EXPLORING THE UNDER EXPLORED & UNEXPLORED LOCAL OWN SOURCE REVENUE: A CASE STUDY OF TMA MURREE

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THESIS ACCEPTANCE CERTIFICATE

Certified that final copy of MS/MPhil thesis written by **Ms. Sidra Asif**, Registration No. **NUST201261477MSCEE15813S**, of **SCEE/NIT/URP** has been vetted by undersigned, found complete in all respects as per NUST Statutes / Regulations, is free of plagiarism, errors, and mistakes and is accepted as partial fulfillment for award of MS/MPhil degree. It is further certified that necessary amendments as pointed out by GEC members of the scholar have also been incorporated in the said thesis.

Signature: _____

Name of Supervisor: <u>Dr. Abdul Waheed____</u>

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Date:_____

Signature (Dean/Principal): _____

Date:_____

DEDICATION

Dedicated to my Mother.

ACKNOWLEDGEMENTS

Table of Contents

LIST OF ABBREVIATION

TMA	Town Municipal Administration
TMO	Town Municipal Officer
TO (I&S)	Town Officer (Infrastructure and Services)
TO (F)	Town Officer (Finance)
TO (P&C)	Town Officer (Planning and Coordination)
UIP	Urban Immovable Property Tax
TTIP	Tax on Transfer of Immovable Property
PLGO 2001	Punjab Local Government Ordinance 2001
PFC	Provincial Finance Commission
PHE	Public Health Engineering
JWB	Joint Water Board
PKR	Pakistan Rupees
GT Road	Grand Trunk Road
PC Road	Pearl Continental Road
NFC	National Finance Commission

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Collection of local own source in a decentralized economy is a huge challenge for town administrations in developing countries. The resultant of which is poor service delivery and infrastructural management due to collapses of local economic conditions. Keeping in view all the worldwide developed and developing countries scenario the current study captures the ideology of collection of local own source revenue in Town Municipal Administration Murree and its effects on the local economy.

This study has explored all the major sources of revenue in TMA Murree and has identified a clear relation and dependency of internal and external sources of revenue. Moreover the results obtained from comprehensive study of the 5 year budget of the TMA are quite satisfactory and in accordance with the objectives of this research.

The data has been collected through structured interviews with the officials at TMA, PLGB and other relevant departments. Moreover the satisfaction level of residents with the town administration has been identified through citizen perception surveys. The satisfaction level of local residents has been observed to be very low regarding service provision of TMA.

The under explored sources have been identified in accordance with the potential of the TMA for income generation. These sources are: building plan fee, rent of commercial and recreational properties, animal slaughter fee. Similarly, for unexplored local own source revenues introduction of the property tax in the form of capital gain tax and infrastructure development tax as a major part of the internal own source revenues. For external own source revenue compensation in the form of environmental degradation tax due to positive externalities of the area's tourism capacities should also be introduced.

Chapter 1
INTRODUCTION

The newly rising problem of rapid urbanization has caused urban sprawl marking it to become the biggest challenge for municipalities. Haphazard and uncontrolled growth makes it difficult for the local economies to maintain sustainability and it creates difficulties for the local administration to provide means of equal distribution of resources and services to the local residents. This problem can likely be resolved through different financing tools used to pay for growth (for example, property taxes, user fees, and development charges); thus achieving spurs for rapid urban growth.

The rapid increase in urbanization has created serious trials for local government administrations in both developed and developing countries in terms of environmental contamination, traffic congestion, and lack of affordable housing, poor waste collection, flagging infrastructure and divergence of income. The system of local government must be able to provide basic infrastructural facilities and appropriate service delivery to their cities. These services, infrastructure and population growth combined with limited funding create a pressure on the local governments to sustain the services for present and future. The infrastructural deficit is therefore largely growing in the world.

Due to increase in urbanization the local governments must be able to keep their cities economically sustainable by efficient service delivery. However they should also keep taxes low so that the citizens are not daunted to invest and trade within their jurisdiction. Local governments face a number of problems that have created hassle for them to achieve these goals.

Local government have expenses on multiple amenities that include transport, police, fire safety, water, sanitation, sewerage system, solid waste management, affordable housing, basic health facilities, leisure and culture, edification, and communal facilities. All these services and infrastructural development in a government in funded from different income sources. These sources are considered as the local own source for revenue generation in any local government and its municipal economy.

The finance and subsidy of any local government determines the quantity and quality of service extended to its public. Expenditures of the local governments where less revenue is raised are also affected (Bahl and Linn, 1992). The powers and responsibilities delegated to local governments have increased over the last twenty years but, ironically the local governments have not been able to match the responsibilities assigned to them: "Few countries permit local governments to levy taxes capable of yielding sufficient revenue to meet expanding local needs" (Bird, 2000). The revenue raised at the municipal level is not up to the level of increasing expenditures (Montgomery et al., 2003; OECD, 2006). It is also noted that the local governments depend on intergovernmental transfers.

Property taxes and user fees are the major income sources in municipalities in most of the countries and the reliance on more profitable tariffs including salary, trades, and petrol does not exist. Intergovernmental transfers are also not dependable and consistent for some local governments of most developed as well as developing countries.

In the less developed countries income generation and raising revenue is an even greater challenge (Dirie, 2005). The revenue tax base of local government is weaker in comparison to that of the central government. Moreover, they have few local

sources of income and lack elementary incentives to generate revenue. Also, the local governments do not have any methods to increase their existing revenue potential. For example, property taxes are difficult to manage and accumulate (Bird and Slack, 2004). The local governments are unable to regulate the tax rates they can levy and the central government transfers are not unpredictable in this regard. The design of revision of tax rates is not transparent at central level as well.

Fiscal decentralization is an important element of municipal finance which intends to transfer fiscal accountability from central governments to local governments. This shall enable the local governments to deliver services and raise more funds. Decentralization is still a new phenomenon in developing countries. Since 1980, up to 75 countries have implemented decentralization policies to ensure effectual public service delivery and recovering the poverty issues (Ingram and Hong, 2007).

One of the major functions of any local government is to provide services to its citizens so revenue generation for provision of goods and services is an essential component of town municipal administrations. An ideal model for service delivery must have a mechanism in which all the services being provided by any local government should be paid back as benefits from those services. User fees are applied in order to ensure that the municipal finances are being enhanced by the people as per their willingness to pay for any service delivery.

The means of generating income in the municipal governments is different for different countries but usually comprise of property taxes, user fees, and intergovernmental transfers. Other revenues may include licenses fee, service fee, utility taxes, etc. In terms of taxes, the property tax is levied by local governments in many countries. Other local taxes include income taxes, general sales taxes, and

selective sales taxes (for example, taxes on water, fuel, vehicle registration, etc.), and land transfer taxes (or stamp duties).

The same situation prevails in local governance of Pakistan; Punjab in particular. Many problems have been arising in the decentralized economic revenue collection method. The resultant of which is poor service delivery and infrastructural management due to collapses of local economic conditions. Keeping in view all the above worldwide developed and developing countries scenario the current study will capture the ideology of collection of local own source revenue in Town Municipal Administration Murree and its effects on the local economy.

1.1 Research Objectives

The objectives of this research were:

1. To explore major sources of revenue for TMA Murree and identify the existing financial situation.

2. To find out dependency of own source revenue of TMA with local economy.

3. To explore link between internal and external local own source revenue.

4. To promote the local potentials and formulate strategies to enhance and stimulate local own sources.

1.2 Research Questions

The present study answered the following research questions and helped in achieving the objectives of this study:

1. What are the major sources of revenue collection in TMA Murree?

2. What is formal and informal economy in Murree?

3. What is the financial condition of TMA Murree?

4. How have the local sources been contributing in fortification of TMA and its functions?

5. What is the condition of service delivery of TMA to its local residents?

6. Is the TMA providing satisfactory facilities to the citizens?

7. What more services can be provided through a financially strong administration?

8. How can local economy be strengthened?

1.3 Justification of Study

A lot of research work has been conducted regarding collection of local own source revenue worldwide. There are different research papers and guides available to relate to the issues arising in local government finances all over the world. Lack of revenue generation in local governments of developing countries causes problems in efficient service delivery by them. Same is the case in Town Municipal Administration Murree, the potential of income generation is high even then the internal sources of income are not being generated properly.

This study will help in identifying the under explored sources of revenue and means to increase their capacity of income. Moreover, this study will identify the unexplored sources of revenue that can be implemented to increase the income for the TMA.

1.4 Scope of Study

The study covers administrative jurisdiction of Town Municipal Administration, Murree which not only includes the major tourist points and roads but also comprises of residential areas in the outskirts of the main city where most of the population resides.

The research evaluates the lags in income generation of TMA Murree, its effects on the service delivery and public perception on lack of efficient service.

1.5 Limitation of Study

Some of the limitations faced during this research were:

- Absence of relevant literature in context of Pakistan.

- Difficulty in interviews with public due to lack of knowledge about taxation.

- Limited time to collect data due to cost constraints.

- Lack of secondary data in terms of detailed income reports from the TMA.

1.6 Structure of the Thesis

The thesis is built around the following comprehensive chapters:

Chapter 1 talks about the introduction of problem, issues related to the problem selected, what objective would likely to be achieved by the research. This section also includes the importance of research and how it can be replicated and lastly the limitation faced while conducting research and during data collection stage.

Chapter 2 describes briefly the importance of local own source in both developed and developing countries and different means to generate revenue as mentioned in international literature.

Chapter 3 is all about the methodology which is being chalked out to achieve the ultimate objectives. This chapter is divided into different steps from topic selection to documentation.

Chapter 4 provides systematic analysis of the data which has been collected. This section is divided into three sub categories where socioeconomic data, data from

budget overview and structured interviews has been analyzed using different techniques.

Chapter 5 This chapter summaries the key research findings, draws conclusions and includes the policies and measures suggested to enhance local own source.

Chapter 2
INTERNATIONAL PERSPECTIVE OF MUNICIPAL FINANCE

2.1   General Background

Revenue handles the ability of any local government to meet local needs in order to increase the quality of life of the residents. These include local own source revenues, local land, public private partnerships and financial management. The revenue generation also explains link between national and international donors to help a local government with its financial lags.

Globalization is a major challenge faced by local municipalities. For the local governments to compete with worldwide economic development; they should be able to ensure effective service delivery and infrastructure management in terms of transportation, water supply, sewerage system, garbage collection and disposal, parks, recreation and culture, affordable housing, and social assistance to the citizens. The revenues raised by local governments are also affected by global changes. The industrial development is more portable and hence its response to rate of change in property tax is different in different locations (Kitchen and Slack, 1993). The impact of change in tax rate and policies must be administered by the local governments. Similarly, the financial responsibility should be assigned within the local structure to attract private investors and to access capital markets (Serageldin et al., 2008).

2.2   Sources of Municipal Revenue

As per the guidelines of UN- Habitat a few sources for collection of revenue have been defined at local levels in the municipal authorities. Such as:

2.2.1 Local Taxes

Local governments must be able to variate the tax rates without causing any hindrance in the tax base of their financial edifice. Income generated from taxes should be able to ensure service delivery at the local level. Local taxes should not be distributed to non-local people. Moreover, local taxes should be easy to manage and maintain so that local people can pay them in a rational manner and the local governments can generate efficient service delivery as well.

2.2.2 Property Tax

Property tax is one of the major sources of income in any local government. The property tax is not paid in small portions rather the whole amount is paid by the taxpayer at one time. The only exception of less tax on property is on monthly mortgages. Major infrastructural services provided by a local municipality are also subsidized through property taxes. The increase or decrease in property tax is based on the annual changes in property value.

In order to maintain property tax revenues the government is required to increase the tax as per the increase in property value annually. As this tax is only levied by the local government hence to ensure that a high amount is generated from this source the tax rate must be decided at local council levels. The property tax is imposed on domestic, commercial, and industrialized properties and to process this tax identification of properties and their proper valuation is a prerequisite.

2.2.3 Personal Income Tax

Personal income tax is not as widespread at the local level as property tax. Two different kinds of income tax are however collected which include levying local income tax from a certain quantity of central or provincial tax. The second type is an

isolated, locally managed income tax and is less common because the implementation of this tax is quite challenging and very costly to manage. This tax has not been generated very well in many countries as they rely more on consumption-based tax rather than relying on income taxation. Income taxes can be justified at the local level with the case that local governments are responsible for efficient service delivery, reduction of poverty, proficient transportation, etc. As mentioned that local governments are obligated to provide basic social services therefore an income tax is more applicable than a property tax because it is associated with the capacity of the residents to pay. [1]

2.2.4 User Fees

A user fee is charged in accordance with the output provided to the citizens. It can be of three types: service fees, public prices, and benefit charges.

2.2.5 Service Fees

Service fees include license fees (marriage, business, dog, vehicle registration) and various small charges levied by local governments for performing specific services. Service fee cost is a method of reimbursing charges from private sector to public sector.

2.2.6 Public Prices

The income generated by local governments through sale of private goods and services may be called as public prices. The sale of local services such as public utilities, recreational facilities, etc. is included under the category of public prices.

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[1] UNH Guide to Municipal Finance

2.2.7   Benefit Taxes

These taxes differ from facility costs and communal charges as they do not ascend from transacted sale and purchase of a specific item or provision of services to private individuals. These taxes are associated to the benefits received by local taxpayers. In contrast to general-benefit taxes such as fuel charges imposed on local road users or the taxes that are levied on locally shared items and services; the specific benefit taxes relate to the particular assistance received by explicit taxpayers.

2.3   International Perspective

2.3.1   Local Government Tax Enforcement in Tanzania

The relationship between the taxes imposed and resultant development is at the center piece of discussion in the developing world specifically Africa (Fjeldstad, 2007). It is argued that the provision of aid to developing countries is a double edge sword whereby recipient countries rely solely on international aid for development projects and any cuts in this regard will adversely affect the development process. On the other hand, donor agencies are realizing the fact that complete dependence on international aid has made recipient countries completely reliant on financial assistance thus ignoring their domestic potential for revenue generation altogether. International monetary agencies like International Monetary Fund (IMF) has also indicated that there is a huge potential for generation of indigenous funds among African countries. This realization led to change in approach of international donors whereby they provide assistance based on matching grants schemes (Catterson & Lindahl, 1999). This policy of matching grants and increasing taxes domestically for development projects also has a counter narrative. Experts believe that tax rates in the continent is already on the higher side and such efforts of increasing indigenous taxes will be

counterproductive in the long run. Moore (1998) pointed out that state machinery and practices of running the state affairs also effects the collection of taxes. The collection of taxes for local governments could only be increased if citizens are provided with basic facilities in return for the taxes collected.

If case specific localities are observed in Tanzania, it is evident that tax collections in different local councils are different. Socio economic and demographic characteristics amply explain this anomaly. Development levy is one the key and predominant mode of taxation levied on all adult citizens with few exceptions. Using two councils as case studies, namely Kibaha DC and Kilosa DC; the revenues reported and estimated incomes differs significantly. For illustration, collected revenues from Kibaha DC were 26.7 percent of the estimated values on the basis of population and it was 45.6 per cent for Kilosa DC for the same parameter. Although the tax rate and demographic proportion for tax payers in Kilosa DC was in excess of 60 per cent as compared to Kibaha DC.

The difference in tax collection from two aforementioned local councils could be explained by three plausible arrangements. Firstly, the variation in taxes could be attributed to coercion in tax collection. Different state authorities apply different methods and degree of coercion for tax collection. The predominant method comprises of two elements;

    i)   The bureaucratic apparatus using various state and local enforcement agencies in form of collectors and enforcers coupled with heavy penalties.

    ii)   The return tax payers get in exchange for the levied taxes. The return could be in form of social services and provision of goods.

It must be realized that although there is an element of coercion present in any tax regime, voluntary tax collection can not only minimize the tax collection expenditure but it can significantly enhance the revenue collection process.

Secondly, the bargaining power of stakeholders involved in tax collection process also plays a significant role in tax collection process. Local council taxes levied for support of operations throughout local council jurisdiction and have separate operation from central government tax collection bodies. Tax collection body in local council is organized in three tier structure namely council headquarter, the ward and village level. This tax collection mechanism is assisted by other organizations in Tanzania as well. Additionally, tax collection in local councils is influenced by multiple factors such as the management of local authority, where the local council requires fund to pay for the staff, and to compensate for operational and other costs. Secondly, re-election of officials is another factor where the tax levied will not cross as certain threshold at which the voters will start to complain about the burden of taxes. Thirdly, central governments employ tax as a mechanism for political control over local councils. Local councils not being able to generate significant funds thus resort to central government for assistance. Central government in most parts of the world, especially developing countries and Africa, will push their political agenda on local councils.

Final plausible explanation for difference in tax collection in two case studies mentioned above is the influence donor exercise over the development process. In order to oversee the development process and keep a check on expenditures, donor agencies develop their own parallel structure and mechanism for monitoring and evaluation purposes. This intervention increases the role of government officials' in development process at the expense of elected officials. Presently, donors are relying

on increased revenue generation as an indicator of performance for local councils; it has increase the role of management officials of the state. However, with the introduction of matching grants schemes, donors are able to engage local councils and their officials in tax collection drives thus increasing overall revenue generated from their own sources. This has also helped to cut down the reliance of local councils on donor funding as well.

2.3.2 Financial Performance of Municipalities in South Africa

Citing another case from the same continent but further down in southern direction in South Africa, the country has diverse culture, demographic and social features. These features also reflect in state functioning, and tax and revenue collection practices as well. The study links the performance of various municipalities in South Africa based on their unique characteristics spatial, social and economic arrangements. No matter how diverse municipalities or local councils are, their budget comprises of two fundamental components; revenue and expenditure. This study focuses on monetary performance of municipalities from financial year 2003/2004 till 2008/2009.

In South Africa, municipalities meet their expenditure by two means. Either by intergovernmental financial assistance or by own revenue. For own resources fund generation, municipalities are provided by law few revenue instruments. These include; property tax, user charges of municipal services and other local form of taxes. Municipalities, by virtue of these tax instruments, are quite self-reliant and meet almost 75 per cent of their expenditure needs from their own resources. However, due to economic inequalities, the revenue generation in not the same and state government provides financial assistance. In the time frame under consideration for financial performance, intergovernmental contribution stands at almost 25% of total revenue generation of municipalities. During the same financial time period,

there was a growth of 13.2 per cent in revenue generation for municipalities. This increase was largely due to intergovernmental transactions, FIFA world cup 2010 and other administrative measures.

For closer inspection of financial performance of municipalities in South Africa, municipal revenues are divided into two categories. One is operating revenue and other is capital revenue.

Municipal operating revenue observed a growth of nearly 8 per cent during the time period of 2003/2004 till 2008/2009. Municipal service charges were the highest contributor in terms of revenue with overall share of more than 50 per cent in total income. However, due to non-payment of water charges in certain municipalities, operating revenue decreased which was compounded by 2008 financial crisis. Metros and local municipalities are allowed to levy property tax in South Africa. Property tax contributed 17.2 per cent to municipal operating revenue. However, during the terminal part of time period under consideration, property taxes declined due to financial crisis and real estate market took a large hit in terms of value. Contribution of main revenue sources to total municipal operating revenue can be seen in the following figure from year 2003/2004 to 2008/2009.
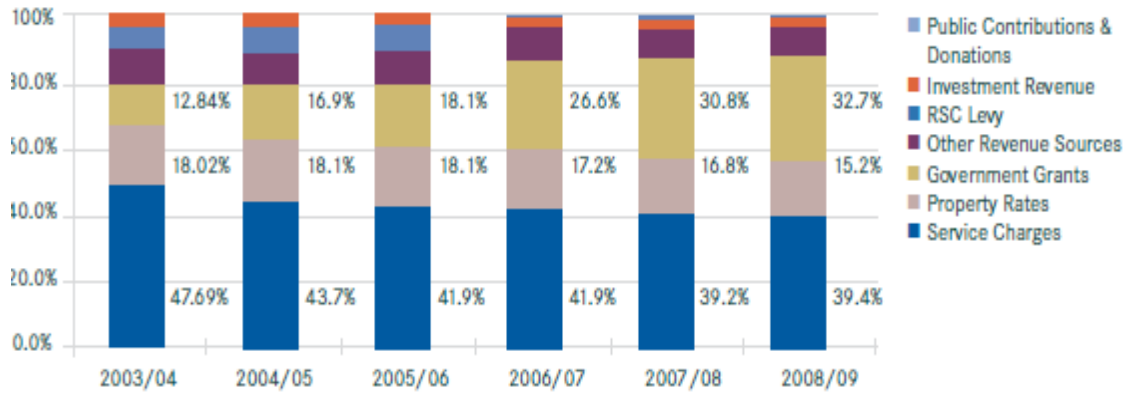
Source: FFC calculations based on National Treasury Local Government Database, 2010/11.

