
MUNICIPAL FINANCE OF SUBURBAN MUNICIPALITIES—KOLKATA METROPOLITAN AREA.

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ABSTRACT

Generating fiscal resource to enable provision of basic services and infrastructure has been a challenge especially in the Indian scenario, which has witnessed considerable urbanization in recent decades. The metropolitan areas, which dominates the urban scenario, often considered in holistic way. In order to delve deeper into the multiplicity of a metropolis, and look into the suburban scenario with regards to municipal revenue, this paper takes the case of suburban municipalities of Kolkata Metropolitan Area. Through the review of recent municipal revenue data obtained from state government the study tries look beyond the core city. It explores to find that even after almost twenty seven years of structural adjustment initiative launched in India, percentage of own revenue remains low for the suburban municipalities and they are more dependent on central and state government grant. Being part of the metropolitan area, the municipalities remain within the domain of the planning authority and the dependence has remained intact, despite the respective local self-government are constitutionally recognized. This reiterates local self-government's status in India more prominently in Kolkata as state dependent rather than a separate governance institution.

Keywords: municipality, revenue, expenditure, metropolitan area, governance

INTRODUCTION

Administering planetary urban is perhaps the biggest challenge the practitioners, policy makers, planners and academia is facing in the recent era. With increasing urban population, there is increasing pressure on land and other resources, increasing demand for services and amenities and infrastructure. This is beyond question that directly and indirectly urban management and governance is closely integrated with availability and access to finance. There have been several global institutions namely United Nations, World Bank etc. that have dealt upon methods of financing the city. Municipal finance is one such arena, which have acquired attention at various international and national levels and is considered to be vital in enabling city government capable to govern. The paper explores into the revenue and expenditure of principal items in

local suburban units of the 13th largest agglomeration of the world (UN-DESA, 2018) and a prominent metropolis of global south. India being the hot-spot of urbanization in recent decades have exhibited diverse phenomena with respect to urbanization and there have been some important legal and planning measures taken up since nineties that helped put Indian urban in global map. Finance is one of the crucial aspects of urban management and there have been various studies and efforts to enhance fiscal resource at the local level. Through case study of municipal revenue of multiple suburban units of a single metropolis, would like to argue that even after decades of metropolitan planning, the suburban units lag behind with respect to generation of municipal revenue generation.

POSITING THE STUDY AREA WITHIN CONTEMPORARY MUNICIPAL AND METROPOLITAN GOVERNANCE IN INDIA

In India constitutional recognition was first provided to urban local self-governments in 1992 through 74th Constitution Amendment Act 1992 (henceforth 74th CAA 1992). A number of functions and responsibilities were devolved to the third tier of government. In the initial years a Model Municipal Law was also drafted by the Central government as an exemplary to the state governments. However urban being primarily a state government agenda, drafting and enactment of municipal law was vested with state government and likewise every state has its own set of criteria and threshold for formation of Municipal Corporation and municipality. This is not to state that none of the urban unit in the country had any local self-government prior to the nineties. Statutory towns existed in India not only in pre nineties but also in pre-colonial India. Making local self-government a third tier paved way for a more a decentralised local and regional development. In India, however, devolution of financial responsibilities was not done at par with the devolution of responsibilities and it remains a critical for the cities' functioning even today (Bandyopadhyay, 2014; Mohanty, Mishra, Goyal, Jerome 2007; Bandyopadhyay and Rao, 2009). Insufficient fiscal resource at the municipal level is a major constraint in basic service delivery and has been repeatedly mentioned in various public and academic research documents (Chattopadhyay 2015; HLCFI, 2012; HPEC, 2011). The 14th Finance Commission (GOI, 2014) particularly stressed on implementation of properly formed local self-government in the urban areas so as to avail higher financial support from the central government. Strengthening municipal finance and ways to do it have been looked into through various researches (Sahasranaman and Prasad 2014; NIPFP, 2011; Pethe, Mishra, Rakhe 2009; Sridhar and Reddy, 2009).

Many projects and initiatives on infrastructure and service provision including those targeting slum renewal in post nineties era have been continually including capacity building of municipal governance as a subsidiary project component. Introduction of double entry accounting system, regular preparation of municipal budget, uploading of financial statements to municipal websites,

which mark significant changes in municipal administration are instances of such initiatives. Based on the 74th CAA 1992, each state enacted Municipal Acts or amended the Municipal Act if any existed before.

