

CHAPTER - ONE

INTRODUCTION

1.1 Background of the Study

Local self-government is a form of public administration, such that the inhabitants of a certain territory form a community that is recognized by the central government and has a specific legal status and was originated by the Anglo-Saxons. Since the nature of local authorities responsibilities is fundamental to the reality of local Self-Government, it is in the interests of both clarity and legal certainty that basic responsibilities should not be assigned to them on an ad hoc basis but should be sufficiently rooted in legislation Normally, responsibilities should be conferred by the Constitution or an Act of Parliament (Mapatra, 2014).

Local government is a form of public administration which in a majority of contexts, exists as the lowest tier of administration within a given state. The term is used to contrast with offices at state level, which are referred to as the central government, national government, or (where appropriate) federal government and also to supranational government which deals with governing institutions between states. Local governments generally act within powers delegated to them by legislation or directives of the higher level of government. In federal states, local government generally comprises the third (or sometimes fourth) tier of government, whereas in unitary states, local government usually occupies the second or third tier of government, often with greater powers than higher-level administrative divisions. The question of municipal autonomy is a key question of public administration and governance. The institutions of local government vary greatly between countries, and even where similar arrangements exist, the terminology often varies. Common names for local government entities include state, province, region, department, county, prefecture, district, city, township, town, borough, parish, municipality, shire and village.¹

¹ "Local_Government". *Wikipedia: The Free Eccyclopedia*. Wikimedia Foundation, Ince. (july 2012) (23 April 2014) <http://en.wikipedia.org/wiki/Local_government>.

The concept of citizen's participation in the conduct of public affairs was advanced by the liberal philosopher John Stuart Mill as early as the mid 19th century. He considered the broad involvement of citizens to be the most effective guarantee of a well-functioning democratic polity, counterbalancing the threats posed by an over-powerful and interventionist state. In his view, the citizen's opportunity to articulate his views and assert his rights afforded him the best protection against any abuse of these rights by the state (Mill, 2001).

Preamble of Local Self Governance Act 1999, giving the important of decentralized governance and public participation, states that:

"To make provision conducive to the enjoyment of the fruits of democracy through the utmost participation of the sovereign people in the process of governance by way of decentralization, institutionalize the process of development by enhancing the participation of all the peoples including the ethnic community, indigenous people and down trodden as well as socially and economically backward groups in bringing out social equality in mobilizing and allocating the means for the development of their own region and in the balanced and equal distribution of the fruits of development.

Have institutional development of local bodies capable of bearing responsibility and power at the local level as is necessary to formulate and carry out the plans, and constitute local bodies for the development of local self-government system in a manner that they are able to make decision on the matters affecting the day-to-date needs and life of the peoples, by developing the local leadership" (Local Self Governmenance Act,1999).

In Nepal, the history of municipalities is not new. Very little is known about municipal system that existed in Nepal prior to the 1960. The scanty information indicates that the first municipality was established in Lalitpur in 1918. this was followed by the Kathmandu municipality that was set up first as the "cleaning office" in December 1919. As the name suggests, this office was mainly responsible for the cleaning of Kathmandu. The "cleaning office" was converted in to an elected body over the years. The year 1947 was notable in the evolution of the Kathmandu

municipality in the sense that in February of that year Prime Minister Padma Shamsher announced administrative reforms, including the establishment of an elected municipality in Kathmandu.

Accordingly, Kathmandu city was divided into 21 wards and Kathmandu Municipality was constituted with 21 elected members in March 1947. The third municipality was established in Bhaktapur in the form of “chebhadd” in 1949. In 1952, two more municipalities were set up in the eastern part of Nepal: One in Biratnagar and the Other in Bhadrapur. Since the 1960s, several municipalities have been created under various laws.

Municipal area through the light of urban areas where there is the increasing pressure of population which ultimately leads to the high demand of public utilities such as electricity, roads, drinking water, sanitation etc. To maintain such demands of locality, organizations. The more an organization is financially dependent the more limitations it has to exercise autonomy. Financially dependent organizations can never exercise fully autonomous. The local government finance is also based on the local resources. Basically tax, fee, fines, charges, rental income of property, loan and grant are the base of local finance. At the present the municipality has the following rights to raise the revenue from the following sources such as local taxes, service charge, fee and fines. Local taxes include house and land tax, bazaar or market tax, business tax, vehicle tax, entertainment tax, rent tax and other such tax prescribed in the law. They also collect the service charge and fee for service they provide. Beside these sources central government also provide the conditional and unconditional grant to the municipality.

Historically it was an established belief in many countries that central government can do the job best way. After the changing scenario it was felt that local's such problem need to be addressed by local level institution. Then many countries started strengthening the local institution through the devolution. Now in Nepal Local Self-Government Act (LSGA) 1999 covers all three level institutions (VDC; Municipality, DDC) function, authority and responsibilities. Apart from the existing act (LSGA; 1999) authority and responsibilities defined by other prevailing acts and rules are delegated to the local governments.

The government of Nepal can declare any area as a Municipality if the minimum annual income is more than one million rupees and the total population is more than 20,000 with having electricity, roads, drinking water, and other similar type of urban facilities. But in the case of Mountainous region income of the area should be 5,00,000 and the population ten thousand is sufficient even if there are no road facilities. These are the basic criteria (LSGA, 1999).

Nepal has two-tier system of local governance, with village and municipal bodies as the lower tier and district bodies as the higher. The village bodies are called Village Development Committees (VDCs) with municipalities serving the same function in town areas. The distinct bodies are the District Development Committees (DDCs). The current structure of local governance in Nepal was put in place after restarting of democracy in 1990 and the current functions, duties and power of Local Governance (LG) is in effect after promulgation of Local Self Governance Act 1999. All VDCs are divided into nine wards. Municipality is divided into a minimum of nine wards but the maximum number is not specified. Wards are the smallest unit of the local government.

Each ward has a committee (WC) made up of the five elected members, one of which must be a woman. VDCs and municipal committees run LG's affairs. Village Councils (VCs) and Municipal Councils (MCs) meet biannually to approve or question VDC and municipality policies, program and budgets. VDC chairpersons, vice-chair persons, ward member and six nominated members representing women and disadvantages group form the village councils. Municipal Councils (MCs) have a similar structure but the nominated members can be maximum number of twenty.

There are 3913 VDCs, 58 Municipalities and 75 districts of Nepal (LSGA, 2011).

The Constitution of Nepal (2007) is in fact democratic in spirit and indicates the importance of decentralized form of governance where participation of different groups and community members could be ensured the spirit of constitution is to invite participation of people not only for the sharing the benefits of the development but also in planning and programming and even mobilizing resources necessary for the local development. Nepal has adopted decentralized system of governance. Under this

system, there exist two levels of government i.e. Central level and Local level. Central level government governs all parts of the country. It generates income to maintain law and order while local government mainly works in local area.

Municipality has to play various roles to uplift the societal concern. For this municipality requires large resources. Only the financial resources getting from the central government is not sufficient. So Municipal finance related to revenue stream should be strengthened. For that Municipality should raise maximum internal resources by using the power given to them. Minimum performance measurement criteria (MCPM) determine the municipality's performance. Slandered, according to their slandered municipality get the additional fund from central government. So Municipality should meet the minimum condition and secure high score on performance measurement to get the more financial resources. On the other not only sufficient resources is the symbol of sound finance but also expenditure stream is more important to get the better result.

The case study intends to cover the financing situation of Nepalgunj Municipality,

1.2 Statement of the Problem

There is no single model for improved local government that is suitable to handle all situations of the local community but improved situation should feel by the local people by increasing their capacity within constraints of resources. Improvement in local government mean not only the increased in the number of councilor elected by the people, officers to serve people, services to provide people or increase competition between them but also having sound financial base and not cutting down budget necessarily. The adequate local revenue is necessary to improve the financial base of local government that includes both taxes and innovative ways to mobilize local assets and community resources (CLGF, 2009). There is a vast gap of share of tax income in GDP between developed countries and developing countries 38% and 18% of GDP respectively (Bird, 2005).

In Nepalgunj Municipality, infrastructures like roads and hospitals is a casualty. Worse is rampant misuse of municipal budget. After the expiry of the tenure of

elected representatives of the municipality 2001, the institution has been under non-elected representatives of various political groups. The public want effective service delivery, improvement of local infrastructure and clean and healthy city as which was in the past.

With bumpy roads, the city is full of dust. The uncollected garbage is left everywhere. People cannot find fresh air to breath. In the rainy season, the city turns into big pond due to lack of sewerage and drain. Even newly constructed and up-graded roads, pavements and other infrastructure do not last long.

Except Surkhet-Nepalgunj road which is in construction in fund of Asia Development Bank (ADB) the other roads which should be projected by municipality are not started in Nepalgunj Municipal area. Due to use of low quality materials, the repaired black topped roads turn into earth in the short time and drainage systems are virtually defunct and the city is full of uncollected garbage.

Moreover, traffic jams have become a new problem in Nepalgunj as the construction and expansion of the new urban roads is virtually halted and the number of vehicles grows. It is estimated that 18 tons of waste is generated within the municipality each day. Waste collection and transportation is solely carried out by the municipality. There is no specific collection centre in the municipal area. The wastes are thrown in the empty lands, road sides and storm drain. The municipality sweeps the roads and collects the waste from roadsides. The drains are also cleaned frequently and wastes are taken out and wates are collected (MISSION MUNICIPALITY For Clean Nepalgunj, 2010).

Growth rate of population is another problem for the Nepalgunj Municipality. Although population growth leads to urbanize village area in county area.

The municipality had population of 57,535 with 30,241 male and 27,294 females. The population growth rate is estimated 3.01 percent. The population density is 4599.12 people per sq. km. (CBS,2001). Now the total population of the municipality is 73,779 which 38,113 are males and 35,666 are females. The density of the population

is 5898 sq.km. in Nepalgunj Municipality. The annual population growth rate is 1.85 percent (CBS, 2011).

Although it was estimated 3.01 percent but it is 1.85 percent only. The population increased by 16, 244 in ten years. The density increased by 1298.4 people per sq. km. in municipality. The main cause of population growth is migration.

Shortage of public toilets inside the Nepalgunj Municipality has created a menace for the locals in Banke District. Most of the locals who come to market place are left with no other option than hold their pee. Main market of Nepalgunj Municipalities areas are without access proper public toilets.

Officer of the Nepalgunj Municipality said that the office was mulling to construct public toilets in different areas of Municipality. The inability to construct toilets is due to no government own land (The Rising Nepal, 2013).

1.3 Objectives of the Study

The major objectives of the study is to analyze the overall situation of the financial system of Nepalgunj municipality. But the specific objectives of this study are as follows:

- a) To analyze the sources of income and expenditure pattern of Nepalgunj municipality.
- b) To explore the possibilities of raising internal resources to finance the development expenditure of the municipality and improvement of its financing condition.

1.4 Significance of the Study

This research examines the municipality revenue and its expenditure pattern. This also indicates obstacles in revenue generation and shortcoming of its expenditure pattern.

This kind of research on micro-level study of municipality is essential for finding the issues related to revenue mobilization and expenditure at local level.

Nepal has adopted decentralized system of government under which there are two layers of government i.e. central level and local level. LSGA 1919 and other related act gives the power to the local government to generate revenue by itself. Within the boundary of given authority, local government must be financially sound to manage the local area properly. This requires more financial resources. This study explores the actual financing of the Nepalgunj Municipality.

This study helps to know the financial administration effectively. It also helps to understand how this municipality mobilizes collected revenue development of the municipality. This study will also be useful for the planners and policy makers to formulate the plans or policies to tackle the financing problem in this municipality and it helps to find the problems and a solution at the micro level in one hand and provide data to formulate macro level policies in the other hand.

1.5 Limitations of the Study

This study has its own limitations due to lack of sufficient time and money. So, it only focus on the particular area which will be as following:

- (i) The study focuses mainly on only one municipality that is Nepalgunj Municipality.
- (ii) It considers the time frame consisting of only five years from fiscal year 2008/09 to 2012/13.
- (iii) It is not possible to include the latest data from fiscal year 2013/2014 in this study due to administrative and technological problems of Nepalgunj Municipality.

1.6 Organization of the Study

The whole study is divided in to six chapters. The first chapter is the introductory portion which deals with background of the study, statement of the problems, objective of the study, significance of the study, limitation of the study and summary of the organization of the study.

The review of literature constitutes the second chapter which covers the concept of local government, evolution the degree of decentralized government, problem of local government, functions, duties and power of municipality, decisions and direction, function and duties, revenue and expenditure of municipality and empirical study. The third chapter deals with research methodology and profile of the study area respectively. The fourth chapter analyzes the revenue and expenditure patterns of the Nepalgunj Municipality during period of five fiscal years 2008/09 to 2012/13. It includes detailed analytical description of difference source of revenue and their contribution to the net total revenue as well as the major area or expenditure.

Finally, conclusion of the study has made summary of findings, Conclusion and recommendations made based on such study that might be helpful in formulating and implementing policies are the contents of the last chapter. References and Appendices have presented after the last chapter closes the study.

CHAPTER-TWO

REVIEW OF LITERATURE

2.1 Concept of Local Government

The concept of local governance encompasses institutional networks, interactions, collaborations and collective action in enhancing democratic practices at the local level. This broader idea of local governance can promote democratic norms, values and practices of diverse types of locally functioning institutions. This is a new phenomenon evolving around the human collectivism. It is expected to provide spaces for diverse community groups and networks to promote and engage in collective action for locally defined agenda. This concept of Local Government also relates to the concept of “Municipality Finance”. The fundamental principle of local governance is to make the government responsive and accountable towards the people in its jurisdiction.

Looking at the origin of the Local Self Government we can see the similar outline in which decentralization and people participation taking great concern in these days. The federal system is going to develop in the Nepal although its frame is not applied till now and the federal frame which is suitable for Nepal is not developed in political level. It is in the process only. But in the form of decentralization there is regional and Local Level Government working in Nepal.

UNDP uses the term decentralization governance as it firmly believes that decentralization of the public sector, in itself, will not be effective unless support is also provided to strengthen local governance, involving the public, private and civil sectors. And in turn, the achievement of good governance at the local level is also not possible without the transfer of responsibilities and capacities through decentralization. The term decentralized governance defines the systematic and harmonious interrelationship resulting from the balancing of power and responsibilities between central government and other levels of government and non-governmental actors, and the capacity of local bodies to carry out their decentralized responsibilities using participatory mechanism (UNDP, 1998).

Decentralization can be divided in the following basis to measure the degree of decentralized Governance:

Table-2.1
Evolution the Degree of Decentralized Government

Types of Unit to which Authority is transferred	Aspect of Governance transferred or shared			Generic Name
	Political (policy/Decision making)	Economic or financial resource management	Administration and service delivery	
Autonomous lower-level units	Devolution	Devolution	Devolution	Devolution
Semi-autonomous lower-level units	Delegation	Delegation	Delegation	Delegation
Sub-ordinate lower-level units or sub-units	Directing	Allocating	Tasking	Decontraction
External (nongovernmental) units at any level	Deregulation	Privatization	Contracting	Divestment

(Source: UNDP, Decentralized Governance Programme: Strengthening Capacity for People-Centered Development, Management Development and Governance Division, Bureau for Development Policy, September 1997, Annex 3, Box 2, p.33).

In case of feudal Japan, the local government institutions did not evolve naturally from their feudal antecedent. So great was the break with traditional institutions effected by the reforms of the ‘Meiji’ era that a famous Japanese jurist once wrote that Japanese local entities have no history of their own. Many writers assert that there was local self government in Tokugawa Japan. It has been said that in the latter part of the era there was “complete local autonomy” in the fiefs. It has also been claimed that below the fief level towns and villages were given” a generous measure of self-government” or allowed “a maximum of autonomy”, so that rural communities; for instance, were “independent and democratic in the conduct and administration of their

municipal affairs” (Steiner, 1965). The municipalities of Japan are cities (shi), towns (machi or cho), or village (Mura or son). Before the post war reforms, towns and villages were regulated by the same code. There remains no legal difference between them today, although towns are normally somewhat larger and more urban in character than villages.

The designation of city, on the other hand, is given to municipalities that fulfill certain legal requirements in terms of their degree of urbanization. A city exercises certain social welfare functions that are performed for towns and villages by the prefecture (Steiner, 1965).

In the USA, a local government unit may be the city, incorporated town or village. In most countries a local government unit is classified as urban or village on the basis of the character of its people, that is whether urban, semi-urban or rural. But in USA, it is on the basis of the number of inhabitants. Local government units, which have 2,500 populations or more, are usually considered as urban units, and the rest are treated as rural units. An urban or rural unit of local government may be a quasi-municipal corporation or a municipal corporation. There are three types of urban area: namely cities, counties and special districts. The government of urban units are required to provide to the inhabitants services as are necessary to urban life for instance protection, water supply and traffic control. Therefore, cities are granted special powers to meet their needs (Gupta, 1968).

The history of local government in England and Wales can be traced back at least to the Saxon period, when government was carried out independently in the courts of the countries, or groups of countries, which were independent kingdoms, and by the freeman of the shires (administrative unities analogous to the modern administrative countries) of the hundreds (combination of several neighboring townships), and of the individual townships ‘ burghs’ (boroughs), and parishes; who took council together in their several ‘ moots’ or meetings (Research Publication in Social Science, New-Delhi,1971). The main pattern of local government organization in England and Wales, outside Great London, is a division of the country in to country boroughs and administrative countries. The country boroughs (mostly chartered towns with

population of over 75,000) are separate from the countries and independent of them. The administrative countries are sub-divided into smaller units: non-country boroughs and country districts consisting of urban districts and rural districts, the last named being further divided into rural parishes (there are usually some 20 to 30 parishes in a rural district (Research Publication in Social Sciences, New-Delhi, 1971)).

The municipality history of India back some one hundred and thirty six years. According to municipality evolution history in India, the emergence of these kinds of organization in India was due to financial exigencies which the central government has to face in the 19th century (Agral, 1960). According to Agral the municipality in India served as an efficient instrument of relief to the district officer from some of the details of their tasks and works. It was lord Ripan's government which considers municipal institution, desirable as an instrument of political and popular education through which the people of India could be trained to take an intelligent share in the administration of their own affairs (Agral, 1960).

Thus, municipal government history of India can be divided into four periods, the pre 1882 period when municipalities were established to serve imperial needs and desires; the period from 1882 to 1919 when attempts were made to turn them into self governing units, the period between the reforms of 1919 and 1935 the period of administrative failure and the period of reconstruction was to reorganize the whole of government with a view to making them a training ground of democracy and an effective organ of administration (Agral, 1960).

The current system of Local Government Organization and Finance in China has some positive features. Local government assumes a predominant role in the delivery of public services. In this role, they are guided primarily by national mandates, yet they have significant opportunity to adopt and innovate to meet local circumstances. They have done a phenomenal job in alleviating poverty. They have also been successful in improving infrastructural deficiencies. Good quality infrastructure is after all, seen as an important inducement to investors to pump capital into their jurisdictions. Now investment enables local government to enlarge their tax bases and local leadership to assure greater political clout. These benefits provide strong incentives for local

governments to focus on local economic development policies. They also stimulate a great spirit of competition to uplift local economies (Qiao & Shah., 2006).

In Nepal the municipal system that existed in Nepal before 1960s. after the revolution against Rana regime of 2007, the process of establishing municipality is continuing along economic development with “Nagar Panchayat Act 2007”, “Nepal Municipality Act 2009”, “Nagar Panchayat Ain 2019 B.S.”, “Nagar Palika Ain 2048”, “Municipality Act 2055”. Presently, there are 58 municipalities in Nepal, which are as following in chronological order.

2.2 Problem of the Local Government

The growing problems to the local bodies in raising revenue and in augmenting internal funding capacity become quite visible when revenue trend of the local body is observed. The important element of fiscal federalism beginning has thus been recognition of the probable need for intergovernmental grant to close the revenue gap.

Growth rate of population is problem of Nepal which leads to urbanize village area in to country area but it must be smaller than the GDP growth of country. Government of Nepal can declare any urban area as municipal area which has minimum population of 20, 000 and basic facilities like road, electricity, drinking water and communication are available. In the hilly and mountain regions however, minimum population has been fixed at 10,000 people and other requirement remains the same. The municipalities are not fulfilling their development requirements only the rise in size. (LSGA,1999).

Tax of the country is less in case of development countries. Consequently, central government raises most of tax revenue and local authorities have to rely for their revenues on government grants, minor taxes, licenses fees and charges for services. In order to have an effective local government, local authority must have power to impose and collect its own taxes otherwise local bodies cannot fulfill their development requires in their areas. But it is unfortunate that only minor taxing power has been assigned to local authorities (Poudel, 2009).

The financial power of the local bodies is less and all power is centred to the central government and the gap between the central and local government is very wide. The items of resources made available to local bodies are very few and inelastic. The central government does not provide the sufficient resources to local bodies as they need. Even in respect of these resources there has been a gradual encroachment by the central government (LSGA, 1999).

In most of the municipalities, the basic needs of the people which it provides are unlimited but the sources of income are limited. The income sources of municipality are limited as well as flexible whereas the collection process is unsystematic. Therefore there is a gap in municipal financing. The financial resources base of Nepalgunj Municipality is weak due to limited sources of revenue. Furthermore, the available resources are also not fully utilized due to untrained and inexperienced staff and due to lack of proper and effective planning. The municipality has work in the following area such as drinking water supply, sanitation, electricity supply, education and health hygiene but in order to attain these, resources are inadequate so this has demanded for a research of Nepalgunj Municipality which is in Banke district of Mid-Western part of Nepal. The research questions of this study are as follows:

- a. Are resources possibly used for income generation of municipality?
- b. Is income sufficient for development expenditure of the municipality and to improve financing condition of local people?

2.3 Functions, Duties and Power of Municipality

In Nepal, Local Self-Governance Act 1999 has provided the function of municipality which are as follows:

2.3.1 Decision and Directions

In addition to executing or causing to be executed the decision and directions of the municipal council, the functions and duties to be performed by the municipality mandatory in the municipal area shall be as follows:

(a) Relating to Finance

Under this function municipality prepares budget, plans and programmes, keeps accounts of income and expenditure; raises taxes, charges and fees and expend money to execute the decision of the municipality.

(b) Relating to Physical Development

Under this work municipality frame land use map and specify the industrial, residential and agriculture, recreation areas; prepare house plan; carryout plan on drinking water and drainage; develop green zones, parks and recreational areas; arranged for public toilet in various places and building community building and rest houses in municipality area.

(c) Relating to Water Resources, Environment and Sanitation

Associated with this function of municipality are to preserve rivers, streams, ponds, deepwater, lakes, stone water tap, etc.; to carryout irrigation plans; to control and prevent the possible river cutting, floods and soil erosion; to assist in environment protection Act by controlling water, air and noise pollution; to protect the forest, vegetation and other natural resource; to carryout sanitation programmes; to carry and manage the Act of collection, transportation and disposal of garbage and solid water; and to generate and distribute electricity in the municipality area.

(d) Relating to Education and Sports Development

Under this function, municipality establishes, operates and manages pre-primary school with own source; provide support in the operation and management of school being operated and make recommendation for the establishment and dissolution of such school; manages in providing primary level education in mother tongues, provides scholarships to the students of oppressed ethnic communities, who are extremely backward on economic point of view; prepare and implement programmes of adult education in the municipality area. Similarly, the municipality opens, operates and manages libraries and reading halls; prepares and implement sports development

programmes and develops sport by constituting municipality level sports development committee.

(e) Relating to Culture

To prevent cultural and religious heritage of municipality, it prepares an inventory of culturally and religiously important places and maintains, repairs protects and promotes them. Similarly, municipality protects promotes and uses archaeological objects, languages, religion and culture with in municipality area.

(f) Relating to Work and Transport

Under this function, municipality prepares plans of unhitched and pitched roads, bridges and culverts, except those which are under the responsibility and control of Nepal Government, and construct maintain and repair the same; arrange bus park and parking places of other vehicles with in the municipality area.