Figure 1: Main Revenue Sources to Municipal Operating Revenue

On the other hand, municipal capital revenue increases by 26 per cent during 2003/2004 and 2008/2009-time period. An increase in municipal capital revenue during this time period was due to the fact that South Africa was preparing to host the FIFA world cup 2010. Capital revenues are derived from four main sources: government grants and subsidies; other own revenues; external loans; and public contributions and donations. The real composition of total municipal capital revenue can be illustrated by following figure:
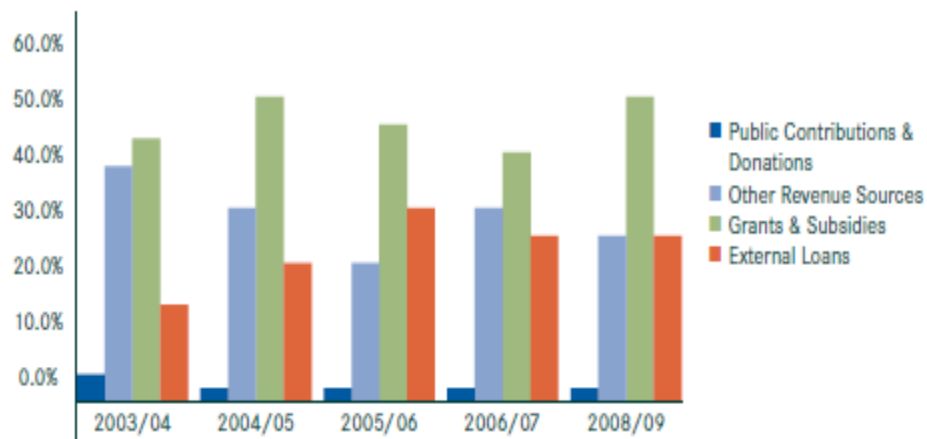
Source: FFC calculations based on National Treasury Local Government Database, 2010/11.

Figure 2: Real Comparison of Total Municipal Capital

16

The assistance from intergovernmental grants and subsidies is large across all levels of municipalities. Major district received 86 per cent, rural municipalities' share was 70.2 per cent and 57.7 per cent is the share of smaller municipalities in 2008/2009. Additionally, metros have been entrusted with the power to borrow money from financial institutes and they are making use of it to increase their revenue generation. However, municipalities are classifying some income sources as other sources that require to be explained to ensure transparency in revenue generation schemes.

Chapter 3
METHODOLOGY

This chapter elaborates the line of action to achieve the realistic and unbiased outcomes of the research. It tries to provide the sound justification to adapt this methodology with reference to context of similar study efforts at international & national level. Attempt has been made to define the importance of research methodology. In the write up, this chapter explains three aspects; anticipated objectives versus methods employed matrix, detailed illustration of overall study methodology and the time line chart of the whole study.

3.1 Selection of Study Area

The area selected for the research is the hilly area of Murree. Murree is one of the 8 towns of Rawalpindi District. It includes parts of Margalla Hills along Islamabad as it is an exurb of Islamabad. Murree is also the administrative capital of the Tehsil. . The city is a popular get-away destination for residents of Islamabad and of other areas of Pakistan which makes it a tourist attraction. The city is popular among travelers from Pakistan and across the world for its beautiful locations and pleasant weather.

The parts of Murree city where this study was conducted are as follows:

- Lower Mall

- Pindi Point

- Kuldana

- Sunny Bank

- Motor Agency

- Kashmir Point

- Dhobi Ghat

- Jhika Gali

- Mall Road

Figure 3and 4 show the map of the case study area.
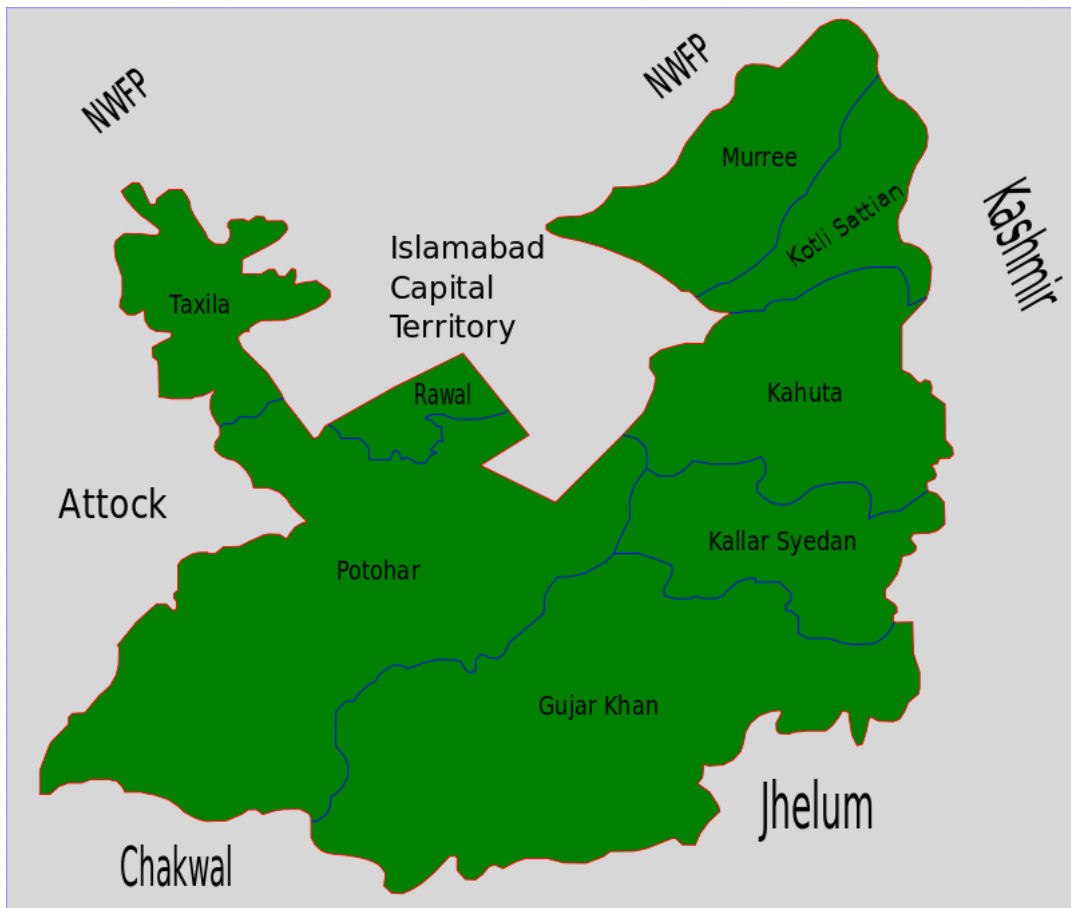
Figure 3: Map of Rawalpindi District
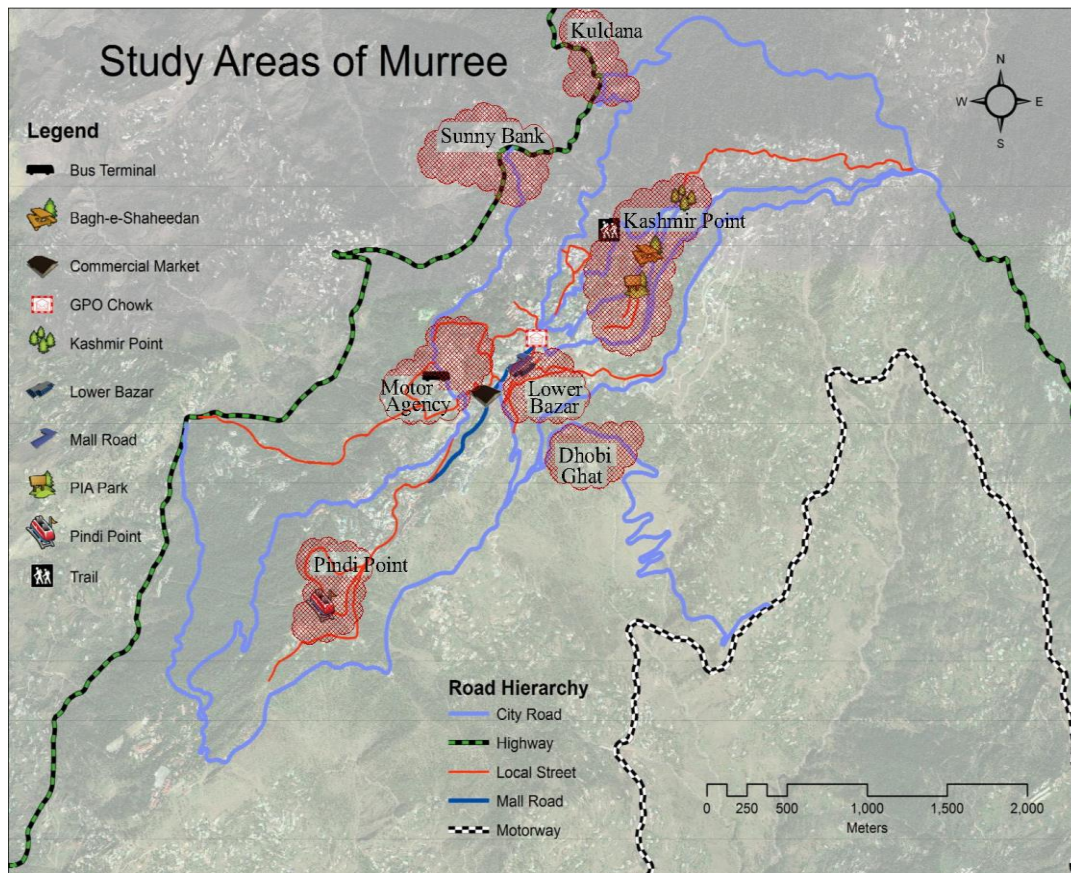
Figure 4: Study Areas Location

3.2 Research Method and Design

3.2.1 Research Method

A general to specific approach has been adopted while designing the study methodology after considering its prime importance. Mixed method research methodology has been adopted in this study to create a triangulation of qualitative and quantitative data.
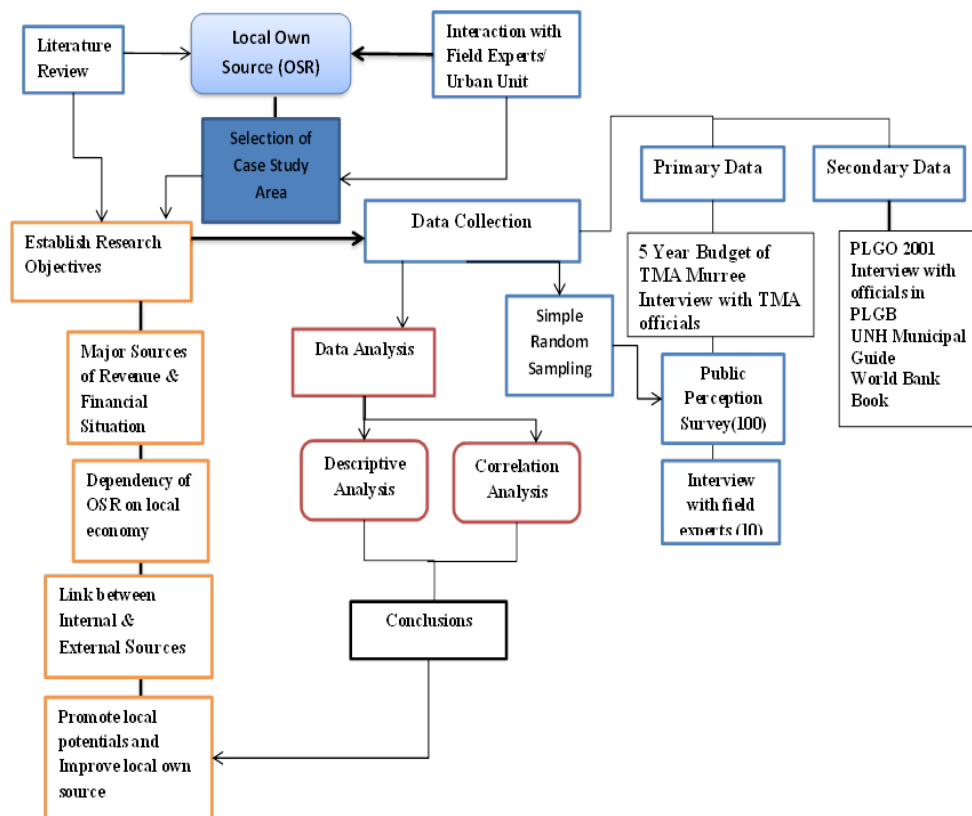
Figure 5: Research Methodology

3.2.2 Research Design

The research techniques used in this research are:

3.2.2.1 Qualitative

The qualitative data has been described in this research in the following manner:

- **Understanding Context**: The context of qualitative data has lead us to answering questions as to how economic, political, social and organizational factors influence the municipal finance of TMA.

- **Understanding People**: This method has helped us understand the sense and experiences of people who are direct stakeholders of the own source revenue generation.

- **Understanding Interaction:** This method has helped us in identifying link and interaction between different departments and also between the TMA and general public.

3.2.2.2 Quantitative

- Statistics obtained from questionnaire based surveys and observation recorded from the survey have been analyzed as quantitative data.

3.2.2.3 Descriptive

- A descriptive research design has been adopted in this research to identify various parameters which were otherwise unanswered in the scope of this study.

3.3 Data Collection

3.3.1 Calculation of Sample Size

The sample size designated for quantitative research consisted of 100 randomly selected households of different localities of Murree. A few selected communities were visited for the purpose of reconnaissance survey. The selection of small sample size is attributed to financial constraints and limited time of the study.

3.3.2 Data collection

Primary and secondary data collection methods have been adopted while conducting this research. The following primary and secondary sources have been used in the data collection:

- **Primary data collection sources**

  The methods for collecting primary data are as follows:

    o Collection, Policy & Monitoring- Questionnaire Based Surveys

    o TMO Murree

  o TO (Finance)

  o Director Finance Local Government Board

  o DG I&M- Inspection& Monitoring- Tax and Revenue Collection Receipt Data

  o Observation

  o Structured interviews

  o Questionnaire

- **Secondary data collection sources**

  o Methods for secondary data collection are as follows:

  o Published Reports

  o Articles

  o Relevant Books

  o Previous Researches

  o Financial Statement of TMA Murree

  o Previous record of own source revenue collection

3.3.3 Collection of Data from TMA Murree

Basic component of the research is to gather data regarding financial situation of TMA Murree and explore the local own sources which generate revenue for the town. This will be carried out through collection of secondary data from the TMA and also by conducting interviews from the people at stake of the revenue collection. This can be done in three phases:

- o   Detailed analytical survey of case study area

- o   Opinion of Citizens.

- o   Interview with Government Officials regarding the situation of revenue collection in other local government organizations and Murree in comparison.

3.4 Data Analysis

The data obtained from field surveys including questionnaires and interviews has been analyzed using Statistical Package for the Social Sciences (SPSS). Descriptive statistics: Frequencies and cross-tabulation techniques have been used to provide central tendency of the data and to explain relationship between different study variables. The purpose of descriptive statistics was to identify the current financial situation of TMA Murree and identify linkages between different sources of revenue. Data collected from aforementioned sources has been explored through different analysis techniques such as:

3.4.1 Techniques of Qualitative Data Analysis

- o   Documentation

- o   Conceptualization, Coding, and Categorizing

- o   Examining Relationships and Displaying Data

o   Authenticating Conclusions

3.3.1 *Techniques of Quantitative Data Analysis*

  o   Tabulation of results for different variables in data set.

Techniques of Descriptive Analysis

  o   Description of assigned variables

  o   Report Writing

3.5 Software Used

The software used in the present study are:

- Microsoft Word 2013

- Microsoft Excel 2013

- SPSS 21 (Statistical Package for the Social Sciences)

Chapter 4

RESULTS AND DISCUSSION

Results obtained from household questionnaires, interviews and general observations during the field visit of Murree are discussed in detail as under.

4.1 Socio-Economic Background of Murree

The total population of Murree is 25,247. This research required a brief idea of socio economic condition of the local residents. Hence a reconnaissance survey was conducted in different parts of Murree i.e. Dhobi Ghaat, Sunny Bank, Motor Agency and Kuldana which comprised of residential units so as to identify the socio economic characteristics of the residents. The table below describes the results obtained from the survey. This result has been obtained from a data set which consisted of a sample size of 100. The reason behind this sample size is the fact that this research was more administration based than citizen perception based.

Table 1 Socio Economic Characteristics

Subject Characteristics	No.	Percentage	Mean	Standard Deviation
Gender of Respondent	100	100		
Male	68	68		
Female	32	32		
Number of Household	100	100	1.08	0.273
1	92	92.0		
2	8	8.0		
3	0	0		
More than 3	0	0		
Religion	100	100	1.00	0.000
Islam	100	100		
Christian	0	0		
Other	0	0		
Type of Family	100	100	1.11	0.314
Nuclear	89	89		
Joint	11	11		
Single Person	0	0		

Family Size (Number of Male Members)	100	100	1.31	0.563
1-3	74	74		
4-6	21	21		
7-10	5	5		
More than 10	0	0		
Family Size (Number of Female Members)	100	100	1.46	0.610
1-3				
4-6	60	60		
7-10	34	34		
More than 10	6	6		
	0	0		
Number of Earning Members	100	100	1.2	0.402
1	80			
2	20			
3	0	80		
More than 3		20		
		0		
Employment Type of Earning Members	100	100	2.35	0.968
Government Job/Army				
Self Employed/Shopkeeper	18	18		
Private Job				
Misc.	46	46		
	19	19		
	17	17		
Monthly Income	100	100	1.65	0.757
<20,000 PKR	49	49		
20,000-40,000 PKR	40	40		
40,000-60,000 PKR	08	08		
Above 60,000 PKR	03	03		
House Ownership	100	100	1.57	0.742
Owned	53	53		
Rented	42	42		
Leased				
Other	5	5		
Stay Period	100	100	2.32	0.839
<5 years	24	24		
5-15 years	20	20		
15-25 years	56	56		
More than 30 years	0	0		

In Pakistan, the knowledge of taxation and budgeting is very little among local residents. And even less among the women of the house. Although the survey was conducted in the residential areas only; it was widely preferred that male respondents (likely to be the head of household) were available to answer most of the questions. 68% of the respondents that were interviewed were male and only 32% were female. This gender distribution also helps to identify the public knowledge of own source

which was identified to be more in male members than female members. The above referred table 1 indicates the number of household and type of family of the population of Murree. The results indicate that 92% of the total contains single households whereas only 8% comprise of 2 households and none of the families have 3 or more number of household. The table 1 shows the pattern of nuclear families and more inclination of fewer households within the same family. As discussed above most of the population of Murree resides in single family units.

This lead to the type of family characteristic identified in the research. 89% of the population has the nuclear type of family whereas only 11% live as joint families. This finding is parallel to the number of households in an area. The results of both indicate that when one of the variables is high the other would be equally high. The number of male members as shown in figure 9 in the households varied from 1-10 and have been classified in categories of 1-3, 4-6 and 7-10. 74% of the total sample-size fell under the group of 1-3. 21% fall under the category of 4-6 numbers of male members. And 5% are of the category 7-10 39% of the families comprised of 2 male members, 20% have 3 male members in their family, 15% have one male member, 11% have 4 male members, 7% have 5, 3% have 6-7 members, 2% have 8 male members and none of the families consist of 10 or more male members The number of female members in the households varied from 1-10 and have been classified in categories of 1-3, 4-6 and 7-10.

The type of employment trend among the residents mostly varied from self-employed to private jobs. Table 11 shows the employment trend where only a very few of the residents bread-earners were involved in government jobs or miscellaneous activities (such as caretaker, watchman, shop workers, salesman, etc.) The results statistics are that only 18% of the residents have Government jobs. 46% are self-employed, 19%

have private jobs and 17% of the residents are either the class of watchmen or shopkeepers.