Kolkata situated within the regional state of West Bengal in the eastern part of India had local self-government prior to 74th CAA 1992. It is important to note Kolkata could be denoted several ways. The city is named as Kolkata while the agglomeration surrounding the city is Kolkata Urban Agglomeration (KUA), which is a census concept. Kolkata metropolis is Kolkata Metropolitan Area (KMA), which is the planning area and legal entity administered by the Kolkata Metropolitan Development Authority (KMDA) and consists of the agglomeration as well as the adjacent rural areas. West Bengal Municipal Act 1993 was enacted for all the municipalities in the state; while for larger cities, West Bengal Municipal Corporation Act was enacted in 2005 except for the cities of Kolkata and Howrah, which are administered by the Kolkata Municipal Corporation Act 1980 and Howrah Municipal Act 1981 respectively

The Kolkata Metropolitan Area consists of 41 statutory towns, of which 4 are Municipal Corporations including KMC and 36 are municipalities, 1 Cantonment Board and 1 Industrial Township. Demographically, the towns of KMA are classified in six classes (Table 1).

Table 1: Class of Towns in Kolkata Metropolitan Area

Class	Population	Numbers
I	100,000 and Above	33
II	50,000 -99,999	7
III	20,000-49,999	1
IV	10,000 - 19,999	1
V	5,000 - 9,999	-
VI	less than 5,000	1

Source: Towns Amenities, Census 2011 (GOI, 2011) and List of towns and cities in KMA, KMDA.

Note: Two towns falling within Class IV and Class VI category are Cantonment Board and Industrial Townships respectively, whose data is not provided for municipal statistics. Apart from the statutory towns, Kolkata Metropolitan Area has a number of census towns which are under rural administrations and are also below class I and II category.

In the study I would particularly look into the capabilities of the suburban municipalities which are within the Kolkata Metropolitan Area but beyond the administrative boundary of the core city or Kolkata Municipal Corporation (KMC), in terms of their dependency on grant and their own tax and non-tax revenue.

From being 9th largest agglomeration in the world in 1950 to 13th in 2015 and further projected to move to 16th rank in the 2030, Kolkata's demographic growth does not exactly match with its Indian counterparts namely, Delhi, Mumbai, Bengaluru. A significant part of the metropolis is constituted by towns and cities, formed in the colonial period including the core city. KMA does not exactly reflect a globalizing metropolis in its entirety. Though there are number of attempts in putting the metropolis in the global map, a close scrutiny reveals that only a part of the metropolis, characterised by the formation of Newtown in the east, primarily contributes to the global aspiration of the state. Nevertheless with structural adjustment taking over India in nineties, most of the municipalities, old and new have gone through revamping and there have been a mass regularization of municipal services.

CONTEXTUALIZING THE STUDY.

Suburbanization, peri-urbanization, rurbanization have been doing rounds as different ways of urbanization process that is changing cities as well as notions around cities with some arguing suburbanization dominating urbanization process (Keil, 2017). Different research studies, policy oriented initiatives around the world, in both global north and south, are being undertaken to analyse the huge change experienced and rising expectations from these areas with regard to provision of basic services, infrastructure and amenities. In this respect a number of guiding documents are prepared by organizations as well as urban academics and practitioners who called in for better efficacy at the local development scenario through fiscal decentralization (Alonso and Andrew, 2018; Kamiya and Zhang, 2016; Farvacque-Vitkovic and Kopanyi, 2014; UN-HABITAT, 2009).

At the national level India initiated Structural Adjustment Program (SAP) in the nineties through constitutional recognition provided to the local-self-government in both rural and urban areas. Within SAP, fiscal decentralization continues to be most problematic, as the responsibility of tax sharing primarily a state subject (Mohanty 2014; Mohanty, Mishra, Goyal and Jeromi, 2008).

But municipal bodies within a metropolitan area have the added advantage of being provided support through metropolitan development authority. A metropolitan development authority is a state created legal entity that administers the region within its jurisdiction and hence administers water supply, solid waste management, sewerage and drainage etc. Kolkata (erstwhile Calcutta) Metropolitan Development Authority (KMDA) created through Calcutta Metropolitan Development Authority Act 1973 was entrusted with administering basic services and amenities.