(g) Relating to Health Service

Operates and manages the municipal level hospitals, Ayurvedic dispensaries, health centres and health posts; formulate programmes relating to family planning, mother and child welfare, extensive vaccination, nutrition, population, education and public health and implement them; arrange for presentation of epidemic and infectious diseases; ban the sale, distribution and consumption of such type of consumer goods which may causes adverse effect on public health are the functions of municipality related to health services.

(h) Relating to Social Welfare

Under this function, municipality arranges for cremation of heirless dead person, and makes arrangement for orphanages for helpless people, orphans and children bereaved of parents; carryout programmes relating to the interests and welfare of the women and children and Acts relating to the control of immoral profession and trade.

(i) Relating to Industry and Tourism

To Act a motivator to the promotion of cottage small medium industries, and protect, promote expand and utilise natural cultural and touristy heritage within the municipality area are the functions relating to industry and tourism of municipality.

(j) Miscellaneous

-) To do plantation on either side of the roads and other necessary places in the municipality.
-) To determine and manage places for keeping pinfolds and animal slaughter house.
-) To protect barren and governmental unregistered (Ailani) land in the its area.
-) To determine and manage crematoriums.
-) To act for the development of trade and commerce.
-) To frame bye-laws of the municipality and submit it to the municipal council.
-) To carry out necessary functions on the controlling of natural calamities.
-) To maintain inventory of population and houses and land with municipality area.
-) To register births, deaths and other personal events pursuant to the prevailing law.
-) To maintain inventory of the helpless, orphan and disabled children within the municipality area and arrange to keep them in appropriate place.
-) To secure public interest by killing rabid and strayed dogs and specify the places to bury dead animals and birds into.
-) To have such trees cut and houses, walls etc. creating hazardous results demolished.
-) To up-date the block numbers of the houses in the municipality area.
-) To arrange for animal slaughter houses in the municipality area.
-) To impound and auction strayed animals.
-) To arrange for lighting on the roads and alleys.

-) To grant approval to open cinema halls in the municipality area.
-) To arrange or cause to be arranged for haat bazar market, markets, fairs and exhibition etc.
-) To operate and manage or cause to be operate and manage or cause to be operated and managed fire brigades.
-) To confer the honour of distinguished person of the town on any distinguished person.
-) To carry out or cause to be carried out other acts relating to the development of the municipality area.
-) To render assistance for the development of cooperation.
-) To evaluate the performance of the Secretary and forward it with recommendation to the authority.
-) To encourage to carry out cooperative, industrial and commercial activities generating income to the municipality with the investment of private sector as well.
-) To formulate various programmes based on cooperativeness and to carry out or cause to be carried out the same.
-) To carry out such other functions as are prescribed under the prevailing law.

2.3.2 Functions and Duties

In addition to the functions and duties referred to in sub-section (I), the municipality may also perform the following optional functions in the municipality area:

-) To make necessary arrangement for providing standard school education in the municipality area.
-) To launch literacy programmes to eradicate illiteracy from the municipality area.
-) To open and operate libraries and reading halls in various places within the municipality area.
-) To control unplanned settlement within the municipality area.
-) To make the structure and development of the town well planned through the

functions such as guided land development and land use.

-) To arrange for the aged rest-houses and orphanages.
-) To arrange for the supply of electricity and communication facilities.
-) To arrange for recreational parks, playing grounds, museums, zoos, parks etc. in the municipality area.
-) In order to reduce unemployment, to collect the data of unemployed persons and launch employment-generating programmes.
-) To launch programmes to control river pollution.
-) To provide ambulance service in the municipality area.
-) To arrange for dead body carriers in the municipality area.
-) To carry out preventive and relief works to lessen the loss of life and property caused from natural calamity.

2.3.3 Consumer Groups and Other Non-governmental Organizations

Consumer groups and other non-governmental organizations shall have to be encouraged for the development and construction works to be done in the municipality area and such works shall have to be done through such groups or organizations as far as possible.

The municipality shall exercise the powers conferred on it under this act and rules and Bye-laws framed under this act.

2.4 Revenue and Expenditure of Municipality

Local government has the power given to them by the constitution or by the particular law to raise taxes fines and fees. In case of Nepal Local Self Government Act 1999 is the principle act of managing the local bodies. This aimed to insure, I. Viable and Reliable to provide the quality services. II. Capable to mobilize the local resources as required implementing the plans and program. III. Develop the transparent and public accountable system. To fulfill these aims Municipality has to raise the adequate resources. LSGA 1999 provide the legal ground to raise the fund and provision of revenue collection.

LSGA 1999 has made the following provision for Municipality to generate the revenue.

2.4.1 Tax Revenue

a) House and Land Tax

Municipality may levy house and land tax, as prescribed, on each house and land within its jurisdiction on the basis of the size, type, design, construction and structure of the house and compound and area covered by the house, as approved by municipal council.

The Municipality may impose land revenue and land tax as prescribed on the land within the municipal area.

The rate of house land tax is first up to ten lakhs in Rs. 300.00 of flat basis and above this increasing percentage base of tax rate on increasing value of property. And if the value of house and land exceed from hundred million then 1.50 percent tax rate is applied (LSGR,1999).

b) Rent Tax

Municipality may collect rent tax, as prescribed, on the amount of rent in the cases where any houses, shop, garage, go down, stall, shed, land or pound within its jurisdiction is rented wholly or partly. According to the regulation the municipality may collect the rent tax the owner up to maximum 2 percent of rent amount.

The municipality may impose rent or tenancy charge as prescribed, on temporary shops permitted to be kept at the market places, public places, unregistered land or road side constructed, supervised or operated it within its jurisdiction. Provided that no permanent shop shall be allowed for construction. Such tenancy charge is Rs 2 to Rs. 20 per square foot monthly.

c) Enterprise Tax

The municipality may levy and collect enterprise tax, as prescribed, on trade, profession or occupation within its jurisdiction on the basis of capital investment and financial transaction. LSGR (1999), annex 10 make the provision of minimum and maximum level of enterprise tax according to the nature of enterprises.

d) Vehicle Tax

The municipality may levy vehicle registration and annual vehicle tax on the prescribed vehicles within its jurisdiction and occasional vehicle tax, as prescribed, on all kind of vehicles entering into the area. LSGR (1999), annex 11 make the provision of different amount of Vehicle tax according to the type of vehicle.

e) Integrated Property Tax

The municipality may levy and integrated property tax, within its jurisdiction at the prescribed rate. For the purpose of levy the integrated property tax the area should of the municipality are valued by the valuation committee. After determine the value of the property which is no objection value of the property owner is the base of the integrated property tax. LSGR (1999) annex 12 make the provision of different amount of property tax according to the value of property.

f) Entertainment Tax

The Municipality may levy entertainment tax, as prescribed, on the means of entertainment such as cinema halls, video-halls permitted within the municipal area. LSGR (1999), annex 17 make the provision of entertainment tax rate and amount.

g) Commercial Video Tax

The municipality may levy tax as prescribed on the video, projector, cable etc. Used by any person of organization for commercial purpose. LSGR(1999), annex 18 clearly explain the amount of commercial video tax which is Rs 200 to Rs 500 per video per year.

h) Advertisement Tax

The municipality may levy tax on signboards, globboards, stall etc. Permitted to be placed on roads, junctions and public places in its area for advertisement, publicity etc.

2.4.2 Service Charges and Fees

Service charge, fees and fines are basically no tax revenue LSGA (1999) also make some provision for collection of non tax revenue. These revenues are collected from the people in exchange for goods or services. Now we discuss some charges and fee that municipality can levy.

a) Parking Charges

The municipality may impose the parking charge, as prescribed, at vehicles parking places managed by it. To manage the increasing urbanization parking places for the vehicle is necessary. After building the parking places municipality can levy the parking fee as per the regulation.

b) Service Charges

LSGA (1999) make the provision of service charge that the municipality may levy. The service charge are the return income of the municipality from goods and services they are provided.

-) Any Municipality may impose service charge for making available the facilities such as drinking water, electricity, water-tap, public telephone and similar other facilities.
-) The municipality way impose service charges for solid wastes management, sanitation, sewerage/drainage etc. Facilities provided by it in the municipal area.
-) The Municipality may collect service charges from the persons using facilities such as public toilets, parks, bathrooms, swimming pools, gymnasiums, guest houses, tourist places, hostels, market places, slaughter houses, crematorium, laundry ghat (bank of a river) and similar other facilities, for making available such facilities.

-) The Municipality may determine the expenditures required to repair and maintain the roads, sewerage, bridges, pavements, courtyards, alleys, drainage, electricity etc. Constructed by it and collect the same from the concerned consumers annually.
-) The Municipality may collect service charge as prescribed in evaluating the immovable property of any person.
-) The Municipality may impose fees for approval (Baksauni) and recommendation fees in its area, at the rate by the Municipal Council, not exceeding the prescribed rate.
-) In the municipal area if any person wants to construct the building then municipality has the authority to give permit. From that municipality can collect the application etc.

2.4.3 Right to Rise Loan

The municipality may raise loans, with or without pledging any property under its ownership and possession on under guarantee given by Government of Nepal, from a bank or any other organization, according to the policy approved by the Municipal Council.

2.4.4 Conditional and Unconditional Grants

The rational of grant provided by the central government is due to the fiscal imbalance between the internal revenue and expenditure needs of local bodies. Intergovernmental fiscal transfer is designed to address the fiscal imbalances where central government provides the conditional and unconditional and also equalization Grant to the local bodies, like municipality. Fiscal imbalances occur in two forms: Vertical and horizontal imbalances. Vertical imbalances occur due to inadequacy of the fiscal resources with different level of government to accomplish the assigned task and provide the services to citizen at the specified quality and quantity. Horizontal fiscal imbalances or differences in the resources among the local bodes within the same level, occurs due to various reason such as differences among the local bodies on their resource endowments, fiscal capacity and efforts and cost of producing services due to differences in physical and infrastructural facilities. So it is difficult to

eliminate horizontal imbalances. However attempts should be made to minimize. Scholars and practitioners have pointed out that a good intergovernmental transfer programs have certain characteristics in common. This is revenue adequacy to the local government to carry out the assigned responsibilities, it should be encouraging local tax effort and at the same time through hard budget constraints controls overspending by local bodies. A transfer should be transparent and predictable that enables the local bodies to forecast its own total revenue including the transfer to prepare their budget.

Formula base grant allocation system is adopted by the government to provide the grant for Local bodies. Unconditional Grant is allocated based on some indicator and it's weighted. For municipality indicators and its weighted are as follows.

-) Population of the Municipality gives the 50 percent weighted
-) Area of the Municipality gives the 10 percent weighted
-) Poverty of the Municipality gives the 25 percent of weighted
-) Internal tax effort gives the 15 percent weighted.

Formula based capital grant is allocated based on the MCPM Condition of the Municipality. This grant allocation system gives the major priority to performance of the local bodies so this is called Performance based Grant System. Government of Nepal initiated this system from FY 2004/05 on the pilot basis on the DDC. This criterion is applied to Municipal level in FY 2007/2008. The objective of the system is to make the local bodies more transparent, accountable and effective in providing the public goods and services at local level. The performances of the municipality in Nepal are assessed on the basis of the indicators Minimum Conditions (MCs) and Performance Measures (PMs). MCs capture the minimum functions of the local bodies fail to meet any of the conditions, it will not be eligible for the grant. PMs cover the additional functions (Beyond the MCs). PMs attempt to measure the extent to which the local bodies have succeeded in accomplishing the tasks/result in key performance area. Further, PMs Determined how much more or less a local body will receive in the grants if it meets all the MCs. It should be noted that the MCPM also serve many purpose other than as a tool for grant allocation however, initially the indicator of MCPM are basically process approach in nature rather than outcome

approach but in the long run they become outcome oriented. The capital grants allocation mythology according to the percentile ranking of the municipality with its score on MCPM. The municipalities in upper quartile receive 25% more and the municipalities' lower quartile get 25% deducted from the base allocation. Those falling in above the average score get 10% more and below the average score 10% percent deducted. Hence to get the more external revenue in the present scenario of performance base grant system Municipalities should comply the MCPM indicator set by the local body of fiscal commission.

There is a number of smaller block grant provided to the municipality, which are rather small in amount, often lack of justification. Some of them are TDF Grant, RUPP Grant, Resource mobilization Grant, Social Mobilization Grant etc.

2.4.5 Expenditure of Municipality

Expenditure is another vital component of municipal finance. Basically there are two type of expenditure.

I. Regular expenditure

II. Development expenditure

2.4.5.1 Regular Expenditure

The regular expenditure can be on:

) Current Expenditure

The current expenditure is Expenditure made on the day to day operation of the official works like payment of salary, office maintenance, newspaper, fuel etc.

) Dept Payment

Settlement of the past debt is also the current expenditure.

) Ordinary Capital

The capital like furniture, office equipment needed in the running of the office is called ordinary capital and is the component of the regular expenditure.

2.4.5.2 Development Expenditure

Development expenditure is investment type of expenditure. This expenditure is of two types.

- I. Expenditure on social program
- II. Capital investment

2.5 Empirical Review

Empirical Studies related to the various aspect of Local Governance had been done by different researchers and institution. In this section we discussed those literature related to local government finance in order to examine the coverage of analytical discussion related to Municipal finance.

According to Bahl, urban governments in developing countries are commonly faced with problems of urban management that surpasses with those experienced by their counterparts in industrialized countries. The prevalence of poverty and generally low income makes difficult at every level of government to raise fiscal resources pace (Bahl, 1983).

Khadka in his book Municipal finance in Nepal with special Reference to Taxation focuses on functions of municipalities and municipal taxation. The author highlights on functions that municipalities play very important role in the public life. They are responsible to carry out some public function and are authorized to collect revenue in their area of jurisdiction. They have their own staff, budget and accounts. Municipalities are assigned to carry out several public functions in the respective areas. While the functions of manipulates vary widely from country to country, common functions include urban services such as revenue collection and disposal, primary education, fire prevention, sanitation, sewerage, water, community

development services, health services, parks and recreation, slaughter houses, cemeteries and street lighting.

In case of municipal taxation, Municipalities are authorized to levy various taxes. Municipal taxes generally include taxes based on property, vehicles and limited commodities. Municipal property taxes are generally levied on real property. They are taxes on objects and are used for allocating purposes. They are generally levied on each property and do not take account of the personal circumstances of the taxpayers. They are often levied to pay for public services provided by the municipalities (Khadka, 2002).

Timilsina conducted a study of Biratnagar Municipality with the objective of analyzing the income and expenditure pattern of Biratnagar Municipality. The Study is based on the secondary data. This study shows the octroi as the major sources of revenue with 57.2 percent and balance forwarded being in the second position with 27.19 percent. The contribution of the octroi had significantly decreased from 81.56 percent to 57.42 percent in the study period. The trend of revenue showed the increment of revenue in nominal terms in the study period. The trend of expenditure showed increasing by nearly by fifty percent in the successive years. In expenditure composition the Municipality had tried to keep the thirty percent. The major share of administrative expenditure being salary and wages with 65.52 percent and 29.93 percent of total income. The study also showed that forty percent of expenditure went to the development expenditure (Timilsina, 1996).

Khadayat (1995) has studied the municipality finance of Kathmandu Municipality. He studies using the secondary data. His study is devoted to sources of revenue and expenditure pattern of the municipality. Mr. Khadayat has focused that the revenue from taxes showed an increasing trend. The main sources of revenue are the octroi and vehicle tax where as revenue from other sources is very nominal. He has focused on the octroi tax is able to generate huge amount of tax is able to generate huge amount of revenue while other potential source of tax is neglected by the municipality. Octroi tax is found to be very important source of revenue of every municipality. The average per capita revenue and the average per capita expenditure need to be balanced. He also discusses that the Local Self-Government has a very

significant role to play in the development process of the country and a sound financial management of any organization which is considered to be the back bone of the whole capital investment process. But the report do not discuss the socio-economic structure of the municipality under investigation.

Shah (2006) had studied Municipality Finance in Nepal. His study is based on the case study of Janakpur Municipality. His study is based on secondary as well as primary sources of data. He had studies about the potential sources of revenue and patterns or expenditure to identify and appropriate system of finance for Janakpur Municipality. He had concluded that Janakpur Municipality needs to manage financial system of the municipality effectively.

CHAPTER-THREE

RESEARCH METHODOLOGY

3.1 Selection of the Study Area

Nepalgunj also spelled Nepalganj, is a municipality in Banke District, Veri Zone, Mid-westren development region of Nepal on the Terai plains near the southern border with Baharaich district, Uttar Pradesh state of India. It is 85 kilometres south west of Ghorahi and 16 km south of Kohalpur and 35 kilometres east of Gularia. (Nepalgunj, 2012) . It was established as a Nagar Panchayat in year 1960. The area of the Municipality is 12.5 square km. It lies between 27°51' to 28°20' north latitude and 81°29' to 82°80' east longitude.

Nepalgunj is one of the six municipalities located in the Mid Western Development Region of Nepal and growing commercial hub having direct linkage with at least nine districts of the region.

The recent view and updated research is needed in the contest of this globalization world the world is moving day by day. In my knowledge nobody has done recent economic research of this municipality. This is one reason to select this municipality as study area. The other and the main reason to select this municipality are to find the financial aspect of this municipality and provide some constructive suggestions (Nepalgunj Municipality, 2010-2011).

3.1.1 Overview

The heart of the city- Dhamboji, where lies the center and perhaps the most important traffic junction of the town referred to as Dhamboji chowk, is the main business hub with several banks, book shops, lodges, motor-parts and hardware dealers, and other general home appliance distributors. The 24 km long Surkhet Road starts from Mahendra Chok in Kohalpur and terminates at the Nepal-India Border; it runs through the middle of the city passing through Birendra Chok and two other important

junctions- Pushpalal Chok and BP Chok, creating a network of roads that cover the major portion of city's industrial and residential areas.

Tribhuvan Chok is famous for its commodity and fancy shops along Sadar Line and Ek-Laini, while most of the important government offices like Chief District Office, Telecommunication Office, Post office, etc. are located within a radius of a few kilometers around it. Another famous area called New Road, while still under development, is emerging as a major attraction for its modern fashion retail shops, hotels and restaurants.

There are a lot of other areas in Nepalgunj that are developing rapidly and attracting new residents and industries. The city is developing fast due to relocation of mid-hill migrants. It is also a centre for business for vicinity zones and their districts. Recently the city has been a possibility of being developed into a major IT centre in Nepal since a large population of young entrepreneurs are investing new technologies and marketing into new sectors.

Bageswory temple in Nepalgunj is one of the most important temples for Hindus. It is dedicated to goddess Bageshwori and the area also houses another famous temple, the temple of lord Shiva with mustache, which is one of the only two such temples in the country. The lord Shiva's staus in the temple is often referred to as Junge Mahadeva. There are other places also which may be used for the tourism development such as Banke National Park. Bardia National Park is an hour's drive west. Karnali River is 90 minutes drive west. Tharu villages in Deukhuri Valley to the east along the east-west highway. Surkhet and Inner Terai Valley north of Nepalgunj.

Nepalgunj is considered the hottest place in Nepal, with temperature rising well above 44°C in summer (Nepalgunj, 2012).

3.1.2 Population

The total population of the municipality is 73,779 which 38,113 are males and 35,666 are females. The number of households is 15,180. The density of the population is

5898 per square K.M. in Nepalgunj Municipality and the annual population growth rate is 1.85 percent. The area of the municipality is 12.51 sq.km. The average household size is 4.85 and the sex ratio is 93.99, The main cause of population growth is migration. People migrate in this area from adjoin villages and from hill side and nearer district because this municipality is sophisticated as well as life can be spent smoothly in comprasion to other places (CBS, 2011).

3.1.3 Sources of Drinking Water

An improved source of drinking water is defined as one that, by nature of its construction as through active outside contamination, in particular from contamination with fecal matter.

To allow for international comparability of estimates for monitoring the Millennium Development Goals (MDGs), the World Health Organization/ UNICEF Joint Monitoring Program (JMP) for water supply and sanitation defines “improved” drinking water sources which are as follows:

-) Piped water in to dwelling
-) Piped water into yeard/plot
-) Public tap/ standpipes
-) Tube well/ voreholes
-) Protected dug wells
-) Protected springs(normally part of a spring supply)
-) Rainwater collection
-) Bottled water, if the secondary source used by the household for cooking and perosnal hygiene is improved.

Water sources that are not considered “as improved” are as follows:

-) Unprotected dug wells.
-) Unprocted springs
-) Vender provided water
-) Cert with small tank/drawn

-) Bottled water, if the secondary source by the household for cooking and personal hygiene is unimproved.
-) Tanker-Truck
-) Surface Water

These are the improved and not improved water sources in the context of any country of world (Improved Water Source, 2012).

According to the Municipal Profile of the Nepalgunj Municipality 2014, The people in Nepalgunj use Tub Well which is the main source of the drinking water. Some people use the supply water of the Deep tube Well provided by the Nepal Water Supply Corporation, Nepalgunj Branch which contain Main line 5km, Service line 44km, Subscriber 2467, Public 68.

3.1.4 Administration of Nepalgunj Municipality

Nepalgunj Municipality is the administrative organization of Nepalgunj Nagar. A municipality may have 9 to 35 wards depending upon the population. Nepalgunj municipality has 17 wards. Each ward in the municipality comprises of 5 members.

Nepalgunj municipality members of organization are elected by the direct popular voting of the citizen of the wards. The Mayor and Deputy Mayor are elected by the direct popular voting of the citizen of Nepalgunj Banke. The chairman of the ward committee is a member of the municipaliry Board. The duration of the office is five years. But due to lack of election it has been 16 years where elected member are not in the Municipality and VDCs.

At present in Nepalgunj municipality, there are 185 administrative staffs (except elected members) to look after the day to day work of the town. The following table 4.1 below shows the administrative organization of the Nepalgunj municipality.

Table 3.1
Administration of Nepalgunj Municipality

S.N.	Mayor	Number
1	Mayor	1
2	Deputy Mayor	1
3	Ward Members	17
4	Executive Officer	1
5	Engineer	2
6	Overseer	3
7	Other Staffs	179

Soruce :- Record Of Municipality Office, Nepalgunj Banke, 2013

3.1.5 Function and Planning of Nepalgunj Municipality

Municipalities have been assigned both the mandatory and voluntary functions under the Local Self Government Act 1999. According to the Municipality Act 1991 A.D., the duties and responsibility of municipalities are plans formulation, execution and monitoring of urban development activities as well as smooth operations of administrative jobs (Task Force Report, 1993).

The basic Functions of Nepalgunj Municipality is related to

- i. Inclusive Class (child 15 percent)
 - ii. Inclusive Class (Female 10 Percent)
 - iii. Inclusive Class (Madheshi, Muslim, Dalit, Aadibasi Janjati, Handicapped and backward class 15 percent)
 - a. Infrastructure development.
 - b. Social/Capacity building.
 - c. Economic/Resource development.
 - d. Institutional development.
1. Progressive Program
 - a. Infrastructure development.
 - b. Social/Capacity building.
 - c. Economic/Resource development.
 - d. Institutional development.
 2. Gender equity or Social Inclusive Program
 - a. Infrastructure development.
 - b. Social/Capacity building.
 - c. Economic/Resource development.
 - d. Institutional development.

3. Social Mobilization or Urban Poverty Reduction Program a. Infrastructure development. b. Social/Capacity building. c. Economic/Resource development. d. Institutional development.
4. Related to Peoples Health Progressive Program a. Infrastructure development. b. Social/Capacity building. c. Economic/Resource development. d. Institutional development.
5. Public Private Co-operative develop Program a. Infrastructure development. b. Social/Capacity building. c. Economic/Resource development. d. Institutional development. Related to Risk Minimization or Disaster Management Program a. Infrastructure development. b. Social/Capacity building. c. Economic/Resource development. d. Institutional development (YMDP, 2013).

3.1.6 Budget Policy of Nepalgunj Municipality

While municipality required to get their annual budget passed by the municipal council, there is no uniformity in the structure of budget. Municipalities present the statement of income and expenditures and programs in different ways.

The budget making policy of Nepalgunj Municipality is of different types. In case of Nepalgunj Municipality, There is a municipality Board. The Mayor of the municipality Presents the annual budget normally in the month of July after it has been approved by the municipality Board. In municipality Board, various persons like Mayor, Deputy Mayor, Wards members and executive officer are included. There is also advisory committee in the municipality board then after some discussion on budget the municipality Board approves the budget and the budget gets its final forms.