The monthly income of households has also been categorized in different income groups. The highest percentage of household income is the population living under less than 20,000 PKR per month; which is 49% of the total survey population. 40% of these earn 20,000-40,000 per month. Only 8% have monthly income from 40,000-60,000 PKR per month. And only 3% have monthly income above 60,000 PKR. This indicates that most of the population comprises of lower income class (Table 1). In continuation of the monthly household income it is likely to be identified that what is the number of earning members in each household. The figure 13 indicates that 80% of the total sample population consisted of only 1 earning member for each household and 20% of the population has 2 earning members for each household.

This relates with the fact that a large number of the residents live as lower income class and earn less than 20,000 per month. Also the nuclear family system may also be linked with number of earning members within a family. It was also widely observed during data collection that there are very few means of earning in the city and the local business only flourishes during the tourist arrival in May-July (mostly summer holidays). Thus, the income generation is very little for the local sales representatives and executives.

The ownership trend in the residential areas of Murree has also been discussed in the Table. 53% of the respondents owned the houses they resided in. 42% lived on rent. And 5% were only living temporarily. The residents have been settling in Murree for a very long time 56% of the residents have been living in Murree over 15-25 years.

20% have been residing in their residential areas for 5-15 years and 29% for less than 5 years.

4.2 Major Sources of Revenue as per PLGO 2001

A local government needs to fulfill its role to provide basic amenities in its rural and urban areas in a resilient manner. It has been observed that scarce finances are a major reason of inefficient performance by the local government or any of its concerned TMA. To resolve this issue the fiscal decentralization of local governments was formulated in 2001 and different functions were assigned to the Town Municipal Administrations through Punjab Local Government Ordinance 2001.

PLGO 2001 provides a detailed overview of the budget, its allocation and different ways to carry out the expenditures and utilize the revenue. Keeping in view the provisions of PLGO; annual budget for each local government contain estimates of grants-in-aid from the Government, amounts available in the respective funds, receipts for the following year; and expenditures to be incurred in the upcoming year.

To enable the budget preparation by local governments, the Government notifies the provisional shares, which may be credited to the Fund of a local government from the Provincial Allocable amount (commonly referred to as PFC awards). These grants are allocated to the TMA concerned so as to maintain its annual budget by paying off contingencies and necessary expenditures; and also for better service provision within the town As per PLGO 2001 no excessive grant is provided to any town our union council but with the permission or requisition of the Town Nazim. The grants may be considered as a major source of revenue in municipal administrations all over Punjab after the octroi system was declared null and void. PLGO 2001 also recommends the collection of local own source revenue collection by a town administration which

helps it in generating finances from its local sources and taxes levied on the residents in return of utilities, property, etc. This in turn promotes better and efficient financial framework. And only a strong financial government can promote efficient service delivery. The budget allocations and collection of revenue were major part of the PLGO 2001 and hence it was clearly defined that what kind of taxes and revenues have to be generated by a local government in its area of jurisdiction. Various revenue sources have been cited in the PLGO 2001. They are mentioned as under:

- Grants received by another local government or from the Government or other sources;

- Taxes or charges levied by a local government under the Punjab Local Government Ordinance

- Rent & Immoveable property tax.

- Profits from bank accounts, investments or commercial enterprises of a local government;

- gifts, grants or contributions to a local government by individuals or institutions

- Fairs regulated by a local government.

- Fines paid with respect to offences under the PLGO 2001(such as enforcement, encroachments, etc.) or bye-laws, or under any other law for the time being in force in which provision is made for the fines to be credited to the Funds established.

- sources of income which are placed at the disposal of a local government under directions of the Government

- Grants transferred to a local government by the Government.(such as PFC Awards at present)

- receipts accruing from trusts administered or managed by a local government;

- refundable deposits received by a local government;

- Deferred liabilities, credited to the Public Account of the TMA.

The above mentioned sources are considered as major local own sources of revenue for each TMA in all the districts of Punjab. The budgets are formulated as per the byelaws of PLGO 2001. Similarly the revenue is collected as per the provisions of PLGO as well.

Table 2 Revenue Rising Authorities as per PLGO 2001

District Governments	Tehsils and Town Councils	Union Councils
▪ Education tax. ▪ Health tax. ▪ Tax on vehicles other than motor vehicles. ▪ Local rate on lands assessable to land revenue. ▪ Fees with respect to schools, colleges, and health facilities established or maintained by the district governments. ▪ Fees for licences granted by the district government. ▪ Fees for specific services rendered by a district government. ▪ Collection charges for recovery of taxes on behalf of the government as prescribed. ▪ Tolls on new roads, bridges, within the limits of a district, other than national and provincial highways and roads.	▪ Local tax on services. ▪ Tax on the transfer of immovable property. ▪ Property tax on annual rental value of buildings and lands. ▪ Fee on advertisement, other than on radio and television, and billboards. ▪ Fee for fairs, agricultural shows, cattle fairs, industrial exhibitions, tournaments and other public events. ▪ Fee for approval of building plans and erection and re-erection of buildings. ▪ Fee for licences or permits and penalties or fines for violation of the licensing rules. ▪ Changes for execution and maintenance of works of public utility like lighting of public places, drainage, conservancy, and water supply. ▪ Fee on cinemas, theatrical shows and tickets thereof, and other entertainment. ▪ Collection charges for recovery of any tax on behalf of the Government, District Government, Union Administration or any statutory authority as prescribed.	▪ Fees for licensing of professions and vocation. ▪ Fee on sales of animals in cattle markets. ▪ Market fees. ▪ Fees for certification of births, marriages and deaths. ▪ Charges for specific services rendered by the union council. ▪ Rate for the remuneration of village and neighborhood guards. ▪ Rate for the execution or maintenance of any work of public utility like lighting of public places, drainage, conservancy and water supply.

Moreover the different taxes to be levied by a town administration as per PLGO 2001 include, Cattle Mandi, Rating and Property Tax, Fees, Utility Rates, Tolls, Charge & Surcharge, Rent & Parking Fee, etc.

These different sources of revenue identified from this research in the jurisdiction of TMA Murree are described as under:

Table 3 TMA Murree Revenue Sources

Internal Sources			External Sources	
Land Based	*Non-Land Based*	*Service Charges*	*Government Aids/ Grants*	*Capital Receipts*
• UIP Tax • Tax on Transfer of Immovable Property • Building Plan Fee • Enforcement/Encroachment • Rent of Sops • Rent of Municipal Property • *Land Nazula Rent*	• Car Parking Fee • Water Rate • Chair Lift Share • Animal Slaughters • Rent of Sozo Park • Sale of trees and plants • Sale of Ceased Goods Misc.	• Community Services • License Fee • Public Latrines • Water Sale through Boozar • Copying Fee	• Share from Highway Toll Plaza • PFC Awards • Grant for Salaries • Government Grant for Development	• Cash Balances by Local Government / Banks

This research is focused on the identification of major sources of revenue within the jurisdictional limits of TMA Murree. It has also been a major concern to identify whether all the revenue collections are based on the taxes and sources provided by Local Government Ordinance or does the TMA have its own sources as well.

4.3 Sources of Revenue in TMA Murree

TMA Murree like all other districts of Rawalpindi mainly depends on Provincial Finance Commission (PFC) Awards after the exemption of Octroi Tax System in 2004. Other than that it collects its revenue from sources as defined by the PLGO 2001 through different taxes and utilities.

Table 4 Revenue Sources under PLGO 2001

Sr. No.	Sources of Revenue	Responsible Agency	Collectors
1	UIP Tax	Finance Branch	Tax Superintendent
2	Transfer of Immovable Property	Finance Branch	Tax Superintendent
3	Service Fee	Infrastructure & Services Branch	Through Receipts
4	Car Parking Fee	Regulation Branch	Through Receipts
5	Highway Toll Plaza	Finance Branch	Trough Cheques
6	PFC Awards	Provincial Government	Grant
7	Grant for Salaries	Provincial Government	Grant
8	Grant for Development	Provincial Government	Grant
9	Sale of Stores and Materials/ Ceased Items	Finance Branch	Tax Superintendent
9	Land Nazula Rent	Tax Superintendent	Tax Collectors
10	License Fee	Regulation Branch	Through Receipts
11	Building Plan Fee	Planning & Coordination Branch	Bank Challans
12	Enforcement/ Encroachment Fee	Regulation Branch	Through Receipts
13	Animal slaughter Fee	Infrastructure & Services Branch	Through Receipts
14	Public Toilets Fee	Infrastructure & Services Branch	Through Receipts
15	Water Rate	Infrastructure & Services Branch	Through Utility Bills
16	Sale of Water through Boozer	Infrastructure & Services Branch	Through Receipts
17	Rent of Sozo Park	Infrastructure & Services Branch	Through Receipts
18	Rent of Shops/ Municipal Property	Regulation Branch	Through Receipts
19	Copying Fee	Government Aids	Grant
20	Sale of Trees And Plants	Infrastructure & Services Branch	Through Receipts
21	Cash Balance	Finance Branch	Through Receipts

The different own sources of revenue of Murree are discussed in detailed alongwith their 5 year trend further:

4.4 Internal Revenue Sources

4.4.1 Tax Revenues

4.4.1.1 Property Tax (Direct Tax)

a. **Urban Immovable Property (UIP) Tax**

Urban immovable property means the land or estate in political, geographical or administrative boundaries of a city. The taxes levied on such property are collected as a source of income through land and estates. Immovable property restricts investments thus it becomes more viable to collect revenue through this source hence making use out of the UIP for efficient use of finances on the local level and then national level at large. The TMAs keep 85% of the total UIP tax and the 15% of this revenue is kept by excise department as recovery charges.
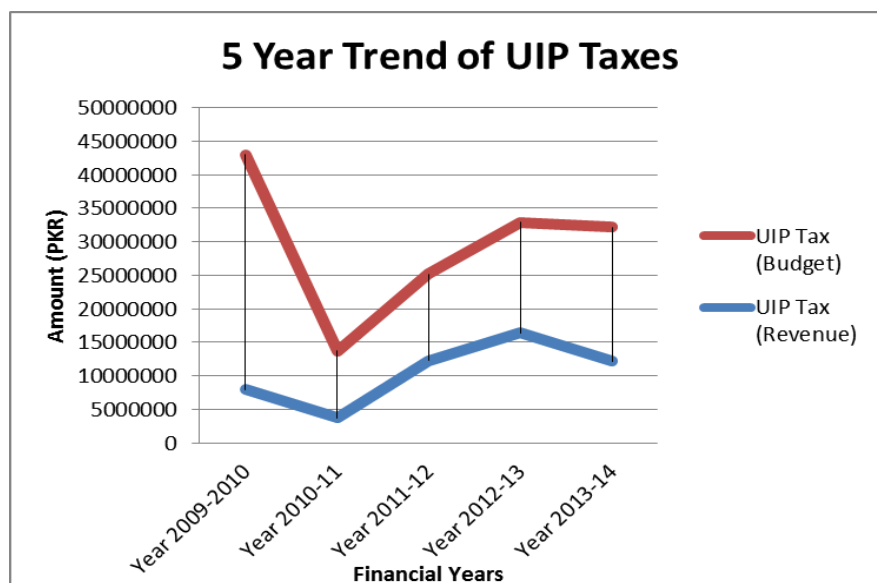
Figure 6: 5-year Trend of UIP Taxes

b. Tax on transfer of Immovable Property

Similarly the taxes levied on the transfer of immovable property from one owner to another are also tax based revenue within the jurisdictional boundaries of a TMA. A great amount of own source revenue through internal sources is generated from immovable property and its transfer as well.
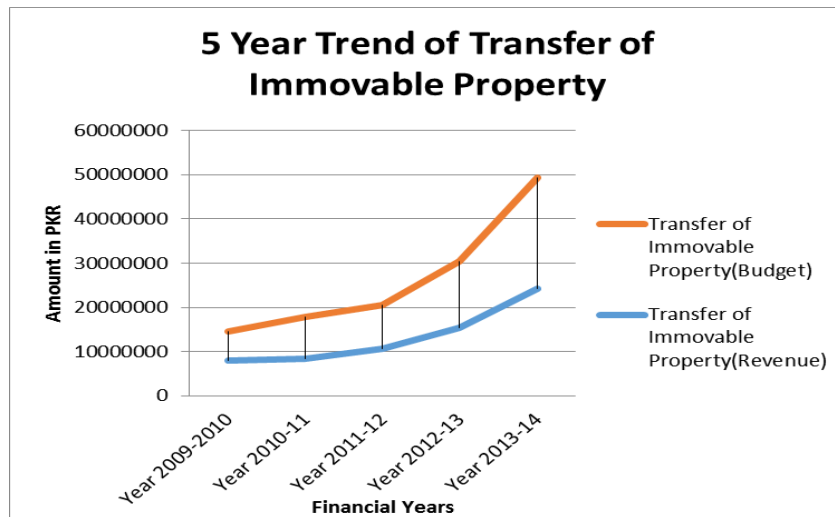
Figure 7TTIP Tax Trend

4.4.2   Non-Tax Revenue through Receipts

All the non-tax based revenues are collected through receipts as they are not only a part of the statistics of the TMA but are also sent to the Local Government Board (Finance Department) as it is included in the government exchequer.

4.4.2.1 Collection of Payment for Services (Service Fee)

A service fee is a fee paid for the use of a public resource. This is usually charged for various government services provided by a local government in its area. The town administration collects this fee in form of utility taxes for provision of water, electricity, etc. to the local residents.

The figure 8 shows trend of target and revenue generated against each target for financial years from 2009 to 2014. The trend observed shows that revenue collected each year is less than the set target which is due to lack of resources for collection.
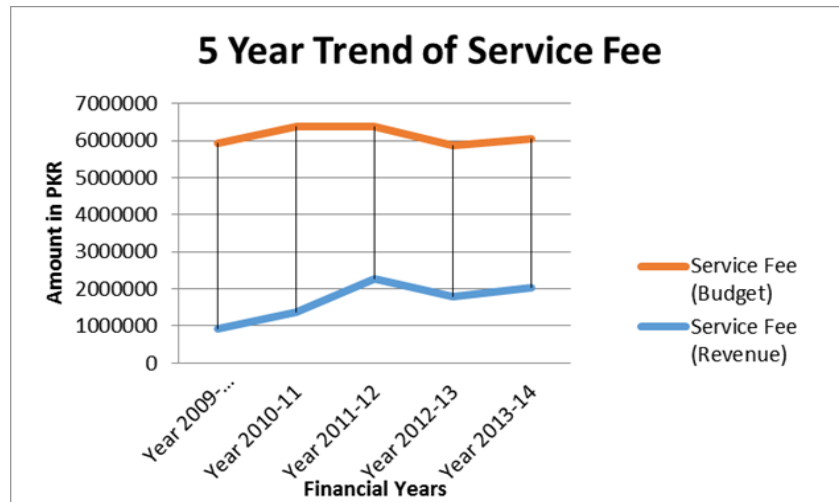
Figure 8Service Fee

4.4.2.2 Community Services Receipts

The receipts under community services consist of rent of government buildings, land, guest houses, hostels and sale purchase of material of demolished buildings. The receipts realized by Survey of Pakistan for its services and supply of maps are also included in the community services receipt data. These charges are also included in the budget as internal sources of income.

4.4.2.3 Car Parking Fee

Car parking fee is obtained by the Town Municipal Administration of Murree in various commercial and recreational areas through tickets and receipts. This is also their source of income as Murree is a tourist spot and has a massive blow of cars especially in peak months (Summer Holidays, Christmas, etc.

The figure 9 shows five year trend of rate in change of collection of car parking fee in the administrative area of Town Municipal Administration Murree.
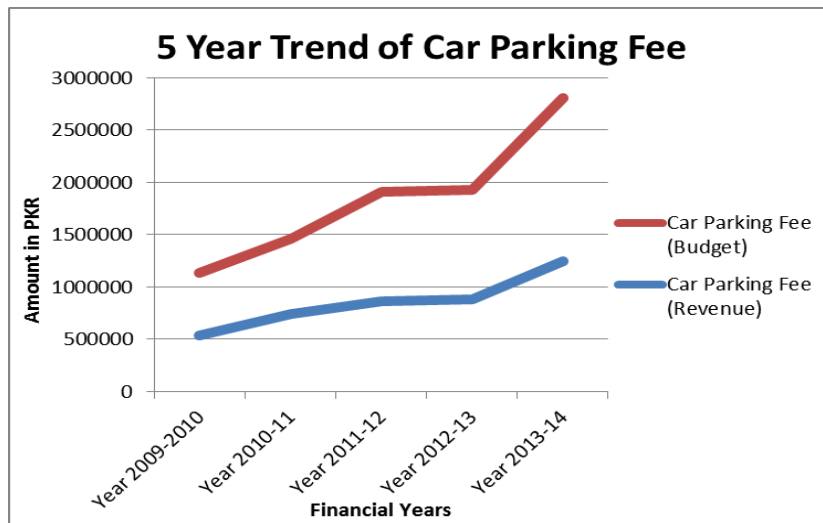
Figure 9: Car Parking Fees

4.4.2.4 Land Nazula Rent

This tax is collected through tax collectors and Patwaris for the government owned or leased land. This rent is also collected through receipts.
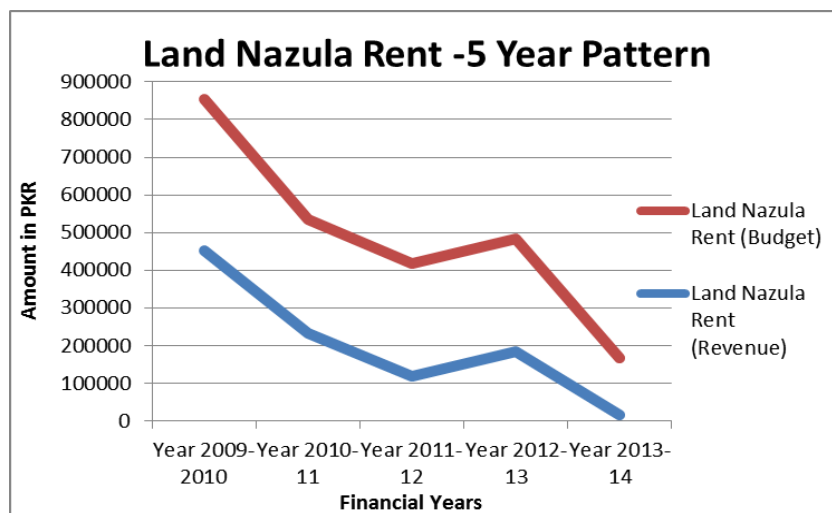
Figure 10: Land Nazula Rent

4.4.2.5 Sale of Store Materials/ Ceased Items

This fee is collected through sale or auction of materials deposited in warehouses or stores of the TMA. Ceased items (through enforcement/ during raids) are also included in this fee collection.The figure 11 shows rate in change of sale of store material over a period of the 5 years for which budget has been studied.
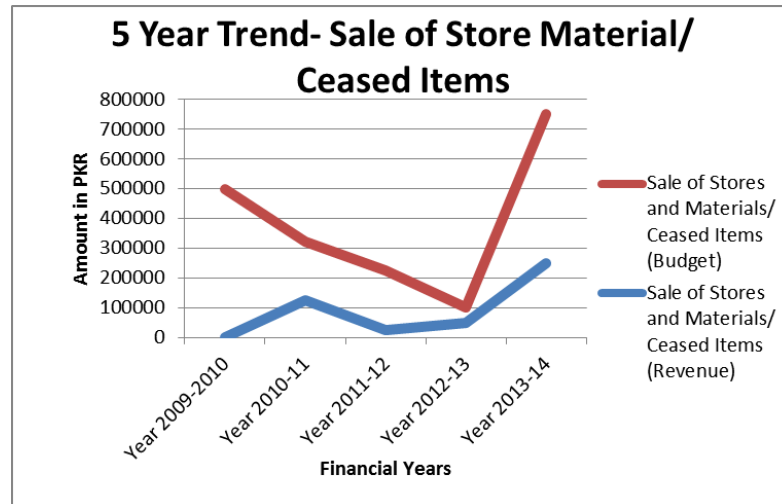
Figure 11: Sale of Store Materials

