

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Local government is a form of public administration in which a majority of context exists as a lowest tire of administration within a given state. The term is used to contrast with offices at state level, which is referred to as the central government or federal government which deals with governing institution between states. Local government generally acts with in power delegated to them by legislation of the government. In federal state, local government generally comprises the third tire of government.

Although the concept of local governance is as old as history, recently it has entered in to the broad academic discourse. Globalization and information revolution are forcing a re-examination of citizen, state relation and the relationship of various orders of government with entities beyond government and there by an enhanced focus on local governance. The concept, however has yet to be embraced fully by the literature of development economics, because of the long standing tradition in the development assistance community of focusing on either local government or community organization while neglecting the overall institutional environment that facilitate or retards interconnectivity cooperation, or competition among organization, groups, forms, and networks that serve public interest at the local level (World Bank, 2002).

The question of municipality autonomy is a key question of public administration and governance. The institutions of local government vary greatly between countries and even where similar arrangement exists. The terminology often varies the common names of local government entities includes state, district, municipality, and villages etc.

Nepal has adopted the decentralized system of governance under three distinct phases. The first phase (1960-1990) was a 'transition phase', which included the articulation of a formal decentralization policy framework in 1962 and the enactment of the Decentralization Act in 1982 and its Regulations in 1984. The second phase (1990-2006) began with the restoration of multi-party democracy in 1990, followed by three local

government Acts enacted in 1991, local democratic elections in 1992 and in 1997, and the initiation of a fiscal transfer system from 1993. The local government system was consolidated through the enactment of the Local Self-Governance Act (LSGA) in 1999. The third phase (2006-onwards) includes a period of post-conflict transition, April uprising (Jana Andolan-II-2006), and conduct of the Constituent Assembly (CA) elections in 2008 and in 2013 to pave the way for the promulgation of a new federal constitution. (The Rising Nepal, 2015)

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 with municipalities serving the same function in town areas. The district bodies are the District Development Committees. The current structure of local governance in Nepal was put in place after the restoration of democracy in 1990 and the current functions, duties, and power of the Local Governance is in effect after promulgation of Local Self Governance Act in 1999. All VDCs are divided into nine wards. Municipalities are divided into a minimum of nine wards but the maximum number is not specified. Wards are the smallest units of local governance. Each ward has a ward committee made up of the five elected members, one of which must be a woman. VDCs and municipal committees run LG's affairs. Village Councils and Municipal Councils meet biannually to approve or question VDC and municipality policies, programs and budgets. VDC chairpersons, vice-chairpersons, ward members and six nominated members representing women and disadvantaged groups form the village councils. Municipal councils have a similar structure but the number of nominated members can be maximum of twenty. At present the government of Nepal is trying to exercise the local bodies in the form of States, District Development Committee, Nagarpalika and Gaupalika (Vilage units).

According to municipal act 1998, the government of Nepal can declare a settlement as a municipality if the minimum annual income is more than one million rupees and total population of the settlement is more than twenty thousand in terrain region (ten thousand in hilly and mountainous) with the availability of electricity, road, drinking water, communication and other basic facility. At present there are 217 municipalities operating in Nepal among them one is metropolitan and twelve are sub metropolitan and the

government has decided to celebrate mangsir 29 as a municipal day. Currently the government of Nepal has celebrated twenty second municipal day. (GN/MoLD 2015).

Municipal infrastructure is essential to the economic, social, and environmental health of municipal area. Municipalities not only have to provide roads, transit, water, sewers, and other “hard” services, they also have to provide “soft” services that enhance the quality of life in their communities such as parks, libraries, social housing, and recreational facilities. In order to maintain this all sorts of expenses government of Nepal has allowed municipalities to collect revenues through various sources like tax and nontax medium.

The sources of revenue for municipal governments vary across countries but generally include taxes, user fees, and intergovernmental transfers. Other revenues may include investment income, property sales, and licenses and permits, for example. In terms of taxes, the property tax is levied by local governments in many countries. Other local taxes can include income taxes, general sales taxes, and selective sales taxes and land transfer taxes. To meet capital expenditure requirements, some municipalities charge developers for growth-related capital costs.

1.2 Statement of Problem

Due to population growth, availability of basic needs and other factor, the people from rural areas are migrating towards the city areas expecting better drinking water, road and communication, welfare services, health services etc. So there require huge investment to create infrastructure development on city areas.

The financial condition of Damak Municipality is weak due to limited resource of revenue. Furthermore, the available resources are also not fully utilized. The major problem of is lack of sufficient infrastructure: drinking water, street lightening, street cleaning, city road, etc. these are the main issue, which demands for more financial resources to improve the performance of Damak Municipality. The income sources of Damak Municipality are limited but the responsibilities of municipality towards their citizens are unlimited therefore, there is resource gap in municipal financing. In this context, mobilization and rising of resources and their utilization has been the subject of academic interest. The followings are the research question of the study.

- a) What is the history of municipal system in Nepal?
- b) What is the trend of expenditure and income of Damak Municipality?
- c) What is the expenditure pattern and sources of income?

1.3 Objectives of Study

This study focuses on the overall situation of the financial system of Damak Municipality of recent ten years from the periods of 2063/064 BS to 2072/073. The general objective of this study is to understand the overall situation of the financial system of Damak Municipality whereas the specific objective of this study are:

- a) To overview the history of municipal system in Nepal.
- b) To analyze the trend and pattern of expenditure of Damak Municipality.
- c) To analyze the trend and sources of revenue of Damak Municipality.

1.4 Significance of Study

Municipalities in Nepal are in developing stage as the municipality has limited resources and uncontrolled growth of population. The limited resources create difficulties on fulfilling the growing needs of inhabitants. This situation exists in Damak Municipality too. This research examines the revenue and expenditure of Damak Municipality. Municipality financing is most talked subject matters among politician, policy makers, tax payers, etc. But no one has done any research in this field after the people's movement of 2006, so the proposed study on municipality finance helps to understand how the municipality works. This study also helps to understand how this municipality mobilized the collected revenue through various sources in different economic sectors to enhance the development of the municipality. This study is expected to enhance the performance of the officials and awareness of the people of this municipality.

This study helps to know the financial condition of Damak Municipality very effectively to the national planner, policy maker, government, local officers, researchers, teachers, and students those who are interested to know about the nature of municipal finance in Nepal.

1.5 Limitations of the Study

The study mainly concerned with the financial system of Damak Municipality analyzing its trend and pattern of expenditure and revenue and sources of revenue. The followings are the limitations of my study.

- a) This study is only focusing on Damak Municipality of eastern Nepal.
- b) Consider the time frame of ten years, from fiscal year 2006/07 to 2015/16.
- c) The result of this study will be specific for the concern municipality only.

1.6 Organization of the Study

The study is divided into six parts. The first chapter is the introduction that deals with the background of the study, statement of problem, objectives of study, significance of study, limitations of the study and organization of the study. The second chapter is the review of literature concerning the study related to the expenditure and revenue of various municipalities from the eastern to far- western parts of the nation. The third chapter is the research methodology that consists of research design, nature and source of data, study period covered, data collection procedure, data organization, management and processing, tools and techniques of data analysis and interpretation, and general introduction of the study area covering various aspects of the study area like population, education, occupation, ethnic composition, health service, and drinking water.

The fourth chapter of the study deals the history of municipal system in Nepal by covering the period of Lichhavi Dynasty to present situation. The fifth chapter study is the data presentation and analysis. It includes the trend and pattern of expenditure of Damak Municipality, growth rate of regular and development expenditure, trend and sources of revenue, growth rate of revenue, and trend of resource gap. Finally the last chapter deals with the major findings, conclusion and recommendation of the study.

CHAPTER- II

REVIEW OF LITERATURE

Review of literature means reviewing research studies or other relevant proposition in the related area of study, So that all the past studies and their conclusions may be known and further research can be conducted. A literature review is an evaluative report of studies found in the literature related to selected area. The review should describe, summarize, evaluate and clarify this literature. It should give a theoretical basis for the research and help to determine the nature of research. Limited number of works that are central to study area rather than trying to collect a large number of works that are not as closely connected to topic area. A literature review goes beyond the search for information and includes the identification and articulation of relationships between the literature and respective field of research. While the form of the literature review may vary with different types of studies, the basic purposes remain constant.

Doing a careful and thorough literature review is essential when we write about research at any level. It is basic homework that is assumed to have been done vigilantly, and a given fact in all research papers. By providing one, usually offered in our introduction before we reach your thesis statement, we are telling our reader that we have not neglected the basics of research. It not only surveys what research has been done in the past on our topic, but it also appraises, encapsulates, compares and contrasts, and correlates various scholarly books, research articles, and other relevant sources that are directly related to our current research. Given the fundamental nature of providing one, our research paper will be not considered seriously if it is lacking one at the beginning of our paper. Research Methodology refers to the rationale and philosophical assumptions that underline a particular study relative to the scientific method used with a view to explaining the researcher's ontological and epistemological views.

2.1 Concept of Municipality

The municipality is the town or city with its own local government. The municipalities are the local bodies created for the urban areas to look after the local affairs like sanitation, public health etc. The main sources of finance of the municipal committee are taxation grant, share of tax levied and collected by state government and income of municipal undertakings (Lekhi; 2007)

The term municipality relates the concept of local government. It is the administrative body for small geographic area, such as city, town, country or state. A local government will typically only have control over their geographical region ,and cannot pass or enforced laws that will affect a wider area .Local government can elect officials ,enact tax and do many other things that a national government do, use on a small scale.

2.2 History of Municipal System in Various Part of the World.

a) England

In England the concept of municipality emerged with the development to the industrial revolution of 18th century. Borough, probably the oldest local government authority in England. The industrial revolution in town, urban areas spring up over night with no provision for civil amenities. As a result a royal commission of inquiry was appointed in 1883 was passed by a parliament, which forms the basis of the organization and power of the borough even today. According to this act, the council was made by government electors for a term of 3 years. The council was given power to enact by laws for the government of borough. It was given power over property, police, street lighting market and harbors. Between 1835 to 1882 the act was amended 50 times. The municipal corporation act of 1892 confided all the amendments, which together with its various amendments has between largely suppressed by the local government act 1833 (Nigam; 1968)

In case of England the local government is divided into metropolis and non-metropolis area. The metropolis area includes six districts, but all districts do not have same administrative system. For example, London boroughs are single tier authorities.

However, Scotland has two-tier system and belongs to metropolis category (Chandler; 1991).

b) United States of America

In 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 population or more, are usually considered as urban units, and rest are rural units. An urban or rural unit of local government may be Quasi-municipal Corporation or Municipal Corporation. There are three types of urban areas namely cities, counties, and special district. The government of urban units is required to provide all the necessary services for the inhabitants. (Gupta; 1968)

c) India

The history of municipal government in India can be divided into four periods. The pre-period when municipalities were created to serve imperial needs, the period from 1882 to 1919 when many attempts were made to turn them into self-governing units, the period from 1919 to 1935, the period of administrative failure and the period of reconstruction from 1935 to the present day. The basic objective of the reconstruction was to recognize the whole of local government with a view of making them a training ground of democracy and an effective organ of administration.

In India the structure of local government are different in state to state. The municipalities in India are formed according to the law of state. The classification of the municipalities in some states has been on the basis of their revenue. Thus the state government declared the area as municipality depending on their own act. (Agrawal; 1960)

2.3 Empirical Reviews

Khadyat (1995) has studied the municipality finance of Kathmandu Municipality. The study was based on secondary data. The objective of this research work was to explore the potential internal sources of revenue. The study depends on sources of revenue and expenditure pattern of the municipality. The researcher found that revenue from taxes

showed an increasing trend whereas revenue from other sources was very nominal. The main sources of revenue were local development tax (Octori) and vehicle tax. It was also found that the both the expenditure regular as well as development were increasing but the rate of growth of expenditure were fluctuating over the study period. From the study it is also clear that Kathmandu Municipality was not able to manage its expenditure from the revenue collected from its internal source.

The study has further made some recommendation that Kathmandu Municipality must interact with the ward officers and its resident regarding the development activities. Further the researcher has also suggested Kathmandu Municipality to increase the expenditure on social programs. Kathmandu Municipality also takes strong action against the citizens who do not paid the home rent tax.

Khadka (2002) has focused on function of municipalities and municipal taxation. The author highlights on functions that municipalities play very important role in the public life. Municipalities are responsible to carry out some public functions and are authorized to collect revenue in their area of jurisdiction, while the function of municipality varies country to country. The basic function of municipalities are providing primary education, fire prevention, sanitation, sewerage management, water supply, community development service, health service, park and recreation, slaughter houses, cemeteries and street lightening.

In case of municipal taxation, municipalities are authorized to levy various taxes. Municipal tax generally include taxes based on property, vehicle, and limited commodities. Municipal property taxes are generally levied on real property. They are taxes on objects and are used for allocating purpose. They are generally levied on each property and do not take account of the personal circumstances of the tax payers. They are often levied to pay for public services provided by the municipalities.

Barakoti (2004) has studied the income and expenditure pattern of Bhadrapur Municipality. The study was based on the secondary data of 2055/056 to 2062/063. The objective of this research work was to study the trend and pattern of income and expenditure so the researcher has mainly focuses on the trend and pattern of municipal

finance. From the study, researcher founded that the municipality collects the revenue from two sources internal sources and external sources. The internal source was mainly depends on local development fee and external sources on grants. It was founded that the collected revenue was not fully utilized by the municipality. That has causes a high balance forward in respective municipality. In expenditure side researcher found that expenditures, regular as well as development were increasing. But the growth rate of current expenditure was greater than the growth rate of development expenditure.

The study has suggested on identify the town priority project to extend its expenditure on developmental activities along with its total revenue. Due to the higher growth rate of regular expenditure, the researcher has further suggested on reducing the current expenditure by reducing financial assistance and donation.

Paudel (2005) has studied the income and expenditure pattern of Ghorai Municipality. This study was based on secondary data of five years from 2000/2001 to 2004/2005. The prime objective of this study was analyzing the sources of income and expenditure pattern. In this study the researcher found that the main composition of revenue were collected from external sources it was around 57 percent of total revenue were collected from external sources and remaining from internal sources. On expenditure side it was found that both regular as well as development expenditure were increasing but the volume of development expenditure were higher than the volume of current expenditure. All of the financial structure of Ghorai Municipality was fluctuating over the study period. The income and expenditure pattern of study period shows total revenue were higher than total expenditure.