Simultaneously, there is specialized institution—Kolkata (erstwhile Calcutta) Metropolitan Water and Sanitation Authority (KMWSA), which is entrusted with the responsibility of providing water supply and sanitation in the metropolitan area. Suburban municipalities in KMA have been dependant on both KMWSA and KMDA for providing basic services and infrastructure to the residents of the respective municipalities. KMWSA has recently merged with KMDA. Though local self-government has gained constitutional recognition in the wake of 74th CAA 1992, importance of the parastatal organization has not decreased. Intergovernmental cooperation, planning and working is essential for sustainable governance of a metropolitan area (Sivaramakrishnan, 2015). This further augments the requirement of increasing revenue for the municipalities; neither should it overlook how much is expended from the municipal income for basic services. As already mentioned, in India there are two forms of urban, one with urban administration and the other with rural administration.

METHODOLOGY

As already stated, the study is based on the municipal receipt and expenditures of the other towns and cities of KMA outside the core city Kolkata, administered by KMC. In this paper, I have focussed on the suburban municipalities keeping aside the core city, since in discussion of the agglomeration information on individual small and medium cities gets marginalized.

A new municipal entity, Bidhannagar Municipal Corporation (BMC) was formed recently, by merging Bidhannagar Municipality with Rajarhat Newtown and adjoining rural areas. Hence, in this study, data for Bidhannagar Municipal Corporation is not available and that of erstwhile Bidhannagar Municipality has been taken into account. The study is based on receipts and expenditures of municipal units, which of Cantonment Board and Industrial townships are not provided in the statistical data set available from Department of Statistics and Programme Monitoring. 2013-2014 was the latest year available till January 2019 for Municipal Statistics in West Bengal, which has been referred for the present study. Data for subsequent years are yet to be released by the Department of Planning, Statistics and Program Monitoring (DPSPM), Government of West Bengal. It is important to note that in the consolidated Municipal Statistics, data for Kolkata Municipal Corporation (KMC) was not provided. Apart from the Census 2011 data have been used.

SUBURBAN MUNICIPALITIES IN KOLKATA METROPOLITAN AREA (KMA)

This is beyond doubt that urban finance is closely integrated with urban management. Higher urbanization is not restricted to demographic growth or increasing number of towns and cities alone. In India, growth of towns does not necessarily mean increase in number of municipal governments. Since in India, there are two distinct form of urban, one census urban and the other statutory urban and the criteria for their formation is different. Statutory urban, remains subject

to state definition and is stringent particularly in the regional state of West Bengal, where Kolkata Metropolis is located. The minimum population to form a municipality in the West Bengal is 30,000, while that for Municipal Corporation is 50,000. Also despite having a set of criteria, their formation is controlled by the state government. Each municipal formation is accompanied by a need to provide basic service and infrastructure to the urban residents. In fact municipalisation or even municipal expansion also happens on logic of providing better service and amenities to the residents. It is accompanied by higher demand for infrastructure and amenities. Better municipal revenue generation implies better service management like provision of piped water supply, drainage, solid waste management, roads etc. Being part of the KMA, the municipalities under discussion are under Kolkata Metropolitan Development Authority (KMDA) — a state owned planning body, which has been instrumental in preparing planning for the metropolitan area and provision of infrastructure and services in the city region. Most of the municipal entities in the metropolis other than that of Kolkata and Howrah were either under suspension or supersession. Therefore constitutional recognition provided to the municipalities marked crucial to the urban management with some obligatory functions provided to municipal bodies. Provision of water, sewerage and drainage, solid waste management, slum development, preparation of plan for the urban area some of the obligatory functions of the municipalities.

I have categorised distribution of towns and cities of KMA, distance-wise to show whether towns and cities near to the core city of Kolkata has better/higher receipt in form of tax and non-tax revenue.

Though the towns and cities under discussion fall within the greater metropolitan rare, their distance from the core city assumes significance. I have distributed the towns into categories (Table 2).

Table 2: Distance of Suburban Towns and Cities from Core City in Kolkata Metropolitan Area

	Number of Towns
Within 30 Kilometre	29
30-60 Kilometre	14

Note: This Table includes two other statutory towns Barrackpore Cantonment Board and Nabadiganta Industrial Township falling within KMA but are not municipalities.

Source: Calculated from list of cities in KMA available from KMDA and Census 2011.

Most of the towns are located within 30 Kilometres distance of the Kolkata city.

MUNICIPAL RECEIPT AND SUBURBAN KMA

Every state in India has its own way of calculating revenue generation, though in general, tax and non-tax revenue, and grant forms major heads under which revenue is assessed. The study focus on the receipt of the Municipal revenue primarily in three forms—tax revenue, non-tax revenue and grant. (Figure 1).