4.4.2.6 License Fee

This includes the fee charged for license plates and motor vehicle registration. Driver's license fee and profession licensing are also included in this.
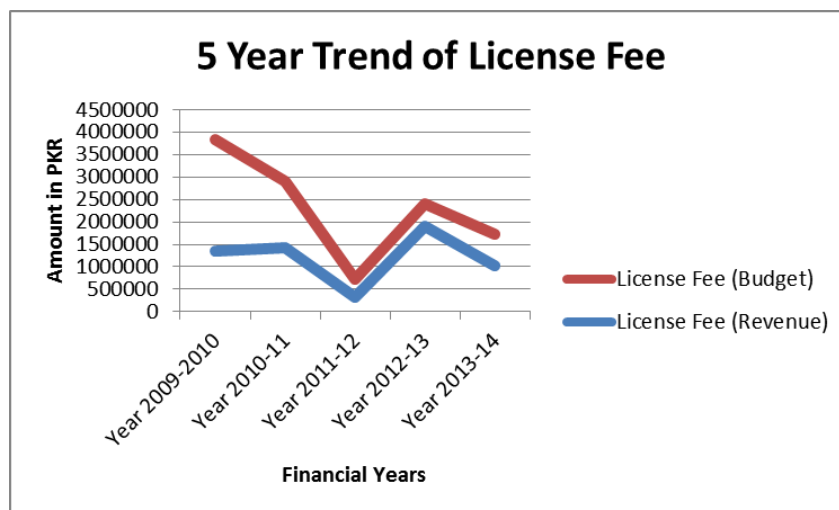
Figure 12: License Fee

4.4.2.7 Building Plan Fee

Building plan fee is obtained by submission and approval of building plans within the TMA. However it is pertinent to point out here that there has been a ban imposed on the construction of new buildings within the boundaries of Murree town. This ban was imposed by the Punjab Government 8 years ago. This ban has in turn caused some issues in proper revenue generation through this source. Although it has been observed in the research that even with the imposition of ban a great amount of income is generated through building plans.
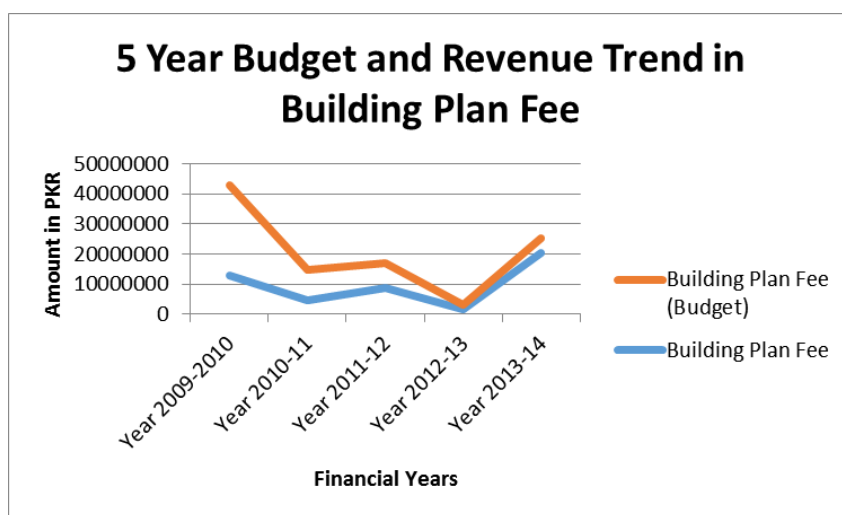
Figure 13Building Plan Fee

4.4.2.8 Enforcement, Encroachment Fines

As per the byelaws of Punjab Local Government Ordinance 2001 it is clearly defined that administration of town is responsible for its enforcement mechanism. The Regulation branch of TMA hence imposes fines on violators in case of illegal construction and encroachment on roads or properties. These fines are also considered as own source of the TMA. The TMA therefore is responsible for imposing penalties in case of any violation as and when applicable. Consequently the enforcement of all municipal laws is direct responsibility of the administration of Murree. The figure 14

shows trend of enforcement and encroachment fines collected by the TMA for a period of 5 year budge and income generated for the same 5 years in this head by the administration of the TMA. It shows that the budget set each year is according to the potential of income generation. However, the income is not generated as per the designated target.
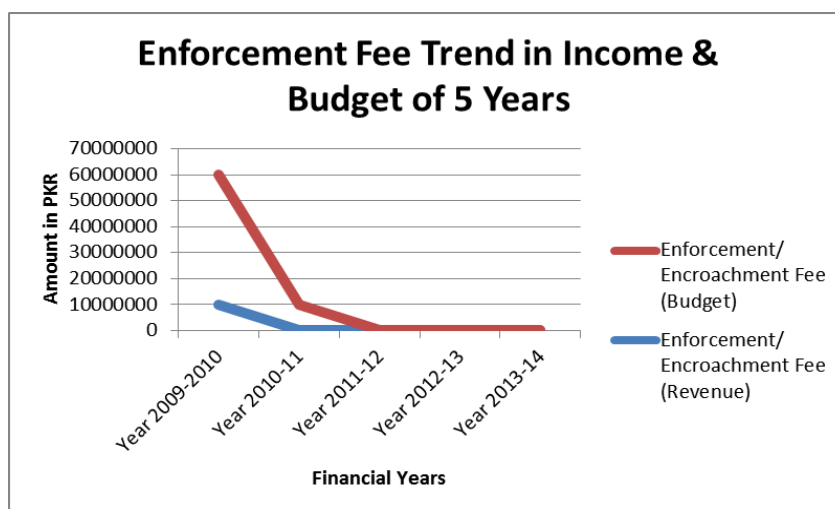
Figure 14: Enforcement Fee

4.4.2.9 Animal Slaughter Fee

Each TMA in a local government is responsible to maintain public slaughter houses in its local area and hence sustains stalls and rental shops for the purpose of animal slaughter. This fee is also collected by the local administration through receipts.

It has been identified through interviews that animal slaughter fee and cattle market fee are both not well maintained in the TMA Murree. Hence, a potential is observed in enhancing this source of revenue through appointment of relevant and well trained staff

The figure 15 shows trend in animal slaughter fee over a span of 5 financial years from 2009 to 2014. Both the budget and revenue set and achieved for these years is quite less as this source has been highlighted as under explored source and if the

TMA implies proper resources and generates revenue as the potential from this source than this problem can be rectified.
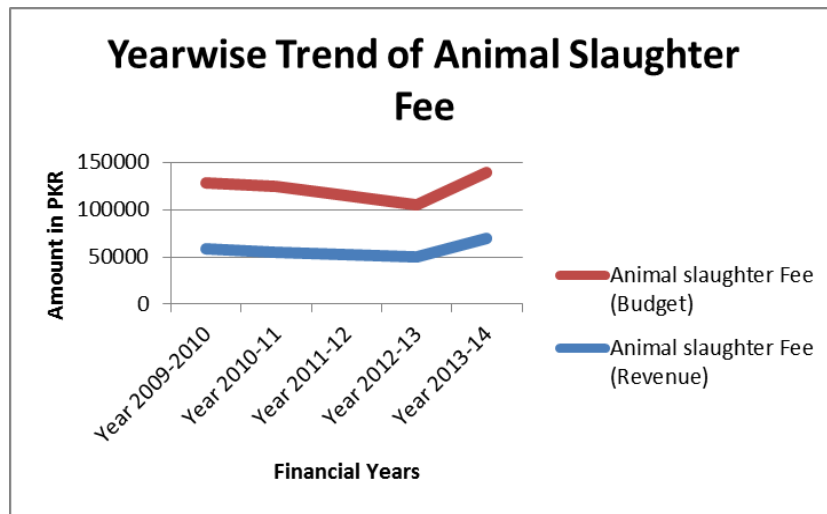
Figure 15: Animal Slaughter Fee

4.4.2.10   Public Latrines Fee

As in many cultures public toilets are maintained are charged by the local authority. In Murree the same fee is charged and collected by the Town Municipality through receipts.
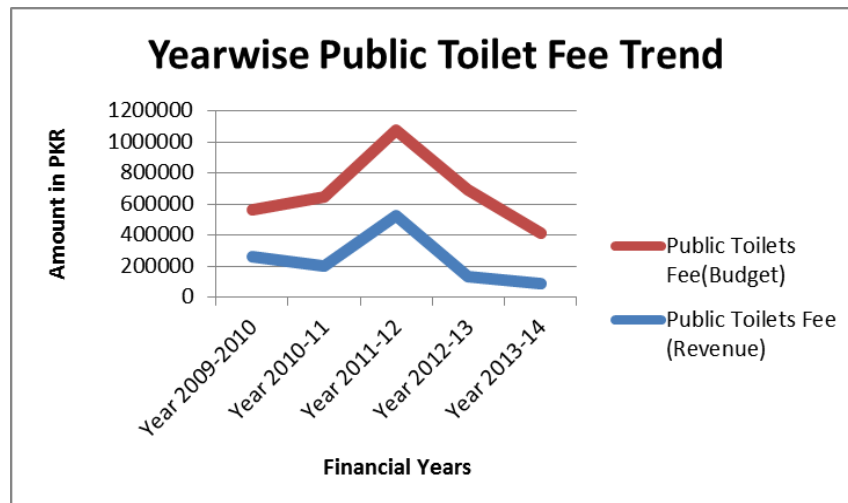
Figure 16: Lavatories Fee

4.4.2.11   Water Rates

Three departments in Murree are responsible to deliver water to inhabitants through dilapidated quality infrastructure mainly laid above surface in approximately 80% of

urban area. These departments are TMA, PHE (Public Health Engineering) and Joint Water Board. TMA and PHE are responsible for civilian population whereas Joint Water Board is responsible for serving the cantonment. (FINAL REPORT MASTER PLAN TO DEVELOP MURREE A POLLUTIONF FREE TOURIST TOWN (2011-31) JUNE, 2012.) from its residents through utility bills. To provide adequate and appropriate water facility to its residents the local authority has to generate sufficient revenue so as to uphold its utilities operational and management cost. For this purpose the TMA collects water fee and charges.

The figure 17 shows trend of water rate income and revenue within the TMA boundaries. It shows that budget for water rate is set high however revenue generated for the same is less
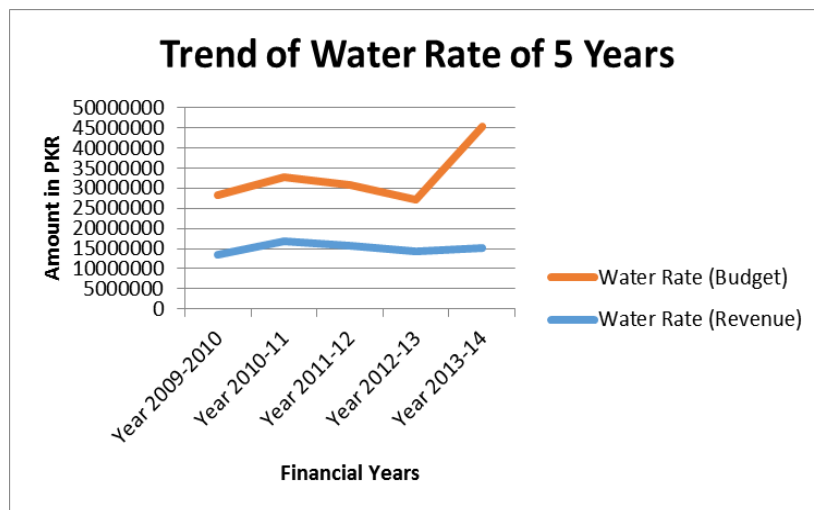
Figure 17Water Rate

4.4.2.12 *Sale of Water through Bowser*

Provision of clean drinking water is a cosmic issue in Murree as well. For this purpose the water is being provided through bowser established at Kashmir Point and income is generated by sale of that water to maintain the system and keep it operational for the residents.

When inquired from the officials in TMA it was revealed that the issue of water shortage arises mostly in summers due to increased number of tourists. This not only causes scarcity of water supply in commercial units but also causes problems in the residential areas.

The figure 18 is a line graph showing the trend of target budget and revenue generation from sale of water through Boozar within the TMA. This graph shows that budget targeted is high in accordance with the potential of income generation through this revenue source. Revenue generated through this source is however lesser than the targeted budget. This graph is generated by analyzing financial years from 2009 to 2014 and target as well as revenue set against each year.
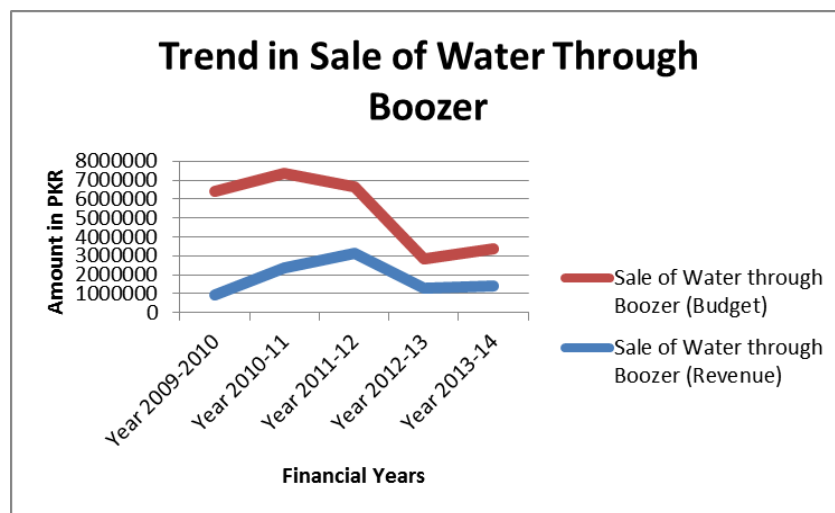
Figure 18 Sale of Water through Boozar

4.4.2.13   *Sozo Park Rent*

Rent from recreational facilities such as parks; is also collected by the TMA as a source of income. When inquired from the TMA officials the income generated from this rent is used for the up-gradation of open spaces in the parks.

This is computed as a tourist tax as the Sozo water park is mostly used for recreational purpose by the tourists. If, generated well this can turn out to be a potential income generating source for the Town Municipal Administration of Murree.
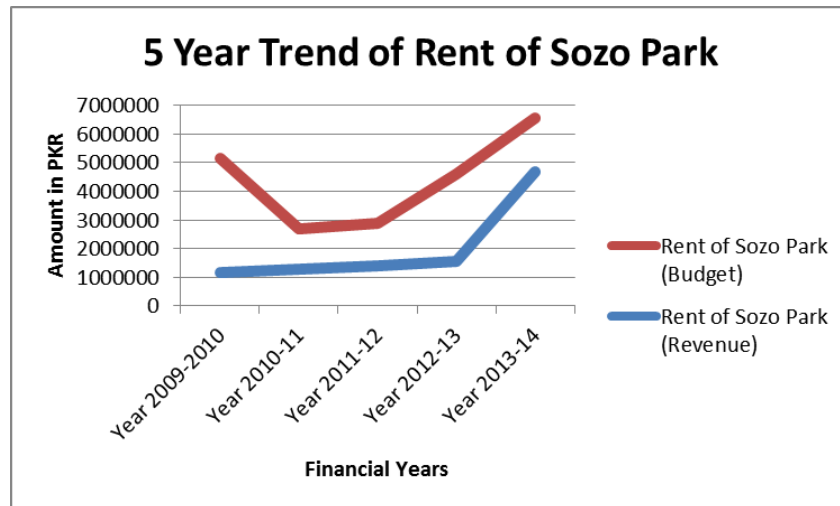
Figure 19Water Park Rent

4.4.2.14   Rental Shops/ Municipal Property

The local residents also pay rent of commercial shops or municipal properties that are collected in form of receipts by the TMA
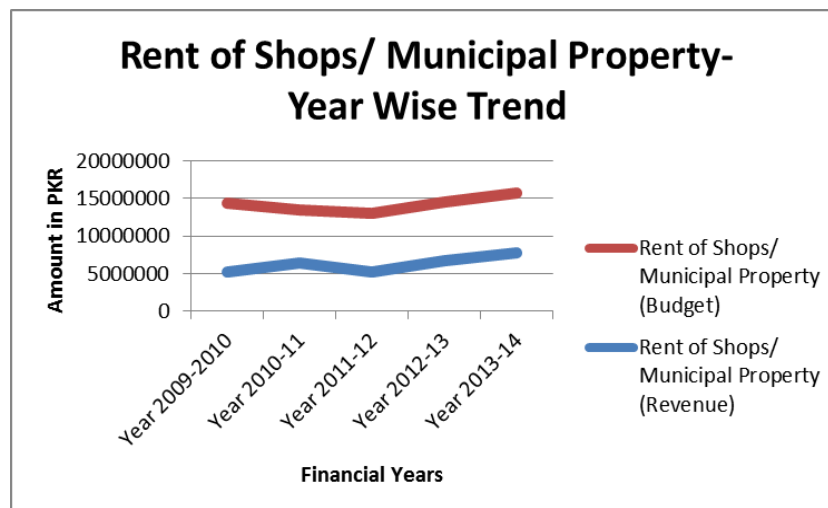
Figure 20: Shop Rent

4.4.2.15   Sale of Plantation

Sale of trees and plants within the TMA is also a source of income. This sale purchase is also maintained in the finance branch through collection of receipts from the local people.
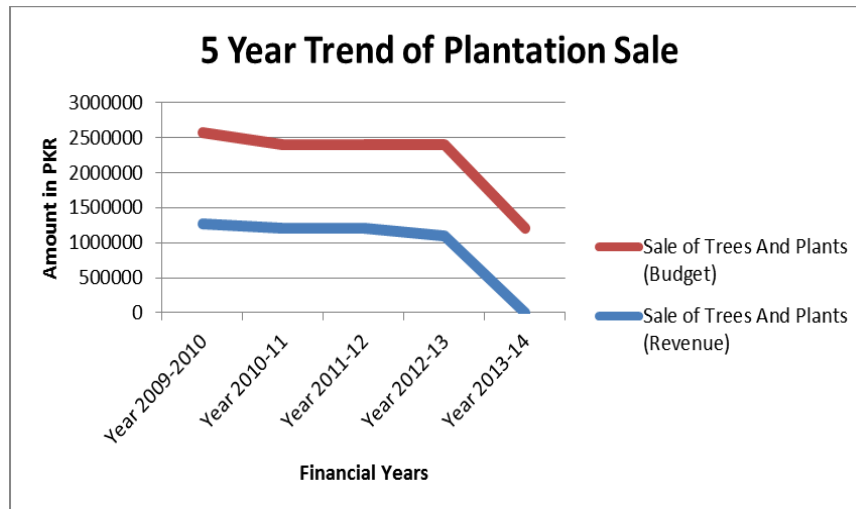
Figure 21: Plantation Sale

4.4.2.16   Copying Fee

Copying fee is to facilitate the recovery of fees payable for copies made or supplied of records in offices under the control of Revenue, Judicial and other offices of Government.
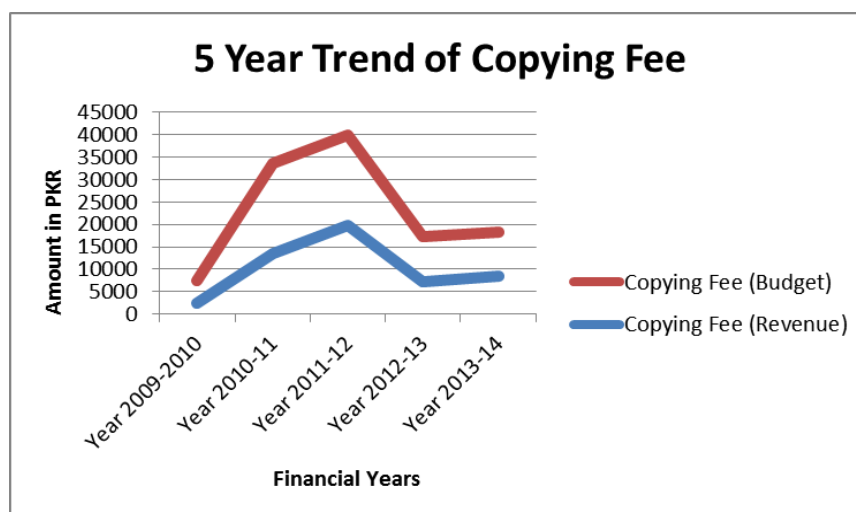
Figure 22: Copying Fees

46

4.4.2.17   Misc. (Receipts of miscellaneous functions or services included in the

budget without any name or specification of their purpose)
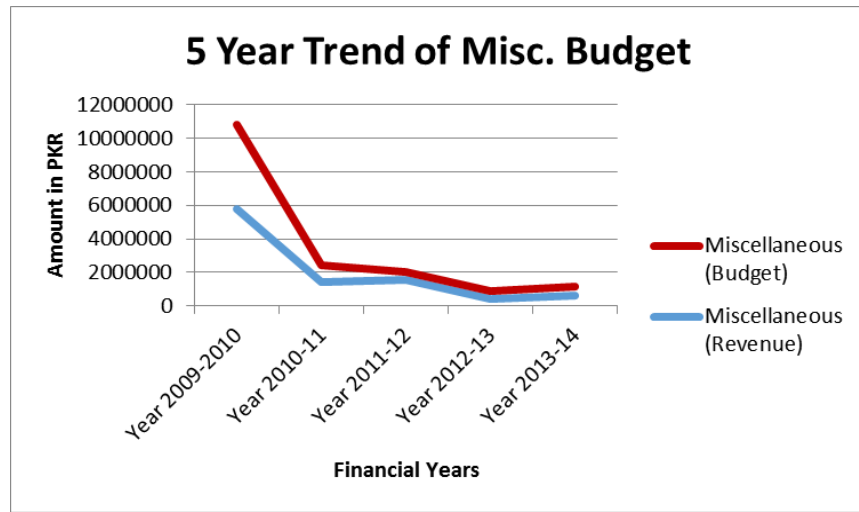
Figure 23Misc. Budget

4.4.2.18   Arrears Receipts

This category involves the receipts of arrears of the following three income sources that are left in the balance of each budget. The same is incorporated in the next proposed budget as arrears.