The annual total revenues sources and annual expenditures pattern of Nepalgunj Municipality are defined under the headings table 4.2 below.

Table 3.2
Budget Policy of Nepalgunj Municipality

S.N.	Revenu Sources	S.N.	Expenditure pattern
1	Internal Sourcs	1	Salary
2	Local tax	2	Allowances
3	Service Fee	3	Meeting allowance
4	Miscellaneous Charge	4	Travelling Allowance
5	Sales	5	Water, Electricity and Communication Bills
6	Other Income	6.	Staffs PF
7	External Source (Government Grant)	7.	Rent
8	Registration Fee	6	Maintenance
9	Miscellaneous Income	9	Fuel
10	Foreign Grants	10	Newspaper /Books
11	Other Grants	11	Training/Seminar/Workshops
12	Loans	12	Audit Fees
13	Balance Forward	13	Insurance Premium
		14	Miscellaneous expenses
		15	Furniture
		16	Machinery Tools
		17	Vehicle
		18	Capital Expenses

Source:- Integrated Urban Development Project (IUDP) PIU Nepalgunj, 2013

3.2 Research Design

The design of this study is analytical as well as descriptive. In this study, the income and expenditure pattern of Nepalgunj municipality of Banke has studied. In order to study the financial position of municipality, a descriptive analysis will be adopted.

3.3 Nature and Sources of Data

The study has based on secondary sources of data. The data have collected from different sources such as, record of Nepalgunj municipality office of Nepalgunj, Town Development Fund Board (TDFB), various publications concerning municipality finance and municipality profile of Nepal.

The balance sheet of revenue and expenditure of Nepalgunj municipality has been collected from budgeting section of Nepalgunj municipality. The loan provided by

TDF to Nepalgunj municipality will be collected from the TDF office, Kathmandu. Other statistical data (e.g. municipality's population, growth rate and Literacy rate) has been collected from the Central Bureau of Statistic (CBS) Nepal.

3.4 Period of the Study

The period of study or the coverage of the data will be from fiscal year 2007/08 to fiscal year 2009/10. The research would be bound to cover only the sated period of time. The data prior 2013/14 were not available in this municipality.

3.5 Methods of Data Analysis

After collecting data, the data will be manually processed. Simple statistical tools as ratio, diagrams are used to analysis data. The data obtained on income and expenditure from the Nepalgunj municipality Banke will be descriptively analyzed. The necessary tables, pie-chat and other techniques of data interpretations will also be used to analyze the data in a meaningful way. After analyzing and organizing the information, necessary conclusion and recommendations will be made.

3.6 Variables Used

The variable used on the revenue side of the study are local taxes, fees and fines, property rentals, grants, loans, miscellaneous incomes etc.

(a) Local Taxes

Local taxes means the revenue which are collected by the means of octroi/local development fee, vehicle tax, professional tax, house tax, house rent tax, contract tax, local market tax, sales tax(cattle/fish), unclaimed land tax, tax arrears and other taxes.

(b) Fees and Fines

Service fee, industrial service fee, recommendation fee, radio license fee, application fee, appraisal fee, building construction permit fee, registration fee, animal house fee and other fees/fines are included in this topic.

(c) Property Rental

Market/shops/building, bus park, fish pond, equipment and other properties are rented in municipality. This is one of the sources of revenue of municipality.

(d) Grants

Municipality has been receiving administrative as well as development grants from NG/Nepal. It has also received grants from District Development Board and TDF.

(e) Loans

Money borrowed by the municipality that has to be paid back in the future is defined as loan. Municipality usually borrows the money that has to be paid back along with the stipulated rate of interest, however sometimes it has taken loan free of cost.

(f) Miscellaneous Income

The main components of miscellaneous income are advance refund, and cost sharing scheme of TDF. Besides this there are some minor sources of incomes which are included as miscellaneous income of municipality.

The variables used on the expenditure side of the study are current expenditure, debt payment, ordinary capital expenditure, development expenditure etc.

(a) Current Expenditure

In this study, current expenditure means the expenditure made on the following

headings: salaries, allowances, travel and per diem, services, rent, repair and maintenance, office supplies, newspapers, fuel, clothes/food allowance, other materials, health supplies, food for prisoners/animals, financial asst./donations, contingences and ward administration expenses.

(b) Debt Payment

In this study, debt payment means the payment made by the municipality to its creditors.

It includes the amount of money borrowed by the municipality as well as the stipulated interest.

(c) Ordinary Capital Expenditure

In this study, the expenditure on furniture, vehicles, machinery and equipments is defined as ordinary capital expenditure.

Development expenditure is the investment types of expenditure. The components of development expenditure are:

i. Investment on Capital

In this study, investment on capital means the investment on the following heading: land/building purchase, building construction, construction of roads, fences, water supply system, sewerage system and construction this type.

ii. Expenditure in Social Programs

The expenses made for the progress or uplift the basic needs of the local society is defined as expenditure on social programs. In this study the expenses made on education, health, forestry, cultural, sports, disaster relief and financial assistance and so on are included as expenditure on social programs (MoLD/UDLE/GTZ).

CHAPTER-FOUR

REVENUE AND EXPENDITURE PATTERN OF NEPALGUNJ MUNICIPALITY

4.1 Background

In Nepal, the history of local taxation is short. In 1962, municipalities were authorized to levy a house roof and rent tax at the rate of two percent of the amount of rent in the case of a rented house and land, and one percent of the income in the case of an owner occupied house and land. Municipalities were also allowed to levy business and professional tax, entertainment tax, benefit tax and vehicle tax.

These taxes were largely unused due to administrative difficulty. It is very difficult for the local bodies to make relevant estimates for the average cost of construction, the current value of land and house or get information about rented house and other properties. The household tax, land tax and vehicle tax have been simplified. The entertainment and surcharge on land revenue were abolished from the tax system and two broad types of taxes were introduced in 1965 (i.e. octroi, panchayat development and land tax). Household and rent taxes were also divided into two separate taxes: Household tax and house rent tax. The household tax was levied with maximum of Rs. 10 per annum per house depending upon its size and type. However, the house rent tax was levied at the rate of 2 percent (not exceeding) of the rent amount in the case of rented house and land. In the case of vehicle tax, the same rate was introduced for the rented as well as private vehicles. Similarly, business and professional taxes were also fixed according to their nature. The local tax system adopted in 1965 remained unchanged until 1987. However, the panchayat development and land tax become unpopular and were abolished in 1979/80. Recently passed the “Local Self Government Act 1999” and “Local Governance Rule 2000” has opened the floor to different sources of revenue that municipalities can impose to increase own source revenue. According to this Act municipality can levy: (1) land and household tax (2) rent tax on own or private house and land (3) business tax (4) vehicle tax (5) property tax (6) entertainment tax (7) commercial video tax (8) advertisement tax (9) parking tax (10) service charge/fee.

4.2 Revenue Pattern of Nepalgunj Municipality

Revenue is the most significant factor for every organization and institutions. Municipalities are empowered to generate revenue by means of various taxes, fees and user charges. It is logical to assume that tax payers willing to pay tax increase when they know that tax paid by them is going to be used totally for their benefits.

Nepalgunj Municipality is assigned to carry out several public functions in the respective areas such public functions include urban services like refuse collection and disposal, primary education. Fire prevention, sanitation, sewerage, water, community development service, health service, parks and recreation, slaughter houses, cemeteries and street lighting. These functions need adequate sources of revenue. Nepalgunj Municipality has raised the funds through two different sources internal sources and External Sources.

Total revenue consists of internal revenue and external revenue. Internal and External sources of revenue are the backbone of every municipality. The following table indicates the charts of the income source.

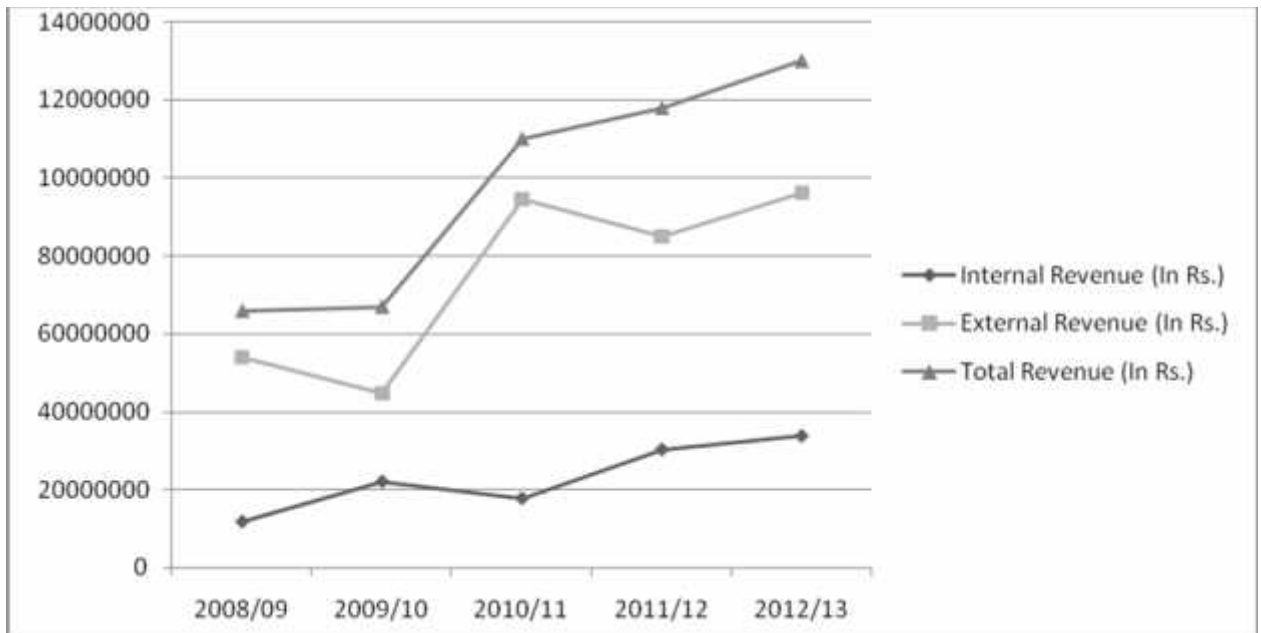
Table 4.1
Sources of Revenue of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Internal Revenue (In Rs.)	11885238.8	22165223.67	17844706.8	30393729.7	33833800.8	23224540
Growth Rate		86.49%	-19.49%	70.32%	11.32%	37.16%
External Revenue (In Rs.)	53882341	44733945.84	94744627	84993811	96257057	74922356.4
Growth Rate		-16.98%	111.80%	-10.29%	13.25%	24.44%
Total Revenue (In Rs.)	67684813.9	66899169.51	110090325	118021563	130090858	98557345.9
Growth Rate		1.72%	64.56%	7.20%	10.23%	20.93%

Source: Based on Appendix "II"

The table 4.1 shows the composition of total revenue with its rate of growth. The growth rate of Internal Revenue is highest in the FY 2009/10 it is 86.49 percent which shows the municipality has increased its internal revenue by 86.49 percent and negative in the FY 2010/11 it is -19.49 percent it shows the Internal Source of Revenue of Municipality decreased by 19.49 percent. In academic FY 2011/12 and 2012/13 it is increased by 70.32 and 11.32 percent respectively. The growth rate of External Source of Revenue is highest in FY 2010/11 which is 110.8 percent. And lowest in FY 2011/12 which is -10.29 percent. Also the growth rate decrease in FY 2009/10 by 10.29 percent. But in the fiscal year 2012/13 it is increased by 24.44 percent. The growth rate of Total Revenue is highest in FY 2010/11 which is 64.56 percent and lowest in FY 2009/10 which is increased by 1.72 percent. In other academic year 2011/12, 2012/13 and 2012/13 it is 7.20, 10.23 and 20.93 percent respectively. On average the growth rate of Internal Source of Revenue, External Source and Total Revenue is 37.16, 24.44 and 20.93 percent respectively.

Figure 4.1
Line Chart of Sources of Revenue of Nepalgunj Municipality
(Trends over time From FY 2008/09 to FY 2012/13)



Source: Based on Appendix 'II'

The figure 41 shows the trends of the Source of Revenue of Nepalgunj Municipality over the Year. The Y-axis displays the numeric values In Rs. and the X-axis displays time (Year). The Internal Source of Revenue is decreasing in the FY 2010/11 and increasing in all others period of time. The External Source of Revenue is decreased in FY 2011/12 and increased in all other period of time. The Total Source of Revenue is increased in all period of time. The Internal Source of Revenue seen stable while External Source of Revenue is fluctuated.

4.3 Internal Sources

Internal sources are the main source of the entire municipality the main components of own sources to revenue of Municipality are: Local Taxes, Fees and Fines, Property Rental and Others revenue. The contribution of the components own sources of revenue of Nepalgunj Municipality during the study period under consideration is discussed further in the table 4.2.

Table 4.2
Internal Sources of Revenue of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

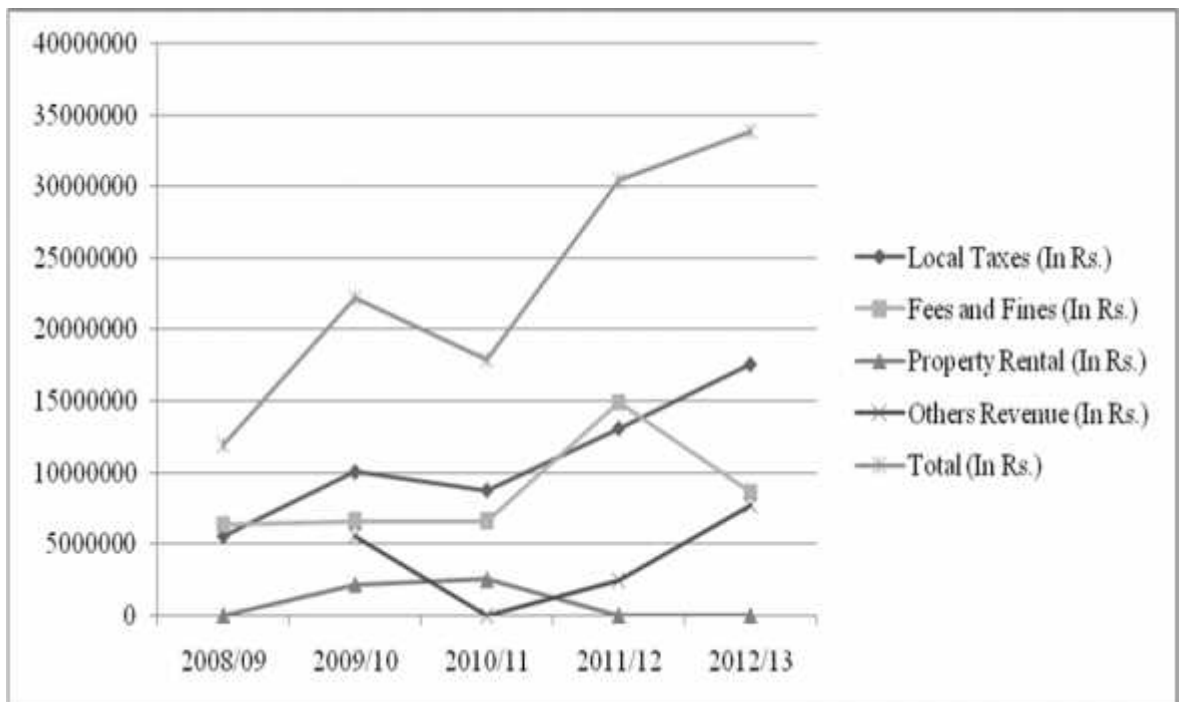
FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Local Taxes (In Rs.)	5543960.11	10047116.13	8756734.44	13105897.74	17601549.47	11011051.58
Growth Rate		81.23%	-12.84%	49.67%	34.30%	44.51%
Fees and Fines (In Rs.)	6341278.64	6560337.54	6583963.25	14867998.87	8571591.27	8585033.914
Growth Rate		3.45%	0.36%	125.82%	-42.35%	43.00%
Property Rental (In Rs.)	1917234.21	2140183.27	2499009.14	2634022.11	0.00	1,838,089.75
Growth Rate		11.63%	16.77%	5.40%	-100.00%	7.39%
Others (In Rs.)	0.00	5557770.00	5000.00	2419833.12	7660660.07	3128652.638
Growth Rate			-99.91%	48296.66%	216.58%	16204.38%
Total (In Rs.)	11885238.75	22165223.67	17844706.83	30393729.73	33833800.81	23,224,539.96
Growth Rate		86.49%	-19.49%	70.32%	11.32%	46.91%

Source: Based on Appendix 'II'

In the figure 4.2 the growth rate of the composition of the Internal Source of Revenue of Nepalgunj Municipality. The Local Taxes growth rate is higher in FY 2009/10 which is 81.23 percent which shows the municipality has increased its Local Taxes by 81.23 percent. The growth rate is lowest in FY 2010/11 which is -12.84 percent which shows decrease of local tax by 12.84 percent than the previous year. In FY 2011/12 and 2012/13 it is 49.67 percent and 34.30 percent respectively. Similarly Fees and Fines growth rate is highest in FY 2011/12 which is 125.82 percent and lowest in FY 2012/13 which is -42.3 percent which shows decrease rate of Fees and Fines. Property Rental and Other Sources of Revenue is not regular source it is seen not collected in some fiscal year and collected in some fiscal year. Which shows irregularity of its growth. In total The growth rate of Internal Source of Revenue is highest in FY 2009/10 which is increased by 86.49 percent and lowest in FY 2010/11 which is decreased by 19.49 percent. And in FY 2011/12 and 2012/13 it is increased by 70.32 and 11.32 percent respectively.

Figure: 4.2

**Line Chart of Internal Sources of Revenue of Nepalgunj Municipality
(Trends over time From FY 2008/09 to FY 2012/13)**



Source: Based on Appendix 'II'

The figure 4.2 shows the trends of the Internal Sources of Revenue of the Nepalgunj Municipality. The Local Taxes decreases in the FY 2010/11 but in other academic years the Local Taxes of the Revenue increases. Fees and Fines are another source of Internal Source of Revenue of Municipality which nearly equal in three academic year FY 2008/09 to 2010/11 after then it has increased in FY 2011/12 and decreased in Fiscal Year 2012/13. The Property Rental decreased in small amount in the FY 2009/10 and increased with small amount in FY 2010/11 and it is zero in FY 2012/13. Other sources of Revenue is fluctuated it has increased in FY 2009/10 with greater amount in FY 2010/11 and increased continuously from 2011/12 to 2013. The pattern of the Total amount of Internal Source of Revenue is decreased in FY 2010/11 but in others fiscal years it has increased.

4.3.1 Local Taxes

A tax assessed and levied by a local authority such as a county or municipality. A local tax is usually collected in the form of property taxes, and is used to fund a wide range of local services. Local taxes may vary widely from one jurisdiction to the next. Unlike federal or state taxes, the benefits arising from local taxes are generally apparent at the community level. Municipalities have to face a constant balancing act with regards to levying local taxes, since rising taxes may lead to "taxpayer revolt," while low taxation levels may lead to a cutback of essential services. Local taxes are significant sources of municipality revenue. Government Rent, House Land Tax, United Property Tax, Appointment Tax, Octroi Tax, Business Vehicle Tax, Entertainment Tax and Advertisement Tax are included in Local Tax Revenue in case of the Nepalgunj Municipality. A tax is a compulsory contribution to the support of government levied on persons, property, income, commodities etc. A Government or Local Government whatever be to supply of public services will not exist without taxes to finance them. The following table 4.3 below shows the detailed revenue break down of all Local Taxes of Nepalgunj Municipality.

Table 4.3
Composition of Local Taxes of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

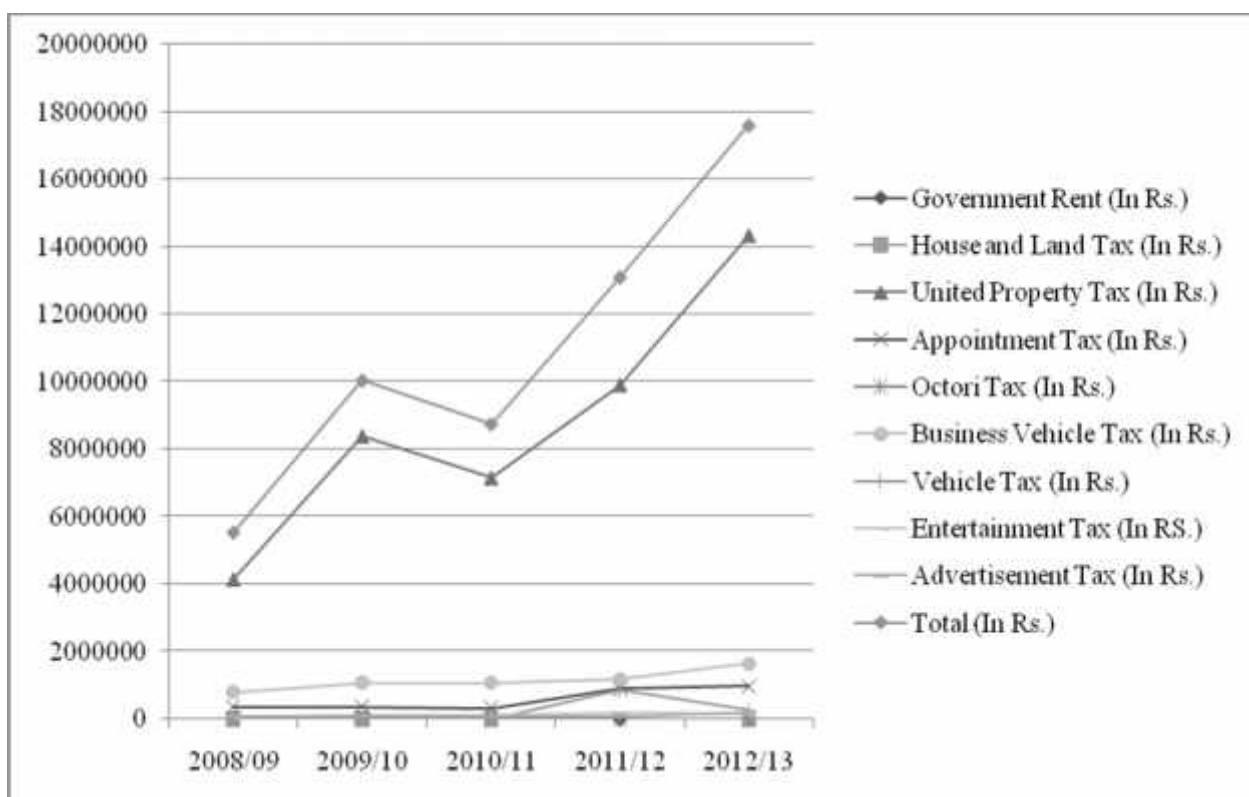
F.Y.	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Government Rent (In Rs.)	56756.1	36807.97	8806.51	0	0	20474.116
Growth Rate		-35.15%	-76.07%	-100%	-	-70.41%
House Land Tax (In Rs.)	3135	300	0	0	0	687
Growth Rate		-90.43%	- 100%	-	-	-95.22%
United Property Tax (In Rs.)	4147649.24	8395602.49	7154124.72	9909299.9	14344333.51	8790201.972
Growth Rate		102.42%	-14.79%	38.51%	44.76%	42.72%
Appointment Tax (In Rs.)	354168.08	369307.6	326259.59	904395.34	973350.96	585496.314
Growth Rate		4.27%	-11.66%	177.20%	7.62%	44.36%
Octori Tax (In Rs)	10802.12	3372.01	0	0	0	2834.826
Growth Rate		-68.78%	-100%	-	-	-84.39%
Business Vehicle Tax (In Rs.)	802603.88	1066537.06	1075751.62	1166545.5	1645224	1151332.41
Growth Rate		32.88%	0.86%	8.44%	41.03%	20.81%
Vehicle Tax (In Rs.)	0	0	0	853691	279331	226604.4
Growth Rate		-	-	-	-67.28%	-67.28%
Entertainment Tax (In Rs.)	70288	94314	90838	190966	155160	120313.2
Growth Rate		34.18%	-3.69%	110.23%	-18.75%	30.49%
Advertisement Tax (In Rs.)	98,557.69	80,875.00	100,954.00	81,000.00	204,150.00	113107.338
Growth Rate		-17.94%	24.83%	-19.77%	152.04%	27.83%
Total (In Rs.)	5,543,960.11	10,047,116.13	8,756,734.44	13,105,897.74	17,601,549.47	11011051.58
Growth Rate		81.23%	-12.84%	49.67%	34.30%	38.09%

Source: Based on Appendix 'II'

In Table 4.3 it is shows the composition of the growth rate of the Local Taxes. It shows the Growth Rate of Government Rent is highest in fiscal year 2009/10 which is minus 35.15 percent and lowest in fiscal year 2011/12 which is minus 100 percent which means there is no Government Rent Tax is collected in this fiscal year and also in the fiscal year 2010/11 is minus 76.07 percent. The growth rate of House Land Tax of the municipality is minus 90.43 percent in fiscal year 2010/11 is minus 100 percent which means there is no collection of House and Land Tax in fiscal year 2010/11. Also in the fiscal year 2011/12 and 2012/13 the House and Land Tax of municipality is zero so it is difficult to calculate growth rate of tax in these years which shows irregularity in the tax system or municipality's staffs are not working in good way. Such misleading in the collection of tax system shows many weak points to collect the revenue by municipality. The growth rate of United Property Tax is highest in FY 2009/10 which is 102.42 percent. Decreased in FY 2010/11 by 14.79 percent and increased in other FY. The growth rate of Appointment Tax is highest in FY 2011/12 which is 117.20 percent decreased in FY 2010/11 by 11.66 percent and increased in other FY. The Octori Tax Revenue is not smooth it only taken in FY 2009/10 and 2010/11 in other FY it is zero that mean the Octori Tax is now omitted from Nepalgunj Municipality. Until the year 2011/12 the average growth rate plus 84.39 percent. The growth rate of the Business Vehicle Tax is increased in all FY which is highest in FY 2012/13 which is 41.03 percent. And minimum growth rate of it is 0.86 percent in FY 2010/11. The Vehicle Tax is new tax system taken in the municipality from fiscal year 2011/12 on ward its growth rate in 2012/13 is seen decreased by 67.28 percent. There is fluctuation in the Entertainment Tax of the Municipality. Which is increased in FY 2011/12 with 110.23 percent. And decreased in FY 2010/11 and 2012/13 with 3.69 and 18.75 percent respectively. But increased with 34.18 percent in FY 2009/10. The average growth rate of the Advertisement Tax is increasing. But annually in FY 2012/13 it is increased with 152.04 percent which is highest and decreased with 19.77 percent in FY 2011/12 which is lowest. But increased with 24.83 percent in FY 2010/11 and decreased with 17.94 percent in FY 2009/10. The Total Growth rate of the Local Taxes of the municipality is highest in FY 2009/10 only decreased with 12.84 percent in FY 2010/11. But seen increased in other fiscal years and on average.