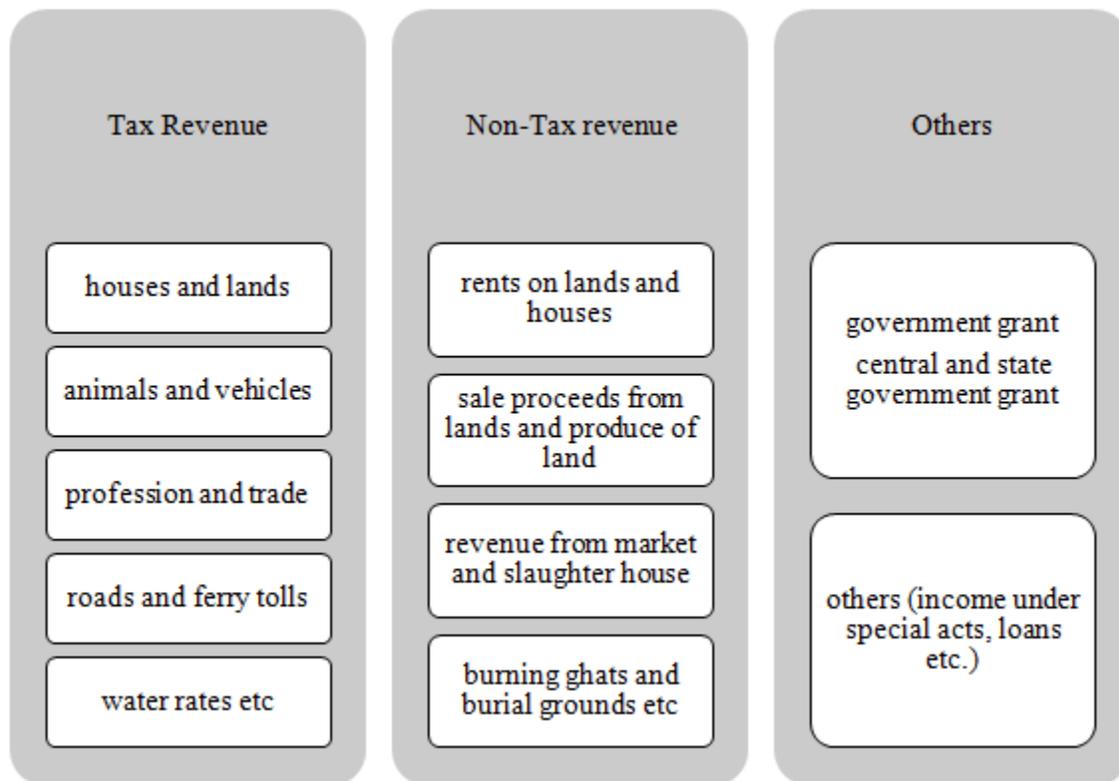


Figure 1: Principal types of Municipal Receipts in West Bengal, India

Source: Based on Municipal Statistics 2013-2014, West Bengal.

I intend to explore towns and cities nearer to the core present better receipt in terms of tax and non-tax revenue.

Though in India there have been attempts to increase municipalisation through incentive of better grant for a properly constituted local self-government (GOI, 2014), not much have been done to strengthen the fiscal capability of the municipality. Towns falling within 30 Kilometres distance

of the core town (Figure 2a) has higher percentage of tax and non-tax revenue in contrast to towns falling outside the 30 Kilometres periphery (Figure 2b).

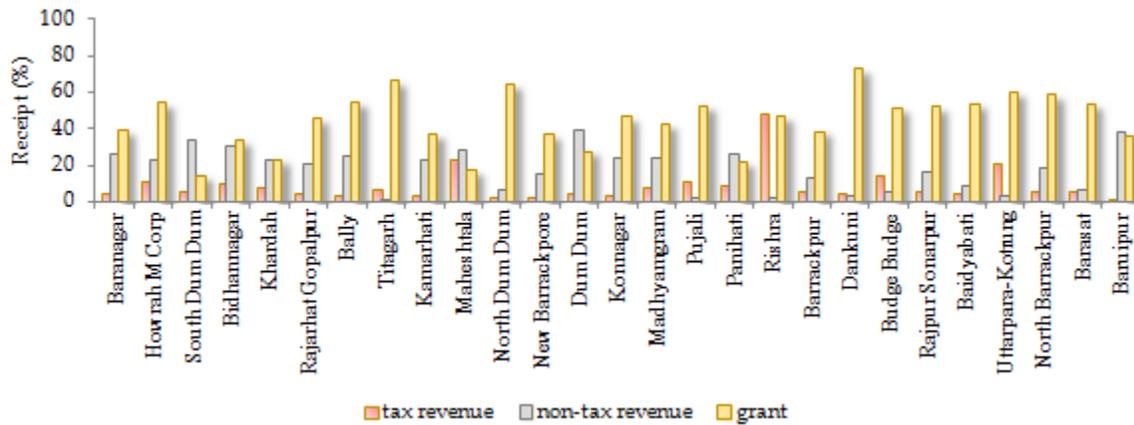


Figure 2a: Income of Suburban Municipalities of Kolkata Metropolitan Area: Towns lying within 30 Kilometres of Core City in KMA