In this research work has made some recommendation that Ghorai Municipality must increase its development expenditure compare to current expenditure, the internal sources were not so strong sources so recommendation has made on identifying other potential sources of revenue. The way that the municipality collects its tax revenue was traditional so another recommendation was made on adopting the systematic way of collection.

Acharya (2005) has studied the municipal finance of Ithari Municipality. This research was mainly based on secondary data. The sample size of this study was fourteen. The study was made taking the data of fiscal year 1989/90 to 2002/03. The objective of this

study was to analyze the income sources and expenditure pattern of respective municipality. From this study it was found that the income of the municipality was higher than the expenditure. The total revenue was the composition of internal and external source. The contribution made by external source was 68.66 percent and share of internal source was 31.34 percent. In internal source the local development tax was the prominent one. The grants were the main external sources of revenue. From this research work it founded that Ithari Municipality made expenditure under two headings namely regular and development expenditure. The volume of regular expenditure was lower than the volume of development expenditure. It was found the 44.72 percent of total expenditure was made on regular expenditure and rest of 55.28 percent on development expenditure. In development expenditure the higher volume was spend on development activities and only 10 percent was made on social programs.

The study has also made some recommendations that Ithari Municipality must reduce unnecessary expenditure that it makes under regular expenditure and it should invest on developmental activity. It was founded that municipality has not utilized the grants properly so another recommendation was made on utilizing the available grants. Further the budget making process should be effective, the training should be given to the employee, the municipality must coordinate with the local people for the developmental activity etc.

Bhattarai (2006) has studied the municipal finance of Dhulikhel Municipality. This research work was mainly based on secondary data with the sample size of five years. The study was mainly based on income and expenditure trend of Dhulikhel Municipality from the fiscal year 2001/02 to 2005/06. The study has found that the total revenue is the composition of internal and external sources. The share of external revenue is greater than the share of internal sources. The contribution of internal source was around 68 percent and the rest is the share of internal source. The internal revenue was mainly collected in the form of local development tax and external revenue in the form of loan and grants. In expenditure side, it is founded that the municipal made expenditure under two headings regular and development expenditure. The share of development expenditure was greater than the share of regular expenditure. It is founded municipal made the expenditure of 71 percent on development expenditure and rest on regular

expenditure of total expenditure. In development expenditure it was founded that there was significant investment on both social programs and capital investment.

The study has also made few recommendations that the revenue depends on external sources which is not good so municipality should identify the other potential sources of revenue. The main source of internal revenue was local development fee though property rental also can equally contribute so municipality must concern on it. There are so many panoramic areas in Dhulikhel Municipality but it was not founded that municipal has taken specific plan for such areas so another recommendation has made on developing park, picnic spots etc in order to increase the internal revenue.

Adhikari (2008) has studied the municipal finance in Nepal of Prithivinarayan Municipality of Gorkha district. This research work was mainly based on secondary data of fiscal year 1997/98 to 2006/07. The researcher has founded the financial position of Prithivinarayan Municipality was found to be fluctuating over the study periods. The main sources of revenue were external sources it has contributed around 69.25 percent of total revenue. The trends of income were always fluctuating but expenditure was increasing over the time period. It was founded that the municipality made expenditure under the two headings; regular expenditure and development expenditure. The volume of development expenditure was greater than the regular expenditure. Further it was also found that due to the lack of proper utilization of collected revenue, the municipality has the trend of budget surplus.

The study has also made recommendations that the expenditure made on development activities was quiet satisfactory but the expenditure on social program was not sufficient so Prithivinarayn Municipality must carry out social programs for the betterment of its resident for the proper mobilization of collected revenue. It was found that there is no systematic way of collecting tax so Prithivinarayan Municipality must adopt the systematic way of collecting tax. Equity and equality must be adopted while imposing tax.

Shahi (2010) has studied the income and expenditure pattern of Kirtipur Municipality. The study was based on the secondary data of 2001/2002 to 2007/2008. The prime

objectives of this study were to explore the possible sources of internal revenue. The study was mainly based on sources of income and expenditure pattern of respective municipality. The study found that the prominent source of income was internal sources. It has contributed around 60 percent of total revenue and in internal source the local tax were the main source. In respective study periods it was found that revenue collected from external sources were mainly grants, the contribution of grants were around 99 percent and only one percent from miscellaneous income. The researcher further concluded that development expenditure was greater than the regular expenditure around 32 percent of total expenditure was occupied by regular and remaining development expenditure. The development expenditure was almost investment type. It included social programs and capital investment. In average, 67 percent of development expenditure was spent on capital investment and only 13 percent on social programs. Due to lack of systematic plans and programs for investment, the revenue was not fully utilized.

The study has recommended on identifying other potential sources of internal revenue because of higher dependency of Kirtipur Municipality on local development fee. The Kirtipur Municipality must concern to the central authority for loan in order to reduce the dependency of external sources only on grants. The Kirtipur Municipality must increase the expenditure on social programs by adopting the systematic plans and programs. Further researcher has suggested on using most prominent sources of revenue which is administrative grants effectively.

Rai (2010) has studied the income and expenditure pattern of Banepa Municipality. The study was based on secondary data of 2050/051 to 2057/058. The major findings of this study were, the share of internal revenue were gradually decreasing whereas the external source were increasing. The growth rate of internal source of revenue was fluctuating over the study period. Share of the administrative expenditure to total expenditure declines throughout the study periods. Non-tax revenue of municipality has no any consistent pattern of growth over the time rather it was highly unstable.

The study has recommended that the municipality should identify the new sources of revenue so that it can cover its expenditure by own revenue. Agro products, footpath trade charge, tourist entry fee may be some new sources. The external revenue should

link directly to the development. Foreign grants, domestic borrowing and foreign can be additional revenue sources. The municipality should develop a standard format for recording internal revenue and grants by categorizing its source and purpose. The employees of municipality should organize in such a way that the responsibility, accountability and authority given are precisely. Central government should make release the grants timely so the targeted project could be completed without delay. The efforts should be maximized to minimized administrative expenditure and increase the proportion of developmental expenses.

Aryal (2010) has studied the municipal finance of Putalibajar Municipality of Syangja district. The study was based on the secondary data of fiscal year 2003/04 to 2007/08. The prime objective of this study was to study the trend of revenue and pattern of expenditure and to suggest the other potential sources of revenue. In the study it was founded that the municipality was unable to spend the collected amount of revenue. The external source was the prominent source of revenue which contributed around 72 percent of total revenue. From the study it is also founded that the local development fee is the main source of internal revenue and grants in external revenue. It was founded that the Putalibajar Municipality made expenditure under regular and development expenditure. It was founded that the development expenditure were not sufficient compare to regular expenditure. The development expenditure was only 68 percent of total expenditure.

The study has made recommendation that Putalibajar Municipality depends more and more on local development fee though there are other potential sources like entertainment tax, advertisement tax, house tax, land tax etc, which are not in exercise so concern municipality must introduce such taxes in exercise in order to increase its internal revenue. The study further suggested that the municipality must increase the volume of expenditure on capital investment like providing drinking water, management of road light, telephone, sanitation, city road etc. The study also suggests that the grants received by respective municipality should utilize properly.

Khatri (2013) has studied the income and expenditure pattern of Kapilvastu Municipality. The study was based on secondary data of 2063/064 to 2067/068. The study was mainly

based on various potential sources of revenue and pattern of expenditure to identify an appropriate system of finance for Kapilvastu Municipality. In this research work researcher found that the prominent sources of revenue were internal sources which has contributed around 89 percent of total revenue and in internal source the local tax has the major one. On the other hand the expenditure was analyzed under two headings regular and development expenditure. The share of regular expenditure on total expenditure was higher than the share of development expenditure. The development expenditure was almost investment type expenditure. Development expenditure was taken under two headings social programs and capital investment. It was found that very few amount were invested in social programs due to lack of plans and programs

The study has recommended that Kapilvastu Municipality's revenue were mainly depends only on internal sources so municipality must attract donor agencies for higher volume of external revenue. In order to increase the internal revenue the municipality must implement the strong policy. Further it was recommended that municipality should concern with central authority for loan and grants. Likewise in expenditure there was no sufficient investment in social programs. So, the study also suggested the administration to carry the planed and programmed development activities including the people. Further researcher has suggested that Kapilvastu Municipality must increase its expenditure on developmental activities by reducing the unnecessary expanses under the current expenditure.

Gaire (2013) has studied the government finance in Nepal a case study of Jhapa District Development Committee. The research work was based on secondary data of fiscal year 2063/064 to 2067/068. The major findings of this study were, the average tax revenue as a percentage of internal revenue was five percent, and throughout the study periods. Revenue sharing was the major component of the non-tax revenue which has contributed around 86 percent on average. The main sources of external revenue were central grants which has contributed around 86 percent share to total revenue during the study periods. Financial gap which shows the relation between actual income and expenditure were positive in all the study periods.

The study has made some conclusion that central grants received by the DDC were only the source of external revenue. It shows that local bodies are heavenly dependent on central grants or foreign aids. It is essential to look for better mobilization of internal sources of revenue for sustainable developments of DDCs. The respective DDCs must pay attention to gear up the volume of internal revenue concerning the gradual increment in expenditure for better financial autonomy of DDC.

K.C. (2015) has studied the municipal finance of Ghorai Municipality. The study was based on secondary data of fiscal years 1998/99 to 2013/014. The objective of the study was to analyze the trend and pattern of income and expenditure of respective municipality. From this study it was found that the main external source of revenue was grants. Further it was also found that the municipality was not adopting the planed and systematic of collecting revenue because of this problem the municipality was unable to collect the sufficient amount of revenue through internal source. Though there is lower volume of total revenue but the current expenditure of respective municipality were tremendous.

The study has made some recommendation that Ghorai Municipality must reduce its regular expenditure by reducing the expenditure on unnecessary things and should increase the development expenditure by increasing the expenditure on social programs and development activities. The internal source was so strong that the municipality could be independent so another recommendation was made on identification of other sources of revenue. Further it was also found that the Ghorai Municipality was not properly utilizing the grants received in the form of administrative and development grants so concern municipality must find the potential sectors and used the grants in such areas.

Neupane (2016) has studied the municipal finance in Nepal related to Kirtipur Municipality. The study was based on secondary data of fiscal years 2005/06 to 2014/15. The general objective of this study was to find the trend of revenue sources and pattern of expenditure. From this study it was found that internal revenue was the prominent source of revenue .it occupies around forty percent of total revenue and the rest are external source and balance forward. In internal source the main contribution was given by local tax which occupies around seventy percent of internal revenue. It was found that the

revenue collected from external sources was mainly grants which were around 95 percent and rest from miscellaneous. From this study in respective municipality it was found that regular expenditure was lower than the development expenditure. It was round 25.68 percent in regular expenditure and rest in development expenditure. The development expenditure was almost investment type which is undertaken in to two headings social programs and capital investment. Around eighty three percent of development expenditure was spent on capital investment and rest in social programs.

The study has made some recommendation that Kirtipur Municipality must identify other potential sources of revenue, which are available within municipal area. Further it was recommended that Kirtipur Municipality must increase its expenditure on social programs compared to capital investment. As a recommendation the researcher has suggested that, the respective municipality was not utilizing the sufficient volume of grant obtained from central authority so it must utilized the available grants effectively.

CHAPTER - III

RESEARCH METHODOLOGY

Research is a scientific inquiry aimed at learning new facts, testing ideas, etc. It is the systematic collection, organization, processing, analysis and interpretation of data to generate new knowledge and answer to given research questions. The methodology is the general research strategy that outlines the way in which research is to be undertaken and, among other things, identifies the methods to be used in it. The methods described in the methodology define the means or modes of data collection and how a specific result is to be calculated. Research methodology is a systematic way to solve the research problems. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained. Research Methodology refers to the rationale and philosophical assumptions that underline a particular study relative to the scientific method used with a view to explaining the researcher's ontological and epistemological views. There are many steps of research adopted in the study that are developed in following sequence like -

3.1 Research Design

The research designed of this study is analytical as well as descriptive in nature. The researcher has used descriptive method to study the systematic collection and presentation of data to give clear picture of a particular situation and attempt to obtain a complete accurate description of a situation whereas the analytical method is used to analyze the existing information on making the evaluation. In fact the research design is the conceptual structure within which the research is conducted.

3.2 Nature and Sources of Data

This study is fully based on secondary data which were obtained from published and unpublished available documents like books, booklets, research reports, journals, proceedings, magazine, article, dissertation, newspapers and other official reports

published by government of Nepal, central bureau of statistics, Ministry of Local Development, and office of Damak Municipality etc.

3.3 Study Period Covered

This study covered time series data of ten years of the trend and pattern of income and expenditure of Damak Municipality from the fiscal year 2006/07 to fiscal year 2015/016. The reason of taking required data and information from the fiscal year 2006/07 is to study the economic activities of Damak Municipality after the second people's movement 063 of Nepal.

3.4 Data Collection Procedure

The data and information used in the study are collected mainly from Damak Municipality by the researcher himself. The data collected from the municipality are structured data. These data are provided by the officers of Damak Municipality. The officers of Damak Municipality were very kind, though they were busy on their duty but they have managed their time and tried their best to provide the data as fast as possible. All the data which are used for this study is provided by municipality officers in raw form and provided in copied form by their own machine.

3.5 Data Organization, Management and Processing

Collected data and information were organized, managed and processed in context with given research question and to satisfy the given objectives of the study. Data used in this study were time series data of municipal revenue and expenditure. The revenue includes the internal revenue and external revenue whereas expenditure includes regular expenditure and development expenditure. Internal revenue is also in the form of local tax, fees and fines, property rental etc whereas external revenues is in the form of grants, loan and miscellaneous. The regular expenditure includes the current expenditure ,debt payment and ordinary capital whereas development expenditure includes social programs and capital investment.

3.6 Tools and Techniques of Data Analysis and Interpretation

After collecting data, the data are manually processed. The data are presented in various types of tables and figures. The data obtained on income and expenditure of Damak Municipality has been descriptively analyzed. The simple statistical tool like average table, percentage table, simple and multiple bar graphs etc. are used to analyze the data. After analyzing the information necessary conclusion and recommendations are also made.

