

**MUNICIPALITY FINANCE IN NEPAL:
A CASE STUDY OF KIRTIPUR MUNICIPALITY,
KATHMANDU**

A Thesis

**Submitted to Central Department of Economics, the Faculty of
Humanities and Social Sciences in the Partial Fulfillment of
the Requirement for the Degree of Master of
Arts in Economics**

By:

Sirjana Rai

**Central Department of Economics
Tribhuvan University
Kirtipur, Kathmandu
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LETTER OF RECOMMENDATION

This thesis entitled “**Municipality Finance in Nepal: A Case Study of Kirtipur Municipality, Kathmandu**” has been completed by Sirjana Rai under my supervision. I forward it with recommendation for approval.

Nirmal Kumar Raut

Assistant Lecturer
Supervisor
Central Department of Economics
T.U., Kirtipur, Kathmandu

Date:

APPROVAL LETTER

This thesis entailed '**Municipality Finance in Nepal: A Case Study of Kirtipur Municipality, Kathmandu District, Nepal**' Submitted by Sirjana Rai has been accepted as a Partial fulfilment of the requirements for the Degree of Master of Arts in Economics.

Thesis Committee:

Chairman _____

External Examiner _____

Supervisor _____

Date:

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LIST OF ACRONYMS

CEDECON: Central Department of Economics

CBS: Central Bureau of Statistics

DDC: District Development Committee

FY: Fiscal Year

FNCCI: Federation of Nepalese Chamber of Commerce and Industries

GTZ: German Technical Cooperation

KTM: Kathmandu

MoLD: Ministry of Local Development

NG: Nepal Government

TDF: Town Development Fund

T.U.: Tribhuvan University

UDLE: Urban Development through Local Efforts Programme

UK: United Kingdom

USA: United States of America

VDC: Village Development Committee

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CHAPTER ONE

INTRODUCTION

1.1 Background

In broad sense, finance is the science of money. Finance includes planning the asset mix, capital structure and profit allocation and includes all those operations that are performed in executing these decisions (Johnson R.W., 1962). It is an essential component of a functional local government.

Nepal has adopted decentralized system of government. Under this system, there exist two levels of government: central and local. Central level government governs all parts of the country. It generates income to maintain law and order and develop the country. While local level government mainly works to develop its local areas.

Local-self governments of Nepal in the form of village Development Committees (VDC), Municipality and District Development Committees (DDC) are constituted at grass root level as to involve local people in the overall economic social and cultural development of the country. These local bodies play a very important role to identify the needs of localities. Municipality is one of the forms of local governing system in all over the world, irrespective of political system followed by the country. It is not possible to the central government alone to identify the development needs of all levels. Similarly, the government alone may not be able to carry out all types of development works required to make the country developed socially, economically and its other aspects according to time and situation.

The government can declare a settlement as a Municipality, if the

minimum annual income is more than one million Rupees and the total population of the settlements is more than 20,000 (10 thousands in the hilly and mountainous areas) with electricity, roads, drinking water and communications facilities. These are the basic criteria used to convert village into municipality (Municipality Act, 1991).

The history of municipality is not very old in Nepal. The scanty information indicates that the first municipality was established in Lalitpur in 1918 A.D. It was followed by the Kathmandu Municipality that was established in 1919 A.D. by the then Prime Minister Chandra Shamsar, which was named as 'Safai Adda'. The municipality came to existence, after 'Safai Adda' was formed. Presently, Nepal has one metropolitan city, four sub-metropolitan cities and fifty-three municipalities (NG/Nepal).

