URBAN FINANCE IN KERALA:
A STUDY OF MUNICIPAL CORPORATIONS 1965-66 to 1984-85

DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF PHILOSOPHY IN APPLIED ECONOMICS OF THE JAWAHARLAL NEHRU UNIVERSITY, NEW DELHI

ANITHA KUMARY AMMA, L.

CENTRE FOR DEVELOPMENT STUDIES
TRIVANDRUM
1988

I hereby affirm that the work for this dissertation titled Urban Finance in Kerala A Study of Municipal Corporations 1965-66 to 1984-85 being submitted to the Jawahrlal Nehru University for the award of the Degree of Master of Philosophy was carried out entirely by me at the Centre for Development Studies, Trivandrum.

Trivandrum
31-12-1988

(Anitha Kumary Amma.L)

Certified that this dissertation is the bonafide work of Anitha Kumary Amma.L and has not been considered for the award of any other degree by any other university. The thesis may be forwarded for evaluation.

P.K. Michael Tharakan
Associate Fellow

(Supervisors)

Prof. K.K. Subramanian
Fellow

Prof. T.N. Krishnan
Director
Centre For Development Studies.

CONTENTS

ACKNOWLEDGEMENT

It was Dr.Mukul Asher of Australian National University who introduced me to the fascinating and relatively unresearched area of Local finance, long way back in June 1987. I should first of all thank him, not only for suggestion to the rather interesting topic but also for the benefit I received from our initial discussions in this area. But it was Prof.Krishnan who gave me confidence to hold on to this topic and I happily take this oppurtunity to express my gratitude to him.

I also acknowledge my sheer gratitude to my supervisors P.K.Micheal Tharakan and Prof.K.K.Subramanian for their valuable suggestions and constant encouragement, throughout the development of my thesis. They took the pain of reading through the earlier drafts of this thesis and made sharp comments which helped in solving some of the analytical problems.

It is impossible to single out every one of my friends both at the CDS and outside and thank them individually. But I would like to make a special mention of the debt I owe to Anandraj,Sreekumar,Pyare,Joseph,Hari,Raji,Anil,Sunny, Shaji, Thomasji,Rajendran,Anandhy,Jessy,Radha and others who helped me at various stages of my thesis work.

I would also like to thank the Municipal Commissioners of the three Corporations and their staff for all their help and support. Trivandrum City Mayor Jayan Babu in fact, took keen interest in this study and encouraged me.

I must also acknowledge my special thanks to my well-wishers Isaac and Nata. I also wish to express my gratitude to Padmam chechi, Deepu and Baba who made my stay in the hostel rather pleasurable and a word of thanks to Krishnan kutty who did the reprograhic work neatly.

I also owe a word of thanks to my grand parents ,parents and other relatives especially my uncle and my fiance Suresh.

LIST OF TABLES

List of Tables (contd.)

APPENDIX TABLES

LIST OF GRAPHS

Chapter 1

INTRODUCTION

Fiscal Federalism refers to the scheme of division of Governmental functions and financial resources between various levels of Government and also the scheme of inter-Governmental financial transfers in a federation. Theory of fiscal federalism provides the economic rationale for (1) the creation of multi-level Governments in a federation, (2) dividing functions and financial resources between various levels of Government, and (3) providing various types of federal financial assistance to reduce Federal-State-Local fiscal imbalances,vertically and horizontally. It is obvious that similar to the Centre-State financial relationship there is also some systematic relationship between State and Local bodies within the State.

There are arguments for and against centralisation and fiscal decentralisation. The debates have assumed significance with the increasing role of urban local bodies. It has been argued that efficiency in the allocation of a society's resources can be pushed to Pareto optimum level if the decision making process is decentralised to the individual level. Using this economic principle, the case for local Government has been developed on the basis of the need to achieve efficient allocation of resources placed at the disposal of the public sector (Mishan,1957). It has been observed that the market mechanism fails to supply optimum level of certain public goods. Hence, the main responsibility of urban local body is the provision of certain public goods and services. While Central or

State Government can also provide some of these public goods, there are problems with overcentralisation. In particular, regional specificities do not get reflected in such case. There are thus the rationale for a high degree of decentralisation. Apart from that, decentralisation and devolution of power is more essential for political stability (Hicks U.K; 1961).

Efficient means of financing of various types of public goods and services demand financial powers to local bodies. In the absence of adequate decentralisation of financial powers, a situation arises wherein the local bodies are left with inadequate revenues for supply of the requisite local public goods. There may be a conflict between efficiency in revenue raising and public expenditure by the local governments. This is not merely because of the absence of a correspondence between the number of functions and sources of revenue assigned to local governments but also because efficiency and economies of scale justify the assignment of most productive sources of revenue to the national government which reduces the scope for more local taxes. This situation inevitably creates the problem of financial inadequacy to local governments. Thus, the financial transfers from the higher to lower governmental levels would be required to meet their financial requirements for providing certain essential local public services. Efficiency in the supply of these public goods and services requires that they should be provided by local governments.This is the justification for federal state financial assistance to local governments.

An Overview of Literature

The studies that have attempted to explain the State-local financial relationship were mainly concerned with local taxation, local expenditure, grants-in-aid, loan financing etc. Those who focussed on the question of local taxation tended to argue that a moderately regressive tax system may be quite acceptable at the lower levels of Government, given that it is neutral and horizontally equitable (Brennan;1977). It is also held that efficiency and equity of a tax would be negatively related to the size of the revenue yield. Other scholars Auld (1986), Hayes (1977), Maxwell (1977) and Bernd Spahn (1977) based on their empirical observations on the tax structure of various developed countries have come to almost similar conclusions. The crux of the argument is that the role of the local finance differ from country to country. The structure of inter-governmental financial relation also varies. Inspite of this large scale variations one could observe, in almost all countries, quest for greater autonomy for local bodies with ever increasing Governmental controls.

Fiscal economists seem to underplay the significance of an enquiry into the aspects of municipal expenditure. However,there are a few studies which try to analyse this particular issue. The classic example would be Musgrave. For analytical purpose, Musgrave (1984) classified fiscal functions into three viz (a) allocation function, (b) redistribution function and (c) stabilisation function[1]. According to him the last two functions are to be performed by the Central Government whereas the allocation function is essentially a part of the local administration.

Another perspective on the question of municipal expenditure is provided by Charles Tiebout (1956). Based on a theory, which makes a number of unrealistic assumptions like complete knowledge of the preferences of the consumers, he explains the importance of local Government expenditure. In fact he is testing the interesting hypothesis that the households consider differences in the benefits and costs of the public services in choosing where to live. His argument is implicit in the empirical study of Jud and Gordan (1986), where they try to establish that the pattern of intra-urban migration depends on the quality of public schools in the cities of the U.S.A.

Another set of economists tried to analyse the causes and consequences of the increase in local Government expenditure. There will be an upward trend in public expenditure over a period of time. The balance between the expenditure and revenue, even if it is attained once, is not likely to stay. This hypothesis of public expenditure growth developed by Peacock and Wiseman is not found invalid in the case of local Government expenditure. Scholars like Mehta and Bharadwaj (1983), N.R.Rao (1985) and Kiran Wadhava (1985) have empirically verified this phenomenon of increasing local public expenditure.

Silkman R.H.and Young Dennis.P (1985) have analysed the relationship between the financing of local government services through state grants-in-aid and the efficiency with which those public services are produced. They provide a theory of why external financing of a lower government level delivery of a service by a higher level of government is likely to affect efficiency in that service delivery. Campbell and Weibenham (197Ø) also studied the importance of federal grants on local governments on local government goods and services. Auld (1986) observed that in most of the developed countries the dependence on inter-governmental grants has increased over the decade of the 197Øs.

Donnell (197Ø), Gottiheb (197Ø) and others have gone through the trends in Municipal bond financing. Donnell has observed that in America there is a growing popularity of industrial aid bonds. Another observation is about the increasing use of mutual fund techniques for the purpose of selling tax exempts.

It is noted that in spite of the substantial budgetary surpluses in many of the State and local Governments, the fiscal problems in the "big cities" appear to be aggravated (Roy Bahl;1978). Reasons suggested are as follows:

(1) the steady declining economic base,
(2) the particular adverse effects of inflation upon Central cities; and
(3) the cost of public employment

So far, we have reviewed studies on state-local relations dealing with the problems of developed countries where the focus is fiscal equalisation. In developing countries also these problems are important but focus of the problem is on fiscal devolution and decentralisation which is emphasised by Thimmaih (1983). In this context a study (Edwin and Byung;1979) which examines the structure of Korean cities, land values and taxation, housing trends and policies, pattern of urban transportation and problems of environmental equality deserves attention. It concludes that Korea's recent urbanisation has been extremely rapid, mainly because the country's economic growth has been rapid and because the national government has focused on development rather than on control of urbanisation. Though the study has given more importance to national government policies, there is discussion on decentralisation between higher and lower levels of government.

In a comprehensive study, Marshall (1969) has made a comparative analysis of the finances and roles of various countries' local governments. He observed that under the quasi-federal set up of India, matters of local governments are a state subject and there is no direct control by the Central government. It is he who explained the existence of four criteria[2] in fixing grants-in-aid by the state governments.

A detailed study on Municipal finances in India established state-wise variation in municipal revenue and expenditure in some selected states (N.R.Rao;1985). He criticised the models of Musgrave, Samuelson and Tiebout. However, this seminal work seems to have neglected different facets of rural self governments (panchayat raj) and municipal Corporations. As it is a macro study he could not give adequate stress to the problems of each and every States' local governments.

A study (Chittaranjan;1985) on Urbanisation process in Gujarat observed that there exists a consistent relationship between cost of providing urban services and the functional specialization of cities. The growth of municipal expenditure, aggregate as well as per capita, is found to be increasing with the growth of urban population; the direct and positive relationship is, but, found only in industrially specialized cities. Analysis emphasised the structure more than the size of the city in relation to the cost of providing urban services.

Another study on the finances of Ahammadabad Municipal Corporation (Kiran Wadhava;1985) found that the tax structure of the Corporation is unbalanced and is heavily dependent on two taxes- property tax and octroi. Tax receipts have been the major source of income, grants and non-tax receipts have been fluctuating considerably during the period of analysis. Expenditure on all the items have been growing over the years. It is important to note that per capita expenditure in constant terms showed some increase over time. But the pattern of expenditure has been relatively inflexible over time. However, the level of services provided to an average citizen of Ahammadabad, has not improved much over time.

A study on Harayna municipalities (Partap Singh; 1978) reviewed the finances of municipalities in Harayana and also estimated the gap between municipal functions and resources. While his study was for a period of 5 years which did not bring out the intensity of financial problems, argued that the State government's policy of ad-hocism and neglect has paved the way for the problems of municipalities. Mehta and Bhardwaj (1983) pointed that Gandhidham municipal body was self-sufficient over the period because of its Capital expenditure financing arrangements. Self-sufficiency of Gandhidham municipality is measured through the revenue and expenditure elasticity which are found to be 3.5334 and 3.7111 respectively, indicating surplus budget. However, surplus budget alone is not the single measure of self sufficiency. Surplus budget can be formed by reducing the level of expenditure. Hence, one has to consider the quantity and quality of goods and services provided by the local bodies.

Asok Mukhopadhyay (1983) in his study on the Status of Municipal Government made a historical explanation of the evolution of urban local bodies in India and evaluated the present status of urban local bodies. He criticized the dependent and neglected status of Municipal Government in India. He has suggested some corrective measures like (a) setting up new institutions (b) developing new management systems (c) according a constitutional recognition and (d) developing a Municipal lobby in order to improve upon the functioning of Municipal Governments.

S. Rama Rao (1979) who substantiated the study of Narayana Rao(1970) on the revenue and expenditure pattern of Banglore corporation, pointed out the lack of co-ordination between State government and corporation, stickness in rates and slackness in collections of tax and non-tax revenue. Inadequacies of grants-in-aid from state government also got his attention.

Christine Wallich (1983) has reviewed the finances of Madras Corporation with a view to provide a background for an assessment of the State's and Municipal Corporation's capacity for taking up some projects. It appears that there is no difficulty for the State or Municipal government to take up the projects from a financing point of view.

A recent study of local self government in Kerala (G.Karunakaran Pillai;1986), has tested the hypothesis that there exists a wide income and expenditure gap in local self government's budgets and also there is increasing disparities in State-local relationships. It is observed that Panchayats in Kerala is levying a number of obligatory taxes and the share of those to total revenue is on the increase. But the share of non-tax receipts in the total revenue has remained extremely low.
The author is of the opinion that low revenue growth of Panchayats leads to low levels of expenditure on civic functions. He also found that the State provided financial assistance to panchayats neither on the basis of needs nor on functions. But he has not looked at the urban problems and increasing needs of urban local bodies in the rapid pace of urbanisation.

Statement of the Problem

From the foregoing discussions one finds the lack of a comprehensive study on the problems of Urban local bodies in Kerala. Our attempt is to fill up this gap. Public goods are part of the general welfare of a society and infrastructure and services for urban residents are an important part of the social welfare. The growth rate regarding investment in infra structure (say, urban transport, sewerage, water supply, parks etc) may be decreasing but at the same time demand for infrastructure and services is increasing due to urbanisation. The most important problem facing the urban local government in Kerala is that revenue resources have not grown in keeping with the growth of population. Apart from that there is a high density of population in major urban centres (see Table1.1)

Table.1.1.Density of Population and Area

Name of the Corporation	Area	Population(lakhs)		Density of pop		annual growth in pop. 1971-'81 (percent)
	Sq.Km.	1971	1981	1971	1981	
Trivandrum	74.93	4.10	4.83	5472	6447	1.78
Cochin	94.88	4.39	5.13	4627	5409	1.45
Calicut	82.67	3.34	3.94	4040	4771	1.80

Source: Population Statistics of City Corporation and Municipal Areas of Kerala.

Evidently, higher density of population and high rate of growth of population require more civic and other kinds of services. Urban local bodies should provide the minimum requirement of services for the improvement of life. In the context of such a growth of population and increase in the cost of living in urban areas mainly due to inflationary pressures, the existing facilities are not at all adequate. Hence, urban local bodies should improve both quantitatively and qualitatively their functions. But most of the urban local bodies in Kerala have been undergoing a financial strain.

Inaccurate budgeting methods may show surpluses in budget of certain urban local bodies. But it does not fully reveal the financial position. Detailed empirical analysis is needed to know the real financial standing of local body. Many studies[3] have demonstrated as to why, fiscal problems in cities appear to have gotten worse despite the substantial budgetary surpluses recorded in their budgets.

However, it is interesting to look at the pattern of finances of Urban local bodies in Kerala. There are 47 urban local bodies in Kerala. Out of that 43 are Municipalities, one Township and three Municipal Corporations . Since Municipal corporations are the most autonomous, viable and representative urban local bodies, we would like to study the financial problems of Municipal Corporations and their relationship with State government in Kerala.

Another importance of the selection of these three Corporations is their unique functional characteristics. Traditionally, Trivandrum is a service oriented city. But Cochin is an industrially advanced area and Calicut has been a traditional trade centre. Rate of growth of expenditure on local public goods and services may be different in different cities because of the difference in functional characteristics.

Distribution of public services will also be an important factor of consideration.

The main objectives of the present study are thus the following:

(1) to analyse the trends in finances of the Corporations and its variations among the Corporations;

(2) to understand the relationship between functional characteristics and expenditure patterns of Municipal Corporations.

(3) to examine factors which are squeezing both revenue and expenditure of Corporations.

(4) to probe, into reasons for adequacy or otherwise, of grants-in-aid in a perspective of financial crisis and to relate it with institutional set up.

Method of Study and Sources of Data

The main source of data is the budgets of all the three Municipal Corporations. Time series budget data are being used for analysing the trends and patterns of Municipal revenue and expenditure. To understand the dimensions of urbanisation in Kerala we have used the Census data. To explain institutional arrangements of the governments all the reports and other State government materials concerning Municipal finance are used. Interviews and discussions were conducted with officials of Corporations mainly to get the intensity of financial problems which are very helpful to provide qualitative information.

Trends and patterns of Municipal revenue and expenditure is analysed by calculating simple growth rates for the same. Simple regression exercises are carried out to find out the significance of per capita expenditure growth rate of various components across Corporations.

Chapter scheme is as follows. There are six chapters in the thesis including the introduction and conclusion. In the second chapter we trace the evolution of Municipal corporations in Kerala and functional characteristics of cities. We consider in this chapter the process of urbanisation and how it helped formation of Municipal Corporations. Against this background, trends and patterns of Municipal finance is discussed in the third chapter. Here the main thrust is on the pattern of revenue and its variations in different Corporations. Having analysed the trends in revenue, chapter four analyse the trends and patterns of expenditure items. An attempt is also made to bring out the relationship between the expenditure pattern of cities and their functional characteristics. With the help of a regression model, we have tried to test the significance of per capita expenditure growth rate of various heads across Corporations. Chapter five is an explanation of the factors which are responsible for urban financial crisis. How institutional arrangements and mismanagement could affect the financial standing of the Corporations, is our major concern. We sum up our findings in the last chapter.

NOTES

1. According to Musgrave fiscal functions are the following types:

(a) Allocation function: Allocation theory as applied to the public sector says that public services should be provided and their costs shared, in line with the preferences of the residents of the relevant benefit region. But some other services which are nationwide in their benefit incidence (such as national defence) should be provided nationally, andservices with local benefits (eg.street lighting) should be provided for by local units. The spatially limited nature of benefit incidence thus calls for a fiscal structure, composed of multiple service units.

(b) Redistribution function- Policies to adjust the distribution of income among individuals must be conducted largely on a nation wide basis because regional differentiation will affect the choice of location for both individuals, and businesses and will result in locational inefficiencies. Another important factor is that regional measures for redistribution are self-defeating, since the rich will leave and the poor will move to the more egalitarian-minded jurisdictions. Much of the political debate over fiscal centralisation and decentralisation must be understood in these terms.

(c) Stabilisation function- Lower levels of Government can not successfully carry on stabilisation policy on their own for a number of reasons:

1. It has no multiplier effect.
2. It has less ready access to the national market and no control over monetary system.
3. The necessary degree of fiscal co ordination is not likely to emerge in a decentralised setting, so Central responsibility for stabilisation action is required.

2. The four criteria are:

a. Per capita method
b. Unit grants: These are used for subsidising salaries of certain categories of local staff and their cost of living allowances,towards the cost of equipment, maintenance of schools, financing a continuing programme of national importance etc.
c. Compensation grants: It is given as compensation of revenue forgone by local authorities owing to provincialisation or abolition of certain local taxes, fees or fines.
d. Development or Plan grants: These grants are usually given on a matching basis and sometimes also supplemented by loans.

3. To illustrate, Christian Wallich (1982) has questioned the method of judging Madras City's financial wealth on the basis of surplus budget. Roy Bahl (1978) have documented the worsening financial problems in some big American cities despite the recorded surplus in their budgets. Junschichiro Yonehara (1981) was established the existence of financial crisis of Osaka city though the local government had surplus budget.

Chapter II

EVOLUTION OF THE MUNICIPAL SYSTEM

Introduction

One of the characteristic features of the demographic structure of both developed as well as developing countries is the increase in the share of their urban population. Within a period of three and a half decades since 1950, the number of urban dwellers of the world almost increased three fold. A major role in the process of urbanisation in today's world is played by the Third World Countries (Table 2.1) . Compared to many other developing economies, India seems to be less urbanised, albiet the fact that the rate of urbanaisation in some Indian cities are apparantly high.

Table 2.1. POPULATION LIVING IN URBAN AREAS: 1950-2000

(estimated figures)

Region	1950	1985	2000
	percentage in total population		
World Total	29.2	41.0	46.6
More Developed Region	53.8	71:5	74.4
Less Developed Region	17.0	31.3	39.3
Africa	15.7	29.7	39.0
Latin America	41.0	69.0	76.8
Asia	16.4	28.1	35.0
(China)	(11.0)	(20.6)	(25.1)
(India)	(17.3)	(25.5)	(34.2)
		(IN MILLIONS)	
World Total	734.2	1982.8	2853.6
More Developed Region	447.3	838.8	949.9
Less Developed Region	286.8	1144.0	1903.7
Africa	35.2	164.5	340.0
Latin America	67.6	279.3	419.7
Asia	225.8	791.1	1242.4

Source: Urban and rural population projections, 1984, Un official Assesment, population Division, UN, New York, Cited in World Commission on Environment and Development, Our Common Future, Oxford University Press, Delhi, 1987.

