds. Its implementation may be ensured through a robust monitoring mechanism (Para 7.9.2 & 7.9.3).

43. Smart switches for street lights may be fixed to avoid the electricity consumption during day time (Para 7.9.2 & 7.9.5).
44. The Commission recommends to the local governments to examine the feasibility of developing solar power plants for the reduction of power charges (Para 7.9.2 & 7.9.5).

#### **10.3.2.2 Decentralised Governance**

45. To avoid overlap and confusion, the roles, and responsibilities of functional assistants in Village Secretariats should be explicitly defined vis-a-vis the elected Gram Panchayat. This should ensure that the Gram Panchayat retains control over local governance, and Village Secretariats merely assist in administrative functions (Para 5.1.9).
46. Establish a formal coordination framework to align the activities of Village Secretariats with the priorities set by Gram Panchayats. This can include regular joint meetings, performance reviews, and shared databases for efficient governance (Para 5.1.9).
47. Functional assistants may report to Concerned Gram Panchayats and the MPDO for administrative purposes and to their respective line departments for technical matters (Para 5.1.9).
48. Conduct a thorough assessment of the status of devolution of powers and functions to the PRIs in the state, with a focus on identifying challenges, gaps, and opportunities to enhance decentralized local governance (Para 5.1.10).
49. Analyse the 29 subjects listed in Schedule XI of the Constitution of India and prepare an Activity Matrix to clarify responsibilities at Zilla Praja Parishad, Mandal Praja Parishad and Gram Panchayat (Para 5.1.10).
50. Based on the collected inputs, the State Panchayati Raj Department has to develop a roadmap for the effective devolution of the 3Fs to PRIs, in a phased manner, aimed at strengthening decentralized governance in rural areas (Para 5.1.10).
51. The Commission recommends to implement 10 GOs relating to Activity Mapping and the concerned line departments may issue guidelines, provide technical support and transfer adequate funds to PRIs. In addition, allocation in the state budget should be reflected under appropriate minor heads (196/ 197/ 198) for ZPs, MPPs and GPs to ensure effective execution of devolved activities.

### 10.3.2.3 Audit & Accounts

52. The non-maintenance of critical financial registers in PRIs hinders accurate record-keeping and verification of financial transactions. The Commission recommends that the State PR Dept. should strictly enforce the maintenance of all eight registers under the MAS, particularly those related to immovable and movable properties, receivables and payables, and demand and collection. The supervisory officers during inspections should ensure that these registers are updated and certified properly (Para 9.1.3).
53. The discrepancies between manually prepared accounts and e-GramSwaraj generated accounts indicate serious issues in panchayat financial management. The Commission recommends the State PR Dept. should (a) integrate e-GramSwaraj with CFMS and Panchayat General Funds (b) implement a robust reconciliation mechanism in all the PRIs to align manual accounts with e-GramSwaraj records. (c) ensure that all receipts and payments are properly recorded in the e-GramSwaraj (Para 9.1.5).
54. A central repository of financial data for Panchayats is urgently required to enable effective planning and financial management. The Commission recommends that the State PR Dept. should create a centralized financial database for PRIs at both the district and state levels, to be managed either by the PR&RD Department or the Director of State Audit. This database should consolidate audited financial data from all Panchayats, making it available for financial planning, resource allocation, and audits (Para 9.1.9).
55. The abolition of the Accounts Officer post in ZPP has left a significant gap in financial oversight. The Commission recommends to reinstate the Accounts Officer post in each ZPP. If reinstatement is not feasible, the State PR Dept. may allocate / transfer the duties and the functions of Accounts officer to the Dy. Chief Executive officer ZPP to ensure proper financial management, internal auditing, and accountability (Para 9.1.11).
56. To strengthen the accounting wing of PRIs, the Commission recommends that the State PR Dept. should develop a structured, continuous training program focusing on core areas like maintenance of accounting registers, preparation of Budget, preparation of monthly and annual accounts, online audit processes, and follow-up action on audit reports and adherence to statutory requirements and MAS. This will

enable accounting staff to maintain the books of accounts correctly and ensure transparent financial practices (Para 9.1.12).

57. The C&AG in collaboration with Institute of Chartered Accountants of India (ICAI) is offering a three months “Certificate Course for Accountants of Panchayats (CAP)”. The Commission recommends that the State PR Dept. may encourage accounting staff of PRIs to enroll in this course and get certified. The department may also consider to reimburse the registration fee from General Funds of concerned PRIs to the staff who obtain the C&AG certificate (Para 9.1.12.2).
58. There is a significant backlog of unresolved audit objections, which shows weak follow-up from PRIs. The Commission recommends that the State PR Dept. should consider adopting a streamlined settlement mechanism, including constitution of District level committee to fast-track the processes. Regular training and capacity building programs for PRI staff may be conducted on audit response protocols (Para 9.1.13).
59. The Commission recommends that the State Audit Department may expedite the implementation of “Certification Audit” in PRIs and issue required Audit Certificate by Expressing Audit Opinion, to enhance transparency and credibility of Panchayat accounts (Para 9.1.13.1).
60. To enhance transparency, accountability, and public participation besides the social audit of MGNREGS, Government may expedite the social audit of Fifteenth Finance Commission grants (Para 9.1.17).

## **10.4 Recommendations for ULBs**

### **10.4.1 Financial Recommendations**

This finance Commission has arrived at a resource gap of Rs. 2016 Crores for ULBs for the award period 2025-26 to 2029-30, with the assumption that Sixteenth Central Finance Commission grants and grants under CSS and other central government grants will be increased by 50% during the award period. The expected gap will go up if the Sixteenth Central Finance Commission grants and grants under CSS fall short of the assumptions made or vice-versa.

1. The Commission estimated the resource gap to be Rs. 2016 crores for Urban Local Bodies for five year period 2025-26 to 2029-30. It would be Rs. 404 crores per

annum. Hence, the Commission recommends to devolve the recommended amount during the award period (Para 8.23.2).

2. For devolution of funds among three tiers of Urban Local Bodies, this Commission recommends a weight based formula for a set of indicators namely population, geographical area and inverse of percapita own source revenue with weightage of 70%, 20% and 10% respectively. Based on this formula the share of Municipal Corporations worked out to be 0.47 while the share of Municipalities and Nagar Panchayats worked out to be 0.41 and 0.12 respectively (Para 8.26.3).
3. For intra distribution of funds among three tiers of ULBs, the Commission recommends to distribute on the basis of population and geographical area in the ratio of 80:20 (Para 8.26.4).
4. The Commission recommends to release percapita grant of Rs. 50/- to each ULB recommended by the fourth State Finance Commission and accepted by the government. The estimated amount would be Rs. 75 crores per annum (2011 population basis) if the current estimated population is taken in to account, the per capita grant per annum would be Rs. 88 crores (Para 8.26.5).
5. To strengthen the capacity of staff of ULBs various training programs should be conducted which will ensure official's adherence to best practices. For this purpose the Commission recommends to establish a 'State Institute of Urban Management' in Andhra Pradesh on the lines "Tamil Nadu Institute of Urban Studies". The estimated capital cost would be Rs. 50 crore. The government may meet this fund by seeking contributions from Urban Local Bodies and other external agencies. If the government thinks that establishment of an institute is a difficult task financially, government may establish an "Urban Resource Center" in the 'Administrative Training Institute' at Bapatla, Andhra Pradesh (Para 8.26.8).
6. The government may consider compensating local bodies for the loss of entertainment tax by making specific budgetary provision as being done by Government of Kerala. This measure would help ensure that local bodies maintain financial stability and continue providing essential public services effectively (Para 8.13).
7. The Commission recommends that the total funds related surcharge on stamp duty may be devolved to local bodies every quarter without delays. The Inspector General of Stamps and Registrations may be mandated to maintain and share detailed records

of surcharge collections and ensure that local bodies receive their rightful share of surcharge revenue, empowering them to improve service delivery (Para 8.14).

8. The majority of ULBs are collecting water charges at Rs. 100/- per month per residential purpose. It may be enhanced to Rs. 200/- and revise rate by 5% once in every two years. The Commission also recommends to enhance water charges for commercial, industrial and bulk domestic purposes once in every two years (Para 8.15.3 & 8.15.4).
9. Most of the local governments go for a lower end of the permissible property tax band, which is provided by government even in the case of flourishing non-residential properties. The Commission recommends that the ULBs may increase the property tax rate for residential buildings from 0.15% to 0.20% and from 0.30% to 0.50% of property value for non-residential properties by getting clearance from Property Tax Board (Para 8.9.2.1 & 8.9.2.7).

#### **10.4.2 Non Financial Recommendations**

##### **10.4.3 Augmentation of Own Resources**

Property tax is the most important tax levied by ULBs contributing to around 90% of the tax revenue. The Commission has noticed persistent gap between demand and collection of property tax indicating low tax compliance. The Commission makes the following recommendation to enhance the property tax revenue.

10. ULBs to make provision for making payments through all the unified payments interface UPI applications viz., Google Pay, Phone Pay, Net Banking, Credit/Debit Cards (Para 8.9.2.3 & 8.9.2.7).
11. Houses demolished due to road expansion should be exempted from property tax assessment. Action / amendment may be made in Municipal Corporation Act that it was the duty and liability of the owners of the buildings to intimate to the local government when their buildings are demolished and if not they were liable to pay till the date of intimation (Para 8.9.2.6).
12. There are many cases of home based office and commercial activities (mixed category) which are being ignored by ULBs. This Commission recommends that the ULBs have to check the purpose for which the property is being used. Unidentification of conversion of residential houses into a commercial complex is another issue to be taken care by ULBs.

13. For all kinds of transaction of services related to buildings like transfer of ownership, provision of upgradation of power connection, provision of water supply connectivity, registration of wills, providing land and building as security for loans, property tax remittance without dues should be mandatory and the person concerned has to produce the receipt from respective local Government as evidence.
14. All State Government buildings should be brought under tax net, a mechanism should be initiated by the Government to ensure that department wise and urban local body wise demand for property tax are consolidated and adequate budgeting provision sought from the finance department under relevant heads of account to prevent accumulation of arrears on state government buildings (Para 8.9.2.6).
15. GIS mapping of all ULBs and digital tracking system to bring left out properties into the assessment process should be completed in all Municipalities and Municipal Corporations. A special drive for GIS mapping should be launched for nagar panchayats to cover all nagar panchayats in a phased manner. This may be included in Andhra Pradesh Municipal Development Project (APMDP).
16. The Systematic GIS based survey of the vacant land followed up with a field verification of ownership based on the relevant revenue records should be carried out. Based on this inventory of vacant land, vacant land tax should be levied (Para 8.10.1).
17. Instead of levying and collecting vacant land tax only at the time of seeking/ giving planning permissions, the vacant land tax should be collected regularly and annually (Para 8.10.2).
18. Payment of tax on vacant land along with arrears should be linked with sale of land, providing land as security for loans, registration of wills etc (Para 8.10.2).
19. For unassessed vacant lands, the period of limitation for recovering dues as per the Municipal Corporation ACT, which is three years should be enhanced to five years.
20. There is a huge “escaped” profession tax, particularly in respect of employees in private businesses and establishments and self-employed professionals. There should be an intensive drive to create a data base of potential profession taxpayers by collecting and collating data on establishments, employees from their own database of Local Governments, database of Labor Department and GST department. From each Local Government, selected members should be given training to this purpose (Para 8.11.3 & 8.11.4).

21. The State Government should take up with Government of India the early passage of the necessary constitutional amendment to enhance and remove the ceiling on profession tax that can be levied and to simplify the process of raising the profession tax as recommended by Fourteenth and Fifteenth CFC (Para 8.11.4).
22. The Commission recommends that the government may issue detailed guidelines empowering ULBs to levy and collect display and device fee (Advertisement Tax) to strengthen the finances of ULBs. Local bodies may consider the following parameters while fixing fees viz., Location importance (High traffic areas may attract higher fee), Type of Hoarding/Advertisement, Duration, Size and visibility, Environmental and esthetic impact (Para 8.12 & 8.12.1).
23. To focus on addressing water losses due to leakages and illegal connections. Upgrade metering infrastructure for accurate billing and monitoring. Educate citizens about the importance of paying water charges to sustain water services and infrastructure.
24. Establish grievance redressal systems to address public complaints regarding water supply and billing (Para 8.15.3).
25. All house connections should be metered in phased manner initially, high cost residential and commercial establishments should be targeted (Para 8.15.3).
26. To enhance donations/ non-refundable deposits to meet cost of providing private connections (Para 8.15.3).
27. Create an online platform for easy registration, fee payments, and renewal of trade licenses and Implement a unified platform for obtaining all necessary permissions for businesses to reduce delays and encourage compliance (Para 8.16).
28. To revise trade license fee once in every two years with upward revision of 5%.
29. Identify unregistered businesses through field surveys and geotagging and impose fines on unregistered businesses to encourage licensing. Conduct regular inspections to identify defaulters and bring them into the system (Para 8.16).
30. Maintain an updated database of all businesses within municipal limits for monitoring. Issue e-licenses to eliminate paperwork and ensure quick access for both businesses and authorities. Use social media, municipal websites, and local events to spread awareness about trade license requirements (Para 8.16).
31. Local Authorities may create detailed documentation and mapping of unauthorized layouts to identify property owners and assess taxable values (Para 8.17).

32. Conduct public awareness campaigns to educate property owners about the importance of paying property taxes and UDA conversion fees. Collaborate with residents and community leaders to identify and report unauthorized constructions and encourage property owners to pay taxes and fees (Para 8.17).
33. Implement regularization schemes to encourage property owners in unauthorized layouts to come forward and pay the necessary taxes and fees (Para 8.17).
34. Develop and implement a detailed accounting mechanism within APDPMS to record and track fees collected for each building application, segregated by ULB (Para 8.18).
35. Establish a system for generating and sharing application-wise building permit fee with respective ULBs in real-time. This will enable individual ULBs to verify the correctness of the amounts collected. Integrate an automated reconciliation module within APDPMS to match collected fees against the actual applications processed, ensuring accuracy in fee distribution.
36. The Commission recommends to revise the building permission fee in accordance with the money value once in every three years (Para 8.18 & 8.18.5).
37. Introduce a user-friendly online system for plan approvals, fee payments, and status tracking. Set clear timelines for processing applications to encourage compliance and reduce unauthorized constructions (Para 8.18 & 8.18.5).
38. Use drones or GIS technology to monitor construction activities and detect unauthorized buildings. Impose fines on developers or property owners for starting construction without necessary approvals (Para 8.18 & 8.18.5).
39. Establish a unified and detailed PPP policy framework for Andhra Pradesh, outlining clear roles, responsibilities, and risk-sharing mechanisms for both public and private entities. Facilitate long-term revenue-sharing models to ensure private sector investment while safeguarding public welfare (Para 8.19.2.1).
40. Issue guidelines for contract negotiation, monitoring, and dispute resolution to ensure transparency and fairness. Create dedicated PPP cells at the district to facilitate collaboration and oversee ongoing projects. Organize capacity-building programs to train local bodies staff in PPP project planning, execution, and monitoring (Para 8.19.2.1).
41. To minimise electricity charges, the Commission recommends (Para 8.19.3)
  1. Adoption of waste to energy (WtE) technologies.
  2. Integration of solar energy which include

- (a) promoting rooftop solar installations in municipal buildings and public spaces.
  - (b) Integrating solar panels into street lighting systems and water pumping schemes.
  - (c) Facilitating community solar projects to reduce dependence on external energy sources and enhance local energy security.
3. Implementation of Energy audits which include
- (a) Detecting discrepancies between energy inputs and actual usage
  - (b) Optimizing performance of electrical equipment and systems
  - (c) Developing targeted strategies to reduce energy wastage.
4. Policy Support and Financial Assistance: Provide financial incentives and grants to local bodies for adopting green energy solutions such as solar energy installations and WtE technologies. Facilitate partnerships with private sector players to enhance investments in renewable energy projects.
5. Monitoring and Evaluation Framework: Establish mechanisms to monitor the energy savings achieved through these initiatives. Periodically evaluate the performance of energy-saving measures to ensure continuous improvement.

#### **10.4.4 ULB Borrowings**

42. To enable the ULBs to repay their debts promptly, the Commission makes the following recommendations Government may consider to collateralize the loans sanctioned by APUFIDC with the accounts of the concerned Municipality at State Bank of India. Repayment of loans shall be made as first charge on the general revenues of the ULBs and the bank may be authorized to deduct debt service payments directly from ULBs accounts. Alternatively, the mechanism of “Escrow Accounts” may also be used to ensure loan servicing (Para 8.8.6 & 8.8.7).
43. The borrowing Municipality invariably has to make provision in its budget every year for interest and redemption payments to the lender for the term of the loan. The concerned authorities who approve the ULB budgets must ensure that adequate provision is available in the budget for loan repayments and the loan installments are drawn and paid promptly (Para 8.8.6).
44. The MA&UD department may establish prudent borrowing ceilings for ULBs based on the capacity for debt repayment, limiting the total debt service up to a certain percentage of ULB revenue to ensure that the ULBs sustain their debt (Para 8.8.6).
45. Government may consider enacting “Fiscal Responsibility Act for ULBs” to help ULBs to widen their resources, establish sound equilibrium between their receipts

and expenditures, reducing the fiscal gap, improve fiscal balance and build surplus capital savings to undertake development projects (Para 8.8.6).

46. Government may establish Ward Committees and take steps to integrate them with existing Ward Secretariats and Area Sabhas to facilitate grassroots-level governance. It will foster self-governance, where residents can actively engage in shaping policies related to their neighbourhoods, thus creating a more inclusive and participatory governance model (Para 5.8.b).
47. To enhance financial accountability, the Commission recommends that, MA&UD department should ensure that (a) The ULBs maintain all the 15 prescribed registers with year-wise updated data as per APMAM. (b) All ULBs regularly update the receipts side of cash books (c) All ULBs mandatorily maintain detailed application-wise building application fees receipts managed via APDPM (d) All ULBs maintain complete records for Transferable Development Rights (TDRs) for verification in audit (Para 9.2.4.3).
48. The Commission recommends that the Government may amend the AP State Audit Act and AP State Audit Rules to incorporate the auditing standards prescribed by C&AG for ULBs. Additionally, provisions should be included in this Act to conduct performance audits of all developmental programs and schemes of ULBs. This would enhance the quality of audits and promote greater accountability within ULBs (Para 9.2.6.1)
49. The Commission recommends that the State Audit Department may expedite the implementation of “Certification Audit” in ULBs and issue required “Audit Certificate” by expressing “Audit Opinion”, to enhance transparency and credibility of Panchayat accounts (Para 9.2.7.2).
50. To enhance the efficiency of accounts section in Municipal Corporations, the Commission recommends that the Government may consider creating the positions of Accounts Officer and Junior Accounts Officer in Municipal Corporations by upgrading one or two existing posts from the Accounts wing (Para 9.2.10.2).
51. The Commission recommends that the State Municipal Administration Dept. may encourage the accounting staff of ULBs to enroll in certificate course offered by C&AG in collaboration with Institute of Chartered Accountants of India (ICAI) and get certified. The department may also consider to reimburse the registration from

General Funds of concerned ULB to the staff who obtain the C&AG certificate (Para 9.2.10.4).

52. To ensure transparency and accountability, the Commission recommends that the MA&UD department may consider introducing Social Audit in ULBs especially for government schemes and welfare programs with support from community-based organizations and the State Social Audit Unit (Para 9.2.11.1).
53. There is a significant backlog of unresolved audit objections, which shows weak follow-up from ULBs. The Commission recommends that the state MA&UD Dept. should consider adopting a streamlined settlement mechanism, including constitution of District level committee to fast-track the processes. Regular training and capacity building programs for Municipal staff may be conducted on audit response protocols (Para 9.2.8.1).

**APPENDICES**

**CHAPTER – I**

**Appendix – 1.1**

**Constitution of Fifth State Finance Commission**

**GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT**

STATE FINANCE COMMISSION - Constitution of Fifth State Finance Commission - Orders – Issued.

**FINANCE (PMU-CASPS,FC&IF) DEPARTMENT**

**G.O.Ms.No.29**

**Dated:18-03-2023**

Read the following:

**ORDER:**

The appended notification will be published in the extraordinary issue of the Andhra Pradesh Gazette dated:20.03.2023.

2. The Commissioner, Printing, Stationery and Stores Purchase (Printing Wing) Department, Vijayawada is requested to cause publication of the notification in Andhra Pradesh Extraordinary Gazette and furnish 1000 copies of the Notification to Government in Finance (PMU-CASPS,FC&IF)Department.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**GULZAR.N**

**SECRETARY TO GOVERNMENT(RM&FP)**

To

The Commissioner, PS&SP(Printing Wing)Dept.,  
Printing Press, Mutyalampadu, Vijayawada.

The Chairman, Members and Member Secretary of Fifth State Finance Commission.

The Principal Secretary to Government, PR&RD Department, AP. Secretariat Velagapudi.

The Special Chief Secretary to Government, MA&UD Department.

The Commissioner, PR&RD Department, Andhra Pradesh, Tadepalli, Guntur District.

The Commissioner and Director, Municipal Administration, Mangalagiri, Guntur District.

The Engineer-in-Chief, Panchyat Raj, Andhra Pradesh, Vijayawada.

