

CHAPTER 21

MUNICIPAL FINANCE

Municipal finances in India are characterised by the constant tension between the funds and functions of Local Governments. The main sources of municipal revenues can be boxed under the categories tax revenues, non - tax revenues, assigned (shared) revenue, grants - in - aid, loans and other receipts. Cities in India have insufficient revenue tools to meet their expenditure requirements.

Local Self - Government Institutions or Local Bodies directly influence the welfare of the people by providing civic, social and economic infrastructure services and facilities in both urban and rural areas. However, over a period of time, the functions and responsibilities of local bodies have increased considerably without commensurate enhancement of their resource base.

Constitutionally built-in imbalances in functions and finances assigned to various levels of government eventually reflect in the high dependency of local bodies on State Governments and the latter, in turn, on Central Government for funds. Moreover, in the absence of financial support coming from the upper tiers of Government, these bodies

may have to resort to borrowings from financial institutions and the capital market.

The chapter deals with the existing status of Municipal finance and their potentials and problems in Kannur Corporation area.

21.1 MUNICIPAL FINANCE

21.1.1 ANALYSIS OF EXISTING STATUS

Kannur Municipal Corporation area was formed on November 1 2015; hence the data regarding income, expenditure and profit/deficit of the city is given for the period from April 2016 to March 2019. The income generated from various sources and the expenditure of the planning area for the period from 2016 to 2019 are given in Table.21.1.

The major income sources are Revenue Grants, Contributions & Subsidies as well as tax revenues. The amount utilized for Programme Expenses and Establishment Expenses are the major expenditures in Corporation area. All other expenditures are less than 10 crores.

Table.21.1 Details of income and expenditure of Kannur Corporation area

Head of Account	Year		
	2016-2017	2017-2018	2018-2019
INCOME			
Tax Revenue	17,15,48,609.88	19,39,43,088.00	15,72,23,806.00
Assigned Revenues & Compensation	6,650.00	21,569.00	29,560.00
Rental Income from Municipal Properties	2,33,20,312.00	2,51,60,603.00	2,43,40,284.00
Fees & User Charges	6,91,36,783.00	4,29,54,972.00	2,00,77,406.00
Sale & Hire Charges	16,49,145.00	2,14,45,466.00	7,39,403.00
Revenue Grants, Contributions & Subsidies	21,99,83,838.00	77,97,20,611.00	27,64,59,939.00
Income from Investments		71,70,885.00	18,586.00
Interest Earned	66,23,932.00	44,55,621.00	72,967.00
Other Income	53,44,703.00	9,80,591.00	6,41,760.00
Total	49,76,13,972.88	107,58,53,406.00	47,96,03,711.00
EXPENDITURE			
Establishment Expenses	19,32,81,787.00	25,47,02,276.00	25,21,47,953.00
Administrative Expenses	4,34,18,705.00	4,69,23,912.00	4,74,56,122.00
Operations & Maintenance	5,90,97,802.16	5,22,91,992.00	3,13,96,262.00
Interest & Finance Charges	17,89,659.00	3,01,012.00	8,60,880.00
Programme Expenses	3,95,93,132.00	37,27,46,564.00	43,61,12,723.00
Decentralised Plan Programme - Service Sector	2,74,09,392.00	4,41,37,037.00	4,59,66,716.00
Decentralised Plan Programme - Infrastructure Sector	4,28,30,644.00	11,19,17,276.00	8,26,85,389.00
Decentralised Plan Programme - Projects not included in Sector Division	96,58,336.00	2,10,75,625.00	94,86,583.00
Revenue Grants, Contribution and Subsidies		2,99,528.00	26,462.00
Total	41,70,79,457.16	90,43,95,222.00	90,61,39,090.00
Gross Surplus/Deficit of Income over Expenditure	8,05,34,515.72	17,14,58,184.00	-42,65,35,379.00
Prior Period Item	25,93,278.00	61,954.00	22,271.00
Gross Surplus/Deficit of Income over Expenditure after prior period ITEMS	8,31,27,793.72	17,15,20,138.00	-42,65,13,108.00

For the year 2018 to 2019, the income and expenditure data says that the planning area is facing deficit instead of gross surplus.

21.1.2 SOURCES OF FUND

The Corporation area has mainly four sources of funds which include:

- Own revenues
- State Government Aided funds
- Central Government Aided funds
- Loan from financial Institutions

To improve the financial condition of the planning area, it has to think of increasing the income from its properties and at the same time, the physical condition of such properties including buildings must be improved for durability and for attracting tenants or agents.

21.2 MUNICIPAL GOVERNANCE

Any project or programme whether it is Government sponsored or Municipal Corporation owned/sponsored, will be discussed in the Standing Committee concerned and thereafter if deserving, it will be forwarded to Municipal Council for discussion and the Municipal Council will take a resolution and accordingly the Secretary passes orders to implement such resolutions.

A Standing Committee can accord an administrative sanction for a maximum amount of Rs.50,000/- for

the implementation of a project. For amounts greater than Rs.50,000/-, the Municipal Council's sanction is required with an approval of District Planning Committee.

There are three tier Technical Advisory Groups in Kerala, namely Municipal Level Technical Advisory Group (MLTAG), District Level Technical Advisory Group (DLTAG) and State Level Technical Advisory Group (SLTAG). The MLTAG can give technical sanction for a project to a maximum amount of Rs 45,00,000/- only and if the amount is above this, technical sanction shall be accorded by DLTAG or SLAG.

21.3 DEVELOPMENT POTENTIALS AND PROBLEMS

The trade and commercial activities as well as tourism, especially the beach tourism, in Kannur Corporation area can contribute a lot to the municipal income. The renovation and maintenance of existing parks, heritages and other tourist spots will increase the tourism potential, there by economic growth of the planning area is possible to a great extent. The proximity of international airport offers great potential on the exporting of various products like fruits, vegetables, flower, meats etc. and this can impart a momentum for raising the municipal income.

The return from agriculture sector is not sustainable and diminishing

year by year and is in turn reflected in the financial sector of the planning area. Hence, there is a need to enhance agriculture and related activities within the Corporation area.

The income from tourism sector can also be increased by conducting tourism circuits connecting the tourist spots in and around the planning area. Since it is the administrative as well as commercial centre of the district, the opening of new shopping complexes will definitely generate more income through trade and commercial activities in Corporation area. Since the proposed inland water way network is passing through here, the tourism as well as commercial potential of the planning area will increase.

Though Municipal Corporation Office as well as major government institutions is situated at the heart of the Corporation area, need of the people to come to the town centre is very large. But the infrastructure facilities are not that much good due to the lack of good conditioned road networks, traffic issues, parking facilities, comfort stations etc. The market areas which are the main commercial centres here face lack of

loading and unloading facilities, widened roads, parking facilities, comfort stations, solid waste management facilities etc.

21.4 INFERENCE

Today, the sustainable source of income in Kannur Corporation area comprises Revenue Grants, Contributions & Subsidies as well as tax revenues. The commercial as well as the tourism potential of the planning area is income generating and is on the verge of development. The proper utilization of municipal assets and innovative new projects can bring sustainable income generation for the Corporation area. The upcoming inland water way network which is passing through here is the major thrust on this sector. Starting up of sub-centres at hinterland portions will be helpful for the public residing at remote wards of the Corporation area. Also, encouragement of small scale industries as well agriculture will be very useful for the Corporation area. The improvement of infrastructure facilities in the market as well as core town area can increase the income of the planning area.