As for India, the rate of urbanisation is increasing: share of urban in the total population in India increased from 11 per cent in the beginning of the century to 23.73 in 1981 (see Table 2.2). There are inter-state variations in the degree of urbanisation. To illustrate, the percentage share of urban population in the total population in Kerala is in fact less than the all India averge (18.78). With a lower share of urban population as compared to all India, Kerala presents a unique spatial ordering. An understanding of this calls for an examination of urban heirarchy in Kerala.

Table 2.2 Growth of Urban Population in Kerala and India;1901-1981

YEAR	Share of ofUrban in total pop KERALA (percentage)	Annual Growth rate of Urban population (percentage)	Share of Urban pop. in total poplution INDIA (percentage	Annual Growth rate of Urban population (percentage)
1901	7.11	-	11.0	-
1911	7.34	1.54	10.4	0.0
1921	8.73	2.98	11.3	0.79
1931	9.64	3.46	12.2	1.77
1941	10.84	3.05	14.1	2.82
1951	13.48	5.27	17.6	3.52
1961	15.11	3.99	18.3	2.34
1971	16.24	3.57	20.2	3.26
1981	18.78	3.76	23.7	3.86

Source: Census of India; 1981
Note: Figures for India exclude Assam and Jammu and Kashmir.

Urban heirarchy means the classification of cities and towns according to size (population). The Indian Census gives a six-fold classification (see Table 2.3). With the increase in population town move from one size class to the other. This phenomenon is observable in Kerala's urban system also (see Table 2.4).

Table 2.3 CENSUS CLASSIFICATION OF CITIES AND TOWNS

Cities and Towns Classes	Population
I	1 lakh and above
II	50,000 to 99,999
III	20,000 to 49,999
IV	10,000 to 19,999
V	5,000 to 9,999
VI	less than 5,000

Source : Census Reports, Population Tables.

Table 2.4 Size Distribution of cities and towns in Kerala

Size	1901	1911	1921	1931	1941	1951	1961	1971	1981
I	-	-	-	-	2	3	4	5	6
II	2	2	2	2	4	5	5	7	8
III	6	8	9	11	7	12	31	40	64
IV	8	6	9	15	20	29	33	25	21
V	5	8	14	17	20	27	18	9	6
VI	_	3	10	8	9	18	1	2	1
Total	21	27	44	53	62	94	92	88	106

Source: Census of India, 1981, Series 10 (Kerala)

It can be observed from the Table 2.4 that there has been a sharp decline in the number of towns from 92 to 88 between 1961 and 1971 period. This decline is obviously due to the de-classification of some towns of 1961 as rural in 1971 (Town Directory, 1971). Kerala's urban heirarchy is dominated by medium Towns. Of the 106 towns (1981 Census) in Kerala 46 are statutory towns and others are census towns[1]. Statutory towns include 43 Municipalities and 3 Corporations. Municipal status is given to a particular urban unit on the basis of certain criteria such as:

(a) The locality should predominantly be urban i.e; at least 75 per cent of the adult population of the area should be engaged in non-agricultural occuopations.

(b) The population of the locality should not be less than 20,000 and the desity of population should not be less than 4,000 per 2.59 sq. kms except in hilly areas.

(c) The per capita revenue resources of the locality should not be less than Rs.5 per annum.

However, increase in urban population demands change in the status of urban administrative set up. Indian urban administrative set up is very much related to the British system of urban government (Abhijit Datta, 1982). Even after 40 years of independence, there has not been sufficient changes in Urban administrative system according to indigenous pattern of urbanisation[2].

Thus Kerala has a unique pattern of urbanisation among other Indian States (see Sankaranarayan, 1977). Hence, it would be interesting to analyse some aspects of urban administrative set up. Among the local bodies in India, there are five kinds of Minicipal bodies (Marshall A.H, 1969) . They are: (1) City Corparations, (2) Municipalities, (3) Town areas, (4) Notified areas and (5) Contonment areas. Among the local bodies, City corportions are more autonomous urban administrative set up. The granting of corporation status to many towns in India as the result of rapid urbanisation in the recent years, has resulted in the establishment of many Corporations .

In Kerala, there are only three categories namely Municipal Corportions, Municipalities and townships. Each of these categories possess characteristics of their own based on their status, powers and functions. The present Chapter traces the evolution of Municipal Corporations in Kerala. This will serve as a background material for a better understanding of the trends and patterns of finances of the Corporations which we will be attempting in the subsequent Chapters.

Evolution of Municipal Corporations

In Kerala there has been some changes in the status of urban administrative bodies especially in Trivandrum, Cochin and Calicut. The evolutionary trend of the status of the present Municipal Corporations are shown in appendix Table 1 (a,b,c).

Trivandrum

Local Government in Travancore has its origin in the Conservancy Establishment set up in the last quarter of the nineteenth century.

A set of rules was passed by His Highness, the Maharajà of Travancore in October 1877 for the purpose of improving the sanitary conditions of the capital town, Trivandrum. Major share of the expenditure for this purpose was met by the state. Certain rules formulated in 1878 related to Conservancy. The Conservancy establishment was supervised by a sanitary committee. But the growing needs of the city of Trivandrum could not be met by the inadequate set of rules of the time. This led to the enactment of 1894 Act, on the recommendations of the special committee appointed by the Goverment for the purpose (Bright Singh, 1944) .

According to the Town Improvement and Conservancy Regulation of 1894, the Town Improvement and Town Funds were created. It started doing some of the public utility services like improving the sanitations of the town,repairing of public wells, provision for latrines, street lights etc.

In the year 1897,the committee conducted certain major works like the selection of sites for slaughter houses,the provision of night soil earth and appliances, the improvement of public wells and tanks and the construction of new culverts for certain roads etc.

Trivandrum Town Improvement Committee got authorisation to levy local taxes for the first time through the regulation of 1901. This Committee started street cleaning in 1903 and house-scavenging in 1904. For this, seperate charges were collected. The first step towards self-government was started in 1912 when the tax payers of Trivandrum were allowed to elect five non-official members to the Committee.

Before 1920 the work of the local bodies was restricted almost solely to sanitation and coservancy. There were various committees which recommended the power expansion of local bodies by enlarging the sphere of their work and the sources of their revenue. In effect of the Committee's recommendations, in 1920 Municipal Act came into existence which changed the name of Town Improvement Committees into "Municipal Councils". In this regulation the maximum and minimum limit of non-officials in the council were fixed (8 and 6 to 9 and 24) and the obligatory and discretionary duties[3] of the Council were well defined. By this Regulation, Municipal area received grants seperately for the maintenance of roads, parks and recreation centres and the lighting and cleaning streets etc. Thus, the Municipal town of Trivandrum was treated on a seperate footing and was governed by a law for itself.

In 1932-33 the Municipal Regulation Act of 1920 was amended by Regulation Act of 1933 so as to make provision for the working of a water supply system specially for Trivandrum town. The Act was in force up to 1940-41 and was replaced by the District Municipalities and City Municipal Act which forms the present law on which the Municipal administration of the state is based.

Municipality becomes the Corporation

In the year 1940-41 the Trivandrum City Municipal Act IV was passed which gave birth to the Trivandrum Corporation. The constitution of the Trivandrum City Corportion created by this Act is slightly different from that of the District Municipalities though they are more or less the same with regard to functions and powers of taxation. The administrative structure of Municipal Corporations consists of:

(a) a council consisting of 32 members of whom 24 are elected, one from each of the 24 electoral divisions of the city and eight nominated by Govt, of whom one shall be a woman.

(b) There were three standing Committee, each consisting of five members elected annually by the Council from its own members and each under an elected president dealing with (i) taxation and finance (ii) works (iii) health.

(c) A Commissioner who is appointed by the Govt from outside the council and is removable by the Govt.

(d) The Council with a Mayor.

Regarding sources of funds there has been radical changes in the statute and this was in force till first July 1964 (Tax on Companies,surcharge on the duty imposed by the Travancore stamp Act on the transfers by way of sale, Gift or mortgage of unmovable property). The population of Trivandrum at the time of the opening of the Corporation was 1,28,480. Government made an improvement on the Act by introducing a new Act viz, "The Kerala

Municipal Corporation Act", which came into force on 2-7-1964 The change in area and population of Trivandrum Corporation is shown in Appendix Table 1(a).

Main features of Trivandrum urban area.

The total population increased from in 1971 is 409,627 and 483,086 in 1981.The percentage decadal variation of population is 17.93. The density of population is the highest among the Corporations of Kerala. The number of occupied residential houses in Trivandrum Corporation was 60365 in 1971 and it increased to 73318 in 1970 (Housing and Employment Survey, 1980) . The density of houses per sq.km is 803.61 in 1971 and 978.48 in 1980. The percentage increase in number of houses is 21.4 per capita which is the hightest among all other corporations. It is important to note that the percentage decadal increase in the number of houses is more than percentage increase in population.

Calicut Corporation

Historical references about Calicut bring out its importance as a trading centre on the west coast of India.The first genuine attempt for the establishment of a Municipal Council was started by the Act of 1850, when Calicut was a part of the Madras Presidency. The Madras Government legally approved the Municipalities by the The Town Improvement Act of 1865. These Municipalities merged with 29 towns of Madras Presidency in 1866, Calicut Municipality was one among them. Thus Calicut started as a Municipality on 3-7-1866. Calicut Municipality's total area at that time was 10.9 square kilometre. The Council of 1866 consisted of 21 members including the Malabar Collector, District Police Superintendent, Assistant Surgeon, one Engineer,one foreign member, two Anglo-Indian members, one Parsi, one Muslim and other 12 members.

Some radical changes in administration were taken place through the law of 1871. It provided more power and responsibilities to the Councillors. The District Municipality Act was enacted in 1884 by the Madras Government. This Act was a turning point in Municipal Administration System. By this Act 3/4 of the Municipal Councillors were elected by the citizens.There was a Chairman in each Municipality. This Act amended in 1887, made some changes whereby the number of council members became 24.

There was hardly any change in Municipal administration from 1884 to 1920. In 1920 the District Municipalities Act was passed which made far reaching changes. The important among them were expansion of Municipal Constituency which provided a more democratic way of administration; women were granted voting rights and they could also stand in councillors' election. Municipalities were given the right to prepare budgets of their own. The number of councillors increased to 34.

By an ammendment of the 1920 Act in 1930, the system of nominating members was stopped and reservation for minority communities was allowed.

In 1933, 15th ammendment Act was passed when Mr.Bobily was the Chief Minister of Madras Presidency. By this, Government took the right to appoint executive officers in the municipalities from among salaried councillors.

In 1942 the Council was dissolved because of political reasons[4]. Then Commissoner became the special officer to look after all matters of Municipal administration. This was inforce up to March 31, 1947. In 1947 October, a new elected council came into power. When the states reorganisation took place in 1956 Calicut became a part of Kerala State though it worked under 1920 Madras Municipalities Act upto 1961, when the unified Kerala Municipalities Act was passed. This was inforce upto the formulation of Calicut Corporation in 1962. First Corporation Council was in power on Nov 1 1962 and the number of members became 45.

The Calicut City Municipal Act of 1961 was amended and it came into force in 1964. This was the Kerala Municipal Corporation Act which is applicable to all the Corporations (Kerala Municipal Corporations Act,1961). After the enactment, of 1961 Act, a common Municipal Service System was organised which has the power to appoint people in corporation service.

In 1974, the council was dismissed and the administrative resposibilty was given to an Administrator. After 5-1/2 years of Administrator's rule in 1979, a new Council was formed. Now the number of members increased to 50. For details of changes in area and population of Calicut Corporation see Appendix Table 1(b).

Calicut Urban Area

Some important features of Calicut Corporation area may be noticed. Total population in 1971 was 3,33,979 and it increased to 3,94,447 in 1981. Percentage decadal variation is 18.11, which is the highest among the Municipal Corporations in Kerala. The density of population is not as high as in Trivandrum and Cochin. In 1971, it was 4040 per sq.k.m and it increased to 4771 in 1981. As far as the number of occupied residential houses are concerned, there has been a slight increase from 1971 to 1980. In 1971 it was 42,852 and it increased only to 44,629 in 1980. The increase in number of houses is only 4.15 per cent which is the lowest among all the Corporations (see Table 2.5).

Cochin Corporation

The city of Cochin has been one of the important ports of Malabar coast since the arrival of the Portuguese in India. At that time Cochin was under Portuguese control. Subsequently, it passed into the hands of the Dutch and from them to the English.

Before the year 1909 there was no Municipal or local boards in Cochin State[5]. The public works and 'maramat' department looked after the arrangements for keeping the towns neat and clean. In the year 1890, Committees consisting of officials and non-officials were appointed by the Government to supervise the sanitation and conservancy of the important towns of Ernakulam and Trichur. The Government also sanctioned the payment of a monthly grant to a Committee appointed by the merchants of Mattancheri bazaar to see to the sanitary arrangements there. These Committee were supervised in 1896 by regular sanitary Boards that were constituted by the Government for the towns of Ernakulam, Trichur and Mattancheri. The functions of these boards were to keep the roads and drains of the towns clean and also to look after the lighting of the towns. No cesses of any kind were being levied by these boards. They were entirely financed by the Government (Krishna Menon, 1932).

This state of things continued till 1905. In that year, the then ruler of the State passed a law, known as the Municipal and Sanitary Improvement Regulation, so as to provide adequate provision for the organisation of Town Councils with a view to introduce Municipal administration in towns and for the conservancy and sanitary improvement of rural areas.

Under the Regulation of 1909-10, Town Councils were constituted in the towns of Trichur, Ernakulam and Mattancherri, the three most important towns of the state. The system of electing councillors (minimum 6 and maximum 12) was established by this Regulation and persons, who were qualified under the rules framed under this regulation, were given the power of electing one third of the councillors in each of these councils. The rest were nominated by the Government and consisted of officials and non-officials.

In Cochin, Regulation I of 1909 had worked satisfactorily for a period of 10 years. The Maharaja was fully satisfied with the working and he recommended a further substantial grant to these town councils. With this object in view, a law was passed in the state in 1920. It was called the Cochin Municipal Regulation (Regulation XI of 1090 M.E).

This Regulation introduced substantial and very important changes in the law that was in force till then. Though Regulation I of 1909 provided for establishment of local self Government it was with the Regulation of 1920 that local self Government in the strict sense of the term was really established. By this Regulation the strength of the new council was increased, the minimum itself being fixed at 15. There was no maximum fixed by the statute. Out of 15 members, 2/3 were elected by the voters from amongst qualified voters, the remaining one-third being nominated by the Government.

Though Cochin state had made some changes in Madras Municipalities Act of 1920, it took full advantage of the provisions of the new Madras Act of 1920. Under the Madras Act of 1920, the Government had powers to dissolve any Municipality. This provision was purposely omitted in the Cochin Regulation. So far as Councillors were concerned, disqualification on the basis of sex was retained in the new Cochin Regulation. Under it, females could not only vote at election but could be elected as Councillors. It has been shown that Cochin was more progressive than other Municipal areas like Travancore and Mysore.

The Regulation Act was continued upto the state formation. Prior to 1-11-1967, there were three Municipal towns functioning in the Cochin region namely Ernakulam, Mattaancherry and Fort Cochin.

The idea behind the formation of Cochin Corporation was first raised in the Mattancherry Municipal Council. It passed a resolution requesting the government to form the Cochin Corporation amalgamating the Municipalities of Ernakulam, Mattancherry and Fort Cochin. This was at the end of 1960. This resolution was sent to the Government by the Council. The then Fort Cochin Municipal Council strongly opposed the proposal and declared that Fort Cochin was against such a formation. Then the government appointed a special officer. By the report of Sri.Balagangadhara Menon, who was appointed for the purpose on the 1st July 1962, the Kerala Assembly approved the formation of Cochin Corporation (Dairy, 1987).

On 1-11-1967 the Corporation of Cochin was formed incorporating the above towns and a few panchayats namely, Pallaruthy, Vennala, Vyttila, Edappally and Islands like Willington, Gundur, Raman Thuruthu, Thanthoni Thurutu etc. Considering its area, population and peculiar geographical situtation, the corporation has been divided into two zones viz., East and West. The erstwhile Mattancherry Municipal office is functioning as the west zonal office of the corporation. The former Ernakulam Municipal office is the East zonal office besides the headquarters of the Corporation. The area and population over a period are shown in appendix table 1(c).

Features of Cochin Urban Area:

The total population in 1971 census was 4,39,066. It increased to 5,13,249 in 1981. The percentage decadal variation of population is 16.90. The density of population in 1971 was 4628 and in 1981 it became 5409. The area of the corporation is 94.88 sq.kilometres, excluding backwaters, which is the largest among all the corporations (Housing and Employment Survey, 1980) The number of occupied residential houses in cochin was 61,510 in 1971 and it increased to 70,287 in 1980. The density of houses per square kilometre is 648.29 in 1971 and 740.79 in 1980. The percentage increase in the number of residential houses is 14.26.

When we compare the percentage decadal variation of population growth in the three Corporations areas, we see that increase in population is more or less the same. When we consider the increase in the number of residential houses in these Corporations, it is clear that the percentage increase in the number of residential houses from 1971 to 1980 period and the percentage decadal increase of population go hand in hand in Trivandrum and Cochin. Housing construction is relatively less in Calicut Corporation area (see table 2.5).

<u>Table 2.5 Decadal Variations in Population and no. of Residential Houses in Cities</u>

Name	Density of Population		% Decadal Variation in Population	Density of houses/sqkm		% change 1971-80 density of houses
	1971	1981	1971 to1981	1971	1981	1971-80
Trivandrm	5467	6447	17.9	805.6	978.5	21.4
Cochin	4628	5409	16.8	648.3	740.7	14.3
Calicut	4040	4771	18.1	518.8	539.8	4.3

Source ; <u>Housing and Employment Survey</u>, 1980 and <u>Muncipal Year Book</u>, 1975.

From the table it is clear that the increase in the number of houses from 1971 to 1980 is higher than the increase in population in Trivandrum. It may give some idea about the housing boom in the last decade in the capital city. This might be due to the initiative of the housing board, concentration of service employment, inflow of gulf money etc. But this cannot be the same in other corporations and also in other parts of Kerala.

Thus, along with the increase in population there has been an increase in housing activities in Corporations especially in Trivandrum. This might increase the tax revenue of the Corporations. At the same time it demands more expenditure from the Corporations side by way of providing water supply, sanitation, road construction, street lighting etc. Hence the need arises to study the finances of the Corporations against the background of their functional characteristics.

Functional Characteristics of Cities

The functional characteristics of Municipal towns can be explained with the help of Census data. According to the Census a town is called mono-functional only when 40 per cent or more of the total workers are in a particular sector,(eg:-service town,industrial town etc). If the highest percentage is less than 40,then the next predominant classification is taken into account so that the total of the two make a minimum of 60 per cent of the total workers. Such a town is regarded as bi-functional (eg:-industry-cum-transport). With regard to towns in which worker groups didn't account for 60 per cent, the next group is also added to it. Such a town is regarded as multi-functional.

According to the 1971 Census, only Trivandrum, where around 45 per cent of the total workers are engaged in other services (See Table 2.6), is classified as mono-functional (service city).

Table 2.6 Percentage of Employment Contributions of corporations to their main workers

Item	Trivandum		Cochin		Calicut	
	1971	1981	1971	1981	1971	1981
Manufacturing other than house hold industry	12.18	11.70	21.04	23.54	21.07	23.10
Trade and Commerce	16.13	17.37	19.82	21.07	23.70	13.27
Transport, storage and communications	7.74	9.92	15.70	14.67	12.24	20.22
Other services	44.60	40.21	32.36	24.64	29.11	24.02
Other Sectors	19.35	20.80	11.08	16.08	13.88	19.39

Source : Census Reports.

There has been a general notion that Trivandrum is a Service city, Calicut is a traditional trade city, Cochin is an emerging industrial city. From the table it can be clear that only Trivandrum fulfills the Census classification of mono-functional groups.