The Engineer-in-Chief, Rural Water Supply & Sanitation Department, Andhra Pradesh, Vijayawada.

The Engineer-in-Chief, PH, Tadepalli, Guntur District.

All the District Collectors.

All the Chief Executive officers of Zilla Parishads in the State.

All the Commissioners of Municipal Corporations and Municipalities in the State.

All the District Panchayat Officers in the State.

**Copy to:-**

The Accountant General, AP, Vijayawada.

The Director of State Audit, AP, Nidhi Bhavan, Mangalagiri.

The Finance(FMU-PR&RD&MA&UD)Dept.,

The Pay & Accounts officer, Nidhi Bhavan, Mangalagiri.

The Secretary to GOI, Min. of PRD/MoHUA, New Delhi.

The Principal Secretary to Chief Minister.

The PS/OSD to Minister (Finance) Minister (PR)/Minister(RD)/Minister(MA&UD).

The PS to Chief Secretary to Government.

All Departments of the A.P. Secretariat, Velagapudi.

All Heads of Departments.

All Officers and all Sections in Finance Department.

**//FORWARDED::BY ORDER//**

*M. @ Anur B...*  
**SECTION OFFICER**

### NOTIFICATION

In exercise of the powers conferred on me under Article 243-I of the Constitution of India read with sub-section (1) of section 235 of the Andhra Pradesh Panchayat Raj Act.1994, I, S.Abdul Nazeer, Governor of Andhra Pradesh hereby constitute the Fifth State Finance Commission for the State of Andhra Pradesh and under section (2) of the said section do hereby appoint the following as Chairperson, Members and Member Secretary of the State Finance Commission for a period of three (03) years from the date of assumption of charge:

1. Professor Ratna Kumari, former Vice-Chancellor,  
Sri Padmavathi Mahila Vishwavidyalayam, Tirupati. ....Chairperson
2. Professor M.Prasada Rao, Rector(Retired),  
Andhra University, Visakhapatnam. ....Member
3. Professor M.V.N. Padma Rao, Principal(Retired)  
P.B. Siddhartha College of Arts & Sciences, Vijayawada. ....Member
4. Sri Kaki Krupa Rao, former Project Director in  
Mission for Elimination of Poverty in Municipal Areas (MEPMA),Prakasam.....Member
5. Dr. K. V. Ramana Reddy, Professor, Retired,  
Department of Commerce, Sri Krishnadevaraya University,  
Anantapuramu & at present Director  
in Society for Elimination of Rural Poverty(SERP). ....Member Secretary

**S.Abdul Nazeer**  
**Governor of Andhra Pradesh**



ఆంధ్రప్రదేశ్ రాజపత్రము  
THE ANDHRA PRADESH GAZETTE  
PUBLISHED BY AUTHORITY

PART I EXTRAORDINARY

No.329

AMARAVATI, MONDAY, MARCH 20, 2023

G.3692

NOTIFICATIONS BY GOVERNMENT

-x-

FINANCE DEPARTMENT  
(PMU-CASPS, FC & IF)

CONSTITUTION OF FIFTH STATE FINANCE COMMISSION.

[G.O.Ms.No.29, Finance (PMU-CASPS, FC & IF), 18<sup>th</sup> March, 2023.]

**NOTIFICATION**

In exercise of the powers conferred on me under Article 243-1 of the Constitution of India read with sub-section (1) of section 235 of the Andhra Pradesh Panchayat Raj Act.1994, I, S.Abdul Nazeer, Governor of Andhra Pradesh hereby constitute the Fifth State Finance Commission for the State of Andhra Pradesh and under section (2) of the said section do hereby appoint the following as Chairperson, Members and Member Secretary of the State Finance Commission for a period of three (03) years from the date of assumption of charge:

1. Professor Ratna Kumari, former Vice-Chancellor,  
Sri Padmavathi Mahila Vishwavidyalayam, Tirupati. ....Chairperson
2. Professor M.Prasada Rao, Rector(Retired),  
Andhra University, Visakhapatnam. ....Member
3. Professor M.V.N. Padma Rao, Principal(Retired)  
P.B. Siddhartha College of Arts & Sciences, Vijayawada. ....Member

[1]

4. Sri Kaki Krupa Rao, former Project Director in  
Mission for Elimination of Poverty in Municipal Areas (MEPMA),Prakasam.....Member

5. Dr. K. V. Ramana Reddy, Professor, Retired,  
Department of Commerce, Sri Krishnadevaraya University,  
Anantapuramu & at present Director  
in Society for Elimination of Rural Poverty(SERP). .....Member Secretary

**S. ABDUL NAZEER,**  
*Governor of Andhra Pradesh.*

**GULZARN,**  
*Secretary to Government (RM & FP).*

## Appendix – 1.2

### Fifth State Finance Commission - Terms of Reference (Functions)

#### GOVERNMENT OF ANDHRA PRADESH ABSTRACT

Fifth State Finance Commission – Fixing the terms of reference (functions) – Orders – Issued.

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#### FINANCE(PMU-CASPS,FC&IF) DEPARTMENT

**G.O.Ms.No.108**

**Dated:29-09-2023**

**Read the following:**

G.O.Ms.No.29, Finance(PMU-CASPS,FC&IF) Dept., Dated.18.03.2023.

**ORDER:**

The following notification shall be published in the extraordinary issue of the Andhra Pradesh Gazette.

#### NOTIFICATION

In pursuance of the provisions of the Article 243-I and section 235 of Andhra Pradesh Panchayat Raj Act, 1994 the Fifth State Finance Commission under the Chairmanship of Prof. S. Ratna Kumari has been constituted vide Notification dt. March 2023.

2. Now, the Governor of Andhra Pradesh is pleased to decide the following detailed terms of reference of the Fifth State Finance Commission, namely-

1. The State Finance Commission shall review the financial position of the Gram Panchayats, Mandal Parishads, Zilla Parishads and of the Nagar Panchayats, Municipal Councils, and Municipal Corporations in the State and make recommendations to the Governor as to:-
  - (a) The principles which should govern:-
    - (i) The distribution between the State Government and the Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them and the allocation between the said bodies at all levels of their respective shares of such proceeds;
    - (ii) The determination of the taxes, duties, tolls, and fees which may be assigned to or apportioned by the said Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils, and Municipal Corporations;
    - (iii) The sharing of grants-in-aid to the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations from the Consolidated Fund of the State;
  - (b) The measures needed to improve the financial position of the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils, and Municipal Corporations including measures for improving the management of available resources;

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2. The Commission shall assess the financial requirements of the Panchayats and Municipalities as well as the ways and means to augment their resources to minimize dependence on additional financial support from the State Government to achieve swift and impartial fiscal consolidation to better deliver the civic services.
3. The Commission shall also recommend on any other matter that may be referred to it, by the Governor, in the interest of sound finances of Panchayat Raj and Municipal Bodies referred to above.
4. In making its recommendations, the Commission shall regard among other considerations, to:-
  - i. Based on the level of taxation and non-tax revenue resources including their ability to raise additional taxes, devolutions, grants from State Government and grants from 15th Finance Commission, make projections for the forthcoming five years from **1<sup>st</sup> day of April 2025**;
  - ii. Analyze the outstanding debt position of the Panchayats and Municipalities in detail and offer recommendations to establish sound equilibrium between their receipts and expenditures aiming to build up surplus capital savings;
  - iii. Decrease the debt liabilities of Panchayats and Municipalities, keeping in view their resource capacity and simultaneously widen their resources aiming to reduce the projected gap between their revenue receipts and expenditures;
  - iv. Appraise tax and non-tax efforts of the Panchayats and Municipalities against their targets, if any, and explore additional potential resources in order to uplift their tax and non-tax revenues, making their accounts credible and more self-dependent as per the suggestions made by the 15th Finance Commission;
  - v. Scrutinize the timely needs for possible commercialization of public services like drinking water supply system, sanitation, streetlight etc. by way of imposing user charges, updating rates of levies, taxes, fees etc. , and privatization of public transport system. This should be done in a way that both public and private agencies are benefited and the people get adequate services with affordable charges;
  - vi. Suggest measures for improving accountability of Local Bodies in discharging their functions.
  - vii. The requirements of the Panchayat Raj Institutions, and Municipal Bodies for meeting the non-plan revenue expenditure on staff and administration etc;
  - viii. The requirements of the bodies for capital expenditure for creating assets like, water Supply systems, Roads, Bridges, Buildings, and Minor irrigation Sources;

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- ix. The maintenance and upkeep of capital assets like Buildings, Roads, Water Supply systems, Minor irrigation sources by the Panchayat Raj Institutions, Municipal Bodies, Municipal Corporations and creating norms on the basis of which specified amounts are recommended for the maintenance of assets;
  - x. The Provisions required for emoluments and terminal benefits of employees;
  - xi. The scope for computerization of accounts; and
  - xii. The incentives which may be provided for better realization of taxes and non-taxes.
5. In making the recommendations, the Commission shall regard the resources of the State Government and its burden of committed expenditure and liabilities, in particular, on account of expenditure on civil administration, police social economic services and on non-plan revenue expenditure and debt servicing, including the debt servicing on behalf of local bodies.
6. The Commission shall also have regard to-
- (i) Evaluate the revenue receipts and expenditures of the Panchayats and Municipalities on a common scale keeping in view their population and its socioeconomic backwardness, geographic location etc. in the process of devolution of funds by means of taxes, duties, tolls, fees and grants-in-aid to the Panchayats and Municipalities;
  - (ii) Assess the debt liabilities of the Panchayats and Municipalities as on **31<sup>st</sup> March 2025** and resolve necessary steps to sustain appropriate debt level;
  - (iii) Impart quality and cost-effective Civic services that bear express installation and render more comforts to the people by using modern technologies. Also offer incentives like encouragements to the Panchayats and Municipalities for better utilization of their resources adhering to their financial restrictions;
  - (iv) Undergo and examine the reforms considered and suggested by the previous State Finance Commissions, endorse and ensure their implementation in the best way that the objectives behind them can be attained at optimum level.
  - (v) Keeping in view the recommendations of 15th Finance Commission, examine the functions assigned to the Zilla Praja Parishads and suggest measures for strengthening their financial base to meet their essential requirements.
7. The Commission shall provide its conclusions with the basis of their findings along with the Panchayat and Municipality-wise projected estimates of receipts and expenditure.
8. The Commission shall consider the recommendations of the 15th Finance Commission

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while preparing its report and use the templates devised by the 13th/14th Finance Commission and other guidelines that are issued by Government of India from time to time.

9. The Commission may make an interim report available if so required by the Governor.
10. The Commission shall make its report available on or before **30<sup>th</sup> September 2024**, covering a **period of forthcoming five years commencing on the 1<sup>st</sup> day of April 2025**.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**SHAMSHER SINGH RAWAT  
SPECIAL CHIEF SECRETARY TO GOVERNMENT**

To

The Commissioner, PS&SP(Printing Wing)Dept.,  
Printing Press, Mutyalampadu, Vijayawada.  
The Chairman, Members and Member Secretary of Fifth State Finance Commission.  
The Principal Secretary to Government, PR&RD Department, AP. Secretariat Velagapudi.  
The Special Chief Secretary to Government, MA&UD Department.  
The Commissioner, PR&RD Department, Andhra Pradesh, Tadepalli, Guntur District.  
The Commissioner and Director, Municipal Administration, Mangalagiri, Guntur District.  
The Engineer-in-Chief, Panchyat Raj, Andhra Pradesh, Vijayawada.  
The Engineer-in-Chief, Rural Water Supply & Sanitation Department, A.P., Vijayawada.  
The Engineer-in-Chief, PH, Tadepalli, Guntur District.  
All the District Collectors.  
All the Chief Executive Officers of Zilla Parishads in the State.  
All the Commissioners of Municipal Corporations and Municipalities in the State.  
All the District Panchayat Officers in the State.

**Copy to:-**

The Accountant General, AP, Vijayawada.  
The Director of State Audit, AP, Nidhi Bhavan, Mangalagiri.  
The Finance(FMU-PR&RD&MA&UD)Dept.,  
The Pay & Accounts officer, Nidhi Bhavan, Mangalagiri.  
The Secretary to GOI, Min. of PRD/MoHUA, New Delhi.  
The Principal Secretary to Chief Minister.  
The PS/OSD to Minister (Finance) Minister (PR)/Minister(RD)/Minister(MA&UD).  
The PS to Chief Secretary to Government.  
All Departments of the A.P. Secretariat, Velagapudi.  
All Heads of Departments.  
All Officers and all Sections in Finance Department.  
SF/SCs(1757732).

**//FORWARDED::BY ORDER//**

  
**SECTION OFFICER**

## Appendix 1.3

### Appointment of Supporting Staff for the Fifth State Finance Commission

#### GOVERNMENT OF ANDHRA PRADESH ABSTRACT

PUBLIC SERVICES- Establishment – FINANCE DEPARTMENT – Creation of certain temporary posts in the Office of the Chairperson, 5th State Finance Commission – Orders – Issued.

#### FINANCE (PMU-CASPS,FC&IF ) DEPARTMENT

G.O.Ms.No.132

Dt.21/12/2023

Read the following:-

G.O.Ms.No.29, Finance (PMU-CASPS,FC&IF) Department, dt.18-03-2023.

\*\*\*\*\*

#### ORDER:

In the reference read above, the Government have issued orders for constituting the 5th State Finance Commission under the Chairpersonship of Professor Ratna Kumari, former Vice-Chancellor, Sri Padmavathi Mahila Vishwavidyalayam, Tirupati to review the financial position of Panchayat Raj Institutions and Municipal Bodies and to make recommendations to the Government as to the Principles that govern the distribution of tax and non-tax resources and also grant-in-aid to the local bodies.

2. After careful examination of the staffing requirement to the 5th State Finance Commission, Government hereby sanction the following (10) temporary posts in the Office of the Chairperson, 5th State Finance Commission for effective and smooth functioning of the Commission for a period of one year or till actual need ceases, whichever is earlier.

S.No	Name of the Post	No of posts	Scale of pay	Mode of appointment
1	Joint Secretary/ Deputy Secretary/ Equivalent Cadre	1	112610-174790/ 87480-170580	On Deputation basis
2	Accounts Officer	1	61960-151370	On Deputation basis
3	Section Officer	1	57100-147760	On Deputation basis
4	Research Officer/ Statistical Officer	1	48440-137220	On Deputation basis
5	Assistant Section Officers/ Senior Accountant/ Senior Auditor/ Senior Assistant	1	40970-124380/ 34580-107210	On Deputation basis
6	Data Entry Operators /Analysts	2	18,500/-	On outsourcing basis
7	Office Sub-Ordinates	3	15,000/-	On outsourcing basis
	<b>Total</b>	<b>10</b>		

(P.T.O)

3. The Fifth Finance Commission is also requested to fill up the above Data Entry Operators/ Analyst and Office Subordinates on outsourcing basis duly following the comprehensive guidelines issued from time to time by the Government.

4. These orders are issued with the concurrence of Finance (HR.II) Department vide U.O.No. FIN01-HR0PDPP(RRD)/180/2023-HR-II (Computer No.2251135), Dt.21-12-2023.

5. Copy of this order is available online and can be accessed at address "<https://apegazette.cgg.gov.in>".

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**GULZAR N  
SECRETARY TO GOVERNMENT (RM&FP)**

To  
The Chairperson, Fifth State Finance Commission.  
The Finance (PMU-CASPS,FC&IF/ OP.I / Admn.II and Admn.III) Department.  
The PR&RD Department, A.P. Secretariat.  
The MA&UD Department, A.P. Secretariat.  
The P.S. to Prl.Secretary to C.M.  
The Director of Treasuries and Accounts, A.P., Nidhi Bhavan, Mangalagiri.  
The Pay and Accounts Officer, A.P., Nidhi Bhavan, Mangalagiri.  
The Director, State Audit Department, A.P., Nidhi Bhavan, Mangalagiri.  
The Prl.A.G.(A&E) and Prl.A.G.(Audit) A.P., Vijayawada.

Copy to:  
The Commissioner, PR&RD Department.  
The Commissioner & Director, MA&UD Department.  
The P.S. to Spl.Chief Secretary to Government (FAC),  
Finance Dept.File No.FIN01-COOR0MISC/83/2023-CASPS-FC(2247067).

**//FORWARDED::BY ORDER//**

  
**SECTION OFFICER**

**Appendix 1.4**

**Table 1 Details of the Meetings of the Fifth State Finance Commission**

S. No	Date	Name Of District	Time of Visit	
			Morning (10 AM to 01 PM)	Evening (02 PM to 05 PM)
1	07.02.2024	Prakasam	Interactive Session with PRI officials	
2	04.03.2024	Chittoor	Interactive Session with PRI officials	Interactive Session with ULB officials
3	05.03.2024	Nellore	Interactive Session with PRI officials	Interactive Session with ULB officials
4	26.06.2024	Kurnool	Interactive Session with State PRI Officials & Sarpanchas	
5	27.06.2024	Ananthapuram	Interactive Session with PRI officials	Interactive Session with ULB officials
6	28.06.2024	Kadapa	Interactive Session with State PRI Officials & Sarpanchas	Interactive Session with ULB officials
7	29.06.2024	Tirupati	Interactive Session with ULB officials	
8	03.07.2024	Eluru	Interactive Session with State PRI Officials & Sarpanchas	Interactive Session with ULB officials
9	09.07.2024	Vijayawada	Interactive Session with ULB officials	
10	11.07.2024	Visakhapatnam	Interactive Session with State PRI Officials & Sarpanchas	Interactive Session with ULB officials
11	12.07.2024	Srikakulam	Interactive Session with State PRI Officials & Sarpanchas	Interactive Session with ULB officials
12	16.07.2024	Guntur	Interactive Session with PRI officials	Interactive Session with ULB officials
13	24.07.2024	Machilipatnam	Interactive Session with PRI officials	Interactive Session with ULB officials
14	28.08.2024	Kakinada	Interactive Session with PRI officials	Interactive Session with ULB officials
15	15.10.2024	Guntur	Interactive Session with PRI officials on Accounting and Audit	
16	29.10.2024	Guntur	Interactive Session with ULB officials on Accounting and Audit	

**CHAPTER – V**

**Appendix 5.1.A**

**Table 5.1 Details of Activity Wise Funds Devolved to PRIs**

S. No	Activity Devolved	Head of Account
<b>1 Agri. Marketing and Cooperation G.O.Ms.No.1 A&amp;C(FP.II) dt 1.1.2008</b>		
1	Soil and water conservation-watershed Development	2401-MH-101GH10-SH91-310-312
2	Risk Management-Natural Calamities	NA
3	Incentive Awards	2401-MH-809-GH(11)-500, 503
<b>2 PR&amp;RD Department G.O.Ms.No.571 PR(RDIII) Dt 26.12.2007</b>		
4	Watershed – DPAP	2501-02-198-06(04)-310-312 2501-02-789-06-(04)-310-312 2501-02-796-06-(04)-310-312
5	Watershed – DDP	2501-02-198-06(07)-310-312 2501-02-789-06(07)-310-312 2501-02-796-06(07)310-312
6	Watershed – IWDP	2501-02-198-06-(05)-310-312 2501-02-789-06-(05)-310-312 2501-02-796-06-(05)-310-312
7	MGNREGS	2501-800-12-05-310-312
8	Old Age Pensions	2235-03-101-11-04-310-312 2235-03-789-11-310-312 2235-03-796-11-310-312
9	Disabled Pensions	2235-02-101-11-07-310-312 2235-02-789-11-310-312 2235-02-796-11-310-312
10	Widow Pensions	2235-60-102-11-07-310-312 2235-60-796-11-310-312 2235-60-789-11-310-312
11	Other Pensions	2235-60-200-11-06-310-312 2235-60-789-11-310-312 2235-60-796-11-310-312
<b>3 A.H Dairying and Poultry G.O.Ms.No.106 AHD&amp;F DT.31-12-2007</b>		
12	Construction and Maintenance of buildings	2059-01-MH196–SH42–270–272
13	Veterinary Services	NA
14	Fodder Development	2403--MH196-GH 11-SH04-789
15	Livestock Insurance	2403-MH 196-GH11-SH(04)
16	Relief works under natural Calamities	NA
17	Regulation of Private	NA

	Livestock farms	
18	Slaughter houses	NA
<b>4 Fisheries G.O.Ms.No105, AHDD&amp;F, (Fisheries)dt.31.12.2007</b>		
19	Supply of Fish seed to Fishermen Co-op. Societies	NA
20	Assistance to Fisherwomen co-op societies	NA
21	Special Component Plan for SCs	NA
22	Tribal Sub Plan	NA
<b>5 Drinking Water G.O.Ms. No. 569 PR(RWSI) DT.21-12-2007</b>		
23	CPWS/MVS Scheme	2215-102-196-05-270-272
24	PWS Scheme	NA
25	Hand Pumps Maintenances	2215-196-18-310-312
26	Rural Sanitation	2215-191-11-05-310-312
<b>6. Education- Primary &amp; Secondary s G.O.Ms.No.2 SE (Prog.I) dt.3.1.2008</b>		
27	Review of schools functions	NA
<b>7. Health and Sanitation G.O.Ms.No.324, HM&amp;FW(F1) Dept.dated19.11.2008</b>		
28	Review of NRHM	NA
29	Review of PHCs	NA
<b>8. Women and Child Welfare G.O.Ms.No. 41, WDCW dated:19.11.2008</b>		
30	Development of Women, Children, Disabled and elderly	NA
<b>9. Welfare of the weaker sections G.O.Ms.No.138 SW (Ser.I) dept. dt.24-12-2007</b>		
31	SW Hostels Admissions	NA
32	Community Halls	NA
33	Supply of uniforms and books	NA
34	Erection of Ambedkar statues	NA
35	PCR & POA Acts	NA
36	Incentives to inter caste marriages	NA
37	Creation of awareness on bonded and child labour	NA
<b>10. BC Welfare G.O.Ms.No.35,BCW-B2 dept dated:24-12-2007</b>		
38	Repairs to B.C. Hostels	NA
39	Incentive to inter caste marriage	NA
40	Admission of hostel boarders	NA
42	Stitching of uniforms	NA