Water Rate

Service Charges

Chair Lift Share
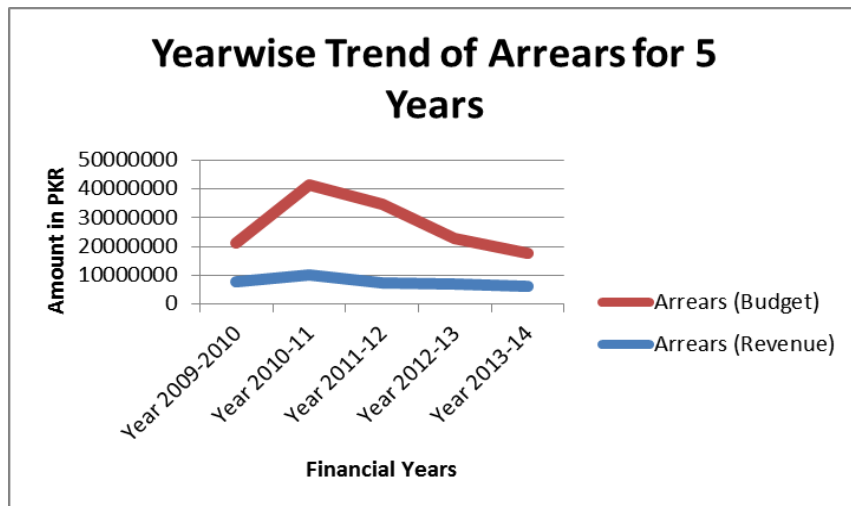
Figure 24: Arrears Receipts

4.5 External Revenue Sources

The external sources of revenue generally comprise of aids and grants provided to the TMA by government institutions through both national and provincial level. Murree like most of the other TMAs in Punjab runs its grant course through provision of Provincial Finance Commission (PFC) Awards. It has also been claimed by the Finance Department that PFC awards are the major source of income for the TMA specifically after the absolution of Octroi Tax System.

4.5.1 Share from Highway Toll Plaza

As an external source the TMA receives a fair share of the toll plaza from Motorway which is a part of the budget and generates a sufficiently good amount as revenue for the TMA. This revenue is collected by Finance Branch in form of Cheques from the Provincial Highway Authority.
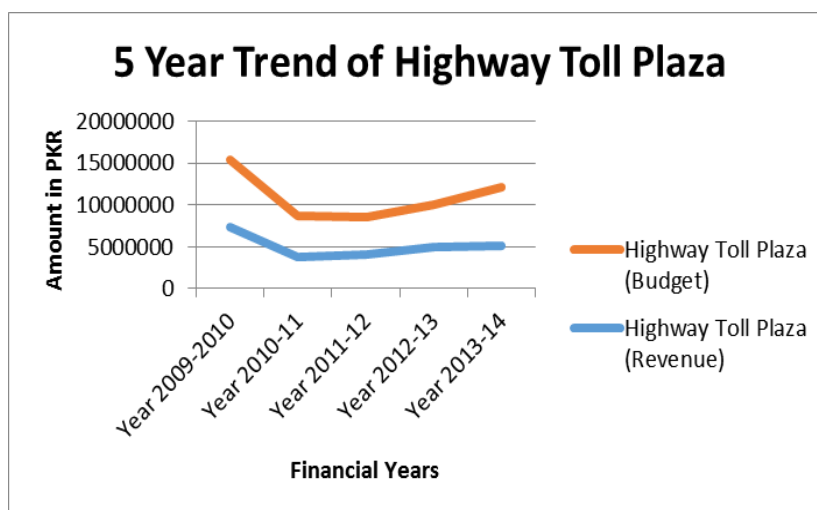
Figure 25 Share from Highway Toll Plaza

4.5.2 Grant from Provincial Government (Share of PFC Awards)

As discussed in earlier paragraph PFC awards are considered as major source of income and revenue generation for the Murree; through external means.

This grant enables sanction and release of supplementary grants to District Governments, TMAs and concerned departments. The PFC Award deals with Punjab Municipal Development Fund Company as well. Hence it is responsible for the sanction of grants to various TMAs. In 2014 the PFC Award share for TMAs of Rawalpindi was increased by 10% to meet the increase in salaries of the employees. Provincial Finance Commission has been identified as one of the major sources of income for the TMA and hence the town has a huge reliance on this external source of income.
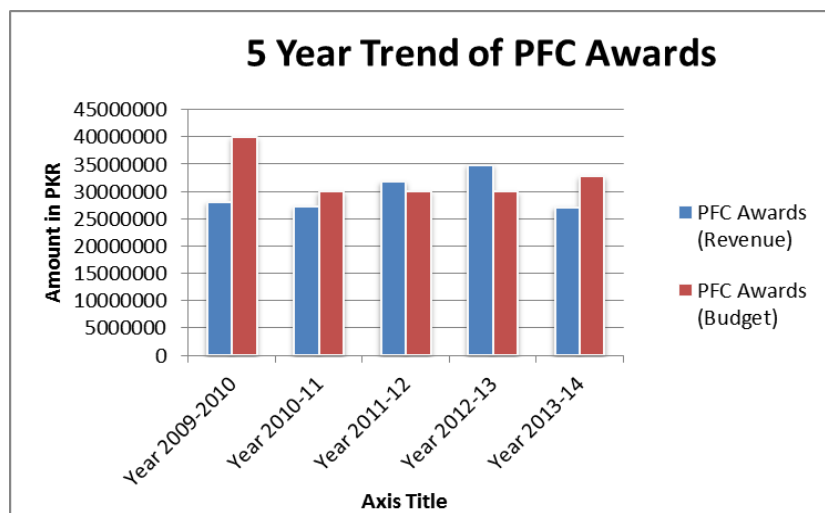
Figure 26: PFC Award

4.5.3   Grant in Aid for Salary of Staff

This grant is also provided to meet the needs of salaries of the staff. A total number of 586 employees work in TMA Murree. Their salary grant is fixed in the income of TMA.

4.5.4   Government Grant for Development

The Government grant for development includes grant for repair and rectification of street lights, grant for purchase of generators for water supply, replacement of heating systems, construction of Yattan Club Road, purchase of excavator machine and grant

for rehabilitation of General Bus Stand. This grant has not been provided in the budget of 4 financial years from 2010-2011 up to 2013-14. The TMA officials also reported that a number of development projects were completed by the TMA but no grant was provided after the completion of the same. In each year budget preparation the same issue was highlighted by Town Officer Finance so that grant for development could be accessed from government.
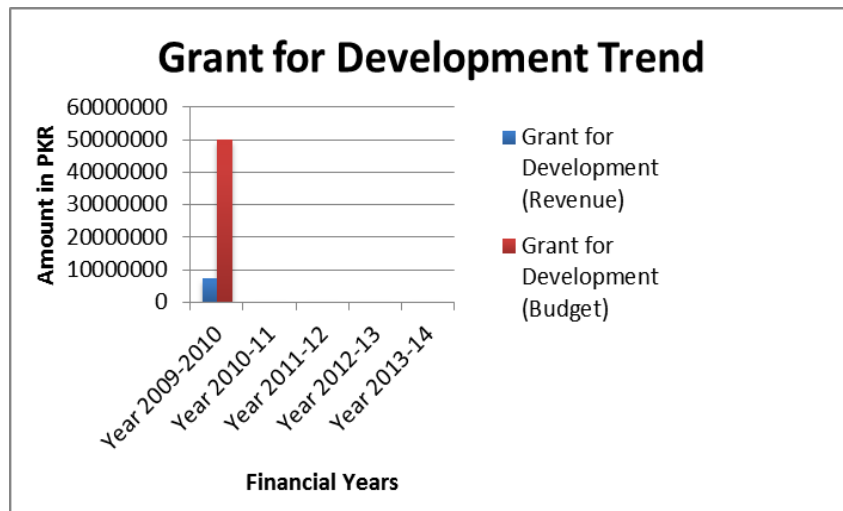
Figure 27: Development Grants

4.5.5 Capital Receipts

These are the receipts from investment of Cash Balances by Local Governments/ Banks.
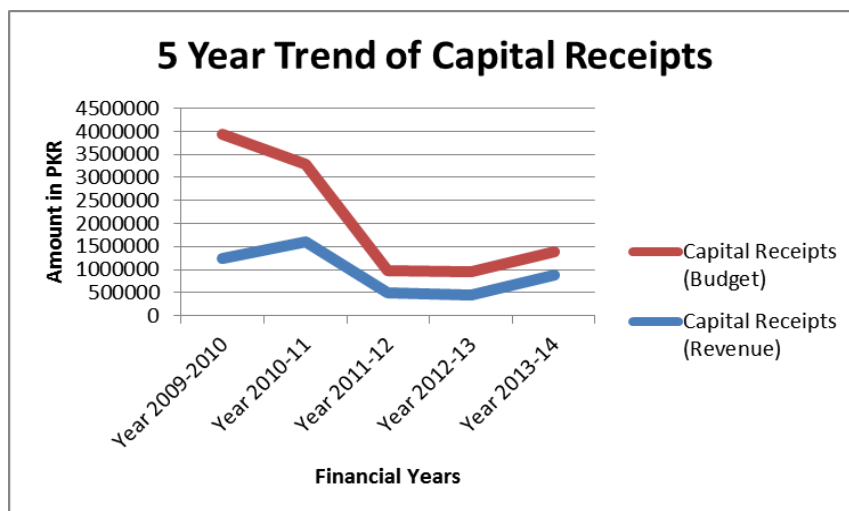
Figure 28 Capital Receipts

4.6 Revenue Trend of 5 Financial Years

The table 4 reviews income generation from all sources of income generated from the TMA. It has a detailed overview of all the income potentials as well as lags in income.

Table 4: Revenue Trend for Five Years

Source	Year 2009-2010	Year 2010-11	Year 2011-12	Year 2012-13	Year 2013-14
UIP Tax	7980336	3733282	12223257	16423198	12189389
Transfer of Immovable Property	7904709	8408578	10575585	15357544	24274265
Service Fee	917254	1379204	2270833	1779185	2036441
Car Parking Fee	533695	744650	864150	881940	1249300
Highway Toll Plaza	7425148	3773000	4103823	4973697	5101487
PFC Awards	28083000	27298000	31816000	34958000	27185400
Grant for Salaries		0	0	0	0
Grant for Development	7373000	0	0	0	0
Sale of Stores and Materials/ Ceased Items	0	123400	23850	50000	250000
Land Nazula Rent	453613	233753	119245	184047	17952
License Fee	1348831	1418820	318630	1900853	1026836
Building Plan Fee	12757456	4626312	8566810	1654794	20195272
Enforcement/ Encroachment Fee	9849669	0	0	45550	21500
Animal slaughter Fee	58335	54897	52246	50179	70030
Public Toilets Fee	260715	199000	521975	134824	86260
Water Rate	13401341	16833980	15688028	14288198	15196600
Sale of Water through Boozer	922420	2385006	3143030	1309150	1385625
Rent of Sozo Park	1159567	1275525	1403076	1543384	4668736
Rent of Shops/ Municipal Property	5237136	6451672	5259543	6780231	7717018
Copying Fee	2360	13570	19810	7220	8400
Sale of Trees And Plants	1267900	1200000	1200000	1100000	0
Miscellaneous	5810310	1416881	1559264	446639	652966
Capital Receipts	1232737	1593095	489030	458073	889783
Arrears	7747149	10337253	7461000	6910961	6246894
Total	121726681	93499878	107679185	111237667	130470154
*Additional Income for 2009-2010 through fine imposed on building violations					

4.7 Percentage wise Dependency & Distribution of Own Sources

The income pattern of each own source for a period of 5 financial years has also been scrutinized. The following figure highlights the major sources of income in TMA Murree from 2009 to 2014.
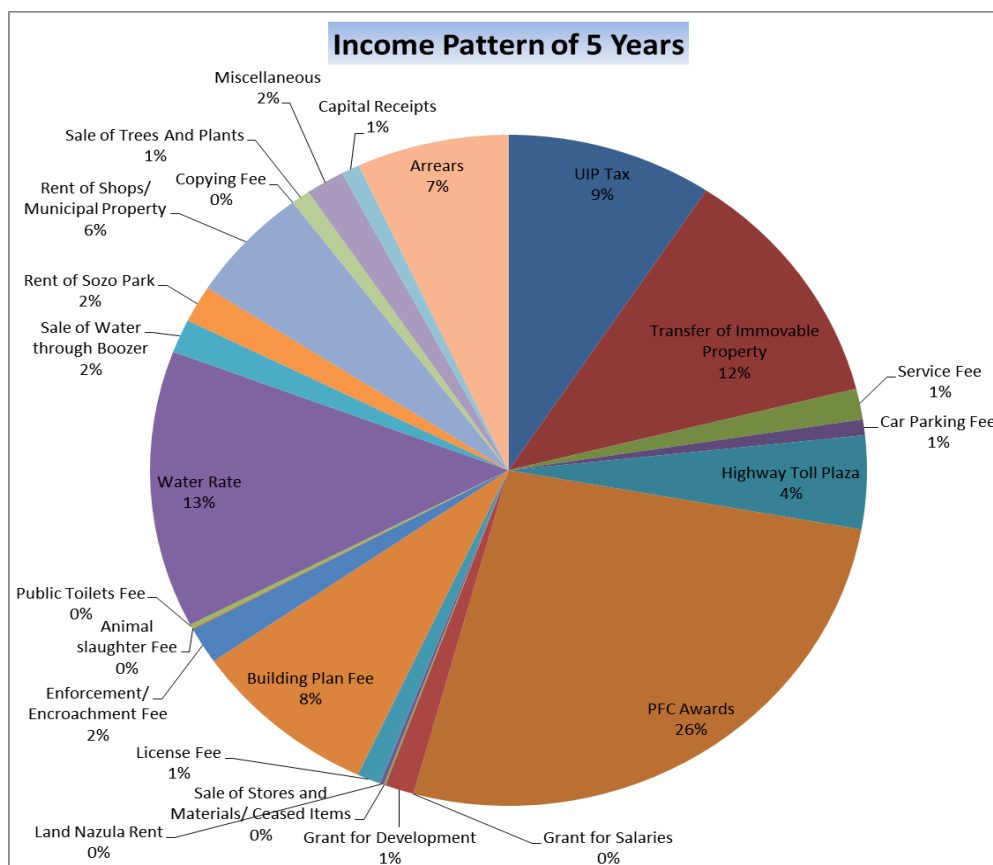
Figure 29: Income Pattern

Major dependence lies on property tax (21%) (as an internal source) and PFC awards (28%) (as an external source) for income generation in the TMA.

- Income from these two sources is achieved higher than the set target for each of them.

- Greater potential in generation of income through property tax.

- 8% achieved from building plan fee

- 13% income generated from water rate

52

4.8 Percentage Distribution of Own Sources in Budget Allocation

Budget trend of 5 financial years has been scrutinized for this research from 2009-2010 to 2013-14. This trend helped realize the major sources of income on which the Town Municipal Administration depends.
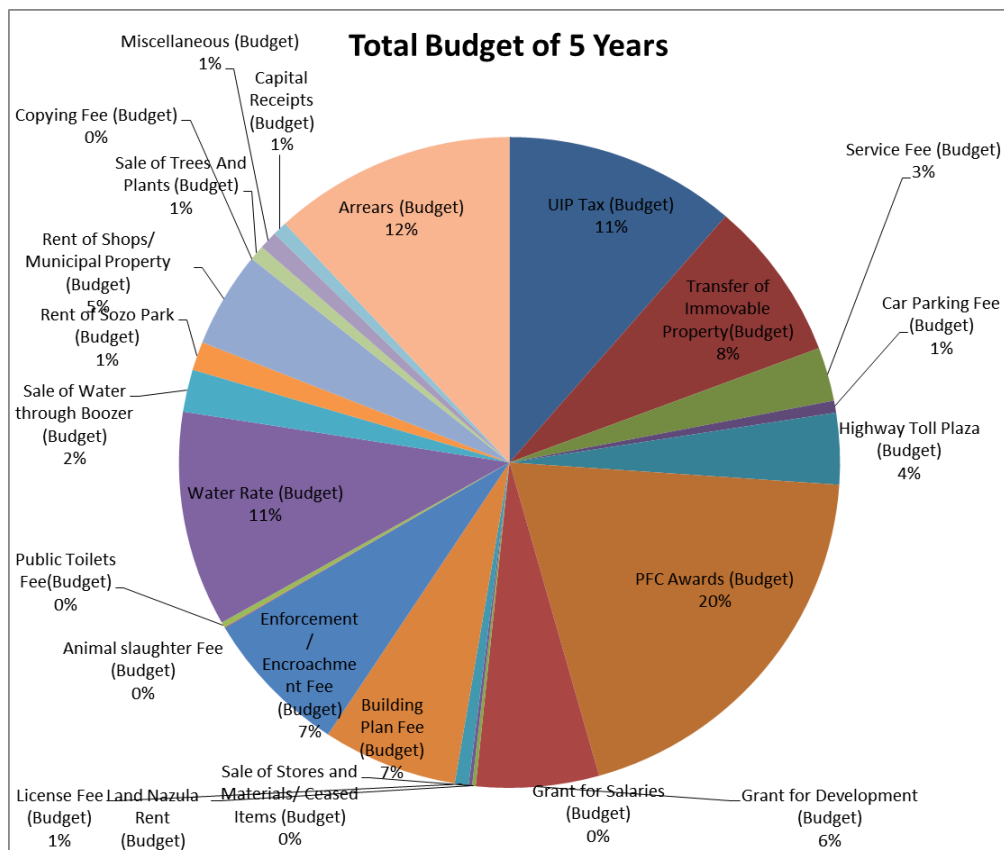
Figure 30: Total Budget

Budget is set each year as per the income generation of the past year and increase in the rates/taxes by the government.

- 19% targeted to be achieved from Property Taxes

- 26% reliance on PFC Awards and grant for development.

- 7% targeted for building plan fee

- 11% for water rate

- Major dependence of the target to be achieved each year is from aforementioned sources.

4.9 Local Economy and Its Types

In any nation worldwide the phenomenon of local economy is explained only on the basis of economic activities taking place in the particular area. It therefore is considered as the establishment of a local system within a city or a town and the economic activities taking place in the locale. Local economy hence involves the citizens and works for provision of an efficient system. It may be considered a process where goods and services are supplied. The local economy involves local institutions in the contribution of economic development.