If we relax the Census classifiction, then one can say that Calicut is relatively a industry oriented city where 24 per cent of the concentration of employment is in manufacturing other than household industry. The industrial employment in Calicut Corporation is equal to that of Cochin. Cochin's industrial intensity may be made clear by adding the percentage of employment in transport sector which constitutes 37 per cent of the employment concentration.

The picture became more diffused in the 1981 Census. There has been little change in the contribution of industrial employment in Calicut and Cochin. In Calicut the contribution of trade and commerce declined sharply and these may have been absorbed in the transport and storage and communication industries. Hence,it stands as a multi-functional city. In Cochin, contribution of transport hasn't increased. Rather it has declined by one per centage point. But there has been a decline in the employment of the service sector from 32.36 per cent to 24.64 per cent. Employment is more widely diffused in Cochin. Hence we can conclude that both the cities are multi-functional in nature.

It is interesting to note the case of Trivandrum city, where the concentration of employment in other services has declined and also remained marginal. Hence, it is possible that Trivandrum may eventually come in the category of multi-functional cities. But if we look at some other cities in India like Bombay, Calcutta, Madras, and Banglore, they are found to be mono-functional. The multi-functional characteristics of Kerala cities may thus heighten the uniqueness of the state's pattern of urbanisation.

A detailed analysis of the reasons for the multi-functional nature of cities, is, however, beyond the scope of our study. Neverthless, it is important to note that the urban forms emanated in Kerala is the result of its incorporation with the World system. Historically, these towns did not show a tendency towards functional specialisation. Trade, administration and proto-industrial development went together. It seems that the multi-functional character of Kerala towns is thus strongely related to the development process. The mono-functional characteristics did not develop in Cochin and Calicut mainly because these regions were a part of Madras presidency with Madras as its head-quaters. The relationship between spatial formation in Kerala and the development process has been discussed elsewhere.

To cut the long story short, our attempt to trace the evolution of Municipal Corporations in Kerala brought out certain specific characteristics not only in terms of the explicit indicators like area, population etc but also in terms of more implicit indicators like historical background of origin and the functional specificities. It is against this backdrop that we propose to analyse the finances of these Corporations in the ensuing Chapters.

NOTES

1. Census towns are formed only on the basis of Population. Statutory towns on the otherhand based on some specific criteria other than population like nature of occupation, per capita revenue etc.
2. The Urban Governments which have been functioning in India was introduced only for administrative sake of the colonial rulers. We need an Urban system which should consider the regional specificities and should be developmental oriented.
3. (a) Obligatory functions are mainly civic funcions, community functions and regulatory functions (b) discretionary functions are constructing new public parks and community halls, control of beggery, establishing ashrams for destitutes, protection of municipal enterprises etc.
4. Example, Council's favourable attitude towards Indian Independence Struggle.
5. Fort Cochin became a Municipality on 1st November, 1866, it was a part of British Cochin.(See D.C. Wadhwa, Agrarian Legislation in India (1793-1966), 1973).

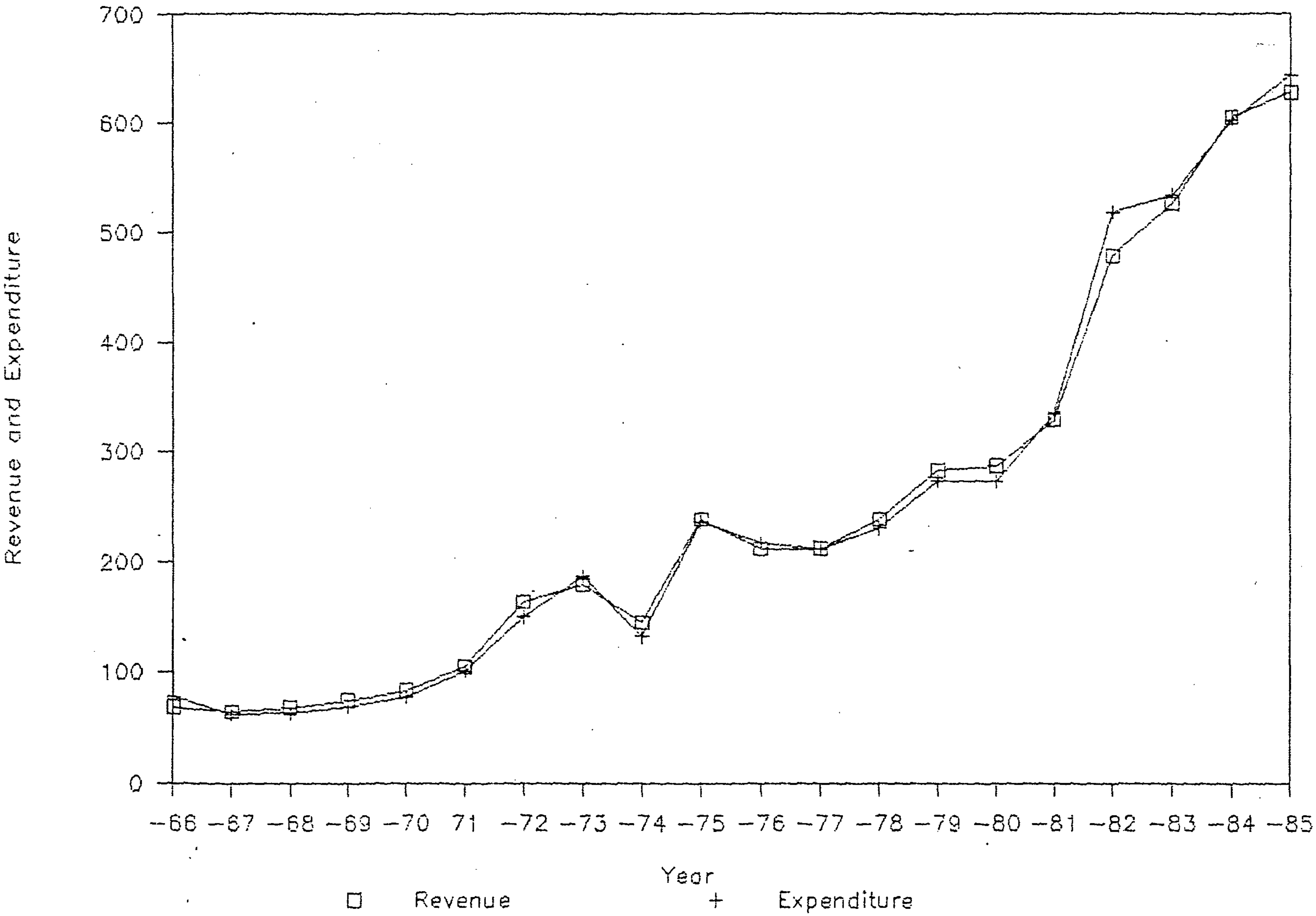
Chapter III

TRENDS AND PATTERNS OF REVENUE RESOURCES

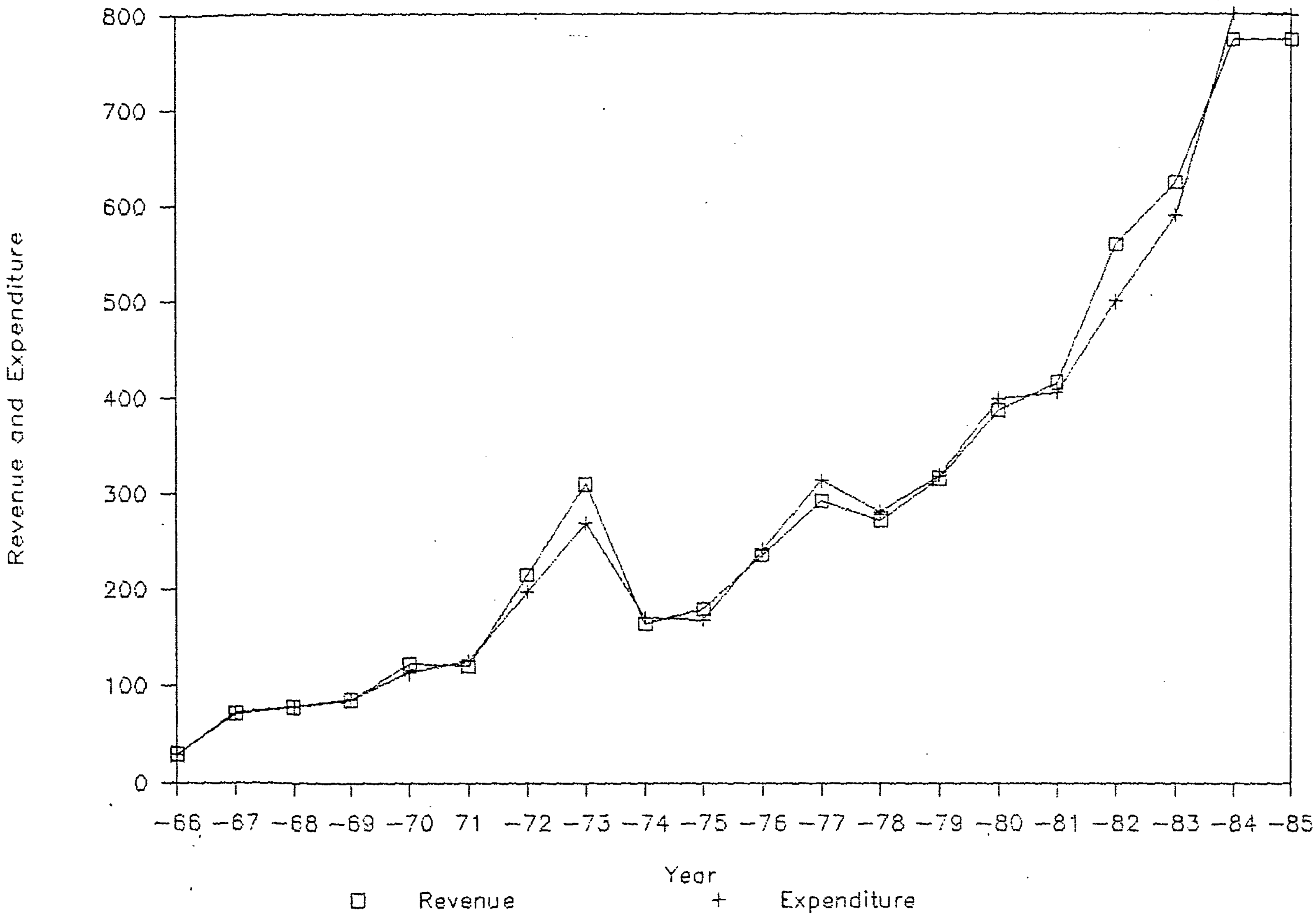
Introduction

In this chapter we analyse the revenue resources of the three Corporations in Kerala viz., Trivandrum, Calicut and Cochin. We have divided the period of study into two sub- periods of 1965-66 to 1974-75 and 1975-76 to 1984-85. The division is mainly made because there was a uniform increase in tax rates in 1975 especially of entertainment tax[1] which is the most important source of tax revenue for Corporations. Statistically also the periodisation is significant (see Graphs a,b,c). Another significant aspect is that in 1976 a Government commission report on municipal finance was submitted with a number of recommendations; it would be interesting to look at the changes brought about in Municipal Corporations financial structure since the submission of the report. Above all, the late seventies witnessed a boom in the construction of houses and other buildings in Corporation areas stimulated by the remittances made from Persian Gulf regions. In the light of such developments it is likely that the second period of our analysis must have brought about changes in taxes and other sources of revenues of Corporations.

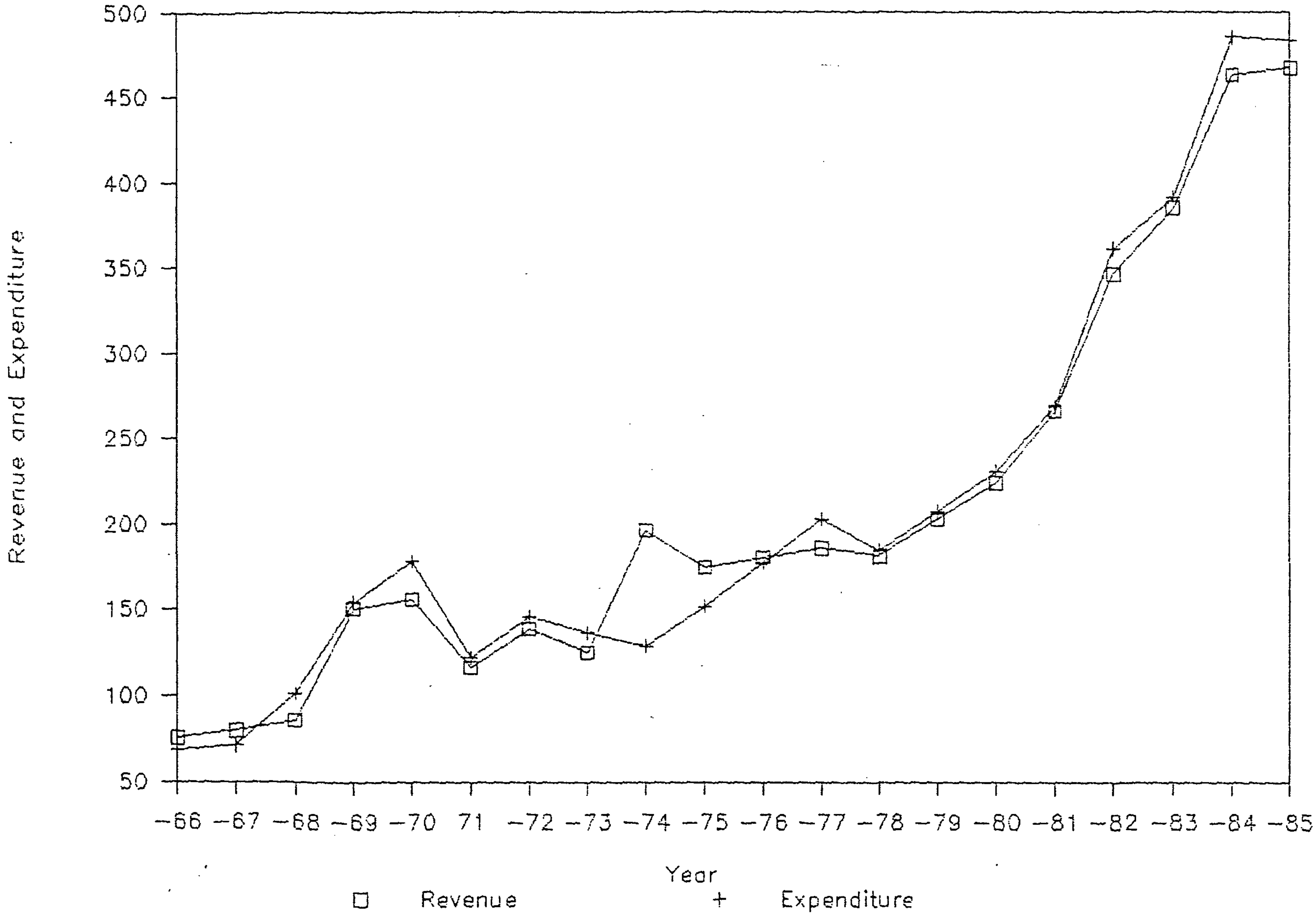
Revenue and Expenditure in Trivandrum -1.a



Revenue and Expenditure in Calicut -1.b



Revenue and Expenditure in Cochin -1.c



Limitations of the Data

The data used for the analysis are the Budgets of Corporations. The non-availability of actual figures compelled us to take revised budget estimates. For Trivandrum Corporation all figures are revised estimates except for the year 1965-66. (For that year budget estimated figures has been taken). For Cochin Corporation two years' data are budget estimate figures (1966-67 and 1984-85), and the rest are revised estimates. There is a slight divergence in Calicut Corporations' data. For a few years[2], budget data were not available which led to the use of figures from Annual accounts of the Corporations.

Generally, revenue sources of Corporations are divided into three: viz., (i) tax resources, (ii) non-tax resources including loans, and (iii) grants and contributions. Lack of data at a disaggregated level, necessitated the clubbing of grants and contributions with non-tax resources. The results of our analysis of revenue resources of the Corporations in Kerala would need interpretation in the light of the limitation of the data set used in the study.

It is obvious that the revenue resources of a Corporation has to be analysed in the perspective of its financial relation with the State Government. Increasing urbanisation and related responsibilities are exerting a pressure on the Corporations to raise its expenditure. At the same time, capacity of a Corporation for revenue mobilisation is limited by the State Government by virtue of the Kerala Municipal Corporation Act,

1961. Hence, something similar to the problems existing between the Central and the state Governments is quite possibly felt in the relationship between the State Government and the Minicipal Corporations. This aspect of the problem has also been taken into consideration.

Trends in Receipts

We may categorise the fiscal functions of Governments under the following three headings :(1) allocation function, (2) stablisation function and (3) distribution function. A brief explanation of each of these functions is already given in Chapter I. As explained earlier the allocative role dominates the revenue raising functions of a local government. Hence, let us first discuss the important sources of revenue and its pattern in each of the Corporations.

In Trivandrum Corporation total receipts[3] has increased at an average annual growth rate of 12.9 percent during the period under study (1965-66 to 1984-85). However, the growth rates varied in the two sub-periods of the study. During the first period (from 1965-66 to 1974-75) total receipts increased at a rate of 16.6 per cent per annum whereas the annual growth rate declined to 9.6 per cent during the second period. From table 3.1, it is clear that ordinary receipts, which increased by 17.9 per cent per annum in the first period marked a low growth rate of 9.2 per cent per annum during second period. Capital receipts on the other hand, exihibited more or less a steady growth path.

Table 3.1 Trends in Receipts of Corporations (in current prices, Percentage Annual Average Growth Rate)

	Ordinary Receipts		Capital Receipts		Total Receipts	
Period	I	II	I	II	I	II
Trivandrum	17.9	9.2	11.7	11.5	16.6	9.6
Calicut	7.4	11.Ø	13.1	8.Ø	9.4	1Ø.Ø
Cochin	15.4	13.4	28.4	15.7	2Ø.1	14.6

Source : Budget Documents of Corporations for various years.

Note: I and II denote the first period (1965/66 - 1974/75) and the second period (1975/76 - 1984/85) respectively.

In Calicut Corporation ordinary receipts increased on an average by 7.4 per cent per annum during the first period as against a rate of 11 per cent during the second period. The higher growth in the second period might be due to an increase in the growth rate of taxes and services charges during the second period. The growth of capital receipts per annum on the otherhand was 8 per cent during the second sub period as against 13.1 per cent in the first sub period (see table 3.1).

While in Cochin Corporation, total receipt increased on an average at a rate of 2Ø.1 per cent per annum during the first; the increase was only 14.6 per cent during the second period. Decrease in growth rate was mainly due to the heavy fall in the growth rate of Capital receipts. Ordinary receipts also did not show a significant increase. In fact, it was marked by a decline from 15.4 per cent to 13.4 per cent per annum between the two periods.

However, the picture appears to be different when we account for price changes. Growth rates in constant terms[4] has shown a decline in revenue receipts for all the three Corporations especially during the second period (see Table 3.2). In Trivandrum total receipts has increased at an average rate of 6.5 per cent per annum during the first period. While in the second period it has declined to 1.7 per cent per annum. Ordinary receipts also showed a sharp decline in growth rate during the second period. Capital receipts growth rate has declined from 4.2 per cent to 3.6 per cent per annum.

Table 3.2 Trends in Recipts in (base: 1970-71) (Annual Average Growth Rate in Percentage)

	Ordinary Receipts		Capital Receipts		Total Receipts	
Period	I	II	I	II	I	II
Trivandrum	10.4	1.3	4.2	3.6	6.5	1.7
Calicut	-0.08	3.1	5.6	0.09	1.9	1.9
Cochin	7.9	5.5	21.4	7.8	12.7	6.7

Source : Same as Table 3.1

Since we have used the same defaltor for all the three Corporations, there is not much difference in the level of change due to inflation. In Calicut Corporation total receipt growth was same for both period, which is 1.9 per cent per annum. Ordinary receipts has shown an increase during the second period. (see Table 3.2). In the second period Capital receipts declined from 5.6 per cent to 0.09 per cent. It is clear from the figure (Table 3.2), that ordinary receipt which has a major role in determining the trends of total receipts.