In 1962 A.D., the government of Nepal introduced Nagar Panchayat Act. This Act introduced the concept of local tax in municipalities. This act initiated municipalities to make financial planning and budgeting. The enforcement of this act may be considered as the beginning of municipality finance in Nepal. The Act of 1962 A.D. was amended from time to time. After the restoration of democracy in 1990, the Act was again amended in 1991 A.D. In the past the revenue of the municipalities had been very limited. Their financial obligations were mainly financed by central level government. But now-a-days for many reasons such as migration from rural to urban areas obligation to provide more public services and utilities to their people, the financial resources they are getting from the central government are not sufficient enough. For these reasons, the local taxation act has given the municipalities some breathing room. After the enforcement of this tax the municipalities could levy taxes on some specific items such as professional tax, vehicles tax, entertainment tax, business fee and fines, land tax, property tax and so on. Municipalities also receive development grants

and subsidy from the central government. The central government provides money because of a low level of income of the municipalities and are not able to develop expensive public utilities system.

Kirtipur is one of the recently urbanized city of Kathmandu Valley, which was declared as municipality in 2053 Chaitra 14 B.S. by including eight different Village Development Committees such Layaku, Chithu Bihar, Paliphal, Bahiri Gaun, Panga Balkumari, Panga Bisnudevi and Chovar Bhukhen. Administratively, Kirtipur Municipality has 19 wards covering 14.76 sq. Km area. It is encircled by Bagmati River in the East, Machhegaun VDC in the West, Kathmandu Metropolitan in North and Chalnakhel in the South. The total population of this municipality is about 40,835 with 9487 households (Population Census, 2001). The main occupation of the municipality people is agriculture followed by business, trade and service.

1.2 Statement of the Problem

Nepal is a least developed country. Thus, it is facing various financial problems. The economic and social problems are prevailing in all parts of the country. Hence, the same situation can be found in the municipalities too.

In most of the municipalities, the basic needs of the people are unlimited. But the income sources of municipalities are limited as well as flexible. However, the collecting process is unsystematic. Therefore, there is a gap in municipal financing.

The financial resources base of Kirtipur Municipality is weak due to limited sources of revenue. Furthermore, the available resources are also not

fully utilized due to untrained and inexperienced staff, lack of proper and effective planning. Another obvious problem is the lack of adequate infrastructures: drinking water, street lighting, street cleaning, health services, city road etc. These are the main issues, which demand for more financial resources to improve the performance of the municipality. This ultimately demanded for a research of the municipality finance in Nepal and particularly that of Kirtipur Municipality.

1.3 Objectives of the Study

The general objective of this study is to assess the overall financial situation of Kirtipur Municipality and recommend some measures that will improve its financial health. The specific objectives of this study are given below:

- (i) To analyze the sources of revenue and expenditure pattern of Kirtipur Municipality.
- (ii) To explore the possibilities of raising the internal sources of revenue of Kirtipur Municipality.

1.4 Significance of the Study

This study is a micro-level study. Economic research on micro-level study of municipality is essential in order to find the reliable information and exact data at the grass root level of local governance. This sort of study on the one hand, helps to find the problems and solutions at the micro-level and on the other hand provides data to formulate macro level policies.

This study is expected to be very useful to the officials of the Kirtipur Municipality and to the people of this municipality. This study is expected to enhance the performance of the officials and awareness of the people of this municipality.

Ultimately, this study will help to the businessmen, politicians, government/semi government officials and the researcher who are directly and indirectly concerned with the problem of municipalities.

1.5 Limitations of the Study

There are some limitations of this study, which are given below:

- (i) The study focuses mainly on only one municipality that is Kirtipur Municipality.
- (ii) It considers the time frame consisting of only five years from fiscal year 2001/02 to 2005/06.
- (iii) It is not possible to include the latest data from fiscal year 2006/07 to 2007/08 in this study due to administrative and technological problems of Kirtipur Municipality.

1.6 Organization of the Study

The whole research study is divided into five chapters. The first chapter is the introductory portion which deals with background of the study, statement of the problems, objectives of the study, importance of the study, limitations of the study and summary of the organization of the study.

The second chapter deals review of literature covering the concept of municipality finance; patterns of municipal system in various parts of the world; function, duties and power of municipality and financial system of municipality. The chapter also includes some important studies made both on national and international context.