Local economy is administered by the local government of the area and all the economic decisions are made by the local administration. This local administration in the TMA itself that is responsible for carrying out economic activities in its respective area. There are two types of local economy that are observed in most countries.

4.9.1.1 Formal Economy

The formal sector of economy incorporates all kinds of jobs with regular wages. This type of economy involves income sources on which taxes are likely to be paid. People working in different organizations, public sector, schools, bans, etc. all belong to formal economy.

4.9.1.2 Informal Economy

The informal sector of economy has no levied taxes and is not examined by the higher authorities. It is also important to point out that the activities taking place in an informal economy are not registered in the government economic labels and hence not included in the gross national product or gross domestic product. This type of

54

economy has no rules or fixed wages. People working on daily wagers, hawkers and street vendors, home based entrepreneurs, cobblers, etc. all belong to an informal economy.

Four major sources have been identified that are highest in percentage in the total spawned income. These sources are ***Property Tax***, ***Water Rate***, ***Building Plan Fee*** and ***Rent of Shops/ Municipal Property, etc.*** All these sources are components of formal economy. Taxes are imposed on each of these own source and they have a specific collection strategy.

The collection method of each of these sources is discussed below:

i. The local own source revenue of any TMA is largely reliant on its local economy. The above table describes this dependency on a span of 5 financial years. It is observed that huge revenue generation is carried out through collection of Urban Immovable Property (UIP) Taxes and Transfer of Immovable Property Taxes (TTIP). During interviews with officials in TMA and PLGB it was recorded that 1% of the original value of property is collected as TTIP tax through collection of receipts. This collection is basically carried out in various steps. The owner/ occupier are provided with a Challan with 1% value of sale deed/ Intiqaal. The owner submits the TTIP Tax in the Tax Branch of TMA and hence is provided with a receipt which is to be submitted to Sub Registrar for registration of sale deed. The Finance Branch of TMA is responsible for collection of TTIP Tax and Tax Superintendent maintains the record of TTIP tax in a monthly register.

ii. Similarly the UIP Tax is collected by excise department and 85% of the property tax is paid to the TMA while 15% of the UIP tax is kept by the excise department as recovery charges. 18% through water rate,

iii. The Water Rate is collected through bills after every two months. The rates are different for Commercial and Domestic connections. The officials in Tax Branch of TMA Murree defined water rates for commercial and domestic connections. It was identified that 16 PKR per 100 liters is collected from commercial units while 5 PKR per 100 liters is collected from residential units.

iv. Building Plan Fee is collected in different steps. Upon submission of a building plan the scrutiny fee is collected through a bank challan. PKR 8 per square feet is collected for commercial plans as scrutiny fee and PKR 5 per square feet is collected for residential plans.

The same collection method is adopted after the approval of building plan. The rates are applied as discussed above and plan is sanctioned upon collection of the complete amount of building plan fee.

v. The rent of shops and municipal properties is collected on the basis of auction charges or open bids. The highest bid is the rent of the property. The bid is carried out through advertisement of the property in a local newspaper and an official bid is announced for the particular property on the basis of market rent. The Tax Branch is responsible for this revenue collection as well. The Tax Superintendent informed that a 10% enhancement on the shop rent is placed annually as per government rules.

4.10 Trend Analysis of Own Source Revenue (Dependent on Local Economy)

The table **5** discloses year wise dependency of own source revenue on the local economy. It principally provides us percentage figures of different own sources that have the highest percentages in the revenue generation from year 2009-10 to 2013-14.

Table 5: Percentage Revenue Growth

Source	2009-2010		2010-2011		2011-2012		2012-2013		2013-2014	
	Annual Revenue	%age	Annual Revenue	%age	Annual Revenue	%age	Annual Revenue	%age	Annual Revenue	%age
Property Tax	15885045	13	12141860	12.9	22798842	21.17	31780742	28.5	36463654	27.9
Water Rate	13401341	11	16833980	18	15688028	14.5	14288198	12.8	15196600	11.6
Building Plan Fee	12757456	10.4	4626312	4.9	8566810	7.9	1654794	1.48	20195272	15.4
Shop Rentals	5237136	4.3	6451672	6.9	5259543	4.9	6780231	6.1	7717018	5.9

The Figure 31 shows dependency of own sources on the local economy. As discussed above the four identified sources are major components of formal economy of the local government. The income generated through these sources is henceforth directly reliant upon the local economy. The bar chart reveals that for the year ***2009-2010*** 13% of the total income generated was through collection of UIP and TTIP taxes, 11% was collected through water rate, 10.48% through building plan fee and 4.3% through rent of shops and municipal properties. For the year ***2010-2011*** it shows that 13% of the total income for the year was collected through property taxes, 4.95 % through building plan fee and 6.9 % through rent of properties. For the year ***2011-2012*** 21.17% of the total income was collected through Property Taxes, 14.57% through water rates, 7.96% through Building Plans and 4.9% by shop and municipal properties rent. For the year ***2012-2013*** 28% of the total income was generated from UIP and

TTIP taxes, 13% was collected from Water Rate, 1.49% was from Building Plan Fees and 6.1% was collected from Shop Rents. 28% income was generated from property taxes for the year **_2013-2014_**, 12% was through water rate, 15.48% through building plans and 5.9% from rent of properties.

There has been an increase in the property taxes over the years, the water rate has been somewhat constant for the 5 year income pattern, a massive rise and fall is identified in the building plan fee over the period of 5 years and rent has also been almost the same.
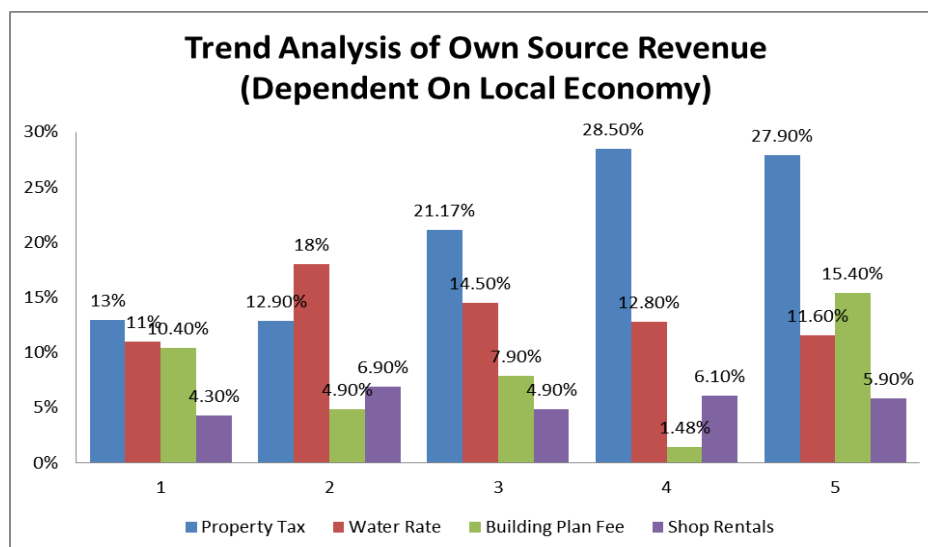
Figure 31 Trend Analysis of Own Source Revenue

4.11 Rate of Change in Dependent Own Sources

The rate of change of each own source for each upcoming year describes the increase or decrease in dependency of each local own source within the jurisdiction of TMA Murree.

For this purpose the dependent own sources are individually discussed below with their respective percentages to identify the difference of revenue in each year. This has also enabled the identification of lags or potentials that were responsible for the increase or decrease of the income of the respective sources.

The collection of each source is also discussed individually for understanding of method of taxation and rate in change of the income that has been observed against each source.

4.11.1.1 *Property Tax:*

As discussed above Property Tax comprises of UIP and TTIP tax and collected in form of receipts from the individuals. The trend of 5 year income of Property Tax is shown in the following table:

The figure 32 describes the rate of change of property tax in a period of 5 financial years. It is observed that for two consecutive years (2009-2011) the income remained same i.e. 13%. In the year 2011-12 a prominent increase has been observed which was followed up to year 2014 causing a gradual increase in the property tax from 21% to 28%.
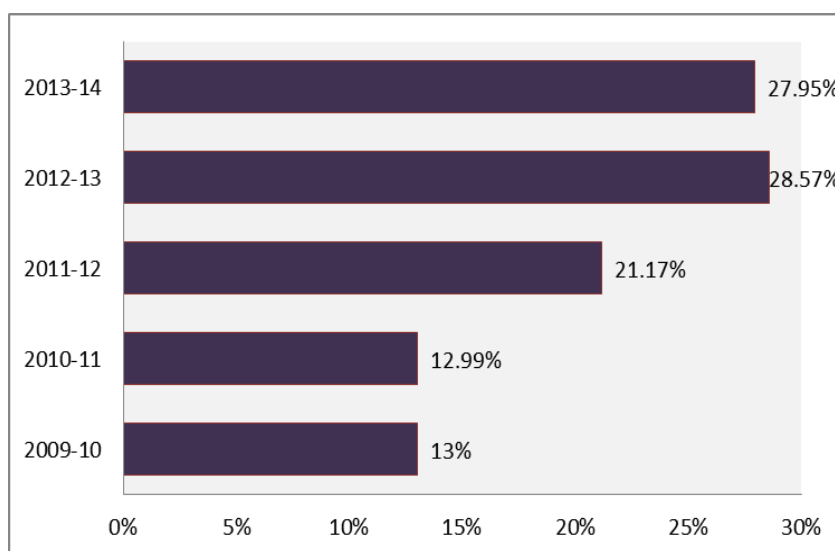
Figure 32 Percentage Trend of Property Tax

As discussed earlier the UIP and TTIP is based on the value of property. This increase in income was inquired from the TMA officials and it was documented that the value of property increase every year and hence an increase in TTIP tax is observed. Likewise for UIP taxes a survey is conducted by the excise department and

value of UIP tax is determined every year as per the market value of the property. These can be regarded as the reasons for increase in property taxes in the past 5 years.

4.11.1.2   Water Rate:

Water rate is collected through utility bills. The trend of Water Rate shows that no significant change in the income through water rate has been observed. Only for the year 2011-12 the collection increased up to 18%. The increase in income for this year was discussed with concerned TMA staff and it was stated by the Tax Superintendent that for the year 2010-11 the arrears were collected and some new connections were also installed within the TMA dominion. This caused categorical increase in water rate income for the particular year. The official also informed that water rates have not been revised for the past 5 years hence any rate of change in income is mainly because of collection of arrears.
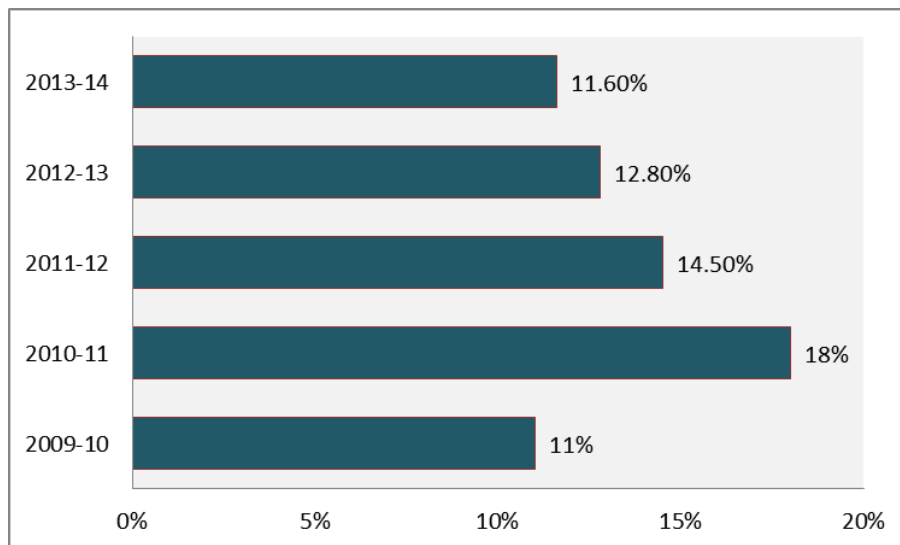
Figure 33Percentage Trend of Water Rate

4.11.1.3   Building Plan Fee:

The Town Officer (Planning and Coordination) repeatedly mentioned the ban imposed on construction of new buildings in the jurisdictional boundaries of Murree. Even so it was observed that a huge amount of revenue is being generated in the form

of building plan fees. During interview TO(P&C) mentioned that in the year 2009-2010 large number of building plans were submitted not only within the area of Murree but also from the outskirts of City Area such as GT Road, Expressway, PC Road, Baarian Road, etc. Then in the year 2010-11 ban was again imposed on the construction of commercial buildings and conversion of land-use hence causing the decrease in income for the said year. The same trend followed till 2013. Then in the financial year 2013-14 a bulging increase in the income was observed. This increase was instigated due to the development project of Bahria Golf City on Murree Expressway. The TO (P&C) informed that large number of building plans have been submitted from the aforesaid project hence causing a trend increase in income for the year 2013-2014. The official also stated that due to this project the areas nearby have also been indulged in approval of building plans.
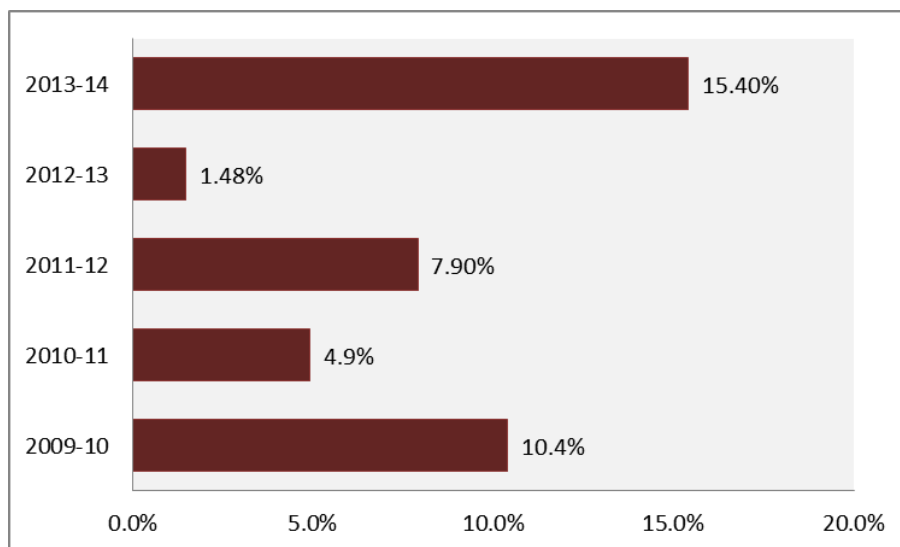
Figure 34 Percentage Trend of Building Plan Fee

4.11.1.4   *Rent of Shops & Municipal Properties, etc.:*

The rent of shops and other municipal properties is calculated after conducting a market survey of rent of different shops and is collected through receipts. From the income pattern of the past 5 years it is quite clear that the rate of this source of income like water rate is almost the same. It varies from 4-6% for a period of 5 years. When

consulted with the concerned official from TMA it was discovered that there has been no increase in the number of shops for the past 10-15 years and hence no change is anticipated from the rent of shops. However it is quite clear from the graph that for the year 2010-11 and 2012-13 the percentage rose up to 6.1% & 6.9% hence marking an increase in the collection of rent. This matter was also discussed with the concerned staff and it revealed that the shop rent of different roads is different. For the aforementioned years the rent was collected quite keenly from all the major and minor roads which instigated the increase in income from this source. On the other hand there had been some staff deficiencies in the remaining years due to which the income fluctuated.
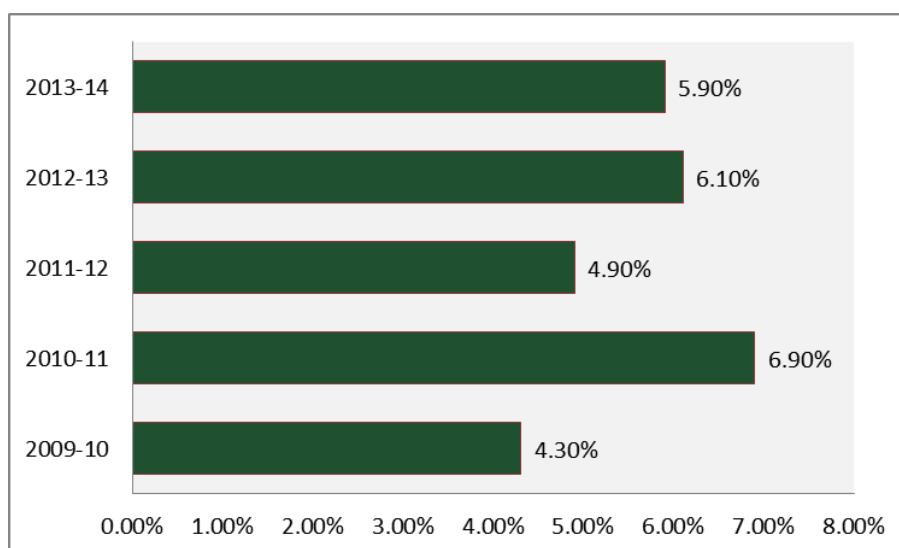
Figure 35 Percentage Trend of Rent of Shops

4.12 Link between External and Internal Local Own Source

Regardless of the decentralization of local economy and independent work environment as well as autonomous establishment of each TMA; a huge number of TMAs all over Punjab are mainly reliant on inter-governmental transfer (such as NFC or PFC Awards). This can be deliberated as the reason of inadequate attention to collection of local own sources and means to enhance revenue generation through local own source. However, it is also apposite to highlight the fact that these external

sources may also be used to stimulate internally generated revenue through local own sources. The following correlation analysis highlights the link between external and internal sources of income in TMA Murree and also discovers whether the external sources/ grants have a positive or negative impact on the local own source. A Pearson product-moment correlation coefficient was computed to assess the relationship between these variables.

Table 6 Correlation Trend

Correlation	Mean	S.D	(1)	(2)	(3)	(4)	(5)
(1) Expenditure Trend	1.34	4.652	1				
(2) Budget of Internal Sources	1.28	6.087	0.033	1			
(3) Budget of External Sources	3.85	7.177	-0.201	0.958	1		
(4) Income of Internal Sources	7.63	1.268	0.976	0.185	-0.61	1	
(5) Income of External Sources	3.67	5.834	-0.68	0.558	0.677	0.23	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The table 6 describes the correlation among internal and external sources of income as well as budget with one another and with the yearly expenditure. Firstly, a correlation index has been assigned for the aforementioned analysis. As per the allocated index the following parameters are defined for the value of "r":

i.   0-0.3   Represents Weak Correlation

ii.   0.3-0.6   Represents Mediocre Correlation

iii.   0.6-1   Represents Strong Correlation

The expenditure trends and internally generated revenue have a positive correlation, where r=0.976. This shows that the correlation among these two variables is quite significant as well as described by the correlation index they exhibit a strong correlation.

This is further deliberated with the fact that the increase in expenditure of the TMA stimulates the means to generate more income through internal revenue sources. Similarly a decrease in the internally generated revenue would cause a negative effect on the development and non-development expenditures within the TMA. Furthermore the expenditure has a negative correlation with income of external sources, where r=-0.68. As per the index of correlation this represents a strong correlation but with a reverse effect on one another. It means that with the increase in external sources of income (PFC Awards in this case study) the spending on expenditure decreases. However, this study demonstrates that the PFC Award for each year have been nearly static for the past 5 years. And substantially there have been remarkable differences in the expenditure for each year hence justifying the negative correlation.

Similarly, the correlation among budget of internal sources and income pattern of internal and external sources can be observed from the table. It shows that the value of r is, r=0.185 for the correlation among budget of internal sources and income of internal sources. This value represents that the two have a positive but weak correlation and it is likely to be assumed that income of internal sources does not have much effect on the budget trends of internal sources for the same years. In the same way the value of r is, r=0.558 for the correlation among budget of internal sources and income of external sources. This value represents a mediocre positive correlation; deliberating the fact that increase in income of external sources is going to create an increase in the budget of internal sources as well. The more the income is the more revenue will be allocated in the next year's budget.