In Cochin the total receipts in constant prices has increased by 12.7 per cent per annum during the first period as against 6.7 per cent per annum during the second period. Ordinary receipts has also shown a decline in growth rate during the second period. The decline is more sharp in the case of capital receipts from 21.4 per cent per annum to 7.8 per cent. It could be due to the decline in the share of amount transferred[5] from ordinary receipts.

When we compare the trends in revenue receipts - total, ordinary and capital receipts-among three Coroporations of Kerala,it can be found that the rate of growth of receipts was comparatively higher in both Trivandrium and Cochin Corporations during the first period. However, in the second period the average rate of growth has declined even for these Corporations. An examination of the relative contribution of capital and ordinary receipts in the above change reinforce the distinct characteristics of these Corporations in terms of revenue receipts. While the decline in Trivandrum was mainly due to ordinary receipts, the available evidence shows that the decline in Cochin was mostly due to capital receipts. On the other hand, Calicut has shown a slight increase in growth rate during the second period. This decline,as is evident from Table 3.2, is accounted by the increase in ordinary receipts. Thus, land transfers, housing boom, and various Government polices stimulated by gulf migration might have contributed significantly to improve the financial postion of Calicut Corporation in the second sub period. The contribution of above factors may not have been significant in other Corporations. Neverthless, ordinary receipts still continues to be the major source of revenue for municipal Corporations except Cochin. Since the tax receipts form a major chunk of the ordinary receipts we will examine in the next section, its inter temporal variations across the three Corporations.

Trends in Tax Revenue

We begin the analysis of trends in tax revenue by underlining the fact that Kerala stands unique not only in the degree of urbanisation but also in urban finance. While tax revenues constitute on an average around 75 per cent of total municipal revenue receipts in States like Gujarat, Haryana,Karnataka, corresponding share in Kerala is as low as 40 per cent. Yet, it is significant that tax revenues constitute the major single component of total receipts in Kerala. There are however, variations across Municipal Corporations.

In Trivandrum Corporation tax receipts have contributed on an average 32.5 per cent of total annual receipts during the first period and 39. 7 per cent during the second period (see Table 3.3). This increase in the tax share during the second period might be due to changes in tax structure. (We will discuss the components of taxes later). Meanwhile, the trends in the growth of tax revenue could be traced.

Table 3.3 Percentage Share of Tax Recipts to Total Recipts

Year	Share of tax receipts to total receipts		
	Trivandrum	Calicut	Cochin
Period I			
1965-66	48.2	23.3	51.1
-67	49.4	29.3	48.1
-68	35.3	28.4	37.0
-69	36.7	15.9	27.6
-70	35.0	21.6	37.2
-71	31.0	39.9	30.2
-72	22.2	22.2	22.1
-73	17.7	21.9	19.0
-74	29.8	19.6	41.7
-75	----	24.7	37.3
Average	32.5	24.7	35.1
Period II			
1975-76	31.1	45.5	35.4
-77	40.3	33.3	34.2
-78	39.8	39.1	39.7
-79	39.8	38.9	42.6
-80	46.0	38.9	41.8
-81	44.2	44.5	39.8
-82	35.0	33.9	42.3
-83	40.0	33.8	43.3
-84	41.7	31.1	34.3
-85	40.8	34.7	38.3
Average	39.7	37.2	40.5

Source : Same as table 3.1

In terms of current prices the total tax receipts had increased at an annual growth rate of 7.8 per cent during the first period and 13.5 during the second period (see Table 3.4). Growth rates in constant prices also recorded a similar increasing trend but the magnitude of change significantly differed:the first period increase was only 0.4 per cent as against 5.6 per cent during the second period.

Table 3.4 Annual average growth rate of Tax Revenue in current and constant prices (in percentage)

Corporation	Period I 1965-66 to 1974-75		Period II 1974-75 to 1984-85	
	current	constant	current	real
Trivandrum	7.8	Ø.4	13.5	5.6
Calicut	1Ø.Ø	2.5	13.3	5.4
Cochin	16.6	9.2	14.8	7.Ø

Source: Same as table 3.1

In Calicut Corporation, the average contribution of tax receipts was only 24.7 per cent during the first period but it increased to 37.2 per cent during the second period (see Table 3.3). It is clear that total tax receipts increased at an average rate of 1Ø per cent during the first period whereas the second period witnessed a higher rate of 13.3 per cent per annum. In terms of constant prices, the corresponding growth rates were 2.5 per cent and 5.4 per cent respectively. Overall, the second period was marked by an increase in tax revenues as was the case in Trivandrum.

The trend in Cochin Corporation however, appeared somewhat different. Indeed, the share of tax receipts increased from 35.1 per cent to 4Ø.5 per cent (see table 3.4). But, the average growth rate of tax receipts in the second period was 14.8 as against a marginally higher rate of 16.6 per cent in the first period. The declining trend in tax receipts in the second period was also evident in terms of constant prices.

The relative decline in the rate of growth in tax receipts in Cochin as compared to Trivandrum and Calicut during the second period could be explained mainly in terms of the relatively slow growth of revenue from specific taxes like entertainment tax. This is a pointy which we further discuss in relation to the tax structure of the Municipal Corporations in Kerala. The relative importance of property tax (which has traditionally been a main source of the revenue to local government) has declined, while that of entertainment tax and duty on the transfer of property increased substantially during the second period in all the Corporations. It is plausible that remittances from abroad might have exerted a considerable influence on the structural change in tax revenue For example, the revenue from the duty on transfer of immovable property may have risen fast with the incerase in land transactions stimulated by the foreign remittances flows since the mid seventies. This takes us to a detailed discussion of the major components of tax revenue in each of the three Municipal Corporations under study. Whereas the corresponding share in some States like Gujarat, Karnataka and Haryana are as large as 75 per cent. Kerala stands unique in relation to urban finance as well (40 per cent).

Share of Major Components of the Tax Revenue

Property Tax[6]

Property tax is an impost on lands and buildings. It is composed of a tax for general purposes, a scavenging tax, a water and drainage tax, a lighting tax etc. It is provided that the aggregate of the percentage so fixed which shall not be less than 10 per cent or more than 25 per cent of annual value of all buildings or lands which are occupied by or adjacent or both and that the tax for general purposes, the lighting tax and the sanitation tax shall not be less than the fixed minimum rates. This rate have been changed by an amendment of the Municipal Corporation Act in 1967. The minimum and maximum rates of property tax that can be levied on buildings or land now are 15 per cent and 25 per cent of annual value of all buildings or lands. The break up of property tax existing in the Corporations are shown in Table 3.5.

Table 3.5 Existing Rate of Property Tax

(in percentage)

Item	Trivandrum	Calicut	Cochin
General purpose	7.00	5.00	9.50
Drinage tax	5.00	3.00	3.00
Lighting	3.00	2.00	3.75
Water tax	3.00	5.00	5.00
Total	18.00	15.00	21.25

Source:Adminisration Reports of Corporations.

The average share of property tax in total tax revenue during the first period was 49.7 per cent and it decreased to 29.3 per cent in the second period. No doubt, the average annual growth rate of property tax revenue (at current prices) in the second period was 7.9 as against 4.9 per cent during the first period; the increase in growth rate in tax during the second period is evident in terms of constant prices. Notwithstanding an improvement in the growth rate, the relative importance of property tax[7] has declined. This clearly indicated a structural shift in tax revenue in Trivndrum Corporation.

Table 3.6 Rate of Growth of Property Tax revenue

(Average annual growth in percentages)

	Period I 1965-66 to 1974-75		Period II 1974-75 to 1984-85	
Corporation	current	constant	current	constant
Trivandrum	4.5	-3.Ø	7.9	Ø.6
Calicut	9.3	1.8	5.8	-2.1
Cochin	16.4	9.Ø	8.2	Ø.3

Source : Same as table 3.1

In Calicut Corporation, the share of property tax in the first period was 48.3 per cent which decreased sharply to 3Ø.3 per cent during the second period. Interstingly, the rate of growth in property tax revenue also declined in the second period: the average rate of growth of property tax declined from 9.3 per cent in the first period to 5.8 per cent during the second period. It is rather strange that in a period marked with a boom in residential constructions, the rate of growth in property tax was slow. Clearly this is suggestive of the lack of proper assessment and collection at the hands of municipal administration.

In Cochin Corporation, share of property tax in the first period was 50.8 per cent which decreased to 26.8 per cent. The average annual rate of growth in property tax revenue during the first period was 16.4 per cent which came down to 8.2 per cent during the second period. In constant prices, the decline in grwoth rate was sharper: 3 per cent in the second period as against 9 per cent in the first period.to 3 per cent.

From the foregoing analysis it appears that the importance of property tax is declined in terms of growth buoyancy in Calicut and Cochin Corporations. That such a trend is observed in a period of boom in housing construction is suggestive of administrative inefficiency in tax assessment and collection. In the case of Trivandrum, the situation appears marginally better in the sense that the period of the 'housing boom'is marked by an increase in the rate of growth of revenue collection from property tax. Neverthless the fact remains that the share of the property tax in total tax receipts is declining in Trivandrum. A shift in the tax structure marked by a decline in the relative importance of property tax is found in Calicut and Cochin Corporations as well. Today, the share of property tax in total revenues ranges between 28 per cent to 30 per cent in Municipal Corporations in Kerala whereas the corresponding figure in Madras city Corporation is as high as 95 per cent[8]. Instructively, property tax in Municipal tax receipts account for 77 per cent, 72 per cent, 82 per cent in Gujarat, Assam and West Bengal respectively. A relatively small and declining share of property tax in Kerala Municipal Corporations in Kerala as compared to other regions is not an encouraging trend.

Trends in Entertainment Tax

In Kerala, state Government has delegated the power of collecting entertainment tax[8] to the local government. It is being levied by Corporations under the provisions of "Kerala Local Authorities Entertainment Tax Act, 1961". This act initially prescribed the minimum and maximum rate of entertainment tax at 10 per cent and 25 per cent respectively on the payment for admission. The Kerala Local Authorities Entertainment Tax (Amendment) 1975 raised the above limits further to a minimum of 15 per cent and a maximum of 30 per cent on the price of admission to the entertainment. At present, the three Corporations have been levying the maximum rate of tax of 30 per cent. There is an additional tax on entertainment, which is levied by the State Government. The Kerala Additional Entertainment Tax (Amendment) Act, 1975 fixed the rate of the additional entertainment tax at 60 per cent of the entertainment taxand the proceeds are transferred to the local bodies. Major part of this revenue comes from cinema. In Kerala, Entertainment Tax is collected by the Corporations, whereas in some other Indian States (e.g.Karnataka and Tamil Nadu) the tax collected by the State government and the proceds passed over to Municipal Corporations after deducting certain amount as the costs of administering the tax.

In Kerala the assessment of the tax is made by charging the tax on tickets by stamping with the corporation seal. Municipal finance Commission Report of 1976 suggested the formulation of a machinery for checking introduction of flat rate of entertainment tax instead of charging on price of tickets, and verification of theaters, according to certain principles (see Municipal Corporation Act, 1961). These recommendations have not been fully implemented by the Corporations.

In Trivandrum Corporation the share of entertainment tax in total tax receipts was 25.3 per cent in the first period and it increased to 43 per cent during the second period. The annual average growth rate was 16.4 per cent in the first period and 21.4 per cent during the second period at current prices.

Table 3.7 Rate of Growth of Entertainment Tax

(Average annual growth in percentages)

Corporation	Period I 1965-66 to 1974-75 current	Period I 1965-66 to 1974-75 constant	Period II 1974-75 to 1984-85 current	Period II 1974-75 to 1984-85 constant
Trivandrum	16.4	9.0	21.4	13.5
Calicut	11.5	4.1	19.8	12.0
Cochin	21.3	13.9	20.3	12.4

Source : Same as table 3.1
base: 1970-71

In constant terms also, the second period marked a higher growth rate (see Table 3.7). The increase in tax rate in 1975 had augmented the tax revenue. Overtime, entertainment tax became the most important source of tax revenue.

In Calicut Corporation the share of entertainment tax accounted on an average 33.7 per cent of total tax revenue in the first period and it showed a significant increase (47.9 per cent) during the second period. The annual average growth rate of entertainment tax increased to 19.8 per cent during the second sub period which was 11.5 per cent during the first period.

Cochin Corporation also accounted for an increase in the share of entertainment tax from 35.1 per cent to 40.5 per cent during the period under study. The annual average growth rate however, did not show a rise during the second period (see Table 3.7). Obviously, there was no significant increase in the number of theatres in Cochin Corporation as compared to Trivandrum and Calicut.

Duty on the Transfer of Properties[9]

This tax is levied in the form of a surcharge on the duty by the Kerala Stamp Act, 1959 (see Corporation Act,1961) (Act 17 of 1959) on every instrument of the description specified which relates to immovable property situated within the limits of the city. The rate is fixed in consultation with Corporation Councils, not exceeding five per cent, on the amount specified to those instruments. This is a shared tax. There might be a presumption that during the second sub period the rate of growth of tax receipts from this item should increase due to considerable increase in land transfers. Let us look at the trends in receipts of Duty on Transfer of Properties (here after DTP).

In Trivandrum Corporation share of DTP has increased from 14.5 per cent in the first period to 22.1 percent in the second period. The average annual rate of growth of DTP was 9.9 per cent during the first period which has doubled to 18.7 percent in the second period. Table 8 shows the growth rate in both current and constant prices. In constant prices it accounted a relatively higher growth during the second period.

In Calicut Corporation the share from DTP increased from 9.8 per cent during the first period to 15.2 per cent in the second period. The annual average growth rate has increased from 15.8 percent to 17.3 percent at current prices. In constant terms also it marked an increase.

DTP has showed an increase in its share from 8.3 percent to 18.7 percent of total tax revenue. The average growth rate of DTP (current prices) in Cochin Corporation during the first period was 15.4 per cent which increased rapidly to 24.4 percent. In constant terms the average growth rate has doubled during the period (see Table 3.8)

Table 3.8 Rate of Growth of Duty on Transfer of Properties

(Average annual growth rate in percentages)

Corporation	Period I 1965-66 to 1974-75		Period II 1974-75 to 1984-85	
	current	constant	current	constant
Trivandrum	9.9	2.4	18.7	10.8
Calicut	15.8	6.5	17.3	9.4
Cochin	15.4	8.0	24.4	16.5

base: 1970-71.

Source : Same as Table 3.1

Thus, in all the three Corporations DTP recorded a higher growth rate during the second period as compared to first period. It is evident that with the increase in land transfers has played an important role in higher growth rate of DTP. Considering the fact that there was no increase in the tax rate, the higher growth rate in tax collection in the second period reflected a relatively buoyancy of DTP in all the Municipal Corporations.

There are a few other taxes in all the Municipal Corporations constitute insignificant amounts as single sources of the income. These are taxes on animals and carts, show tax, advertisement tax, profession tax, etc. Of these profession tax has a higher growth potential and is likely to increase its share in total tax revenues. A discussion of this tax is therefore relevant.

Profession Tax

Profession tax includes taxes on professions, trades, and employment based on income other than agricultural income[10].
The basic principle is the place where an individual earns his income and not the place of residence. The power to legislate on the profession tax is with the State legislature. According to Article 276 of our Constitution the maximum amount of profession tax that can be levied is Rs. 250/- per annum. The rates and income slabs are fixed by the State Government[11]. The existing rates of profession tax is shown in Table 3.2.in appendix.

The share of profession tax to total tax revenue was 9.0

per cent per annum during the first phase and it has sharply declined to 4.2 percent in the second period in Trivandrum Corporation. In Calicut also there was a decline in the share of profession tax during the second period: more or less the same case is found in Cochin. It accounted for 10.8 per cent during the first period and has decreased to 6.6 percent during the second period.

The rate of profession tax fixed by the Government is quite low (see Table 3.2 in appendix). Table 3.10 explains the trends in profession tax in two periods. In Trivandrum and Cochin accounted for a decline in growth rate in the second period.

Table 3.9 Rate of Growth of Profession Tax

(Average annual growth rate in percentages)

Corporation	Period I 1965-66 to 1974-75		Period II 1974-75 to 1984-85	
	current	constant	current	constant
Trivandrum	14.3	6.8	-4.6	-12.5
Calicut	-2.8	-10.2	11.3	3.4
Cochin	11.0	3.6	2.3	-3.8

base:1970-71

Source : Same as Table 3.1

In this connection it may be suggested that the tax can be deducted at source by the employer and handed over to the local bodies as being done in the case of income tax and also as has been laid down in the Corporation Act of 1961. The main reasons for low volume of tax revenue are tied with high administration costs[12], ineffeciency in management of revenue etc.

If efficient collection of profession tax had been ensured, there would have been a substantial increase in profession tax revenue in all the three Corporations. The point may be illustrated. A rough estimate[13] indicates that there are more than 75,000 employees in Trivandrum Corporation area. We calculated the average half yearly profession tax income for a sample of 18,000 people in the year 1987-88 at the existing tax rate. It is found that per person the Corporation will get minimum Rs. 20 as a half yearly as profession tax. On this basis it can be estimated that the receipts from this tax could be around Rs. 30 lakhs. Strangely, 1987-88 budget profession tax was only Rs.15 lakhs. Our analysis,thus suggests that the contribution from profession tax could be enhanced considerably if administrative mechanisms are introduce for proper records and collections. The scope for enhancing revenue from profession tax through administrative streamlining equally exist in other Corporations as well.

From the foregoing analysis of tax revenue is found that around 40 percent of the income of Municipal corporations is accounted by tax revenue. Among the components of the tax revenue the share of property tax has declined in all the three Corporations. The rate of increase in revenue from property tax has generally been low: despite an increase in the number of houses, rental value etc. The reasons for slow growth are many. In particular, there has been no change in the property tax rate on 1967 onwards. There was no revision of the tax rate inspite of the understanding that it has to be revised once in every six years, looks rather strange. Besides, the tax administration marked by lack of efficient assessment of buildings, abscence of proper record keeping, and inefficient collection machinery etc.

Our analysis also suggests that tax potential has not been fully realised for some other taxes (e.g. profession tax) as well. Neverthless, the increasing importance of entertainment tax healthy aspect of the tax structure of Municipal Corporations in kerala.

Now let us look at non-tax sources of revenue for Kerala's Corporations. It is important to note that non-tax receipts include income from services[14], grants, loans/borrowing, and income from municipal properties. Around 60 per cent of the revenue of Municipal Corporations is from non-tax revenue. In what follows we discuss the salient features of the two major non-tax sources of revenue viz (1) Grants-in-aid and Borrowing.

Grants-in-Aid

The rationale for grants-in-aid is to be found in the fact that paucity of funds in a particular area should not be responsible for keeping that area permanently poor and that there are some services which though of local nature and interest have national importance and therefore demand attention from national Government[J] (N.R.Rao, 1985)

It is observed that in Kerala the Government appointed various commissions and committees to study the grants-in-aid system to identify the areas in which the Government can extend financial assistance to urban local bodies. A detailed discussion of the policies pursued will be presented in the chapter V.

In Trivandrum Corporation the share of grants-in-aid to total receipts has decreased from around 20 per cent to 12.5 percent. It is obvious that the contribution of the Government in the form of grants-in-aid is not proportionate to the increasing needs of local bodies. The Commission in 1975 suggested an increase in the general purpose grant to Rs. 2/-per capita. It has been observed that even the Trivandrum Corporation has not been getting even this reasonable amount (see table in appendix 3.3). In the other two Corporations the situtation is even worse. Paucity of data on grants-in-aid restrict the analysis to a few years. Available data on grants-in-aid showed a declining trend The second period marked a higher rate of decline.

In Calicut Corporation during the second period the grants-in-aid contribution was only 6.3 per cent but it was 9.1 per cent during the first period. Trivandrum Corporation's share was around 20 percent of total receipts during the first period and 12.5 percent during the second period. In Cochin its share declined to 4.5 per cent per annum in the second period from 6.5 per cent per annum during the first period. However, the data available for certain years has shown that the share is below 10 percent of total receipts except for Trivandrum Corporation. This might be due to its position as the capital city. Decline in share and growth rate of grants-in-aid might be due to the lack of interest on the part of the Government regarding decentralisation and devolution of powers to the hands of the urban local bodies. Invariably this affects the standard of services that the local bodies are obliged to give.