Figure 4.3

**Line chart of Composition of Local Taxes of Nepalgunj Municipality
(Trend Over Time From FY 2008/09 to 2012/13)**



Source: Based on Appendix 'II'

The above figure 4.3 shows the trends of Local Taxes of the Nepalgunj Municipality. It is seen that the trend of United Property Tax decreasing in FY 2010/11 but increasing in other fiscal year. Other Taxes not given such clear trend line which can be seen it has less contribution in the local Tax. The Total Local Taxes is also effected by United Property Tax of the revenue.

4.3.2 Fees and Fines

Another source of revenue in Nepalgunj Municipality is fees and fines, which includes Rent, Service Fee, Registration of Renewable Charge, Map Pass Charge, Recommendation of Verification Charge, Punish Fines, Relation Verification and Registration Pass Charge. The following table shows the Fees and Fines in the fiscal year 2008/09 to 2012/13.

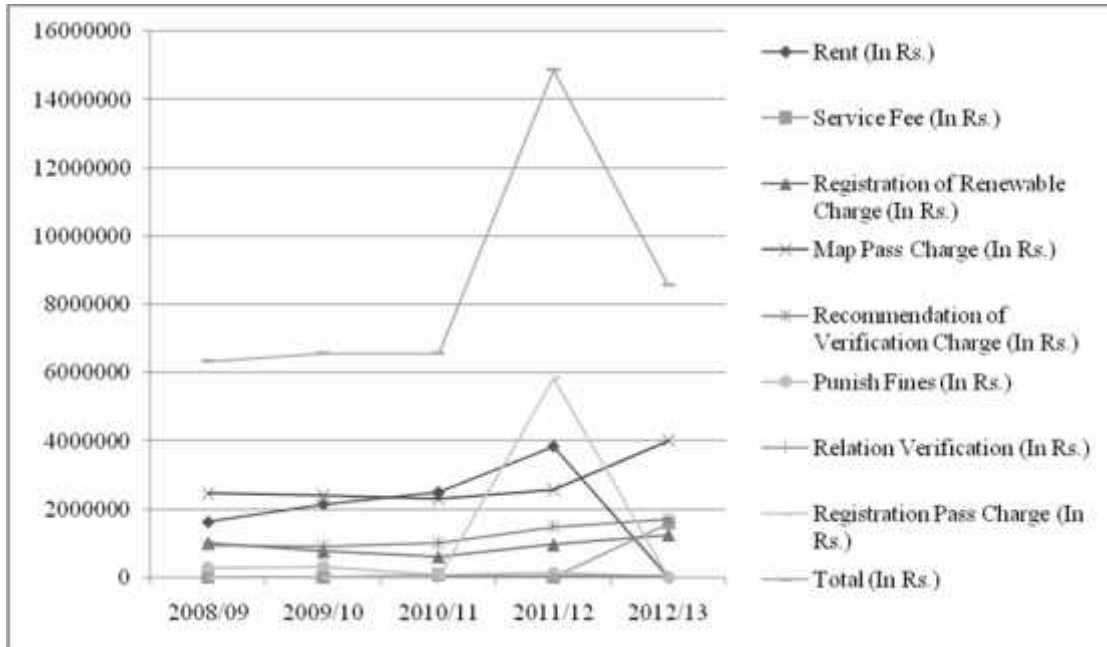
Table 4.4
Fees and Fines of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

F.Y.	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Rent (In Rs.)	1622817.5	2140183.27	2499009.1	3845105.9	0	2021423.158
Growth Rate		31.88%	16.77%	53.87%	-100.00%	25.63%
Service Fee (In Rs.)	10000	0	68373.6	0	1569756.8	15674.72
Growth Rate		-100.00%	-	-100.00%	-	-
Registration of Renewable Charge (In Rs.)	1020333.9	769666.41	618061.72	969617.4	1253387.5	675535.878
Growth Rate		-24.57%	-19.70%	56.88%	29.27%	3.15%
Map Pass Charge (In Rs.)	2451829.3	2404401.32	2296115.7	2564821.8	3996327	1943433.634
Growth Rate		-1.93%	-4.50%	11.70%	55.81%	1.32%
Recommendation of Verification Charge (In Rs.)	936591.48	913977.47	1010097	1493027	1712621	870738.592
Growth Rate		-2.41%	10.52%	47.81%	14.71%	13.98%
Punish Fines (In Rs.)	292206.44	326059.07	86276.05	129892.6	0	166886.832
Growth Rate		11.59%	-73.54%	50.55%	-100.00%	-3.80%
Relation Verification (In Rs.)	7500	6050	6030	33939	39499	10703.8
Growth Rate		-19.33%	-0.33%	462.84%	16.38%	110.79%
Registration Pass Charge (In Rs.)	0	0	0	5831595.2	0	1166319.046
Growth Rate		-	-	-	-100.00%	-100.00%
Total (In Rs.)	6341278.6	6560337.54	6583963.3	14867999	8571591.3	6870715.66
Growth Rate		3.45%	0.36%	125.82%	-42.35%	32.41%

Source: Based on Appendix 'II'

The table 4.4 shows the overall growth rate of Fees and Fines of the Nepalgunj Municipality. Growth rate of Rent is highest in FY 2011/12 which is 53.87 percent. It is seen the Rent by municipality is not seen to be taken in FY 2011/12 so that the growth rate of Rent seen to be decreased in FY 2012/13 by 100 percent. Service Fee is also irregular for the municipality. The Registration Charge

Figure 4.4
Line chart of Composition of Fees and Fines of Nepalgunj Municipality
(Trend Over Time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The figure 4.4 shows the trend of composition of the Fees and Fines of the Nepalgunj Municipality. The downward sloping trend line or negatively sloped trend line shows the decrease in different source of Fees and Fines. The upward sloping or positively sloped trend line shows the increased in the source of revenue.

4.3.3 Property Rental

Property Rental is also major source of revenue of Nepalgunj Municipality which includes taxes on Market/ Shop/ Building. Park, Guest House, Water Park, Public Toilets, Section Taker and others. The following table shows the Property Rental revenue in the fiscal year 2008/09 to 2012/13. While seeing the Property Rental it can be the main source of revenue if the Municipality can include the all source of its and enlarging the area of the revenue sources of Municipality. It includes such social overhead which increase the Private Sector. Which is important to increase the employment and reduce the poverty of the Municipality.

Table 4.5
Property Rental of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

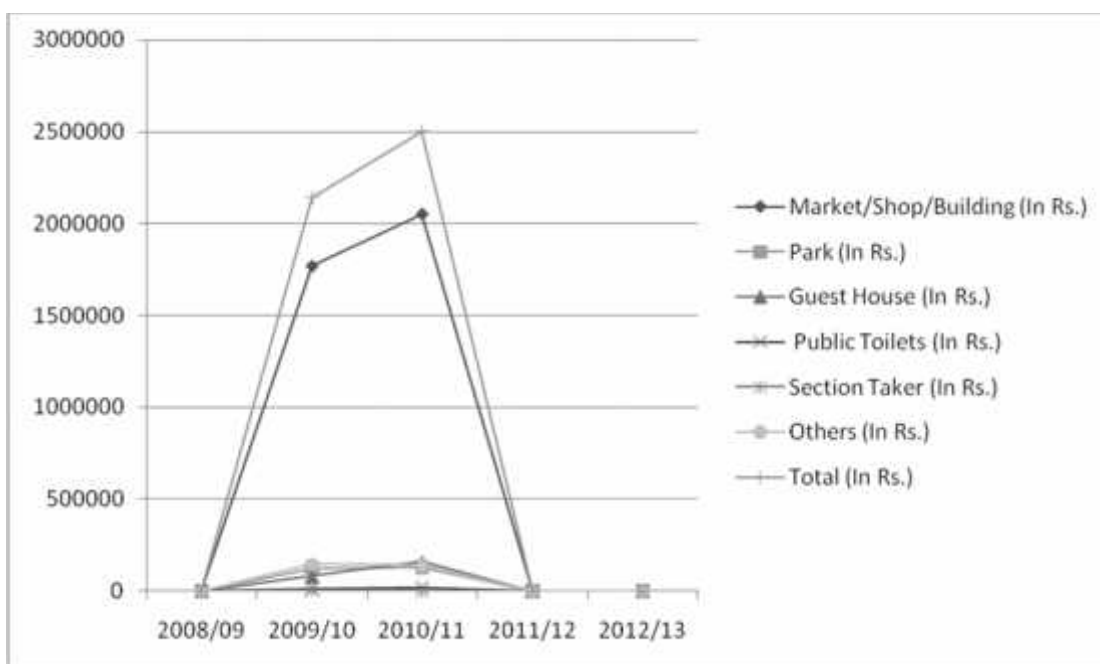
FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Market/Shop/Building (In Rs.)	0	1767604.52	2050409.14	0	0	763602.7
Growth Rate		-	16.00%	-	-	16.00%
Park (In Rs.)	0	126571	130650	0	0	51444.2
Growth Rate		-	3.22%	-	-	3.22%
Guest House (In Rs.)	0	80600	159700	0	0	48060
Growth Rate		-	98.14%	-	-	98.14%
Public Toilets (In Rs.)	0	15000	18000	0	0	6600
Growth Rate		-	20.00%	-	-	20.00%
Section Taker (In Rs.)	0	4000	2000	0	0	1200
Growth Rate		-	-50.00%	-	-	-50.00%
Others (In Rs.)	0	146407.75	138250	0	0	967182.8
Growth Rate		-	-5.57%	-	-	-5.75
Total (In Rs.)	0	2140183.27	2499009.14	0	0	927838.3
Growth Rate		-	16.77%	-	-	16.77%

Source: Based on Appendix 'II'

The figure 4.5 shows the growth rate of the Property Rental of the Nepalgunj Municipality. It is seen from the above table Market/Shops/Building, Park, Guest House, Public Toilets, Section Taker others are taken in FY 2009/10 and 2010/11 only. The growth rate of these revenues increased by 16, 3.22, 98.14 and the growth rate of these revenues decreased by 50 and 5.57 percent respectively. On average it is increased by 16.77%. The average is taken of the five fiscal years because the revenue calculation of five fiscal in total.

Figure 4.5

**Line chart of Property Rental Property Rental of Nepalgunj Municipality
(Trends Over Time from FY 2008/09 to 2012/13)**



Source: Based on Appendix 'II'

The above figure 4.5 shows the trend line of the Property Rental of the Nepalgunj Municipality. These all revenue is collected in FY 2009/10 and 2010/11 so that the trend constantly growing in FY 2009/10 then there is decrease in trend line. The upward sloping trend line shows increase in source of revenue and downward sloping trend line shows decrease in source of revenue.

4.3.4 Other Revenue

Though the classified subcomponents of other revenue of Nepalgunj Municipality include Registration Pass Charge, Other Revenue (Residual Tax), Refund Capture or Return, Pesky Return and Re-charge Loan. The following table shows the other sources of revenue from fiscal year 2008/09 to 2012/13 shown in the following table. It is seen that in FY 2008/9 the other revenue of the municipality is zero which mean in this fiscal year the municipality has not taken any revenue which is defined from FY 2009/10 and included these revenue as other revenue.

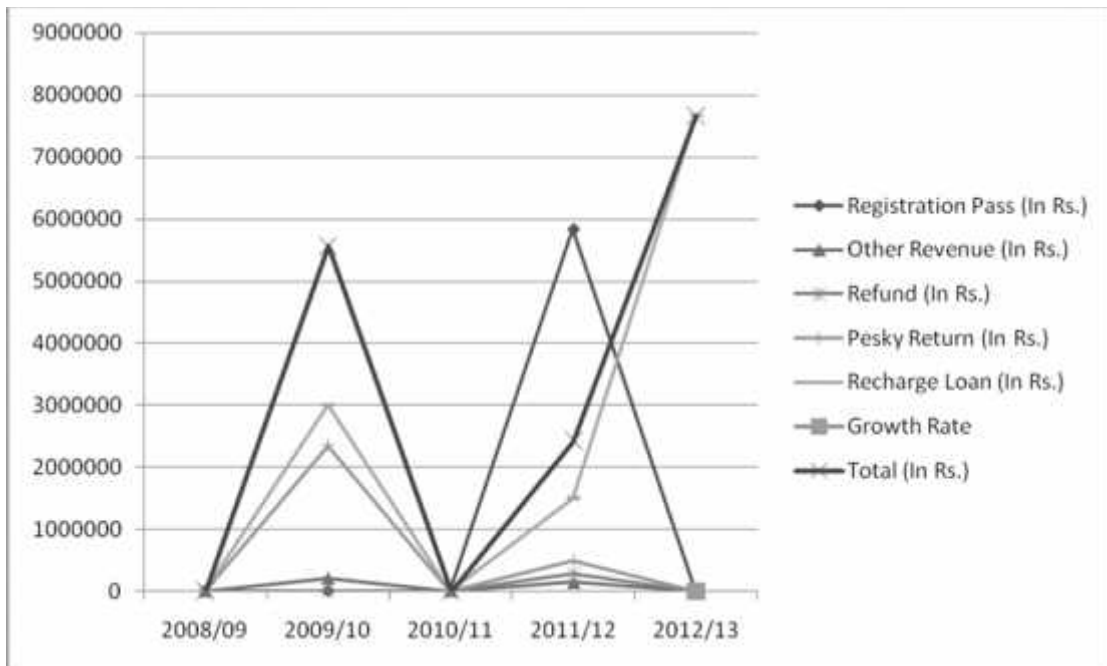
Table 4.6
Other Revenue Sources of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Registration Pass (In Rs.)	0	0	0	5831595.23	0	1166319.046
Growth Rate		-	-	-	-	-
Other Revenue (In Rs.)	0	207770	5000	142338	0	71021.6
Growth Rate		-	-97.59%	2746.76%	-	1324.58%
Refund (In Rs.)	0	0	0	284255	0	56851
Growth Rate		-	-	-	-	-
Pesky Return (In Rs.)	0	2350000	0	493240.12	0	568648.024
Growth Rate		-	-	-	-	-
Recharge Loan (In Rs.)	0	3000000	0	1500000	7660660.07	2432132.014
Growth Rate		-	-	-	410.71%	410.71%
Total (In Rs.)	0	5557770	5000	2419833.12	7660660.07	3128652.638
Growth Rate		-	-99.91%	48296.66%	216.58%	16137.78%

Source: Based on Appendix 'II'

The above table 4.6 shows Other Revenue and its growth rate of the Nepalgunj Municipality. The growth rate can be calculated from FY 2009/10 to 2010/11 onward because these revenue started to collect from FY 2009/10 only. This is so because before the FY 2009/10 these revenue is not defined as the source of municipality so that the municipality not collected revenue in these sources. While finding the different sources of revenue to enlarge revenue these sources are finding out and included as a sources of revenue of municipality. If there is gap in the tax its growth rate cannot be calculated in regular way. So that there is fluctuation in the growth rate and it is seen irregular too.

Figure 4.6
Line chart of Other Revenue of Nepalgunj Municipality
(Trends over time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The above figure 4.6 shows the trends of the Other Revenue sources of the Nepalgunj Municipality. The source is defined from 2009/10 only so the trend line from 2008/09 to 2009/10 they are positively sloped or growing upward. They are decreasing from 2009/10 because these sources are decreased more than 97 percent. Which is irregularity in the revenue collection.

4.4 External Sources

Municipality also can generate some revenue from external sources. Municipalities receive money in the form of Grants and Loans to carry out their functions. Grants can be received in different forms. Grants may be general or specific. General grants are given in the form of formula Grants, generally based on population and resources need. Local Governments have full discretion in making use of general grants. Sometimes Grants are provided in the form of Multipurpose/Development Grants such Grants may be given to top-up direct local incomes of all municipalities or to only those municipality with below average a below standard fiscal capacity. On the

other hand, specific Grants are provided for financing program specified by the central government, except the grants provide for redistributive purpose which is given in the form of a lump sum of block grants. Similarly, District Development Board also provides grants to the municipality. In the some manner, Town Development Fund (TDF) also provides grants to the municipality. Sometimes TDF provides loans to the municipality to non development works. The amount of External Sources in the fiscal year 2008/09 to 2012/13 is shown on the following table.

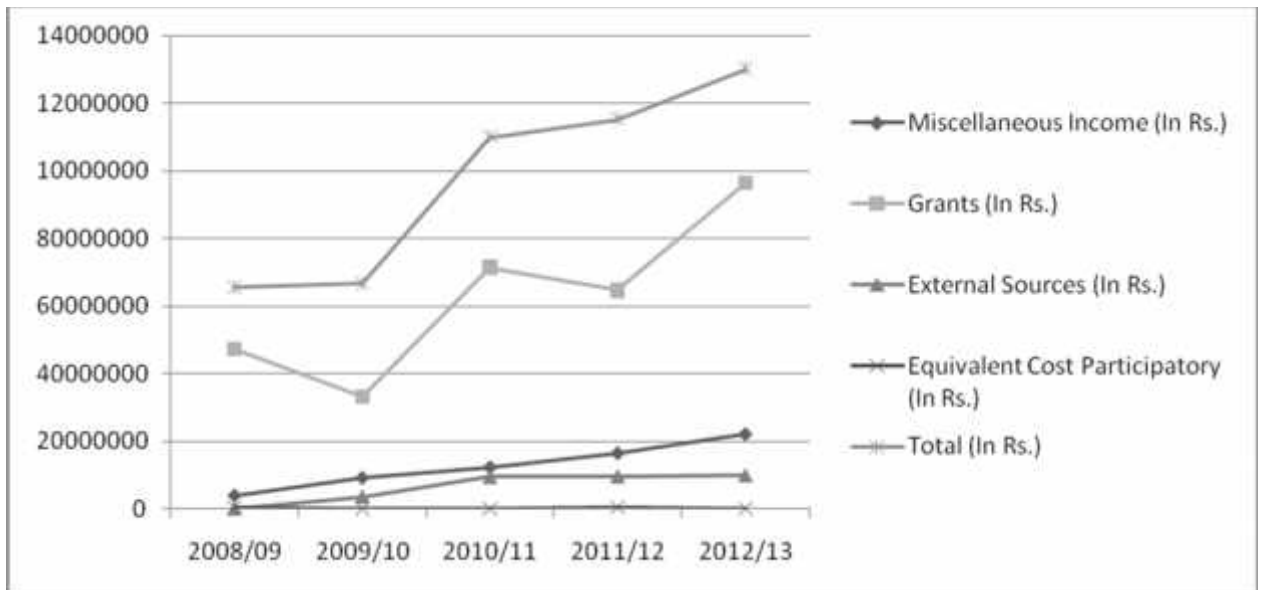
Table 4.7
Composition of External Source of Revenue of Nepalgunj Municipality and its growth rate (from FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Miscellaneous Income (In Rs.)	4004532.59	9250109.57	12376123.87	<u>16558554.35</u>	<u>22154409.97</u>	12868746.07
Growth Rate		130.99%	33.79%	33.79%	33.79%	58.09%
Grants (In Rs.)	47412000	33343653	71374349	64670374	96257057.44	62611486.69
Growth Rate		-29.67%	114.06%	-9.39%	48.84%	30.96%
External Sources (In Rs.)	1872290 (969265.02)	<u>3,616,626.80</u>	9555840.16	9804776	<u>10060196.78</u>	6981945.947
Growth Rate	(93.17%)	93.17%	164%	2.61%	2.61%	65.65%
Equivalent Cost Participatory (In Rs.)	593518.34 (7248638.13)	<u>48597.27</u>	<u>3979.14</u>	495391.69	67500	241797.2886
Growth Rate	(-91.81%)	-91.81%	-91.81%	-16.53%	-88.63%	-72.20%
Total (In Rs.)	65,767,579.68	66899169.51	110090324.6	115387540.9	130090858.3	97647094.59
Growth Rate		1.72%	64.56%	4.81%	12.74%	20.96%

Source: Based on Appendix 'II'

The table 4.7 shows the composition of External Source of Revenue of Nepalgunj Municipality and its growth rate. The data which are bold and underline they are predicted value for the growth rate calculation of the municipality. The data in parenthesis is Sources of Same Revenue taken from the FY 2008/09 which is necessary to predict the absent value of the External Sources and Equivalent Cost Participatory. The growth rate in parenthesis is growth rate of that source taken from previous years data which also necessary to predict the future year's value. The growth rate of the Miscellaneous Income is highest in the FY 2009/10 which is 130.99 percent which shows the growth rate of Miscellaneous income is increased with 130.99 percent from fiscal year 2009/10 to 2010/11. On ward the growth rate of it is constant which is 33.79 percent. In average it is 58.09 percent. The growth rate of Grants of Municipality is highest in FY 2010/11 which is increased by 114.06 percent. Lowest in FY 2009/10 which is -29.67 percent. The growth rate is -9.39 and 48.84 percent in FY 2011/12 and 2012/13 respectively. On average it is positive and 30.96 percent. The growth rate of External Sources is highest in FY 2010/11 which is 164 percent and lowest in FY 2011/12 and 2012/13 which is 2.61 percent. It is 93.17 percent in FY 2009/10 and on average it is 65.65 percent. The growth rate of Equivalent Cost Participatory is Negative in all fiscal years that mean this is decreasing in every fiscal year. Which is lowest in the FY 2009/10 and 2010/11 which is -91.81 percent. And it is -16.53 percent in FY 2011/12 and -88.63 percent in FY 2012/13. On average it is -72.20 percent. In total the growth rate of External Sources of Revenue is positive and highest in FY 2010/11 which is 2010/11 percent. Lowest in FY 2009/10 which is 1.72 percent. Which is 4.81 and 12.74 percent in FY 2011/12 and 2012/13 respectively. On average it's growth rate is 20.96 percent. The growth rate shows that the External Sources of Revenue of Nepalgunj Municipality is increasing day by day the whole data also shows the External Revenue of the municipality is greater than Internal Sources of Municipality. The municipality is dependent on the External Sources of Revenue for its infrastructure development and to spend money for social overhead which are responsibly of the municipality to handel day to day life of the people which are inside the municipality area. Such as birth certificate, death certificate, road, sanitation other problems of municipality with in municipal area such as regular electricity supply which is necessary to maintain the temperature of Nepalgunj which is hot in summer and cold in winter. Rainfall problem etc.