CHAPTER - IV

HISTORY OF MUNICIPAL SYSTEM IN NEPAL

In ancient Nepal, Gram Panchayats and Dranga or town Panchayat has existed as local bodies in the period of Lichhavi Dynasty. Being important in administration they had various statuses. The existence of these bodies was even in Mallas Dynesties. Even after the unification of Nepal the importance of local bodies in administration was minimized.

In the history of municipality, first we find 'Bhotahity Sawal' ward declared in 1959 B.S. (1902 A.D.) under the regime of Rana Prime Minister Chandra Shamser. It was divided in to two sections upper *phaant* and lower *phaant* that means upper department and lower department. The delegates on the both of the *phaant* were appointed by Rana and the delegates were known as *Bada Hakim*. Since the *phaant* was divided into two parts, both sections had their own separate responsibility. Generally upper section has to look in to the whole administration and that the lower section had to look social services like cleaning and washing of the Sawal. There were some changes in under the regime of Bhim Smasher. He declared that there could have eighteen delegates on the executive board out of them ten were nominated by government and rest of eight were elected. In this way there were some improvements in the development process of the municipality (Khatri, 2013).

It was only 1919 A.D. the modern concept of local development came in to existence which have been the resulted the establishment of *SafaiAdda* in Kathmandu and separate government department which was named *Chhimadel Adda* for Lalitpur and Bhaktapur. This adda at *Bhotahity* was the experiments towards municipality in Nepal. At the time of Padma Samsar in 1948A.D, another attempt was made for municipality but due to some controversies among nominated and elected members it could not last long. Thus, in this period also municipalities as a unit of local self-government could not be set up in Nepal. However, some limited efforts were first made by some Rana Prime Minister but these were concerned in to the valley only (Dhakal, 1989).

After the political revolution of 1950A.D. the 'Nagar Panchayet Act - 1950' was introduced. For the first time in Nepalese history separate ministry for local government

was established. Accordingly, the act concerning *Nagar Panchayet* were also undergone an immense change. The change has made that instead of thirty thousand only ten thousands population was required on declaring a *Nagar Panchayet*. In 1953 A.D. government of Nepal issued a notice which converted all Towns *Panchayet* to *NagarPalikas*. The provisions were made to elect all *NagarPalikas* member by adult franchise and in return they were to elect the president and vice president by their majority for the term of four years (MOLD – 1950)

Under the ‘NagarPalikaAct –1953 A.D.’, the president was provided with power of convening and conducting meeting ‘*Sabha*’, implementing the resolution passed by ‘*Sabha*’, general administration, financial administration, reporting to government, supervision of town planning works and personal administration. The provision for the post of chief officers by the act for each municipality can also be taken as an important practice in bringing swiftness in the function of NagarPalika. It became obvious from the powers assign to the chief officer by the act itself. In addition, to the appointment, suspension and dismissal of personal, the chief officers were also provided with powers. In implementing the resolutions of NagarPalika one of the most influential function of the chief officer was to forward the copy of resolution, discussion and decision of sabha, committee and subcommittee to its member (MOLD-1953)

The political changes of 1960 A.D. also affect the existing structure of local development. The enactment of Nagar Panchayet Act - 1962 in 1962 A.D. makes number of changes in all structures. According to these changes Panchayet, Rastrya Panchayet, District Panchayet and local Panchayet were linked to each other with some change in Town Panchayet Act. The constitution of 1962 A.D changes the name of Nagar Palika to Nagar Panchayet. The Nagar Panchayet Act introduces the concept of local tax in Nagar Panchayet. This act initiated the Nagar Panchayet to make financial planning and budgeting. The enforcement of this act can be considered as the beginning of the municipal revenue in Nepal. Within this duration of time altogether twenty three municipality were declared (Dhakal, 1989).

The political changes of 1950 A.D.enhance the process of establishment of municipality, within 1950 A.D, there were only three municipalities (Lalitpur, Kathmandu and

Bhaktapur Municipality). But after the revolution and promulgation of new constitution in 1950 A.D., the number of municipalities increases rapidly. In 1958 A.D., the number of municipalities became seven and again in 1962 A.D. the number increases to fourteen, thirty three within 1990 A.D, fifty eight within 1997 A.D. and two hundred and seventeen within 2015 A.D. Initially, there were only four sub-metropolises within 1997 A.D. (Lalitpur, Pokhara, Biratnagar and Birjung sub-metropolitan). But the number of sub-metropolis increases to twelve at present. And the Kathmandu is one and only one metropolitan city of the nation. (MOLD- 2015)

After the restoration of democracy and promulgation of constitution in 1990 A.D, The government of Nepal introduces another act namely municipal act 1991 A.D. This act has made strong commitment for strong local municipality. In the past the revenue of the municipality were limited the financial obligation were mainly financed by central level government but this municipal act paves the municipality to levy tax such as professional tax, vehicle tax, entertainment tax, business tax, fees and fines, land tax, property tax and so on.

In 1999 A.D the government of Nepal has introduce the 'Local self-government act 1999'. This act has made classification of municipality as metropolis, sub metropolis and municipality according to its annual income, population and other faculties in town which are as follows

Metropolis:A sub metropolis with the population of at least three hundred thousand and annual income sources of minimum four hundred million rupees, having the facility of electricity, drinking water, communication, having the main road and accessory road pitched, availability of highly sophisticated nature of service in respect on health service, having the necessary infrastructureas required for international sports programs, opportunities for international sports program, availability of adequate higher education in different subjects and having at least one university established and other similar adequate urban facilities.

Sub Metropolis:A municipality with the population of at least one hundred thousand and annual income source of minimum one hundred million rupees, having the facilities of

electricity, having the main road and accessory road pitched, availability of drinking water and communication, having facilities of higher level education and health service, ordinary facilities or national as well as international level sports programs, having the provision of gardens and city hall and other similar necessary urban facilities.

Municipality: A semi urban area with the population of at least twenty thousands and annual income of minimum five million rupees, having the facility of electricity, availability of drinking water, roads, communication and similar other minimum urban facilities. Provided that in case of mountains and hilly area the population at least ten thousand and annual income source of minimum of five hundred thousand shall be sufficient even if there is no road facilities.

CHAPTER - V

PRESENTATION AND ANALYSIS OF DATA

Data presentation and analysis is the body part of the study by which researcher presents, analyzes and interpret collected data and information using a variety of tools such as tables, diagrams, charts, and other mathematical and statistical tools that help for discovering useful interpretation, decision-making, and conclusion. The chapter basically deals with the trend and pattern of expenditure and income of Damak Municipality and thereby making a resource gap.

5.1 General Introduction of the Study Area

Jhapa is an inner-Terai district in Mechi zone of south-eastern Nepal. Under the new federal division, the district lies in proposed province number one. Jhapa district is one of the eastern districts of Nepal and lies in the fertile Terai plains. Geographically, it covers an area of 1,606 km². It is bound by Illam district in the north, Morang district in the west, the Indian state of Bihar in the south and another Indian state of West Bengal to the southeast and east. Jhapa observes moderate climate complexion as it lies in the Indo-Gangetic plain and Churia low hills. Due close proximity to the lower Himalaya, the weather is calm throughout the year. Seasonal monsoon is well distributed across the district.

According to the 'Population Census of Nepal – 2011' puts the total population of the district at 812,650. The district headquarters is Bhadrapur. The temperature is highest during May through September, though winter is not extreme, keeping aside fogging during mornings. Climatic variation is not extreme; however, the southern parts of districts are warmer than the northern ones. In Jhapa district there are thirty three VDCs and eight municipalities among them one municipality is Damak Municipality.

Damak is one of the oldest municipalities in Jhapa district. The municipality covers an area of 75.8511 square kilometer and is at an average of 100 meters above the sea level (Appendix – I). It is situated between the Ratuwa River in the east and the Maawa River in the west. It is a beautiful area which has Sivalik Hills in its north and ends with

the intersection of Ratuwa River and Mawa River in the south creating a fascinating land structure. Mahendra Highway (longest highway of Nepal) crosses this municipality nearly bisecting it. According to Census 2011, it is the second largest city in Jhapa District with the population of 75,102. Damak was changed to a municipality from a VDC in the year 1990 AD. The Damak Municipality consists of 19 wards.

5.1.1 Population of the Study Area

According to the ‘Population Census of Nepal – 2011’, the total population of the municipality was 75,102 in which 39,664 are female and 35,438 are male. The population density is 1,063 per sq.km. The population growth rate of Damak Municipality is 2.8% which is greater than the national growth rate. The main cause of higher growth rate of population is migration of people from rural area expecting sophisticated life style in city area.

5.1.2 Education

Education is the prominent factors which change the socio economic structure of an area. Most of the people of Damak Municipality are literate. The literacy rate of Damak Municipality is 82% (www.cbs.gov.np), which is significantly good. In the study area the dominance of people are Chhetri and Brahmin. Here Bramhin, Chhetri and Newar are more educated than other like *Kami, Damai, Sarki, Chamar, Kurmi* etc. The following table shows the number of educational institution existing within Damak Municipality.

Table 5.1
Level of Schools in Damak Municipality

Educational Institution	Private	Public	Total
Campus	8	-	8
Secondary schools	27	6	33
L. secondary school	6	4	10
Primary school	22	1	23
Technical school	13	-	13

Source: Record of Damak Municipality -2016

5.1.3 Occupation

Damak Municipality is totally not developed so most of the peoples of Damak Municipality yet engage in agriculture sectors for their survival and relatively low number of people engage in other occupation like business, service and industry etc. Agriculture is the one and only one major sources of livelihood in Damak Municipality.

Table 5.2
Occupational Distribution in Damak Municipality

Kinds of Occupation	Percentage
Agriculture	57%
Business	22%
Services	14%
Industries	2%
Others	5%

Source: Record of Damak Municipality -2016

5.1.4 Ethnic Composition

The largest ethnic groups are Brahmin (25%), Chhetry (20%), Newar (5%), Mongoloid 17% (Kirat, Gurung, Magars, Tamang, Sherpa etc.), Tamangs are originating from surrounding districts can be seen in Damak Municipality. More recently, other ethnic groups and Caste groups have come to represent a substantial proportion of the city's population. The major languages are Nepali and English is understood by many, particularly in the service industry. The major religion is Hinduism. (www.cbs.gov.np)

5.1.5 Health Services

Health is the level of functional and metabolic efficiency of a living organism. In humans it is the ability of individuals or communities to adapt and self-manage when facing physical, mental or social changes. In Damak Municipality there is better availability of health services. There are altogether nine hospitals, among them one is government hospital. Due to the better access of road the citizen of Damak Municipality easily gets the treatment in their necessities. In Damak Municipality the Red Cross society is also providing the treatment against the snake bite so in health sector Damak Municipality is little bit ahead than other municipalities of Jhapa district.

5.1.6 Drinking water

Damak Municipality has various sources of drinking water such as tap, tube well, well etc. Most of the people of Damak Municipality use tap and tube well as a major sources of drinking water. In Damak Municipality around 56% of people use tap, 35% use tube well 6% use well and 3% use other as a source of drinking water. (Record of Damak Municipality)

5.2 Trend and Pattern of Expenditure

Municipal expenditure is a part of public expenditure that is to fulfill the requirements of the society which they themselves can't fulfill. Expenditure is required to operate the general administration and to carry the developmental activities in an economy. Generally it includes two type of expenditure like regular expenditure and development expenditure. In order to maintain the daily activities of municipality it require different factor inputs they should be rewarded in monetary form that sorts of cost belongs to this part. This further can be divided in to two classes, current expenditure and repayment of interest of loan. The expenditure which is incurred while creating infrastructure development in an economy is development expenditure. This expenditure is mainly carried in social programs and capital investment.

Municipal infrastructure is essential for the economic, social, and environmental health of municipal areas and their progress. Municipality not only have to provide roads, transit, water, sewers, and other "hard" services, but also have to provide 'soft' services that enhance the quality of life in their communities such as parks, libraries, social housing, and recreational facilities. Cities need adequate revenues to make the needed infrastructure investments. The appropriate financing tool depends not only on the type of infrastructure (for example, roads, sewers, libraries, etc.) but also on the nature of the infrastructure investment. For example, there may be a need to invest in new developments (provide infrastructure for green field developments or intensification within urban areas), to provide new services in existing developments (where communities are not fully serviced or where the service has not been provided), to maintain and replace old services (where existing capacity has been exceeded because of increased density in urban areas), or to invest in mega-projects.

5.2.1 Trend of Expenditure

Total expenditure is the aggregate of regular and development expenditure. The total expenditure of Damak Municipality of study period is analyzed below.

Table 5.3
Trend of Total Expenditure and Its Growth Rate

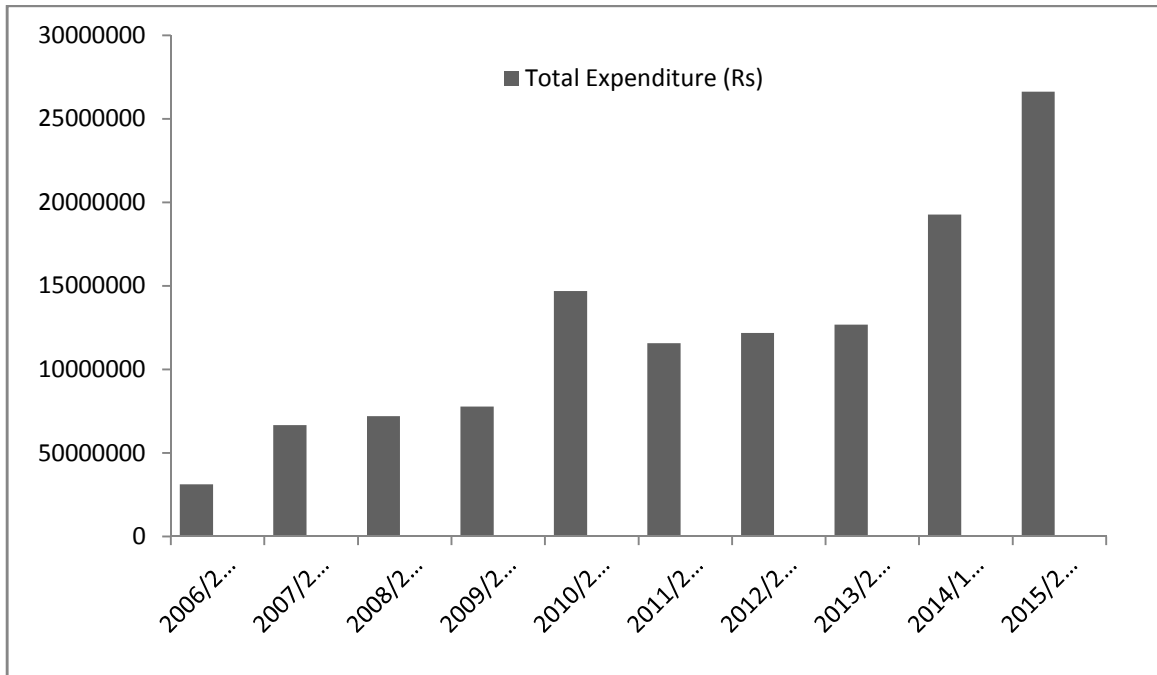
Fiscal Years	Total Expenditure (Rs)	Growth Rate (%)
2006/2007	31272039	-
2007/2008	66627230	78.8%
2008/2009	72093091	8.2%
2009/2010	77807594	7.9%
2010/2011	146994097	88.92%
2011/2012	115752611	-21.25%
2012/2013	121775089	5.2%
2013/2014	126878992	4.1%
2014/1015	192758707	51.94%
2015/2016	266202100	48.47%
Average	121816155	27.23%

Source: Damak Municipality, 2016.