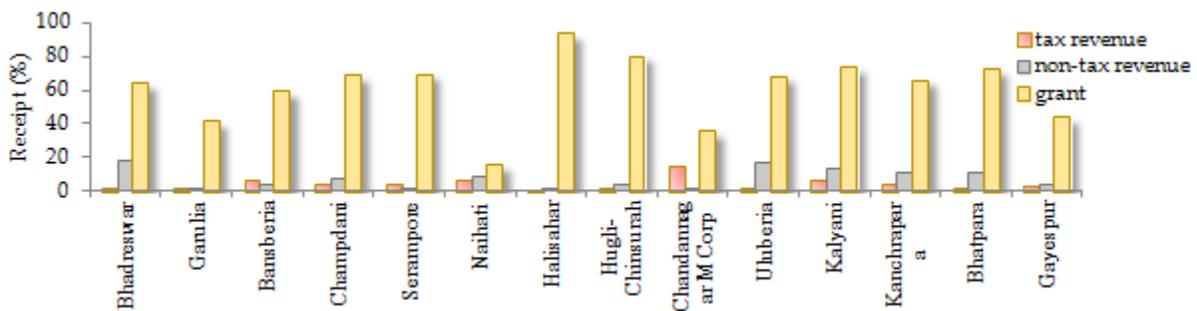


Figure 2b: Income of Suburban Municipalities of Kolkata Metropolitan Area: Towns lying within 30-60 Kilometres of Core City in KMA

Source: Based on Municipal Statistics, West Bengal. 2013-2014.

Municipal revenue in tax and non-tax form is supposedly the most important source of receipts, though after twenty seven years of the 74th CAA 1992, dependence of municipalities on government grant is clearly visible from the Figure 2a and 2b. Only 7 towns falling within 30 Kilometres distance from the city, has receipts in form of tax and non-tax revenue combined, higher than Grant (Figure 2a).

Again within municipal own revenue, share of non-tax revenue is higher compared to the tax-revenue. Though most of the towns in the megacity originated as industrial units in the colonial and continued to form the major industrial base of the city in post-independence period, in recent

years, the towns around the city has emerged predominantly as the residential suburb. Formation of a planned satellite town—Bidhannagar in 1965 and spilling of population outside the core city in the last decade has prominently raised the demographic burden in the immediate periphery of the city as they provide moderately cost residences and rental housing for population working and staying in the city proper as well as in the satellite town and Newtown area. In recent years there has been an eastward expansion to the metropolis with large number of villages being either changing to census towns owing to large scale conversion of population from farm to non-farm activities or they are being incorporated within existing municipal limit. This is evident from more than twice expansion of municipal towns-Rajpur Sonarpur and Baruipur. The physical expansion of the towns has been done through incorporating a number of adjacent rural units within municipal limit. Spatial expansion has been followed by demographic expansion. The growing importance of these two towns as residential suburb to Kolkata has obvious consequences in increasing demand for services and infrastructure. This is reflected in comparatively higher non-tax revenue in both the municipalities.

Low tax revenue in most of the suburban municipalities is characterised by lower valuation of property in the municipal areas. Many of these municipalities are old and there have been very few revision of tax rate. In many areas the added areas (which have been incorporated afterwards) are yet to have municipal taxation. For instance in case of Howrah Municipal Corporation, which is the second largest urban unit in the metropolitan area, 10 wards was added to the town in the eighties. In thirty years, the added wards are yet to have a proper municipal taxation system. In many municipalities, residents living in the added areas continue to pay tax at a rate, which was existent when the units were part of rural administration. Keeping low municipal tax is a populist measure to strengthen vote bank politics, which is prominent in this part of the country. Moreover with emphasis being given by the central government in disbursing fund to a properly formed local self-government, more and more municipal bodies are increasingly relying on government fund. As provided in the Table 3, average revenue receipt is lowest for tax and highest for grant in both cases— towns lying within and outside the 30 Kilometres distance from the core town. The difference is more prominent for towns lying outside, which shows higher dependence on grant on an average.