Borrowing

It has been noted that the borrowing possibilities of the local Government are restricted by the Government The agencies from which Corporations have been taking loans include the State Government, Life Insurance Corporation (LIC),and Kerala Urban Development Financial (KUDFC). The maximum limit of borrowing is constrained by the Government's sanction (Corporation Act,1961). There is no private agency to provide loan facilities. Corporations in Kerala do not have the right to create their own bonds as in other states such as West Bengal,and Gujarat.

Loan statements for the last five years (1980-81 to 1984-85) in Trivandrum Corporation has shown that the borrowings forms an average 5.02 percent of total receipts. The average annual rate of growth of borrowings during the last 5 years was 27 percent in Trivandrum Corporation while in Calicut it was 61 per cent. KUDFC and LIC has provided loans to Calicut Corporation mainly for the construction of a better drainage system. Data are not available for the Cochin Corporation.

Among the non-tax receipts service charges[15] constitute around 20 to 25 per cent of total receipts. Disaggregated time series data are not available to find out the growth rate of those items. However, it is noted that non-tax receipts has an important role in the fluctuations of receipts of the Corporations.

To conclude the discussion on revenue resoures, it has been observed that the tax structure of the three corporations is more or less the same. There has been a structural shift in the components of taxes wherein share of property-tax has been in general on the decrease and entertainment tax and DTP are on the increase. The relative buoyancy of taxes can be seen from the simple growth rates.The relative bouyancy of entertainment tax and DTP are high compared to property tax. Growth rate of property tax has increased only in Trivandrum and this might be due to the increase in the number of buildings. Though in current prices, certain items of taxes showed high growth rates, in constant prices (base:1970-71) the picture is not so encouraging and their contributions to total tax revenue are insignificant (eg. show tax, advertisement tax, tax on timber, carts, animals etc). The rate of growth of grants-in-aid and loans have not kept pace with the increasing responsibilities of Corporations . The measures which were taken by the government for devolution and decentralisation has not been adequate. (This will be discussed in Chapter V). There has been no new source of taxes except the old regressive ones. The powers for corporations to levy taxes is limited by the <u>Municipal Corporation Act of 1961</u> which is in turn controlled by the State Government.

Thus, the above analysis of the structure and growth trends of tax and non-tax revenue of three corporations throws some light on the revenue receipts. The analysis however, will be complete only when we study the utilisation of these receipts. Coupled with an understanding of the revenue structure, the analysis of the trends in expenditure pattern and its various components will enable us to draw conclusions about the financial position of these Corporations. The analysis of expenditure pattern assumes particular significance in Kerala as many functions which were originally intended to be performed by the local bodies have gradually been taken over by Governments in the spheres of communications, education, medical relief, water supply, drainage etc. Thus a phenomenon of demunicipalisation trend is growing. This indicates a very unhealthy turn against the accepted principles of democratic decentralisation.

Notes

1. Entertainment tax levy has increased from 25 per cent of value of tickets to 30 per cent for all the three Corporations in 1975.
2. 1965-66 to 1974-75 annual account data has been taken for Calicut Corporation which has been almost similar to budget estimated figures.
3. Total receipts can be divided into Ordinary receipts and capital receipts.
4. Implicit deflator of prices is computed from State Domestic Product and is used as deflator for all the three Corporations. Computed index of prices is given in appendix Table No.1.
5. Every year a certain sum is transferred from general account of Ordinary receipts to Capital receipts account.
6. In our analysis property tax for general purpose only is included in tax revenue; others are added to service charges.
7. If we have included other items of service charges in the property tax as a whole then it would have been marked the first place in the total tax receipts.
8. The term entertainment includes any exhibition, performance, amusement, game, sports of race to which person are admitted for payment but does not include any music performance.
9. DTP is considered as one of the items of tax revenue.
10. As per entry Number 60 of list 11 in the seventh schedule of the Constitution.
11. Based on the pay scale changes, profession tax rate was changed in 1981.

12. It is learnt from the discussions with the Officials of Corporations that there exists inadequacy in the number of staffs for collecting profession tax from each and every office. Bill collectors who are supposed to be in the Office for other duties, are generally deputed to collect this tax. It is found very difficult to get the tax amount at the first visit itself. There by necessitating repeated visit by the staffs for collection of taxes. The Municipal Corporations is find it difficult to administer the tax.

13. From Trivandrum Municipal Corporation Profession Tax Register (Half Yearly Account), We have taken half yearly profession tax amount for people of various income strata by a random sampling method. There are more than 75000 workers of different income strata from which we have selected 18000 people (nearly 25 per cent) from different divisions (there are 50 divisions altogether) by considering the inter-division variations.

14. Service charges inlude water rate, drainage charges, lighting charge, scavenging charges etc.

Chapter IV

TRENDS AND PATTERNS OF MUNICIPAL EXPENDITURE

Introduction

In this chapter we analyse trends and patterns of expenditure incurred by the three local bodies in the course of the functions performed by them. The first section gives a brief explanation of the nature of the functions of municipal corporations and the underlying theory of local public expenditure. The trends and patterns of municipal expenditure and its components will be analysed in the second section. The municipal expenditure pattern and its relationship with functional characteristics of cities will be analysed in the last section.

1. Functions of Municipal Corporations

The functions of municipal corporation are listed in the Constitution (though it is a state subject) and relate to those aspects of local government which have a direct and day-to-day impact on the citizen's welfare. However, there is no uniformity in the functions executed by urban local bodies in the country. As the range of functions itself is of a limited nature, the differences are not wide[1].

Municipal functions are classified into two groups in all the states, namely (a) obligatory and (b) discretionary.

Functions common to most of the State Act are the following:

A. Obligatory Functions.

(1) Civic Functions:- Water supply, lighting public streets, cleaning of public streets and places, disposing of night soil and rubbish, providing burial grounds, sewerage, drainage, naming and numbering of streets, washing places etc.

(2) Community Functions:- Public vaccination, registering births, deaths and marginals, prevention against infections diseases, medical hospital and relief etc.

(3) Regulatory Functions:- Extinguishing of fire,regulating or abating of offensive or dangerous trade or practice, prevention of adultration of food, regulation of markets etc.

B Discretionary Functions.

(1) Constructing public parks and community halls, raising gardens, maintaining libraries, museums and reading rooms, detention of dogs, regulation of building, control of beggary, holding fairs and exhibitions etc.

(2) Municipal Enterprises:- It comprises of Public utilities, municipal trading etc.

Though there are a number of obligatory and discretionary functions assigned to municipal bodies, in practice,there are state-wide variations in the execution of these functions For example, education is an important function of Municipal Corporations in Ahamedabad, Delhi, Bombay and Bangalore whereas it has no significant place in Kerala Corporations. The variations in the functions executed by Municipal Corporations are primarily due to their specific characteristics. In some cases, certain funtions of the Municipal Corporations are also found to be performed by the state government. It appears that different Municipal Corporations have different degrees of freedom in taking up and implementing specific functions. Hence, the expenditure pattern of Municipal Corporations may vary depending upon the priorities each Corporation assigns to the various functions for implementation.

As far as local public expenditure theories are concerned, the most important among them is Tiebout's model of Local public expenditure. In 1956, Charles Tiebout recognised that households consider differences in the benefits and costs of public services in choosing where to live. Hence, intra-urban mobility of households depends, to a considerable extent, on the quality of public services. His hypothesis was tested in many studies especially in U.S.A. An uncritical application of Tiebout's theory to the Kerala experience is obviously unwarranted. Here, education is not an important function of Municipal bodies[2]. Besides, intra-urban mobility of household is negligible (see Table 4.1)

Table 4.1 Per centage distribution of Intra-State Life time migrants in Kerala

Migration Stream	1961	1971
Rural-rural	78.6	75.9
Urban-Rural	6.1	8.7
Rural-Urban	10.9	11.7
Urban-Urban	4.3	3.7
Total	100.0	100.0

Source: Census of India (Migration Tables) 1961, 1971

In the theory of public finance there are no hard and fast principles of local public expenditure. However, one can assertain the following general principles of municipal spending (N.R.Rao, 1985);

1. Canon of essentiality
2. Canon of least spill over
3. Canon of Budgetory balance
4. Canon of sanction, approval and control.

These principles can be used as guiding criteria in ascertaining the desirability and optimum use of the expenditure incurred by the local bodies.

2.Trends and Patterns of Municipal Expenditure

Now let us analyse the pattern of expenditure incurred by the Kerala municipal corporations and capture the differences in the overall pattern of expenditure between cities of different structure (functional characteristics).

Municipal expenditure is divided into two major components: (i) recurring expenditure or ordinary expenditure and (ii) capital expenditure. Recurring expenditures are costs of maintenance and operation including administrative overheads, material cost, repayment of interest on loans and supplies directly related to levels of output. Capital expenditure refers to the cost of infrastructural facilities including construction cost,purchase of vehicles,acquisition of land, cost of equipment etc.

In this study for obvious reasons, the same periodisation used in the analysis of resource component of municipal Corporation has been used for the expenditure analysis also. Empirical estimation of the characteristics of public services is extremely difficult because of the paucity of data. Hence, we have used budgetary information to analyse the pattern of expenditure. To get a clear picture we look at the expenditure pattern at current prices of the three corporations with regard to (1) ordinary and (2) capital expenditure and then proceed to analyse the expenditure pattern in constant prices. We try to test the significance of per capita municipal expenditure growth rates. Finally, we move on to analyse changes in expenditure pattern of the different corporations in course of executing various functions which they took up in the course of their development. For the purpose of an accurate analysis we restrict ourself to figures of constant per capita expenditure changes over the period.

Trends in Expenditure growth:

The data on trends in total expenditure at current prices showed that Cochin Corporation registered the highest average annual growth rate. An examination of the trend in expenditure during the two time periods reveals that growth rate declined in Trivandrum and Cochin. On the other hand, Calicut presented a different trend wherein the growth rate showed a marginal increase. Nevertheless, the overall growth rate of Calicut is found to be the lowest (See Table 4.2).

Table 4.2 :Trends in total expenditure- Annual average growth rate (in percentages)

Period	Trivandrum		Calicut		Cochin	
	current	real	current	real	current	real
I subperiod	12.4	5.0	9.6	2.2	19.6	12.2
II subperiod	10.0	2.1	10.9	3.0	15.6	7.7
Total	11.1	3.5	10.3	2.6	17.5	9.8

Source : Budget documents of Corporations for various years.
Note:I sub period-1965-66 and I sub period -1975-76 to 1984-85

A better understanding of the observed growth differential of expenditures calls for a detailed analysis of its structure. In terms of the structure, it is evident that recurring expenditure accounted for the highest share in Trivandrum followed by Calicut and Cochin. Moreover, its share is found to be on the increase as we move from the first to the second period in all the Corporations (See table 4.3). Thus, there exists a positive relation between the age of the Corporation and the share of recurring expenditure. A plausible explanation for this phenomenon is that a city initially invests more on physical capital and subsequently, the need for additional capital requirement relatively decreases whereas, the expenditure to provide services increases. Thus, Trivandrum Corporation was found, incurring the least capital expenditure in the second period because of its early formation as a Corporation.

Table 4.3 Structure and Growth rate of components of total expenditure (annual average)

Period	Trivandrum		Calicut		Cochin	
	Recurring	Capital	Recurring	Capital	Recurring	Capital
I (1965-66 to '74-75)	6.4 (74.9)	Ø.6 (25.1)	1.7 (51.4)	1.1 (48.6)	9.8 (51.1)	15.4 (48.9)
II (1975-76 to '84-85)	1.9 (78.7)	2.8 (21.3)	3.8 (69.2)	3.3 (3Ø.8)	8.3 (56.1)	7.Ø (43.9)
Total	4.Ø	1.8	2.8	2.3	9.Ø	11.Ø

Source : Same as table 3.1
Note : Figures in parantheses are percentages of share for Recurring and Capital Expenditure

Coming to the rate of growth of recurring expenditure, a perusal of the table (4.3) clearly brings out its declining trend in Trivandrum and Cochin. The above decline in the rate of growth of recurring expenditure may be considered as the major reasons for the decline in the rate of growth of total expenditure in Trivandrum, that we have already noted. However, this need not necessarily be so in Cochin because, decline in recurring expenditure was lower as compared to the capital expenditure.

On the whole, though Trivandrum and Cochin have shown the same trend in terms of total expenditure, the contributing factor were found to be different. In Calicut, as we have noted earlier, the total expenditure accounted for a marginal increase. This increase was contributed mostly by recurring expenditure (see Table 4.4).

Table 4.4: Contribution of Recurring and Capital expenditure to Total Expenditure (in percentage)

	Trivandrum	Calicut	Cochin
Recurring Expenditure	87.7	64.1	47.9
Capital Expenditure	12.3	35.9	52.1
T o t a l	100.0	100.0	100.0

Source : Same as table 3.1

The relative contribution of capital and current expenditure to the total expenditure may be understood in a additive decomposition framework. The results as given in table 4.4 is interesting in the sense that more than 87 per cent of decline in total expenditure was accounted by recurring expenditure whereas, in Cochin, its contribution was less than 50 per cent. Howe r, the observed marginal increase in total expenditure in Calicut was due to the increase in the contribution of recurring expenditure which was over 64 per cent.

The foregoing analysis of expenditure in terms of recurring and capital heads provides only a crude picture of the trends and patterns of expenditure providing urban services. A more meaningful understanding of the cost of services provided in a city and their corresponding expenditure patterns and the variations across different Corporations calls for an examination of the distribution of expenditure on specific services.

Distribution of Expenditure on Selected Services

For analytical purpose we have selected five major items of expenditure common for all the corporations. They are: (1) Public-health (2) Communication (3) Remunerative enterprises (4) General management (5)Public Convenience.

1. Public health

Main services rendered by Corporations under public health in recurring expenditures can be classified as:

a. Repairs to hospital and dispensaries, maternity homes etc.

b. Expenses relating to family planning centres

c. Training of vaccinators, health assistants, nurses etc.

d. Vaccination, supervision of vaccinators and provision of lymph.

e. Registration of births, deaths and marriages and enumeration of the inhabitants

f. Regulation and control of offensive or dangerous trades

g. Organisation of health propaganda work

h. Destruction of dogs and rats

i. Fire protection

j. Maintenance of existing burial grounds

Capital expenditure on public health includes :

(a) Acquisition of land and construction of slaughter house

(b) Construction of workhouse cum rehabilitation centre

(c) Construction of nursery schools and health inspector offices

2. <u>Communications</u>

Expenditure under this item is divided into four categories:

(a) roads and buildings: Expenditure on this head mainly consists of cost of stores issued, purchase of tools and plants and repairs and maintenance of roads.

(b) town planning: This head includes land acquisition, construciton of lanes, streets , roads etc, maintenance of beaches, master plan preparation for city development etc.

(c) slum clearance: Includes mainly improvement of slum areas, building and maintenance and construction of dwellings etc.

(d) Town survey.

3. <u>Remunerative Enterprises</u>

Expenditure on Remunerative enterprises includes:

(a) protection of Corporation properties;

(b) tree planting;

(c) protection of town halls and model theatres;

(d) maintenance of existing washing ghats;

(e) Repairs and maintenance of bunks and public market;

(f) maintenance of lorrry stand, taxi stand and autorikshaw stand;

(g) maintenance of slaughter houses;

(h) conducting service schemes like exhibitions, fairs, tournaments and sports meet, and;

(i) repairs and maintenance of rest houses and tourist houses.

4. General management

General management expenditure includes

(a) wages and salaries of staffs;

(b) general contingencies like land revenue, house rent; lighting charges water charges, etc;

(c) postage, telegrams and telephone;

(d) stationary and painting;

(e) law charges and auditor's fees, cost of revenue stamps to receipts;

(f) purchase of vehicles and interest on repayment of debts; and

(g) reception to important persons and other miscellaneous expenses.

(5) Public Convenience

Under this head are included four major items of expenditure viz provision of water supply, drainage facilities, street lighting and conservancy.

Against this background let us proceed to examine the priorities assigned by the three corporations on these expenditure heads and its variations overtime.

Table 4.5 Share of recurring expenditure in Corporations

	Trivandrum		Calicut		Cochin	
	Period I	Period II	Period I	Period II	Period I	Period II
Management	9.3	11.5	12.3	13.1	14.8	15.4
Communi- cation	11.4	17.2	13.9	22.5	16.2	12.8
Public health	12.8	9.2	14.3	12.8	17.3	22.8
Remunerative expenditure	3.1	3.9	15.4	11.0	8.6	11.6
Water supply	29.5	7.2	7.9	6.8	6.8	11.7
Drainage	6.1	14.5	2.2	1.5	5.9	4.2
Lighting	10.1	14.8	6.8	7.6	7.5	7.3
Conservancy	16.1	19.9	25.9	24.6	21.2	12.7
Others	1.6	1.8	1.3	0.1	1.7	1.5
T o t a l	100.0	100.0	100.0	100.0	100.0	100.0

Source : Same as table 3.1

In Trivandrum Corporation the top three expenditure items during the first period was water supply, conservancy and public health. But during the second period, the priorities got changed in favour of conservancy, communication and lighting. What is more striking is the decline in the share of public health and the drastic decline in water supply (see table 4.5)

It is observed that expenditure on management recorded on an average 5 per cent growth rate of the total recurring expenditure during the first sub-period which decreased to 2.5 per cent during the second sub-period. However, it does not mean that the decrease in management expenditure per se implies an increase in the managerial efficiency of the Corporation. Because, the management expenditure, as given in the budget document is a gross under estimate. To illustrate, it is found in the budget estimate of Trivandrum Corporation that expenditure on management accounts for only 10.4 per cent and 8.4 per cent for years 1981-82 and 1983-84 respectively. In fact, the expenditure incurred on administration (management) is much higher than what is shown in the budget. If we estimate the expenditure on management inclusive of the salary components of other heads of expenditure, the aggregate expenditure on the salary would be of the order of 19.8 per cent and 17.6 per cent respectively for the above period. This practice of under reporting of administrative and establishment expenditure in the budget is quite common in all the Corporations. Corporations are framing their budgets in such a way that the salaries of staffs and all other expenses of employees is included under each expenditure item. A major share of each expenditure head is in fact, spent as wages and salaries. In view of such practices and the non-availability of disaggregated data, it is rather difficult to work out the precise estimate of management expenditure and therefore to comment upon its growth rate.

Similar to Trivandrum, in Calicut corporation also conservancy and public health were the two major expenditure heads during the first period. What distinguishes Calicut from Trivandrum is the higher priority on remunerative expenditure. During the second period while the share of conservancy remained almost constant, the share of remunerative enterprises declined. On the whole, though there was differences in terms of priorities, the overall pattern remained the same.

In the case of Cochin, similar to other Corporations, conservancy and public health were the two major expenditure items during the first period. However, the importance on communications enjoyed a unique position during this period. During the second period, the major expenditure items were found to be public health, management and communication.

On the whole, the expenditure pattern in Cochin Corporation during the second sub-period was found to be in sharp contrast with that of others. To illustrate, the share of conservancy was subjected to a sharp decline while it was the single largest expenditure head in other Corporations. Moreover, the considerable increase in the share of expenditure on public health in Cochin Corporation could be viewed against its declining priority in other Corporations (the reasons for this differential pattern will be discussed later).

For an understanding of the trend in expenditure of various heads, we have calculated the average annual growth rate and is presented in Table 4.7. A perusal of the table shows in general that rate of growth of different expenditure heads moves in line with their relative share. The point may be illustrated. In Trivandrum, the sharp decline in the share of expenditure on water supply as noted earlier is to be viewed along with the sharp decline in its rate of growth during the second period where it declined from 44.8 per cent to -18.4 per cent (see table 4.6). Additionally, the increase in the share of water supply was accompanied by a rapid rate of growth during the second period (20.3 per cent).