Source: GOs issued by Government of Andhra Pradesh

**Appendix 5.1.B**

**Table 5.2 Activity Mapping of 10 Subjects Devolved to PRIs**

<b>S. No</b>	<b>Subject Devolved &amp; GO Ms No</b>	<b>Zilla Praja Parishad</b>	<b>Mandal Praja Parishad</b>	<b>Gram Panchayat</b>
<b>1</b>	Agri. Marketing and Cooperation G.O.Ms.No.1 A&C(FP.II) dt 1.1.2008	<ol style="list-style-type: none"> <li>1. Sanction of works and allocation of budget.</li> <li>2. Consolidation of reports and sending to Government for release of budget.</li> <li>3. Selection &amp; Preparation of final list of awards for the district.</li> </ol>	<ol style="list-style-type: none"> <li>1. Execution and supervision of works and payment of amounts as sanctioned by ZPP.</li> <li>2. Assessment of losses as and when natural calamity occurs.</li> <li>3. Nomination of best farmers and sending list to ZPP.</li> </ol>	<ol style="list-style-type: none"> <li>1. Selection of watershed.</li> <li>2. Survey and preparation of reports on losses as and when natural calamity occurs.</li> <li>3. Nomination of farmers and sending the list to MPP.</li> </ol>
<b>2</b>	PR&RD Department G.O.Ms.No.571 PR(RDIII) Dt 26.12.2007	<ol style="list-style-type: none"> <li>1. Identify select and approve watershed projects.</li> <li>2. Approve Annual labour Budget and Review implementation of NREGS-AP in Districts.</li> <li>3. Provide overall guidance and Review disbursement of pensions in the district.</li> </ol>	<ol style="list-style-type: none"> <li>1. Prepare watershed projects at Micro Basin level/in inter-Gram Panchayat watersheds.</li> <li>2. Approve Annual labour Budget and Review implementation of NREGS-AP in Mandals.</li> <li>3. Prepare Annual and periodical requirement of pensions in the Mandal and Review disbursement of pensions in the General Body meeting.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participate in planning and implementation of watershed projects.</li> <li>2. Preparation and approval of Annual labour budget and Identification of Works.</li> <li>3. Identification of eligible pensioners and Review disbursement of pension in Gram Sabhas.</li> </ol>

S. No	Subject Devolved & GO Ms No	Zilla Praja Parishad	Mandal Praja Parishad	Gram Panchayat
3	A.H Dairying and Poultry G.O.Ms.No.106 AHD&F DT.31-12-2007	<ol style="list-style-type: none"> <li>1. Assist in Organizing Animal health campus at the village level and Intimating to the department regarding.</li> <li>2. Assess the fodder requirement and submit to MPP.</li> <li>3. Identification of beneficiaries for Livestock Insurance, facilitating the premium collection.</li> <li>4. Identification of beneficiaries/ farmers for relief under natural calamities and organizing cattle campus.</li> <li>5. Identification of site for construction of buildings and supervision of construction and maintenance of buildings.</li> <li>6. Issue of permission to Private Live Stock Farms.</li> <li>7. Establishment of slaughter houses and meat inspection.</li> <li>8. Identification of beneficiaries for credit facility.</li> <li>9. Identification of arrangement and arranging awareness camps at village level.</li> </ol>	<ol style="list-style-type: none"> <li>1. Organise Animal health campus in consultation with GPs.</li> <li>2. Consolidate and integrate the fodder development plans and submit to ZPP.</li> <li>3. Consolidation of list of beneficiaries for issue of policies and forwarding it to Zilla Parishad for providing necessary budget.</li> <li>4. Planning and monitoring of cattle campus/fodder supply during natural calamities and coordinating other livestock related relief measures.</li> <li>5. Construction and Maintenance of buildings in villages where there are institutions.</li> <li>6. Inspection of all private Livestock and poultry farms for control of emerging diseases and diseases of zoonotic importance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Establish and review the functioning of Vet. Hospitals, Dispensaries, R.L.U.S&amp;A.I Centre</li> <li>2. Planning and approval of plans and allocation of Budget.</li> <li>3. Planning, allocation of budget, monitoring and coordination the policy issue and claim settlements.</li> <li>4. Planning allocation of budget and monitoring of relief works.</li> <li>5. Planning and allocation of budget and supervision.</li> <li>6. Inspection of all private Livestock and poultry farms for control of emerging diseases and diseases of zoonotic importance.</li> <li>7. Provision of budget.</li> <li>8. Technical monitoring of livestock related programmes at district level.</li> </ol>

<b>S. No</b>	<b>Subject Devolved &amp; GO Ms No</b>	<b>Zilla Praja Parishad</b>	<b>Mandal Praja Parishad</b>	<b>Gram Panchayat</b>
			7. Arranging required technical support for Establishment of slaughter houses and meat inspection. 8. Arranging technical Guidance for credit linked livestock based programmes at mandal level. 9. Arranging required subject matter specialists/inputs for awareness campus.	9. Provision of budget Organising the training at district level.
4	Fisheries G.O.Ms.No105, AHDD&F, (Fisheries)dt.31.12.2007	1. Formulation of projects for fisheries development. 2. Approval of the list of the beneficiaries for Welfare Schemes.	1. Selection of beneficiaries for fishermen training. 2. Forwarding the list of the beneficiaries to Zilla Parishad for sanction.	1. Development of village pond for fishery. 2. Identification of beneficiaries in the Gram Sabhas for all Government sponsored/ Mandal Parishad and Zilla Parishad schemes.
5	Drinking Water G.O.Ms. No. 569 PR(RWSI) DT.21-12-2007	1. Participation in planning of CPWS Scheme. 2. Planning, entrustment, monitoring and coordination of Rural Sanitation Programmes.	1. Participation in planning of water supply schemes covering more than one Gram Panchayat. 2. Organising awareness campaigns on Total Sanitation in the villages.	1. Identify schemes and locations, through the involvement of Gram Sabha & Gram Panchayat. 2. Prepare an action plan for Total Sanitation of the

S. No	Subject Devolved & GO Ms No	Zilla Praja Parishad	Mandal Praja Parishad	Gram Panchayat
				Gram Panchayat and submit to MP.
6	Education- Primary & Secondary G.O.Ms.No.2 SE (Prog.I) dt.3.1.2008	<ol style="list-style-type: none"> <li>1. A Committee shall be constituted at district level with the Chairperson, Z.P as the Chairman to conduct transfers of teachers within the district when permitted by the Government.</li> <li>2. Empowered to review, inspect and monitor the institutions or the department activities in their respective jurisdiction.</li> <li>3. Strive for system improvements and foster better relations between the stakeholders and service departments and take steps to achieve convergence for filling the gaps.</li> </ol>	<ol style="list-style-type: none"> <li>1. Empowered to review, inspect and monitor the institutions or the department activities in their respective jurisdiction.</li> <li>2. Strive for system improvements and foster better relations between the stakeholders and service departments and take steps to achieve convergence for filling the gaps.</li> </ol>	<ol style="list-style-type: none"> <li>1. Each Gram Panchayat shall have an Education Sub-Committee, with GP Sarpanch as the Chairperson.</li> <li>2. Education Sub-Committee shall have the authority to supervise the general functioning of all the schools in GPs.</li> <li>3. Education Sub Committee of the GP shall conduct a meeting with all the Head Masters.</li> <li>4. Education sub-committee conduct checks in the school to verify the attendance of the staff members, proper running of this school. Mid-day meals and Scheme distribution of text book etc.</li> <li>5. Sub-committee may inspect and ensure proper</li> </ol>

S. No	Subject Devolved & GO Ms No	Zilla Praja Parishad	Mandal Praja Parishad	Gram Panchayat
				<p>quality of the execution of the works in schools.</p> <p>6. Sub-Committee shall arrange lighting (where required) and snacks, etc. for the students to conduct special classes by the Teachers in difficult subjects.</p> <p>7. Empowered to review, inspect and monitor the institutions or the department activities in their respective jurisdiction.</p> <p>8. Strive for system improvements and foster better relations between the stakeholders and service departments and take steps to achieve convergence for filling the gaps.</p>
7	7. Health and Sanitation G.O.Ms.No. 324, HM&FW(F1) Dept. dated 19.11.2008	1. Support, guide and review the activities of Hospitals / Institutions in their respective jurisdiction.	<p>1. Support, guide and review the activities of Hospitals / Institutions in their respective jurisdiction.</p> <p>2. Hospital authorities concerned will be</p>	<p>1. Support, guide and review the activities of Hospitals / Institutions in their respective jurisdiction.</p> <p>2. Hospital authorities concerned will be</p>

S. No	Subject Devolved & GO Ms No	Zilla Praja Parishad	Mandal Praja Parishad	Gram Panchayat
		<ol style="list-style-type: none"> <li>2. Hospital authorities concerned will be responsible to send as Action Taken Report to the PRI.</li> <li>3. Strive for system improvements and foster better relations between the stakeholders and service departments and take steps to achieve convergence for filling the gaps in delivery.</li> </ol>	<p>responsible to send as Action Taken Report to the PRI.</p> <ol style="list-style-type: none"> <li>3. Strive for system improvements and foster better relations between the stakeholders and service departments and take steps to achieve convergence for filling the gaps in delivery.</li> </ol>	<p>responsible to send as Action Taken Report to the PRI.</p> <ol style="list-style-type: none"> <li>3. Strive for system improvements and foster better relations between the stakeholders and service departments and take steps to achieve convergence for filling the gaps in delivery.</li> </ol>
8	Women and Child Welfare G.O.Ms.No. 41, WDCW dated:19.11.2008	<ol style="list-style-type: none"> <li>1. Shall take all necessary measures including the following, to uphold and secure the rights granted to women, children, disabled and elderly citizens under the Constitution of India and other enactments of Govt. of India and State Government in the District.</li> <li>2. Review the Implementation of various schemes and allocation of funds.</li> <li>3. Supervise and monitor implementation of ICDS including review of the performance of PD, WD &amp; CW.</li> <li>4. Monitoring and reviewing of activities/ programmes undertaken by Mahila pranganas.</li> </ol>	<ol style="list-style-type: none"> <li>1. Shall take all necessary measures including the following, to uphold and secure the rights granted to women, children, disabled and elderly citizens under the Constitution of India and other enactments of Govt. of India and State Governments, in the Mandal.</li> <li>2. Sanction all the schemes and review the implementation of the schemes as per orders issued by Government.</li> </ol>	<ol style="list-style-type: none"> <li>1. Shall take all necessary measures including the following, to uphold and secure the rights granted to women, children, disabled and elderly citizens under the Constitution of India and other enactments of Govt. of India and State Governments in the Gram Panchayat such that all the children, women, differently abled and elderly in village are provided security, enjoy good health, and equal access to opportunities for development.</li> </ol>

S. No	Subject Devolved & GO Ms No	Zilla Praja Parishad	Mandal Praja Parishad	Gram Panchayat
		<p>5. To take up construction and maintenance of buildings of Women institutions, office buildings of WD &amp; CWDW, etc.,</p> <p>6. To provide necessary infrastructure facilities to the institutions.- Review the management of Women institutions like Service Homes, State Homes, Working Women's Hostels and Collegiate Homes, Children homes, etc.</p> <p>7. Construction &amp; Maintenance of buildings:</p>	<p>3. Review and monitor the budget and expenditure of CDPO in the Mandal</p> <p>4. Mandal Parishads shall take up IEC/Dissemination of activities / programmes of Dept. of WD, CW &amp; DW including, D.W. Dept., APWCFC, APVCC.</p> <p>5. To take up Construction and maintenance of Anganwadi Centres in GPs and CDPO offices etc. at the Mandal/erstwhile block level</p> <p>6. Monitoring &amp; supervision of budget releases and expenditure</p> <p>7. Construction &amp; Maintenance of buildings as per sanction orders or as authorized.</p>	<p>2. Identification and approval of beneficiaries under Girl Child Protection Scheme through Gram sabha and AWC.</p> <p>3. Release of budget as prescribed to AWCs in a timely manner and ensure all activities are conducted as prescribed.</p> <p>4. Gram Panchayats shall take up IEC/ Dissemination of activities/ programmes of Depts. of Women Development &amp; Child Welfare (WD &amp; CW), Disabled Welfare (DW) including, Andhra Pradesh Women Co-operative Finance Corporation (APWCFC), Andhra Pradesh Vikalangula Co-operative Corporation (APVCC).</p> <p>5. Take up construction and Monitor/review to ensure quality construction / maintenance of prescribed</p>

S. No	Subject Devolved & GO Ms No	Zilla Praja Parishad	Mandal Praja Parishad	Gram Panchayat
				<p>standards, of buildings sanctioned in the village.</p> <p>6. Identification of orphans/semi-orphans and recommend the names for admission to institutions concerned.</p> <p>7. Construction &amp; Maintenance of buildings as per sanction order or as authorized.</p>
9	Welfare of the weaker sections G.O.Ms.No. 138(SW (Ser.I) dept.dt.24-12-2007	<ol style="list-style-type: none"> <li>1. Review and monitor the admissions</li> <li>2. Release of stitching charges budget</li> <li>3. Sanction of new community halls</li> <li>4. Permission for Erection of Ambedkar Statues</li> <li>5. Sanction of incentives to Inter Caste Marriages</li> <li>6. Creation of awareness on Bonded Labour including Child Bonded Labour</li> </ol>	<ol style="list-style-type: none"> <li>1. Finalisation of the list of Admission</li> <li>2. Stitching activity to be taken up by MPs, by the tailoring institutes of ZPs</li> <li>3. Construction of Community halls and maintenance of the buildings</li> <li>4. Execution of erection of Ambedkar Statues</li> <li>5. Creation of awareness on CSS funds</li> </ol>	<ol style="list-style-type: none"> <li>1. Identification of eligible students and forwarding the names to MPP</li> <li>2. Distribution of material to beneficiaries</li> <li>3. Identifying site for construction of community halls</li> <li>4. Identifying site for construction of Ambedkar statues</li> <li>5. Creating general awarenesses of the Acts for prevention of atrocities against f SCs /STs etc</li> </ol>

<b>S. No</b>	<b>Subject Devolved &amp; GO Ms No</b>	<b>Zilla Praja Parishad</b>	<b>Mandal Praja Parishad</b>	<b>Gram Panchayat</b>
<b>10</b>	BC Welfare G.O.Ms.No.35,BCW- B2dept dated:24-12- 2007	<ol style="list-style-type: none"> <li>1. Coordination and supervision of admission process in Hostel Boards</li> <li>2. Supervision and Monitoring of Health and Sanitation</li> </ol>	<ol style="list-style-type: none"> <li>1. The President Mandal Parishad is a member of the Hostel Advisory Committee, which scrutinizes and approves admissions.</li> <li>2. Health and Sanitation to be maintained by the MPS through the Medical Officer</li> </ol>	<ol style="list-style-type: none"> <li>1. Gram Panchayat amongst others can recommend the names of eligible students for admission to nearby Hostels as per rules.</li> <li>2. Maintenance of Sanitation</li> </ol>

Source: GOs issued by Government of Andhra Pradesh

## Appendix 5.2

**Table 5.3 Status of Functions Devolved to ULBs**

S. No	Description of the Function	Status of Devolution to Municipal Corporation	Status of Devolution to Municipalities Nagar Panchayats
1	Burials and burial grounds; cremations, cremation grounds	Devolved Section 112(9)	Devolved Section 302
2	Cattle pounds; prevention of cruelty to animals	Devolved Section 112(11)	Devolved Section 262
3	Regulation of slaughter houses and tanneries	Devolved Section 112(10)	Devolved Section 271
4	Water supply for domestic, industrial, and commercial purposes	Devolved Section 112(17)	Devolved Section 47 and 141
5	Public amenities including street lighting, parking lots, bus stops and public conveniences	Partially devolved Public conveniences- Section 112(4); Street lighting- Section 112(5) and parking places, public landing places - 115(40)	Partially devolved Street lighting – Sections 47 and 146; Public conveniences- Section 156
6	Slum improvement and upgradation	Devolved Section 112(28)	<b>Not devolved</b>
7	Planning for economic and social development	Devolved Section 112(24)	<b>Not devolved</b>
8	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Devolved Section 112(26)	<b>Not devolved</b>
9	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Devolved Section 112(21)	Devolved Section 47
10	Roads and bridges	Devolved Section 112(15)(16)	Devolved Section 171A and 172
11	Regulation of land-use and construction of buildings	Partially devolved Construction of buildings-Section391, 428 to 463	Partially devolved Construction of buildings
12	Urban planning including town planning	Not devolved	<b>Not devolved</b>
13	Public health, sanitation conservancy and solid waste management	Partially devolved Sanitation and Solid Waste Management- Section 112(2)(3)	Partially devolved Sanitation and SWM Sections

S. No	Description of the Function	Status of Devolution to Municipal Corporation	Status of Devolution to Municipalities Nagar Panchayats
			47,277,279, 308 and 322
14	Urban forestry, protection of the environment and promotion of ecological aspects.	Devolved Section 112(25)	Partially devolved Tree plantation, green coverage – Section 47; water bodies – Section 133
15	Urban poverty alleviation	Devolved Section 112(29)	<b>Not devolved</b>
16	Promotion of cultural, educational and aesthetic aspects.	Devolved Section 112(27)	Partially devolved Maintenance of schools -Section 74, 338
17	Vital statistics including birth and death registration	Devolved Section 112(14)	Devolved Section 308
18	Fire Services Not devolved	<b>Not devolved</b>	<b>Not devolved</b>
<ol style="list-style-type: none"> <li>1. <b>Devolved</b> – Where all the sub-activities relating to the function are devolved.</li> <li>2. <b>Partially Devolved</b> – Where some but not all function are devolved.</li> <li>3. <b>Not Devolved</b> – Where no sub-activity relating to the function is devolved</li> </ol>			

Source: Amendments issued to Municipal Acts by Government of Andhra Pradesh

**CHAPTER – VI**

**Appendix 6.1**

**Table 6.1 Number of employees in State Government Departments, Public Sector undertaking & Aided Institutions and Expenditure on salaries as on 01.01.2023**

S. No	Sector Name	Total Employees	Expenditure during 2022-23 (Rs in crores)
1	State Government	316148	39057.96
2	Judiciary	9153	739.54
3	Zilla Praja Parishads	11910	124.24
4	Mandal Praja Parishads	59887	748.56
5	Municipalities	45478	2616.79
6	Grama Panchayats	86825	688.49
7	Urban Development Authorities	381	53.21
8	Agricultural Market Committees	150	16.52
9	Zilla Grandhalaya Samsthas	197	50.11
10	State Public Sector undertaking	19925	1179.00
11	Universities	4180	811.77
12	Volunteers	265153	1577.00
13	Aided Educational Institutions	8408	929.14
14	Work Charged	3972	319.76
15	Wage Employees	2313	68.06
16	Payments to Home Guards	15500	334.26
17	Payments to Anganwadi workers	86894	1194.64
18	Honorarium to VRAS	18543	239.12
19	Professional Services	9990	121.10
20	Payments to Aasha workers	40977	329.50
21	Payments to Tribal Communities	1301	11.57
22	Payments to Gopalamithras	2206	17.72
23	Contract employees	23309	1771.03
24	Honorarium or Lumpsum Payment	246	27.39
25	Outsourcing employees	94139	2399.75
	Total	1127185	55428.22