Table 3: Average Receipt of Municipal Towns in KMA (in percent)

	Tax revenue	Non-tax revenue	Grant
Within 30Km	9.11	17.90	44.71
Outside 30 Km	4.44	7.34	60.43

Note: The Table excludes the 2 statutory towns of Barrackpore Cantonment Board and Nabadiganta Industrial Township, since they are not municipalities and hence not found in the municipal statistics data.

Source: Calculated from Municipal Statistics. West Bengal. 2013-2014.

MUNICIPAL EXPENDITURE AND SUBURBAN KMA

In order to understand how the municipal receipt is spent, it is crucial to look into the expenditures of the same year by the respective municipalities. However it should be noted that municipal expenditure, while gives account of how much spent under different categories (Figure 3), does not necessarily clarify on which part of the municipal receipt is spent in which item. There is around 14 different items altogether towards which municipal expends.

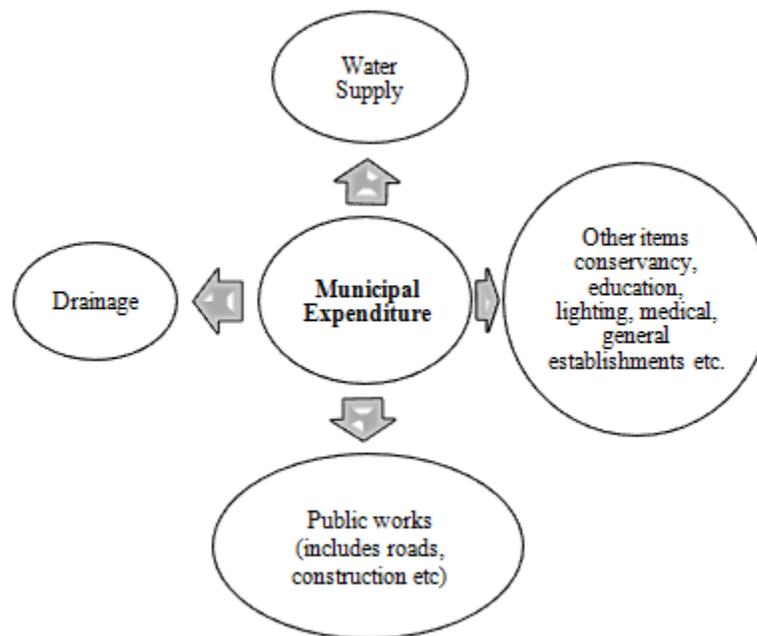


Figure 3: Selective Principal Items of Expenditure by Municipalities in Kolkata

Source: Based on Municipal Statistics. West Bengal. 2013-2014.

Within 14 principal items of the municipal expenditure, there is general administrative cost, barring which more or less other goes into overall improvement in the municipality.

In the study, I have used the same year data set of municipal finance and focussed on three key issues, namely, water supply, drainage and public works (Figure 4a and 4b).

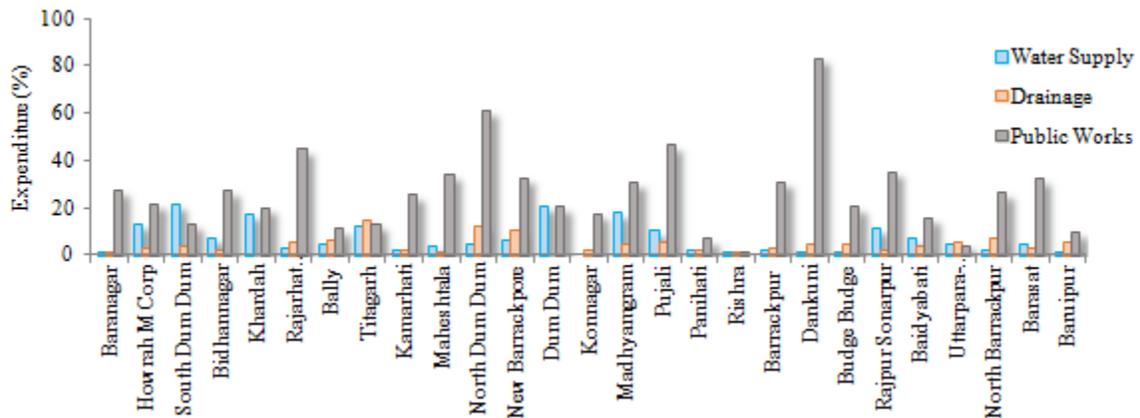


Figure 4a: Expenditures by Suburban Municipalities of Kolkata Metropolitan Area: Towns and cities lying within 30 Kilometres distance of core town