Figure 4.7
Line chart of External Sources of Revenue of Nepalgunj Municipality
(Trends over time from FY 2008/09 to 2012/13)



Source: Based on the Appendix 'II'

The figure 4.7 shows the trend of composition of External Sources of Revenue of Nepalgunj Municipality. Trend of Miscellaneous Income is increasing day by day because it is positively sloped. Trend of Grants is fluctuated in different years it is decreased from FY 2008/09 to 2009/10 and increased from FY 2009/10 to 2010/11 again decrease from FY 2010/11 to 2011/12 and increased from FY 2011/12 to 2012/13. External Sources is increasing in all FY. Equivalent Cost Participatory is decreasing in all the FY. The total External Sources of Revenue in increasing in all the fiscal years.

4.4.1 Miscellaneous Income

The municipality has other income sources which are not included in above income are the miscellaneous income of the Municipality. Some time the irregular income sources and other resources which is available for the municipality are the Miscellaneous Income. The percent of Miscellaneous Income with total income is shown below.

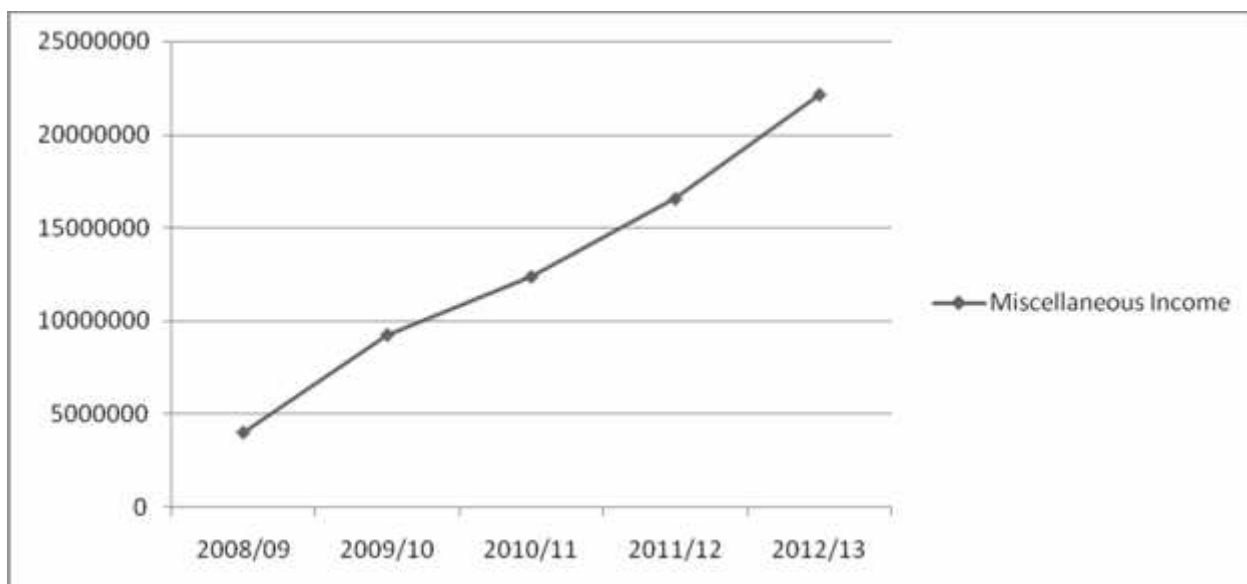
Table 4.8
Miscellaneous Income of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Miscellaneous Income (In Rs.)	4004532.6	9250109.57	12376124	<u>16558554.3</u>	<u>22154410</u>	12,868,746.07
Growth Rate		130.99%	33.79%	33.79%	33.79%	58.09%

Source: Based on Appendix 'II'

The table 4.8 shows the Miscellaneous income and its growth rate from FY 2008/09 to 2012/13 the data which in bold and underline are the predicted value taken from growth rate is highest in FY 2009/10 which is 130.99 percent and 30.99 percent from FY 2010/11 and onward. In average it is seen 58.09 percent.

Figure 4.8
Line Chart of Miscellaneous Income of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The figure 4.8 shows the trend of Miscellaneous income of the Nepalgunj Municipality. Which is increasing in all the fiscal years and increasing on average too.

4.4.2 Grants

The Central Government provides two types of Grants, namely administrative grants and development grants to municipality. Administrative grants are given to support the central level employees posted at the municipal office while, development grants are provided to carry out development activities at the local level. Municipality also receive some grant from District Development Committee (DDC), the Town Development Fund (TDF), NGOS and other organizations.

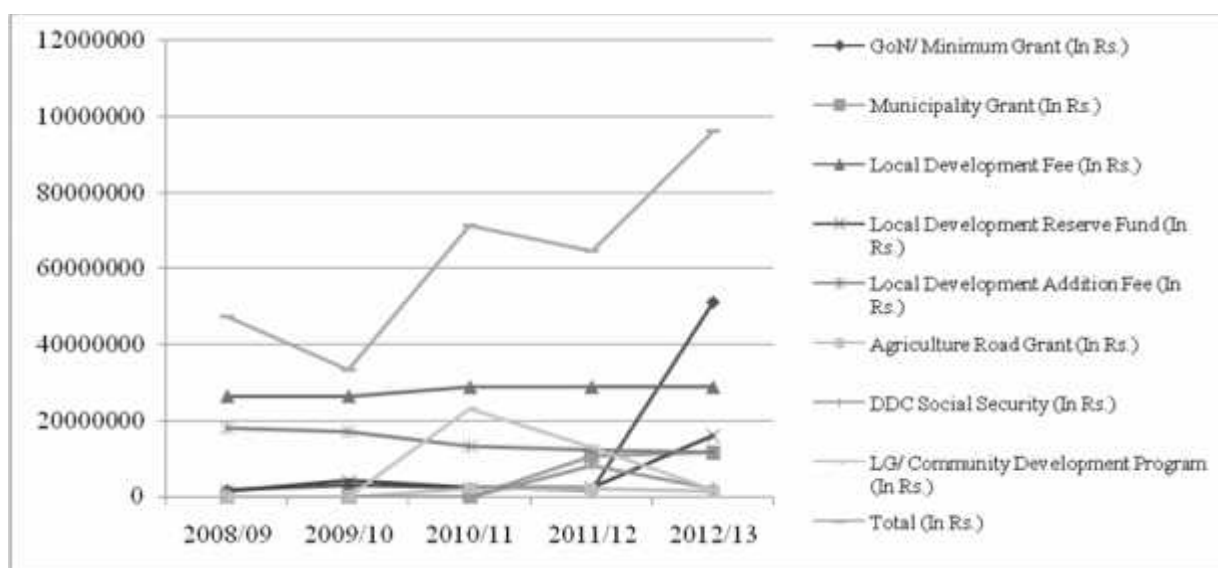
Table 4.9
Composition of Grants of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
GoN/ Minimum Grant (In Rs.)	1627000	2867653	2250000	<u>1765380.95</u>	51277457.44	11957498.28
Growth rate		76.25%	-21.54%	-21.54%	2804.61%	709.45%
Municipality Grant (In Rs.)	0	0	0	10534000	11543000	4,415,400
Growth rate		-	-	-	9.58%	9.58%
Local Development Fee (In Rs.)	26400000	26400000	28779000	28779000	28779000	27827400
Growth rate		0.00%	9.01%	0.00%	0.00%	2.25%
Local Development Reserve Fund (In Rs.)	1304000	4076000	2238000	2295000	16000000	5,182,600
Growth rate		212.58%	-45.09%	2.55%	597.17%	153.44%
Local Development Addition Fee (In Rs.)	18081000 (19205000)	<u>17022783.7</u>	13109000	<u>12341777.09</u>	11644000	14439712.16
Growth rate	-5.85%	-5.85%	-5.85%	-5.85%	-5.85%	-7.32%
Agriculture Road Grant (In Rs.)	0	0	2000000	2000000	1550000	1110000
Growth rate		-	-	0.00%	-22.50%	11.25%
DDC Social Security (In Rs.)	0	0	0	8220000	2233000	2090600
Growth rate		-	-	-	-72.83%	-72.83%
LG/ Community Development Program (In Rs.)	0	0	22998349	12842374	2,009,600	7570064.6
Growth rate		-	-	-44.16%	-84.35%	-64.26%
Total (In Rs.)	47412000	33343653	71374349	64670374	96257057.44	62611486.69
Growth rate		-29.67%	114.06%	-9.39%	48.84%	30.96%

Source: Based as Appendix 'II'

The above table 4.9 shows growth rate the data in the parenthesis is previous fiscal years data which is taken to derive growth rate of current year and the data which are in bold and underline letters are predicted data they are not real data of the municipality. The growth rate of NoG/Minimum Grant which is highest in FY 2012/13 which is 2804.61 percent and lowest in FY 2010/11 and 2012/13 which is -21.54 percent. The growth rate in FY 2009/10 is 76.25 percent and on average it is 703.45 percent. The growth rate of Municipality Grant is seen in FY 2012/13 by 9.58 percent before the FY 2011/12 the grant is not taken in this field. The growth of Local Development Fee is highest in FY 2010/11 in other fiscal year its growth is 0 percent which mean the grant is given with constant amount. Growth rate of Local Development Reserve Fund is highest in FY 2012/13 which is 597.17 percent and lowest in FY 2010/11 which is -43.09 percent. In FY 2009/10 it is seen 212.58 percent and in fiscal year 2011/12 it is 2.55 percent. Average growth rate is positive and 153.44 percent. The Growth rate of Local Development Addition Fee is constantly -5.85 percent and -7.32 percent on average. The growth rate of Agriculture Road Grant is seen to in FY 2012/13 only which is negative with -72.83 percent and same in average too. Which tells that this revenue is coming from FY 2011/12 only. LG/Community Development Program started from FY 2010/11 its growth rate is -44.16 percent in FY 2011/12 and -84.35 percent in FY 2012/13 and on average it is 64.26 percent. In total the growth rate is highest in FY 2010/11 which is 114.08 percent lowest in FY 2009/10 which is -29.67 percent. In FY 2011/12 it is -9.39 percent and in FY 2012/13 it is increased by 48.84 percent. In average it is 30.96 percent. This shows that NoG/Minimum Grant is increasing in fiscal year 2009/10 after than it has decreased and stop in FY 2011/12 during the period of the study and increased in FY 2012/13. The Municipality Grant is given from FY 2011/12 only before this fiscal year this grand is not given to Nepalgunj Municipality. Local Development Fee is given with constant amount in FY 2009/10 and 2010/11. After it is increased and given with constant rate from FY 2010/11 onward. Local Development Reserve Fund has increased initially after then it decreased and again it started to increase. Local Development Additional fee is decreasing from 2010/11 to 2012/13 during the period of study. Agriculture Road Grand is started from FY 2010/11 and onward only. DDC Social Security is decreasing day by day in source of municipality and also LG/Community Development program also decreasing during the study period of time.

Figure 4.9
Line Chart of Grants of Nepalgunj Municipality
(Trends over time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The figure 4.9 shows the trends composition of Grants of Nepalgunj Municipality over time. If the trend line is positively sloped or going upward the grants of the municipality is increasing if the trend line is negatively sloped or going downward the grants of the municipality is decreasing. In total it is decreased 2009/10 and 2011/12 but on other academic year it is increasing. Local Development Fee is seen increasing. While Local Development Reserve Fund is decreasing.

4.4.3 External Grants/Sources

Borrowing and grant-in-aid are considered as the external sources of revenue. These sources are not reliable and consistent sources of finance because they depend upon the higher level government's policy, will of the donors and economic environment of the country. The repayment of the principal and interest, in case of borrowing, will be the net burden and threats to the financial stability of the municipality. External financing should play only supplementary role in financing the municipal expenditure. But in Nepalgunj it is being as revenue source of municipality.

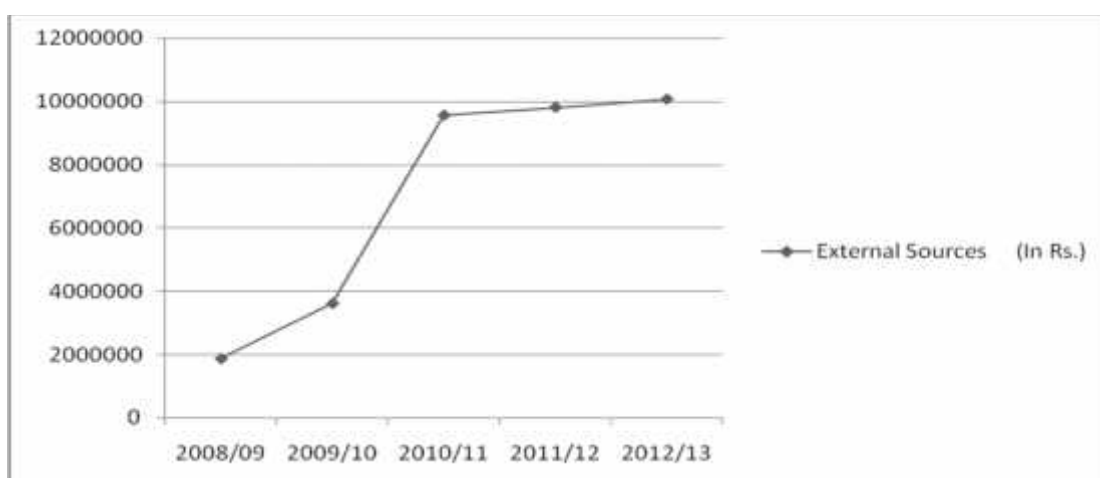
Table 4.10
External Grants/Sources of Nepalgunj Municipality and its growth rate
(From FY 2008/9 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
External Sources (In Rs.)	1872290 (969265.02)	<u>3,616,626.80</u>	9555840.16	9804776	<u>10060196.78</u>	6981945.947
Growth Rate	(93.17%)	93.17%	164%	2.61%	2.61%	65.65%

Source: Based on Appendix 'II'

Table 4.10 shows the External Grants/Sources of Nepalgunj Municipality and its growth rate. The data in the parenthesis is previous years value to predict growth rate of recent fiscal year which helps to predict External Sources of coming fiscal year. The value in bold latter and underline are the predicted value. The highest growth rate of it is in FY 2010/11 which is 164 percent and the lowest growth rate is in FY 2011/12 and 2012/13 which is 2.61 percent The growth rate in FY 2009/10 is 93.17 percent. On average it is positive and 65.65 percent.

Figure 4.10
Line Chart of External Sources/Grants of Nepalgunj Municipality
(Trends over time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The figure 4.9 shows the trend of the External Source/Grants of Nepalgunj municipality. Which shows this grants is increasing constantly as trend line is positively sloped.

4.4.4 Equivalent Cost Participatory

The Equivalent Cost Participatory is such cost of the municipality in any infrastructure development if municipality pays for the it is expensive but in social work municipality can call person within the municipality to do the work but municipality does not give any charge or labor cost to the people. Freely people do this work but such cost should be calculated by municipality as grant which is Equivalent Cost Participatory. The following table 4.11 shows the growth rate of Equivalent Cost Participatory.

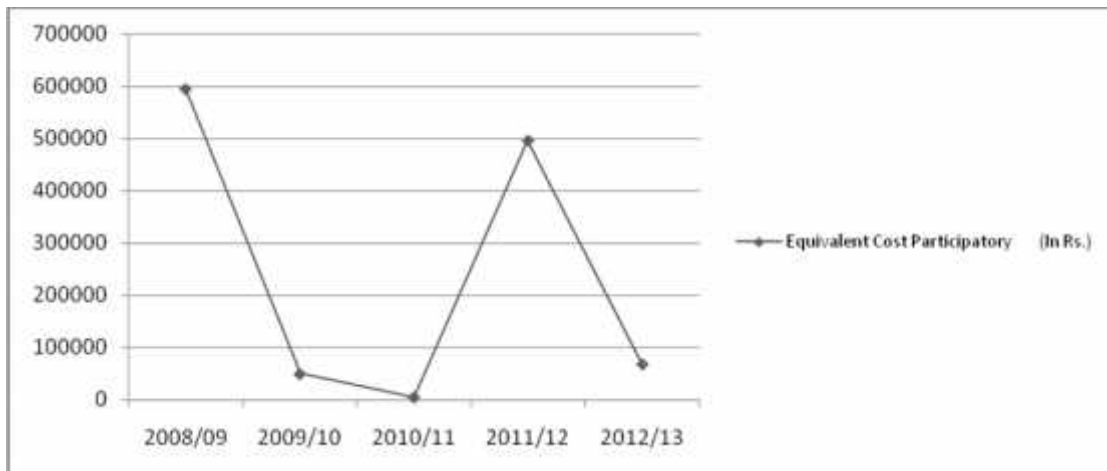
Table 4.11
Equivalent Cost Participatory of Nepalgunj municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Equivalent Cost Participatory (In Rs.)	593518.34 (7248638.13)	<u>48597.27</u>	<u>3979.14</u>	495391.69	67500	241797.2886
Growth Rate	(-91.81%)	-91.81%	-91.81%	-16.53%	-88.63%	-72.20%

Source: Based on Appendix 'II'

The table 4.11 show the Equivalent Cost Participatory of Nepalgunj Municipality and its growth rate. The dada in parenthesis is data taken from previous year which enable to predict the future value. The data which are bold and underline are predicted data not the actual data. The growth rate of Equivalent Cost Participatory are decreasing in all fiscal year. Its decreasing rate is 91.81 percent in FY 2009/10 and 2010/11 and decreased 16.53 percent and 88.63 percent respectively in FY 2010/11 and 2011/12. On average it is decreased by 72.20 percent.

Figure 4.11
Line Chart of Equivalent Cost Participatory of Nepalgunj Municipality
(Trends over time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The figure 4.11 shows the trend of Equivalent Cost Participatory which is decreasing from 2008/09 to 2009/10 again decreased in FY 2010/11 increased in fiscal year 2011/12 again decreased in FY 2012/13. The negatively sloped trend line shows the decreased in value and the positively sloped trend line shows the increased in the value. The value continuously decreased up to FY2010/11 after than increased in one fiscal year and again decreased in another fiscal year.

4.5 Total Net Revenue and Balance Forward

Total net revenue and balance forward is different heading of municipality. The total revenue is the summation of total revenue and the balance forward. Balance forward is nothing but the left over money that was supposed to be spent on the previous fiscal year. Balance forward is not revenue in real sense but in accounting this is also considered as one component of revenue. The all amount of balance forward for Nepalgunj Municipality in five fiscal year seemed to be fluctuated. In fiscal year 2012/13 the balance forward seen to be zero. The table 4.12 shows that growth rate Total Revenue, Balance Forward and Net Total Revenue of the Nepalgunj Municipality. It is better to reduce Balance Forward for the development of the municipality because spending should not be remain.

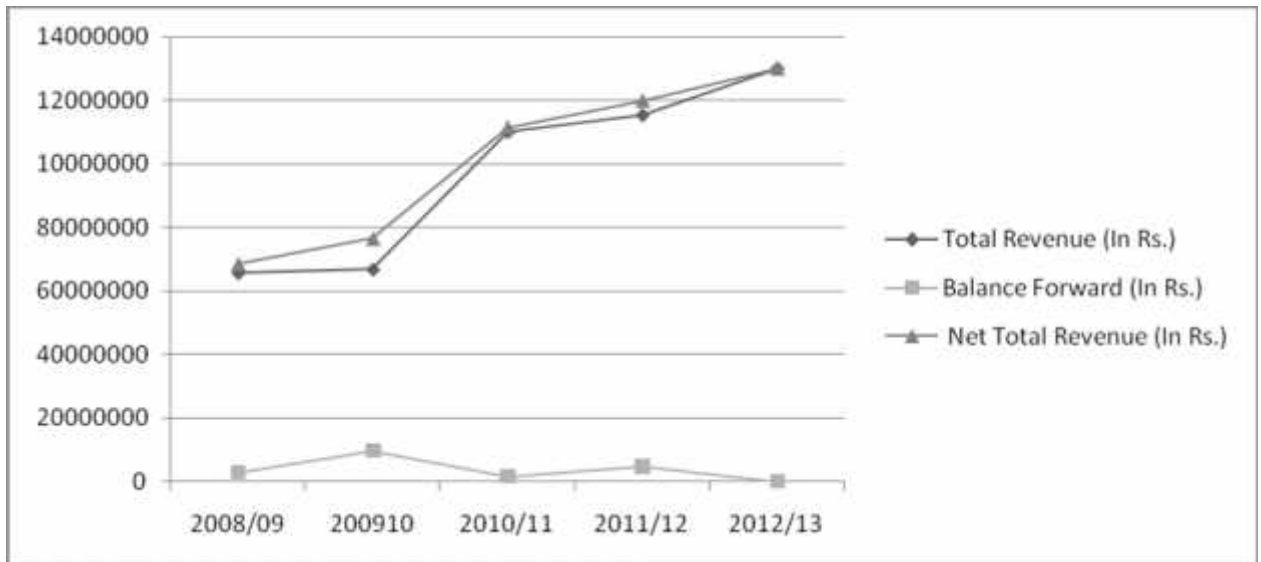
Table 4.12
Total Revenue, Balance Forward and Net Total Revenue of Nepalgunj
Municipality and its growth rate (From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Total Revenue (In Rs.)	65767579.68	66899169.51	110090324.6	115387540.9	130090858.3	97647094.59
Growth Rate		1.72%	64.56%	4.81%	12.74%	20.96%
Balance Forward (In Rs.)	2717845.31	9616149.45	1437579.87	4652097.34	0	3684734.394
Growth Rate		253.82%	-85.05%	223.61%	-100.00%	73.09%
Net Total Revenue (In Rs.)	68485424.99	76515318.96	111527904.5	120039638.2	130090858.3	101331829
Growth Rate		11.72%	45.76%	7.63%	8.37%	18.37%

Source: Based on Appendix 'II'

The table 4.12 shows the Total Revenue, Balance Forward and Net Total Revenue and its growth rate. The growth rate of the Total Revenue is highest in FY 2010/11 which is 64.56 percent and lowest in FY 2009/10 which is 1.72 percent. Its growth rate in 4.81 and 12.74 percent respectively in FY 2011/12 and 2012/13 respectively and 20.96 percent on average. The growth rate of Balance Forward is positive 253.82 percent initially it decrease and became -85.05 percent after than it increased by 223.61 percent. After than it is -100 percent which mean there is no Balance Forward all money is utilized in FY 2011/12 and 73.09 percent on Average. The growth rate of Net Total Revenue is increasing which is 45.76 percent in FY 2010/11 which is highest. 7.63 percent in FY 2011/12 which is lowest and it is 11.72 percent on fiscal year 2009/10 and 8.37 percent on fiscal year 2012/13 and 18.37 percent on average.