Source: GOs issued by Government of Andhra Pradesh

**CHAPTER VII**

**Appendix 7.1**

**Table 7.1 Funds requirement for O&M of CPWS Schemes-Zilla Praja Parishads (Rs.in Crores)**

Name of the District	15th Finance Commission Tied Grants -2024-25(ZPP)				General Funds of ZPP 2024-25		Total Funds available with ZPP for CPWS Schemes	Funds Required for O&M of CPWS Schemes			Gap of Funds (Government funds required)	No. of CPWS Schemes Available
	1st Instalment	2nd Instalment	Total	Drinking Water Component 30%	Total General Funds (Seignorage + Stamp Duty + Per Capita Grant)	10% Component of General Funds for Drinking Water		General O&M (System staff , Consumables, Repairs) for the years 2019-2024	Electricity Charges (2019-2024)	Total		
1	2	3	4	5	6	7	8=(5+7)	9	10	11	12=(11-8)	13
Ananthapuramu	8.50	5.76	14.26	7.13	5.48	0.55	7.68	109.86	139.81	249.68	242.00	51
Chittoor	8.31	5.64	13.95	6.98	11.91	1.19	8.17	0.56	7.32	7.89	0.00	24
YSR	5.66	3.84	9.50	4.75	15.07	1.51	6.26	43.03	36.64	79.67	73.41	23
East Godavari	11.05	7.49	18.54	9.27	10.51	1.05	10.32	45.77	39.42	85.19	74.87	56
Guntur	8.07	5.47	13.53	6.77	16.07	1.61	8.37	23.58	39.03	62.61	54.24	83
Krishna	7.59	4.87	12.47	6.23	6.71	0.67	6.90	24.42	55.80	80.22	73.31	37
Kurnool	8.01	5.43	13.44	6.72	10.73	1.07	7.79	84.81	48.39	133.20	125.41	60
S.P.S. Nellore	5.89	3.77	9.66	4.83	8.72	0.87	5.70	43.11	56.09	99.20	93.50	17
Prakasam	8.05	5.16	13.21	6.61	28.88	2.89	9.49	24.85	39.99	64.84	55.35	27
Srikakulam	6.07	4.12	10.19	5.09	9.29	0.93	6.02	9.76	27.97	37.73	31.71	30
Visakhapatnam	6.30	4.27	10.56	5.28	9.25	0.93	6.21	21.21	31.24	52.45	46.24	53
Vizianagaram	5.08	3.44	8.52	4.26	5.45	0.54	4.80	16.41	84.83	101.23	96.43	41
West Godavari	8.26	5.31	13.57	6.78	8.70	0.87	7.65	7.44	85.31	92.75	85.09	43
<b>Total</b>	<b>96.84</b>	<b>64.56</b>	<b>161.40</b>	<b>80.70</b>	<b>146.77</b>	<b>14.68</b>	<b>95.38</b>	<b>454.81</b>	<b>691.85</b>	<b>1157.66</b>	<b>1051.56</b>	<b>545</b>

## Appendix 7.2

### Forecasting Model Adopted

Let  $R_i$  be the  $i^{\text{th}}$  category of revenue and  $E_j$  be the  $j^{\text{th}}$  category of expenditure,  $dx_t$  be rate of change of revenue or expenditure from 't-1' to t and  $DP_t$  be the average result of Local Bodies discretionary policy charges in year 't'. Then the general budget forecast equation is

$$R_{it} = (1 + dx_t) R_{it-1} + DP_{it} \text{ for } i^{\text{th}} \text{ category of revenue}$$

$$E_{jt} = (1 + dx_t) E_{jt-1} + DP_{jt} \text{ for } j^{\text{th}} \text{ category of expenditure}$$

Estimating the equations require data on  $dx_t$ ,  $DP_{it}$ ,  $DP_{jt}$  for  $dx_t$ , the commission has used CAGR as a proxy, which is obtained from observed data for each revenue and expenditure variable for the years 2019-20 to 2023-24 as follows.

$$\text{CAGR of } R_{it} = [(R_{it_n} - R_{it_0})^{1/n} - 1] \times 100$$

$$\text{CAGR of } E_{jt} = [(E_{jt_n} - E_{jt_0})^{1/n} - 1] \times 100$$

Where

$R_i$  is the  $i^{\text{th}}$  revenue category

$E_j$  is the  $j^{\text{th}}$  expenditure category

$t_n$  is FY 2023-24,  $t_0$  is 2019-20

$n$  is the number of years for which CAGR is computed i.e 5 years

Further  $DP_{it} / DP_{jt}$  is the change in revenue or expenditure variable due to discretionary policy changes such as changes in rates of taxes, bases, exemptions, exclusions and deductions as well as changes in expenditure caused by inflation, cost of outsourced staff, O & M expenditure and others. Based on past trends, the commission has assumed that additional revenue of at least 5 percent of the previous year's revenue value (i.e.  $R_{t-1}$ ) would be generated in the current year due to discretionary measures.

$$\text{i.e, } DP_{it} = (R_{t-1}) \times 0.05$$

It may be noted that 5% is an assessment based on past trends given the limited degrees of freedom available to the Local Bodies to introduce changes in tax and expenditure regimes.

**CHAPTER VIII**

**Appendix 8.1A**

**Table 8.1.1 Per Capita Tax Revenue Municipal Corporations (In Rs.)**

S. No.	Municipal Corporation	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Srikakulam	1057.30	1046.20	1484.90	1411.40	1249.95	0.18
2	Vizianagaram	938.40	1058.20	1513.80	1332.80	1210.80	0.22
3	GVMC	1499.74	1534.60	2024.40	2364.23	1855.74	0.22
4	Rajamahendravaram	727.20	887.50	1078.80	1036.87	932.59	0.17
5	Kakinada	1358.20	1172.30	1288.50	1286.37	1276.34	0.06
6	Eluru	582.40	664.90	1155.40	1131.93	883.66	0.34
7	Vijayawada	1023.60	1250.90	1702.80	1553.99	1382.82	0.22
8	Machilipatnam	500.80	611.30	840.70	811.75	691.14	0.24
9	Guntur	1041.00	1300.20	1613.80	1588.96	1385.99	0.20
10	Mangalagiri Tadepalli	-	972.60	1815.40	1493.63	1427.21	-
11	Ongole	1075.00	1056.30	1215.10	1206.59	1138.25	0.07
12	Nellore	772.20	902.40	1149.10	1135.98	989.92	0.19
13	Anantapur	1096.10	1188.10	1870.10	1481.40	1408.93	0.25
14	Kurnool	919.40	1052.20	1216.80	1365.86	1138.57	0.17
15	Kadapa	801.60	960.00	1097.10	1376.31	1058.75	0.23
16	Chittoor	682.30	846.00	925.30	1011.05	866.16	0.16
17	Tirupathi	1313.70	1810.80	1730.20	1875.49	1682.55	0.15
	<b>Average</b>	961.81	1077.32	1395.42	1380.27	1210.55	0.18

**Table 8.1.2 Per Capita Non-Tax Revenue - Municipal Corporations (In Rs.)**

S. No.	Municipal Corporation	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Srikakulam	275.60	440.40	896.50	883.60	624.03	0.50
2	Vizianagaram	458.90	471.60	679.20	641.64	562.83	0.20
3	GVMC	1850.30	2402.20	2704.80	2385.24	2335.63	0.15
4	Rajamahendravaram	447.10	639.60	679.50	892.89	664.77	0.28
5	Kakinada	543.80	513.60	728.70	786.41	643.13	0.21
6	Eluru	344.30	400.90	504.10	596.15	461.36	0.24
7	Vijayawada	828.80	1125.30	1863.70	1648.97	1366.69	0.35
8	Machilipatnam	514.60	842.90	748.90	687.17	698.39	0.20
9	Guntur	337.70	629.60	1557.60	1367.15	973.01	0.60
10	Mangalagiri Tadepalli	-	401.70	817.90	1564.57	928.06	-
11	Ongole	379.40	717.60	731.10	651.04	619.79	0.26
12	Nellore	458.00	660.00	700.50	698.15	629.16	0.18
13	Anantapur	533.20	781.50	1157.40	512.26	746.09	0.40
14	Kurnool	736.00	1153.10	1332.90	923.18	1036.30	0.25
15	Kadapa	628.50	891.20	888.80	2002.22	1102.68	0.56
16	Chittoor	338.10	716.60	591.80	488.52	533.75	0.30
17	Tirupathi	714.60	578.20	1548.30	1606.02	1111.78	0.49
	<b>Average</b>	586.81	786.24	1066.57	1078.54	884.56	0.27

**Table 8.1.3 Per Capita Own Revenue Municipal Corporations (In Rs.)**

S. No.	Municipal Corporation	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Srikakulam	1332.90	1486.60	2381.40	2295.00	1873.97	0.29
2	Vizianagaram	1397.30	1529.90	2193.00	1974.43	1773.66	0.21
3	GVMC	3350.04	3936.80	4729.20	4749.47	4191.38	0.16
4	Rajamahendravaram	1174.30	1527.10	1758.30	1929.77	1597.37	0.20
5	Kakinada	1902.00	1685.90	2017.20	2072.78	1919.47	0.09
6	Eluru	926.70	1065.80	1659.50	1728.08	1345.02	0.30
7	Vijayawada	1852.40	2376.20	3566.50	3202.97	2749.52	0.28
8	Machilipatnam	1015.40	1454.20	1589.60	1498.91	1389.53	0.18
9	Guntur	1378.70	1930.00	3171.40	2956.11	2359.05	0.36
10	Mangalagiri Tadepalli	-	1374.30	2633.30	3058.20	2355.27	-
11	Ongole	1454.40	1774.00	1946.20	1857.63	1758.06	0.12
12	Nellore	1230.20	1562.40	1849.60	1834.13	1619.08	0.18
13	Anantapur	1629.30	1969.60	3027.50	1993.66	2155.01	0.28
14	Kurnool	1655.40	2205.30	2549.70	2289.04	2174.86	0.17
15	Kadapa	1430.10	1851.20	1985.90	3378.54	2161.43	0.39
16	Chittoor	1020.40	1562.60	1517.10	1499.57	1399.92	0.18
17	Tirupathi	2028.30	2389.00	3278.50	3481.51	2794.33	0.25
	<b>Average</b>	1548.62	1863.58	2461.99	2458.81	2095.11	0.22

**Table 8.1.4 Per Capita Revenue Expenditure Municipal Corporations (In Rs.)**

S. No.	Municipal Corporation	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Srikakulam	755.66	1316.42	2268.01	2395.56	1683.91	0.47
2	Vizianagaram	1570.81	1337.20	1564.28	1647.77	1530.02	0.09
3	GVMC	3856.50	4296.78	5233.61	6885.00	5067.97	0.26
4	Rajamahendravaram	956.52	1195.64	1219.13	1301.95	1168.31	0.13
5	Kakinada	1612.46	2035.54	1738.96	2146.29	1883.31	0.13
6	Eluru	1191.54	1339.58	1857.07	2659.68	1761.97	0.38
7	Vijayawada	2447.59	2450.83	2341.95	3314.44	2638.70	0.17
8	Machilipatnam	1031.39	628.16	2031.91	1780.91	1368.09	0.48
9	Guntur	1072.29	1800.49	2325.11	1864.55	1765.61	0.29
10	Mangalagiri Tadepalli	0.00	2080.96	3077.38	4235.62	2348.49	0.76
11	Ongole	1073.24	1696.78	2027.72	1403.85	1550.40	0.26
12	Nellore	2349.07	1087.31	1908.43	1742.37	1771.79	0.30
13	Anantapur	1084.97	1660.41	1342.90	809.05	1224.33	0.30
14	Kurnool	2090.69	1827.95	2072.26	2101.42	2023.08	0.06
15	Kadapa	1716.27	1908.49	2332.09	3442.83	2349.92	0.33
16	Chittoor	169.58	536.06	1349.14	1898.59	988.34	0.79
17	Tirupathi	1818.97	1938.08	2820.21	2413.42	2247.67	0.20
	<b>Average</b>	1458.68	1713.92	2206.48	2473.14	1963.05	0.23

**Table 8.1.5 Per Capita Capital Expenditure Municipal Corporations (In Rs.)**

S. No.	Municipal Corporation	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Anantapur	606.76	565.52	629.78	727.74	632.45	0.11
2	Chittoor	260.38	1783.66	510.93	1549.55	1026.13	0.73
3	Eluru	371.31	1334.13	164.52	1028.24	724.55	0.76
4	Guntur	511.74	2080.56	896.38	2488.18	1494.22	0.63
5	GVMC	498.12	598.06	492.01	1188.21	694.10	0.48
6	Kadapa	357.53	2421.39	3474.60	5262.84	2879.09	0.71
7	Kakinada	2116.83	1238.21	3092.03	1290.35	1934.36	0.45
8	Kurnool	343.63	2449.55	1047.22	2057.31	1474.43	0.65
9	Machilipatnam	837.80	1542.61	376.89	582.82	835.03	0.61
10	Mangalagiri Tadepalli	0.00	2964.69	4582.32	5387.24	3233.56	0.74
11	Nellore	839.44	1359.09	264.44	627.07	772.51	0.59
12	Ongole	357.82	1400.77	871.43	1485.05	1028.77	0.51
13	Rajamahendravaram	616.83	873.55	1072.44	2219.39	1195.55	0.59
14	Srikakulam	145.77	93.67	822.29	352.19	353.48	0.94
15	Tirupathi	755.44	1500.56	2605.08	3155.33	2004.10	0.54
16	Vijayawada	960.95	1453.40	825.36	808.22	1011.98	0.30
17	Vizianagaram	989.74	415.28	519.29	850.28	693.65	0.39
	<b>Average</b>	621.77	1416.16	1308.65	1827.06	1293.41	0.39

**Appendix 8.1B**  
**Table 8.2.1 Per Capita Tax Revenue of Municipalities (In Rs.)**

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Amudalavalasa	623.00	535.70	757.30	626.65	635.66	0.14
2	Ichapuram	523.20	576.60	838.00	668.90	651.67	0.21
3	Palasa-Kasibugga	462.20	688.90	946.60	782.57	720.07	0.28
4	Rajam	345.50	417.20	546.10	527.88	459.17	0.21
5	Bobbili	792.80	682.10	622.20	714.07	702.79	0.10
6	Parvathipuram	587.40	676.90	790.90	904.40	739.90	0.19
7	Salur	348.10	442.40	421.40	363.13	393.76	0.12
8	Narsipatnam	680.80	463.60	748.40	765.44	664.56	0.21
9	Yelamanchili	643.60	533.10	569.20	599.02	586.23	0.08
10	Amalapuram	1026.70	1084.30	1462.70	1568.94	1285.66	0.21
11	Tuni	556.70	695.40	730.90	797.23	695.06	0.15
12	Pithapuram	500.10	555.50	679.30	761.80	624.18	0.19
13	Samalkot	398.40	398.40	576.20	622.50	498.88	0.24
14	Mandapeta	618.40	789.40	912.80	1017.62	834.55	0.21
15	Ramachandrapuram	586.30	752.80	1127.70	1494.83	990.41	0.41
16	Peddapuram	561.70	661.60	843.90	842.65	727.46	0.19
17	Bhimavaram	896.50	1118.80	1461.50	1373.72	1212.63	0.21
18	Tadepalligudem	563.10	837.90	858.50	904.42	790.98	0.20
19	Palacole	542.90	535.50	712.00	646.39	609.20	0.14
20	Narsapur	656.70	749.20	817.80	898.45	780.54	0.13
21	Tanuku	860.30	1033.70	1416.50	1197.85	1127.09	0.21
22	Nidadavole	694.20	719.30	877.80	804.61	773.98	0.11
23	Kovvur	514.20	644.90	651.20	730.00	635.08	0.14

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
24	Jangareddygudem	765.10	964.10	1665.20	1113.16	1126.89	0.34
25	Gudivada	509.50	503.70	602.50	660.24	568.99	0.13
26	Nuzvid	552.50	633.20	756.00	904.42	711.53	0.22
27	Jaggaihpeta	481.60	537.50	643.30	685.52	586.98	0.16
28	Pedana	255.70	274.90	332.40	380.07	310.77	0.18
29	Nandigama	484.60	565.50	703.20	871.12	656.10	0.26
30	Kondapalli	402.40	418.20	399.70	388.58	402.22	0.03
31	Mangalagiri	766.00	-	-	-	-	-
32	Tadepalli	1103.30	-	-	-	-	-
33	Tenali	746.10	876.60	896.00	1006.46	881.29	0.12
34	Narasaraopet	864.40	707.90	842.70	845.63	815.16	0.09
35	Chilakaluripet	395.10	419.50	648.60	489.52	488.18	0.23
36	Bapatla	458.20	596.20	611.50	679.35	586.31	0.16
37	Ponnur	467.60	461.80	554.70	580.93	516.26	0.12
38	Repalle	604.70	655.80	812.40	821.94	723.71	0.15
39	Macherla	528.10	524.20	552.70	607.39	553.10	0.07
40	Sattenapalli	653.20	697.80	1084.50	926.73	840.56	0.24
41	Vinukonda	424.30	528.50	664.40	738.55	588.94	0.24
42	Piduguralla	415.00	562.50	615.00	676.13	567.16	0.20
43	Chirala	827.70	854.50	939.60	981.87	900.92	0.08
44	Markapur	599.70	627.30	671.20	840.60	684.70	0.16
45	Kandukur	681.40	529.90	843.10	879.29	733.42	0.22
46	Addanki	689.80	920.50	927.20	904.79	860.57	0.13
47	Chimakurthy	697.00	931.50	1010.30	932.53	892.83	0.15
48	Kanigiri	582.40	637.70	964.00	759.00	735.77	0.23

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
49	Kavali	575.70	671.90	776.20	796.39	705.05	0.14
50	Gudur	421.10	430.40	738.40	539.10	532.25	0.28
51	Venkatagiri	266.60	344.40	305.60	469.97	346.64	0.25
52	Atmakur NLR	693.20	693.30	802.30	782.53	742.83	0.08
53	Sullurpet	746.90	975.60	1006.30	1001.12	932.48	0.13
54	Naidupet	807.90	825.60	782.40	784.24	800.03	0.03
55	Hindupur	406.90	580.70	589.00	632.19	552.20	0.18
56	Guntakal	494.70	611.80	798.20	566.15	617.71	0.21
57	Tadipatri	431.60	497.60	608.20	632.29	542.42	0.17
58	Dharmavaram	514.60	524.30	594.50	605.98	559.84	0.08
59	Kadiri	426.20	482.80	625.30	598.42	533.18	0.18
60	Rayadurg	357.60	393.20	509.50	449.12	427.36	0.16
61	Gooty	514.40	580.40	700.50	667.39	615.67	0.14
62	Kalyandurgam	569.80	193.20	625.10	673.15	515.31	0.42
63	Pamidi	399.80	-	-	-	-	-
64	Puttaparthi	584.60	634.70	1169.70	878.24	816.81	0.33
65	Adoni	506.60	667.70	752.10	649.83	644.06	0.16
66	Nandyal	2862.10	2948.00	3930.50	3736.10	3369.17	0.16
67	Yemmiganur	394.60	394.90	431.80	494.95	429.06	0.11
68	Dhone	272.70	339.10	454.10	501.94	391.96	0.27
69	Nandikotkur	752.90	604.60	1149.70	860.50	841.92	0.27
70	Allagadda	518.60	0.00	743.80	747.17	502.39	0.70
71	Atmakur KNL	0.00	494.80	617.60	515.57	406.99	0.68
72	Proddatur	1068.50	1034.60	1210.10	1103.59	1104.20	0.07
73	Pulivendula	494.30	545.90	661.30	736.02	609.38	0.18

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
74	Rajampet	434.10	499.00	603.80	656.10	548.25	0.18
75	Rayachoty	429.40	424.70	569.70	586.28	502.52	0.17
76	Badvel	421.90	529.50	605.20	570.54	531.79	0.15
77	Mydukur	242.00	286.50	549.40	303.28	345.29	0.40
78	Srikalahasti	582.00	570.60	787.10	828.01	691.93	0.19
79	Madanapalle	749.70	1008.00	1364.10	1037.76	1039.89	0.24
80	Punganuru	680.50	700.40	845.40	709.35	733.91	0.10
81	Palamaneru	356.20	439.60	545.20	573.62	478.65	0.21
82	Nagari	216.00	301.80	431.80	407.24	339.21	0.29
83	Puttur	349.50	400.20	479.30	565.00	448.50	0.21
84	Kuppam	324.00	159.50	638.69	636.94	439.78	0.54
	<b>Average</b>	<b>581.02</b>	<b>627.31</b>	<b>803.84</b>	<b>784.97</b>	<b>697.66</b>	<b>0.16</b>

**Table 8.2.2 Per Capita Non-Tax Revenue Municipalities (In Rs.)**

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Amudalavalasa	299.70	400.60	517.10	376.77	398.54	0.23
2	Ichapuram	283.90	316.90	655.90	587.65	461.09	0.41
3	Palasa-Kasibugga	258.20	256.40	706.30	390.37	402.82	0.53
4	Rajam	691.00	622.00	737.00	738.99	697.25	0.08
5	Bobbili	497.00	569.20	609.10	491.82	541.78	0.11
6	Parvathipuram	214.30	179.70	599.10	583.49	394.15	0.58
7	Salur	266.00	327.70	112.50	131.35	209.39	0.50
8	Narsipatnam	182.50	204.40	281.30	305.65	243.46	0.24
9	Yelamanchili	227.60	183.70	369.00	311.77	273.02	0.30
10	Amalapuram	753.10	718.80	1126.10	1051.89	912.47	0.23
11	Tuni	286.00	415.50	804.10	915.15	605.19	0.50
12	Pithapuram	205.00	803.50	500.80	445.87	488.79	0.50
13	Samalkot	400.20	252.00	361.10	440.24	363.39	0.22
14	Mandapeta	384.80	440.40	571.40	566.35	490.74	0.19
15	Ramachandrapuram	206.30	278.00	365.90	356.14	301.58	0.25
16	Peddapuram	460.80	571.30	621.10	675.14	582.09	0.16
17	Bhimavaram	584.40	656.80	702.30	534.57	619.52	0.12
18	Tadepalligudem	497.20	328.40	630.60	932.60	597.20	0.43
19	Palacole	199.00	320.10	657.40	544.41	430.23	0.48
20	Narsapur	493.20	568.00	540.90	846.16	612.07	0.26
21	Tanuku	390.70	388.00	569.90	541.16	472.44	0.20
22	Nidadavole	273.80	304.10	423.60	409.76	352.81	0.21
23	Kovvur	433.70	419.40	580.60	473.34	476.76	0.15
24	Jangareddygudem	209.90	478.80	886.30	905.52	620.13	0.54