Table 4.6 Annual average growth rate of Recurring Expenditure in Constant prices (1971=100)

Corporation	Trivandrum		Calicut		Cochin	
Period	I	II	I	II	I	II
Management	5.0	2.5	12.4	2.1	9.1	8.1
Communication	-2.7	3.3	12.1	8.6	4.6	11.4
Public health	-9.8	7.9	5.9	2.3	5.5	9.5
Remunerative enterprises	-25.4	16.0	7.4	0.8	4.8	12.9
Water supply	44.8	-18.4	7.4	0.8	-6.7	20.3
Drainage	6.2	8.6	22.9	14.2	18.6	-2.5
Lighting	4.3	8.9	5.8	6.3	15.4	6.3
Conservancy	1.7	4.9	6.6	1.8	9.4	2.0
TOTAL	6.4	1.9	1.1	3.8	9.8	8.3

Source : Same as table 3.1

The analysis made so far however, is incomplete unless we take into account the trends and patterns of capital expenditure. The major heads of capital expenditure in Trivandrum (see table 4.7) during the first period was communication followed by remunerative expenditure. During the second period, though the share of communication declined, it was offset by the increase in the share of remunerative enterprises. What is more pertinent to be noted is a large share accruing to the category 'others' where the dominant item is deposit and advances[3].

In Calicut, on the other hand, the major capital expenditure heads were remunerative enterprise, water supply and communication. However, one could see a change of priority in favour of drainage expenditure in the second period at the expense of water supply. Similar to Trivandrum, the share of other expenditure is considerable.

In Cochin, unlike other Corporations, water supply was given the highest priority during the first period. This was followed by communication. The pattern in the second sub-period appeared to be similar to that of Calicut wherein the share of drainage increased and that of water supply decreased (see table 4.7). [The explanation of this expenditure pattern will be attempted in the forthcoming sections].

Table 4.7: Items of capital expenditure in Corporations: percentage share in total

	Trivandrum		Calicut		Cochin	
	Period I	Period II	Period I	Period II	Period I	Period II
Management	-	-	-	-	3.0	3.1
Communication	39.8	24.9	12.9	10.9	25.9	31.5
Public health	6.3	2.8	0.8	1.0	1.8	2.9
Remunerative expenditure	10.5	24.3	28.9	23.7	8.4	9.3
Water supply	-	-	13.4	3.01	29.0	7.8
Drainage	-	-	2.4	18.1	6.0	12.2
Lighting	-	-	-	-	1.0	1.3
Conservancy	3.5	2.7	4.1	6.2	3.0	4.6
Deposits	36.5	33.9	35.3	35.8	20.0	23.6
Others	3.4	11.4	2.3	1.3	1.9	3.7
T o t a l	100.0	100.0	100.0	100.0	100.0	100.0

Source : Same as table 3.1

The above observed pattern in terms of share appears to be reinforced by the rate of growth of different capital expenditure heads.

Table 4.8 Growth rate of Capital Expenditure in Constant prices (1965-66 to 84-85 in percentages)

Corporation	Trivandrum		Calicut		Cochin	
Management	--	---	---	---	5.4	-11.2
Communication	-2.6	1.4	-3.0	1.7	22.2	4.3
Public health	45.0	-18.2	-80.3	13.3	-31.3	-7.2
Remunerative enterprises	20.6	5.5	-20.0	9.4	- 6.3	22.2
Water supply	---	---	18.1	15.3	8.8	2.6
Drainage	---	---	-17.8	43.0	5.5	15.3
Lighting	---	---	7.4	---	4.8	22.9
Conservancy	---	---	---	15.1	49.6	-0.1
TOTAL	0.6	2.8	2.7	2.8	15.4	7.0

Source : Same as table 3.1

In general, Calicut and Cochin showed an almost similar trend and pattern whereas, Trivandrum presented a different picture. The point may be substantiated. While, the necessary services like water supply, drainage were given priorities in Calicut and Cochin, one could see a total neglect of these items in Trivandrum. This has to be viewed along with the increasing demand of these essential services as a result of the increase in population. This implies that there was neither modernisation nor even proper maintenance of these utmost services which are traditionally considered as primary functions. Consequently, there has been the shortage of enen drinking water in the city.

Per capita expenditure analysis

The analysis of aggregate expenditure so far made gives only a crude picture of the provision of public services. Because it does not take into account differences in the size of the Corporations (e.g.in terms of population). Therefore, to account for such differences, the per capita expenditure in terms of constant prices is used as an index of the supply of services provided by the Corporations to their citizens. Our estimation of per capita expenditure confines itself to recurring expenditure for obvious reasons.

Table 4.9: Average per capita recurring expenditure of Corporations

	Trivandrum		Calicut		Cochin	
	I Period	II Period	I Period	II Period	I Period	II Period
Management	2.3	3.5	2.5	3.2	2.1	3.7
Communi-cation	2.8	5.1	2.6	5.5	2.3	3.0
Public Health	3.3	2.8	2.6	3.1	2.5	5.4
Remunerative enterprises	0.9	1.1	2.8	2.7	1.2	2.8
Water supply	5.2	1.7	1.5	1.7	1.0	2.8
Lighting	2.4	4.4	1.5	1.9	1.1	1.7
Drainage	1.8	5.0	0.5	0.5	0.8	1.0
Conservancy	3.8	5.1	4.8	6.0	2.9	3.0
Total	22.5	28.7	18.8	24.6	13.9	23.4

Source: Same as table 3.1

It is found that per capita recurring expenditure is the highest in Trivandrum followed by Calicut and Cochin in both sub-periods (see table 4.9). This expenditure pattern as observed earlier, has to be viewed in terms of the age of the Corporations. Thus, the available evidence tends to show that Trivandrum provides relatively better services. However, a firm conclusion is not warranted. There is the need for an examination of the structure (here we mean the distribution of total per capita expenditure) of per capita expenditure across different services. This is what is attempted with the help of table 4.9.

It is evident that water supply, conservancy and public health were the three heads on which per capita expenditure was the highest in Trivandrum Corporation during the first period. The priorities have got changed during the second sub-period in favour of conservancy, communication and drainage. The importance of drainage in the second period as evident from the table is primarily because of the jump in the expenditure on drainage during 1982-85 period.

In Cochin Corporation, conservancy, public health and communication were the heads with highest per capita expenditure during the first period. Unlike, Trivandrum Corporation, the priorities in Cochin Corporation seems to have remained the same.

In the case of Calicut, the priorities were found to be the same as that of Cochin, and was not subject to any considerable change except for the fact that remunerative enterprises was given priority during the first period (see table 4.9).

Thus, Trivandrum Corporation, with its highest per capita expenditure, shows a pattern which is different from other two. This difference is primarily because of the lower priority attributed to public health and water supply during the second sub period. More importantly the expenditure on these two items was subjected to a drastic decline. This unique phenomenon raises a question, as to what extent the services of Trivandrum Corporation is better as compared to other Corporations. Thus, despite, a higher per capita expenditure, our analysis of the structure of expenditure tends to show that, the services provided by Trivandrum is not intrinsically better than other two.

So far we have examined the structure of per capita expenditure in terms of changes in the priorities of different heads. A qualification of this priority change may be understood in terms of their growth rate.

Similar to the average per capita expenditure, the rate of growth is also found to be higher in Trivandrum. During the first period the rate of growth of four expenditure items (water supply. lighting, management and drainage) showed a positive growth rate and it was substantially high (see table 4.10). But when it comes to second period, we see that a diametrically opposite trend sets in where those heads which have shown positive growth rate during the first period, showed a negative growth rate and vice versa, the only exception being drainage. However, as we have already noted the differing trend of drainage expenditure is mainly due to the higher expenditure during post eighties.

Table 4.10: Rate of Growth of per capita expenditure in Sub-periods

	Trivandrum		Calicut		Cochin	
	I Period	II Period	I Period	II Period	I Period	II Period
Management	2.31	-0.89	0.27	6.76*	7.12	1.64*
Communication	-4.96	10.50*	-3.68	7.39*	2.59	10.03*
Public Health	-10.36	-0.36*	-0.63	0.90	0.09	5.72*
Remunerative Entrp.	-25.88	14.15*	-0.20	2.52	3.30	5.18
Water supply	48.99	-0.28*	-5.15	8.44*	-16.93	10.87*
Drainage	1.44	38.40*	-33.50	-10.22*	19.94	0.02*
Lighting	7.69	-0.10*	4.96	1.02	11.82	7.62
Conservancy	-1.44	1.26	-3.44	0.94	1.27	0.70*
Total	5.82	6.01	-0.38	4.08*	5.72	4.92

Source : Same as table 3.1

Note:

The figures in the table show the antilogarithum of the relevant regression co-efficient minus 1. The growth rates are estimated by using equation $\log y = a + a' D + bt + b' Dt$. All data are at 1970-71 prices.

"*" denotes that the growth rate of the later period is statistically different from that of the earlier period.

In Calicut Corporation, most expenditure heads showed a negative growth rate except management and lighting during the first period. Interestingly, enough all these negative growth rates turn out to be positive during the second sub-period. However, an exception may be noted in the case of water supply (see table 4.10).

On the contrary, the scenario during the first period in Cochin is different in the sense that most of the expenditure heads showed a positive growth rate the only exception being water supply. In the second sub-period the rate of growth of per capita expenditure improved considerably in the case of communication, public health, remunerative enterprises and water supply. Though, there was a decline in the rates of growth of other heads during the second period not even a single item exhibited negative growth rate.

Our analysis of the test of significance of the observed growth rates have highlighted certain interesting results. In Trivandrum, the expenditure on public health, water supply and lighting registered a statistically significant decline. This decline in the rate of growth of public health expenditure is because of the extensive availability of state public health facilities in Trivandrum as the Capital city.

The significant growth rate of public health expenditure in Cochin Corporation could be viewed against the relatively lower investment on public health by the state. This would have necessitated higher expenditure on health and more efficient funcitoning of the existing health centres.

Calicut also accounted for a relatively higher growth rate of public health expenditure during the second period than Trivandrum Corporation. It could be because of the existence of two Allopathy dispensaries, two Ayurveda dispensaries, one

T.B.Clinic and two other health centres run by the Corporation (1984-85 Administration Report, Calicut).

In Trivandrum Corporation, the decline in growth rate of water supply expenditure is because of the provision of water supply in the city is carried out by Public Health and Engineering Department (P.H.E.D). They are unable to meet the necessary drinking water requirement of the city. Most of the pipes and taps are old and worn out. Corporation has demanded the establishment of a combined scheme for the provision of water supply between Corporation and P.H.E.D (1982-83,Budget;p.4). The P.H.E.D. has been following an indifferent attitude towards the needs of the Corporation. In Cochin and Calicut, the rate of growth of this expenditure increased and was found significant. The reasons may be either the provision of water supply by the Corporations themselves or due to their functional characteristics.

In the case of lighting expenditure, Trivandrum Corporation is paying the maximum amount of electricity charge among others. According to the Municipal Corporation Act of 1961, the right to distribute electricity and lighting in this area is vested with the Corporation. But in actual practice, it is being done by the electricity board. Such a dual control results in a situation where the Corporation is unnable to meet the increasing lighting needs of the people. In this context it should be noted that, in Trichur Municipality the supply of electricity is being done efficiently by the municipality.

On the whole, though the three Corporations are following the 1961 Municipal Act we have observed variations in the magnitude of the per capita recurring expenditure and its rate of growth. The Trivandrum Corporation with its higher per capita expenditure, prima facie appears to provide better services. However our detailed analysis of the form and content of the services tends to make it questionable. Our analysis of the structure of per capita expenditure also showed variations in expenditure across different corporations. How to account for this difference? This is what we have attempted in the next section.

Expenditure Pattern and Functional Characteristics

We have observed in Chapter II the functional characteristics of cities in Kerala. As a service city (mono-functional city) and as a State capital, Trivandrum Corporation has been incurring more expenditure on conservancy, communication and lighting than public health and water supply. In expenditure matters Calicut corporation has also been following the same pattern as Trivandrum Corporation though Calicut is a multi-functional city (see table 2.5), its orientation is mostly on trade.

A change in expenditure pattern can be observed in Cochin's case (see table 4.7) where we found that public health expenditure growth rate and water supply growth rate are very high compared to other two corporations. Increase in water supply growth rate might be because of its growing industrial nature, though it is a multi-functional city. It has been observed in Gujarat that the growth of municipal expenditure, aggregate as well as per capita, increases with the growth of urban population; the direct and positive relationship is found only in industrially specialized cities (chitharanjan, 1985). Higher public health expenditure growth rate demands more explanation. It is a fact that public health is a main expenditure item of the state government. The absence of disaggregate data for public health expenditure obstructs a detailed analysis. It is important to note that corporation expenditure on public health acts only as a supplementary expenditure to state Government expenditure. The important question here is why Cochin corporation alone is spending more on public health. It could be due to the low level of state government expenditure or it could be due to its functional characteristics.

The pertinent question in this context is whether the per capita recurring expenditure being incurred by the corporations are sufficient enough to provide with minimum necessary services?. Though there is no hard and fast rules regarding this, one may resort to the norm set by the Rural Urban Relationship Committee (1966). It estimated that the per captia recurring expenditure of Rs. 30 to Rs.35 was necessary to provide a minimum satisfactory standard of municipal services. While the cost of providing civic amenities has gone up considerably due to variety of factors like inflation, we have used an extrapolation method which take into account the inflation factor in order to find out each year's required per capita expenditure for giving minimum standard of services from 1965-66 to 1984-85 according to the Committee's criteria (see Table 4.11).

Table 4.11 Per capita Recurring Expenditure in current terms

Year	Minimum per capita amount (in Rs.)	Existing per capita recurring expe.		
		Trivandrum	Calicut	Cochin
1965-66	27.4	17.8 (-9.6)	16.4 (-11)	5.4 (-22.0)
67	28.8	14.5 (-14.3)	13.3 (-15.5)	8.8 (-20.0)
-68	30.8	13.0 (-17.8)	17.9 (12.9)	11.3 (-19.5)
-69	32.3	13.4 (-18.9)	18.6 (-13.7)	13.8 (-18.5)
-70	33.7	14.1 (-19.6)	18.7 (-15.0)	16.4 (-17.3)
-71	35.0	17.8 (-17.2)	19.4 (-15.6)	13.8 (-21.2)
-72	33.8	29.5 (-4.3)	20.8 (-13.0)	16.7 (-17.1)
-73	38.4	37.6 (-0.8)	20.9 (-17.5)	19.8 (-18.5)
-74	47.3	26.3 (-21.0)	23.3 (-24.0)	20.0 (-18.6)
-75	53.6	43.9 (-9.7)	28.2 (-25.4)	19.1 (-34.2)
average		(-13.32)	(-16.36)	(-20.69)
-76	54.8	32.0 (-22.8)	31.8 (-23.0)	28.1 (-26.7)
-77	59.7	38.0 (-21.7)	35.4 (-24.3)	36.6 (-23.1)
-78	61.9	42.4 (-19.5)	35.2 (-26.7)	34.1 (-27.8)
-79	66.2	55.1 (-11.1)	40.7 (-25.5)	38.4 (-27.8)
-80	72.7	49.1 (-23.6)	46.4 (-26.3)	43.2 (-29.5)
-81	77.3	58.7 (-18.6)	53.6 (-23.7)	51.3 (-26.0)
-82	75.9	76.2 (+0.3)	66.2 (-9.7)	56.9 (-19.0)
-83	81.2	82.1 (+0.9)	66.4 (-14.8)	62.3 (-18.9)
-84	86.2	92.1 (+5.9)	73.1 (-13.1)	75.4 (-10.8)
-85	117.2	100.2 (-17.0)	77.8 (-39.4)	83.3 (-33.9)
average		(-12.72)	(-22.65)	(-24.35)

Source : Same as table 3.1

Note: Figures in brackets represent difference in existing expenditure from required expenditure.

In Trivandrum Corporation average difference in per capita expenditure from the required minimum is the lowest in two sub periods. However, it is evident from the table 4.11 that in Kerala the expenditure incurred by no corporation is large enough for providing the minimum standard of services to their citizens. Corporations are unable to raise their finances, so long as they are under the complete control of the state government. Structural barriers existing in the municipal system as such hinders the local bodies to rise according to the needs of the people. However, the state government has passed a number of laws and implemented policies to make the corporations more autonomous. It will be timely to analyse the institutional arrangement made and how far it has helped the devolution and decentralisation of powers to Corporations. We will discuss this in the next chapter.

Notes

(1) Out of the 61 entries listed in List 11, Seventh schedule of the Constitution

(2) It is a fact that education is almost a state subject in Kerala. All the three corporations are spending below 2 per cent of the recurring expenditure for eductation purposes. It has been observed in Ahamedabad corporation that around 21 per cent of total expenditure is on public education in the year 1969-70 (Kiran Wadhava, 1985) . In Madras corporation, it has observed that 20.9 per cent, 22.1 per cent, 24.6 per cent of total recurring expenditure in 77-78 to 79-80 period for education (Christine Wallich, 1983). In Bangalore corporation around 4 per cent of total recurring expenditure is diverted to education in 1978. These expenditures might have increased now.

(3) Deposits include refund of service payment recovered, deposits of contractors, officers and reserves like sinking fund, providend fund,bonus fund, depreciation fund. Advances include house loan, permanent advance,election advance etc.

Chapter V

FINANCIAL CRISIS AND INSTITUTIONAL SET-UP

Introduction

The foregoing analysis of the trends and patterns in revenue and expenditure of the three Municipal Corporations in Kerala underlines the inadequacy of finances to increase the quantity and quality of municipal services in pace with population growth. In a sense, the analysis reveals conditions of the financial crisis that has enveloped the Urban local bodies in Kerala. The financial crisis manifests itself generally in the inadequacy of resources and is described by considering the revenue-expenditure gap (i.e in terms of deficit budget) at least continuously for five years.

A budgetary surplus in itself is no indication of a sound financial standing[1]. The point may be illustrated. Trivandrum Corporation registered a surplus budget during the first sub period (1965-66 to 1974-75) in all but two years. In the second period (1975-76 to 1984-85), especially from 1980 onwards, budget deficit was a regular phenomenon (see Table 5.1 in appendix). It does not imply that the financial tenor of the corporation has been quite good in the first sub period and that it worsened later[2]. During the second sub period the rate of growth of expenditure is greater than revenue growth rate (see Table 5.2 in appendix). In Calicut corporation on the other hand, deficit financing was not found infrequent in both the periods. The gap between revenue and expenditure was the hall mark of the budgets of the Cochin corporation also. The aggravating gap between expenditure and revenue can thus be considered as a typical manifestation of financial crisis.

The fact of financial crisis could be properly explained in terms of real per capita expenditure growth. We have already observed in Chapter IV that the corporations invariably fail to provide a minimum standard of services to the people (in terms of Rural Urban Committee criteria). But we have to specify in this context that in the discharge of the particular functions by the urban local bodies as well as in the provincialisation of the functions there had been active interference by the state government. This is true in the case of tapping the financial resources of the local bodies also.

This particular trend has been observed as early as 1962[3]. The earlier studies have pointed out certain structural and institutional limitations that reinforce the financial problems of the urban local bodies. These include the following:

1. There is an apathy on the part of the public towards the local bodies due to powers they enjoy in collecting taxes
2. The local bodies as institutions have always shown a gradual deterioration in terms of their credit worthiness (developmental works which has been performed by the Corporations are not inadequate) , and this resulted in people trying to evade taxes as far as possible
3. Some local factors also (local politics, behaviour of people etc) could weaken the power of the corporations in collecting rates and taxes properly.

But we feel that this type of analysis could not possibly comprehend the complex set of problems associated with the financial performance of the urban local bodies .

We would argue that the major factors which work against the system are (a) institutional arrangements and (b) mismanagement . The institutional arrangements created by the state government have influenced the structure and functioning of the municipal system. In this Chapter we hope to emphasise this particular aspect. We would also make an attempt to provide certain possible solutions to overcome the crisis.

Institutional arrangements

The first important step taken by the State government for the betterment of municipal system was the appointment of a committee in 1953 which submitted the Report on the Investigation into the finances of Local bodies in the Travancore-Cochin State. At that time it was realised that the municipalities in the state and the city corporation of Trivandrum (only one corporation was there at that period) have been facing financial stringency to meet their normal functions such as the opening and improvement of communications, provision of local amenities etc.