Figure 4.12
Line Chart of Total Revenue, Balance Forward and Net Total Revenue of
Nepalgunj Municipality
(Trends over time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'II'

The above figure shows the trends and pattern of Total Revenue, Balance Forward and Net Total Revenue of the Nepalgunj Municipality. The Total Revenue is increasing continuously up to FY 2012/13 and decreased only on average. Balance Forward is increased in FY 2009/10 decreased in FY 2010/11 and increased in FY 2011/12 it became zero to FY 2012/13 after than it is increasing on average. The Net Total Revenue is also increased as the Total Revenue in its trend Balance Forward takes up in FY 2009/10 and 2011/12. There is slight variation in FY 2010/11 between Total Revenue and Net Total Revenue. But equal in FY 2012/13.

4.6 Expenditure Pattern

Expenditure means spending using money for a specific purpose over a fixed period of time. Public expenditure refers to the expense made by the public authorities, i.e. central government, local government and other local bodies to satisfy the common wants of the people who they cannot satisfy by themselves. It is the outflow of cash from the municipal body to operate the general administration and for meeting the

social and development works in the municipal area. Therefore, expenditure means spending or using money or aspects for a specific purpose over a fixed period of time.

Expenditure pattern of Nepalgunj Municipality are mainly two types Regular expenditure and Development expenditure.

Regular expenditure significance consumption type's expenditure of an institution which includes current expenditure like administrative, ordinary capital and development expenditure is included on social programs and capital investment.

Table 4.13
Total Expenditure of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

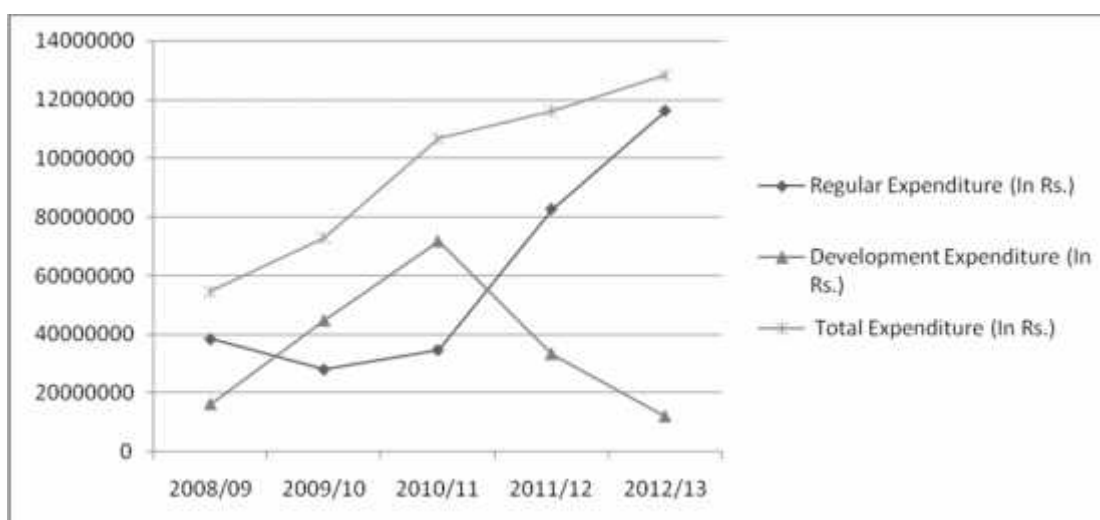
FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Regular Expenditure (In Rs.)	38430384.15	28088145.86	34739186	82747790.34	116237410	60048583.3
Growth Rate		-26.91%	23.68%	138.20%	40.47%	43.86%
Development Expenditure (In Rs.)	16248939.55	44817112.05	71892590	33391517.26	12049436	35679919
Growth Rate		175.82%	60.41%	-53.55%	-63.91%	29.69%
Total Expenditure (In Rs.)	54679323.7	72905257.91	106631776	116139307.6	128286846	95728502.2
Growth Rate		33.33%	46.26%	8.92%	10.46%	24.74%

Source: Based on Appendix 'III'

Total Expenditure includes Regular Expenditure and Development Expenditure. Table 4.13 shows the growth rate of regular and development expenditure and total expenditure. The growth rate of the Regular Expenditure is highest in FY 2011/12 which is 138.20 percent. Lowest in FY 2009/10 which is -26.91 percent. The growth rate is 23.68 and 40.47 percent in FY 2010/11 and 2012/13 respectively. On average its growth rate is positive and 49 percent. The Development Expenditure is highest in FY 2009/10 which is 175.82 percent and lowest in FY 2012/13 which is -63.91 percent. It is 60.41 and -53.55 percent in FY 2010/11 and 2011/12 respectively. On

average its growth rate is positive and 29.69 percent. The growth rate of Total Expenditure is highest in FY 2010/11 which is 46.26 percent and lowest in FY 2011/12 which is 8.92 percent. It is 33.33 and 10.46 percent in FY 2009/10 and 2012/13 respectively. On average it is positive and 24.74 percent.

Figure 4.13
Line Chart of Total Expenditure of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'III'

The figure 4.13 shows the trends over time of Total Expenditure of Nepalgunj Municipality. Which is summation of Regular Expenditure and Development Expenditure of the municipality. The growth rate of the Regular Expenditure is decreasing from FY 2008/09 to 2009/10 after than it is increasing. The Development Expenditure Increased from FY 2008/09 to 2010/11 after than it decreased in FY 2011/12 and 2012/13. The Total Expenditure is increasing in all the fiscal years.

4.7 Regular Expenditure

Regular Expenditure signifies consumption type expenditure of an institution. Regular expenditure is usually divided into three parts. They are Current Expenditure, Debt Payment and Expenditure on Ordinary Capital. Expenditure under these headings is administrative and organizational expenditure of Nepalgunj Municipality. The regular expenditure of Nepalgunj Municipality is given below in the table 4.14.

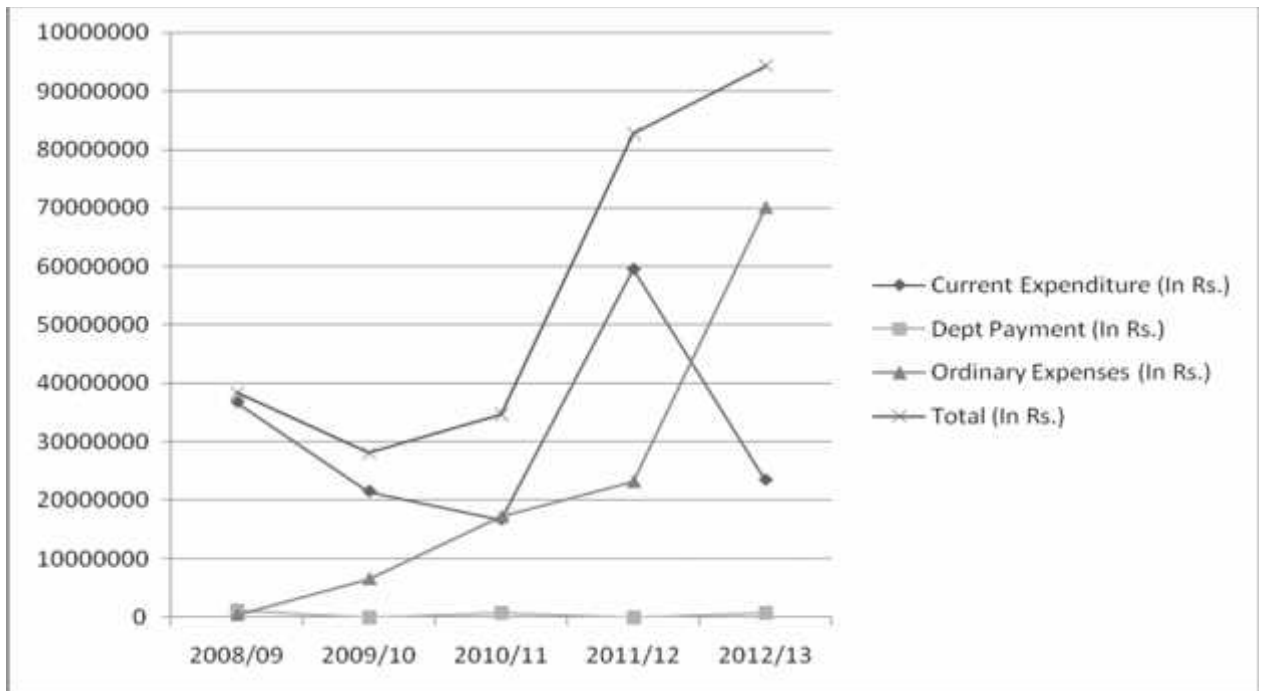
Table 4.14**Composition of Regular Expenditure of Nepalgunj Municipality and its growth rate (From FY 2008/09 to 2012/13)**

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Current Expenditure (In Rs.)	36828674.03	21540362	16727508.8	59548751.34	23501686.99	31629396.63
Growth Rate		-41.51%	-22.34%	255.99%	-60.53%	32.90%
Dept Payment (In Rs.)	1200300.12	0	800000	0	766145	553289.024
Growth Rate		-	-33.35%	-	-4.23%	-18.79%
Ordinary Expenses (In Rs.)	401410	6547783.86	17211677.19	23199039	70089404	23489862.81
Growth Rate		1531.20%	162.86%	34.79%	202.12%	482.74%
Total (In Rs.)	38430384.15	28088145.86	34739185.99	82747790.34	94357235.99	55672548.47
Growth Rate		-26.91%	23.68%	138.20%	14.03%	37.25%

Source: Based on Appendix 'III'

The table 4.14 shows the growth rate of the Regular Expenditure of Nepalgunj Municipality. The growth rate of Current Expenditure is highest in FY 2011/12 which is 255.99 percent and lowest in FY 2012/13 which is -60.53 percent. It is 32.90 percent on average. The percent of growth is -41.51 and -22.34 in FY 2009/10 and 2010/11 respectively. The growth rate is calculated in 2 years time period because dept is paying with period of two years during the study. This is decreasing -33.35 percent in FY 2010/11 and -4.23 percent FY 2012/13. The growth rate of Ordinary Expenses is highest in FY 2009/10 which is 1531.20 percent and lowest in FY 2011/12 which is 34.79 percent. It is 162.86 percent on FY 2011/12 and 202.12 percent on FY 2012/13. It is 482.74 percent on average. In Total it is highest in FY 2011/12 which is 138.20 percent. Lowest in FY 2009/10 which is -26.91 percent. It is 23.68 and 14.03 percent on FY 2010/11 and 2012/13 respectively. It is 37.25 percent on average.

Figure 4.14
Line Chart of Regular Expenditure of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)



Source: Based on Appendix 'III'

The figure 4.14 shows the trend of the Regular Expenditure of the Nepalgunj Municipality. Current Expenditure is decreasing initially from fiscal year 2008/09 to 2009/10 and 2010/11 after than it increased from FY 2010/11 to 2011/12 again it started to decrease from FY 2011/12 to 2012/13. On average it is increased. The Dept payment has gap and payment seen within two years only. Ordinary Expenses is increasing in FY 2008/09 to 2011/12 after than it is decreasing in 2012/13. The Total Regular Expenditure is decreased in FY 2009/10 only it is increasing in other academic years.

4.7.1 Current Expenditure

Municipal office has to spend to run itself. Expenses made to run office is known as current expenditure. Current Expenditure of a municipality includes administrative expenditure, official expenditure and other expenditure. The detail of it is shown in the table 4.15 below.

Table 4.15

Composition of Current Expenditure of Nepalgunj Municipality and its growth rate (From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Salary (In Rs.)	19412594	12091024	7593852.4	9447067.8	12571584	12223224.4
Growth Rate		-37.72%	-37.19%	24.40%	33.07%	-4.36%
Constituent Compensation (In Rs.)	92400	84000	77400	153795	0	81519
Growth Rate		-9.09%	-7.86%	98.70%	-100.00%	25.25%
Allowances (In Rs.)	1430524	2386430	278049	581626	1206183	1176562.4
Growth Rate		66.82%	-88.35%	109.18%	107.38%	48.76%
Meeting Allowance (In Rs.)	120250	289100	315927	613303	0	267716
Growth Rate		140.42%	9.28%	94.13%	-100.00%	35.96%
Uniform (In Rs.)	310694	390092	327400	332100	450000	362057.2
Growth Rate		25.56%	-16.07%	1.44%	35.50%	11.61%
Visiting or Daily Allowance (In Rs.)	542790	740,632	16000	687670	0	397418.4
Growth Rate		36.45%	-97.84%	4197.94%	-100.00%	1009.14%
Water or Electricity Bill (In Rs.)	1990089.5	0	797262	978440	954358	944029.906
Growth Rate		-	-	22.73%	-2.46%	10.13%
Communication Bill (In Rs.)	0	0	211101.22	252362.36	205112	133715.116
Growth Rate		-	-	19.55%	-18.72%	0.41%
Office Handling Relate Expenses (In Rs.)	1340193	1804024.2	1317556.2	1827171	1497477.5	1557284.37
Growth Rate		34.61%	-26.97%	38.68%	-18.04%	7.07%
Maintenance or Repair (In Rs.)	953112	640799	199219	140924	217139	430238.6
Growth Rate		-32.77%	-68.91%	-29.26%	54.08%	-19.21%
Fuel or Other Fuel (In Rs.)	0	1144551	996691	1162190	1457559	952198.2
Growth Rate		-	-12.92%	16.60%	25.41%	9.70%
Council or Other Service Fee (In Rs.)	0	0	463654	21338656	275720	4415605.91
Growth Rate		-	-	4502.28%	-98.71%	2201.79%
Miscellaneous Expenses (In Rs.)	3920335	735961	33002	18698596	408150.1	4759208.77
Growth Rate		-81.23%	-95.52%	56558.98%	-97.82%	14071.10%
Grant for Public Organization (In Rs.)	0	0	574847	626883	354000	311146
Growth Rate		-	-	9.05%	-43.53%	-17.24%
Service Expenses (In Rs.)	829096	0	787284	68549	880754	513136.6
Growth Rate		-	-	-91.29%	1184.85%	546.78%
Ensure Expenses (In Rs.)	0	0	272534	21965	0	58899.8
Growth Rate		-	-	-91.94%	-	-91.94%
Other Program (In Rs.)	0	28226	0	28500	0	11345.2
Growth Rate		-	-	-	-	0
Refund Expenses Current Budget (In Rs.)	0	0	0	335356.76	1014050	269881.352
Growth Rate		-	-	-	202.38%	202.38%
LG/CDP Current (In Rs.)	0	0	0	0	2009600	401920
Municipality Cleaning Expenses (In Rs.)	509581.74	0	0	0	0	0
Board Handling Expenses (In Rs.)	47467	52188	86650	26100	0	42481
Growth Rate		9.95%	66.03%	-69.88%	-100.00%	-23.47%
Membership Fee (In Rs.)	25000	612400	0	49830	0	137446
Growth Rate		2349.60%	-	-	-	2349.60%
Economic Help (In Rs.)	52750	14550	49650	0	0	23390
Growth Rate		-72.42%	241.24%	-100.00%	-	22.94%
Interest Payment (In Rs.)	457078.05	0	0	132667.12	0	117949.034
Staffs Welfare Expenses (In Rs.)	4794720	526385	2329430	2045000	0	1939107
Growth Rate		-89.02%	342.53%	-12.21%	-100.00%	28.26%
Total (In Rs.)	36828674	21540362	16727509	59548751	23501687	31629396.6
Growth Rate		-41.51%	-22.34%	255.99%	-60.53%	32.90%

Source: Based on Appendix 'III'

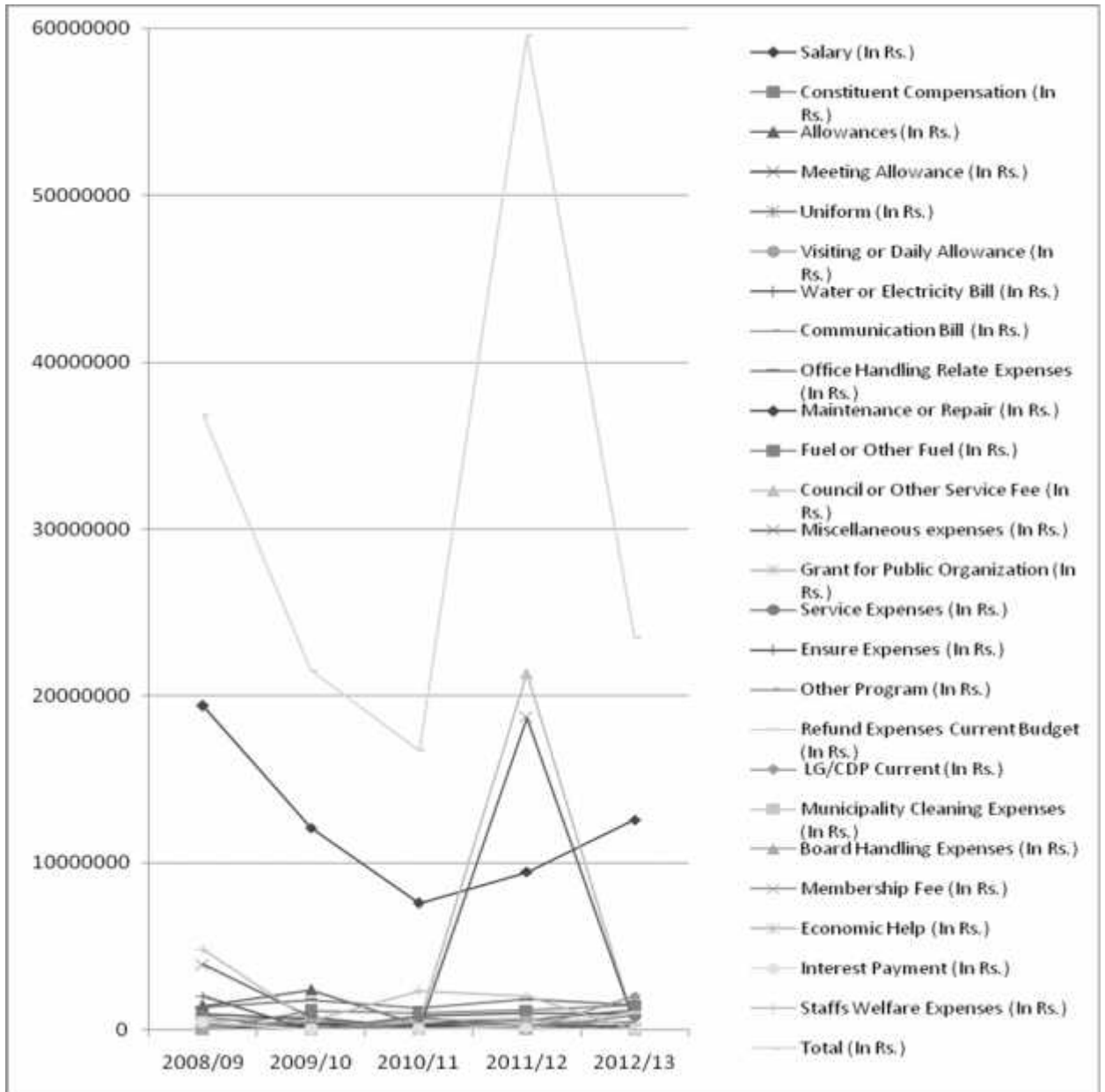
The main components of other expenditure are financial assistance, donation, other materials and contingency fund. Current Expenditure of Nepalgunj Municipality includes Salary, Constituent Compensation, Allowances, Meeting Allowance, Uniform, Visiting or Daily Allowance, Water or Electricity Bill, Communication Bill, Office Handling Expenses, Maintenance or Repair, Fuel or Other Fuel, Council or Other Service Fee, Miscellaneous Expenses, Grant for Public Organization, Service Expenses, Ensure Expenses, Board Handling Expenses, Membership Fee, Economic Help, Interest Payment, Staffs Welfare Expenses, Expenses on Current Expenditure are shown in the above figure. Its growth rate evaluation of each component according to the above table can be seen described as following.

The table 4.13 shows composition of current expenditure of Nepalgunj Municipality and its growth rate. The growth rate of Salary is highest in FY 2012/13 which is 33.07 percent and lowest in FY 2009/10 which is -37.07 percent. It is -37.19 and 24.40 percent in FY 2010/11 and 2011/12 respectively. On average it is -4.36 percent. The growth rate of the Constituent Compensation is highest in FY 2011/12 which is 98.70 percent lowest in FY 2009/1 which is -9.09 percent. It is -7.86 percent on FY 2010/11 and there is no Constituent Compensation in FY 2012/13. On average it is seen 27.25 percent excluding fiscal year 2012/13 because of no Constituent Compensation. The growth rate of allowances is highest in FY 2012/13 which is 109.18 percent and lowest in FY 2010/11 which is -88.35 percent. It is 66.82 percent in FY 2009/10 and 107.38 percent in FY 2011/12. It is 48.76 percent on average. The growth rate of Meeting Allowance is highest in FY 2009/10 which is 140.41 percent lowest in FY 2010/11 which is 9.28 percent. In FY 2011/12 it is 94.13 percent and in fiscal year 2012/13 it is -100.00 percent which means there is no Meeting Allowance in this year. The growth rate of the Uniform is highest in FY 2010/11 which is -16.07 percent. It is 25.56 percent and 1.44 percent in FY 2009/10 and 2011/12 respectively. On average it is 11.61 percent. The growth rate of Visiting or Daily Allowance is highest in FY 2011/12 with 4197.94 percent and lowest in FY 2010/11 with 97.84 percent. It is 1009.14 percent. The growth rate of Water and Electricity Bill in FY 2011/12 is 22.73 percent. It decreased by -2046 percent in FY 2012/13. The growth rate of Communication Bill is 19.55 percent in FY 2011/12 its growth rate is decreased by -18.72 percent in FY 2012/13. On average it is 0.41 percent. The growth rate of Office Handling Relate Expenses is highest in FY 2010/11 which is -26.97 percent. It is

34.61 percent in FY 2008/09 and -18.04 percent in FY 2012/13. On average it is 7.07 percent. The growth rate of Maintenance or Repair is highest in FY 2012/13 which is 54.08 percent and lowest in FY 2010/11 which is -68.91 percent. It is -32.77 percent in FY 2009/10 and -29.26 percent in FY 2011/12. It is -19.21 percent on average. The growth rate of Fuel or Other Fuel is highest in FY 2012/13 which is 25.41 percent lowest in FY 2010/11 which is -12.92 percent. It is 16.60 percent in FY 2011/12. It is 9.70 percent on average. The growth rate of Council or Other Service Fee is 4502.28 percent in FY 2011/12 and -19.71 percent in FY2012/13. It is 2201.79 percent on average. The growth rate of Miscellaneous Expenses is highest in FY 2011/12 which is 56558.98 percent lowest in FY 2012/13 which is -97.82 percent. It is -81.23 percent in FY 2009/10 and -95.22 percent in FY 2010/11. On average it is 14071.10 percent. The growth rate of Grant for Public Organization is 9.05 percent in FY 2011/12 and it is -43.53 percent in FY 2012/13. It is -17.24 percent on average. The growth rate of Service Expenses is -91.29 percent in FY 2012/13. On average it is 546.78 percent. The growth rate of Ensure Expenses seen -91.94 percent in FY 2011/12. Other Program is not regular its growth rate cannot be seen. The growth rate of LG/CDP Current is not seen. The growth rate of Municipality Cleaning Expenses is not seen due to irregularity. The growth rate of Board Handling Expenses is highest in FY 2010/11 which is 66.03 percent and lowest in FY 2012/13 which is -69.88 percent. It is 9.95 percent in FY 2009/10. The Board Handling Expenses is not done in FY 2012/13. On average it is seen -23.47 percent. The growth rate of Membership Fee is seen in FY 2009/10 only which is 2349.60 percent. The growth rate of Economic Help is highest in FY 2010/11 which is 241.24 percent and lowest in FY 2009/10 which is -72.42 percent. The Expenses of Economic Growth Rate is seen zero in FY 2011/12 and 2012/13 during the study period. The growth rate of Staffs Welfare Expenses is highest in FY 2010/11 which is 342.53 percent and lowest in FY 2009/10 which is -89.02 percent. It is -12.21 percent in FY 2011/12 and there are no expenses on Staffs Welfare Expenses in FY 2012/13. On average it is 28.26 percent. The total growth rate is highest in FY 2011/12 which is 255.99 percent and lowest in FY 2012/13 which is -60.53 percent. It is -41.51 percent in FY 2009/10 and -22.34 percent in FY 2010/11. On average it is 32.90 percent.