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
25	Gudivada	488.70	482.80	563.70	556.33	522.88	0.08
26	Nuzvid	468.56	278.10	378.60	324.34	362.40	0.23
27	Jaggiahpet	572.20	661.30	611.40	562.41	601.83	0.07
28	Pedana	257.10	356.10	598.50	520.23	432.98	0.36
29	Nandigama	351.80	403.10	443.90	284.88	370.92	0.19
30	Kondapalli	37.10	197.70	183.10	238.79	164.17	0.54
31	Mangalagiri	376.90	-	-	-	-	-
32	Tadepalli	392.80	-	-	-	-	-
33	Tenali	267.70	389.80	607.00	529.35	448.46	0.34
34	Narasaraopet	337.80	482.10	670.00	394.25	471.04	0.31
35	Chilakaluripet	425.80	599.40	560.80	458.69	511.17	0.16
36	Bapatla	578.80	637.30	585.50	555.22	589.21	0.06
37	Ponnur	370.60	398.60	454.20	588.76	453.04	0.21
38	Repalle	353.50	648.20	530.90	515.79	512.10	0.24
39	Macherla	349.70	282.70	520.50	321.65	368.64	0.28
40	Sattenapalli	517.50	1068.00	907.00	745.14	809.41	0.29
41	Vinukonda	591.10	605.90	1238.20	788.90	806.02	0.37
42	Piduguralla	165.70	213.20	264.80	453.46	274.29	0.46
43	Chirala	360.90	318.20	431.30	535.65	411.51	0.23
44	Markapur	153.90	416.10	892.20	367.97	457.54	0.68
45	Kandukur	344.20	271.10	443.00	434.06	373.09	0.22
46	Addanki	260.60	401.60	537.40	581.44	445.26	0.33
47	Chimakurthy	164.10	283.60	578.60	251.49	319.45	0.56
48	Kanigiri	475.00	201.60	264.20	323.56	316.09	0.37
49	Kavali	529.70	484.20	770.10	530.74	578.68	0.22

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
50	Gudur	254.10	284.40	330.70	275.81	286.25	0.11
51	Venkatagiri	116.20	298.90	301.30	190.80	226.80	0.40
52	Atmakur NLR	263.10	251.00	430.10	294.40	309.65	0.27
53	Sullurpet	319.50	646.20	528.70	440.46	483.72	0.29
54	Naidupet	345.30	359.70	723.20	501.19	482.35	0.36
55	Hindupur	373.60	1048.10	874.10	582.82	719.66	0.42
56	Guntakal	701.90	803.70	898.00	793.37	799.24	0.10
57	Tadipatri	614.50	747.60	922.50	654.29	734.72	0.19
58	Dharmavaram	780.80	872.40	1293.70	1229.86	1044.19	0.24
59	Kadiri	310.90	318.50	440.00	484.72	388.53	0.22
60	Rayadurg	627.90	444.90	528.30	473.13	518.56	0.16
61	Gooty	349.10	376.50	334.60	402.60	365.70	0.08
62	Kalyandurgam	295.40	439.00	388.20	220.29	335.72	0.29
63	Pamidi	231.60	-	-	-	-	-
64	Puttaparthi	200.90	290.20	521.70	280.88	323.42	0.43
65	Adoni	353.80	512.60	746.20	525.10	534.43	0.30
66	Nandyal	1539.50	1745.80	1690.50	1499.41	1618.80	0.07
67	Yemmiganur	597.70	719.90	1056.60	934.43	827.16	0.25
68	Dhone	571.00	530.80	445.20	549.47	524.12	0.11
69	Nandikotkur	693.80	338.80	408.60	708.69	537.47	0.36
70	Allagadda	621.30	0.00	438.40	902.39	490.52	0.77
71	Atmakur KNL	0.00	253.70	242.60	307.50	200.95	0.68
72	Proddatur	613.80	608.90	903.40	655.48	695.40	0.20
73	Pulivendula	574.60	648.30	729.20	749.05	675.29	0.12
74	Rajampet	429.00	685.60	799.30	1044.07	739.49	0.35

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
75	Rayachoty	390.20	504.00	618.10	872.64	596.23	0.35
76	Badvel	248.70	245.60	369.50	343.36	301.79	0.21
77	Mydukur	147.20	214.30	315.90	331.75	252.29	0.35
78	Srikalahasti	545.60	332.60	411.10	354.19	410.87	0.23
79	Madanapalle	477.70	854.60	531.60	498.61	590.63	0.30
80	Punganuru	417.80	362.80	428.60	416.38	406.39	0.07
81	Palamaneru	481.60	651.20	696.60	433.46	565.71	0.23
82	Nagari	252.20	344.60	376.80	563.88	384.37	0.34
83	Puttur	339.30	633.50	617.80	587.52	544.53	0.25
84	Kuppam	284.60	378.40	323.70	223.19	302.47	0.22
	<b>Average</b>	395.88	467.0555556	588.0135802	540.055266	498.32727	0.17

**Table 8.2.3 Per Capita Own Revenue - Municipalities (In Rs.)**

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Amudalavalasa	922.70	936.30	1274.40	1003.42	1034.20	0.16
2	Ichapuram	807.10	893.50	1493.90	1256.54	1112.76	0.29
3	Palasa-Kasibugga	720.40	945.30	1652.90	1172.94	1122.88	0.36
4	Rajam	1036.50	1039.20	1283.10	1266.87	1156.42	0.12
5	Bobbili	1289.80	1251.30	1231.30	1205.90	1244.57	0.03
6	Parvathipuram	801.70	856.60	1390.00	1487.90	1134.05	0.31
7	Salur	614.10	770.10	533.90	494.48	603.15	0.20
8	Narsipatnam	863.30	668.00	1029.70	1071.09	908.02	0.20
9	Yelamanchili	871.20	716.80	938.20	910.79	859.25	0.12
10	Amalapuram	1779.80	1803.10	2588.80	2620.82	2198.13	0.21
11	Tuni	842.70	1110.90	1535.00	1712.38	1300.25	0.30
12	Pithapuram	705.10	1359.00	1180.10	1207.68	1112.97	0.25
13	Samalkot	798.60	650.40	937.30	1062.75	862.26	0.21
14	Mandapeta	1003.20	1229.80	1484.20	1583.97	1325.29	0.20
15	Ramachandrapuram	792.60	1030.80	1493.60	1850.97	1291.99	0.37
16	Peddapuram	1022.50	1232.90	1465.00	1517.80	1309.55	0.17
17	Bhimavaram	1480.90	1775.60	2163.80	1908.29	1832.15	0.16
18	Tadepalligudem	1060.30	1166.30	1489.10	1837.02	1388.18	0.25
19	Palacole	741.90	855.60	1369.40	1190.80	1039.43	0.28
20	Narsapur	1149.90	1317.20	1358.70	1744.61	1392.60	0.18
21	Tanuku	1251.00	1421.70	1986.40	1739.01	1599.53	0.20
22	Nidadavole	968.00	1023.40	1301.40	1214.36	1126.79	0.14
23	Kovvur	947.90	1064.30	1231.80	1203.34	1111.84	0.12
24	Jangareddygudem	975.00	1442.90	2551.50	2018.68	1747.02	0.39

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
25	Gudivada	998.20	986.50	1166.20	1216.57	1091.87	0.11
26	Nuzvid	1021.09	911.30	1134.60	1228.76	1073.94	0.13
27	Jaggiahpet	1053.76	1198.80	1254.70	1247.94	1188.80	0.08
28	Pedana	512.80	631.00	930.90	900.30	743.75	0.28
29	Nandigama	836.40	968.60	1147.10	1156.00	1027.02	0.15
30	Kondapalli	439.50	615.90	582.80	627.37	566.39	0.15
31	Mangalagiri	1142.90	-	-	-	-	-
32	Tadepalli	1496.10	-	-	-	-	-
33	Tenali	1013.80	1266.40	1503.00	1535.81	1329.75	0.18
34	Narasaraopet	1202.20	1190.00	1512.70	1239.88	1286.20	0.12
35	Chilakaluripet	820.90	1018.90	1209.40	948.22	999.35	0.16
36	Bapatla	1037.00	1233.50	1197.00	1234.57	1175.52	0.08
37	Ponnur	838.20	860.40	1008.90	1169.69	969.30	0.16
38	Repalle	958.20	1304.00	1343.30	1337.73	1235.81	0.15
39	Macherla	877.80	806.90	1073.20	929.04	921.73	0.12
40	Sattenapalli	1170.70	1765.80	1991.50	1671.87	1649.97	0.21
41	Vinukonda	1015.40	1134.40	1902.60	1527.45	1394.96	0.29
42	Piduguralla	580.70	775.70	879.80	1129.60	841.45	0.27
43	Chirala	1188.60	1172.70	1370.90	1517.52	1312.43	0.12
44	Markapur	753.60	1043.40	1563.40	1208.57	1142.24	0.30
45	Kandukur	1025.60	801.00	1286.10	1313.34	1106.51	0.22
46	Addanki	950.40	1322.10	1464.60	1486.23	1305.83	0.19
47	Chimakurthy	861.10	1215.10	1588.90	1184.02	1212.28	0.25
48	Kanigiri	1057.40	839.30	1228.20	1082.56	1051.87	0.15
49	Kavali	1105.40	1156.10	1546.30	1327.13	1283.73	0.16

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
50	Gudur	675.20	714.80	1069.10	814.91	818.50	0.22
51	Venkatagiri	382.80	643.30	606.90	660.77	573.44	0.23
52	Atmakur NLR	956.30	944.30	1232.40	817.58	987.65	0.18
53	Sullurpet	1066.40	1621.80	1535.00	1441.59	1416.20	0.17
54	Naidupet	1153.20	1185.30	1505.60	1285.43	1282.38	0.12
55	Hindupur	780.50	1628.80	1463.10	1215.01	1271.85	0.29
56	Guntakal	1196.60	1415.50	1696.20	1359.52	1416.96	0.15
57	Tadipatri	1046.10	1245.20	1530.70	1286.57	1277.14	0.16
58	Dharmavaram	1295.40	1396.70	1888.20	1835.84	1604.04	0.19
59	Kadiri	737.10	801.30	1065.30	1083.14	921.71	0.19
60	Rayadurg	985.50	838.10	1037.80	922.25	945.91	0.09
61	Gooty	863.50	956.90	1035.10	1069.99	981.37	0.09
62	Kalyandurgam	865.20	632.20	1013.30	893.44	851.03	0.19
63	Pamidi	631.40	-	-	-	-	-
64	Puttaparthi	785.50	924.90	1691.40	1159.12	1140.23	0.35
65	Adoni	860.40	1180.30	1498.30	1174.93	1178.48	0.22
66	Nandyal	4401.60	4693.80	5621.00	5235.51	4987.98	0.11
67	Yemmiganur	992.30	1114.80	1488.40	1429.38	1256.22	0.19
68	Dhone	843.70	869.90	899.30	1051.41	916.08	0.10
69	Nandikotkur	1446.70	943.40	1558.30	1569.19	1379.40	0.21
70	Allagadda	1139.90	0.00	1182.20	1649.56	992.92	0.71
71	Atmakur KNL	0.00	748.50	860.20	1078.64	671.84	0.70
72	Proddatur	1682.30	1643.50	2113.50	1759.07	1799.59	0.12
73	Pulivendula	1068.90	1194.20	1390.50	1485.07	1284.67	0.15
74	Rajampet	863.10	1184.60	1403.10	1700.17	1287.74	0.27

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
75	Rayachoty	819.60	928.70	1187.80	1458.92	1098.75	0.26
76	Badvel	670.60	775.10	974.70	913.90	833.57	0.16
77	Mydukur	389.20	500.80	865.30	635.03	597.58	0.34
78	Srikalahasti	1127.60	903.20	1198.20	1182.20	1102.80	0.12
79	Madanapalle	1227.40	1862.60	1895.70	1536.37	1630.52	0.19
80	Punganuru	1098.30	1063.20	1274.00	1125.73	1140.31	0.08
81	Palamaneru	837.80	1090.80	1241.80	1007.08	1044.37	0.16
82	Nagari	468.20	646.40	808.60	971.12	723.58	0.30
83	Puttur	688.80	1033.70	1097.10	1152.52	993.03	0.21
84	Kuppam	608.60	537.90	962.39	860.12	742.25	0.27
	Average	976.90	1094.361728	1391.852963	1324.983367	1195.9762	0.16

**Table 8.2.4 Per Capita Revenue Expenditure Municipalities (In Rs.)**

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Amudalavalasa	1239.65	1511.75	1658.38	1089.15	1374.73	0.19
2	Ichapuram	931.16	605.84	3010.63	1181.57	1432.30	0.75
3	Palasa-Kasibugga	917.96	1280.00	858.68	912.18	992.21	0.20
4	Rajam	1304.95	1834.18	1519.92	1132.71	1447.94	0.21
5	Bobbili	1453.19	1616.10	1523.35	1207.85	1450.12	0.12
6	Parvathipuram	1456.13	1047.15	1706.82	1444.46	1413.64	0.19
7	Salur	1025.29	897.25	879.27	1561.23	1090.76	0.29
8	Narsipatnam	860.30	321.16	1369.71	723.69	818.72	0.53
9	Yelamanchili	1130.33	984.64	201.76	974.63	822.84	0.51
10	Amalapuram	1665.35	1643.76	2060.89	2466.96	1959.24	0.20
11	Tuni	457.73	564.38	1458.57	1314.68	948.84	0.54
12	Pithapuram	772.10	1040.89	1379.60	933.31	1031.47	0.25
13	Samalkot	548.77	708.95	1131.77	977.19	841.67	0.31
14	Mandapeta	980.96	991.91	1385.83	1325.96	1171.16	0.18
15	Ramachandrapuram	896.47	1287.08	1029.69	1194.65	1101.97	0.16
16	Peddapuram	823.98	1183.42	1745.60	1096.81	1212.45	0.32
17	Bhimavaram	1197.78	961.89	1535.01	1022.75	1179.36	0.22
18	Tadepalligudem	1723.76	789.08	736.94	1197.01	1111.70	0.41
19	Palacole	704.56	527.18	1043.91	617.16	723.20	0.31
20	Narsapur	1218.51	1216.25	1569.80	1338.18	1335.69	0.12
21	Tanuku	1228.05	1183.87	1727.81	1395.60	1383.83	0.18
22	Nidadavole	673.33	1063.18	953.30	1049.81	934.90	0.19
23	Kovvur	1283.54	1582.00	1421.31	540.63	1206.87	0.38
24	Jangareddygudem	1372.29	618.95	643.94	1559.62	1048.70	0.47

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
25	Gudivada	689.01	948.21	1186.42	1200.25	1005.97	0.24
26	Nuzvid	765.06	1232.62	2110.54	2127.14	1558.84	0.43
27	Jaggaihpeta	1033.87	1733.01	1462.73	1048.14	1319.44	0.26
28	Pedana	609.49	453.53	1248.89	864.13	794.01	0.44
29	Nandigama	892.51	1181.32	1181.05	1663.74	1229.65	0.26
30	Kondapalli	88.13	0.00	820.80	824.88	433.45	1.04
31	Mangalagiri	-	-	-	-	-	-
32	Tadepalli	-	-	-	-	-	-
33	Tenali	1219.13	1535.18	1506.71	1607.02	1467.01	0.12
34	Narasaraopet	1387.57	1997.55	1968.43	1881.12	1808.67	0.16
35	Chilakaluripet	1379.44	1334.16	1395.56	1689.85	1449.75	0.11
36	Bapatla	972.71	1558.08	1514.80	1530.99	1394.14	0.20
37	Ponnur	749.95	863.72	391.28	763.97	692.23	0.30
38	Repalle	1079.88	1186.04	1665.20	1277.43	1302.14	0.20
39	Macherla	350.85	2038.59	822.20	1447.09	1164.68	0.63
40	Sattenapalli	1464.63	2036.11	1685.83	1883.13	1767.42	0.14
41	Vinukonda	895.60	1112.01	1969.79	1733.48	1427.72	0.35
42	Piduguralla	718.94	639.99	1088.25	1079.76	881.73	0.27
43	Chirala	1351.41	587.22	2073.04	1474.90	1371.64	0.45
44	Markapur	1242.39	2127.79	2576.70	1469.91	1854.20	0.33
45	Kandukur	1039.62	654.09	1029.44	1266.71	997.47	0.25
46	Addanki	779.60	2069.83	1379.18	2190.52	1604.78	0.41
47	Chimakurthy	1273.62	1722.58	1951.34	1453.52	1600.26	0.19
48	Kanigiri	1771.96	1524.10	1504.61	2461.07	1815.43	0.25
49	Kavali	1174.77	2278.80	3103.72	1814.30	2092.90	0.39

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
50	Gudur	918.60	1474.61	1232.94	1083.67	1177.45	0.20
51	Venkatagiri	474.09	605.03	548.70	898.18	631.50	0.29
52	Atmakur NLR	1029.72	1029.72	1624.07	2022.71	1426.55	0.34
53	Sullurpet	1401.82	1637.76	1897.01	1466.01	1600.65	0.14
54	Naidupet	954.26	1395.64	2535.36	1140.91	1506.54	0.47
55	Hindupur	738.99	1506.19	1746.66	915.85	1226.92	0.39
56	Guntakal	1155.17	2173.18	1623.71	1991.00	1735.77	0.26
57	Tadipatri	1216.74	515.81	1312.78	955.28	1000.15	0.36
58	Dharmavaram	1216.45	1133.65	1789.13	3169.36	1827.15	0.52
59	Kadiri	-	3724.90	1103.21	1281.82	2036.64	-
60	Rayadurg	854.51	3882.72	1198.61	1014.64	1737.62	0.83
61	Gooty	861.07	1751.61	1833.67	937.86	1346.05	0.38
62	Kalyandurgam	705.09	2635.51	1349.27	825.20	1378.77	0.64
63	Pamidi	1109.24	-	-	-	-	-
64	Puttaparthi	1137.16	3096.52	1328.86	1742.48	1826.25	-
65	Adoni	1100.89	999.02	1141.09	1164.37	1101.34	0.07
66	Nandyal	1413.71	670.78	5255.40	6270.89	3402.70	0.82
67	Yemmiganur	900.42	973.67	1563.64	982.80	1105.13	0.28
68	Dhone	855.14	2230.16	1185.67	923.03	1298.50	0.49
69	Nandikotkur	1178.94	553.96	490.83	1962.58	1046.58	0.65
70	Allagadda	1118.72	0.00	1956.42	2195.05	1317.55	0.75
71	Atmakur KNL	746.84	769.42	1646.02	779.38	985.42	0.45
72	Proddatur	1567.94	1683.24	2238.76	2004.60	1873.63	0.16
73	Pulivendula	1142.77	3038.55	1448.95	1393.01	1755.82	0.49
74	Rajampet	1564.63	2907.16	1586.51	1256.50	1828.70	0.40

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
75	Rayachoty	989.05	1266.36	1458.67	1665.67	1344.94	0.21
76	Badvel	765.99	813.58	425.10	907.22	727.97	0.29
77	Mydukur	565.41	2554.27	898.91	591.99	1152.64	0.82
78	Srikalahasti	973.25	1354.64	959.43	1516.76	1201.02	0.23
79	Madanapalle	1467.68	1291.17	1279.93	1974.53	1503.33	0.22
80	Punganuru	1480.19	2057.89	1625.49	1411.52	1643.77	0.18
81	Palamaneru	944.10	3371.58	1971.74	1095.77	1845.80	0.60
82	Nagari	790.29	2176.92	426.85	1018.87	1103.24	0.69
83	Puttur	1052.84	1349.81	721.80	681.80	951.56	0.33
84	Kuppam	1143.72	983.70	56.48	688.76	718.17	0.67
	<b>Average</b>	1041.13	1405.98	1452.48	1394.33	1326.34	0.14

**Table 8.2.5 Per Capita Capital Expenditure Municipalities (In Rs.)**

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Amudalavalasa	530.62	355.18	521.42	670.90	519.53	0.25
2	Ichapuram	140.82	482.50	518.04	386.05	381.85	0.45
3	Palasa-Kasibugga	131.65	931.59	1761.32	620.97	861.38	0.79
4	Rajam	309.88	257.70	443.42	334.03	336.26	0.23
5	Bobbili	183.74	988.16	712.72	1211.88	774.12	0.57
6	Parvathipuram	188.36	0.00	1378.87	678.67	561.48	1.10
7	Salur	299.31	696.22	60.87	204.12	315.13	0.86
8	Narsipatnam	174.34	0.00	442.79	922.39	384.88	1.04
9	Yelamanchili	52.23	972.83	597.72	599.10	555.47	0.68
10	Amalapuram	1026.15	767.80	1017.56	1504.80	1079.08	0.29
11	Tuni	2089.10	0.00	1170.97	1229.03	1122.27	0.76
12	Pithapuram	281.30	706.88	1129.03	1143.43	815.16	0.50
13	Samalkot	66.19	549.64	760.80	411.77	447.10	0.65
14	Mandapeta	450.15	770.07	1469.51	1868.22	1139.49	0.57
15	Ramachandrapuram	264.84	975.90	1621.53	529.70	847.99	0.70
16	Peddapuram	247.23	1323.71	952.06	945.17	867.04	0.52
17	Bhimavaram	910.45	920.62	1124.06	1414.90	1092.51	0.22
18	Tadepalligudem	190.40	315.81	2353.37	734.34	898.48	1.11
19	Palacole	206.32	215.35	660.09	983.14	516.22	0.73
20	Narsapur	582.76	1009.56	1284.29	1145.94	1005.64	0.30
21	Tanuku	780.17	993.44	1009.74	1082.19	966.39	0.13
22	Nidadavole	476.89	892.88	393.39	990.37	688.38	0.43
23	Kovvur	328.31	993.02	1255.53	493.26	767.53	0.56
24	Jangareddygudem	643.04	1261.87	734.44	794.69	858.51	0.32