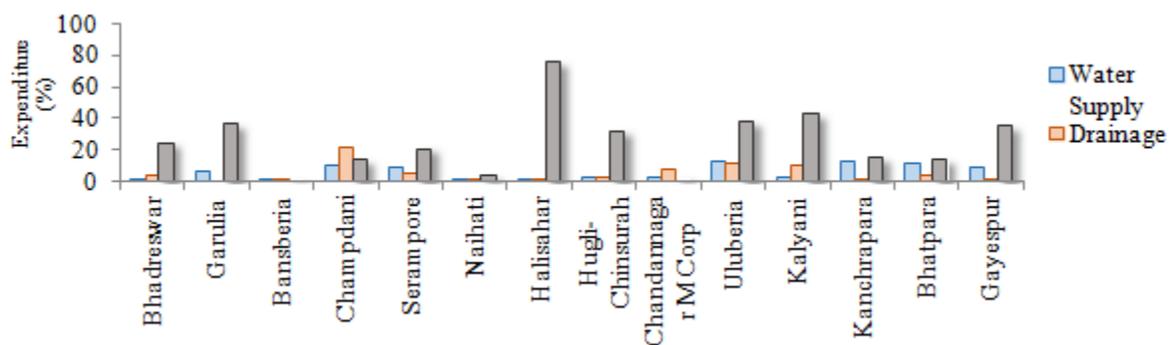


Figure 4b: Expenditures by Suburban Municipalities of Kolkata Metropolitan Area: Towns and cities lying within 30-60 Kilometres of the Core city

Source: Based on Municipal Statistics, West Bengal, 2013-2014.

In both case —cities and towns lying within and outside 30 Kilometres distance— percentage expenditure incurred on water supply is minimum. Expenditure incurred on the public works is higher compared to water supply and drainage. In all these towns, water supply is provisioned from KMWSA, since they are constituted within the metropolitan area or KMA. Though functions like providing water supply, sewerage have been transferred to urban local bodies, towns and cities within KMA continues to be serviced by the KMDA and its allied agency. A considerable portion of municipal expenditure is devoted to public works, namely roads, construction activities. In this case also, there is multiplicity of institutions including the KMDA and the respective urban local bodies that contribute infrastructural development of municipalities present within the larger metropolitan area. Though the study is discussing income

and expenditure by the urban local bodies, it should be taken into account that most of the functions executed by the urban local self-government are implemented under the planning authority. In cases of centrally and state government funded projects for infrastructural projects, service provisions, KMDA remains the implementing body even if the projects are executed at the municipalities, unlike that of the core Kolkata city. The municipal bodies of small and medium towns do not always have the necessary infrastructure to implement a project completely independently.

If average expenditure of these towns is considered (Table 4), towns within both categories—within and outside 30 Kilometres exhibit almost similar characteristics.

Table 4: Average Expenditure of Municipal Towns in KMA: Showing Three Principal Items

	Water Supply	Drainage	Public Works
	(in percent)		
Within 30Km	6.87	4.40	26.25
Outside 30 Km	5.69	5.43	25.66

Source: Calculated from Municipal Statistics. West Bengal. 2013-2014.

OVERVIEW: MUNICIPAL FINANCE AND KOLKATA.

In order to assess the average receipt and expenditure of the peripheral municipalities along a different line of category, average municipal receipt and expenditure is considered under a different category—Class I, II and II towns (Table 5 and 6). Municipal receipt through tax and non-tax revenue is higher in case of the class I towns but at the same time their dependence on grant is higher compared to the Class II and II towns (Table 5).

Table 5: Average Receipt of Municipal Towns in Kolkata Metropolitan Area (KMA)

	Tax revenue	Non-tax revenue	Grant
	(in percent)		
Class I town	7.99	14.93	50.63
Class II and III towns	5.58	11.68	47.82

Source: Calculated from Municipal Statistics. West Bengal. 2013-2014.

When average percentage expenditure for the same is considered, it is obvious Class I towns would spend more as their receipt is higher than the other two classes of towns. In case of

drainage it is almost identical, but in case of public works expenditure contributed to public works is higher for the class II and III towns (Table 6).