The table 5.1 reveals the total expenditure and its growth rate of Damak Municipality in study period. The volume of total expenditure of Damak Municipality has been gradually increasing from the beginning to the end of study period except in fiscal year of 2011/2012. The average expenditure of Damak Municipality of the study period is Rs 121816155 and the average growth rate of expenditure is 27.23%. In the study period it is founded that the total expenditure of first seven years is below the average expenditure and the total expenditure of last three years is higher than the average expenditure.

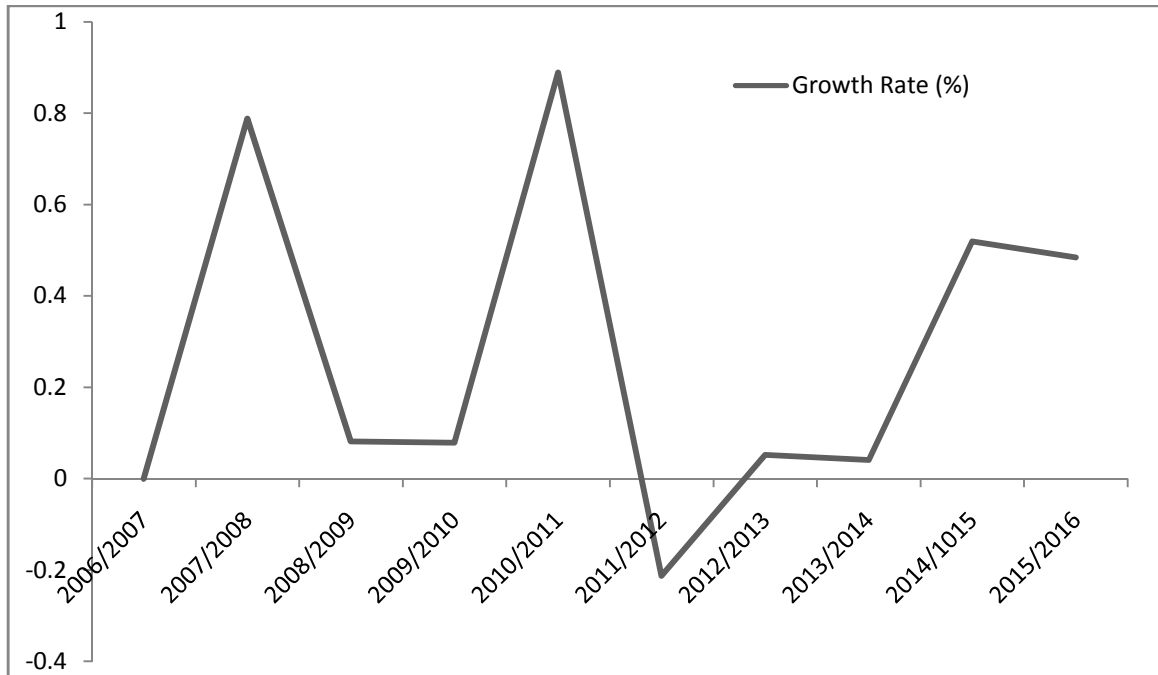
Figure 5.1

Trend of Total Expenditure of Damak Municipality



In figure 5.1 the volume of total expenditure in different fiscal years of study period is shown. In this figure it is clear that the volume of expenditure has been increasing in each fiscal year except in fiscal year 2011/1012. After that again the expenditure volume increased over the respective fiscal year. In fiscal year 2010/1011 there is little bit higher volume of total expenditure because of huge investment made by Damak Municipality in developmental expenditure which was around fifteen crores which was the 88.92% higher than the total expenditure of fiscal year 2009/2010 and again in next fiscal year the volume of expenditure reduces by 21.25%. And in remaining fiscal year of study period again the volume of expenditure slightly increase. In fiscal year 2014/2015 and fiscal year 2015/2016 the volume of total expenditure increases.

Figure 5.2
Growth Rate of Total Expenditure



In figure 5.2 the growth rate of total expenditure of Damak Municipality is shown. In this figure it is clear that there is no any uniform growth rate rather the growth rate of total expenditure is fluctuating over the successive fiscal year. In fiscal year 2007/2008 the rate of growth increases but in next fiscal year of 2008/2009 the growth rate reduces. In fiscal year 2009/2010 the curve is too flatter it shows that there is very minimal increment in expenditure. In fiscal year 2010/2011 the growth rate increases but in next fiscal year again it decreases this process is followed in each fiscal year from the beginning to the end of study periods. The highest growth rate of total expenditure is 88.92% which was recorded in the fiscal year of 2010/1011. But in following fiscal year of 2011/2012 the growth rate of expenditure became negative because of various political conflict, lack of coordination among the people and lack of resources Damak Municipality was unable to keep the same level of expenditure compere to previous year's expenditure.

5.2.2 Pattern of Expenditure

Expenditure pattern of Damak Municipality are mainly of two types; regular expenditure and development expenditure. Regular expenditure is the expenses made by public authorities to manage the daily activities of organization or institution. It is the consumption type expenditure of the institution. It is the expenditure on wages and raw materials. Current spending is short term and has to be renewed each year. It also includes the repayment of interest on loan.

Development expenditure is the spending on physical assets. It is also called spending on 'social capital'. To supply goods and services that the private sector would fail to do, such as public goods, including defense, roads and bridges; merit goods, such as hospitals and schools; and welfare payments and benefits, including unemployment and disability benefit and to reduce the negative effects of externalities, such as pollution controls Central government or local government need to spend certain amount of money which is called Development expenditure.

Table 5.4
Pattern of Damak Municipality Expenditure

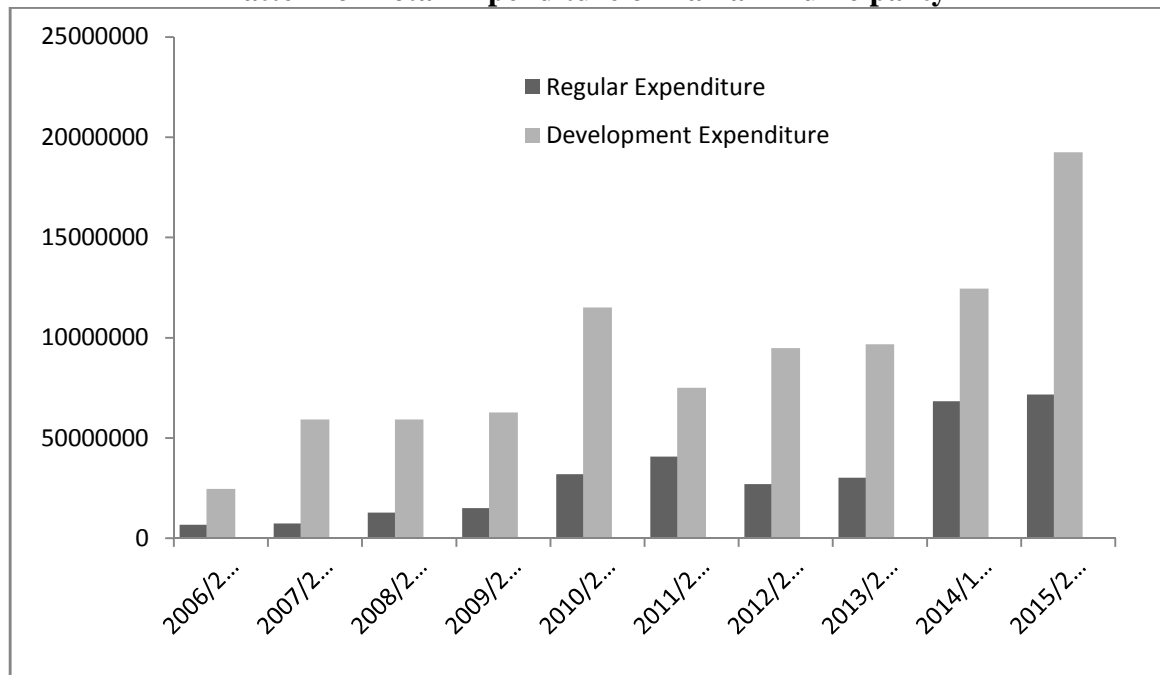
Fiscal Years	Regular Expenditure (Rs)	Development Expenditure (Rs)
2006/2007	6753105	24518934
2007/2008	7350653	59276577
2008/2009	12790554	59302537
2009/2010	15053070	62757224
2010/2011	31859885	115134212
2011/2012	40753472	74999139
2012/2013	26999953	94775136
2013/2014	30140909	96738083
2014/1015	68252043	124506664
2015/2016	71713237	192450663
Average	31166688.1	90145916.9

Source: Damak Municipality, 2016.

The table 5.2 shows the expenditure pattern of Damak Municipality of the study period. Here it is founded that the volume of both regular as well as development expenditure is increasing in each successive year of the study period. In each fiscal year of the study priod the volume of development expenditure is higher than the volume of regular

expenditure. The average regular expenditure made by Damak Municipality of the study period is Rs 3,11,66,688.1 and the average of development expenditure is Rs 9,01,45,916.9. In the study period it is founded that the regular expenditure of first eight years of Damak Municipality was below the average and of last two year is higher than the average. Similarly the development expenditure of five years (first four years and in FY 2011/2012) is below the average and rest of five years is higher than the average.

Figure 5.3
Pattern of Total Expenditure of Damak Municipality



In figure 5.3, the share of regular and development expenditure made by Damak Municipality in study period is shown. From figure it is clear that the composition of development expenditure is higher than the composition of regular expenditure. Initially the development expenditure of first three years of study period are little bit same but the regular expenditure were gradually increasing in same time period. In fiscal year 2010/2011 the volume of development expenditure increased so as the regular expenditure. But in next fiscal year, in FY 2011/1012 the volume of development expenditure decreased but volume of regular expenditure increased. In last three year of study period the volumes of regular as well as development expenditure are increasing.

5.2.2.1 Regular Expenditure

Regular expenditure is the consumption type expenditure of an institution. It is the expenses made by public authorities to manage the daily activities of organization or institution. To handle the activities that an institution need to perform to show its existence, an institution need to reward them by spending certain amount of money which is called current expenditure. It is the expenditure on wages and raw materials. Current spending is short term and has to be renewed each year. It also includes the repayment of interest on loan. The regular expenditure of Damak Municipality is presented in table 5.3.

Table 5.5
Trend of Regular Expenditure of Damak Municipality

Fiscal Years	Current Expenditure	Debt Payment	Ordinary Capital
2006/2007	96.87%	2.50%	0.63%
2007/2008	92.50%	1.70%	5.80%
2008/2009	96.20%	0.70%	3.10%
2009/2010	97.10%	0.20%	2.70%
2010/2011	98.20%	-	1.80%
2011/2012	98.34%	0.06%	1.60%
2012/2013	97.76%	-	2.24%
2013/2014	98.30%	-	1.70%
2014/2015	97.38%	0.75%	1.87%
2015/2016	95.96%	0.42%	3.62%
Average	96.86%	0.62%	2.52%

Source: Damak Municipality 2016

In table 5.3 the percentage share of expenditure under the regular expenditure is shown. It is founded that more than 96.86% of regular expenditure is spent under the heading of current expenditure. In study period the municipality is also paying the interest of loan to town development fund and on average it is around 0.62%. The share of ordinary capital to regular expenditure is around 2.52%. From the above table it is founded that most of the regular expenditure is undertaken under current expenditure. In fiscal year 2011/2012 the municipality has spent highest share on regular expenditure and lowest share in fiscal year 2015/2016

5.2.2.2 Development Expenditure

It is spending on physical assets like roads, bridges, hospital buildings and equipment. It is long term spending as it does not have to be renewed each year. It is also called spending on 'social capital'. To supply public goods, including defense, roads and bridges, merit goods like hospitals and schools, welfare payments and benefits, including unemployment and disability benefit and to reduce the negative effects of externalities, such as pollution controls Central government or local government need to spend certain amount of money which is called Development expenditure. Generally development expenditure is carried under the two headings: Social programs and Capital investment.

Table 5.6
Trend of Development Expenditure of Damak Municipality

Fiscal years	Social programs	Capital investment
2006/2007	9.71%	90.29%
2007/2008	8.24%	91.76%
2008/2009	10.15%	89.85%
2009/2010	9.49%	90.51%
2010/2011	11.70%	88.30%
2011/2012	10.52%	89.48%
2012/2013	8.93%	91.07%
2013/2014	10.26%	89.74%
2014/1015	8.72%	91.28%
2015/2016	8.58%	91.42%
2006/2007	9.63%	90.37%

Source: Damak Municipality 2016

The above table 5.4 shows the percentage share of expenditure on social programs and capital investment under the development expenditure. In the study period it is founded that share of capital investment is far more than the expenditure social program. The average share of social program within study period is 9.63% whereas the share of capital investment is 90.37%. In the study period the highest share made on social program was 11.70% in fiscal year 2010/2011 and the minimum expenditure was made on fiscal year 2007/2008 which was 8.24% of development expenditure. From the above table it is clear that Damak Municipality makes relatively nominal expenditure on social program. But

the municipality makes significant expenditure in capital investment. The composition of the total expenditure of Damak Municipality is given in the appendix – II.