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
25	Gudivada	367.68	1159.85	430.99	623.96	645.62	0.56
26	Nuzvid	648.66	1209.28	240.17	1601.26	924.84	0.65
27	Jaggiahpet	225.11	1642.14	877.27	961.69	926.55	0.63
28	Pedana	529.96	163.11	2297.19	1422.61	1103.22	0.87
29	Nandigama	431.57	2556.75	3989.04	496.25	1868.40	0.92
30	Kondapalli	47.09	0.00	90.61	450.96	147.17	1.40
31	Mangalagiri	-	-	-	-	-	-
32	Tadepalli	-	-	-	-	-	-
33	Tenali	367.57	1158.97	1069.80	765.76	840.52	0.43
34	Narasaraopet	214.94	954.57	255.40	595.89	505.20	0.68
35	Chilakaluripet	528.95	752.13	292.87	574.12	537.02	0.35
36	Bapatla	1269.50	868.81	531.32	546.90	804.13	0.43
37	Ponnur	309.77	954.09	2936.73	4299.66	2125.06	0.86
38	Repalle	380.23	851.41	1255.71	1034.48	880.46	0.42
39	Macherla	48.54	912.86	566.68	1080.40	652.12	0.70
40	Sattenapalli	224.63	1680.56	1262.53	1023.99	1047.93	0.58
41	Vinukonda	759.31	924.99	632.92	701.68	754.73	0.17
42	Piduguralla	566.47	1397.46	1384.55	2041.35	1347.46	0.45
43	Chirala	268.59	836.72	434.95	359.62	474.97	0.53
44	Markapur	487.44	1012.76	261.82	828.60	647.65	0.52
45	Kandukur	856.10	737.72	757.86	2140.10	1122.94	0.61
46	Addanki	454.44	2387.31	1241.10	971.67	1263.63	0.65
47	Chimakurthy	624.43	889.24	2118.91	1190.10	1205.67	0.54
48	Kanigiri	1023.71	1993.83	486.76	471.99	994.07	0.72
49	Kavali	274.08	799.12	410.90	336.10	455.05	0.52

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
50	Gudur	383.15	567.89	154.62	527.66	408.33	0.46
51	Venkatagiri	1168.70	360.39	525.78	603.39	664.56	0.53
52	Atmakur NLR	856.49	856.49	1400.48	629.99	935.86	0.35
53	Sullurpet	406.09	1520.40	209.89	449.63	646.50	0.92
54	Naidupet	1588.93	1229.44	1169.43	726.86	1178.67	0.30
55	Hindupur	141.19	475.68	650.06	397.13	416.02	0.51
56	Guntakal	365.26	659.11	502.53	666.08	548.25	0.26
57	Tadipatri	39.19	325.51	190.31	440.71	248.93	0.70
58	Dharmavaram	108.57	366.11	1041.34	2172.72	922.19	1.00
59	Kadiri	-	483.39	260.97	446.58	396.98	-
60	Rayadurg	292.20	314.71	123.45	748.82	369.80	0.72
61	Gooty	252.41	637.39	722.59	466.58	519.74	0.40
62	Kalyandurgam	278.03	486.31	348.65	145.35	314.59	0.45
63	Pamidi	66.41	-	-	-	-	-
64	Puttaparthi	581.51	1560.36	584.92	450.04	794.21	-
65	Adoni	230.73	1302.85	788.34	674.35	749.07	0.59
66	Nandyal	673.29	4877.22	2737.08	4383.77	3167.84	0.60
67	Yemmiganur	241.30	382.44	1231.15	729.49	646.09	0.68
68	Dhone	421.85	1191.14	1404.29	3424.64	1610.48	0.80
69	Nandikotkur	473.41	1227.48	818.73	1488.34	1001.99	0.45
70	Allagadda	127.46	0.00	477.50	1020.80	406.44	1.12
71	Atmakur KNL	629.81	1085.05	312.80	733.12	690.20	0.46
72	Proddatur	439.35	682.40	279.26	1084.64	621.41	0.56
73	Pulivendula	556.05	539.94	715.58	105.30	479.22	0.55
74	Rajampet	8.77	1283.35	398.75	261.18	488.01	1.14

S. No.	Municipality	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
75	Rayachoty	461.95	957.78	360.26	1427.07	801.77	0.61
76	Badvel	368.69	961.98	574.72	3782.47	1421.97	1.12
77	Mydukur	427.67	535.58	324.15	739.29	506.67	0.35
78	Srikalahasti	433.93	1058.36	522.31	372.07	596.67	0.53
79	Madanapalle	297.54	620.24	520.95	563.09	500.46	0.28
80	Punganuru	724.86	473.69	685.25	1128.03	752.96	0.36
81	Palamaneru	494.13	653.64	8555.50	10293.55	4999.20	1.03
82	Nagari	196.87	1445.05	457.73	476.27	643.98	0.85
83	Puttur	188.85	676.31	3168.99	594.69	1157.21	1.17
84	Kuppam	301.94	104.70	854.11	3832.05	1273.20	1.36
	<b>Average</b>	440.61	890.45	991.01	1128.44	863.65	0.34

**Appendix 8.1C**

**Table 8.3.1 Per Capita Tax Revenue Nagar Panchayats (In Rs.)**

<b>S.No.</b>	<b>Nagar Panchayat</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Average</b>	<b>Coefficient of Variation</b>
1	Nellimarla	371.30	359.00	418.50	475.45	406.06	0.13
2	Palakonda	703.30	872.90	720.30	699.95	749.11	0.11
3	Yeleswaram	302.70	352.20	435.70	459.17	387.44	0.19
4	Gollaprolu	388.10	430.40	469.90	508.04	449.11	0.11
5	Mumidivaram	246.70	517.50	507.10	455.65	431.74	0.29
6	Akividu	345.20	178.40	635.90	522.37	420.47	0.48
7	Chinthalapudi	-	205.90	546.70	254.11	335.57	-
8	Vuyyuru	522.40	576.90	743.60	566.59	602.37	0.16
9	Tiruvuru	496.00	552.40	649.40	691.48	597.32	0.15
10	Gurazala	205.20	124.80	440.30	376.71	286.75	0.51
11	Dachepalli	284.50	221.80	579.30	489.23	393.71	0.43
12	Giddalur	656.30	800.30	926.70	811.51	798.70	0.14
13	Podili	-	0.00	631.90	445.91	359.27	-
14	Darsi	438.80	328.10	1346.20	994.88	776.99	0.62
15	Allur	-	0.00	340.00	84.99	141.66	-
16	Buchireddypalem	556.60	459.30	706.80	652.51	593.80	0.18
17	Madakasira	377.40	510.90	754.30	528.23	542.71	0.29
18	Penukonda	222.70	0.00	548.90	476.23	311.96	0.80
19	Gudur-KNL	255.10	337.40	409.10	356.76	339.59	0.19
20	Bethamcharla	267.20	34.90	436.90	290.47	257.37	0.65
21	Jammalamadugu	288.10	328.80	521.80	468.23	401.73	0.28
22	Yerraguntla	446.80	534.10	653.50	649.84	571.06	0.17
23	Kamalapuram	103.20	58.30	248.20	172.09	145.45	0.57
24	Tiruvuru	-	552.40	362.80	691.48	535.56	-
	<b>Average</b>	373.88	347.36	584.74	505.08	451.48	0.25

**Table 8.3.2 Per Capita Non-Tax Revenue - Nagar Panchayats (In Rs.)**

S. No.	Nagar Panchayat	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Nellimarla	106.20	112.19	237.50	127.36	145.81	0.42
2	Palakonda	448.40	554.40	501.80	496.71	500.33	0.09
3	Yeleswaram	122.20	143.30	140.10	179.53	146.28	0.16
4	Gollaprolu	240.30	305.80	261.30	229.25	259.16	0.13
5	Mumidivaram	187.10	444.20	236.40	358.27	306.49	0.38
6	Akividu	305.70	340.60	349.00	371.13	341.61	0.08
7	Chinthalapudi	-	162.60	150.00	98.42	137.01	-
8	Vuyyuru	245.90	363.30	525.70	354.36	372.31	0.31
9	Tiruvuru	313.30	375.70	352.10	452.39	373.37	0.16
10	Gurazala	80.20	89.60	354.40	257.54	195.44	0.68
11	Dachepalli	133.50	361.60	275.50	287.81	264.60	0.36
12	Giddalur	297.70	0.00	342.20	494.35	283.56	0.73
13	Podili	-	0.00	160.30	36.63	65.64	-
14	Darsi	60.40	209.20	375.10	386.70	257.85	0.60
15	Allur	-	0.00	173.20	73.39	82.20	-
16	Buchireddypalem	233.60	337.40	262.70	355.27	297.24	0.20
17	Madakasira	209.70	469.10	327.90	323.01	332.43	0.32
18	Penukonda	281.80	0.00	354.70	476.70	278.30	0.73
19	Gudur-KNL	213.30	261.30	283.40	238.89	249.22	0.12
20	Bethamcharla	265.90	347.10	69.95	268.65	237.90	0.50
21	Jammalamadugu	380.70	611.70	428.90	475.96	474.31	0.21
22	Yerraguntla	244.40	272.30	391.30	322.16	307.54	0.21
23	Kamalapuram	139.30	85.60	80.00	123.84	107.18	0.27
24	B.Kottakota	-	159.30	216.40	230.07	201.92	-
	<b>Average</b>	225.48	250.26	285.41	292.43	259.07	0.12

**Table 8.3.3 Per Capita Own Revenue - Nagar Panchayats (In Rs.)**

S. No.	Nagar Panchayat	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Nellimarla	477.50	471.19	656.00	602.81	551.88	0.17
2	Palakonda	1151.70	1427.30	1222.10	1196.66	1249.44	0.10
3	Yeleswaram	424.90	495.50	575.80	638.70	533.72	0.17
4	Gollaprolu	628.40	736.20	731.20	737.29	708.27	0.08
5	Mumidivaram	433.80	961.70	743.50	813.92	738.23	0.30
6	Akividu	650.90	519.00	984.90	893.50	762.07	0.28
7	Chinthalapudi	-	368.50	696.70	352.53	472.58	-
8	Vuyyuru	768.40	940.20	1269.30	920.95	974.71	0.22
9	Tiruvuru	809.30	928.10	1001.50	1143.86	970.69	0.14
10	Gurazala	285.40	214.40	794.70	634.25	482.19	0.58
11	Dachepalli	418.00	583.40	854.80	777.04	658.31	0.30
12	Giddalur	954.00	800.30	1268.90	1305.86	1082.27	0.23
13	Podili	-	0.00	792.20	482.55	424.92	-
14	Darsi	499.20	537.30	1721.30	1381.58	1034.84	0.59
15	Allur	-	0.00	513.20	158.38	223.86	-
16	Buchireddypalem	790.20	796.70	969.50	1007.78	891.04	0.13
17	Madakasira	587.10	980.00	1082.20	851.24	875.13	0.24
18	Penukonda	504.50	0.00	903.60	952.93	590.26	0.75
19	Gudur-KNL	468.40	598.70	692.50	595.64	588.81	0.16
20	Bethamcharla	533.10	382.00	506.85	559.12	495.27	0.16
21	Jammalamadugu	668.80	940.50	950.70	944.19	876.05	0.16
22	Yerraguntla	691.20	806.40	1044.80	972.00	878.60	0.18
23	Kamalapuram	242.50	143.90	328.20	295.92	252.63	0.32
24	B.Kottakota	-	282.40	579.20	987.98	616.53	-
	<b>Average</b>	599.37	579.74	870.15	800.28	705.51	0.21

**Table 8.3.4 Per Capita Revenue Expenditure Nagar Panchayats (In Rs.)**

S. No.	Nagar Panchayat	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Nellimarla	465.48	683.14	758.52	682.35	647.37	0.20
2	Palakonda	1442.17	2237.18	1307.55	1080.73	1516.91	0.33
3	Yeleswaram	466.24	693.34	895.24	474.94	632.44	0.32
4	Gollaprolu	1008.00	1237.96	1111.09	1061.59	1104.66	0.09
5	Mumidivaram	725.46	1374.60	285.43	1040.58	856.52	0.54
6	Akividu	830.59	897.69	608.63	1121.68	864.65	0.24
7	Chinthalapudi	-	535.12	958.43	684.09	725.88	-
8	Vuyyuru	1017.38	2349.82	704.58	1147.21	1304.75	0.55
9	Tiruvuru	1042.05	1130.78	5993.62	622.22	2197.17	1.16
10	Gurazala	446.77	82.36	780.37	973.08	570.65	0.69
11	Dachepalli	528.81	438.37	1531.16	1220.99	929.83	0.57
12	Giddalur	172.53	1014.23	2010.54	1396.16	1148.36	0.67
13	Podili	-	0.00	25.99	627.86	217.95	-
14	Darsi	502.90	176.76	685.12	1033.02	599.45	0.60
15	Allur	-	0.00	313.14	272.05	195.06	-
16	Buchireddypalem	808.15	865.75	941.41	1438.61	1013.48	0.28
17	Madakasira	528.47	245.53	138.09	957.88	467.49	0.78
18	Penukonda	213.13	0.00	55.51	732.89	250.38	1.33
19	Gudur-KNL	682.67	170.23	105.52	681.14	409.89	0.77
20	Bethamcharla	-	551.98	1183.09	1121.58	952.22	-
21	Jammalamadugu	826.50	1016.97	717.44	1168.49	932.35	0.21
22	Yerraguntla	1094.83	2253.64	1361.33	903.70	1403.37	0.43
23	Kamalapuram	269.91	548.25	374.74	433.04	406.49	0.29
24	B.Kottakota	-	347.67	516.80	682.53	515.66	-
	<b>Average</b>	688.00	785.47	973.47	898.27	827.62	0.15

**Table 8.3.5 Per Capita Capital Expenditure Nagar Panchayats (In Rs.)**

S. No.	Nagar Panchayat	2020-21	2021-22	2022-23	2023-24	Average	Coefficient of Variation
1	Nellimarla	0.00	3.83	777.90	279.93	265.42	1.38
2	Palakonda	292.32	638.41	1017.97	777.64	681.59	0.44
3	Yeleswaram	34.10	273.75	2273.44	472.73	763.50	1.34
4	Gollaprolu	369.15	696.84	2541.29	1402.23	1252.38	0.77
5	Mumidivaram	1710.23	3525.93	759.56	1251.82	1811.89	0.67
6	Akividu	105.05	93.73	195.92	458.07	213.19	0.80
7	Chinthalapudi	-	0.00	104.33	29.21	44.52	-
8	Vuyyuru	286.92	776.66	564.98	1143.67	693.06	0.52
9	Tiruvuru	332.78	2447.16	1001.24	255.26	1009.11	1.01
10	Gurazala	152.73	0.00	497.79	1336.88	496.85	1.20
11	Dachepalli	17.41	112.35	352.75	1007.87	372.59	1.20
12	Giddalur	2349.10	3270.16	582.31	1652.20	1963.44	0.58
13	Podili	-	0.00	91.65	222.01	104.55	-
14	Darsi	196.33	934.02	695.48	404.66	557.62	0.58
15	Allur	-	0.00	0.00	117.84	39.28	-
16	Buchireddypalem	244.99	218.83	162.22	678.54	326.14	0.73
17	Madakasira	169.35	63.36	250.98	193.35	169.26	0.46
18	Penukonda	0.00	0.00	81.11	283.32	91.11	1.47
19	Gudur-KNL	61.92	0.00	1306.69	198.88	391.87	1.57
20	Bethamcharla	190.28	1951.82	320.25	1442.61	976.24	-
21	Jammalamadugu	911.11	1344.55	848.35	707.83	952.96	0.29
22	Yerraguntla	827.13	829.10	688.74	918.59	815.89	0.12
23	Kamalapuram	0.00	0.00	0.00	207.75	51.94	2.00
24	B.Kottakota	-	0.00	581.41	812.62	464.68	-
	<b>Average</b>	412.55	715.85	654.01	677.31	604.55	0.23

**Appendix 8.3**

**Table 8.4.1 Outstanding Debt Position of the ULBs as on 31st March, 2024 under APURMSP (Rs. in lakhs)**

Sl. No.	Source of Borrowing	Name of the ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
1	APURMSP	Adoni-1		88.64	98.11	186.75
2		Adoni -2		70.74	78.75	149.50
3		Amadalavalasa		0.36	0.20	0.56
4		Anantapur		50.00	60.00	110.00
5		Bapatla		119.56	142.42	261.98
6		Bheemunipatnam		12.93	16.50	29.43
7		Chilakaluripet		179.99	211.89	391.87
8		Chirala		113.00	135.19	248.19
9		Eluru		444.90	448.27	893.17
10		Gudivada		19.02	10.27	29.29
11		Guntakal		70.00	72.23	142.23
12		Guntur		31.66	37.89	69.55
13		Hindupur		18.00	24.31	42.31
14		Ichapuram		16.28	19.51	35.79
15		Jaggiahpet		25.59	13.76	39.35
16		Kakinada		28.53	25.87	54.40
17		Kandukur		30.40	36.37	66.77
18		Madanapalle		60.00	81.05	141.05
19		Mangalagiri		61.59	72.77	134.36
20		Markapur		134.00	172.33	306.33
21		Nellore		400.00	513.10	913.10
22		Nidadavole		153.10	182.31	335.41
23	APURMSP	Ongole		140.00	179.35	319.35
24		Palacole		150.14	154.94	305.08

Sl. No.	Source of Borrowing	Name of the ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
25		Palasa Kasibugga		167.17	203.37	370.54
26		Pitapuram		48.24	45.95	94.19
27		Punganur		30.66	24.77	55.43
28		Salur		73.86	92.85	166.71
29		Sattenapalli		113.86	129.97	243.83
30		Srikalahasti		22.62	27.91	50.53
31		Tadepalligudem		229.82	267.20	497.03
32		Tadipatri-1		118.00	151.43	269.43
33		Tadipatri-2		50.00	63.79	113.79
34		Tanuku		137.93	160.26	298.19
35		Tenali		199.59	101.24	300.83
36		Vijayawada		134.00	178.50	312.50
37		Yemmiganur		109.55	116.36	225.92
		<b>Total</b>		<b>3853.73</b>	<b>4350.99</b>	<b>8204.74</b>

**Table 8.4.2 Outstanding Debt Position of the ULBs as on 31st March, 2024 under APMDP (Rs, in lakhs)**

Sl. No.	Source of Borrowing	Name of the ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
1	APMDP	Kakinada	3241.92	432.26	1520.23	1952.49
2		Guntur	6693.68	1561.86	3695.71	5257.56
3		Markapur	532.19	124.18	323.68	447.86
4		Vizianagaram	997.33	99.73	391.80	491.53
5		Badvel	1578.94	473.68	957.52	1431.21
6		Ananthapur	2551.21	425.20	1199.33	1624.53
		<b>Total</b>	<b>15595.27</b>	<b>3116.91</b>	<b>8088.27</b>	<b>11205.18</b>

**Table 8.4.3 Outstanding Debt Position of the ULBs as on 31st March, 2024 under UIG & UIDSSMT (Rs, in lakhs)**

Sl. No.	Source of Borrowing	Name of ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
<b>UIG</b>						
1	<b>JnNURM</b>	GVMC	23195.83	12665.77	18521.02	31186.79
2		VMC	3145.93	1837.00	2865.29	4702.29
3		VGTMUDA	835.89	292.33	479.98	772.32
4		Mangalagiri	333.20	203.64	263.78	467.42
5		Tirupathi	375.23	111.36	201.38	312.74
		<b>Total</b>	<b>27886.08</b>	<b>15110.1</b>	<b>22331.45</b>	<b>37441.56</b>
<b>UIDSSMT</b>						
1	<b>JnNURM</b>	Adoni	93.64	45.18	77.82	123.00
2		Anantapur	1170.00	516.36	1170.00	1686.36
3		Anakapalli	464.38	263.74	343.98	607.72
4		Baptla	837.08	531.49	715.01	1246.50
5		Bheemunipatnam	191.52	128.04	183.54	311.58
6		Chirala	660.40	417.40	628.81	1046.21
7		Dharmavaram	1070.10	666.71	958.63	1625.34
8		Dhone	804.52	402.32	708.10	1110.42
9		Eluru	1034.30	666.24	861.92	1528.16
10		Gudur	1126.02	693.64	1032.19	1725.82
11		Guntakal	168.60	107.39	140.50	247.89
12		Hindupur	230.18	124.15	200.44	324.59
13		Jammalamadugu	0.00	0.00	0.00	0.00
14		Kadapa	884.70	578.00	829.41	1407.41
15		Kadiri	818.28	545.83	818.28	1364.11
16		Kandukur	820.80	498.15	820.80	1318.95
17	<b>JnNURM</b>	Kavali	336.27	145.30	300.09	445.39
18		Kurnool	595.62	120.13	429.19	549.32