The correlation among budget of external sources and income of internal sources is negative, where the value of r is, r= -0.61. As per the index of correlation this

represents a significant correlation but with a negative effect. It means that an increase in budget of external sources cause a decrease in income of internal sources. This hypothesis is well understood by the fact that every year the allocated budget is placed higher but the generated income is less than anticipated budget hence marking the negative correlation among the two. The correlation among budget and income of external sources is a significant positive correlation, where it is revealed that the increase of one marks the increase of the other entity as well.

4.13 Citizen Perception of Own Sources

The most critical and important part of this research was to identify the citizen perception and understanding of local own source revenue and the methods and means by which it is collected by the town administrations. For this purpose the following variables were branded as a means to ascertain perception and satisfaction level of the local residents. The results obtained from the residents of Murree are discussed in detail as under

Table 7 Citizen Perception Factors

Test	Public Knowledge of Own Source Revenue	Development Of Public Utilities through Tax	New Projects by TMA for Residents	TMA Funds Allocation for Public Facilitation	Public Satisfaction with TMA Projects	Process of Taxation	Use of Tax for Public Interest	Level of TMA Service Delivery
Mean	2.44	1.18	2.95	2.73	2.86	1.94	1.97	2.49
Median	2.00	1.00	4.00	3.00	3.00	2.00	2.00	2.00

4.13.1 Public Knowledge of Own Source Revenues

To completely understand the effects of taxation and revenue collection on general public it is first important to pinpoint the fact that whether the pubic that is paying all

the taxes has any information regarding the method of collection and taxes that are being imposed on them. The following figure 36 shows the public insight of own sources and taxes that are applied on them. According to the survey conducted from residents of different areas of Murree it was observed that most people considered the main source of tax from utility and property taxes. A total of 25% of the respondents said that the taxes are collected in form of utility and property tax, whereas 19% said that the revenue collected is mainly from utility taxes only, 12% of the view that only property taxes are collected in revenue form, 6% said that building plan fees is the source of revenue for the TMA, 3% were of the view that it is from encroachment fee, toll tax, etc., although it was astonishing that 35% of the respondents had no knowledge of the revenue or taxes being collected from them in different forms by the local government.
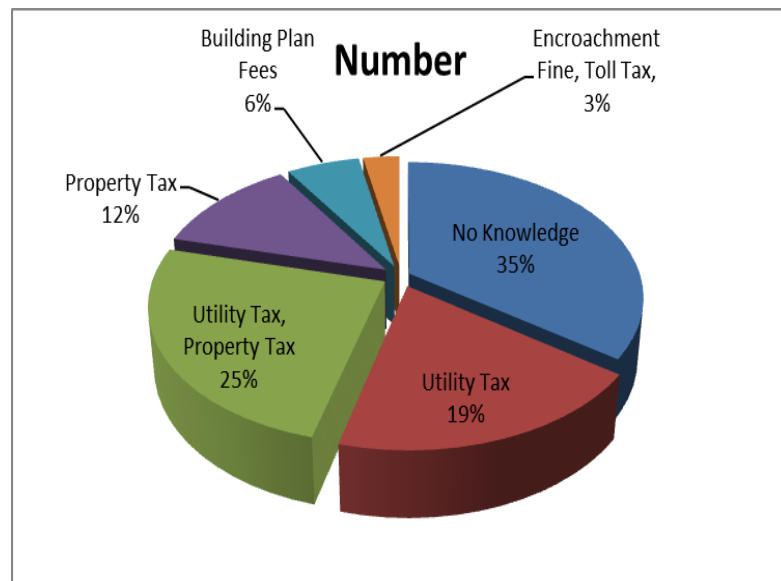
Figure 36: Public Knowledge of Own Resource

4.13.2 Development of Public Utilities through Tax

Similarly the respondents were asked whether the Town Municipal Administration is using the tax collected from them as a means of development of public utilities or not.

It was an appalling revelation that 90% of the respondents said that TMA has not disbursed any tax or revenue for the development of public utilities.
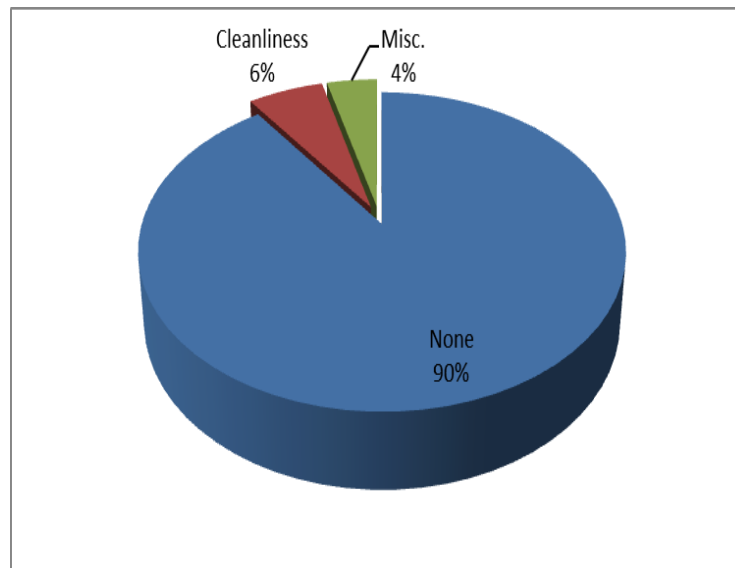
Figure 37: Public Utilities Development

This result shows a huge distrust among the residents and the administration. 6% of the residents said that the TMA is using the tax to improve the cleanliness practices within the town. 4% answered miscellaneously stating that these taxes are being used in various activities such as improvement of patchwork, water piping, solid waste management, etc.

4.13.3 New Projects by TMA

It was asked from the respondents whether any new projects relating to utility services being initiated by the Town Municipal Administration. Yet again it was observed that the public had little or no knowledge of the new initiatives of TMA (which were during research found to be: 2 cleanliness drives in the town in collaboration with Albayrak, water piping in specific areas to ensure smooth circulation of water in the residential areas, infrastructural improvement and roads patch work, etc.)
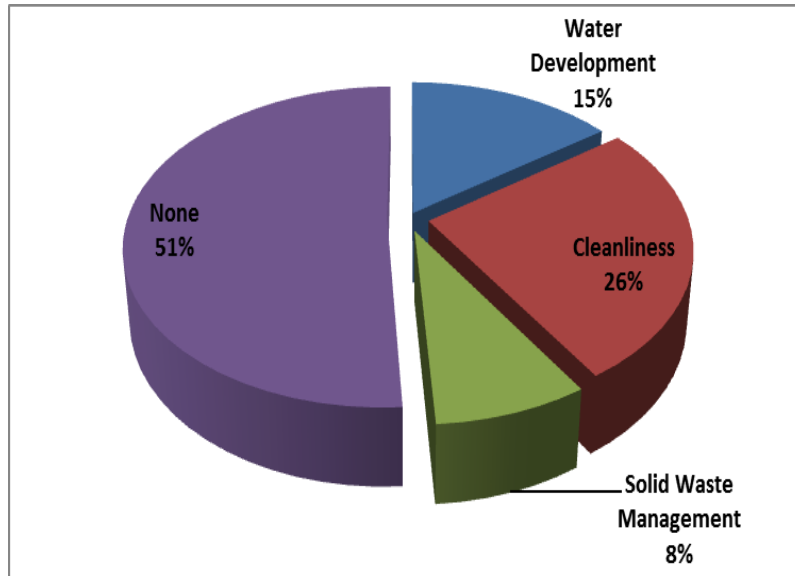
Figure 38: TMA New Projects

4.13.4 Funds Allocation for Public Facilities

When the residents were asked about the allocation of funds for public facilities 76% of the total respondents said that no public facilities were being provided to the local residents through funds allocation. 15% said that the funds were being utilized for provincial governance. 3% said that the funds were used as salaries grant. 6% of the total respondents didn't know how the funds were being used.
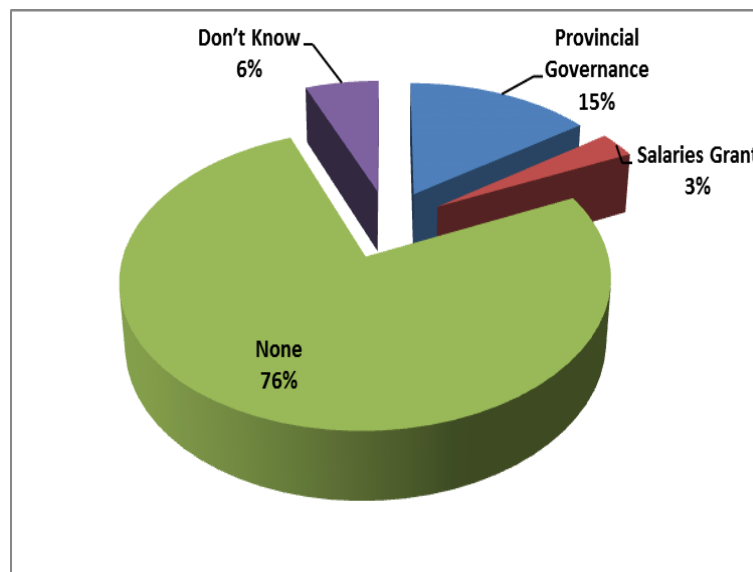
Figure 39: Fund Allocation for Public Facilities

4.13.5 Satisfaction with TMA Projects

It was revealed from the survey that a large population of Murree is not satisfied with the role of TMA in establishment of new projects as well as the service delivery of the TMA at large.
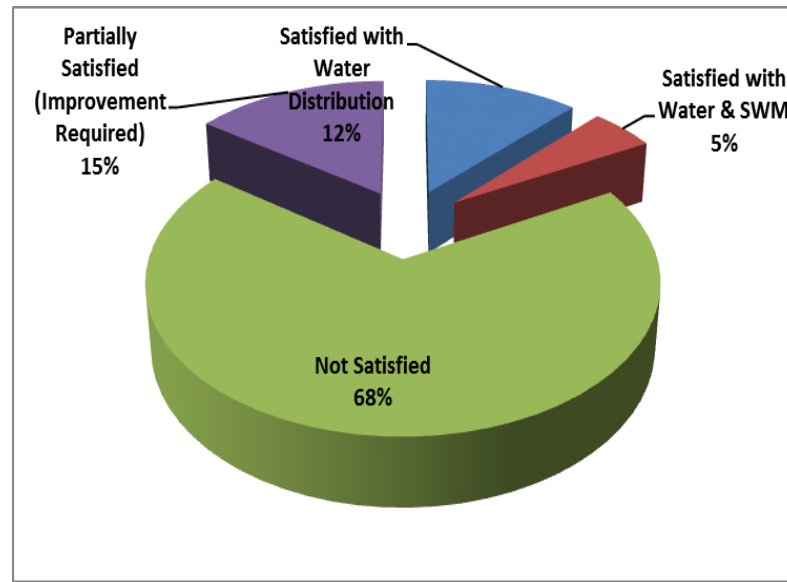
Figure 40: Public Satisfaction from TMA Projects

12% were satisfied with water distribution among the locals. 5% were satisfied with solid waste management. While 68% were dissatisfied as they were of the view that other private institutes are working for the development of new projects and the TMA is not working for any development project as such. 15% of the total respondents believed that the TMA was working for development of the city but improvement is required in the cleanliness as well as water distribution within the city.

4.13.6 Knowledge about Process of Taxation

Through survey it was observed that only a few people were aware of the process of taxation and understood it completely. The following figure 41 shows the percentage. 46% said that they pay taxes through bills. 14% informed that they pay tax through receipts. 40% said that they pat tax through utility bills and receipts on different service charges. This helped us identify that the people are mostly unaware of the

meaning of own source and hence are only well-versed with the idea of taxes they pay in different forms to the local government
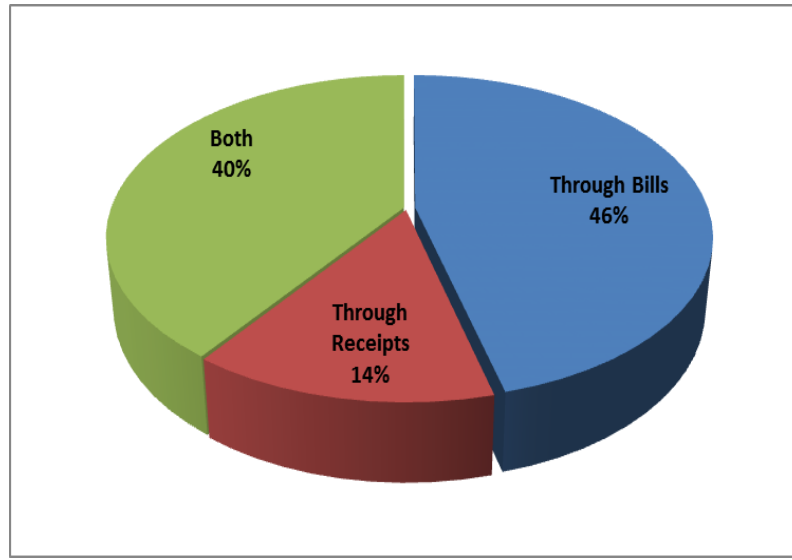
Figure 41: Taxation Process Knowledge

4.13.7 Use of Taxes for Public Interest

When asked about the use of taxes for public interest the opinion of the residents was quite negative. The figure 42 explains public perception of utilization of taxes for the interest and betterment of the general public.
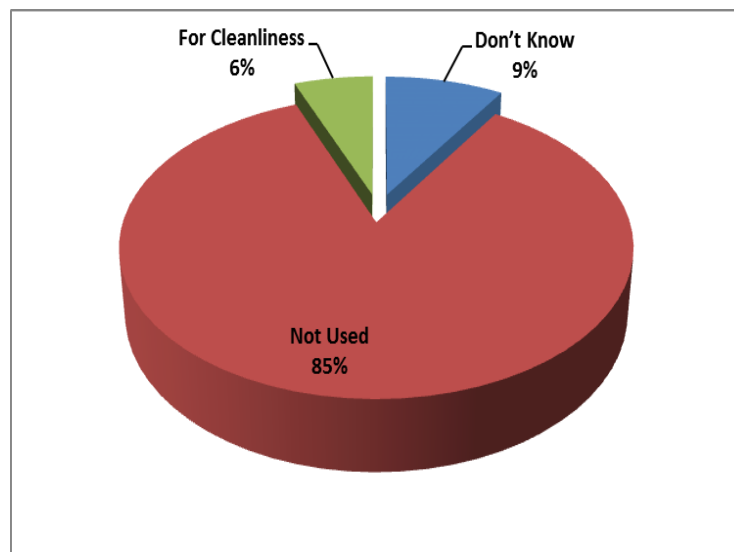
Figure 42: Tax Utilization for Public Interest

From the survey it was observed that out of the total sample population 85% of the total respondents said that the taxes were not being used for any public interest rather all the revenue was being used for the expenditure of the local government. 6% said that the taxes were being used in the cleanliness of the city.

4.13.8 TMA Service Delivery

As mentioned earlier in this chapter the residents were quite dissatisfied with the development work and use of taxes in public interests. Similarly the level of service delivery provided by the TMA is also not up to the mark and hence the residents are discontented by this. It was also observed that most of the residents (43%) stated that the biggest lapse from the municipality is slow response to public complaints.
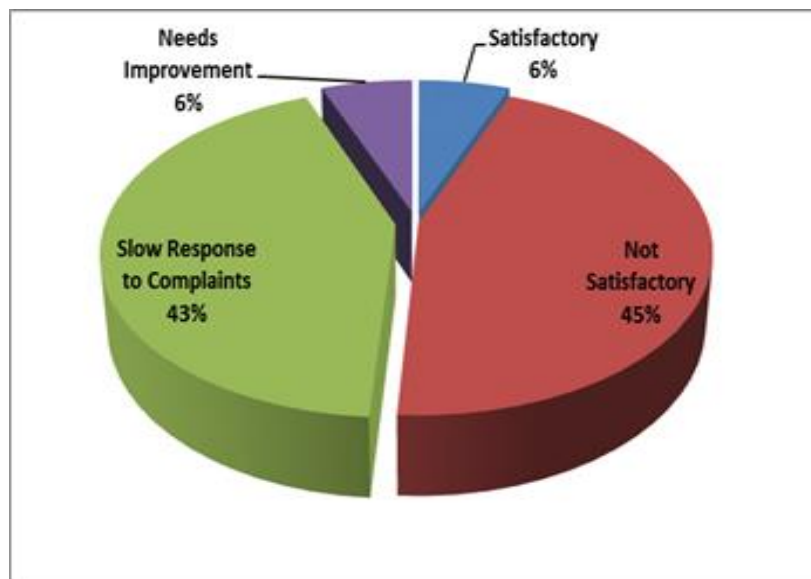
Figure 43: TMA Service Delivery

This was deliberated by the residents that in case of any emergency situation or need for infrastructural development the TMA takes weeks to rectify any situation. Also, when complaints are registered against any problem their response is not proficient.

4.14 Dependency of Public Perception on Socio-Economic Characteristics

The table 8 helps us understand the different aspects of public perception in relation to the socio-economic characteristics of the residents that were interviewed. The results obtained from this cross tab referential analysis suggested that 63% of the total surveyed population had no knowledge of local own source revenue and its importance in the development of a city. 52% of this population belonged to lower to middle income group. The results obtained depict that 82% of the surveyed population which belongs to lower to middle income group were of the view that the local government has been making no effort in development of public facilities. 66% population is of the view that no new projects are being introduced by the local government for the development in the town and improvement of public standard of living. Most of these people (46%) belonged to lower income group and mostly (39%) were less educated as well.

From the public perception survey it has been observed that 76% of the people were of the opinion that no funds have been allocated by the government for public facilities and a huge number (70%) of this population belonged to lower-middle income group.

68% of the total interviewed population was dissatisfied with water and solid waste management projects that the local government have started in collaboration with private organizations. 50% of these interviewers were residents of the city from the past 10 to 15 years.

This referential analysis indicates the dependency of public perception as per the variation of socio-economic characteristics of the case study. This analysis depicts

that the low income groups that were interviewed lacked education as well as knowledge of taxation process and importance of local own source revenue for the development of their neighborhoods. However the situation was different in middle and high income areas where people not only understood the meaning of levied taxes but also were regular taxpayers. Nonetheless it was observed that all income classes were displeased with the service delivery and development projects of the TMA. In fact, it was quite boldly accepted by the residents that no significant development projects were being introduced by the local or provincial government specifically when Murree is a tourist city and is gaining tourist attractions and minting money for the national economy.

4.15 Suggestions for Improvements by Field Experts

Structured interviews were conducted with the field experts and following suggestions were provided by them for improvement of revenue generation in the TMAs

- Curtail contingencies and improve collection of arrears.

- Cash Balances in Income & Expenditure.

- Integration of provincial and local government.

- Local council members described as key stakeholders in provision of service delivery hence should be involved in decision making at all levels/tiers of government.

- Recurring grants should be subjected to development projects in TMA.

- Unauthorized sources should be discussed at Tehsil/town level and then notified by government for each TMA.

- Public awareness about taxation.

- Proper documentation of informal economy.

- Deputation of more HR for collection of property taxes and well informed individuals to generate building plan fee.