The third chapter basically deals with the research methodology to complete the research problems. The fourth chapter analyzes the revenue and

expenditure pattern of the Kirtipur Municipality during the period of five fiscal years from 2001/02 to 2005/06. It includes a detailed analytical description of different sources of revenue and their contribution to the net total revenue as well as the major area or expenditure.

Finally, conclusion of the study made and recommendations made based on such study that might be helpful in formulating and implementing policies are the contents of the last chapter. Appendix and Bibliography presented after the last chapter closes the study.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Concept of Municipality Finance

The concept of municipality relates the concept of “Local Government”. According to Black J., the meaning of local government is “A unit of government which does not claim sovereign powers. Thus the states of federal countries such as Germany or the USA are not local governments, where as French departments and UK counties are. The powers of local governments are entirely delegated from above. Their finance may be provided from the central government, or they may be empowered to levy taxes themselves. They may have discretion over some policies, or be required to administer policies laid down centrally. They may be any number of layers of local government, possibly with overlapping functions” (Dictionary of Economics, 2003,p.275).

For Jackson W. E., “The term local government indicates the management of local affairs and services by popularly elected councils. Chosen within the area administered by a council. In short, local government can be said to be promoting the well being of the people. As the municipality is also a body of local government it can be said that the stimulus behind the concept of municipality in many parts of the world emerge as decentralization of central government departments for better provision, performance and regulation of service” (Local Government in England, June 1965,p.23).

Lekhi R. K., says “The municipalities are the local bodies created for the urban areas to look after the local affairs like sanitation, public health ,

primary schools, street light.

The main sources of finance of the Municipal Committee are taxation, grant-in-aid, share of taxes levied and collected by state government and income municipal undertakings” (Public Finance, 2007,p.113).

2.2 Patterns of Municipal System in Various Parts of The World

2.2.1 ENGLAND

In England the concept of municipality emerged with the development of the industrial revolution of 18th century. The borough is probably the oldest local government authority in England. The industrial revolution of the concentration of population in towns, urban areas sprang up overnight with no provision for civil amenities. As a result, a royal commission of inquiry was appointed in 1833. On the basis of its report, the municipal corporation Act 1833 was passed by parliament, which forms the basis of the organization and powers 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 in Act by laws for the good government of the borough. It was given powers over property, police, street lighting markets and harbours. Between 1835 to 1882, the Act was amended fifty times. The municipal corporation Act of 1882 codified all the amendments, which together with its various amendments has been largely superseded by the local government Act 1833 (Nigam S.R.,1968).

In case of the England the local government is divided into metropolis and non-metropolis area. The metropolitan area includes six districts, but all district do not have some administrative system. For

example, London boroughs are single-tier authorities. However, Scotland has two-tier system and belongs to metropolis category, with the regions having more important functions than the districts (Chandler J.A.,1991).

2.2.2 USA

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

2.2.3 JAPAN

Since local autonomy is considered as classroom of democracy, however, the Japan's municipality history had an experience of improvement of everything from central bureaucracy for the long time. As the capitalism rises, which leaped to develop a class consciousness between workers and employers go up and this consciousness clicks the idea that they are their own master in municipal affairs, which pressurized the government to lift a short of amusement on September 30, 1898 and technical recognition of Tokyo as a local autonomy was practically recognized. It was Goto Shiempi who assumed the mayor ship in Tokyo,

then emerging financial capital, in 1920 his statement, “Tokyo, which is far cry from what self government should really be like” gave enthusiasm among citizens to have efficient local government and this helped to give them regime a Tokyo, first municipality real local government (Tokyo, The Making Metropolis, 1994).

2.2.4 INDIA

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

In case of India, the structures of local government are different from state to state. The process of formation of municipalities take place under stationary of state. In India, the formation of municipality is according to the law of state. For example, in West Bengal, if a town has a population of three thousand per square mile and three-fourthly of the adults’ male population carrying on non-agricultural business, it is declared as municipalities. Similarly, in U.P., M.P. and Madras a population of about 10,000 may make a municipality. However, due to absence of any hard and fast rules, town with smaller population have been created as municipalities and others, even with larger population have been created as municipalities and others, even with larger population have been left out.