Sl. No.	Source of Borrowing	Name of ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
19		Macherla	16.38	4.30	16.38	20.68
20		Mangalagiri	20.80	14.13	19.50	33.63
21		Markapur	604.80	404.15	604.80	1008.95
22		Nagari	646.67	386.53	558.97	945.50
23		Nandyal	27.21	6.16	24.26	30.42
24		Narasaraopet	475.38	289.77	464.80	754.58
25		Nuzividu	690.60	430.44	517.95	948.39
26		Ongole	279.72	171.20	279.72	450.92
27		Palamaneru	493.03	307.75	431.40	739.15
28		Piduguralla	310.90	201.80	291.47	493.27
29		Pithapuram	348.00	143.44	108.75	252.19
30		Ponnur	223.60	147.32	209.63	356.94
31		Proddatur	302.40	183.28	302.40	485.68
32		Pulivendula	557.29	337.52	557.29	894.81
33		Punganur	494.06	175.47	422.01	597.48
34		Puttur	702.60	422.55	629.41	1051.96
35		Rajampet	614.20	388.74	537.43	926.16
36		Ramachandrapuram	209.20	61.14	133.58	194.73
37		Rayachoti	572.60	374.58	501.03	875.60
38		Rayadurg	763.02	432.67	715.28	1147.95
39		Sattenapalli	224.60	131.70	191.52	323.22
40		Srikakulam	376.56	206.48	360.08	566.56
41		Srikalahasti	338.62	189.55	294.98	484.53
42	JnNURM	Tadipatri	1393.20	879.45	1393.20	2272.65
43		Tenali	1455.30	492.19	1110.55	1602.74
44		Tanuku	156.23	66.29	113.92	180.21
45		Venkatagiri	1253.24	663.51	968.37	1631.88

Sl. No.	Source of Borrowing	Name of ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
46		Vinukonda	172.80	112.46	158.40	270.86
47		Yemmiganur	470.40	224.53	360.23	584.76
			25499.82	14299.17	22496.00	36795.17
<b>AP Projects</b>						
1	<b>JnNURM</b>	Baptla	263.80	161.55	208.84	370.39
2		Kadapa	263.10	175.85	230.21	406.06
3		Mandapeta	69.22	10.74	0.00	10.74
4		Narasaraopet	50.00	31.33	34.38	65.70
5		Proddatur	59.46	39.75	52.03	91.78
6		Vizianagaram	101.24	62.93	71.71	134.63
			<b>Total</b>	<b>806.82</b>	<b>482.15</b>	<b>597.17</b>

**Table 8.4.4 Outstanding Debt Position of the ULBs as on 31st March, 2024 under AMRUT (Rs. in lakhs)**

S. No.	Source of Borrowing	Name of the ULB	Total Debt	Outstanding Debt as on 31.03.2024		
				Interest	Principal	Total
1	Punjab National Bank	Srikakulam	385.93	4.85	49.04	53.89
2		Machilipatnam	2213.00	42.59	42.57	85.16
3		Gudivada	1049.00	0.01	0.00	0.01
4		Chilakaluripeta	1857.32	0.01	352.44	352.45
5		Ongole	6235.27	501.38	536.88	1038.26
6		Kavali	2529.64	203.74	228.12	431.86
7		Chittoor	9033.21	674.59	868.53	1543.12
8		Proddatur	5776.98	0.03	0.00	0.03
9		Tadipatri	2534.00	0.01	0.00	0.01
10		Hindupur	4486.00	366.23	373.88	740.11
11		Dharmavaram	0.00	0.00	0.00	0.00
12		Nandyala	5597.08	325.83	362.16	687.99
13		Kurnool	5574.91	0.03	0.00	0.03
		<b>TOTAL</b>	<b>47272.34</b>	<b>2119.31</b>	<b>2813.62</b>	<b>4932.93</b>

#### Appendix 8.4

**Table 8.5 Collection of Water charges as % of O & M Charges (Average from 2019-20 to 2023-24) (Rs. in lakhs)**

S. No.	Category of Municipality	Water Charges Collection	Operations & Maintains of Water Supply Services (O&M Charges)	Water charges collected as % of O & M charges
1	GR1	1974.09	3908.63	50.51%
2	GR2	862.21	2933.97	29.39%
3	GR3	34.78	119.09	29.20%
4	SPL	1086.31	2701.31	40.21%
5	SLC	1625.03	2990.86	54.33%
6	MC	17970.54	27633.07	65.03%
	<b>Total</b>	<b>23552.96</b>	<b>40286.93</b>	<b>58.46%</b>

Appendix 8.5

Table 8.6 MC Water Charges Analysis Last Five Years (Rs. in lakhs)

S.No	Name of The Municipality / Corporation	Water Charges Collection	Operations & Maintains of Water Supply Services	Maintains/ Water Charges	Receipts From Sale of Water	Receipts From Sale of Water Through Tanker	All Water Charges (3+6+7)	Maintains/ All Water Charges	Water Supply Donation	Total (8+10)
1	2	3	4	5	6	7	8	9	10	11
1	Srikakulam	116.28	280.36	42.00	6.01	0.11	124.02	44.00	9.13	133.15
2	Vizianagaram	141.29	748.98	19.00	0.69	2.81	143.20	19.00	25.30	168.50
3	Gvmc	6272.59	10963.40	62.00	12301.89	105.58	18574.49	<b>*70.00</b>	0.00	18574.49
4	Rajamahenravaram	835.68	1326.45	63.00	1.57	1.74	838.05	63.00	45.12	883.17
5	Kakinada	<b>795.27</b>	<b>491.73</b>	<b>*61.00</b>	0.00	1.22	796.09	<b>*61.00</b>	52.38	848.47
6	Eluru	356.27	775.06	46.00	0.75	0.02	378.87	46.00	6.76	385.63
7	Machilipatnam	<b>1561.90</b>	<b>1270.74</b>	<b>*22.00</b>	0.15	0.81	1562.05	<b>*22.00</b>	159.33	1721.38
8	Vijayawada	<b>2733.91</b>	<b>1518.53</b>	<b>*80.00</b>	0.66	0.81	2740.09	<b>*80.00</b>	72.40	2812.49
9	Guntur	1356.54	2809.24	48.00	27.82	21.85	1386.74	50.00	247.42	1634.16
10	Mangalagiri Tadepalli Municipal Corporation	206.49	222.48	93.00	0.00	0.00	209.27	93.00	73.30	282.57
11	Ongole	<b>293.52</b>	<b>270.76</b>	<b>*8.00</b>	<b>13.14</b>	<b>5.52</b>	308.67	<b>*15.00</b>	5.26	313.92
12	Nellore	665.54	1034.47	64.00	125.88	2.38	792.21	67.00	65.59	857.80

S.No	Name of The Municipality / Corporation	Water Charges Collection	Operations & Maintains of Water Supply Services	Maintains/ Water Charges	Receipts From Sale of Water	Receipts From Sale of Water Through Tanker	All Water Charges (3+6+7)	Maintains/ All Water Charges	Water Supply Donation	Total (8+10)
13	Ananthapuram	404.84	535.72	76.00	13.04	2.78	417.94	78.00	31.61	449.54
14	Kurnool	722.54	1192.27	61.00	43.76	2.01	766.62	64.00	114.95	881.57
15	Kadapa	796.47	1581.84	50.00	0.71	0.79	945.98	50.00	95.64	1041.62
16	Chittoor	294.65	498.18	59.00	0.67	0.05	295.32	59.00	37.99	333.31
17	Tirupathi	416.76	2112.83	20.00	316.05	0.32	732.81	35.00	315.14	1047.95
	<b>Total</b>	<b>17970.54</b>	<b>27633.07</b>	<b>65.03</b>	<b>12852.78</b>	<b>148.80</b>	<b>31012.42</b>	<b>112.23</b>	<b>1357.31</b>	<b>32369.73</b>

Note: The above \* Symbol finger Percentage has MC collected more than 100%

## Appendix 8.6

### The Formula for Distribution of Funds among Urban Local Bodies

Of the total funds recommended for devolution to ULBs, the Commission suggests the following criteria or weightage for the distribution of funds among the Municipal Corporations, Municipalities, and Nagar Panchayats.

- 1. Total Urban Population: 70%:** This criterion is crucial as it reflects the number of people the urban local bodies serve. A higher population indicates a greater demand for services, infrastructure and resources.
- 2. Geographical Area: 20%:** This criterion is important as it considers the spatial needs of the urban local bodies. A larger geographical area may require more resources for infrastructure development, maintenance and service delivery.
- 3. Inverse of Own Source Revenue: 10%:** This criterion helps to provide equity in the distribution of funds.

**The population of ULBs as per the 2011 census is as follows:**

1. Municipal Corporations: 81,66,364
  2. Municipalities: 59,81,611
  3. Nagar Panchayats: 7,54,722
- Total Population: 1,49,02,697**

#### Population Ratios

1. Municipal Corporations:  $81,66,364/1,49,02,697= 54.8\%$
2. Municipalities:  $59,81,611/1,49,02,697= 40.1\%$
3. Nagar Panchayats:  $7,54,722/1,49,02,697= 5.1\%$

#### Geographical Area

1. Municipal Corporations: 2207.16 sq. km.
  2. Municipalities: 2726.40 sq. km.
  3. Nagar Panchayats: 1076.24 sq. km.
- Total Area: 6009.8 sq. km.**

### Geographical Area Ratios

1. Municipal Corporations:  $2207.16/6009.8= 36.7\%$
2. Municipalities:  $2726.40/6009.8= 45.4\%$
3. Nagar Panchayats:  $1076.24/6009.8= 17.9\%$

### Per Capita Own Source Revenue (Average from 2020-21 to 2023-24)

1. Municipal Corporations: ₹ 2095
2. Municipalities: ₹ 1196
3. Nagar Panchayats: ₹ 706

### Inverse of Per Capita Own Source Revenue

1. Municipal Corporations:  $1/2095= 0.000477$
2. Municipalities:  $1/1196= 0.000836$
3. Nagar Panchayats:  $1/706= 0.001416$

**Total= 0.002730**

### Inverse of Per Capita Own Source Revenue Ratios

1. Municipal Corporations:  $0.000477/ 0.002730= 17.5\%$
2. Municipalities:  $0.000836/ 0.002730= 30.6\%$
3. Nagar Panchayats:  $0.001416/ 0.002730= 51.9\%$

### Calculating the share of ULBs in the Total Funds Devolved

Variables	Weights
Population	70%
Area	20%
Inverse of Own Source Revenue	10%

Ratios	MC	MP	NP
Population Ratio	54.8%	40.1%	5.1%
Geographical Area Ratio	36.7%	45.4%	17.9%
Ratio of Inverse of Per Capita Own Source Revenue	17.5%	30.6%	51.9%

<b>Share in the Total Funds devolved</b>		
1	<b>MC</b>	<b>47%</b>
2	<b>MP</b>	<b>41%</b>
3	<b>NP</b>	<b>12%</b>
	<b>Total</b>	<b>100.00%</b>

**Working of the Share in the Total Funds Devolved:**

Municipal Corporations -  $70\% \times 54.8\% + 20\% \times 36.7\% + 10\% \times 17.5\% = 47\%$

Municipalities -  $70\% \times 40.1\% + 20\% \times 45.4\% + 10\% \times 30.6\% = 41\%$

Nagar Panchayats -  $70\% \times 5.1\% + 20\% \times 17.9\% + 10\% \times 51.9\% = 12\%$

**CHAPTER - IX**

**Appendix 9.1**

**Discrepancies in Manual Accounts & Computer Generated Accounts in PRIs**

**Zilla Praja Parishad (ZPP) Guntur for 2023-24**

<b>Description</b>	<b>OB as on 1-4-2023</b>	<b>Receipts</b>	<b>Expenditure</b>	<b>CB as on 31-3-2024 (in Rs)</b>
<b>As per Manually Prepared Account</b>	12,31,10,664 (Bank)	66,60,04,788 (Part-I)	51,66,80,835 (Part-I)	<b>31,50,83,422 (Bank)</b>
	449,93,29,712 (Treasury)	107,21,04,811 (Part-II)	99,13,32,879 (Part-II)	<b>453,74,52,859 (Treasury)</b>
	<b>462,24,40,376</b>	<b>173,81,09,599</b>	<b>150,80,13,714</b>	<b>485,25,36,281</b>
<b>e-Gram SWARAJ Account</b>	10,07,23,281.13 (Bank)	56,94,47,853 (part-I)	39,84,23,721 (Part-I)	29,87,57,074.13 (Bank)
	73,06,58,217.60 (Treasury)	1,65,880 (Part-II)	0.00 (Part-II)	70,38,14,436.60 (Treasury)
	<b>83,13,81,498</b>	<b>56,96,13,733</b>	<b>39,84,23,721</b>	<b>100,25,71,511</b>
<b>Variation</b>	<b>379,10,58,878</b>	<b>155,38,71,900</b>	<b>110,95,89,993</b>	<b>384,99,64,771</b>

**Mandal Praja Parishad (MPP) Guntur for 2022-23**

<b>Description</b>	<b>OB as on 1-4-2022</b>	<b>Receipts</b>	<b>Expenditure</b>	<b>CB (in Rs) as on 31-3-2023</b>
As per Receipts & Payments	2,12,91,204	93,56,967	91,39,758	2,15,08,413
As per e-GramSWARAJ	1,91,09,071	80,49,954	81,49,729	1,90,09,296
<b>Variation</b>	<b>21,82,133</b>	<b>13,07,013</b>	<b>9,90,029</b>	<b>24,99,117</b>

**Challvaripalem GP -District Guntur for 2020-21:**

<b>Description</b>	<b>OB</b>	<b>Receipts</b>	<b>Expenditure</b>	<b>CB (in Rs)</b>
As per Receipts & Payments statement	84,16,313	95,63,331	1,37,67,371	23,10,868 (Bank) 19,01,405 (Treasury)
As per e-GramSWARAJ	0.97(Cash) 0.00 (Bank) 1,08,47,502.45 (Treasury)	97,36,061	1,62,50,969	0.97 (cash) 0.00 (Bank) 43,32,594.45 (Treasury)
<b>Variation</b>	<b>24,31,189</b>	<b>1,72,730</b>	<b>24,83,598</b>	<b>1,20,321</b>

Source: Accounts of PRIs

**Misclassification of Transactions in e-GramSwaraj:** on verification of following e-GramSwaraj Accounts, misclassifications in transactions are noticed as follows,

**Zilla Praja Parishad Guntur – 2023-24**

- a) A sum of Rs 9,90,07,066 to be booked under Capital Expenditure is booked to Revenue Account: 2515-101-23.
- b) The pensionary benefits of Rs 3,45,01,501 to be booked to 2071 Pensions is booked to Salary Expenditure of 2515-101-04.
- c) A capital expenditure of Rs 19,33, 637 instead booking under relevant minor and sub head is booked under 5054-101-80 Other Expenditure.

**Mandal Praja Parishad Guntur (R ) – 2022-23**

- l) A sum of Rs74,46,519 pertaining to OSR and the Government grant instead of booking under relevant receipt head is booked to Non-Tax Revenue receipt :0512-102 Panchayati Samiti.
- m) A sum of Rs74,46,519 pertaining to expenditure instead of booking under relevant capital head is booked to Revenue head 2515-102 Panchayati Samiti.

**Gram Panchayat Challavari Palem – Guntur 2023-24**

- a) A sum of Rs1,71,491 pertaining to OSR and the Government grant instead of booking under relevant receipt head is booked to Non-Tax Revenue receipt :0515-103 Gram Panchayat.
- b) A sum of Rs1,10,32,290 pertaining to expenditure instead of booking under relevant capital head is booked to Revenue head 2515-103 Gram panchayat.

## Appendix 9.2A

**Reply from the Director, State Audit, GoAP on maintaining accounts of PRIs in Model Accounting System is as follows;**

### GOVERNMENT OF ANDHRA PRADESH STATE AUDIT DEPARTMENT

**From**  
The Director,  
State Audit  
Nidhi Bhavan  
Mangalagiri, A.P.

**To**  
The Member Secretary,  
5<sup>th</sup> State Finance Commission,  
Velagapudi,  
Amaravathi, Vijayawada

**Lr. Roc.No. / G/2024-25, Dt: 30-10-2024**

**Madam,**

**Sub:** Audit – State Audit Department – 5<sup>th</sup> State Finance Commission of A.P – Furnishing of information in respect of Accounts and Audit matters of PRIs and ULBs – Information furnished- Reg  
**Ref:** Your Letter dtd 21/10/2024

With reference to the letter cited, the opinion of the State Audit Dept on the points noted by the Member Secretary of 5<sup>th</sup> State Finance Commission of AP is furnished herewith for taking necessary action.

#### **1. Maintenance of Accounts by PRIs**

The Eleventh Finance Commission in order to strengthen the accountability framework of the PRIs had requested the Comptroller and Accountant General of India (C&AG) to prescribe the accounts formats for local bodies. Accordingly, C&AG has devised a New System of Accounting in 2005 to reflect the wide range of functions performed by the Panchayats as in the case of Government Accounts and orders were issued for adaption of Budget and Annual Accounts in the prescribed proforma by all the Zilla Parishads/ Mandal Parishads/ Gram Panchayats in the State under New Accounting System in G.O.Ms.No.172, PR&RD (Accts-I) Dept. Dated 16-05-2005

Subsequently, the Ministry of Panchayat Raj, Government of India has constituted a Technical Committee on budget and accounting standards for PRIs, for further simplification of the Panchayat Raj Accounts and the accounting process. The Secretary, Panchayat Raj Government of Andhra Pradesh was also a member of this committee. This Technical Committee has developed a Model Accounting System for the PRIs, which is a system of simplified cash-based accounting with a provision to shift to accrual accounting. The Ministry of Panchayat Raj in the reference 5th cited has requested the States to switch over to the Model Accounting System from 01-04-2010.

The Guidelines for maintenance of accounts under Model Accounting System are appended in G.O. Ms. No.324 PR & RD (Accounts-I) Dept., Dt. 09.09.2010. Observance of the relevant guidelines in the PRIs is discussed point wise below from the audit point of view.

**Accounting Procedure:**

i. The Accounts are to be prepared on Cash Basis i.e., transaction is only recorded when cash is received or paid.

*Accounts are being prepared in single entry cash-based system.*

ii. Period of Accounts is the financial year starting from April 1st of present Year to March 31st of next Year.

*Accounting year is 1<sup>st</sup> April to succeeding 31<sup>st</sup> March.*

iii. Daily transactions shall be recorded in Cash Book. The Receipts shall be recorded on receipts side and payments on payment side. Every day, the Cash Book shall be closed and Closing Balance worked out would then form the Opening Balance for next day. Classification/Head of Account for each transaction shall be clearly mentioned.

*Remarks: Daily closing of cash book is not being followed in majority of the institutions especially in GPs. Further classification / HoA for each transaction is certainly not being mentioned in the cash book maintained in physical format and is being done with lot of misclassifications in online environment.*

*Transactions of XV FC only are being recorded promptly in cash book due to mapping with PFMS module. When erstwhile west Godavari District is considered, none of the GPs in as many as five Mandals have recorded their transactions under OWN FUNDS. In Pedavegi Mandal only one out of 30 GPs has recorded a transaction and that too a single transaction. In Velairpad Mandal also, only one out of nine GPs has recorded transactions under OWN FUNDS. So the Annual Receipts and Payments Accounts (Format-1) in such cases reflect only XV FC accounts.*

*In most cases, the transactions under various sub-heads are being recorded under 0081-Central Finance Commission Grant 80-Other Expenditure.*

*Eg: 2215 – Water Supply and Sanitation*

*101- Maintenance of Water Supply line*

*0081- Central Finance Commission Grant*

*80-Other Expenditure*

*2801-Rural Electrification*

*103-Maintenance of Street light*

*0081- Central Finance Commission Grant*

*80-Other Expenditure*

*There is variation between manual cashbooks maintained by the GP vis-à-vis eGramswaraj cashbook. While in XV FC, the bank interests don't reflect in eGramswaraj, in Own Funds where they are maintained, there is a huge variation in O.B, Receipts & payments (including the dates) and C.B.*

iv. Every day the details of transactions as recorded in the Cash Book should be transferred to either "Register of Receipts" if the transaction is Receipts or to "Register of Payments" if it is payment under the respective Heads of Account.

*Two more registers viz., Register of Receipts and register of Payments are not being maintained.*

v. At the end of the month, the Bank reconciliation and treasury reconciliation should be completed and it should be ensured that all differences between Cash Book, Bank and Treasury balances are rectified. If any differences are noticed, the corrections should be made then and there in the Registers of "Receipts" and "Payments" separately.

