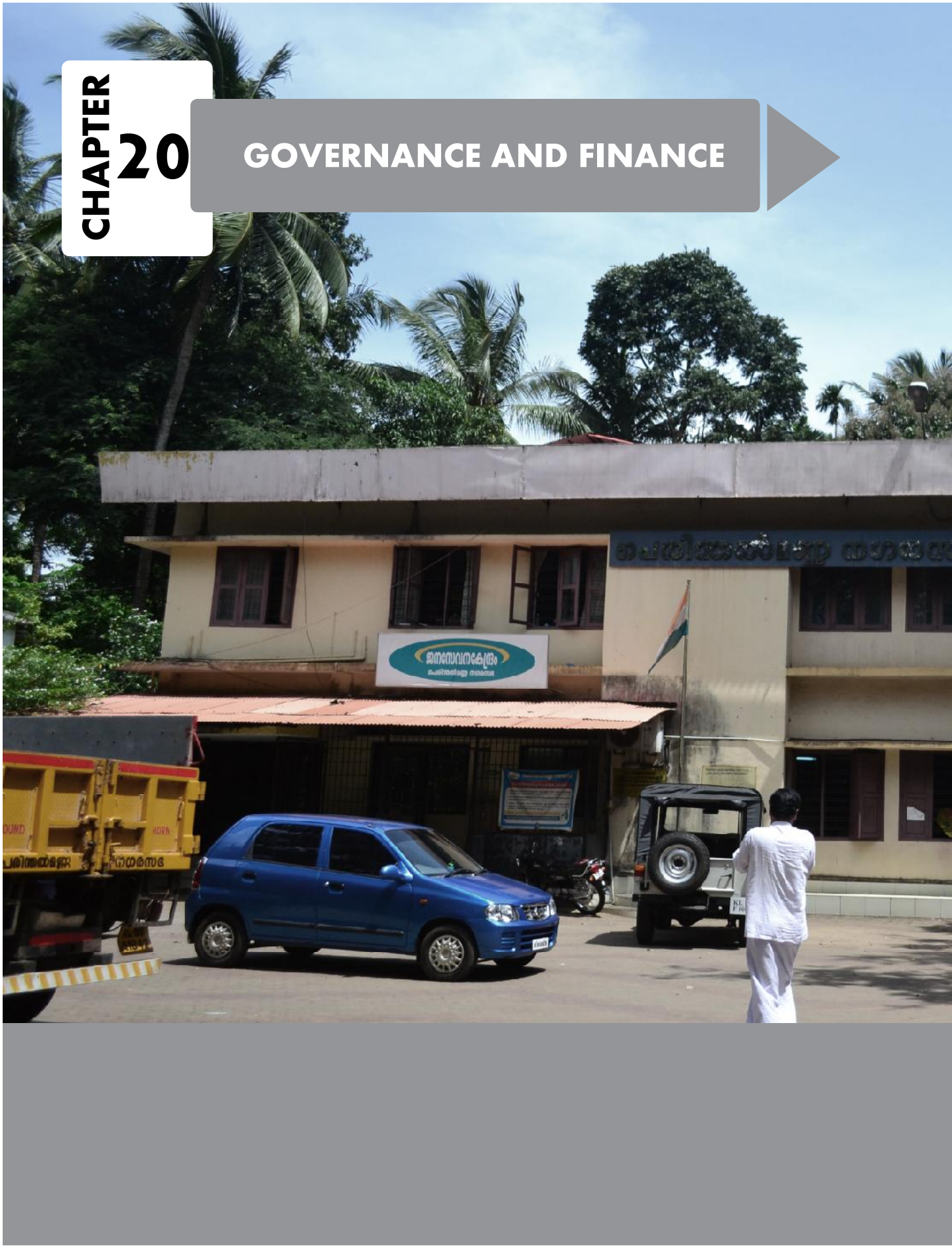


**CHAPTER
20**

GOVERNANCE AND FINANCE





- 20.1 Development administration
- 20.2 Municipal finance
- 20.3 Governance
- 20.4 Existing source of funds
- 20.5 Problems and potentials
- 20.6 Inference

The financial position of urban local self governments is very precarious throughout the nation except for a few very large urban centers.

20.1 Development administration

The municipality is responsible for development activities like construction & maintenance of municipal roads, public health, water supply, sewage disposal, poverty alleviation, street lighting etc. Besides these traditional municipal functions, the activities of the various line departments of the state government at the municipal level are coordinated by the municipality. State plan schemes of these departments are channelled through the municipality.

20.2 Municipal finance

The financial position of urban local self governments is very precarious throughout the nation except for a few very large urban centers. Most of the urban local self governments in the state, especially the smaller ones like Perinthalmanna are not financially self sustaining. These municipalities depend on grants from central and State governments for funding their day to day affairs and fulfilling their constitutional obligations. The major source of income for urban local self governments is the property tax levied on the buildings in the municipality. This source has immense potential, but is not being tapped to the full extent at present. The problem faced in revenue generation through property tax are irrational rates, reductions given due to various (non-financial) reasons, tax avoidance and evasion, leakages in collection system and improper record keeping and monitoring. Almost all these handicaps can be overcome by digitizing the data base and managing this spatial information in a GIS platform with stake holder interface. The timely detection of unauthorized construction, bringing the evaders to the tax net and ensuring compliance of regulations, also can be effectively carried out using remote sensing applications once the GIS data base is in position and regularly updated.

Another source of own revenue for the Municipality is the entertainment tax which is shrinking due to reduced public interest in cinema theatres.

Receipts from municipal properties also could be a major source. In fact Perinthalmanna municipality has more income under this head than that from rates and taxes. However, the full potential of this source of revenue is not utilized. The Municipality has a number of developable plots, the development of which is expected to boost the financial resources of the Municipality to the extent of self sustainability. Receipts from properties transferred to the Municipality by the State government is also a considerable source of income.