The classification of the municipalities in some Indian states has been on the basis of their revenue. In case of Madras and Andhra Pradesh, municipalities of section grade must have an annual income Rs. 6 Lakhs or more, those of grade I; exceeding Rs. 3 Lakhs, and those of grade II; and less than Rs. 3 Lakhs are put in grade III. Thus, the state government has declared the area to be municipality, a borough or a city municipality of first, second and third grades according to the cases (Agrawal R.,1960).

2.2.5 NEPAL

Very little is known about the municipal system that existed in Nepal before 1960s. The scanty information indicates that the first municipality was established in Lalitpur in 1918 A.D. It was followed by the Kathmandu Municipality that was set up first as the “SAFAI ADDA” in the middle of December 1919 A.D. The task of “SAFAI ADDA” was only clearing of some main motor able roads. Then there were some improvement in the development process of the municipality and Kantipur was declared as municipality in 1919 A.D. After this year (1919 A.D.) the process of growing municipality could not take speed rather, it was stopped for longer period of time. But after the revolution against Rana regime of 2007, the process of establishing municipality is continuing along economic development with “Nagar Panchayat Act 2007”, “Nepal Municipality Act 2009”, “Nagar Panchayat Ain 2019 B.S.”, “Nagar Palika Ain 2048”, “Municipality Act 2052”. Presently, there are 58 municipalities in Nepal, which are as following in chronological order.

Table - 2.1

Evolution of Municipalities in Chronological Order

| Period | Name of Municipalities | No. | Acts |
|----------------|---|-----|-------------------------------|
| 1975 B.S. | Lalitpur | 1 | |
| 1976 B.S. | Kathmandu | 2 | “Municipality Act” |
| 2008 B.S. | Patan, Bhaktapur, Biratnagar, Birgung | 6 | “Nagar Panchayat Act 2007” |
| 2008-09 B.S. | Bhadrapur, Palpa(Tansen) | 8 | “Nagar Panchayat Act 2007” |
| 2009-019 B.S. | Janakpur, Hanumannagar (Rajbiraj), Pokhara, Butwal, Nepalgung, Dharan, Ilam | 15 | “Nepal Municipality Act 2009” |
| 2020-025 B.S. | Bhairahawa (Siddharthanagar) | 16 | “Nagar Panchayat Act 2019” |
| 2026-031 B.S. | Hetauda | 17 | “Nagar Panchayat Act 2019” |
| 2032-037 B.S. | Lahan, Dhangadi, Birendra Nagar, Dhankuta, Tribhuvan Nagar, Bharatpur, Mahendra Nagar | 24 | “Nagar Panchayat Act 2019” |
| 2038-043 B.S. | Dipayal, Inaruawa, Kalaiya, Damak, Banepa, Taulihawa, Jaleswor, Dhulikhel, Bidur, Malangwa | 34 | “Nagar Panchayat Act 2019” |
| 2043-048 B.S. | Byas, Tulsipur and Gaur | 37 | “Municipality Act 2048” |
| 2052-8-29 B.S. | Up-graded of Municipalities as Kathmandu Municipality into metropolis and Biratnagar, Lalitpur and Pokhara Municipalities into Sub-metropolises | | “Municipality Act 2052” |
| 2053 B.S. | Amargadi, Baglung, Bhimeswhwor, Dashrathchand, Guleriya, Itahari, Kamalamai, Khadbari, Kirtipur, Lekhnath, Madhyapur-Thimi, Mechinagar, Panauti, Prithvi Narayan, Putalibazar, Ramnagar, Ratnanagar, Siraha, Tikapur, Triyuga and Walling | 58 | “Municipality Act 2052” |
| 2053 B.S. | Birgung Municipality into Sub-metropolise | 58 | “Municipality Act 2052” |

Source: Booklets from Ministry of Local Development.