*Reconciliation is not being done on a regular basis in majority of the institutions and no attempt is being made to wipe off the transactions involved in reconciliation for years together.*

vi. At the end of the month, totals in Register of Receipts and Register of Payments shall be struck. This would give the total expenditure under each Head of Account for the month. Where PRIs and Bank/Treasury are computerized, online Reconciliation with Bank/Treasury shall be followed.

*No such reconciliation was being done as stated by the Executive authorities.*

vii. At the end of each month, the totals of Receipts and Payments (up to object head level) are to be posted to the Monthly Receipts and Payment Account.

*The Receipts and Payments are being posted only at the end of the year and as such monthly accounts are not being maintained.*

viii. The monthly figure is added to previous months progressive total and the figures upto the end of the current month can be worked out in the Consolidated Abstract.

*Monthly consolidation with progressive figures is not being done.*

ix. At the end of the year, the progressive figure to the end of March can be worked out in the Annual Receipts and Payment Account.

*The monthly progression is not being maintained.*

x. After closing of March Accounts, Reconciliation of Receipts and Expenditure figures with the Departments (online, where facility is available) should be carried out to detect any misclassification and to clear the un-classified transactions booked in the Suspense Accounts and all transactions appearing as Transfer Entries. The final progressive figure under each head be worked upto the end of March which completes the accounting process for that year.

*No such reconciliation was observed in the GPs.*

xi. Receipts and Payment account is prepared on the basis of figures in the Consolidated Abstract.  
***The Receipts and Payments Account being generated in the eGramswaraj portal do not match with the manual R&C accounts in figures HoA wise.***

xii. The Budget of PRIs for the year may be prepared by adopting the classification prescribed in the Receipts and Payment Account/List of Codes for functions, programmes and activities prescribed.

***Budget was neither being prepared nor entered in eGramswaraj and the Budget columns in Annual Receipts and Payment Accounts are reflecting zeroes.***

xiii. Refund of revenues/re-imburement of the expenditure of the current year is to be accounted as reduction of receipts/expenditure.

***No such transactions have been observed.***

xiv. Bank/Treasury Reconciliation Statements, Register of Receivables and Payables, Register of Immovable Property, Register of Inventory, Register of Demand, Collection and Balance form integral part of the Annual Accounts. Maintenance of these Registers would help in subsequent switch over to the modified accrual system of accounting.

***Registers were not updated and not being maintained inspite of raising audit observations regularly.***

#### **Transfer Entries:-**

1. Transfer Entries are proposed to rectify mis-classification of transaction in Accounts and to facilitate eventual accounting under final Heads of Account.

2. It is proposed that Transfer Entries may not be required for those tiers of PRIs where the number of transactions are less.

3. However in case of corrections noticed, it can be rectified manually by striking down the wrong entry with Red Ink and inserting the correct entry in the Cash Book as well as Register of Receipts and Payments and if required, in the Month and Annual Accounts.

4. For the mistakes noticed after closure of the monthly accounts and before closure of Annual Accounts and other mistakes if any, the rectification processes will be covered in the Training to be imparted by AMR-APARD on the Model Accounting System.

***The procedure outlined under the head of transfer entries in the said GO by GoAP is not being followed almost in all the institutions of three tiers of PRIs***

#### **Issues noticed in implementation of eGramswaraj**

- eGramswaraj has been introduced by the GoI as an update to the PRIA Soft web portal of the GoI as a unified portal integrating different modules like Planning, Tracking, Payment, Accounting and Reporting to monitor the activities of the PRIs particularly GPs.

- Only XV FC fund activities and accounts are being promptly maintained in eGramswaraj. General Fund and other funds are not being maintained in eGramswaraj though there is provision for maintenance of several schemes and funds including own funds. The reason can be attributed to the process wherein it was mandatory for the payments from XV FC funds through PFMS module and the same can be done only after raising Voucher in eGramswaraj.
- Since the payments under XV FC are related to Voucher generation in eGramswaraj and this, in turn is related to the approved activities proposed in GPD Plan, the necessary activities like Green ambassadors salaries, EESL payments for street lighting, maintenance of street lighting, PWS maintenance, CLAP Mithra salaries etc., are being entered under GPDP module and this is being monitored by the higher authorities lest the GP should default in those payments or cause a strain on the General Funds. The GPDP thus has become a nominal activity to propose activities to be spent out of the XV FC funds rather than a comprehensive plan for fulfilling the needs of the GP discussed in the Grama Sabha to be taken up under all schemes and funds including General Funds.
- Sanctioned budget figures either receipt or expenditure were not being recorded in eGramswaraj and the columns showing budget figures in Annual Account reflect blank cells.
- It has been observed that most GPs are booking bills under various Major and Minor HoAs under the object head 80-Other expenditure only instead of using the appropriate HoA. Some of the Executive authorities have stated that some HoAs have been communicated to them for frequent use pertaining to the expenditure and the same are being used.
- The Receipt Vouchers and Payment Vouchers are to be generated as and when the transaction occurs and the daybook should be closed daily. It has been observed that while the payment vouchers are being generated as and when there is a need, it is not the same with receipt vouchers. The receipt of grant is being entered at a later date using the Reverse Receipt option to record it at an earlier date as reflected in the bank account. It has also been observed that the interest earned on the lodged fund is not being recorded as receipt leaving the CB unreconciled with the actual balance in the bank.
- The Receipt vouchers and payment vouchers should be transferred to the Register of Receipts and Register of Payments respectively daily but the same is not being done daily.
- The system prompts for the previous unclosed day books and monthly accounts to be closed upto the previous month whenever new payment voucher is attempted to be generated at a later date and the same is being done instead of closing the daybooks and

monthly books promptly. As such, object head, level posting of monthly receipts and payments is not being done and the Monthly Consolidated Abstract is not updated.

- Bank reconciliation is being done at the time of closing of monthly account as and when such activity is being done even at a later date. The system allows for further activity only if, the previous month account's reconciliation is done by the PS. But, this seems to be a nominal activity as the accounts clearly have the difference of interest amounts not recorded in eGramswaraj but the accounts have been closed with reconciliation. Any reconciliation with other departments is not being done.
- The CB under XV Finance Commission grant left unspent is shown as balance under treasury balance and the same is exhibited as unspent in eGramswaraj though the same is spent through CFMS and not processed through PFMS.
- While the system provides for Refund of receipts and reimbursement of payments to be recorded in Receipts and Payments, no such transactions have been observed so far.
- Various registers and forms prescribed in Model Accounting System viz., Bank/Treasury Reconciliation Statements, Register of Receivables and Payables, Register of Immovable Property, Register of Inventory, Register of Demand, Collection and Balance would help in subsequent switch over to the modified accrual system of accounting but no such registers are being updated.
- In as many as about 895 GPs in the districts of Eluru and West Godavari in as much as about 396 GPs there were no entries in regard to own funds.
- It is observed that the transactions recorded in the PFMS result in automatic generation of accounts in eGramswaraj, which activity is limited only to XV Finance Commission Funds. But entry of transactions pertaining to Own Funds has been random and sporadic across the PRIs.
- In place of Year-wise DCB of taxes and Non taxes, a lumpsum amount of demand and collections is provided . So Audit can not arrive at Time-barred taxes.
- Separate logins to audit staff to access the accounts needs to be provided.

## **2. Certification of Audited Accounts:**

It is submitted that the process of audit commences from the receipt of annual accounts of any agency as the saying goes audit begins when accounting ends. It has been the collective experience of the State Audit Department that accounts of PRIs are not submitted to audit within the stipulated period in accordance with the provisions contained in A.P. P.R. Act 1994.

In majority of cases especially in the case of Gram Panchayats Accounts are prepared at the instance of Audit and the books of accounts are closed after the visit of audit party. Accounts are not being maintained in model accounting system by recording financial transactions in the formats prescribed thereof. The cash book maintained in the physical format is not in the format

prescribed under the model accounting system and the transactions of receipts and expenditure are not being recorded in strict compliance of the recommendations made by the successive Central Finance Commissions. Such being the scenario prevailing in majority of PRIs audit is constrained to take up and complete the audit process as per the books of accounts maintained at institutions level.

With the advent of e-Gram SWARAJ there is some improvement in maintaining the annual accounts in the online portal, however subject to the reservations / short comings mentioned above. Thus in order to complete the audit process within the stipulated time so as to enable PRIs to access Finance Commission Grants without any cuts, a statement of receipts and payments is being obtained from the authority concerned and its correctness is being checked against the entries in the books of accounts including subsidiary registers if any and the statements of receipts and expenditure as obtaining in the CFMS portal.

1. The CPR may be instructed to strict adherence to the recommendations made by the both Central / State Finance Commissions guide lines.
2. Capacity building to all the stake holders
3. Deployment of digital assistants available in village secretariats for the purpose of maintaining accounts in e-Gram Swaraj.
4. Development of necessary infrastructure and providing required manpower to the PRI bodies.
5. Periodical inspections by the inspecting authorities like EOPR&RD/ DLPO/DPO to ensure that accounts are maintained in time and in the prescribed model accounting system.

MoPR, GoI introduced “Audit Online software” where in an inbuilt feature of classifying the risk level of audit observations was enabled during the year 2023-24 and as such all in all the audit reports of PRIs for the year 2022-23 based on the risk classification audit opinion is automatically generated in the software itself. As this is going to be a permanent feature in the online application audit opinion is now being given in respect of all the PRIs.

It shall be endeavor of the audit department that annual accounts are maintained in the model accounting format and all the functionaries in the department are geared up to meet this eventuality as required training was imparted to them through AMR, APARD and other agencies from time and again and if needs be a separate capacity building programme will be organized internally or under the aegis of C&AG under TGS.

Yours faithfully,

Sd/-

Director of State Audit

## Appendix 9.2B

**Reply from the Director, State Audit, GoAP on maintaining accounts of ULBs in DEBAS and as per APMAM is as follows;**

### GOVERNMENT OF ANDHRA PRADESH STATE AUDIT DEPARTMENT

From  
The Director,  
State Audit Department, AP,  
Commission, AP  
Amaravathi.

To  
The Chairperson,  
5<sup>th</sup> State Finance  
First Floor, IT Park,  
Mangalagiri.

**Lr.No.18/G/2024 dated: 12.09.2024**

Madam,

Sub: Audit – State Audit Department – 5<sup>th</sup> State Finance Commission  
of AP – furnishing of information in respect of Accounts and Audit  
matters of PRIs and ULBs – Reg.

Ref: Your Letter dated.04.09.2024

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With reference to the subject and reference cited, the information requested in the questionnaire in respect of Accounts and Audit matters of Panchayat Raj Institutions and Urban Local Bodies is furnished herewith pointwise:

- 1. Whether accounts of Local Bodies i.e PRIs are being maintained as per the "Model Accounting System" in respect of PRIs and "Double Entry Based Accrual Accounting" in respect of ULBs? If not, how are they being maintained now?**

**Reply:**

Yes, partially.

PRIs: In respect of Zilla Parishads & Mandal Parishads, the accounts are maintained partially as per Model Accounting System. But the Registers prescribed as per the Model Accounting System issued in G.O.Ms.No.172 of PR&RD dt.16.05.2005 & G.O.Ms.No.1287 of PR&RD dt.13.09.2007 are not being maintained. In respect of Gram Panchayats, the accounts are maintained still in old Accounting system, though they are supposed to adopt the New Accounting System by 31-12-2007.

ULBS: The Double Entry based Accrual Accounting System in respect of ULBs is being Maintained without maintaining the Registers prescribed.

- 2. Please highlight the major defects noticed in audit with regard to maintenance of books of accounts in PRIs and ULBs**

**Reply:**

The following are the major defects noticed:

PRIs: In Gram Panchayats, the realization of own source of income of Taxes and Non-Taxes is the major check to be exercised during verification of Accounts. But the prescribed vital Registers viz... Demand Registers for House Tax, Tap Fee, Tap Donation Register, D&O Trades License Fee Register, Building Application Register, Lay-out Register and Sales Register for conduct of auctions of Daily Markets, Weekly Markets, Live Stock Markets, Fish Tanks, Fruit bearing Trees etc. are not being maintained to verify the correctness of the Demand arrived and Collections made and action taken to realize the Balance amount due to the Gram Panchayats. In some cases, the said Registers are maintained partially without proper certification and closure.

ULBs: i) It is mandatory to maintain all the Registers for each financial year from 1<sup>st</sup> April to 31<sup>st</sup> March of every year. In the ULBs, the prescribed Registers for all Taxes and Non-Taxes are dispensed with due to online maintenance of all receipts. But the online Registers are reflecting the consolidated Demand and collection of that particular financial year only without classification year wise. As such, in the absence of year wise data, the dues of the Time barred period could not be arrived at.

ii) In respect of approval of Building Applications, the collection of various Fees' are made through A.P.D.P.M.S (Andhra Pradesh Development Permission Management System). The accounts are being maintained at CDMA office and consolidated amount is being released in instalments without details of fees collected for each application. All Receipts pertaining to all ULBs are being received centrally and CDMA is distributing in lump sum without proper details about the amount received application wise. In that context, the correctness of the amount received by any particular ULB could not be verified.

iii) In respect of the TDRs Account (Transferable development Rights) the online or Offline records are mostly not made available to verify the correctness of the TDRs issued and its Utilization. In the absence of the verification of the said records, any loss due to excess awards than the actual eligibility while issuing TDRs and utilization thereof by the Third Party to whom the TDRs are transferred could not be checked.

**3. Whether the PRIs are using e-Gram SWARAJ to maintain their accounts?****What are the issues noticed in audit with regard to maintenance of online accounts?****Reply:**

Only few Gram Panchayats are using e-Gramswaraj partially. In e-Gramswaraj, the amounts received from the Government and the expenditure incurred through CFMS only is being reflected. The other receipt transactions relating to own sources are not being reflected in the accounts done by the Panchayats in the said software. As such, the e-Gram

Swaraj accounts are not giving true and fair picture of the finances of a particular Gram Panchayat.

- 4. Whether the fiscal database of PRIs & ULBs is being maintained at State or District level as recommended by 11<sup>th</sup> Finance Commission? If not, what are your suggestions for its update to maintenance?**

**Reply:**

All the financial transactions are abstracted into Receipt and Payments by State Audit Department and those receipts and payment details are very much available in soft and hard versions in the Department of State Audit. Concerned departments maintain fiscal Data base for PRIs & ULBs at District and State Level.

- 5. What is the status of implementation of Technical Guidance and Supervision (TGS) in the state to improve the quality of Local Body Audit?**

**Reply:**

The office of Accountant General is providing Test Audit reports on important auditable institutions for guidance and the reports are circulated among all State Audit staff for information with instructions to follow the suggestions. The suggestions made by the C&AG under TGS are being followed. They have recently offered training programmes on various subjects under TGS.

- 6. The C&AG has issued guidelines on Certification of Accounts. Please furnish the status of implementation of these guidelines in the State.**

**Reply:**

As per the guidelines issued by CAG on certification of accounts, the subordinate offices doing audit of PRIs through audit-online are instructed to follow the process while concluding Audit Report and certify accounts in any of the below mentioned categories:

1. Qualified
2. Un-Qualified
3. Disclaimer
4. Adverse.

The same will be implemented in due course in the rest of the auditable institutions.

- 7. Whether the Audit of Local bodies is being done using AUDITONLINE software? What are the challenges faced in online audit.**

**Reply:**

Yes. Since FY 2019-20, the Audit Reports of PRIs are being uploaded on Audit Online Portal of MoPR. The following challenges are faced while dealing with the audit online portal:

- i) Few ZPs were not yet mapped in Audit Online Portal due to reorganization of districts.

- ii) Lack of adequate of infrastructure such as Lap-tops, and Desk tops and internet accessibility in certain rural and remote areas to generate and upload reports instantly.
- iii) Inadequate server capacity due to heavy pressure at busy times and much time is being wasted in uploading the reports on time.
- iv) Technical extension know-how is required for the staff of both Audit & Auditee institutions.
- v) The staff of PRIs are supposed to respond to entry and exit conferences duly updating the replies to the provisional audit observations. But they are not responding with proper replies with documentary evidences to go further i.e., to drop or to convert the observation into objection. As a consequence, the observations are inevitably converted in to objections.

**8. Are the audits of PRIs & ULBs upto date? If not, Please furnish reasons for delay in completion of audit and issue of reports.**

**Reply:**

Yes, Audits of PRIs and ULBs are done up to 2022-2023 and Audit for the FY 2023-2024 is under progress. The audits are conducted as per the approved action plan and all the reports are issued and uploaded in Audit-Online portal in respect of PRIs by 31.03.2024 and in City Finance Portal by 15.05.2024 within the due date fixed.

**9. Period up to which the consolidated Audit Reports of PRI & ULBs has been issued and submitted to Government for placing before Legislature.**

**Reply:**

- i. Consolidated Audit Report of PRI & ULBs has been issued and placed in the Legislature up to 2020-2021.
- ii. The consolidated Audit and Review Report (CARR) for the year 2021-22 is prepared and ready for printing to place in Legislature in the forthcoming sessions.
- iii. The CARR for the year 2022-23 is under process and will be submitted shortly.

**10. What is the pendency in disposal of Audit Objections in PRIs & ULBs? What measures are taken by the department for follow up action on the audit observations?**

**Reply:**

The pendency in disposal of settlement of Audit objections in all the major institutions (as on 31-07-2024) is as follows:

Name of the Local Body	No of Objections	Amount involved in (in Lakhs)
Gram Panchayats	4039530	297090.35
Mandal Parishads	191677	77496.70
Zilla Parishads	47775	280091.33
Municipalities	69802	231116.00
Municipal Corporations	52150	2208584.85
Nagar Panchayats	4460	3976.73

Audit Objections are being settled on submission of suitable replies by the Auditee Institutions. Relatively, Half Margins are issued for settlement of pending audit objections and Special Drives were conducted for quick redressal of settlements to ease out the process.

Further, the audit objections are pending for settlement from the year 1970 involving crores of rupees. It has become very difficult for the department to initiate action against the persons responsible for the said objections by following the due procedure as per the rules due to the fact that most of them have either retired from service or died and whereabouts are not readily available. A letter was already addressed to the Accountant General, Andhra Pradesh for guidance under TGS for solution practiced by A.G for Government Departments.

The Department is taking all possible steps on follow-up action by issuing instructions to the District Audit Officers and Regional Deputy Directors for expediting the settlement of audit objections. But the results are not so satisfactory and tangible effect could not be achieved as the Executive Authorities of PRIs i.e Panchayat Secretaries, Mandal Parishad Development Officers, Chief Executive Officers and Municipal Commissioners in case of ULBS are not coming forward with proper replies with supporting documentary evidences to admit the audit objections.

As far as Agricultural Market Committees are concerned, the settlement of audit objections is being done continuously as the department focusses on the issue by reviewing periodically. The same process may be followed by PR & RD and MA&UD departments.

**11. What is the position of Surcharge certificates issued against the Executive officers of local bodies year wise? What measures are taken for expeditious disposal of appeals and recovery of amounts?**

**Reply:**

Name of the Local Body	No of S.Cs pending	Amount involved in Lakhs
Gram Panchayats	10120	2278.42
Mandal Parishads	106	39.25
Zilla Parishads	102	4.09

No appeals are pending disposal in this department.

The responsibility and power of recovery of surcharge amounts lies with the concerned executive authorities. But the response in respect of recoveries is decimal from the concerned Executive Authorities. Proposals were already submitted to Government requesting orders on effective and continuous follow-up action on recovery of Surcharge amounts. In the said proposals, it was proposed for stoppage of increments and other disciplinary actions on the concerned authorities with whom the responsibility lies with.

**12. Do you think the accounts staff of PRIs & ULBs have got adequate training to maintain the accounts? If not what sort of capacity building is required for them?**

**Reply:**

The training requirements of the staff of PRIs & ULBs:

- i. Training has to be imparted as a continuous process on preparation of accounts and on Audit on line process including ATR process.
- ii. Technical extension know-how is very much required for the staff of PRIs & ULBs as Information Technology has spread to every quarter of operation in maintaining of accounts.
- iii. The training program need to be designed with practical orientation and it should continue till the staff is able to maintain Account themselves.

**13. Do you think there is need for training and capacity building of Auditors in the matters of Accounts and Audit of Local Bodies If so, please indicate the areas where training is required?**

**Reply:**

Yes, there is need for training and capacity building of Auditors in the matters of Accounts and Audit of Local Bodies in the following areas:

- i) Verification of Levy of Property Tax in ULBs.
- ii) Verification of Building application in ULBs.
- iii) Verification of Levy and recovery of GST & IT in expenditure.
- iv) Verification of Works expenditure in all the institutions.

**14. Any other important issues with regard to financial management of Local Bodies which you would like to bring to the notice of SFC:**

**Reply:**

The major issues faced in conduct of audit is 'Non-production of Records' which cover 50% of the transactions of both receipt and expenditure. Another perpetual problem as mentioned at Point 10 & 11 is Settlement of Audit Objections and Recovery on Surcharge Certificates.

The panacea to address the above issue is introduction of pre-audit in all the auditable institutions. The Pre –Audit in respect of HR&CE Institutions, AMCs ULBS was already

introduced by the Government and is running on sound lines. Pre-Audit may be introduced in the rest of the Auditable institutions since it was already proved effective in reducing audit objections.

Yours faithfully,

Sd/-

Director of State Audit