The municipal budgets from 2009-10 to 2012-13 are presented in Table 20.1 and Table 20.2 respectively.

“The best, quickest and most efficient way is to build up from the bottom. Every village has to become a self-sufficient republic.”

- Mahatma Gandhi

Table 20.1 Municipal budgets - (Revenue Account) (Source: Local Body)

No.	Item	Amount in Lakhs			
		2009-10	2010-11	2011-12	2012-13
	INCOME				
1	Municipal taxes & rates	249.70	170.23	179.27	377.77
2	Income from other legislations	22.81	25.10	22.10	23.50
3	Income from municipal property	637.76	255.89	202.48	1552.45
4	Municipal fees	78.26	74.78	50.39	135.81
5	Grants and aid from the Govt.	111.05	127.18	138.92	153.70
6	Non plan allocations to transferred institutions	26.16	32.52	25.70	30.20
7	Pensions	50.30	56.09	91.30	150.15
8	Miscellaneous	104.00	50.55	46.50	52.00
9	Total	1280.04	792.34	756.66	2475.58
	EXPENDITURE				
1	Tax collection expenses	81.48	97.49	186.55	251.25
2	Public works	133.54	116.08	159.10	224.15
3	Town planning	3.65	2.65	7.19	8.88
4	Education	5.63	4.13	3.18	4.35
5	Water supply & drainage	11.50	12.25	9.75	12.00
6	Public health	97.27	100.86	124.82	180.46
7	Street lighting	27.50	29.10	43.00	38.00
8	Property maintenance	7.15	6.72	7.35	12.40
9	Transferred institutions	27.20	37.94	7.70	5.50
10	Pensions	50.83	56.59	91.30	150.15
11	Municipal development activities (transfer to capital A/c)	296.56	198.47	269.49	1654.05
12	Poverty alleviation	21.00	11.53	10.01	43.00
13	Miscellaneous	7.75	2.80	6.00	5.00
14	Total	771.06	676.61	925.44	2589.19
15	Surplus/(deficit) 9-14	508.98	115.73	(168.78)	(113.61)

The municipality has a number of developable plots, the development of which is expected to boost the financial resources of the municipality to the extent of self sustainability.

Table 20.2 Municipal budgets (Capital Accounts) (Source: Local Body)

No.	Item	Amount in Lakhs			
		2009-10	2010-11	2011-12	2012-13
	Income				
1	Grant from government	2634	2195	947.50	1103.50
2	Loan from government	200	200	100	-
3	Loan from financial institutions	125	475	150	100
4	Grant: Decentralised planning	271.49	298.47	330.83	400.00
5	MLA/MP fund	15.00	20.00	15.00	5.00
6	Transfer from revenue A/c	296.56	198.47	269.49	1654.05
7	Poverty alleviation (transfer from revenue A/c)	21.00	11.53	10.01	43.00
8	Total	3563.05	3398.47	1822.83	3305.55
1		66.00	46.45	64.00	108.00
2	Public works-municipal development	3117.26	2966.75	1243.00	2588.50
3	Public health & welfare	62.00	48.00	133.50	95.30
4	Poverty alleviation	21.00	21.00	25.00	400.00
5	Street light	6.30	2.50	5.00	-
6	Endowment	-	0.30	0.50	-
7	Plan scheme of transferred institutions	10.0	10.0	10.00	-
8	Decentralized planning	271.49	298.47	330.83	-
9	Water supply & drainage	9.00	5.00	-	-
10	Other plan schemes	-	-	11.00	103.75
	Total	3563.05	3398.47	1822.83	3305.55

The increase in expenditure is not commensurate with the increase in income.

The budget show over dependence of the municipality on state funds. The increase in expenditure is not commensurate with the increase in income. The Municipality has anticipated deficits during the year 2011-12 & 2012-13 while preparing the budget itself. The advance to be received on renting out municipal buildings is considered as revenue income during the year 2009-10 and 2012-13. This is only propping up figures since this income can neither be counted in toto nor can be repetitive over the years. There is no leverage in financial affairs of the Municipality. Even though last two years show deficit, the revenue stream is not tapped to the fullest extent indicating poor financial management.

The management of spatial data for governance and fine tuning of revenue stream is lacking in this town, as elsewhere in the state.

20.3 Governance

Municipal accounting system has started using IT enabled solutions. However, the management of spatial data for governance and fine tuning of revenue stream, which is not possible without the use of IT solutions, is lacking in this town also, as elsewhere in the State.

20.4 Existing source of funds

Major sources of revenue income for the Municipality are municipal rates and taxes, income from municipal properties and grants from the state government. The municipal rates and taxes contribute 15.26% of the revenue income during 2012-13. But this is due to the counting of the rent advance from the new shopping complex. If this figure is adjusted, the share of municipal taxes and rate in the revenue income becomes 25.6%. The income from properties comes to 37.44% and the share of grant from state government is 10.42% (both after the adjustment mentioned above). In the capital account 45.64% of the funds are provided by the state plan schemes. This indicates the need to concentrate on efficient collection of rates and taxes and enhancing income from properties for the financial health of the municipality.

20.5 Problems and potentials

The major problems faced by the municipality in the finance sector are the leakage in rates and taxes and paucity of funds for development activities. The Municipality has a number of prime plots in the town which can be developed (through PPP mode or otherwise) for enhancing the income of the municipality.

20.6 Inference

The financial position of the municipality is not very strong. The fiscal surplus of the municipality during 2009-11 is not an indication of financial health, but of poor financial management. However, this trend is weaning off. The municipality has tremendous potential for development of financially remunerative projects for sourcing funds for urban development.