5.2.2.3 Growth Rate of Regular and Development Expenditure.

Growth rate is the value which indicates the change in regular as well as development expenditure of each successive years depending in the expenditure of preceding year. Here the growth rate of regular as well as development expenditure of the study period is shown.

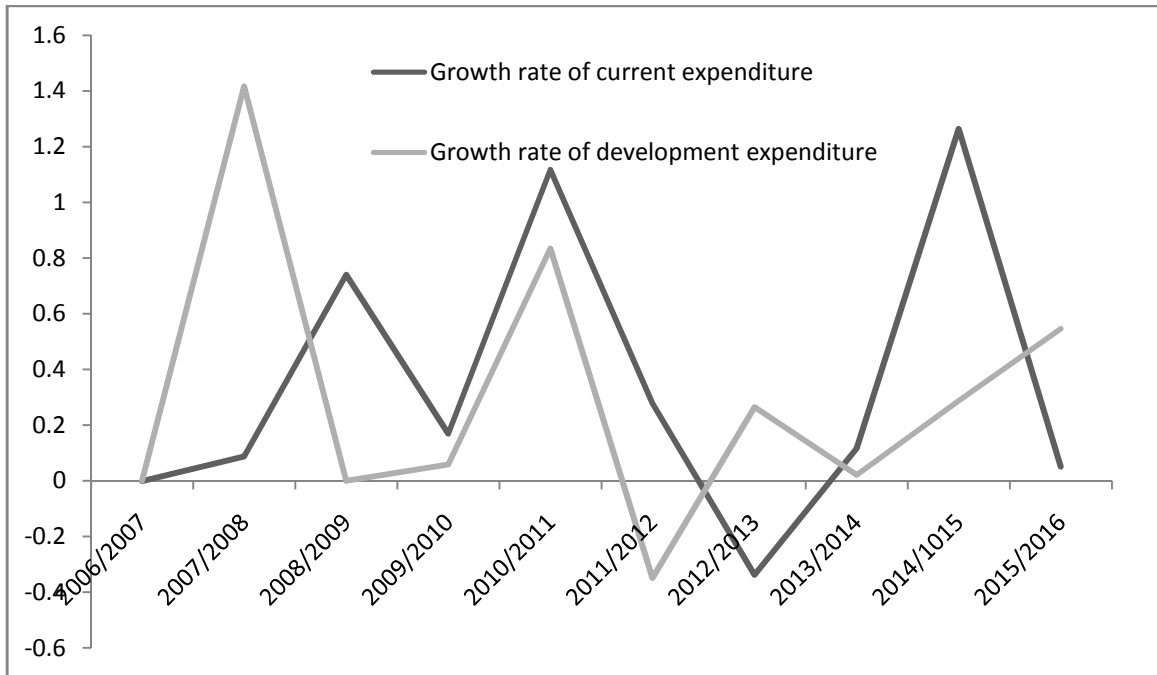
Table 5.7
Growth Rate of Regular and Development Expenditure

Fiscal years	Growth rate of current expenditure	Growth rate of development expenditure
2006/2007	-	-
2007/2008	8.8%	141.7%
2008/2009	74%	0.04%
2009/2010	17%	5.9%
2010/2011	111.7%	83.5%
2011/2012	27.9%	-34.9%
2012/2013	-33.7%	26.4%
2013/2014	11.63%	2.07%
2014/1015	126.4%	28.70%
2015/2016	5.07%	54.57%
Average	34.88%	30.7%

Source: Damak Municipality 2016

In table 5.5, the growth rate of current and development expenditure is shown. In this table it is founded that both the growth rates are varying in each and every fiscal year of the study periods. The highest growth rate was 126.4% recorded in 2014/1015 which was the growth rate of current expenditure. Whereas the highest growth rate of development expenditure was 141.7% which was recorded in F.Y 2007/2008. The average growth rate of regular and development expenditure was 34.88% and 30.7% respectively. The growth rate of current expenditure of six years is below the average growth rate and the growth rate of remaining three years is above the average growth rate. Similarly the growth rate of development expenditure of six years is below the average growth rate and the growth rate of remaining three years is above the average growth rate.

Figure 5.4
Growth Rate of Regular and Development Expenditure



The figure 5.4 shows the growth rate of regular and development expenditure of Damak Municipality. It is clear that the growth rate of both the expenditure is fluctuating from the beginning to the end of the study periods. In the fiscal year 2012/2013 the growth rate of regular expenditure became negative whereas in fiscal year 2011/2012 the growth rate of development expenditure remained negative.

5.3 Trend and Sources of Revenue of Damak Municipality

Revenue is the receipt made by any institution within a certain duration of time by performing any economic activities on different sectors of the economy. The trend of revenue shows how the volume of revenue is moving in each successive year of the study period and sources show from what medium Damak Municipality is receiving receipt. The trend and sources of revenue of Damak Municipality are as follows.

5.3.1 Trend of Revenue

Revenue is the receipt made by the municipality in specific time in the various forms. The total revenue is the summation of internal, external revenue and balance forward. The total revenue of Damak Municipality is continuously increasing in successive years. Though the internal source is low but it is gradually increasing in each successive year the volume of external source is high but it is fluctuating in every years. Due to the gradual growth of internal and external source the total revenue is increasing. The increase in demand of service, increase trade and tax, increment in houses and their tax, establishment of industry etc have played vital role in generation of internal revenue. The total revenue and its growth rate are clearly mentioned in the table below.

Table 5.8
Trend of Revenue of Damak Municipality

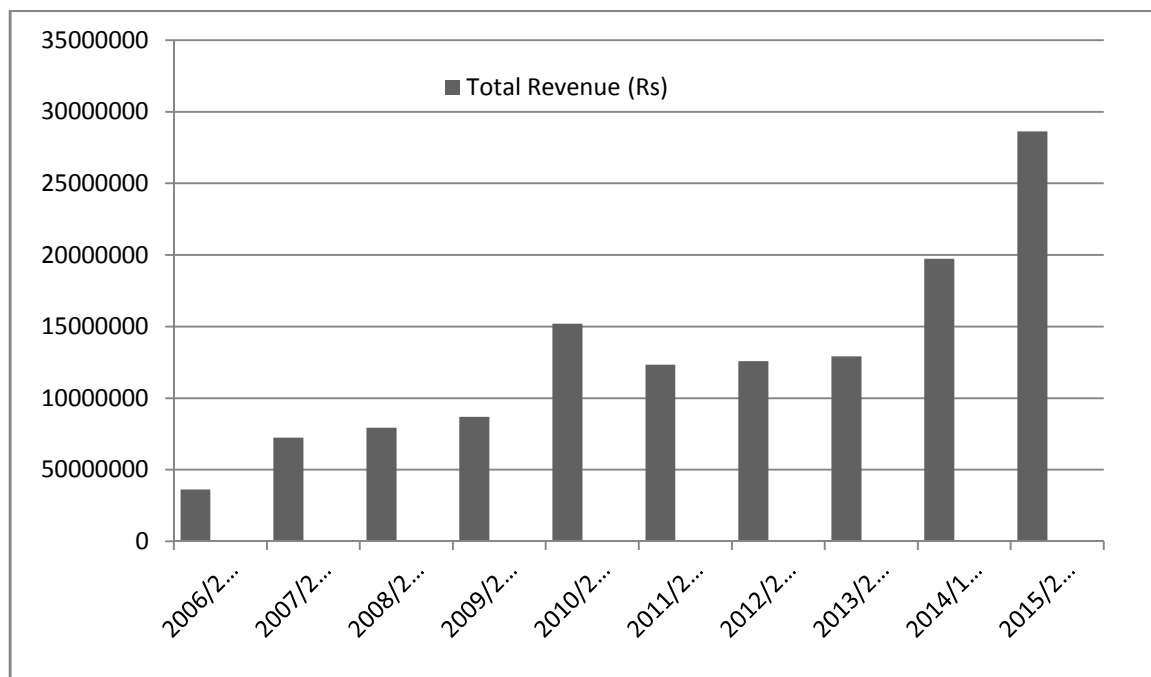
Fiscal years	Total Revenue (Rs)	Revenue Growth Rate
2006/2007	36185272	-
2007/2008	72399810	100.8%
2008/2009	79348054	9.6%
2009/2010	86985046	9.5%
2010/2011	152081459	74.8%
2011/2012	123437531	-18.8%
2012/2013	125870379	2%
2013/2014	129266457	2.5%
2014/1015	197289491	52.62%
2015/2016	286202100	45.06%
Average	128903293	27.9%

Source: Damak Municipality 2016

The table 5.6 shows the total revenue with its rate of growth in successive time period from Fiscal year 2006/2007 to 2015/2016. This table revealed that the growth rate of total revenue of Damak Municipality is not same, it fluctuate over the study period. Except in fiscal year 2011/1012 the growth rate is positive, from this it is clear that the volume of total revenue increases in each fiscal year except in 2011/2012. The highest growth rate of total revenue was attained in fiscal year 2007/2008 which was 100.8%. The negative growth is also noticed in the growth rate of revenue which was in fiscal year 2011/2012. The average total revenue of Damak Municipality in study period is Rs

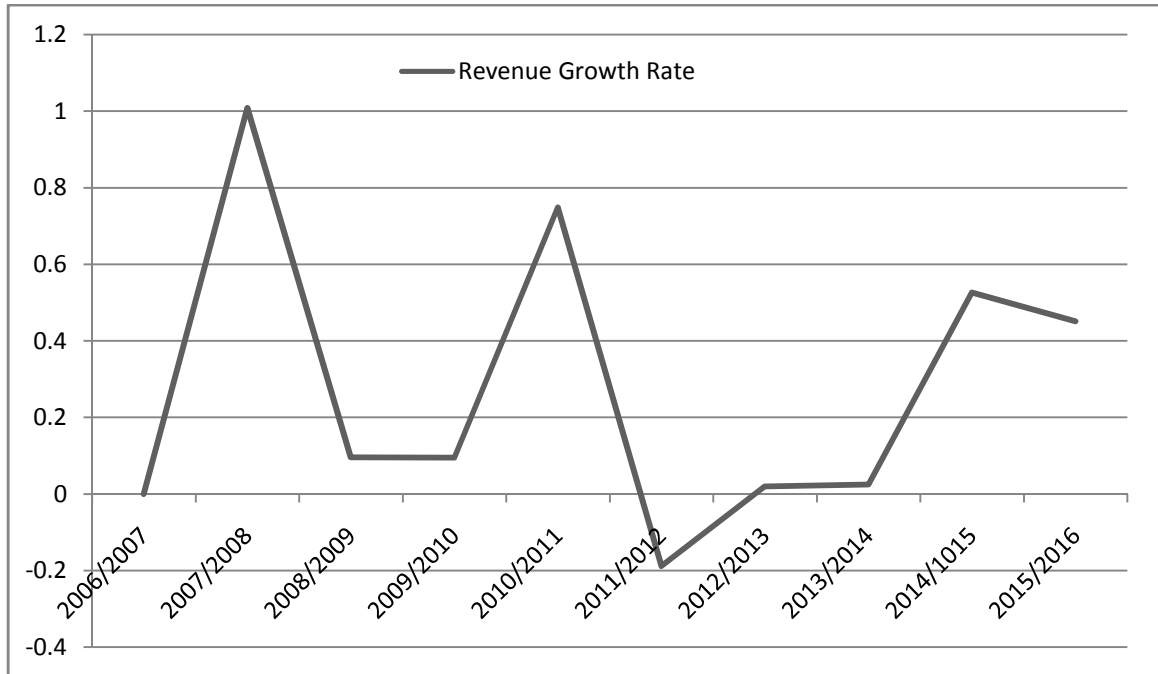
12,89,03,293. In the study period it is founded that the total revenue of six years is below the average revenue and revenue of remaining four years is above the average revenue. Similarly the average growth rate of total revenue is 27.9% which is satisfactory. The growth rate of five fiscal years is below the average growth rate and the growth rate of remaining fiscal year is higher than the average growth rate.

Figure 5.5
Trend of Total Revenue of Damak Municipality



In figure 5.5 the trend of revenue of Damak Municipality is shown. This figure visualized that the volume of total revenue is increasing over the study period. From the beginning of study period to the end there is significant growth of total revenue. From this figure it is clear that the volume of revenue increases till fiscal year 2010/2011 and then it decrease in successive fiscal year. Compared to the revenue of 2009/2010 to the revenue of 2010/2011 we get the huge increment this is because of the increment of grants provided by central government. From fiscal year 2011/2012 to fiscal year 2013/2014 the total revenue were little bit equal and began to rise up again from fiscal year 2014/2014. The lowest share of revenue was collected in the fiscal year of 2006/2007 and the highest share of total revenue was collected in the fiscal year 2015/2016 of the study period.

Figure 5.6
Trend of Growth Rate of Total Revenue



In figure 5.6 the growth rate of total revenue is shown. The growth rate is fluctuating in each fiscal year. From the beginning to the end of study periods it is founded that there is no uniform growth rate of total revenue which is shown by the fluctuating nature of growth rate curve. Though there is no uniform growth rate but it is founded that in every fiscal year except F.Y. 2011/2012, there is positive growth rate but in fiscal year 2011/2012 the growth rate is negative because of reduction in volume of grants provided by central governments. The negative growth rate implies the lower volume of total revenue than the revenue of preceding year.

5.3.2 Sources of Revenue

Municipalities get their revenue from three sources. First, they raise some of their own revenue by charging all people who own property such as land, houses and businesses rates based on the value of their property. The second way they raise revenue is by charging tariffs for services like water, electricity, refuse removal and the use of municipal facilities such as sports grounds. Some municipalities can generate a lot of revenue in this way, while poorer municipalities raise virtually nothing and are almost

totally dependent on funding transfers from national government, which is the third source of revenue for municipalities.

The national government provides funding to municipalities in two ways. The first is through what is called an “equitable share allocation”, which is a transfer from the national Treasury. The amount of equitable share a municipality receives depends on a number of factors such as the size of its low-income population, the cost of basic services and its capacity to raise its own revenue. This allocation is meant to be used for basic services and operational costs. One problem with the equitable share allocation is that it is an unconditional grant, which means that local government can spend the money on other things rather than basic services, even if it should be using the money to improve basic services. Municipalities also receive funding from national government in the form of conditional grants. The Municipal Infrastructure Grant (MIG) is the most important conditional grant from national government. The Municipal Infrastructure Grant must be used to extend or maintain the infrastructure for the provision of basic services such as water, electricity and sanitation.