Financial inadequacy of the local bodies was realised long back by the <u>Local Fiance Enquiry Committee(1949-5Ø).</u> The Committee had observed that "as finance is correlated with function, it is necessary to state what functions are assigned to local bodies in order to see whether the financial resources placed at their disposal for the discharge of those function are or not adequate". It argued that "the state government while investing local bodies with responsibilities must also place at their disposal adequate funds to supplement their revenue". The Taxation Enquiry Commission(1953-54) observed that, apart from growth and development, the crux of the problem of the local bodies is finance.

Local resources by way of taxes, duties and fees, however efficiently collected will be limited indeed and are likely, in any case, to fall short of the needs of the local bodies. One of the reasons for this situation is that by and large, the local bodies are levying more or less the same taxes that used to be collected in Lord Ripon's time and also the lack of buoyancy.

As observed from the earlier Chapters, Kerala municipal corporations are following the rules and regulations of "The Kerala Municipal Corporations Act, 1961". This Act imposed some structural barriers to the growth and development of Municipal corporations in Kerala. It made the Corporations fully dependant on the state government in all the matters like imposing taxes and its changes, loan mobilisation, grants-in-aid demand etc.

This is clearly evident from some of the provisions of the Act. For example,it is given in Act that the Council may levy , with only the sanction of the Government,a surcharge on any tax other than profession tax levied by the Council for the purpose of providing any specific civic service or amenity (Municipal

Corporation Act, 1961).

Any resolution abolishing an existing tax or duty levied shall not be carried into effect without the sanction of the Government. The main example is that profession tax rate which was higher before 1980-81 but was reduced in 1980-81 period by the Government (see table in appendix 3.2 in Chapter III). While the fixation of rates is in accordance with the rules in schedule II, the rate can in no case exceed the limit prescribed under Article 276 of the Constitution of India.

In the case of property tax, the Government shall have the power to make rules regarding the manner in which, the person or the persons by whom, and the intervals at which,the value of the land, the present cost of erecting the building and the amount to be deducted for depreciation shall be estimated or revised in any case or class of cases to which clause (a)of the first proviso to sub- section (b) applies and they may by such rules,restrict or modify the application of the provisions contained in schedule II to such case or class of cases (Ibid.p.57). In 1978, the Trivandrum Corporation demanded a revision of property tax rate through an amendment of Municipal Act . But the then Government refused to do that.

Tax on advertisement is determined by the Council provided always that the rates shall be subject to the maxima and minima laid down by the government on this behalf (Ibid.p.70). Duty on transfer of property shall be levied in the form of a surcharge on the duty imposed by the Kerala Stamp Act,1959 (Act 17 of

1959). It is also laid down that (a) every instrument of the description specified in the list which relates to immovable property situated within the limits of the city, and (b) at which rate as may in consultation with the Council, be fixed by the Government, not exceeding 5 per centum (Ibid.p.74).

In the matter of loans the Council may, in pursuance of any resolution passed at a special meeting, borrow by way of debenture or any of the taxes, duties, fees and dues authorised by or under this Act, provided that (1) no loan shall be raised without the previous sanction of the Government or otherwise than in accordance with the provisions of the "Kerala Local Authorities Loans Act,1963 (Act 30 of 1963) and the rules issued thereunder and (2) the amount of the loan, the rate of interest and the terms including the date of floatation, the time and method of repayment and the like shall be subject to the approval of the Government.

When any sum of money has been borrowed under sub-section, no portion thereof shall, without the previous sanction of the Government be applied for any purpose, other than that for which it was borrowed. Limits of borrowing powers were fixed by the Government (Ibid.p.78).

All debentures are issued by the Council only with the previous sanction of the Government. Maintenance and investment of sinking funds should be invested only to securities of the Central or the State Government. The Government may make rules for the regulation or restrictions of the use of sites for building in the municipal areas.

For issuing grants-in-aid the Government has introduced some rules according to which only the Corporations can get general purpose grants based on per capita, and special purpose grants for certain specific activities.

For making some modifications for assigning grants-in-aid to Municipal agencies the Government of Kerala appointed a Committee (Municipal Grants Enquiry Committee,1964). From the recommendations of this Committee the Government has approved the following categories of services for specific purpose grant:

(a) Maintenance of isolation hospitals, maternity and child welfare centres, family planning centres and anti-mosquito and anti-filaria operations.

(b) Maintenance of free public ferry services.

(c) Town planning and town survey operations.

(d) Maintenance of poor homes, beggar homes and relief centres.

(e) Maintenance of fire fighting services.

(f) All constructions and equipment provided for the furtherance of any of the above services.

The Commission suggested the creation of an autonomous board which will have adequate powers of raising funds from financial institutions, international financing agencies and the public as an obvious solution for raising resources for execution of water supply schemes and sewerage schemes. In terms of the recommendations of this Committee,the Government has appointed a special agency to control water supply and sewege activities.

The work being carried out by the Corporations under the provision of water supply scheme is marginal. They are distributing water by using some of their vehicles especially during drought seasons. All other works regarding pipe line fixing, extension of pipes etc are being done by State Government authorities. They are also collecting water tax which is a part of property tax and passing to the Water and Sewerage Board.

Government had appointed a Committee in 1968 to make recommendations regarding payment of Vehicle Tax Compensation. With the recommendations of the Committee, the Government has sanctioned a payment on the basis of the percentage of the net Vehicle tax revenue which is on the number of units of road length maintained by each . It may be observed that in Madras and Bombay this was made a statutory grant by means a suitable enactments; the payment of compensation to the local bodies in Kerala has no statutory sanction. Owing to several reasons like increases in the rate of the tax and intensity of motor traffic in the Corporation area, revenues of the State from this source have been going up from year to year. As in other states Kerala Corporations have also been claiming enhanced compensation grants from the Government on this account but the Government has not been enhancing the compensation grant commensurate with the rate of growth in the tax revenue. Besides, such grant payments from the Government remain in arrears in every year.

Taxation Enquiry Committee (Tavaraj, 1969) is of the opinion that a close adjustment of peculiar needs and fiscal capacities is one of the primary objectives of federal fiscal management which in turn implies strengthening the ability of the states and local bodies to finance themselves. It suggested that apart from the question of grants-in-aid and loans , there are three main ways in which tax structures can be made to produce more revenue:

(1). Each Government acts independently making such changes in its tax structure as it deems best in the light of its particular fiscal requirements and peculiar economic and political conditions taking into account the constitutional provisions.

(2). The local self-governments act collectively for negotiating with the Central Government for its withdrawal from certain fields of taxation so that they could raise more revenue from these sources.

(3) Inter-governmental financial transfers should be based on the needs of the units for public services and their fiscal capacity. The need of the units may be measured in terms of their size, density of population and other relevant demographic characteristics, distribution of income etc.

Though the Taxation Enquiry Committee suggested a number of recommendations of tax revenues no item of tax is new or of buoyant type. Thus, the implementation of the recommendations has not raised financial position of local bodies.

An important step from the part of the State Government to strengthen the fiscal relationship was the appointment of Municipal Finance Commission in 1976 to make recommendations on

(a) assessment of the existing municipal services and amenities and their costs

(b) assessment of the cost of the existing municipal services and amenities at satisfactory standards

(c) assessment of the gap between the existing resources and the cost of services and amenities at satisfactory standards

(d) assessment of the degree of exploitation of existing local taxes by the urban local bodies and possibilities of improving them

(e) examination of the present municipal taxation and non-taxation structures, examination of the basis of Government grants-in-aid and suggestions for modifications for augmenting the resources of the urban local bodies

(f) fixation of water taxes and water charges so that urban local bodies can meet the cost of maintenance and distribution and also repay the loans taken from the Life Insurance Corporation, and.

(g) arrears due to Government from the local bodies as on 31-3-1973 and steps to be taken to clear these arrears as well as to ensure that arrears do not accumulate in future.

The Commission has reviewed the status of urban local bodies and found out their pathetic conditions. It noticed that the treasury balances of these urban local bodies are running low and obligatory payment become impossible. Instances of funds obtained as loans for capital works being diverted for current expenditure have been noticed.

The councils have no adequate funds for expenditure on essential and primary duties. The budgets make unrealistic and inflated forecasts of receipts and provide for expenditure based on such estimates. There is no expert cost-benefit analysis before remunerative schemes are taken up for execution with loan funds. The Commission has suggested the institution of a Municipal Accounts Committee analogous to the Public Accounts Committees of Parliament and State Assemblies. The Committee should be a Statutory Committee. It has also been observed that there is the lack of co-ordination among several departments like Health, Engineering, Town planning, Revenue etc. A common code of conduct has been suggested. In addition, an effective monitoring system has also been recommended.

The Committee has observed that even functions which were originally intended to be performed by local Governments have gradually been taken over by the State Government because of the lack of confidence on the ability of the local bodies to attend to these functions efficiently. Instead of reducing the functions the present conditions would in fact require the urban local self-governments to be bestowed with more powers and finances to engage in developmental functions on the similar lines with the rural local bodies.

The Commission also tried to formulate standards of services and amenities. While it has failed to prescribe a common formula, broad guide lines could be discerned. To the Committee, there are a number of factors like the size of the population, the development of industry, trade and commerce and demands from these sectors of development, traffic intensity, the value of and availability of urban land etc that are influencing factors. The existence of industries that require a plentiful supply of water is another influencing factor.

In the case of street lighting the Commission has recommended that if the Councils are agreeable, the distribution of street lighting system within the local area may be handed over to the local bodies. This is because the Commission has observed that Trichur is the best lit town in the State where the Council purchases from the Electricity Board in bulk and distributes it for street lighting and for domestic and industrial use. None of the councils except Trichur believes that the street lighting is maintained at satisfactory levels.

Garbage disposal will become easier if they could install mechanical compost plants in the cities which could quickly convert garbage into innocuous compost.

The Commission is of opinion that the participation of the urban local bodies in family planning programme is not adequate. The local bodies should increasingly participate in all important national programme by opening adequate number of maternity and child health centres.

It has again argued that the basic approach to the problem of improving municipal finance is one of not leaving the urban local bodies to ramble on their fields and ldding for themselves but of the State Government periodically rev ing the financial position of each urban local body and adoptin asures to equip them with the finances to efficiently participate in the developmental programmes,even if it invovles invoking its taxation powers under Municipal enactments. In this regard it may be noted that most of the tax items which were under the control of urban local bodies are inelastic in nature. The buoyancy of taxes are very limited. So they need tax items which should have more elastic in nature.

The Commission has suggested that only a constitutional reservation of taxes for exclusive utilisation by the urban local bodies without any endeavor on their part to tap the assigned resources in full will result in preventing the State Government from mopping up the productivity potential of the particular resources.

Though the Municipal Finance Commission has recommended a number of measures to strengthen the financial base of urban local bodies, many of them are still on the anvil. One important recommendation which was introduced was the increase of entertainment tax rate from 25 percent to 30 percent. W ll know that Municipal Corporation in Kerala are functioning on the basis of "The Kerala Municipal Corporations Act, 1961",no fundamental change has occured except minor amendments.

Revenue Sharing

In the matter of revenue sharing no specific step has been taken by the State Government. Unlike i other States,Urban local bodies have been collecting and using e tainment tax. It is a positive sign. There is expectation of a odified revenue sharing between Government and Corporations . The taxes like additional tax on entertainment, surcharge on show tax etc can be shared. If the State Government is willing to share atleast one third of the total sales tax revenue to the urban local bodies, then it would have increased their revenue.

In the case of grants, the 1964 Municipal Grants Enquiry Committee and the Municipal Corporation Report ,1976, have made several recommendations. While there is no hard and fast rules for specific purpose grant, general purpose grant has been given by considering the total population inside the city. In 1976 Commission suggested the following conditions

(a) only 50 percent of the general purpose grant may be paid without any condition

(b) the remaining 50 percent will be payable on the local body only after satisfying certain conditions.

After these two reports no attempt has been made by the Government to fix well-defined criteria for fixing grants-in-aid to Corporations.

It is interesting to note that in West Bengal, the government grants to the Municipal authorities to provide inflation compensation for salaries and wages. This constituted 52 percent of the total transfer in 1978-79, followed by shared taxes at 42 percent. The remaining 6 percent consisted mainly of the education grant (Abijitt Datta,1982).

With the recommendation of the Rural-Urban Relationship Committee for the appointment of State Finance Commissions to assess and recommend fiscal assistance to local Government , the Kerala Government constituted a Municipal Finance Commission in 1973 which submitted its report in 1976. After that till now there is no serious action in this regard. Indeed this has happened in many of the other States in India as well.

The need for a State Finance Commission in each State to distribute the net yield from rented taxes like entertainment tax[4], profession tax etc has been emphasised by many. The necessity of exploring the possibility of the National Finance Commission being asked by the Central Government through its terms of reference to examine the need for earmarking a portion of the State's share in the net yield from Union excise duties for distribution among local Government has even been suggested (Thimmiah;1983).

In Kerala, the Municipal Finance Commission has not given a systematic revenue sharing approach as was done in West Bengal. The Municipal Finance Commission in West Bengal has adopted a revenue gap filling approach for the Municipal authorities, following the practice at the federal level for meeting the revenue gap in States. Such an attempt would be useful for reducing the gap between urban local bodies and State Government in Kerala.

Mismanagement

In the above section we tried to show certain institutional arrangements that could act as a jettor on the smooth functioning of the urban local bodies. Now we shall look at the factors such as non-utilisation and under-utilisation of revenue sources due to administrative flaws. Coupled with this is the accumulation of arrears. The Municipal Corporations in Kerala are by and large very reluctant to raise the optimum revenue yielding capacity out of given resource base. With the exception of entertainment tax no tax has been fully levied by the three Corporations. This is quite obvious in the case of professional tax, vehicle and animal tax etc. In addition to this, under-assessment of taxes, especi- ally property tax is observable in all the three Corporations[5]. Inevitably, the actual income is very much below the possible yield from the source. This trend continues unimpaired even today. Collection of taxation arrears is also very unsatisfactory.

At the outset one can say that the following reasons may be responsible for this.

(1) failure to locate the tax payer for servicing tax notice.
(2) delay in the payment of tax by State Government Departments.
(3) lack of any effective machinery to check whether the tax collectors perform their duty properly.

(4) insuffciency of staff.

(5) lack of quiniqunial revisions and assessment

It could be easily observed that all these are symptoms of gross mismanagement. Failure to complete assessments and issue demand in time, supervision lapses, inefficiency of the collection mechanisms, absence of a system of periodical review of the progress of collection etc act as a barrier to the proper functioning of the system. In this context a few suggestions to improve the financial tenor of the Corporations may be warranted.

Remedial Measures

In view of the continuing financial crisis, the State Government should take initiative to modify the methods of revenue sharing in favour of the Corporations. It has been observed that the functions of the urban local bodies are not well defined and in a number of cases there is a considerable amount of overlapping. Local bodies functions mainly supplement the State Governments activities in the particular localities. So it will become efficient if the State Government specify the functions to be performed by the local bodies. It helps to assess and evaluate their efficiency and competence in performing those functions.

It is necessary to provide more autonomy both functional and financial. For that the importance of a permanent Municipal Finance Commission has been emphasised by many experts and Commissions. It will handle all the State-Local matters especially the matters of fixing grants-in-aid and loans. It would be useful if the Corporations get sanction from the Government to raise loans from the market by issuing bonds.

Urban local bodies should be given the power to perform certain developmental functions in secondary and tertiary sectors. Administration system should be improved.

To conclude, it is clear that the built-in-structural weaknesses and neglected treatment by the State Government have created the financial crisis of urban local bodies in Kerala. The Institutional arrangements introduced by the State Governments have not positively affected the financial standing of the Corporations. Most of the tax revenue sources tapped by the local bodies are inelastic in nature. They are unable to raise the revenue any more. This is coupled with the menace of mismanagement. Lack of well-defined functions and ad hocism in rules and bye-laws have reduced the efficiency of local bodies. Hence,a modified method of revenue sharing, properly defined functions, establishment of a financial agency to mediate the process of devolution, improvement of the system of administration are essential for increasing the welfare of the citizens and to enhance the principle of democratic decentralisation.

Notes

(1) Christine Wallich argues in his study on State Finances in India (a part of it is on Madras Corporation Finance)that in Madras Corporation due to cash accounting and variations in expenditure by lowering service levels to accumulate budgetary constraints, "judging the city's financial position on this budgetary surplus is a dubious exercise".

(2) In 1960s, after the Municipal Corporation Act (1961) was passed, various studies had pointed out that the Trivandrum Corporation and other urban local bodies were facing acute financial crisis.

(3) See V.K.Sukumaran Nair (ed), 1962: Problems of Municipal Administration in Kerala. For example in 1960 State Government delayed the construction of the town hall at Mattancherry which was supposed to be the task of the Municipality.

(4) In Kerala, entertainment tax has been collecting by the local bodies.

(5) Municipal Finance Commission in 1976 observed that properties in the majority of the cases were under assessed and under valued.

Chapter VI

SUMMARY AND CONCLUSIONS

The question of functional and financial autonomy of urban local bodies is of utmost importance in the modern world and hence gets a pride of place in the area of fiscal research. An overview of the existing literature in this field revealed that a complex set of problems are being discussed and analysed in this regard. But so far there are few attempts to understand the State-Local financial relations in a comprehensive manner as the focus remained restricted to the analysis of local taxation, local expenditure, grants-in-aid, loan financing etc. We therefore, set out to study the problems of Urban local bodies in Kerala in structural terms and nature of State-Local financial relations in historical perspective.

Though the origin of urban local government in Kerala hanks back to Lord Ripon's period, it was only in 1940 that an urban area (ie.Trivandrum) was given the status of a Corporation. The formation of Calicut corporation and Cochin Corporation followed in 1962 and in 1967 respectively. Urban local administration is essentially a state subject and hence, the games were obviously set by the state government. Our major concern in this study was the nature of state-local financial relations and its impact on the efficency of the urban local bodies. The approach we followed was to probe into the financial performances of the three corporations in a comparative framework.

An enquiry into functional characteristics showed that Cochin and Calicut are Multi-functional cities (service cum industrial cities). These were considered generally as Indusrial and Trade cities respectively. Trivandrum is a mono-functional, service city.

The analysis of trends and patterns of Municipal Corporations' revenue items revealed that the rate of growth of receipts was relatively higher during the first sub-period (16.6 per cent and 20.1 per cent at current prices) in both Trivandrum and Cochin Corporation. Viewed in terms of constant rate of growth of receipts decreased in Trivandrum and Cochin whereas Calicut maintained the same rate of growth. Tax receipts increased both in Trivandrum and Calicut whereas Cochin marked a decline in growth rate during the second sub period (9.2 per cent to 7.0 per cent) in constant prices. The higher rate of growth of tax receipts in Trivandrum and Calicut might be due to a change in the tax structure. The rate of growth of entertainment tax has declined sharply during the second sub period in Cochin Corporation (see chapter III.table.3.7). An intersting finding is that in all the Corporations the share of entertainment tax to total tax has increased. The increase in the share of entertainment tax may be due to:

1. Increase in number and concentration of Cinema theatres in the Corporation areas.
2. Increase in the rate of tax levied. (For example the maximum limit was increased from 25 percent to 30 percent of the value of ticket).

Duty on the transfer of properties has recorded a higher growth rate during the second sub period in all the corporations. It might be due to large scale land transfers from 1970's onwards. Still, the fact remains that its full potential is not tapped.

Among other sources of taxes, profession tax has a higher potential to increase in its share in total taxes. But due to many obstacles like transfers of employees before tax assessment, lack of follow-up action for recovery, non-assessment of private establishments etc. its share has diminished over time. This is true of all the three Corporations under study.

The contribution of the Government in the form of grants-in-aid is not propotionate to the increase in needs of local bodies. It is observed that even Trivandrum Corporation has not been getting the reasonable amount of general purpose grant. A five year period analysis of data showed a declining trend in grants-in-aid in both periods in all the Corporations, the decline being remarkable during the second period.

It has been noted that the borrowing possibilities of the local governments are restricted by the Government. There is no private agency to provide loan facilities. Corporations in Kerala do not have the right to create their own bonds as in other states.