Table 8 Public Perception about Own Resources with respect to Socio Economic Conditions

Characteristics	No Knowledge of Own Source (%age)	No Development of Public Utilities (%age)	Lack of New Projects (%age)	Lack of Funds Allocation (%age)	Public Dissatisfaction (%Age)	Process of Taxation (%age)	No Use of Tax for Public (%age)	Poor TMA Service Delivery (%age)
Monthly Income								
<20,000	28	47	26	41	37	49	43	43
20,000-40,000	24	35	20	29	23	40	31	34
40,000-60,000	8	13	15	3	5	8	8	8
Above 60,000	3	5	5	3	3	3	3	3
Employment								
Government Job/ Army	10	16	12	14	15	18	15	18
Self Employed/ Shop Keeper	20	41	27	31	35	46	43	43
Private Job	5	16	4	17	7	19	16	19
Misc.		17	8	14	11	17	11	11
Education	52	90	51	76	68	59	85	88
Duration of Stay								
<5 years	14	21	19	22	18	24	15	18
5-15 years	5	20	8	17	11	20	14	17
15-25 years	16	49	24	37	39	56	56	53

Chapter 5

CONCLUSIONS & RECOMMENDATIONS

CONCLUSION

The research determined that the TMA is mostly dependent on property taxes and financial grants from the provincial government to meet its needs. Most of the population belongs to low to middle-income groups. Most of the local own sources in the TMA Murree are as per the defined own sources in PLGO 2001. However, sources such as: chairlift share, sale of water through Boozar, sale of trees and plants and rent of Sozo Park; are only subjected to the case study area. Every year budget is targeted in accordance with the potential of income generation even then an 11% deficit is observed over a span of 5 years. The local economy dependent sources have institutional lags due to which income from these sources is affected. Decrease in revenue from external sources can help create potentials for increase in local own sources The local people are unaware of the importance of taxation and method of collection of taxes.It was also observed during research that the general public is not satisfied with the working efficiency of the Town Municipal Administration. There is no collaboration in the public and private sector for reinforcement of the local economy. The research conducted also led us to the conclusion that to improve revenue generation within the Town Municipal Administration a few amendments in the overall service structure and financial obligations of the local government can be made. Following sources were identified as under explored from review of budget and interview with TMA officials:

- Building Plan Fees
- Rent of Recreational and Commercial Properties

- License and Animal Slaughter Fee

- Fee for Public Services

RECOMMENDATIONS

Local governments across the globe cannot afford operating deficits. Likewise in Pakistan there is a need to balance the operating costs and expenditures on local government levels as well. This imbalance in TMA Murree could be due to a number of reasons but that was not of prime focus in this study, rather, we focused on identification of sources of revenues and based on that, we proposed new local own source revenues for TMA Murree. The following recommendations, if adopted, can resolve the financial imbalance of the local government in Murree. This will lead to economic prosperity administrative efficiency and social uplift in standards of living in TMA Murree.

There are a few components that have been highlighted in the research as key factors for improvement of local own source in a TMA. These are discussed as under:

1. **Public Awareness**

It has been concluded from research that the general public is unaware of the method of taxation and lags trust towards the local government. To rectify this situation it is convenient for the local and provincial government to raise awareness among the civilians For this purpose following strategies can be adopted by Town Municipal Administrations and Punjab Local Government Board:

- Educate taxpayers by providing and proper awareness of the importance of taxation for the well-being of the government as well as well-being of the general public.

- Encourage tax payers to pay legal taxes,

- Local council members must be included in the decision making of tax rates and annual budgets as they are well aware of the issues of public.

- Taxpayers must be registered with the concerned TMA for efficient payment of taxes and information distribution as and when required.

- Building up Public Support

- Technical Assistance must be given to the taxpayers by local government.

- Capacity Building of taxpayers through awareness seminars when budget is announced.

2. Policy Making

An efficient policy must be made at all three tiers of government i.e. local, provincial and national level to improve the revenue generation. It is also important that the policies all levels must be well integrated and coordinated. The revision and rephrasing of policies has to be done at two levels

I. Inter- Governmental

The inter-governmental policy making includes decision and strategies that are to be implemented by the local government itself and will be monitored by officials within the Town Municipal Administration. These include.

- The TMA should devise a proper management system to compute levied taxes.

- Tax reminders should be issued to general public to improve the overall revenue collection within the city

- All stakeholders must be well coordinated and informed about the annual taxation methods as well as change in tax rates.

- Social services at large must be improved and maintained for better service delivery to the general public so that their trust in the government is re-established.

- Introduce the method for establishment of computerized taxpayers' database system.

II. Intra-Governmental

- It was observed during research that most of the sources for own source revenue collection have not been reviewed or changed for a very long time and the process of its revision is time consuming and governmental in nature

- It has also been observed that political involvement can also create difference in collection of revenue as local political leaders have an influence on the local people.

- The officials collecting revenue at municipal level must be well trained.

- Each TMA should introduce new own sources according to their own potential of revenue generation.

- With the inflation rates in the annual budget the tax rates should be revised by the government to keep an easy and acceptable tax return from the public.

3. Institutional Development

I. Technology Enhancement

- An electronic system for levied taxes must be introduced which monitors tax transactions by the citizens. This system can help detect the exact numbers of taxpayers in a specific municipality.

- GIS and GPS mapping may also be incorporated with the electronic taxation system for efficient identification of all citizens/taxpayers.

- Online complaint registration system should be introduced so that general public can communicate their problems to the government without any hindrance.

II.   Public-Private Partnership

Public-Partnership can be introduced in the following components in collaboration with local government and concerned local municipality:

- Solid Waste Management
  - Outsourcing of private firms (Albayrak and RWMC in Murree) along with the TMA officials can generate revenue for both the departments
- Parks and Recreation
  - Just as solid waste management the parks and recreation authorities within the city should also collaborate with the TMA for operative revenue generation.
- Service Based Revenues
  - Service based revenue such as service fee, license fee, animal slaughter fee, environmental protection fee, infrastructural development, etc. must be introduced through public-private partnerships.

III.   Human Resource Development

Human resource development is essential as well as most crucial in the establishment and success of an institution. The human resource maintenance and development includes the following factors.

- Staff in all the departments must be well aware of their area and jurisdiction and apt training of all the officials must be done after specific intervals of time for efficient working and results from all government and private departments.

- It is also pertinent that right man for the right job with accurate expertise must be appointed so that lags in the system may not occur.

- All the allied departments must be well coordinated. It is therefore necessary that combine workshops and training programs must be designed for all the departments.

4. Self Sufficiency

The most significant factor in improvement of the local own source revenue is the ability of the local government to be self-sufficient. For this purpose the municipal administration must be well informed of the potential areas where they can put an effort. In the instant research it has been concluded that self-sufficiency can be enhanced through improving the under explored sources of revenue and introducing some new unexplored sources of revenue to strengthen the economy both and local and national level. To increase the local own source revenue of TMA Murree the globally adopted approach of linking the services provided to the collected revenue should be adopted. Government always face accusations from citizens of heavy taxes enforced on them and in return not provided anything. In normal situations this tax burden can sometimes be explained and something not but if the services provided for the revenues collected are linked then parties on the giving and receiving ends would be in confidence and accountable respectively. Since everyone wants to see what they are paying for therefore in this way people would be more supportive to pay taxes for a particular service that would certainly be for their own individual and collective benefit.

In United States, ballot initiatives have been conducted to ask people if they are ready to pay certain amount for certain service that they would get in certain years. This way they linked the services with the tax and the projects were successful especially in transport and infrastructure sectors. (Slack, 2015)

For service based revenue collection, it is mandatory to start planning from the services supply side and then to think about revenues demand side. This way amount and duration of collection would be easily determined and the supply of that particular service would be carried out efficiently favoring both parties concurrently.

I. Under Explored Sources

The research determined that following sources of revenue are under explored within the city and hence efforts should be made by the TMA officials to improve revenue from these sources in collaboration with other departments; if and where required.

- o Building Plan Fees

- o Rent of Recreational and Commercial Properties

- o License and Animal Slaughter Fee

- o Fee for Public Services

II. Unexplored Sources

Similarly new sources can also be introduced in the TMA as per its potential of generating revenue. The following unexplored sources should be proposed henceforth for improvement of local own source revenue.

- o **Capital Gain Tax**

Internationally there are more than eighty percent of local tax revenues from property rates in Australia, New Zealand, Canada, United States, and United Kingdom. Also mixture of taxes is seen in Spain categorized as 40% of local tax revenues from sales tax, 30% from property taxes; 20% from income tax and 10% from other taxes. Pakistan government has also made attempt recently to impose capital gain tax to improve property tax situation and to restrict capital gain on property as a result of rolling sale purchase. (Bartle, Ebdon, & Krane, 2003)

It is observed that huge revenue generation is carried out through collection of Urban Immovable Property (UIP) Taxes and Transfer of Immovable Property Taxes (TTIP). During interviews with officials in TMA and PLGB it was recorded that 1% of the original value of property is collected as TTIP tax through collection of receipts.

In the light of the existing property tax situation, property tax in the form of capital gain tax should be imposed because even if the property is not being traded local government is incurring some costs to maintain the area around that property. This compensation on property not being traded for a period of more than, for instance, 10 years should be paid to the local government according to the percentage of capital gain across the property.

o **Infrastructure Development Tax**

Another form of property tax that has not been explored yet is in the form of infrastructure development tax. Any property held or traded has some utilities built around it by the local government to develop that area. That infrastructure development could include addition of local parks, street lights, roads, water supplies, sewage systems or any large scale assets like airports etc. into the area. The increase in value of one's property due to increase in infrastructure facilities built by the

government should be compensated by the property holder as the cost is being paid by the government and the value addition is exploited by the property holder. Nevertheless, property rates should be linked to broader reforms to improve public services. (Slack, 2015)

- o **Environmental Degradation Compensation**

External sources of revenues are to be collected from external entities benefitting from local infrastructure and services provided in TMA Murree jurisdiction. Murree has been a home for tourism since ages and a lot of people are attracted from all parts of Pakistan as well as internationally. Despite external involvement brings benefits but it also brings degradation of many ways to the local infrastructure of the TMA. People uses all kinds of public and private services provided by the TMA yet no significant contribution is made to the local government revenue.

Since local economies are of two kinds that are observed in most countries (a) Formal Economy and (b) Informal economy therefore the revenues are also divided into both these sectors. The formal sector of economy incorporates all kinds of jobs with regular wages. This type of economy involves income sources on which taxes are likely to be paid. People working in different organizations, public sector, schools, bans, etc. all belong to formal economy. Consequently the external sources of revenues do not really contribute to formal economy whereas the informal sector of economy has no levied taxes and is not examined by the higher authorities. It is also important to point out that the activities taking place in an informal economy are not registered in the government economic labels and hence not included in the gross national product or gross domestic product. This type of economy has no rules or fixed wages. People working on daily wagers, hawkers and street vendors, home

based entrepreneurs, cobblers, etc. all belong to an informal economy. This segregation of documented and undocumented economy is a major concern because when the external entities are being benefitted by the services provided by the local government they are actually contribution to the informal economy of the TMA. On the other hand, in result of the degradation of the infrastructure government is called upon. Up gradation and maintenance costs are being taken care of by the government who is not getting any share from the increased local activity. Thus there should be a compensation fee for the environmental degradation of the area by each and every person coming from outside the jurisdiction of the TMA. Utilizing services built by local government like water supplies, sewerage systems, roads etc. should be compensated for local people by the non-local people to the extent of damage done to the whole system. (Fruits, November 2015)

Figure below shows the strategic framework designed for improvement of local own sources:
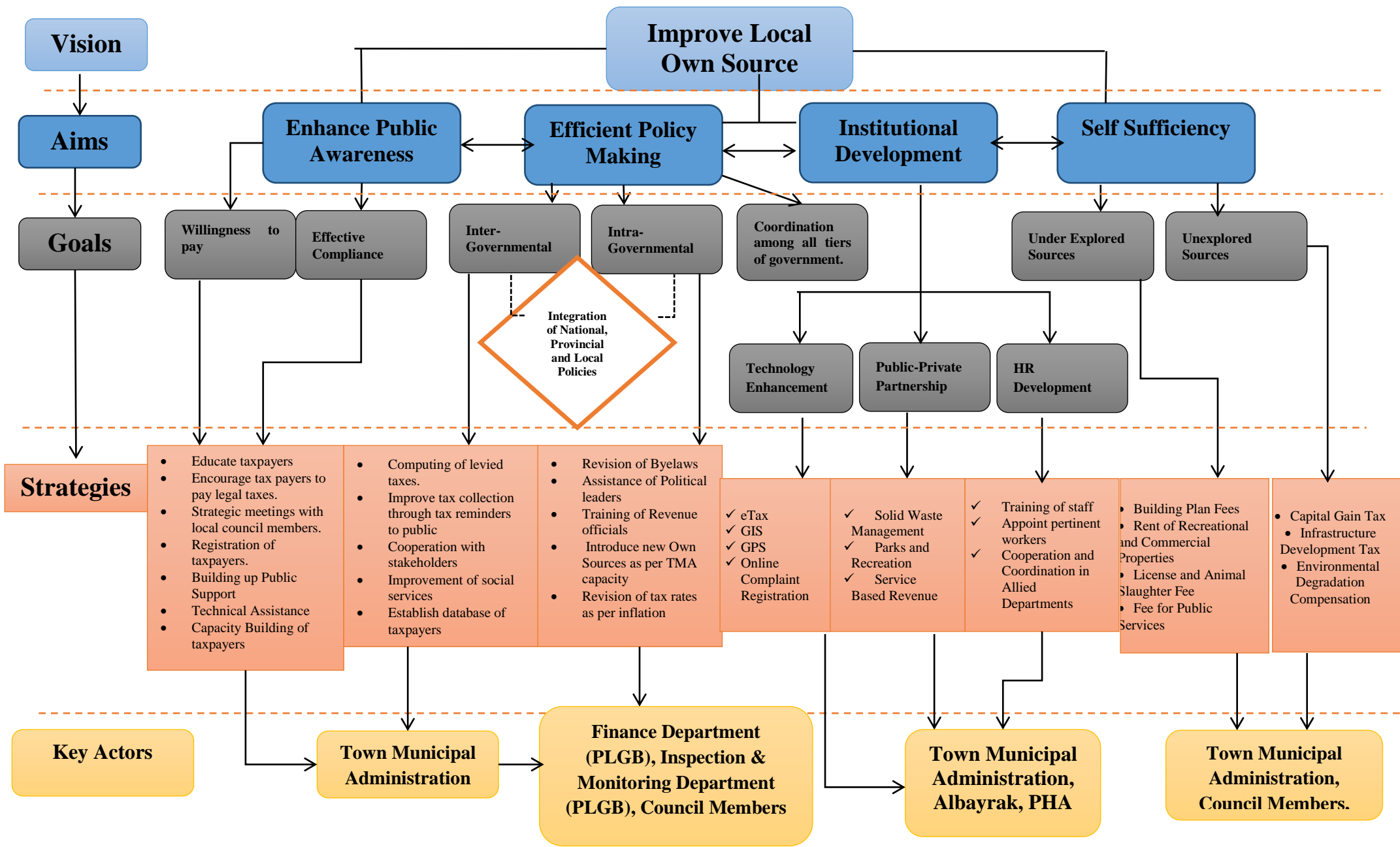
Figure 44 Framework for Improvement of Local Own Source

FUTURE RESEARCHES

This research can be extended by taking on board the local government and run real time micro systems for particular areas in Murree. The micro model project would provide proper insight to the functionality and efficiency of the proposed recommendation on real time scales. Furthermore other areas in Pakistan can be identified with similar geo-socio-economic conditions and the model can be implemented there as well

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APPENDICES
Appendix I
CITIZEN PERCEPTION SURVEY

Social Profile

Name of surveyor: _____ Name of Respondent: _____

Gender of Respondent:_____

Address:

_____

1. Head of Household: Name :………………………………….() M…. ( ) F………

2. Number of house holds

(a) 1   (b) 2   (c) 3

(d) More than 3 please specify _____

3. What is your religion?

(a)Islam   (b) Christianity   (c) Any Other

4. Type of Family?

(a) Nuclear   (b) Joint   (c) Single Person

5. Gender distribution of Household members?

	Gender	Number
	Male	
	Female	

6. Type of employment?_____

7. Monthly income?

(a) <20,000   (b) 20,000-40,000   (c) 40,000-60,000   (d)Above 60,000

8. Number of earning members?

9. Number of Literate Persons _____

Gender	Matric	Inter	Graduation
Male			
Female			

10. House ownership

(a) Owned   (b) rented   (c) Leased   (d)   Any   other

please specify

11. For how long are *you* living here (Yr)?

(a)< 5 years   (b) 5-15 years   (c) 15-25 years

Citizen Perception of Own Source Revenue

12. What is your understanding of local own source revenue?

_____

_____

13. What is the use of own source revenue on development of public utilities?

_____

_____

14. What do you know about the process of budgeting?

_____

_____

15. Are there any new development projects started by the TMA for local residents?

_____

_____

16. Are there any funds allocated by the TMA for basic facilities/ utility services?

_____

_____

17. What is your satisfaction level about the development programs? (If any generated by the TMA)

_____

_____

18. What is the process of taxation?

_____

_____

19. How is the tax being used for public interest?

_____

_____

20. What is the level of service delivery of TMA on infrastructure?

_____

_____

21. Any suggestion for improvement of TMA funds and tax utilization?

_____

_____

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Own Source Revenue Survey
(Interview with Government Officials)

Q:1 What are the major sources of revenue collection?

_____

_____

Q:2 Who are the major stakeholders in revenue collection and how are they affected by TMAs and their functionality?

_____

_____

Q:3 What is the target set for each TMA to be achieved every year through local own source?

_____

_____

Q:4 What is the shortage of revenue in TMAs and what measures can be adopted to overcome it?

_____

_____

Q:5 What is the benchmark of TMA finances?

_____

_____

Q:6 What changes are required in balance and budgeting over the year?

Q:7 What is the expenditure on development budget and on growing development budget over the year?

_____

_____

Q: 8 What are recurring and non-recurring grants? And how do the affect TMAs all over Punjab?

_____

_____

Q:9 Are the local own sources authorized as per law of PLGO 2001? (If no, then please specify the unauthorized sources)

_____

_____

Q:10 How can the local own source revenue be enhanced?

_____

_____

Q:11 What type of Taxes are implemented by the TMAs?

_____

_____

Q: 12 What measures should be taken by any town administration to improve their local own source?

_____

Q: 13 How can a local economy benefit from own source revenue?

_____

_____

Q: 14 What measures can be adopted to raise awareness among public to enhance revenue collection through local means?

_____

_____

Q:15 In what ways can Government implement local taxes for the betterment of the town itself?

_____

_____

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M.Sc. Urban & Regional Planning

TMA MUNICIPAL FINANCE SURVEY

Q:1 What is the total budget of your TMA?

_____

_____

Q:2 What are the functions of TMA ?

_____

_____

Q:3 What are the major sources of revenue collection in TMA Murree?

     i.   %age from inter-government funds over the year_____

     ii.   %age from own source revenue over the year_____

Q: 4 What are other additional expenditure?

_____

_____

Q:5 What are the liabilities of future in case of expenditures ?

_____

_____

Q:6 What are the contingencies of TMA on following expenditures?

- Fuel   _____

- Utility Bills   _____

- Stationery   _____

- Maintenance _____

Q:7 What is the charge expenditure of TMA on the following funds?

- Youth Festival Funds   _____

- Sports Funds   _____

- Contribution to Government Funds   _____

Q;8 What are the charges of TMA on the following programs?

- Private sector investment program   _____

- Public private partnership   _____

- Fiscal decentralization   _____

Q:9 What is the shortage of revenue in TMA and what measures can be adopted to overcome it?

_____

_____

Q:10 What is the benchmark of TMA finances?

_____

_____

Q:11 What are the other targets to achieve from different departments?

_____

_____

Q:12 What is the current position of net funding in the following aspects?

- Equity   _____

- Fund balance for 5 years   _____

Q:13 What changes are required in balance over the year?

_____

_____

Q:14 What is the current deficit in budget over the 5 years?

- _____

- Any process for advertising public awareness on revenue

- _____

Q:15 What is the GDP growth of TMA?

_____

_____

Q:16 What is the area growth of employment?

_____

_____

Q:17 What is population growth?

_____

_____

Q:18 What is the expenditure on development budget and on growing development budget over the year?

_____

Q: 19 What are the key actors in future projects & estimations?

_____

_____

Q: 20 What are recurring and non-recurring grants?

_____

_____

Q:21 Are the local own sources authorized as per law of PLGO 2001? (If no, then please specify the unauthorized sources)

_____

_____

Q:22 How is the local revenue generation affecting the tourism of the city?

_____

_____

Q:23 How have the local sources been contributing in fortification of TMA and its functions?

_____

_____

Q:24 How is the infrastructure of the city being affected by revenue generation?

    a. TO (I&S)   _____

    b. TMO   _____

Q:25 Are any local sources being neglected in revenue collection?

_____

_____

Q:26 How can the local own source revenue be enhanced in the following areas?

    a. Through Taxation: _____

    b. Through Income Generation of Ignored Areas: _____

Q:27 What type of Taxes are implemented by the TMA?

_____

_____

Q:28 What is the total no. of reported tax payers in TMA?

_____

_____

Q:29 What is the change in on source revenue over the year(Union council wise)

_____

_____