Figure 4.15

**Line Chart Composition of Current Expenditure of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)**

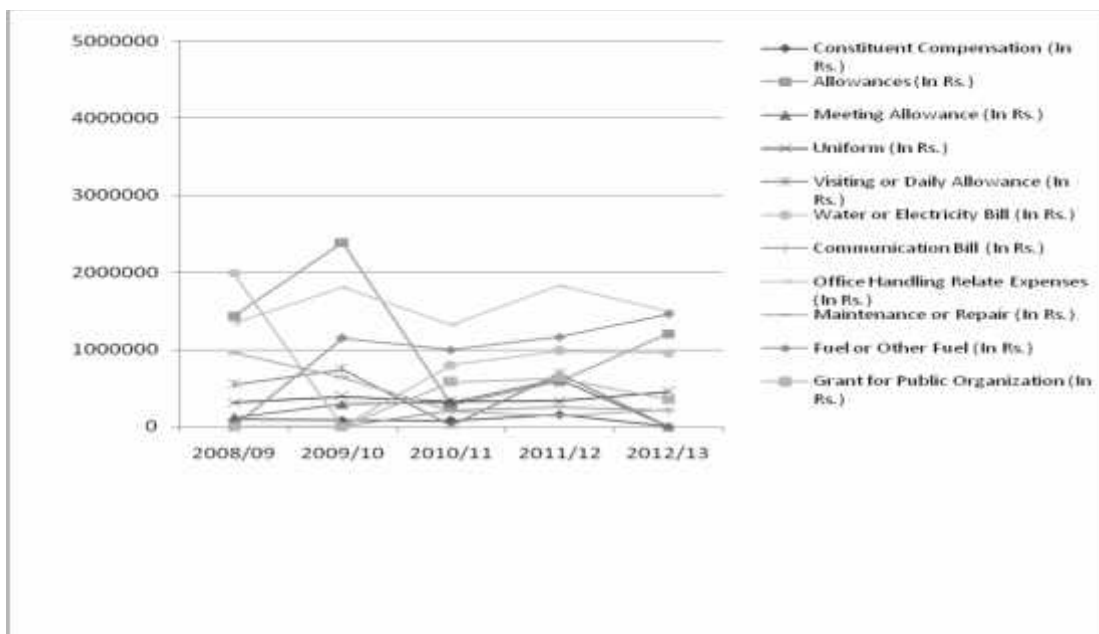


Based on Appendix 'III'

The figure 4.15 shows the trend of Composition of Current Expenditure of Nepalgunj Municipality. The trend of Total Expenditure shows it is decreasing initially up to 2009/10 and 2010/11 after than it is increasing. Again it is decreasing. The Salary, Council or Other Service Fee and Miscellaneous Expenses is clear from above figure other which are not clear this is shown in following figure dividing into two parts.

Figure 4.15.1

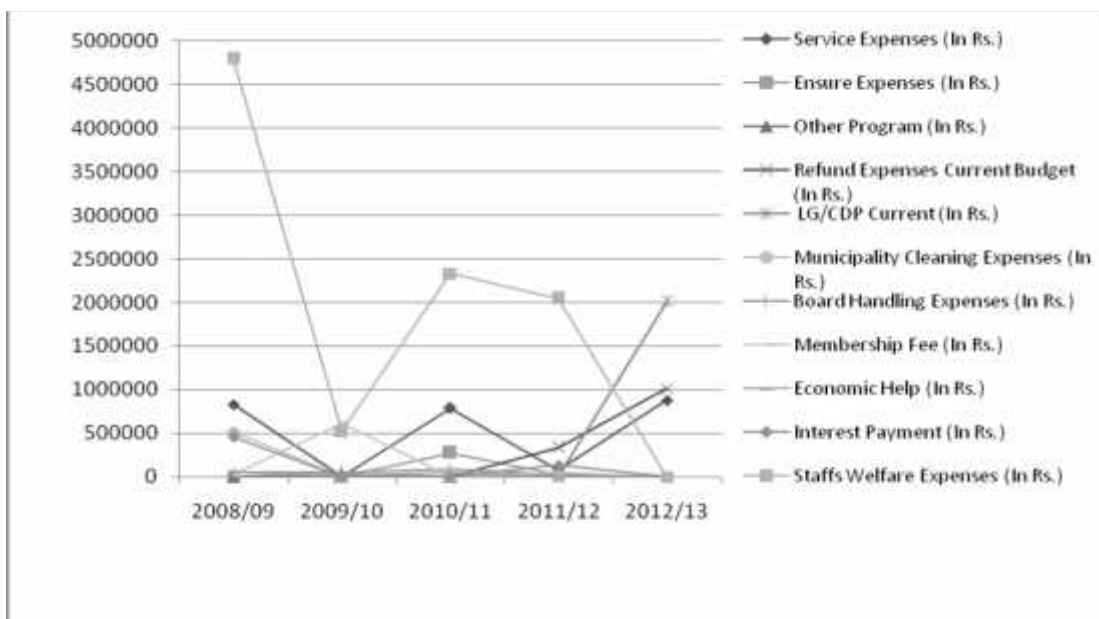
**Line Chart Composition of Current Expenditure of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)**



Based on Appendix 'III'

Figure 4.15.2

**Line Chart Composition of Current Expenditure of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)**



Based on Appendix 'III'

The figure 4.15.1 and 4.15.2 shows the trend of the Constituent Compensation, Allowances, Meeting Allowance, Uniform, Visiting or Daily Allowances, Water Electricity Bill, Communication Bill, Communication Bill, Maintenance or Repair, Fuel or Other Fuel, Council or Other Service Fee, Grant for Public Organization, Service Expenses, Ensure Expenses, Other Program, Refund Expenses Current Budget, LG/CDP Current, Municipality Cleaning Expenses, Membership Fee, Economic Help, Interest Payment, Staffs Welfare Expenses. The negative or downward sloping trend line shows decreasing in expenditure and positive or upward sloping trend line shows increasing in expenditure.

4.7.2 Dept Payment

Expenditure for debt payment is essential every municipality. The Dept Payment of the Nepalgunj Municipality is not seen regular it fluctuated. In some year it is seen zero percent too. The comparison of percentage value of Dept Payment with the total revenue is shown in the table below.

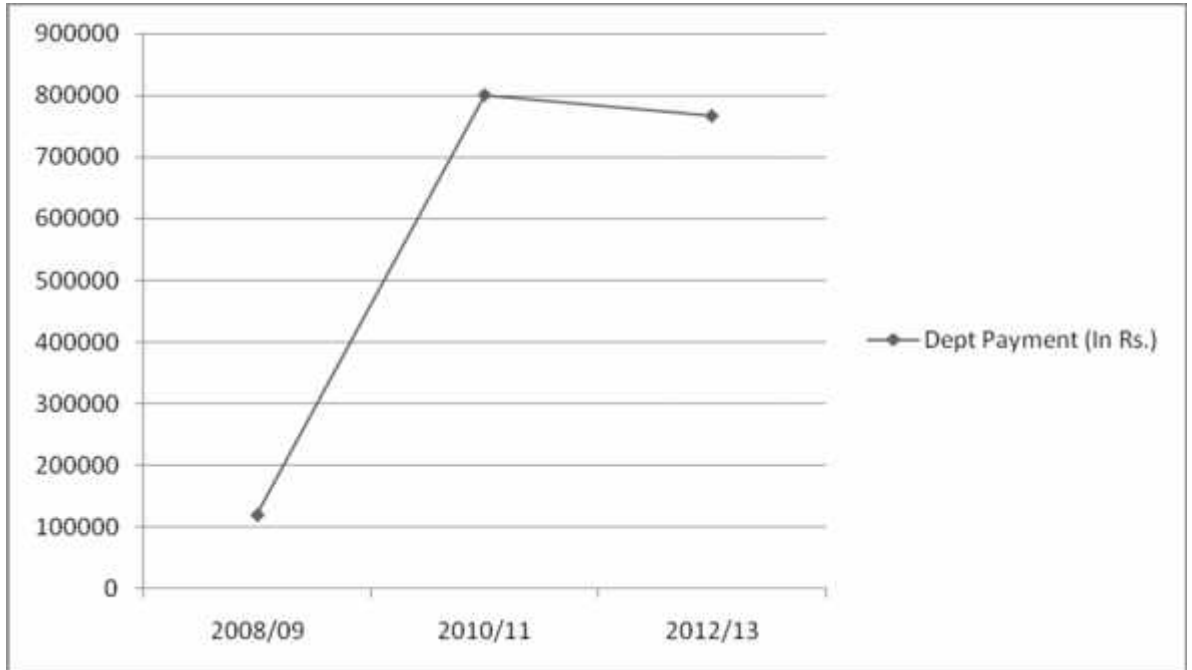
Table 4.16
Dept Payment of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2010/11	2012/13	Average
Dept Payment (In Rs.)	120030	800000	766145	843087.5
Growth Rate		566.50%	-4.23%	187.42%

Source: Based on the Appendix 'III'

The table 4.16 shows the growth rate of Dept Payment of Nepalgunj Municipality. In study period it is seen that the Dept Payment is carried out in two years time period. Initially from 2008/09 to 2010/11 it is seen growth rate is 566.50 percent. From 2010/11 to 2012/13 it is seen decreased to -4.23 percent. On average it is 187.42 percent.

Figure 4.16
Line Chart Composition of Dept Payment of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)



Based on Appendix 'III'

The figure 4.16 shows the trend of the Dept Payment of the Nepalgunj Municipality. Initially from FY 2008/09 to 2010/11 the slope is increasing or positive so the Dept Payment is increasing after than it decreases slightly from FY 2010/11 to 2012/13.

4.7.3 Ordinary Capital

The goods that can be used for more than one year is loosely termed as ordinary capital goods in this study like the Furniture, Public Construction Expenses, Capital Improving Expenses, Cleaning Staffs Mobilizing Expenses, Cleaning Staffs intensive Expenses, Cleaning Material Expenses, Vehicle Maintenance Capital, Ward Office Management and Health Clinic Mobilization Expenses are taken as the Ordinary Capital during the study period. The expenditure on ordinary capital of the Nepalgunj Municipality presented in table 4.17 below and its growth rate also been calculated from fiscal year 2008/09 to 2012/13.

Table 4.17**Composition of Ordinary Capital of Nepalgunj Municipality and its growth rate****(From FY 2008/09 to 2012/13)**

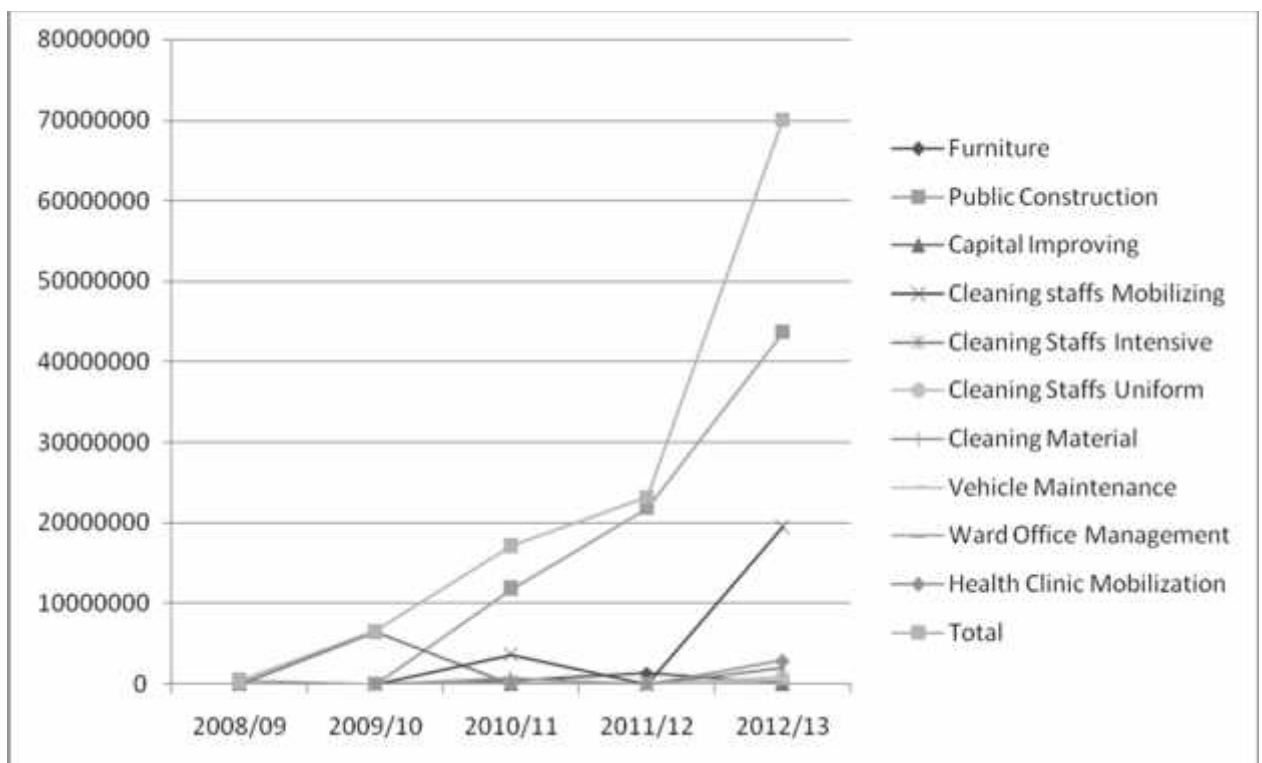
FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Furniture (In Rs.)	0	0	422827	1343227	94773	372,165
Growth Rate		-	-	217.68%	-92.94%	62.37%
Public Construction (In Rs.)	401410	0	11867224	21855812	43672739.87	15,559,437
Growth Rate		-	-	84.17%	99.82%	92.00%
Capital Improving (In Rs.)	0	6547783.86	1000	0	36600	1,317,077
Growth Rate		-	-99.98%	-	3560.00%	1730.01%
Cleaning Staffs Mobilizing (In Rs.)	0	0	3617871	0	19538706.8	4,631,316
Growth Rate		-	-	-	440.06%	440.06%
Cleaning Staffs Intensive (In Rs.)	0	0	170030	0	1972075	428,421
Growth Rate		-	-	-	1059.84%	1059.84%
Cleaning Staffs Uniform (In Rs.)	0	0	170750	0	868353	207,821
Growth Rate		-	-	-	408.55%	408.55%
Cleaning Material (In Rs.)	0	0	765233	0	415250	236,097
Growth Rate		-	-	-	-45.74%	-45.74%
Vehicle Maintenance (In Rs.)	0	0	99542.19	0	583794	136,667
Growth Rate		-	-	-	486.48%	486.48%
Ward Office Management (In Rs.)	0	0	97200	0	0	19,440
Health Clinic Mobilization (In Rs.)	0	0	0	0	2907112.33	581,422
Total (In Rs.)	401410	6547783.86	17211677.19	23199039	70089404	23,489,863
Growth Rate		1531.20%	162.86%	34.79%	202.12%	482.74%

Source: Based on Appendix 'III'

The table 4.17 shows the Composition of Ordinary Capital of Nepalgunj Municipality and its growth rate. The growth rate of Furniture in FY 2011/12 us 217.68 percent and -92.94 percent in FY 2012/13. On average it is 62.3 percent. The growth rate of Public Construction is highest in FY 2012/13 with 99.82 percent and 84.17 percent in FY 2011/12. On average it is 92 percent. The growth rate of Capital Improving Investment is 99.98 percent in FY 2010/11. It is 3560 percent in FY 2012/13 merging FY 2011/12. The growth rate of Cleaning Staffs Mobilizing Expenses is 440.06 percent in FY 2012/13. The growth rate of Cleaning Staffs Intensive is 1059.84 percent. The growth rate of Cleaning Staffs Uniform is 408.55 percent in FY 2012/13. The growth rate of Ward Office Management and Health Clinic Mobilization cannot seen during the period of study. The growth rate of Ordinary Capital in Total is highest in FY 2009/10 which is 1531.20 percent and lowest in FY 2011/12 which is 34.79 percent. It is 162.86 percent in FY 2010/11 and it is 202.12 percent in FY 2012/13. On average it is 482.74 percent.

Figure 4.17

**Line Chart Composition of Dept Payment of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)**



Based on Appendix 'III'

The figure 4.17 shows the trend of Ordinary Capital of Nepalgunj Municipality. The positive slope or upward sloping curve shows increase in the Expenditure. And the negative or downward sloping curve shows decreasing in Expenditure.

4.8 Development Expenditure

Development Expenditure is almost the investment type expenditure. It is one of the Most important source for municipality. Development expenditure is closely related to the people and hence people show their concern on this expenditure people show their concern on this development expenditure is also a combination of Land Purchase, NG/To Grant and Capital Investment. Development Expenditure should occupy or major share in the municipal budget its must be planned.

Development Expenditure of the Nepalgunj Municipality is under taken on three heading namely, Land Purchase, NG/To Grant and Capital Investment. The development expenditure of Nepalgunj Municipality is shown in the table 4.18 below.

Table 4.18
Development Expenditure of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

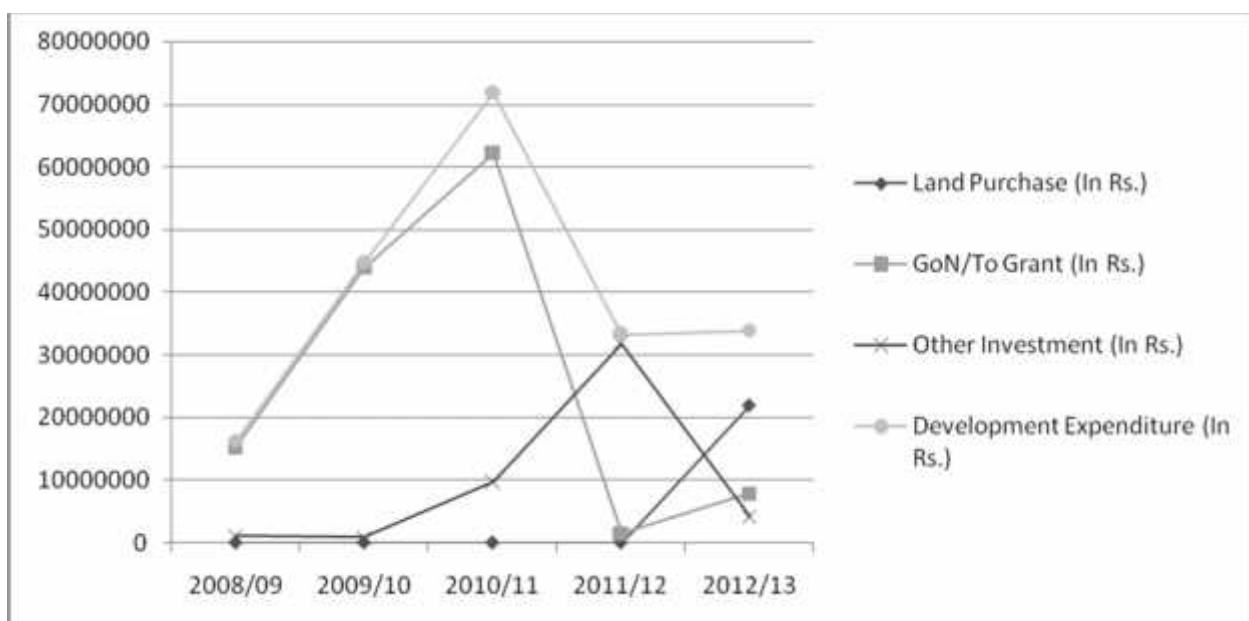
FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Land Purchase (In Rs.)	0.00	0.00	0.00	0.00	21880174.00	4376034.8
GoN/To Grant (In Rs.)	15257850.98	43953138	62120648.00	1604584.28	7938450.00	26174934
Growth Rate		188.07%	41.33%	-97.42%	394.74%	131.68%
Other Investment (In Rs.)	991088.57	863974.00	9771942.00	31786933.00	4110986.00	9504984.7
Growth Rate		-12.83%	1031.05%	225.29%	-87.07%	289.11%
Development Expenditure (In Rs.)	16248939.6	44817112	71892590	33391517	33929610	40055954
Growth Rate		175.82%	60.41%	-53.55%	1.61%	36.86%

Source: Based on Appendix 'III'

The table 4.18 shows the composition of Development Expenditure and its growth rate. The growth rate of Land Purchase not seen because in on fiscal year 2012/13 the land is purchased. The growth rate of the GoN/ To Grant is highest in FY 2012/13 394.74 percent. Lowest in FY 2011/12 which is -97.42 percent. It is 188.07 percent and in FY 2010/11 it is 41.33 percent. On average it is 139.68 percent. The growth rate of Other investment is highest in FY 2010/11 which is 1.31.05 percent and lowest in FY 2012/13 which is -87.07 percent. It is -12.83 percent in FY 2009/10 and 225.29 percent in FY 2011/12. On average it is 289.11 percent. The growth rate of Development Expenditure is highest in FY 2009/10 which is 175.82 percent in FY 2009/10 and lowest in FY 2011/12 which is -53.55 percent. It is 60.41 percent in FY 2010/11 and 1.61 percent in FY 2012/13. On average it is 36.86 percent.

Figure 4.18

**Line Chart of Development Expenditure of Nepalgunj Municipality
(Trends Over Time From FY 2008/09 to 2012/13)**



Based on Appendix 'III'

The table 4.18 shows the trend of the development Expenditure of Nepalgunj Municipality. The trend of Land Purchase is not clear due to land purchase is made in FY 2012/13 only. The trend GoN/ To Grant is increasing from FY 2008/09 to 2009/10 after than it is increment slightly decreasing after than the increment

decreased to zero in FY 2011/12 after than it increased. The increment of the Other Investment is constant in FY 2008/09 to 2009/10 it started to increase from FY 2009/10 to 2010/11 after then slightly decreases then before because the slope is smaller after than it started to decreases so slop of trend line is negative.

4.9 Land Purchase

Land Purchase is the expenditure of the municipality in many cases the land should be purchase. To develop the Road in the Municipality, to make the building of the municipality, to make the bus-park etc. During the study period the Land Purchase is seen in FY 2012/13 with Rs. 33929610. So its growth and trend cannot be seen. Just can say that land is purchased in this academic year.

4.10 GoN/ To Grants

GoN/To Grants expenditure is almost the investment type expenditure. It is one of the most important factors of a municipality. GoN/To Grants is closely related to the people and hence people show their concern on this expenditure people show their concern on this expenditure development expenditure for Development Expenditure GoN/To Grants is also one component. GoN/To Grant is also a combination different components such as Construction of Cost Participation Program, Social Security Allowance, Agro or Local Road instruction, Road Board Grant, Grant. It is under taken in two headings such as Social Program and Capital Investment during the period of the study. Beside that there may be different component for GoN/To grant because government is one factor which support for Municipality Development by helping Budget for the municipality for different program to raise the power of people and to improve their capacity.

The GoN/ To Grant of Nepalgunj Municipality and its growth rate is shown in the following table 4.19 below. Increasing in the growth rate shows the development expenditure is increasing. Decreasing in the growth rate shows the Development Expenditure is decreasing.