Revenue collected by the municipality through the imposition of levies and taxes on facilities, incomes, sale of goods and services, transfers of properties, and other domestic transactions, as opposed to monies collected from duties imposed on imports and other international transactions is called internal revenue and those sources are internal sources of revenue.

The revenue provided by central government and its various institution in terms of grants and loan to achieve the predetermine goal of respective municipality is the main external sources of municipality. Sometime district development committee, Town development fund also provide certain grants to carry the development work within the municipality, which also belongs under the external sources of revenue.

Table 5.9
Sources of Revenue of Damak Municipality

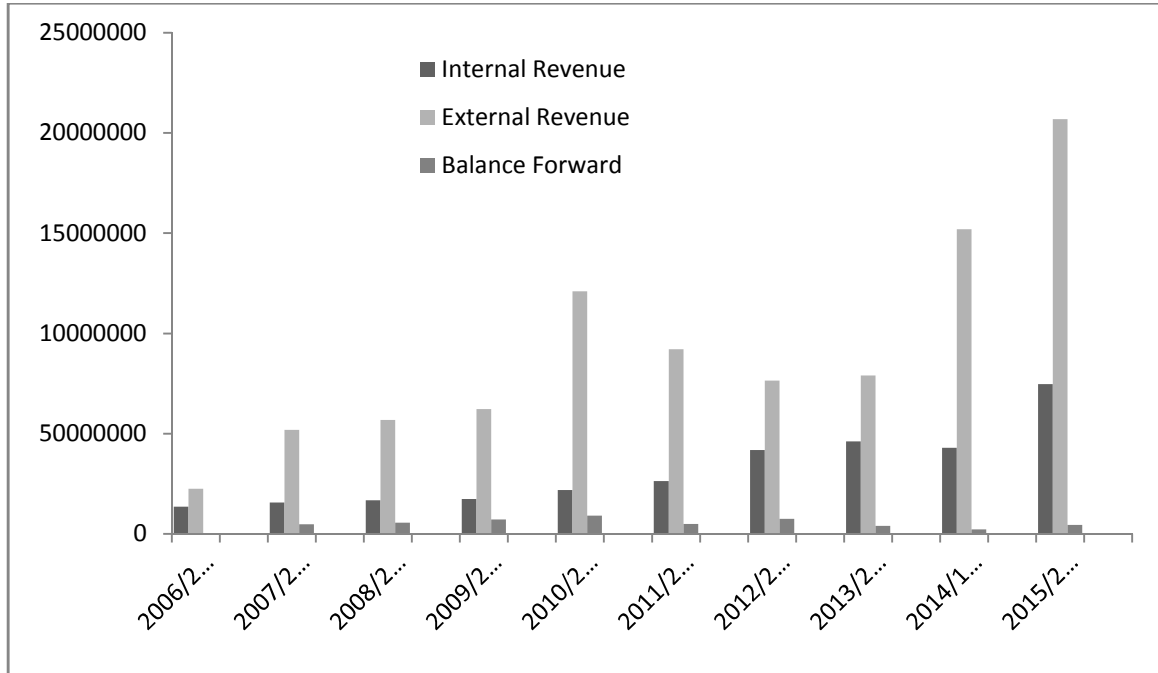
Fiscal year	Internal Revenue	Growth Rate	External Revenue	Growth Rate	Balance Forward
2006/2007	13592648 37.56%	-	22478929 55.28%	-	113695 7.16%
2007/2008	15674932 21.65%	15.32%	51834827 71.60%	130.5%	4913233 6.75%
2008/2009	16694980 21.04%	6.5%	56880494 71.68%	9.7%	5772580 7.31%
2009/2010	17426737 20.03%	4.4%	62303346 71.62%	9.5%	7254963 8.35%
2010/2011	21933267 14.42%	25.9%	120970740 79.54%	94.16%	9177452 6.04%
2011/2012	26281059 21.29%	19.82%	92069074 74.59%	-23.9%	5087362 4.12%
2012/2013	41794189 33.20%	59.03%	76391370 60.69%	-17.03%	7684920 6.11%
2013/2014	46149883 35.70%	10.42%	79057284 61.16%	3.4%	4095290 3.14%
2014/2015	42974611 21.78%	-6.9%	151927415 77%	92.17%	2387465 1.22%
2015/2016	74729100 26.1%	73.89%	206942216 72.3%	36.21%	4530784 1.6%
Average	23.11%	20.84%	69.55%	46.55%	5.18%

Source: Damak Municipality 2016

The above table is the composition of internal, external and balance forward in total revenue of Damak Municipality as well as the growth rate of internal revenue and external revenue in study period. The average contribution made by internal source of revenue in total revenue is around 23.11% and the external revenue made the average contribution of 69.55% to the total revenue whereas the average growth rate of internal revenue is 20.84% and the average growth rate of external revenue is 46.55%. From this it is clear that mainly the revenue of Damak Municipality depend mainly on external sources. In the study period only the internal revenue of only four years is above the average of internal revenue and remaining the internal revenue of six years of study period is below the average of internal revenue. Whereas the external revenue of six years of the study periods is above the average of external revenue and only the external revenue of four years of the study period is below the average of external revenue. In the table we can see the balance forward also contributing in the total revenue but it has very

low share in total revenue and the volume of balance forward is gradually decreasing. The average contribution of balance forward in total revenue is around 5.18%.

Figure 5.7
Trend and Sources of Revenue



From the above figure it is clear that the external source of revenue has a great contribution in total revenue of Damak Municipality in the study periods than any other sources. The volumes of external sources of revenue seems increasing initially up to fiscal year 2011/2012 and start decreasing in successive year till 2013/2014 and again start increasing. Initially the external source of revenue was highest in fiscal year 2010/2011 but later in fiscal year 2014/2015 and 2015/2016 the volume of external revenue increases rapidly. The internal sources of revenue have also significant contribution in total revenue of Damak Municipality. The table and figure clearly visualize that the volume of internal sources gradually increasing in each successive fiscal year. In this table we can find that the volume of revenue collected through internal sources is less than the revenue volume collected through external sources. Due to various political and other problems Damak Municipality has not able to spend the collected money so balance forward is also contributing on an average of 5.18% on total revenue. Overall the revenue from different sources is increasing trend in study period of

Damak Municipality. Also the decreasing trend of balance forward also clarify that this municipality is optimally utilizing its resources.

5.3.2.1 Internal Source of Revenue

Revenue collected by the municipality through the imposition of levies and taxes on facilities, incomes, sale of goods and services, transfers of properties, and other domestic transactions, other international transactions is called internal revenue and those sources are internal sources of revenue. Internal sources are main sources of revenue of entire municipality. In Damak municipality basically internal sources includes local tax, services charge, property rental, fees and fines etc besides other taxes local tax is one of the significant internal sources of revenue that generates more income.

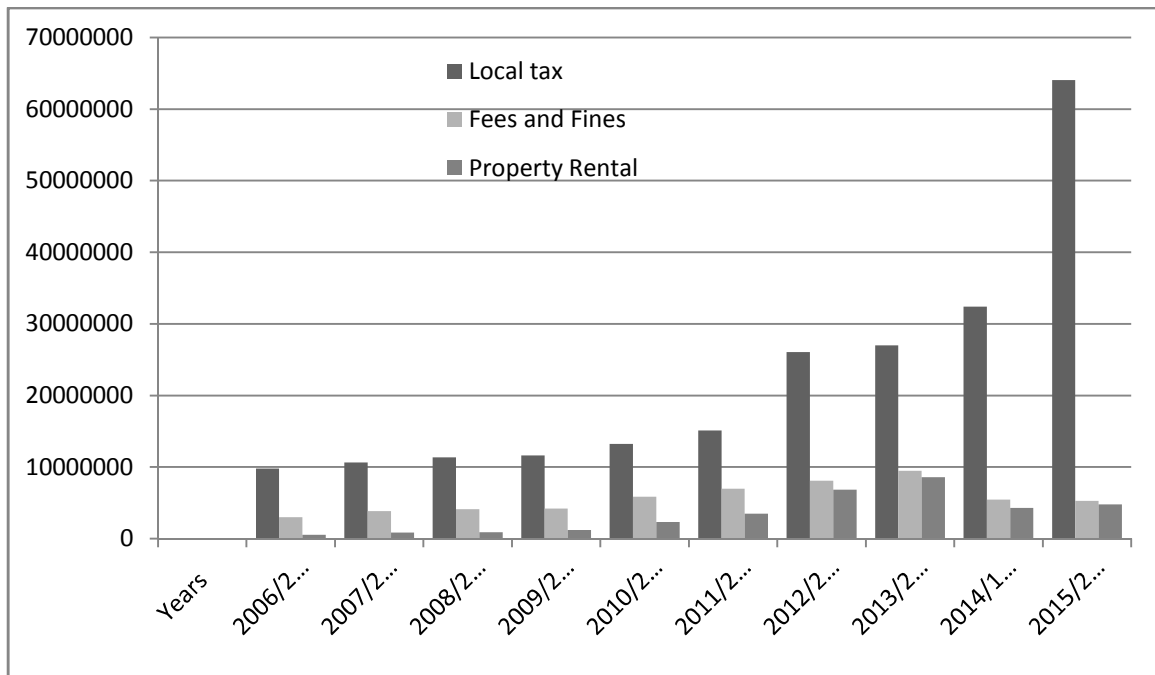
Table 5.10
The Trend Internal Sources of Revenue

Fiscal Years	Local tax	Fees and Fines	Property Rental	Other revenue	Total
2006/2007	9805380	2991755	533747	261767	13592648
2007/2008	10649664	3856,504	846750	322014	15674932
2008/2009	11351452	4094310	915980	333238	16694980
2009/2010	11620940	4207602	1200000	398195	17426737
2010/2011	13216360	5837549	2307387	572061	21933267
2011/2012	15125206	6975625	3467105	713123	26281059
2012/2013	26051963	8079428	6847068	815630	41794089
2013/2014	27014415	9486811	8568342	1080315	46149883
2014/1015	32420703	5462542	4271206	820160	42974611
2015/2016	64075450	5260820	4772180	620650	74729100

Source: Damak Municipality 2016

The above table is the composition of Local tax, Fees and Fines, Property Rental and Other Revenues in internal revenues. The share of local tax in each and every study period is greater than the share of other sources. The values of each and every component of internal revenues are increasing in the successive year of the study period. The increment of these values is the positive symbol of the municipality independency on central government for the management of investable funds.

Figure 5.8
The Trend of Internal Sources of Revenue



The above figure shows the components of internal sources of revenue. Among three sources the local tax covers the highest share in each and every fiscal year if the study period. The above figure clarify that the volume of revenue through internal sources are increasing in each of the successive years. The highest local tax was collected in the fiscal year 2015/2016 and the highest fees and fines were collected in 2014/2015. Fee and fine also play important role in collecting revenue, from the beginning to the end of the study period it has second largest contribution on internal revenue. The property rental is also generating revenue in Damak Municipality though it has lower contribution .From the above table and figure it is clear that main sources of internal revenue of Damak Municipality are local tax, property rental and fees and fines. Though Damak Municipality is also generating income through other sources but is significantly low which is clearly visualized by above table and figure.

5.3.2.2 External Sources of Revenue

The revenue provided by central government and its various institution in terms of grants and loan to achieve the predetermine goal of respective municipality is the main external sources of municipality. Sometime district development committee, Town development fund also provide certain grants to carry the development work within the municipality, which also belongs under the external sources of revenue

In case of Damak Municipality, the main external sources through which it collects its revenue is Grants, provided by central government, district development fund, NGOs and other organization. Miscellaneous income is also the major sources of external revenue in the context of Damak Municipality. In most of the case the Loan also play very important role to manage the required fund under external source but in Damak Municipality loan has not taken in study area. The amount collected through various sources is presented.

Table 5.11
The Trend of External Sources of Revenue

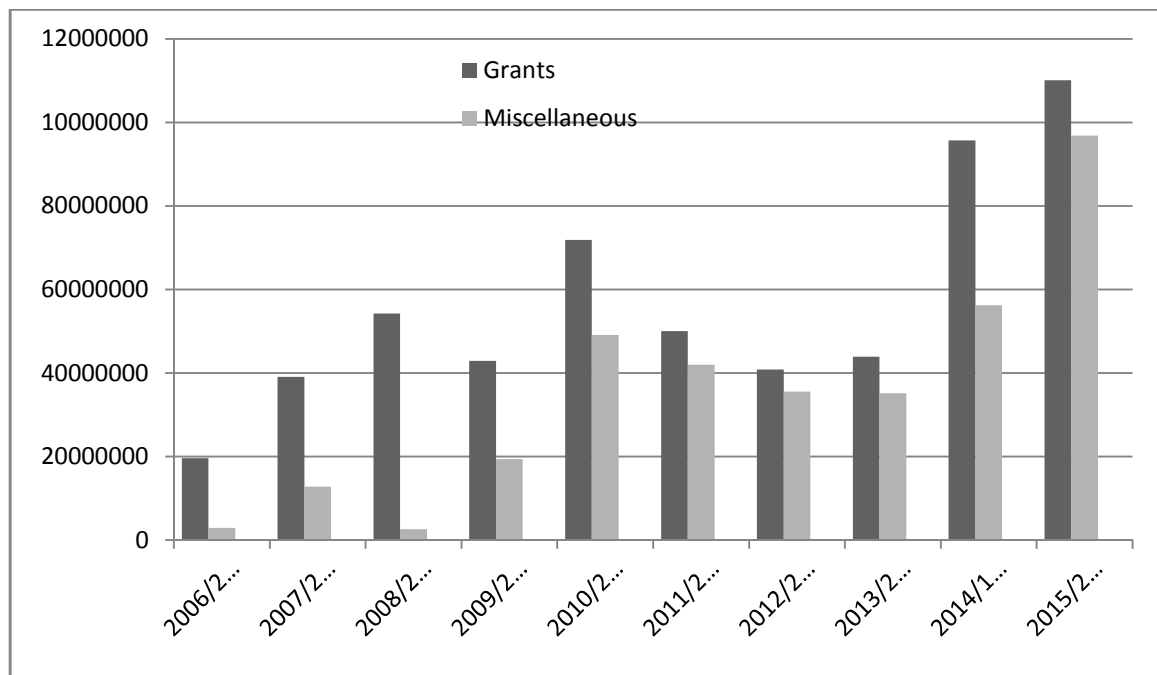
Fiscal years	Grants	Miscellaneous	Total
2006/2007	19580520	2898409	22478929
2007/2008	39046574	12788253	51834827
2008/2009	54290716	2589777	56880494
2009/2010	42901644	19401702	62303346
2010/2011	71872650	49098090	120970740
2011/2012	50071590	41997484	92069074
2012/2013	40817394	35573976	76391370
2013/2014	43871630	35185654	79057284
2014/1015	95714397	56213018	151927415
2015/2016	110110416	96831800	206942216

Source: Damak Municipality 2016

Here in table 5.9, the values of the components of external sources of revenue are shown. Damak municipality has only two sources of external revenue Grants and miscellaneous though loan is also one of the important sources but it has no any contribution which is shown by above table. Here in table the volume of revenue from both the external sources are increasing in each successive year. The volume of grants is too higher than the

volume of miscellaneous from this it can be said that the external source is mainly depends on grants. The volume of grants of Damak Municipality is gradual increases in each successive years of the study period except in F.Y2009/2010 whereas the miscellaneous income has no any uniform values in the study periods.