In Nepal, constitution of municipal council and municipality is clearly stated in the Local Self-Governance Act 1999. According to this Act, the government can classify municipalities as follows:

- I. Metropolis: With the population of at least three hundred thousand and annual income source of minimum four hundred million rupees, having the facilities of electricity, drinking water and communication, having the main road and accessory roads of the town pitched, availability of highly sophisticated nature of service in respect of health service, having the necessary infrastructure as required for international sports programmes, opportunities for international sports programmes, available to adequate opportunities for higher education on in different subjects and having at least one university established and other similar adequate urban facilities and having already been

existed as a sub metropolis.

- ii. Sub Metropolis: With the population of at least one hundred thousand and annual income source of minimum one hundred million rupees, having the facilities of electricity, drinking water and communications, having facilities of higher level education and health services, ordinary facilities for national as well as international level sports programmes, having the provisions of public gardens and city hall and other similar necessary urban facilities and having already been existed as a municipality.
- iii. Municipality: A semi urban area with a population of at least twenty thousand, and annual source of income of minimum five million rupees and with electricity, roads, drinking water, communications and similar other minimum urban facilities. Provided that in the cases of mountains and hilly area a population at least ten thousand and annual source of income of minimum of five hundred thousand rupees shall be sufficient even if there is no road facility.

2.3 Functions, Duties and Power of Municipality

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

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

- (a) Relating to Finance:

Under this function municipality prepares budget, plans and

programmes; keeps accounts of income and expenditure; raises taxes, charges and fees and expend money to execute the decision of the municipality.

(b) Relating to Physical Development:

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

(c) Relating to Water Resources, Environment and Sanitation:

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

(d) Relating to Education and Sports Development:

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

libraries and reading halls; prepares and implement sports development programmes and develops sport by constituting municipality level sports development committee.

(e) Relating to Culture:

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

(f) Relating to Work and Transport:

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

(g) Relating to Health Service:

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

(h) Relating to Social Welfare:

Under this function, municipality arranges for cremation of heirless

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

() Relating to Industry and Tourism:

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

(j) Miscellaneous:

1. To do plantation on either side of the roads and other necessary places in the municipality.
2. To determine and manage places for keeping pinfolds and animal slaughter house.
3. To protect barren and governmental unregistered (Ailani) land in the municipality area.
4. To determine and manage crematoriums.
5. To act for the development of trade and commerce.
6. To frame bye-laws of the municipality and submit it to the municipal council.
7. To carry out necessary functions on the controlling of natural calamities.
8. To maintain inventory of population and houses and land with municipality area.
9. To register births, deaths and other personal events pursuant to the prevailing law.
10. To maintain inventory of the helpless, orphan and disabled children within the municipality area and arrange to keep them

in appropriate place.

11. To secure public interest by killing rabid and strayed dogs and specify the places to bury dead animals and birds into.
12. To have such trees cut and houses, walls etc. creating hazardous results demolished.
13. To up-date the block numbers of the houses in the municipality area.
14. To arrange for animal slaughter houses in the municipality area.
15. To impound and auction strayed animals.
16. To arrange for lighting on the roads and alleys.
17. To grant approval to open cinema halls in the municipality area.
18. To arrange or cause to be arranged for haat bazar market, markets, fairs and exhibition etc.
19. To operate and manage or cause to be operate and manage or cause to be operated and managed fire brigades.
20. To confer the honour of distinguished person of the town on any distinguished person.
21. To carry out or cause to be carried out other acts relating to the development of the municipality area.
22. To render assistance for the development of cooperation.
23. To evaluate the performance of the Secretary and forward it with recommendation to the authority.
24. To encourage to carry out cooperative, industrial and commercial activities generating income to the municipality with the investment of private sector as well.
25. To formulate various programmes based on cooperativeness and to carry out or cause to be carried out the same.
26. To carry out such other functions as are prescribed under the

prevailing law.