Table 6: Average Expenditure of Municipal Towns in KMA in Three Principal Items

	Water Supply	Drainage	Public Works
	(in percent)		
Class I town	6.81	4.79	23.84
Class II and III towns	4.78	4.59	35.17

Source: Calculated from Municipal Statistics. West Bengal. 2013-2014.

Municipal receipt in form of tax revenue is not exactly in coherence with expenditure. There is prominence of Grant and this is expected to sustain since the local self-government remains a governmental tool for both the higher levels of government.

Kolkata city administered by the Kolkata Municipal Corporation receives municipal revenue in form of tax revenue, which was around 29.7 percent in the year 2013-2014 and non-tax revenue as 25.6 percent of total receipt for the same year (KMC, 2015). This make revenue earned from own source (tax and non-tax combined) 55.3 percent of the total revenue. But being the largest as well as the central city of the metropolis Kolkata receives lion's share of grant coming from central, state government and from external sources. Earnings from grant constitute 44.6 percent of total revenue.

KMC receives tax revenue through 6 items, in which property tax has major share followed by trade tax, service tax etc. KMC earns non-tax revenue through almost 16 items (KMC, 2015), which is much diverse than that of its suburban counterparts and in general includes revenue from water supply, sewerage and drainage, roads, municipal markets, land and real estate to name few. A meagre proportion of revenue is also generated through Public Private Partnership (PPP), which is not frequently visible in other municipalities except few within KMA. Similarly in case of expenditure, KMC expends in 18 services that include water supply sewerage and drainage, parks, lightings, roadways etc. and in almost 30 items as part of special program (KMC, 2015). So comparing revenue income and expenditure of KMC with other towns and cities of the same is not always viable.

ROLE OF PLANNING AUTHORITY

As already been stated, planning authority—KMDA plays a crucial part in the provisioning of some of key services to the suburban municipalities. KMDA along with its sister concerns, most prominently KMWSA, is engaged in trans-municipal development within the metropolitan area.

KMDA's main source of revenue has been fixed fund from the state government and project-based funding from central government. Land is another important source of KMDA's revenue (2009). KMDA entrusted with the preparing land-use plans and different statutory and perspective plans for the KMA as a whole and sectors are direct medium through which state government can intrude within the local development.

In the event of structural adjustment adopted in India, 74th CAA 1992, another initiative was taken up to decentralise the power to the lowest level. This was formation of a Metropolitan Planning Committee that would be entrusted with drafting the plan for the whole metropolitan area. One of the main features of the Metropolitan Planning Committee was that it would be constituted by the elected representatives of the local self-government and would not act as another state created organization. However the exact constitution of the Committee would be decided by the state government. Though Kolkata Metropolitan Planning Committee (KMPC) was formed as one of the first in the country, and was also responsible for drafting sector-wise plans for Vision 2025 for Kolkata Metropolitan Area in 2000, KMDA remained its primary technical support. At present KMPC stands almost defunct. Over the years the role of state government has increased in urban arena and so has increased the influence of the central government. In this respect, independence of municipal governments as the third tier government stands rather weak. Planning authorities, which are directly under state government, remains more influential in case of municipal development, particularly in respect of sub-urban municipalities.

CONCLUSION

As already discussed there are other forms of municipal receipt and expenditure but their percentage contribution to the respective head in minimal. It is evident from the above discussion that even after two decades of structural adjustment the local self-governments are yet to realize their full potentials and in fact the arrangement between the three tiers of government—the central, state and the local self-government is such that the lowest tier is heavily dependent on its higher counterparts. With a large numbers of projects and policies now aimed at municipal level, availability of finance to the local bodies becomes crucial. With programs initiated at the central level and aimed at the city, grant is more accessible. Formation of local self-government is also a state subject, which means the criteria to form a municipal government rest with the state government and if the municipality is within a metropolitan area, the state government's influence is doubled. The situation of suburban municipalities of Kolkata Metropolitan Area is not different. The core city Kolkata has a well-developed municipal system with different departments devoted to different service delivery and a large base of municipal tax system. Simultaneously, KMC receives higher amount of fiscal support not only from government sources but through international organizations. The situation is not same for the suburban

municipalities. With very low percentage of tax and non-tax revenue, dependence on government grant and KMDA is inevitable. This is largely owing to the fact that sharing of revenue to be raised by the municipal government is decided at the state level. The revenue situation in the suburban municipalities suggest that challenges of municipal finance is more critical in case of the peripheral towns and cities.

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