Figure 5.9
The Trend of External Sources of Revenue

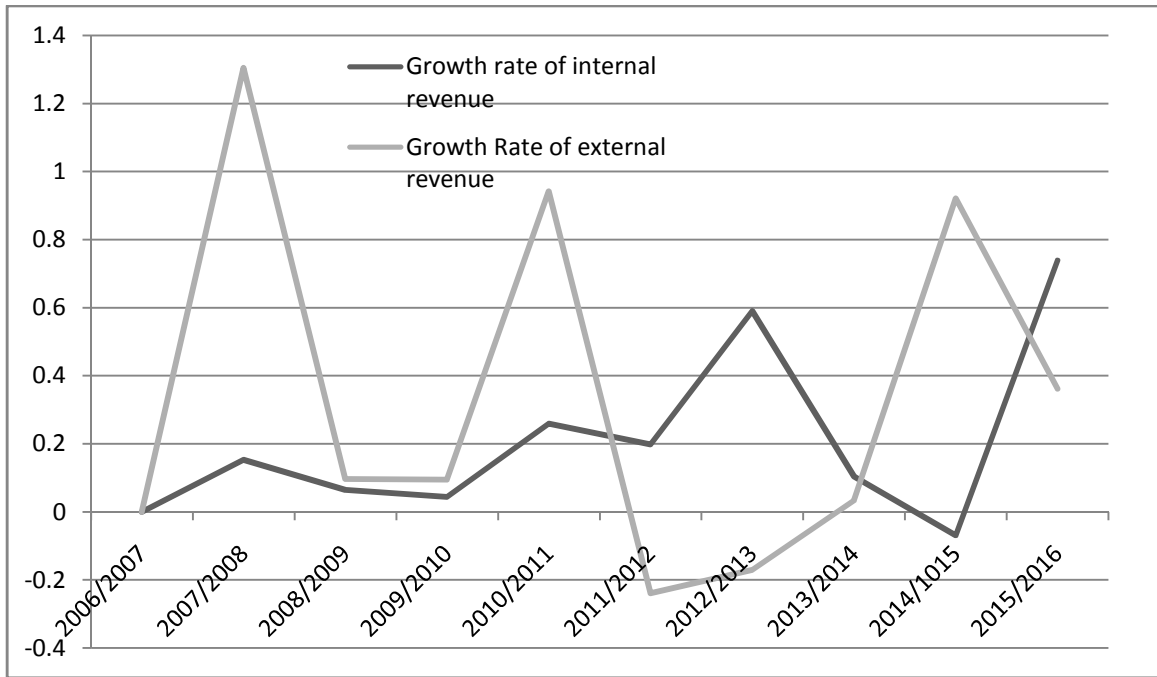


In figure 5.9 the trend of external sources of income is shown. From this study it is found that the share of grants on external sources is greater than the share of miscellaneous. Loan is also belongs to external sources but in context of Damak municipality it has no any contribution to the external revenue in study period because Damak Municipality has not taken any loan in the study period. From the figure we can say that there is no any uniform growth of external sources rather it fluctuates in the study period. There are ups and downs of the external source in the study period. While comparing the volume of external revenue of first three years to last three years we get the vast difference. Initially the volume of both grants and miscellaneous were minimal but in last two years both the volume are in bulk amount. The composition of the total sources of revenue of Damak Municipality is given in the appendix – III.

5.3.2.3 The Growth Rate of Internal and External Source of Revenue

The percentage change in internal and external change in revenue depending on the expenditure of preceding year's internal and external revenue respectively is the growth rate of internal and external revenue. The growth rate of internal and external revenue is shown in figure.

Figure 5.10
Growth Rate of Internal and External Sources of Revenue



The figure 5.10 shows the growth rate of internal and external sources of revenue of Damak Municipality. This figure depict that both sources are increasing, except in fiscal year 2011/2012 with varying growth rate instead of having normal growth. Initially both sources decreased but in fiscal year 2010/2011 both the growth rates increased at higher rate among them the growth rates of external sources were greater than internal sources. Later in fiscal year 2011/2012 the growth rate of external sources became negative whereas the internal source was in the trend of positive growth rate. Again in fiscal year 2012/2013 the growth of external sources was negative but the internal sources were in increasing trend. But in fiscal year 2013/2014 the growth rate of external source increase but the growth rate of internal sources decrease.

5.4 Resource Gap

The resources of an organization or person or institution are the materials, money, and other things that they have and can use in order to function properly and the resource gap refers the gap between current resources and what resources will it need to satisfy future needs. This chapter deals the comparative study between total revenue and total expenditure of Damak Municipality. For this purpose table and figure and are drawn depending on total revenue and total expenditure of Damak Municipality.

Table 5.12
Total Revenue and Expenditure along with Resource Gap

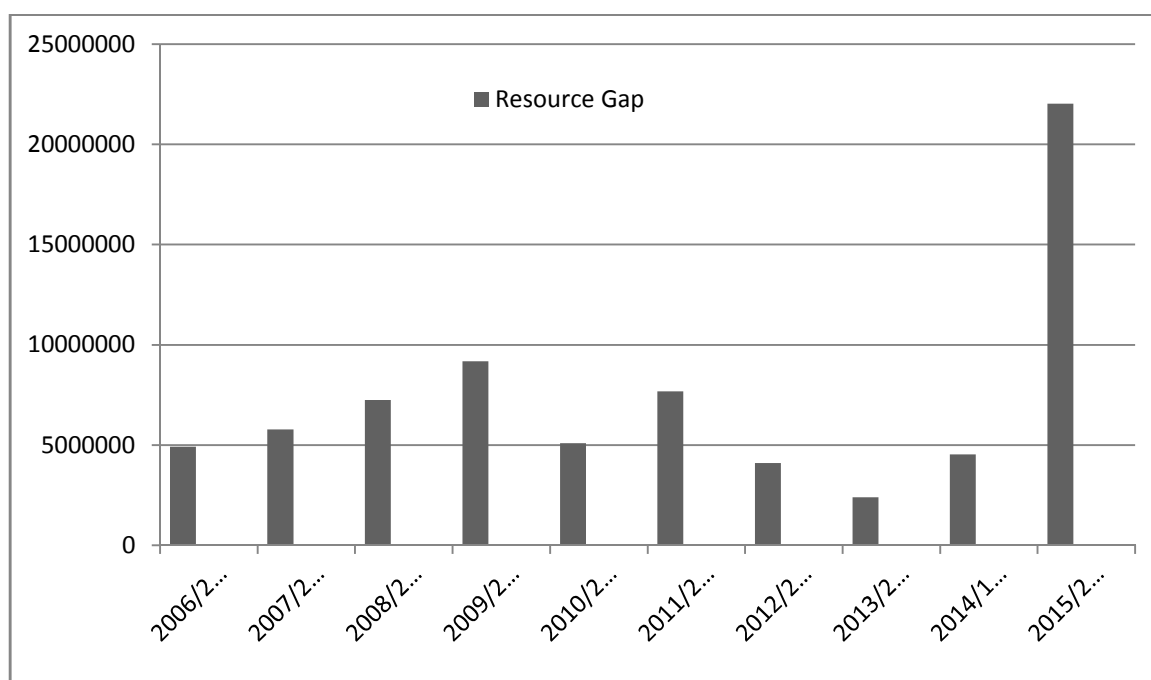
Fiscal Years	Total Expenditure	Total Revenue	Resource Gap
2006/2007	31272039	36185272	+4913233
2007/2008	66627230	72399810	+5772580
2008/2009	72093091	79348054	+7254963
2009/2010	77807594	86985046	+9177452
2010/2011	146994097	152081459	+5087362
2011/2012	115752611	123437531	+7684920
2012/2013	121775089	125870379	+4095290
2013/2014	126878992	129266457	+2387465
2014/1015	192758707	197289491	+4530784
2015/2016	264163900	286202100	+22038200
Average	121612335	128906560	+7294225

Source: Damak Municipality 2016

Here in table 5.10 the total expenditure, total revenue and balance forward are shown. While analyzing the revenue and expenditure volumes, both are increasing over the successive time periods. The average of total expenditure in the study period of Damak Municipality is Rs12,16,12,335. The total expenditure of Damak Municipality in five fiscal years is below the average expenditure of study period and the total expenditure of remaining five year is higher than the average of total expenditure. The average of total revenue of Damak Municipality in study period is Rs12,89,06,560. The total revenue of Damak Municipality of six year is below the average revenue and total revenue of remaining four fiscal years of study period is above the average of total revenue. In each

fiscal year Damak Municipality is unable to spend all the volume of receipt which it makes within the respective time duration which is clear by resource gap. The volume of resource gap mentions that there is not sufficient investment in available sectors of the economy. The average resource gap of Damak Municipality in study period is Rs72,94,225. In the study period it is founded that the resource gap of seven years of study period is below the average resource gap and the resource gap of rest three year of study period is higher than the average of resource gap.

Figure 5.11
Trend of Resource Gap



In figure 5.8 the trend of resource gap is shown. Here it is founded that Damak Municipality is unable to spend all the collected revenue every year. Resource gap is nothing than the difference between income and expenditure. The volume of resource gap gradually increase in first four years of the study periods and in fiscal year 2010/2011 it reduces but again it increases in successive fiscal year. There is no specific trend of the resource gap rather it fluctuates over the study periods. This figure reveals that the minimum resource gap was in fiscal year 2013/2014 and maximum in the fiscal year 2015/2016.

CHAPTER - VI

MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Major Findings

The present study is basically concerned with the history of municipal system in Nepal along with analysis of the various potential sources of revenue and pattern of expenditure to identify an appropriate system of finance for Damak Municipality. The analysis is mainly based on the sources of revenue and expenditure pattern of Damak Municipality for the sample period of ten years from the fiscal year 063/064 to 072/073.

The municipal system in Nepal is started from 2010 B.S. by converting all Town Panchayet to municipalities. Though many exercise of local bodies were made in the previous decades. In the history it is founded that local bodies were exercised in the form of Gram Panchayats and Dranga or Town Panchayat and Safai Adda and Chhimadel Adda in Lichhavi Dynasty, Mallas Dynesties and Rana Dynesties respectively. After the political revolution of 2007 B. S. 'Nagar Panchayet Act - 1962', 'Nagar Palika Act - 1965', 'Municipal Act -1991', 'Local self-government act -1999' was introduced and the present situation of municipality comes in existence. The number of municipalities in our country is two hundred and seventeen among them twelve are sub-metropolis and only one is metropolis.

Expenditure is the outflow of cash from the municipal body to run the general administration and to conduct the social and development works in the municipal area. The trend of total expenditure of Damak Municipality is increasing except in one fiscal year of 068/069 of the study period, though the growth rate is fluctuating. The average growth rate of total expenditure of Damak Municipality in study period is 27.23%. The expenditure pattern of Damak Municipality is analyzed under two headings namely regular and development expenditure. The share of development expenditure on total expenditure is more than that of regular expenditure. In average the percentage share of development expenditure in the total expenditure is 64.7%. It indicates that development works conducted in this municipality has done effectively.

The expenditures of both regular and development are increasing with the varying growth rate in the study period. The highest share in regular expenditure is made by current expenditure. In average the share of current expenditure on regular expenditure is 96.86%. The share of debt payment seems 0.62% and ordinary capital seems 2.52%. In development expenditure the highest share is made by capital investment. In average the share of capital investment in development expenditure is 90.37% and 9.63% of development expenditure is expenses made on social program.

Total revenue of Damak Municipality is the aggregate of internal revenue and external revenue. The highest percentage of total revenue comes from the external sources. In average the share of external sources on total revenue is 69.53%. The components of external source of revenue are grants and miscellaneous. It is founded that Damak Municipality has not taken any loans in study period. In external source, grants itself contributed 61.35% of external revenue and rest of 38.65 % is the share of miscellaneous of external revenue.

The internal revenue covers 23.11% of total revenue in study period of Damak Municipality. The components of internal sources are local tax, fees and fines, property rental and other revenue. The highest percentage of internal revenue comes from local tax. The average share of local tax on internal revenue is 56%.

All of the financial structure of Damak Municipality is found to be fluctuated over the study periods. The income and expenditure pattern of the study period shows that the total revenue is higher than the total expenditure. Hence, Damak Municipality has surplus budget in every year of the study periods. Though there are no any specific trends of resource gap. The positive resource gap clarify that Damak Municipality has not been able to utilize and develop the budget effectively.

6.2 Conclusion

The term municipality is not new at present but in the previous decades the local bodies were acted by Gram Panchayats and Dranga or Town Panchayat. Even in Rana Dynasty there were not any municipalities though they had made experiment of municipality in *Safai Adda* and *Chhimadel Adda*. It is only in 2010 B.S the term municipality comes in exercise by converting all Town Panchayet to municipalities.

The expenditure of Damak Municipality is increasing in each successive year. The higher expenditure is the symbol of development of different sectors of the economy. Higher the development expenditure on capital investment is the good symbol of the development activities on infrastructure of concern municipality. Compare to expenditure on Capital investment the expenditure made on social program is relatively lower so it is essential to increase the volume of expenditure on social program.