Table 4.19
Composition of GoN/To Grants of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

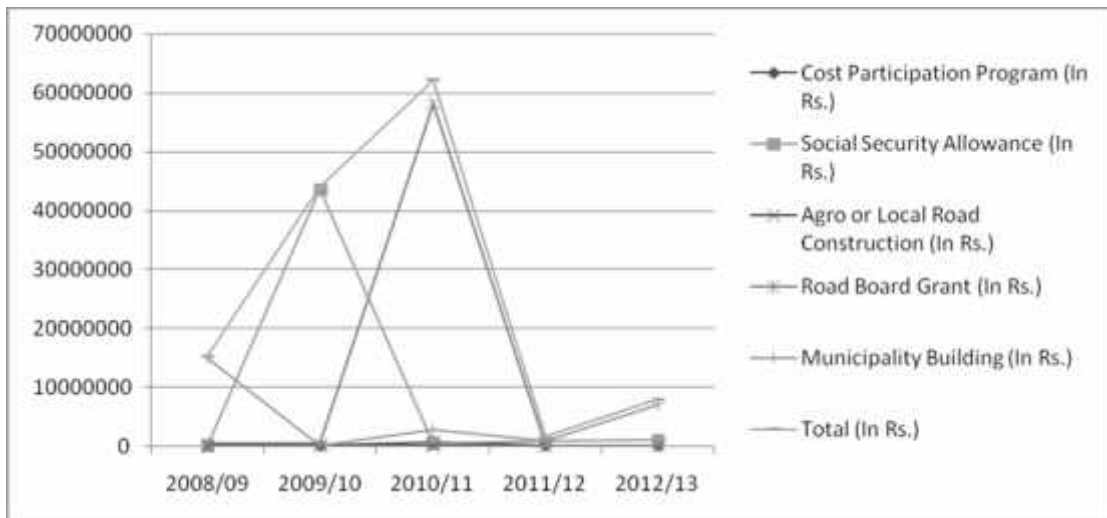
FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Cost Participation Program (In Rs.)	0	0	756700	0	0	151340
Social Security Allowance (In Rs.)	0	43566638	409746	782115	922000	9136099.8
Growth Rate		-	-99.06%	90.88%	17.89%	3.23%
Agro or Local Road Construction (In Rs.)	0	0	35999	0	0	7199.8
Road Board Grant (In Rs.)	295650	386500	58163003	0	0	11769030.6
Growth Rate		30.73%	14948.64%	-	-	7489.69%
Municipality Building (In Rs.)	14962201	0	2755200	822469.28	7016450	12778160.13
Growth Rate		-	-	-70.15%	753.10%	136.59%
Total (In Rs.)	15257851	43953138	62120648	1604584.28	7938450	26174934.25
Growth Rate		188.07%	41.33%	-97.42%	394.74%	131.68%

Source: Based on Appendix 'III'

The table 4.19 shows the growth rate of GoN/ To Grants of Nepalgunj Municipality. The growth rate of Cost Participation Program cannot be seen. The growth rate of Social Security Allowance is highest in FY 2011/12 which is -99.06 percent. It is 17.89 percent in FY 2012/13. On average it is 3.23 percent. The growth rate of Local Road Construction cannot be seen. The growth rate of Road Board Grant is 14948.69 percent in FY 2010/11 and 30.73 percent in FY 2009/10. On average it is 7489.65 percent. The growth rate of Municipality Building is highest in FY 2012/13 which is 753.10 percent and it is -70.15 percent in FY 2011/12. On average it is 136.59 percent. The growth rate of Total GoN/Grants of Nepalgunj Municipality is highest in FY 2012/13 which is 394.74 percent and lowest in FY 2011/12 which is -97.42 percent. It is 188.07 percent in FY 2009/10 and it is 41.33 percent in FY 2010/11. On average it is 131.68 percent.

Figure 4.19

**Line Chart of GoN/ To Grants of Nepalgunj Municipality and its growth rate
(Trends Over Time From FY 2008/09 to 2012/13)**



Source: Based on Appendix 'III'

The figure 4.19 shows trend of GoN/ To Grants of Nepalgunj Municipality. Upward sloping or positively sloped trend line shows increase in Expenditure and downward sloping or negatively sloped trend line shows decrease in Expenditure of Nepalgunj Municipality. The Cost Participation Program, Social Security Allowance, Agro or Local Road Construction, Road Board Grant, Municipality Building and Total GoN/ To Grants and its trend shown in above figure.

4.11 Other Investment

Other Investment includes Road Lamp Join/Maintain Expenses, Vehicle Fuel, Production Gadget Expenses, To Donation Sector, Mahendra Bahumukhi Campus, To CFLG/OSP/WAS Expenses, Nation Literacy Program Expenses, Poverty Reduction Program, Refund Expenses. The Other Investment of the Nepalgunj Municipality from fiscal year 2008/09 to 2012/13 and its growth rate is shown in the figure below.

The growth rate of the Other Investment is necessary to increase for the municipality to increase the facility to the people who live within municipality also for the staffs of the municipality to handle day to day work.

Table 4.20
Composition of Other Investment of Nepalgunj Municipality and its growth rate
(From FY 2008/09 to 2012/13)

FY	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Road Lamp Join/Maintain Expenses (In Rs.)	991088.57	863974	146558	<u>24860.99</u>	457581	496812.512
Growth Rate		-12.83%	-83.04%	-83.04%	1740.56%	390.41%
Vehicle Fuel (In Rs.)	0	0	550072	0	1117055	333425.4
Production Gadgets Expenses (In Rs.)	0	0	0	0	508046	101609.2
To Donation Sector (In Rs.)	0	0	3127912	0	0	625582.4
Mahendra Bahumukhi Campus (In Rs.)	0	0	2520331	323026	0	568671.4
Growth Rate		-	-	-87.18%	-	-87.18%
To CFLG/OSP/WAS Expenses (In Rs.)	0	0	790846	7825142	0	1723197.6
Growth Rate		-	-	889.46%	-	889.46%
Nation Literacy Program Expenses (In Rs.)	0	0	966448	0	0	193289.6
Poverty Reduction Program (In Rs.)	0	0	1230729	23638765	0	4973898.8
Growth Rate		-	-	1820.71%	-	18.2071244
Refund Expenses Capital Budget (In Rs.)	0	0	439046	0	2028304	493470
Total (In Rs.)	991088.57	863974	9771942	31786933	4110986	9504984.71
Growth Rate		-12.83%	1031.05%	225.29%	-87.07%	231.29%

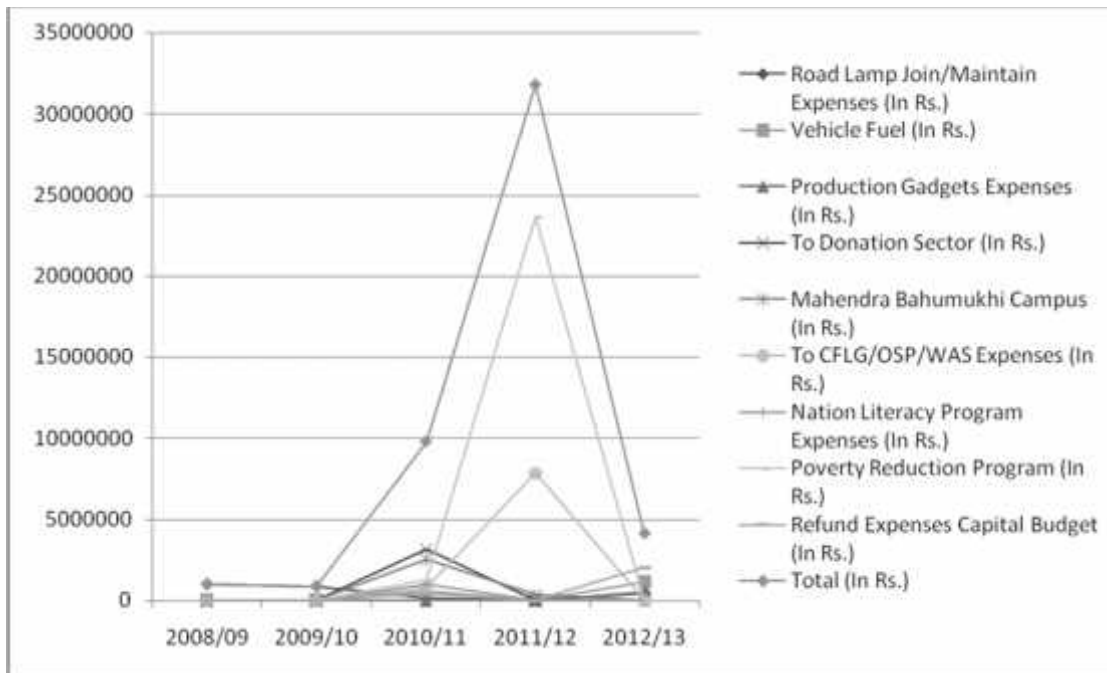
Source: Based on the Appendix 'III'

The table 4.20 shows the growth rate of Other Investment of Nepalgunj Municipality. The data which is in bold and underline is predicted data. The growth rate of Road Lamp Join/Maintain Expenses is highest in FY 2012/13 which is 1740.56 percent and lowest in FY 2010/11 and 2011/12 which is -83.04 percent. It is -12.83 percent in FY 2008/09. On average it is 390.41 percent. The growth rate of Vehicle Fuel, Production Gadgets Expenses and To Donation Sector the growth rate cannot be seen. The growth rate of Mahendra Bahumukhi Campus in FY 2011/12 is -87.18 percent. The growth rate of To CFLG/OSP/WAS Expenses is 889.46 percent in FY 2011/12. The Nation

Literacy Program Expenses is not regular. The growth rate of Poverty Reduction Program is 1820.71 percent in FY 2011/12. The growth rate of Refund Expenses cannot be seen due to irregularity of data. In total the growth rate is highest in FY 2010/11 which is 1031.05 percent and lowest in FY 2012/13 which is -87.07 percent. It is -12.83 percent in FY 2009/10 and 225.89 percent in FY 2011/12. On average it is 231.29 percent.

Figure 4.20

**Line Chart of Other Investment of Nepalgunj Municipality and its growth rate
(Trends Over Time From FY 2008/09 to 2012/13)**



Source: Based on Appendix 'III'

The figure 4.20 shows the composition of Other Investment of the Nepalgunj Municipality and its trend over time. The upward sloping or positive sloped trend line gives increased in Other Investment and downward sloping or negatively sloped trend line shows decreasing in the Other Investment of the municipality. Trend over time can be calculated from the trend line.

4.12 Balance Sheet of Revenue and Expenditure

When the raise fund is higher than the incurred expenditure, then we have budget surplus while in budget deficit the raised fund can't over all the incurred expenditure.

Table 4.21
Balance Sheet of Revenue and Expenditure of Nepalgunj Municipality
(2008/09 to 2012/13)

Fiscal Year	Heading		
	Total Revenue	Total Expenditure	Surplus (+) Deficit (-)
2008/09	65767579.68	54679323.70	11088255.98
2009/10	66899169.51	72905257.91	-6006088.4
2010/11	110090324.58	106631775.99	3458548.59
2011/12	115387540.86	116139307.6	751766.74
2012/13	130090858.25	128286845.99	1804012.26

Source: Based on Appendix II and III

Expenditure is higher than Revenue in Fiscal year 2009/10 and 2011/12. In these fiscal years, there is gap between Total Revenue and Total Expenditure due to increase in development activities in the municipality. In fiscal year 2008/09, 2010/11 and 2012/13 there is budget surplus which indicates except fiscal year 2009/10 and 2011/12 development works were not fully done as expected by the people of the municipality area.

4.13 Expenditure Revenue Ratio

It is also called efficiency ratio, a ratio that typically applies to calculate Expenditure Revenue Ratio, in simple terms is defined as expenses as a percentage of revenue (expenses / revenue), with a few variations. A lower percentage is better since that means expenses are low and earnings are high. It relates to operating leverage, which measures the ratio between fixed costs and variable costs.

Table 4.22

Expenditure-Revenue Ratio of Nepalgunj Municipality (2008/09 to 2012/13)

Fiscal Year	Heading		
	Total Revenue	Total Expenditure	Total Expenditure/ Total Revenue
2008/09	65767579.68	54679323.70	0.83
2009/10	66899169.51	72905257.91	1.09
2010/11	110090324.58	106631775.99	0.97
2011/12	115387540.86	116139307.60	1.01
2012/13	130090858.25	128286845.99	0.99

Source: Based on Appendix II and III

Expenditure-Revenue Ratio during the study period. Fiscal year 2008/09 to 2012/13, ratio between expenditure and revenue has been fluctuated. Due to increase in total revenue than total expenditure during study period, the expenditure revenue ratio is fluctuated which indicates that the municipality has not done physical activities in the municipality area. In fiscal year 2009/10 to 2011/12 the expenditure and revenue ratio is greater than one in other fiscal year it is less than one.

CHAPTER-FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summery of Findings

According to the Appendix 'VI' of this study finding that in Total Revenue of Nepalgunj Municipality the Internal Sources of Revenue of the municipality is 23.40 percent and External Source of the Revenue is 76.60 percent. It shows that the municipality is dependent on external sources such as Grants of Government of Nepal, District Local Development Office and other NGOs and INGOs which shows the dependency of the municipality is increasing and its internal source cannot manage its expenditure from internal source.

The growth rate of Internal Revenue of Nepalgunj Municipality is highest in fiscal year 2009/10 which is 86.49 percent when the growth rate of External Revenue is lowest which is minus 16.98 percent. The growth rate of Internal Revenue is lowest in fiscal year 2010/11 which is minus 19.49 percent when the growth rate of External Revenue is highest which is plus 111.80 percent. The growth rate of Internal Revenue is second highest in fiscal year 2011/12 which is plus 70.32 percent when growth rate of External Revenue is second lowest which is minus 10.29 percent. In fiscal year 2012/13 the growth rate of Internal and External Revenue is plus 11.32 and 13.25 percent respectively. The growth rate of Total Revenue is positive and increasing in all the fiscal years. Which shows the revenue of municipality is increasing year to year for the municipality for its expenditure.

From this view we can also say that there are two ways of increasing growth rate of municipality either increase growth rate of Internal Revenue or increase growth rate of External Revenue to meet the expenditure of municipality. But Internal Revenue can be sustainable source for municipality which decreases the conditional and unconditional grants for the municipality.

According to the Appendix 'VII' of this study finding that in Total Expenditure of Nepalgnj Municipality the Regular Expenditure of the municipality is 55.44 percent and Development Expenditure of the Municipality is 44.56 percent. The Regular Expenditure of the Municipality is greater than the Development Expenditure. It shows the infrastructure development of the municipality for the social welfare is not so good. Although its regular expenditure is higher the motivation of the Administration, Absence of Local bodies and Nature of the staffs The service of the Municipality also not good.

The growth rate of Regular Expenditure is lowest in fiscal year 2009/10 which is minus 29.19 percent when the growth rate of Development Expenditure is highest which is which is plus 175.85 percent. The growth rate of Regular expenditure is highest in fiscal year 2011/12 which is plus 138.20 percent when growth rate of Development Expenditure is second lowest which is minus 53.55 percent. In fiscal year 2010/11 the growth rate of Regular Expenditure is plus 23.68 percent and Development Expenditure is plus 60.41 percent. In fiscal year 2012/13 the growth rate of Regular Expenditure is plus 40.47 percent and the growth rate of Development Expenditure is lowest which is minus 63.91 percent. But the growth rate of Total Expenditure is growing in all fiscal years which shows the expenditure of municipality is increasing day by day from this we can say that the activities and responsibilities of municipality increasing day by day.

5.2 Conclusion

The latest concept of the government is good governance. This may be on the country of district or municipal or in VDC level in context of Nepal. We can find main four initiatives of people who live in jurisdiction of municipality. They are: Governing Municipality without corruption, Municipal Finance, Citizen Participation and Development of Municipality. Beside that the people who live in municipality they should be aware of their right, what facility should get from municipality, how to get facility from municipality and should not forget their responsibility to municipality such as paying tax in time, pay fees and fines taken by municipality, pay service charge to municipality while taking service from municipality etc. The revenue of the municipality is that money which is collected by those people who live in the

municipality. That revenue should spend by municipality to give facility to those people who live in the municipality. So people show their carefulness in the process of collecting revenue of municipality by the people and making expenditure to people. According to the Research Centre for Education Innovation and Development, 2007 the literacy rate of municipality is 69.59 percent. Which mean 40.41 percent of people are illiterate. There may be literate people in their home, society or village. They can learn their facility which should be provided by the municipality and their responsibility to the municipality.

Looking at the budget policy of the municipality we can find their internal sources of revenue and external sources of revenue to make investment on regular expenditure and development expenditure of municipality. In practice, good revenue management depends on the municipal capacity to comply with the municipal function. Specially it depends how well the revenue administration implements the key step of revenue process. For an effective control of local revenue sources the identification of both actual and potential tax payers as well as service beneficiaries is worth considering. The municipality should make sure to know who is paying taxes, how many tax payer live or work in the municipality and how many people need and actually benefit from municipal service such as water provision, electric power or waste collection.

Looking at the budget policy of Nepalgunj Municipality There is a municipality Board. The mayor of the municipality present the annual budget normally in the month of July after it has been appeared by the municipality Board. But it has been 16 years the municipality only executive officers and municipality staffs to give civil service to the people. This shows bureaucrats are handling all functions of municipality. But elected members are necessary in the municipality to protect the civic rights of the people and help to bring people's participation in decision making process.

Issues on the performance of Local Bodies of Nepalgunj Municipality are as following:

-) Planning and Implementation were not conducted on time.
-) Difficulty to align the local investment in according to provision.

) Control from the central was almost impossible because of the issue of autonomy and weak controlling capacity of local affair agency

Nepal is known as Himalayan Country and now in politically transitional phase. Even if the new political movement in 2007 has directed that the new constitution will be established as a federal country. Nepal is still practicing unitary governance system because of drawing the new constitution process. It may make the change of duties and responsibility of the people after being change but still working the old system in the municipality till the study period. But this analysis is mainly based on the potential sources of revenue and expenditure pattern of Nepalgunj Municipality during the fiscal year 2008/09 to 2012/13.

The annual average growth rate of Internal Revenue of Nepalgunj Municipality is 37.16 percent, External Revenue is 24.44 percent and Total Revenue is 20.93 percent.

In Internal Sources of Revenue such as Local Taxes, Fees and Fines, Property Rental, and Others Revenues average annual growth rate are positive. The Total average annual growth rate of Internal Revenue is also positive which is 46.51 percent. Total average annual growth rate of Local Taxes which is 38.09 percent, Fees and Fines which is 34.41 percent, Property Rental which is 16.44 percent, Other Revenues varies with large scale this is not due to raise in economic activities but due to irregularity of data collection and management of revenue and regularity of data.

In External Sources of Revenue such as Miscellaneous Income, Grants, External Sources average annual growth rate is positive but Equivalent Cost Participatory average annual growth rate is negative which is minus 72.20 percent. But Total average annual growth rate is positive which is 20.96 percent. Total average annual growth rate of Miscellaneous Income which is 58.09 percent. Total average annual growth rate of Grants is positive which is 30.96 percent. The Total average annual growth rate of External Grants/Sources is positive which is 65.65 percent. But Total average annual growth rate of Equivalent Cost Participatory is minus 72.20 percent.

The annual average growth rate of Balance Forward is 73.09 percent. It is increasing in fiscal year 2009/10 which is 253.82 percent. Decreasing in fiscal year 2010/11 which is minus 85.05 percent. Again increased in fiscal year 2011/12 which is 223.61 percent. But become zero in fiscal year 2012/13. The percent of Balance Forward should be decreased which is beneficial for municipality because this money is remaining that money which is not expend as expenditure.

Looking Expenditure side. The average annual growth rate of Total Expenditure is positive which is 24.74 percent. But average annual growth rate of Regular Expenditure is 43.86 percent which is higher than that average annual Development Expenditure which is 29.69 percent. It shows the regular expenditure of municipality increasing with higher rate than the Development Expenditure which is not good signal for development prospectus view. To solve this problem Total Revenue of municipality should increase keeping constant the Regular Expenditure in monetary value and spending other money in Development Expenditure we can increase growth rate of Development Expenditure.

Looking at the growth rate of Regular Expenditure only. The Total growth rate of Regular Expenditure's annual average growth rate is positive which is 37.25 percent. The Total average annual growth rate of regular Expenditure is positive which is 32.90 percent. The Total annual average growth rate of Dept Payment is positive which is 187.42 percent. This shows the Loan of municipality increasing. The Total average annual growth rate of Ordinary Capital is 482.74 percent which is largely variant not due to increase in economic activity but due to poor management of data by municipality. The annual average growth rate of Development Expenditure is positive which is 36.86 percent. The average annual growth rate of GoN/To Grants is positive which is 131.68 percent. It shows municipality dependency on central government is increasing day by day. The annual average growth rate of Other Investment is increasing in total it is positive which is 231.99 percent.

Looking Balance Sheet of Revenue and Expenditure. There is surplus in fiscal year 2009/09, 2010/11, 2011/12 and 2012/13. It shows surplus in the budget policy of Nepalgunj Municipality. But there is deficit in fiscal year 2009/10. But not equivalent budget is presented by municipality during the period of study.

Expenditure Revenue Ratio measures the actual progress of the municipality. If the ratio is smaller than one there is deficit in budget if equal to 1 neither deficit nor surplus there is equivalent in budget. If greater than 1 there is surplus in budget.

5.2 Recommendations

Some recommendations are suggested for further research study:

a) Revenue Capacity and Revenue Potential of municipality and Estimation of Resource gap

Grants from the Central Government constitute the major source of revenue of Nepalgunj Municipality. The Nepalgunj Municipality generate 23.40 percent of this total resources through own source revenue. The need to enhance own-source revenue on part of Nepalgunj Municipality is considered essential to reduce the wide fiscal gap.

Problem related to revenue mobilization by municipality include inadequate organization for revenue administration, lack of proper revenue records and database, insufficient skill manpower and lower rate of tax and non-tax revenues. Overall revenue efforts of Nepalgunj Municipality can be considered insufficient.

Some of the measures, which would help to enhance the internal revenues of Nepalgunj Municipality are rationalizing of existing revenue assignment arrangement, strengthening tax administration including providing more revenue autonomy to local governments. Moreover it is considered that the municipality should to be more transparent and accountable to their constituency in order to enhance compliance and thus revenue mobilization. Disclosure of revenue and expenditure of the municipality to the public on a periodic basic could have positive impact in this direction.

b) Revenue Assignment to Different Level of Government

The international trade taxes, and the major commodity taxes (including the VAT) belong to the central government in Nepal. Both central government and municipality have authority to apply user charges and fees for the service they provide. Although there are no tax surcharges, there is system of revenue sharing.

However, there are some areas refinement and improvement that can be done with the current revenue allocation.

c) Improvements Suggested in Existing Revenue Assingment

The house and land rent tax and entertainment tax to be fully develop to municipality. The land and property tax the existing sharing arrangement be eliminated and to be fully developed to Municipality Regarding the Vehicle Registration tax it is suggested that the revenue from this tax head be shared between Central Government and Municipality.

d) Suggested Revenue assignment to be added to Nepalgunj Municipality

1) Liquor sales tax

Current assignment does not include any tax on liquor sales: tax on liquor is limited to excise, VAT, or corporate income. The municipality do not have an instrument to encourage or discourage liquor sales and instrument to encourage or discourage liquor sales and consumption in their jurisdiction. The sale for such tax should be fixed with involvement of Local Body Associations.

2) Surcharge on utility (electricity, drinking water, telephone)

Currently the municipality get no revenue from the charges that users pay to Public Enterprises for the public utilities such as electricity, drinking water and telephone. However, the municipality is spending a good sum from their revenue for these utilities, especially on electricity line extension and drinking water line distribution. Therefore it is considered prudent to assign them with surcharge on the consumption of these utilities.

3) Waste disposal fee

Basically municipality are giving preferences only on collecting the waste and dumping it. The principle of 3R (waste reduction, re-use and recycle) are not prioritized by the municipality for effective and sustainable waste management. Also, the current assignment does not mention a fee that municipality can charge for disposing solid waste. But a significant expenditure of the municipality goes for this activity.

4) Business (e.g., Liquor Shop) license fee

The municipality do not have licensing authority. Municipality bear the burden of any untoward implication of liquor sales. It is, therefore, recommended that they be given the licensing and renewal authorities for operating liquor shops and obtain revenue from them. Behind it share of industrial service fee, radio license and animal house fee may include by municipality. To manage the ox, donkey which are freely in the road of municipality. That make burden for the municipality.

5) Gaming and lottery tax

Current assignment does not include any tax to municipality on lottery and gaming. The municipality do not have and instrument to encourage or discourage lottery and gaming in their jurisdiction. Since the impact of the lottery and gaming is on Municipal linked with social expenditure, it is advisable to allow municipality to tax on these activity.

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