An analysis of the trends in total expenditure at constant prices showed that Cochin Corporation registered the highest average annual growth rate. An investigation of the trend in expenditure during the two time periods reveals that growth rate declined in Trivandrum and Cochin. Calicut Corporation registered a marginal increase in growth rate. Nevertheless, the overall growth rate of Calicut is found to be the lowest.

The structure of total expenditure revealed that recurring expenditure accounted for the highest share in Trivandrum followed by Calicut and Cochin. The relative contribution of capital and recurring expenditure to total growth also showed the same pattern in all the Corporations.

Coming to the structure of recurring expenditure, it is observed that the expenditure pattern in Cochin Corporation during the second period is in sharp contrast with that of others. To illustrate, the share of conservancy was subjected to a sharp decline while it was the single largest expenditure head in other Corporations. Additionally, there was considerable increase in the share of expenditure on water supply and public health.

An investigation of the trend in recurring expenditure of various heads showed that the average annual growth rate of various expenditure heads moves in accord with their relative share.

An examination of the trend and pattern of capital expenditure showed that Calicut and Cochin presented almost similar picture whereas, Trivandrum revealed a different picture. To illustrate, while, the necessary services like water supply, drainage were given priorities in Calicut and Cochin, one could see a total neglect of these items in Trivandrum.

Trivandrum accounted for the highest per capita recurring expenditure followed by Calicut and Cochin. This expenditure pattern has to be viewed in terms of the age of the Corporations. Trivandrum Corporation, with its highest per capita expenditure, shows a pattern which is different from other two. This difference is primarily because of the lower priority ascribed to public health and water supply during the second period. More seriously, the expenditure on these two items was subjected to drastic decline. This unique phenomenon raises a question, as to what extent the services of Trivandrum Corporation is better as compared to other Corporations. Thus, regardless of a higher per capita expenditure, our analysis of the structure of expenditure tends to show that, the services provided by Trivandrum is not intrinsically better than others.

An analysis of the test of significance of per capita expenditure growth rates have highlighted some interesting findings. In Trivandrum, the expenditure on public health, water supply and lighting registered a statistically significant decline. On the other hand, Calicut and Cochin pictured a more or less similar trend. Hence, our analysis of trend and structure showed variations in expenditure across different Corporations. It could be because of difference in functional characteristics of cities.

There exists difference in functional characteristics of cities and their expenditure pattern varied according to that. It is observed in Cochin's case that public health expenditure growth rate and water supply expenditure growth rate are very high as compared to other two corporations. Conservancy expenditure growth rate is significantly high in Trivandrum corporation. However, one is cautioned against overempasising the relation between expenditure pattern and functional characteristics of cities. The lack of adequate autonomy prevents the Corporations from functioning according to the needs of the city. The study finds that in Kerala no corporation is providing minimum standard of services to their citizens, according to the Rural-Urban Committee's criteria. Structural barriers exists for the local bodies to widen their scope according to the needs of the people.

The built-in-structural weaknesses and neglected treatment by the state government leads to the financial problems of the urban local bodies in Kerala. The institutional policies which were taken by the Governments for decentralisation and devolution of powers have not created the desired effect on the financial position of the urban local bodies. Most of the tax revenue items of the urban local bodies are inelastic in nature. The existence of mismanagement along with the absence of well-defined functions, lack of finance and rigid rules and regulations of the government reduces the effiency of urban local bodies.

It seems that the following measures would help to solve the financial problems of Urban Local bodies,

1. modification of revenue sharing method,
2. de-limitation of the functions of urban local bodies by avoding overlapping,

3.quinquinial revision of major tax items,

4.proper evaluation and assessment of taxes,

5.provision of inflation compensation grants,

6.immediate setting up of a permanent Municipal commission to solve the problems of tax sharing, loans provisions, grants-in-aid etc.,

7.provide freedom to raise market loans by the urban local bodies,

8.improve the system of administration,

9.shift the existing priorities on expenditure heads (for e.g. increase investment on remunerative enterprises) ,

10.a structural change of the existing Municipal Corporations Act of 1961 by considering present needs of the Corporations.

Unless steps as suggested above are taken towards reforms, Kerala municipal Corporations are likely to become more dependent on fiscal transfers from state governments for meeting their expenditures and thereby negating the basic principles of democratic decentralisation.

Appendix Tables

Appendix Table No: 1(a).

Status,Growth history ,Decadal Variation of population

Trivandrum

Year	Area	Status	Population no.persons	Decadal change	Decadal Change
1901	-	MC	57,882	-	-
1911	-	MC	63,561	5679	9.81
1921	-	M	72,784	9223	14.51
1931	-	M	96,016	23232	31.92
1941	-	M	128,965	32344	33.69
1951	-	C	186,931	58566	45.62
1961	44.52	C	239,815	52884	28.29
1971	74.93	C	409,627	169812	70.81
1981	74.93	C	483,086	73459	17.93

Source : Census of India 1981 Series 10. Kerala.
Note:MC - Municipal Council,M-Municipality,C-Corporation.

Appendix Table No: 1(b)

Calicut

Year	Area	Status	Populaiton no. persons	Decadal change	Decadal change
1901	-	MC	76,981	-	-
1911	-	MC	78,417	1436	1.87
1921	-	M	82,334	3917	5.00
1931	-	M	99,273	16939	20.57
1941	-	M	126,352	27079	27.28
1951	-	M	158,724	32372	25.62
1961	44.00	M	220,943	62219	39.20
1971	82.67	C	333,979	113036	51.16
1981	82.67	C	394,447	60468	18.11

Source : Census of India 1981 series-10 Kerala.
Note : Same as in Appendix Table 2.1 (a)

Appendix Table No: 2.1(c)

Cochin

Year	Area	Status	Persons	Decadal Variations	Percentage Variation
1901	-	M	61,236	-	-
1911	-	M	64,726	3490	5.70
1921	-	M	68,493	3767	5.82
1931	-	M	99,101	30608	44.69
1941	-	M	126,456	27355	27.60
1951	-	M	166,068	39612	31.32
1961	65.20	M	277,723	111655	67.23
1971	94.88	C	439,066	161343	58.09
1981	94.88	C	513,249	74183	16.90

Source: Census of India, 1981 Series-10 Kerala.

Note: Same as in Appendix Table 2.1(a).

Appendix Table 3.1

Implicit Index of Prices

Year	Index
1966	78.30
1967	82.40
1968	87.90
1969	92.20
1970	96.20
1971	100.00
1972	96.50
1973	109.80
1974	135.10
1975	153.00
1976	156.60
1977	170.60
1978	176.80
1979	189.10
1980	207.60
1981	220.80
1982	216.80
1983	232.10
1984	246.40
1985	336.70

Source : Economic Review (various issues), Bureau of Economics and Statistics, Government of Kerala Trivandrum.
Note: Calculated from State Domestic Product of Kerala.

Appendix Table 3.2

Existing rates of Profession Tax (Half Yearly) (Rs.)

Till 1980-81			From 1981-82		
Class	Half yearly income	Tax rate Rs.	Class	Half yearly income	Tax rate Rs.
I	$x > 15{,}000$	125.00	I	$x > 30{,}000$	125.00
II	$12000 < x \le 15{,}000$	100.00	II	$24{,}000 < x \le 30{,}000$	100.00
III	$9000 < x \le 12{,}000$	75.00	III	$18{,}000 < x \le 24{,}000$	75.00
IV	$6000 < x \le 9{,}000$	50.00	IV	$14{,}400 < x \le 18{,}000$	50.00
V	$4000 < x \le 6{,}000$	37.00	V	$10{,}800 < x \le 14{,}400$	37.00
VI	$3000 < x \le 4{,}000$	18.00	VI	$7{,}200 < x \le 10{,}800$	24.00
VII	$1800 < x \le 3{,}000$	9.00	VII	$5{,}400 < x \le 7{,}200$	15.00
VIII	$1200 < x \le 1{,}800$	6.00	VIII	$3{,}600 < x \le 5{,}400$	9.00
IX	$600 < x \le 1{,}200$	3.00	IX	$2{,}400 < x \le 3{,}600$	6.00

Source: Trivandrum Municipal Corporation Records.

Appendix Table 3.3

General Purpose Grants-in aid Per capita For Trivandrum Corporation

(Rs)

Period	Year	Existing amount Current	Constant
	1965-66	0.88	1.25
	-67	0.80	0.97
	-68	0.97	1.10
	-69	0.89	0.97
Period I	-70	0.88	0.91
	-71	0.84	0.84
	-72	0.80	0.82
	-73	0.63	0.57
	-74	1.11	0.82
	-75	1.11	0.73
	-76	1.11	0.71
	-77	1.12	0.66
	-78	1.13	0.63
	-79	0.88	0.47
PeriodII	-80	0.88	0.42
	-81	0.88	0.40
	-82	0.99	0.46
	-83	1.98	0.85
	-84	2.23	0.91
	-85	1.18	0.35

Source : Budget Documents of Corporations (Various issues).

Appendix Table 5.1

Revenue and Expenditure in the Corporations

(Rs.in lakhs)

Year	Trivandrum		Cochin		Calicut	
	revenue	expenditure	revenue	expenditure	revenue	expenditure
1965-66	68.2	77.3	29.4	28.8	75.2	68.5
-67	64.2	62.2	71.7	71.1	79.7	71.1
-68	68.2	63.2	78.2	78.5	85.7	101.2
-69	74.7	69.2	85.5	85.7	150.5	154.2
-70	83.6	78.0	123.8	114.2	156.2	178.5
-71	105.5	100.9	121.0	125.9	116.5	122.2
-72	163.9	150.6	215.3	197.6	139.0	145.7
-73	179.8	187.3	309.5	269.1	125.0	136.7
-74	145.1	132.9	164.2	170.8	196.4	128.8
-75	239.2	236.3	179.8	168.0	174.8	152.0
-76	211.9	217.6	236.0	241.4	188.4	170.0
-77	212.4	212.3	292.0	313.2	185.9	203.0
-78	238.9	231.4	271.3	281.8	181.7	184.7
-79	283.3	273.8	315.5	318.2	202.9	207.5
-80	287.6	273.3	386.7	397.8	224.1	231.1
-81	329.8	334.7	415.3	405.0	266.1	268.6
-82	479.0	518.5	558.9	500.1	346.4	361.2
-83	526.5	533.9	624.8	589.9	384.9	391.3
-84	605.2	603.0	772.6	799.7	463.0	485.1
-85	627.6	643.2	772.6	798.4	467.2	483.1

Source : Same as Appendix table 3.3

Appendix Table 5.2

Growth Rates (annual average) of Revenue and Expenditure(in constant prices)
(percentages)

Period	Trivandrum		Calicut		Cochin	
	revenue	expenditure	revenue	expenditure	revenue	expenditure
Period I 1965-66 to 1974-75	6.5	5.0	1.9	2.2	12.7	12.2
Period II 1974-75 to 1984-85	1.7	2.1	1.9	3.0	6.7	7.7
Total 1965-66 to 1984-85	4.0	3.5	1.9	2.6	9.5	9.8

Source : Same as appendix table 3.3

Selected Bibliography

Aronson J Richard and Hilley L Johb (1986) — Financing State and Local governments, The Brookings Institution, Washington.

Auld A.L: (1986) — The Efficiency Criteria for government revenue: An international Comparisons, ANU, Canberra.

Bahl Roy ed, (1978) — The Fiscal outlook for cities: implication of a national urban policy, Syracase University Press.

Barlow Robin (1982) — "City population and per capita city government expenditures, Research in Population Economics, Volume IV, page 49-82.

Bird M Richard (1979) — Central-Local Fiscal relations and the provision of Urban Services, Centre for Research on Federal Financial Relations, ANU, Canberra

Barlow Robin (1982) — "City Population and per capita city government expenditures, Research in Population Economics, Volume IV, page 49-82.

Bernd Spahn (1977) — "Federal grant policy and State Local Taxation" in Mathews R.L.(ed) State and Local Taxation, ANU, Canberra.

Brennan G ed, (1987) — "Local Government Finance", Occasional Paper No. 41, Centre for Research on Federal Financial Relations, ANU, Canberra.

Brennan G.(1977) — "Criteria for State and Local taxes" in Mathews R.L.(ed), State and Local Taxation, ANU, Canberra.

Bright Singh D:(1944) — "Financial Developments in Travancore (1800-1940)", P.hD Thesis, University of Kerala, Kerala.

Calicut Corporation (1980) — Calicut City directory, Calicut.

Calicut Corporation — Administration Reports (various issues) Calicut.

Campbell, K Allen (1970) — "National-State-Local systems of government and Intergovernment aid"; in Mitchell E William and Walter I (ed), State and Local Finance, The Ronald Press Company, New York, U.S.A.

Census of India (1981) — Town Directory, Director of Census Operations, Series 10, Kerala.

Census of India (1981) — Town Directory, Director of Census Operations, Series 10, Kerala.

Census of India (1981) — Kerala, "Migration Tables" Series 10, Part V - A and B.

Charles Tiebout (1956) — "A pure theory oflocal expenditure" "Journalof Political Economy, Volume 64,October.

Chitharanjan K V (1986) — Size, Structure and Growth of Cities, S P Institute of Economic and Social Research, Ahmadabad, (mimeo).

Cochin Corporation — Administration Reports (Various issues) Cochin.

Cochin Corporation (1987) — Diary, Corporation of Cochin, Cochin.

Corporation of Cochin (1987) — Diary, Corporation of Cochin, Cochin.

Datta, Abhijit (1983) — State Municipal Fiscal Australia and India, Centre for Research and Fiscal relations, Australian National University (ANU), Canberra.

David F S (1923) — Cochin; British and Indian Simpkin, Marshal, Hamilton, Kent & Co. Ltd, London.

David G.Davies (1970) — "Financing Urban Functions and service", in Mitchell E W and Walter I (ed), State and Local Finance The Ronald Press Company, New York.

David J O and Meltzer A H (1963) — Federal Tax Treatment of State and Securities, the Brookings Institution, Washington.

Due F John (1971) — State and Local Sales Taxation Structure and Administration, Public Administration Services, Chicago.

Gottihieb Manuel (1970) in Mitchell — "The Revenue Bond and Public debt" E William (ed), State and Local Finance, Ronald Press Company, New York.

Government of Kerala (1980) — Housing and Employment Survey, Bureau of Economics and Statistics, Kerala.

Government of Kerala (1961) — Kerala Municipal Corporation Act, Government of Kerala, Trivandrum.

Government of Kerala (1964) — Municipal Grants Enquiry Committee Report, Kerala.

Government of Kerala (1975) — Municipal Year Book, Bureau of Economics and Statistics, Trivandrum, Kerala.

Government of Kerala (1976) — Report on Municipal Finance Commission, Trivandrum, Kerala.

Government of Kerala (1985) — Population Statistics, City Corporation and Municipal Areas of Kerala.

Hayes J.A.(1977) — "Provincial and Local Taxation in Canada"in Mathews R.L (ed), State and Local Taxation, ANU, Canberra.

Hepworth N.P(1970) — The Finance of Local Government, George Allen and Unwin Limited, London.

Hicks U.K (1961) — Development from Below, Oxford University Press.

Institute of Madras (1932) — Journal of Madras Geographical Association, Vol.VI, No. 34.

Jud Donald F C and Gordon (1986) — "Public Schools and Pattern Bennett of intra-urban Mobility", Land Economics, November.

Karunakaran Pillai G (1986) — Local Finance in a Developing Economy, A study of Panchayats in Kerala.

Kiran Wadhva (1976) — Ahamedabad's Municipal Finances, An Economic Analysis, School of Planning, Ahmedabad. (mimeo)

Marshall A H (1969) — Local Government Finance: 33 National Reports and general report prepared for the IULA Congress.

Mathews R.L (1981) — State taxation in theory and Practice, ANU, Canberra.

Mathews R.L.ed, (1977) — State and Local Taxation, ANU, Canberra.

Mc Lure Charles E;ed,(1983) — Tax Assignment in Federal Countries, Australian National University, Canberra.

Maxwell J.A. (1977) — "The State and Local government tax structure in the U.S.A". in Mathews R.L.(ed), State and Local Taxation, ANU, Canberra.

Maxwell A James (1969) — Financing State and Local Governments, The Brookings Institution, Washington.

Metha L.R. and Bharadwaj V.P. (1983) "Municipal Finance in a growing Port town: A Study of Gandhidam Municipality, Nagarlok, Vol.15.

Mitchell E William
Walter I (1970) — State and Local Finance (ed), Ronald Press Co., New York.

Mills S Edwin and
Song N Byung (1979) — "Urbanisation and Urban Problems, Studies in the Modernization of the Republic of Korea, 1974-75", Harvard, East., Asian Morograph NO.88, Cambridge.

Ministry of Health
and Family Planning (1966) — Report of the Rural-Urban Relationship Committee , Vol.1.

Mishan R J (1957) — "An appraisal of the principle of resource allocation", Economica, November.

Musgrave R.A. (1977) — "A Multiple theory of Budget determination" in Mitchell E William and Walter I (ed), State and Local Finance, Ronald Press Co., New York.

Musgrave R A and Musgrave P B (1984) — Public Finance in Theory and practice 4th Edition, Mcgraw Hill Book company, New York.

Neutze Max (1977) — "State and Local Property Taxes" in Mathews R.L.(ed), State and Local Taxation, ANU, Canberra.

O'Donnell L John (1970) — "Some post war trends in Municipal Bond Financing" in Mitchell E William (ed), State and Local Finance, Ronald Press Co.,New York.

Partap Singh (1978) — Urban Government in India, A study of grass-root Institutions in Haryana, Uppal, New Delhi.

Prest.W (1977) — "State and Local Taxes Australia: A General perspective" in Mitchell E William and Walter I (ed), State and Local Finance, Ronald Press Company, New York.

Rao, N R (1986) — Municipal Finance in India (Theory and Practice) Inter India publications, New Delhi.

Racz L L Ecker (1970) — The Politics and Recovery State Local Finance, U.S.A Prentice Hall, Inc.

Sahitya Kaushlan, Krishna Menon T K ed, (1932) — Progress of Cochin, Cochin, Government Press

Sankaranarayanan V. (1977) — "Urbanisation in Kerala and Tamil Nadu", Working Paper No.57, Centre for Development Studies, Trivandrum, October

Shah K T and Bahadurji G J (1925) — Constitution, Functions and Finance of Indian Municipalities, The Indian News Paper Company Limited, Bombay

Sreekumar T T (1988) — Urbanisation [illegible] in Kerala, 1901-1981, Unpublished M.Phil Thesis, Jawaharlal Nehru University, Centre for Development Studies, Trivandrum.

Sukumaran Nair V K ed, (1962) Problems of Municipal Administration in Kerala.

Silkam H Richard and Young P Dennis (1985) "Subsidising Efficiency: A Study of State and Local Government", Journal of Economic Literature.

Tavaraj J K (1969) Report of the Taxation Enquiry Committee, Government of Kerala.

Thavaraj J K (1978) "Finances of Local Government in India", The Journal of Indian Public Administration, July-Sep.

The World Commission on Environment and Development (1987) Our Common Future, Oxford University Press.

Thaimmaiah G (1983) Fiscal Federalism and Municipal Finance, Nagorlok, January-March, 1983, Vol.XV.

Trivandrum Corporation Administration Reports (various issues), Trivandrum.

UNCHS (Habitat) (1986) Position Paper for 1986, DAC (86) 47,27,August.

Wadhwa D C (1973) Agrarian legislation in India (1793-1966) Gokhale Institute of Politics and Economics, Series No.6, Orient Longman Ltd, Delhi.

Wallich Christine (1983) "State Finance in India", World Bank Staff Working Papers, Number 523.

Werner Z Hirsch (1970) The Economics of State and Local government, Economic Handbook Series, Mcgraw Hill Book Company,

Weidenbanm L Murray (1970) "Federal aid to state and Local governments: The policy Alternatives" in Mitchell E William and Walter I, State and Local Finance, Ronald Press Co., New York.

Yoneharo Junshichiro (1981) *Local Finance in Japan*, ANU, Canberra.

Zimmerman F Joseph (1983) *State-Local Relations. A partnership Approach,* (Praegan Publishers) USA.