The revenue of Damak Municipality is sufficient to meet the expenditure of each fiscal year of the study period. The volume of internal revenue is lower than the volume of external revenue. It is founded that the municipality has higher dependency on external sources of revenue, mainly on grants. The higher dependency of municipality on external source of revenue is the main hurdle for the independency of the municipality. So concern municipality must find the potential sources of revenue in order to reduce its dependency on central government.

Resource gap is the difference between the receipt and the expenditure of the concern institution. In Damak Municipality it is founded that there is excess revenue than the expenditure made on same duration of time. The fluctuating trend of resource gap indicates somehow it is tried to reduce. The existence of resource gap is due to the lack of nominated political members in the municipality because of political instability of Nepal.

The aim of every municipality is to provide the essential needs to its residents. To provide such necessities, the municipalities require need the economic resources. So the municipality finance must deals with the revenue and expenditure pattern in the systematic way. After the discussion with the well-wishers of Damak Municipalities we found that Damak Municipality should develop it as a tourism city, historical, religious place and give more publicity to increase internal sources. Further Damak Municipality should also manage the Bus Park, local tax, market areas, sales tax etc. if the suggestion of various will wishers is implemented obviously Damak Municipality can have more revenue and will be developed.

6.3 Recommendations

-) The Revenue of Damak Municipality depends on external source which is not better in all the case so it should identify the potential sources of revenue to make itself independent.
-) The total expenditure is always less than the total revenue so Damak Municipality should identify the town priority project to expand its expenditure.
-) The main source of internal revenue is local tax though property rental also can equally contribute so to collect property rental staff should be mobilized and monitor properly.
-) Damak Municipality has certain historical places which can be used to attract the internal as well as external tourist. For development of these places municipality should allocate some amount.
-) There are many small industries like paper making industries, carpet industries and handicraft industries etc which are not registered. So municipality should attract them for their registration.
-) Municipality also can raise the internal revenue by developing park and public places like picnic spot in the natural and panoramic place. And also by managing Bus Park and parking lots.
-) The municipality should allocate more expenditure on social program sector like health, education so that balance forward can be minimized.
-) There is no uniform growth rate of revenue and expenditure so concern authority should think about its fluctuation and the ways of regulating it.
-) Regarding regular expenditure current expenditure itself occupy around 97.03% which should be reduce and invest in sectors drinking water, street lightening, and other facilities in each ward of municipality.

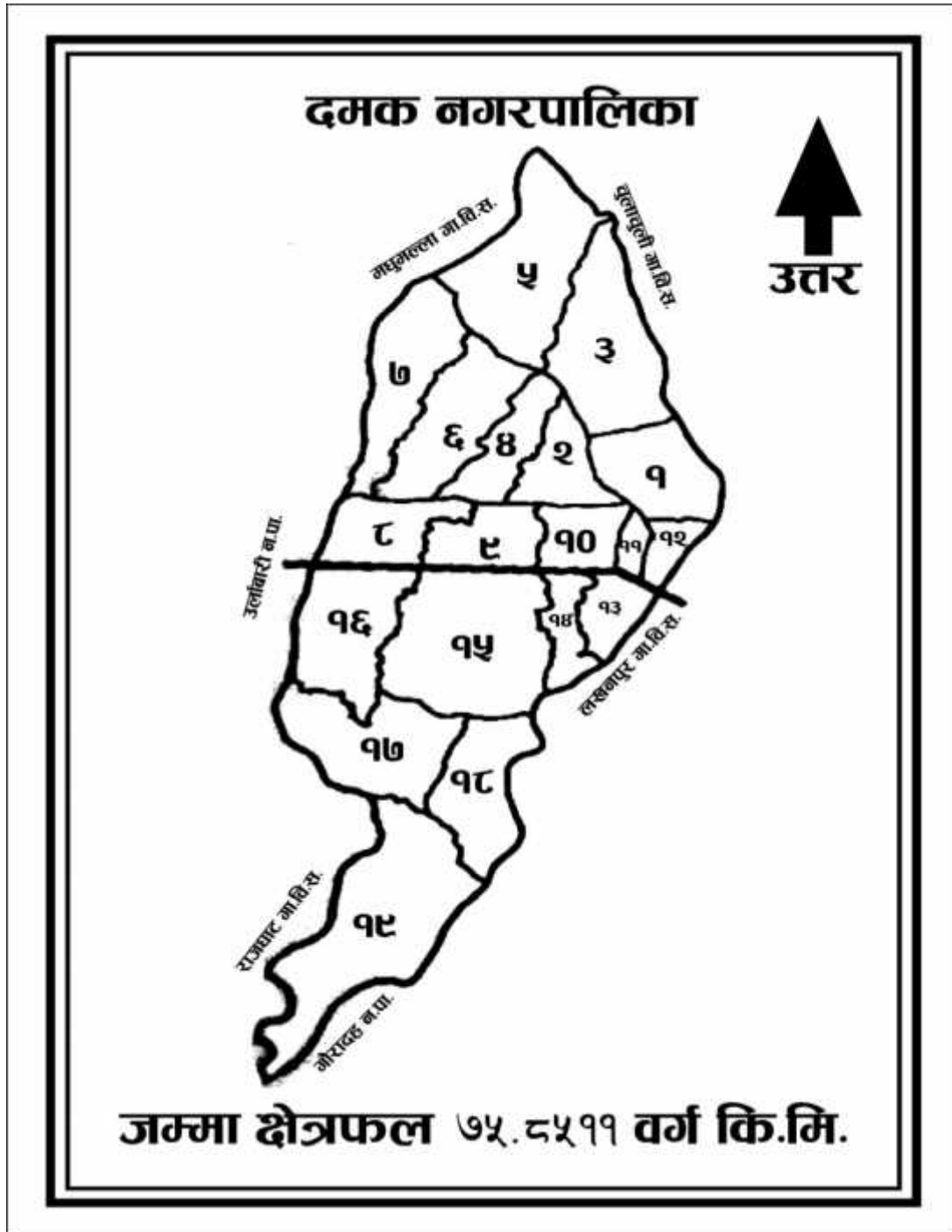
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APPENDIX - I

Map of Damak Municipality



Appendix - II

Detailed Expenditure Breakdown of Damak Municipality

Line	063/064	064/065	065/066	066/067	067/068	068/069	069/070	070/071	071/072	072/073
Salaries	2739852	3598776	5652476	6078350	7027980	7978435	7857375	9673751	13672425	16916527
Allowance	439600	501250	1068020	1548350	2329400	3685630	1947789	2357393	4260520	4476010
Travel per diem	75620	73625	182690	375815	2533850	3297630	1484930	1895702	2425385	2864390
Services	825390	897787	1281753	1237600	2098000	2528700	2473920	3959480	7687190	8359600
Health supplies	0	0	0	0	0	0	0	0	0	0
Rent	80000	85000	195000	384388	1276788	1497422	1538800	392000	427600	372070
Repair & maintenance	275610	305000	1450000	2090076	4943500	7047785	2949243	1805677	5391458	6642960
Office supplies	130000	139880	860726	584867	2851756	4483250	2835080	3486100	17259701	17535700
Other materials		0	0	0	0	0	0	0	0	0
Newspaper	200000	200000	200000	122769	127959	108501	279002	220690	226000	226000
Food		0	0	0	0	0	0	0	0	0
Fuel	475280	395000	450000	536178	2776779	3265930	2248973	2514380	4356710	5742950
Cloths/ food allowance	253781	176530	375900	655416	1271664	1127750	1475012	1594800	4517080	4732805
Other materials	970000	121461	1045000	163970	2094062	2983690	884500	1227400	4821490	436810
Financial assistance	31600	46255	55000	37096	32486	50655	44247	51187	194520	45300
Contingencies	25000	322037	608107	806808	1329761	3402830	375212	436923	642960	429700
Health supplies	20000	20000	25000	0	0	0	0	0	581800	35200
Ward adm expenses	0	0	0	0	0	0	0	0	0	0
Current exp.	6541733	6797601	12296092	14621683	31293913	40067618	26394083	29615483	66463839	68816022
Debt payment	168828	125000	99124	22841	0	27116	0	0	511890	301195
Furniture	-	143950	60850	97586	164730	386420	182000	238610	756290	1291400
Machinery equipment	42545	284102	334488	310960	403242	272318	423870	286816	520023	1304620
Ordinary capital	42545	428052	395338	408546	567972	658738	605870	525426	1276313	2596020
Education	475270	691628	563472	344437	233615	186490	255860	297560	549160	590485
Health	316380	536020	501830	364210	1146320	984500	1046800	476930	1060350	1538250
Forestry	164905	419600	271682	156800	948630	241000	364280	186340	248100	208500

Cultural/ sports	50320	71900	50680	24600	87000	24000	35240	55830	328190	53910
Disaster relief	510380	945620	697624	424680	1485670	196340	987650	287630	2540925	285900
Fin assistance	50470	872490	225600	152170	51360	21863	18942	22460	290530	458100
Miscellaneous	813063	1304869	1247256	1670965	4106800	2095764	3925488	4477535	5839726	13377122
Social program	2380788	4742127	3558153	3137862	8059395	3749957	6634260	5804285	10856981	16512267
Land building purchase		0	0	0	0	0	0	0	0	0
Building construction	520850	795840	1862373	4571490	12570250	7748350	5267130	7684300	8262950	14264800
Other dev construction	21617296	53738610	53882011	55046872	94504567	63500832	82873746	83249498	105561042	159652864
Capital investment	22138146	54534450	55744384	59619362	107074817	71249182	88140876	90933798	113823992	173917664
Total expenditure	31272039	59276577	59302537	62757224	115134212	74999139	94775136	96738083	192758707	264163900

Appendix – III

Detailed Revenue Breakdown of Damak Municipality

Line	063/064	064/065	065/066	066/067	067/068	068/069	069/070	070/071	071/072	072/073
Local Dev. fee	4166775	5332654	4771807	4846134	5017742	6856496	16876746	17998132	20090124	48684191
Vehicle tax	708396	874720	1112905	1375142	1692451	1738745	1825146	1998757	2299507	4502640
Professional tax	518429	503035	590610	635315	675102	710212	755417	791853	1048715	1174280
House rent tax	427950	535625	593215	622330	795325	845609	912715	1195302	1360920	1379425
Local market tax	163904	207564	274536	355113	415211	496321	536904	603125	974305	359150
Sales tax	2007167	3176549	3987046	4327906	4593201	4812515	5115015	5397120	6634592	7960254
Unclaimed tax	8784	15205	16412	13405	21014	18406	23008	25011	10350	4010
Tax arrear	2975	4312	4921	5692	6314	6902	7012	5115	10350	1500
Other tax	0	0	0	0	0	0	0	0	0	0
Contract tax	0	0	0	0	0	0	0	0	0	0
Octroi/ vehicle tax	0	0	0	0	0	0	0	0	0	0
Local tax	9805380	10649664	11351452	11620940	13216360	15125206	26051963	27014415	32420703	64075450
Service fee	224734	234916	291828	313408	398702	509015	701448	906415	705110	790428
Recommendation fee	909559	1199739	1152912	1197415	1428044	1709028	2101412	2314421	1104673	1235820
Appraisal fee	124228	163995	197412	235011	310415	355301	501545	614572	401238	476025
Building permit	1579265	2110028	2270839	2205659	3404993	4085912	4349030	5177121	2716743	1807391
Registration fee	80501	71036	102004	174514	225150	245165	352512	401508	350542	425718
Animal house fee	0	0	0	0	0	0	0	0	0	0
Other fee and fines	73469	76790	79315	81605	70245	72104	73481	71774	84236	67200
Industrial service fee	0	0	0	0	0	0	0	0	0	0
Radio license	0	0	0	0	0	0	0	0	0	0
Application fee	0	0	0	0	0	0	0	0	0	0
Fees and fines	2991755	3856504	4094310	4207602	5837549	6975625	8079428	9486811	5462542	5260820
Market shops building	299891	402775	430855	554813	1294130	1773376	3691582	4293961	2564390	2163120
Bus park	233855	443975	485125	645187	1013257	1693729	3155486	4274381	1706870	2609060
Fish pond	0	0	0	0	0	0	0	0	0	0
Equipment / others	0	0	0	0	0	0	0	0	0	0
Property rental	533747	846750	915980	1200000	2307387	3467105	6847068	8568342	4271206	4772180
Auction sales	0	0	0	0	5840	0	0	0	25300	0
Tender form sale	0	196584	137974	161724	248071	236829	290543	427239	465498	335745

Confiscation deposit	198837	0	0	0	0	0	0	0	0	0
Misc. revenue/ sale	62930	125430	195264	236471	318150	476294	525087	653076	329362	284905
Sand gravel sale	0	0	0	0	0	0	0	0	0	0
Other revenue	261767	322014	333238	398195	572061	713123	815630	1080315	820160	620650
Advance refund	0	67050	-	45082	60971	75194	54298	66250	53750	58360
Cost sharing	2898409	12285577	2431064	18752980	4163217	41371560	34881538	34566446	55562098	96147640
Other Misc	0	435626	158713	603640	684902	550730	638140	552958	597170	625800
Miscellaneous income	2898409	12788253	2589777	19401702	49098090	41997484	35573976	35185654	56213018	96831800
NG/Administrative grants	2913468	1100000	1143950	4010800	5456157	5332174	5562950	5961820	9468190	8439120
NG/Development grants	8073000	37190554	52007316	37030284	64116327	43101416	32368444	34538810	75880067	84374976
District dev Board/Other	8594052	756020	1183400	1860560	2300166	1683000	2470000	2750000	6828000	9740500
TDF Grants	-	-	-	-	-	-	416000	624000	3538140	4755820
Grants	19580520	39046574	54290716	42901644	71872650	50071590	40817394	43871630	95714397	110110416
Internal/external loan		0	0	0	0	0	0	0	0	0
TDF loan	0	0	0	0	0	0	0	0	0	0
Loan	0	0	0	0	0	0	0	0	0	0
Balance forward	112694	4890051	5772580	7254963	9177452	5087362	7684920	4095290	2387465	4530784
Total revenue	36185272	72399810	79348054	86985046	152081459	23437531	125870379	129266457	197289491	286202100