
CHAPTER V

FINDINGS AND SUGGESTIONS

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5.1 INTRODUCTION:

In this Chapter, we are providing a summary of the major findings on the basis of which, we are also giving some suggestions for improvement in the performance of Sangola Nagarpalika.

5.2 FINDINGS:

(a) Revenue:

1. For Sangola Nagarpalika, 56 percent of the total receipts come from revenue receipts comprising various rates and taxes.
2. A major portion of revenue receipts is received from octroi, contributory gains tax and special water supply tax.
3. Among the taxes, octroi is the single largest tax, contributing around 56 percent, although there are some variation in it during the period under study.
4. Major components of revenue receipts include Entertainment Tax, Publicity Tax, Vehicle Tax and Road Tax.
5. The capital receipts of Sangola Nagarpalika contributes 44 percent to the total revenue and it has been increasing it was found, during the period under study.

6. The major component of capital receipts include income from deposit and advances and the government grants and contributions.
7. The grant-in-aid include four types of grants such as General Purpose Grants, Specific Purpose Grants, Compensatory Grants and Miscellaneous Grants.
8. The annual growth rates of revenue show an inconsistent picture although the revenue has increased at an average growth rate of 10 to 20 percent.
9. The growth of octroi revenue has been more consistent than the other components of revenue receipts.
10. During the period 1975-76 to 1989-90, barring a few years, the capital receipts have also increased significantly.
11. The compound growth rate of revenue receipts shows that while the Nagarpalika rates and taxes revenue increased by 16.6 percent over fifteen years, the non-tax revenue increased at the compound growth rate of 26 percent over the same period.
12. In the capital receipts, the compound growth rate of grants-in-aid for the last 15 years is 34.37 percent, which is highest when compared with other components of capital receipts.

Thus the overall finding relating to the revenue is that Sangola Nagarpalika has to depend upon the state Government grants to a significant extent, while the local

resources raised by it have not increased substantially.

(b) Expenditure:

1. Among all revenue expenditures, the major component of expenditure is the general administration and expenditure on tax collection, public health, etc.
2. In comparison with revenue and capital expenditure, the revenue expenditure is significant than the capital expenditure.
3. Among all the revenue expenditure, administrative expenditure is around 20 percent, although there are some variations in it during the period under study.
4. The minor components of revenue expenditure include public security, grants and contributions, education and miscellaneous expenditure.
5. Capital expenditure of Sangola Nagarpalika constitutes 43 percent of the total expenditure and it has increased during the study period.
6. The major components of the capital expenditure include: Deposit refund and Road and building constructions, for the 15 years' period under study.
7. The annual growth rate of revenue expenditure shows an inconsistent picture although it has increased at an average growth rate of 18 to 20 percent.
8. The rise in the administrative expenditure and the expenditure on public health are more dominant than

other components of revenue expenditure.

9. Barring a period of few years, the capital expenditure has also increased significantly during the period from 1974-75 to 1989-90.
10. The compound growth rate of revenue expenditure shows that tree plantation expenditure has increased by 44.6 percent over the 15 years' period, which is highest when compared with other components of revenue expenditure. Expenditure on public works and general administration are also higher to the extent of 25.2 and 18.2 percent, respectively, over the same period.
11. For the capital expenditure, the compound growth rate of town planning for three years is 70.95 percent and the deposit refund for 15 years is 34.2 percent; road and building construction for the same period is 24 percent and is highest when compared with other components of capital expenditure.
12. The compound growth rate of capital expenditure for 15 years' period is 14.2 percent and the revenue expenditure for the same period is 18.03 percent.

Thus, the overall picture of Sangola Nagarpalika's expenditure shows that the expenditure is mainly for general administration and public health; and also that the revenue expenditure is more than the capital expenditure.

5.3 SUGGESTIONS:

(a) Receipts:

In the Nagarpalika rates and taxes, octroi is one of the major taxes. Though in the modern times, octroi is criticized on various grounds, it will be very difficult to maintain the salaries of the Nagarpalika employees if the octroi is abolished. Octroi is one of the major tax, even though it is opposed on various grounds. It should not be abolished unless adequate alternative resources are developed by all local bodies. Either now or in the future, it will not be appropriate to abolish the present octroi.

For self-reliance, local governments should be allowed to own, manage and develop commercial enterprises such as markets and hotels. If the local units can have trucks and tractors, can own shopping centres, can start dairies and poultry farms, it would provide a welcome service to the people, besides being a source of income to the local government. It is also necessary to grant loans for financing capital works like markets and shopping complexes. These loans should be supported by the state government on long-term basis. As the existing borrowings of the Nagarpalika are not substantial, loans should be granted to such a local unit to furnish a matching contribution. This would not only minimize the expectation of loan but would also maximize self-reliance in the matter of local finances.

If the local government minimizes the rates of octroi, which is already high, it would get extra income as the percentage to tax avoidance would lower. Payment of octroi should be imposed on the basis of price instead of units, e.g. on commodities like coconuts, diesel and petrol.

If the industrial estate and the Sangola Shetkari Sahakari Soot Girni are brought under the jurisdiction of Sangola Nagarpalika, it also would help in increasing the octroi revenue.

The local government should impose licence fee to increase the revenue income.

(b) Expenditure:

The local government should control the administrative expenditure, which is already high because of surplus workers in the Nagarpalika. By avoiding further recruitment, it should bring about efficient administration for effecting economy in administrative expenditure.

It was not necessary for Sangola Nagarpalika to invest heavily in water supply schemes, e.g. Bhima River Water Supply Project.

The state government, instead of local government, should take on the responsibility of paying the pension amounts to the retired employees.

The local government should fix specific proportion of the total revenue to be spent on capital expenditure first and the remaining revenue income should be spent on other expenditure.

The state government should carefully monitor the loans extended to the local government for capital expenditure and should not extend loans for meeting the current expenditure.

The local government should not allow the routine expenditure to cross the government limit of 42 percent of the grants.

The financial position of Sangola Nagarpalika is not very well and the Nagarpalika does not appear to have seriously considered the possibility of planning the resource mobilization.

5.4 CONCLUSIONS:

We have thus to conclude that going by the analysis of revenue and expenditure of Sangola Nagarpalika during the period under study, there is a certain scope for improvement in the financial management of the Nagarpalika in the light of the suggestions made above.

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