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

- a. To make necessary arrangement for providing standard school education in the municipality area.
- b. To launch literacy programmes to eradicate illiteracy from the municipality area.
- c. To open and operate libraries and reading halls in various places within the municipality area.
- d. To control unplanned settlement within the municipality area.
- e. To make the structure and development of the town well planned through the functions such as guided land development and land use.
- f. To arrange for the aged rest-houses and orphanages.
- g. To arrange for the supply of electricity and communication facilities.
- h. To arrange for recreational parks, playing grounds, museums, zoos, parks etc. in the municipality area.
- i. In order to reduce unemployment, to collect the data of unemployed persons and launch employment-generating programmes.
- j. To launch programmes to control river pollution.
- k. To provide ambulance service in the municipality area.
- l. To arrange for dead body carriers in the municipality area.
- m. To carry out preventive and relief works to lessen the loss of life and property caused from natural calamity.

III. Consumer groups and other non-governmental organizations shall have

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

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

2.4 Financial System of Municipality

The changing scenario of Nepalese politics basically agreed that the decentralised financial management is one of the key elements of good governments that covered financial accountability and transparency. In the context of Nepalese Municipalities, Financial Resource Mobilisation is now one of the main issues. After the enactment of the new Local Self-Governance Act, 1998 from 29 April 1999, Nepalese Municipalities (58 including 1 Metropolitan and 4 Sub-Metropolitan) were shocked with some financial turmoil within their revenue structure. With the introduction of new act, Nepalese Municipalities had to say final good-bye to “octroi” which contributed more than two thirds of municipal own source revenues.

However, to save this financial crises, central government arranged to provide “Local Development Fee” (collected from custom entry point at 1.5% on imported consignment) on the basis on their average “octroi” collection of the past three years. In fact, this arrangement has been materialized after several rounds of debate and discussion with central government, municipal authorities and Federation of Nepalese Chamber of Commerce and Industries (FNCCI). Re-distribution of collected Local Development Fee is now under the joint co-ordination of Municipal Association of Nepal and Municipal Management Section of Ministry of Local Development (gtz/udle programme, may 2008).

2.4.1 Sources of Municipal Revenue

Municipalities require resources to carry out their functions. The main sources of municipal revenue are various taxes. Mainly revenue has two components namely own sources of revenue and external sources of revenue.

Own source of revenue is important and main source of almost all the municipalities. Some of the main components of own source of revenue are as follows:

(a) Local Taxes

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

(b) Fees and Fines

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

(c) Property Rental

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

(d) Sources of other revenue

The other sources of revenue is generated by selling land and gravel, by selling land and building, auction sale, by selling tender forms, confiscation of deposits, miscellaneous arrears and so on. In this study the revenue collected from the above mentioned heading is defined as other sources of revenues.

External sources of revenue are also an important source of financial local government (Municipality).The main components of the external sources of revenue are as follows:

(a) Grants

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

(b) Loans

Money borrowed by the municipality that has to be paid back in the future is defined as loan. Municipality has borrowed from TDF to develop the municipal. Municipality usually borrows the money that has to be paid back along with the stipulated rate of interest, however sometimes it has taken loan free of cost. Money borrowed by municipality with or without cost is defined as loans in this study.

(c) Miscellaneous Income

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

To develop the municipality both sources of revenue (i.e. own source

of revenue and external source of revenue) have played a vital role.

2.4.2 Municipal Expenditure Pattern

Expenditure is the outflow of cash from the local government to operate the general administration and for conducting the social and developmental works. Regular and development expenditure are the two main components of the total expenditure.

Regular expenditure is mainly consumption type of expenditure. Mainly, it included the following expenditure:

(a) Current Expenditure

In this study, current expenditure means the expenditure made on the following headings: salaries, allowances, travel and per diem, services, rent, repair and maintenance, office supplies, newspapers, fuel, clothes/food allowance, other materials, health supplies, food for prisoners/animals, financial asst./donations, contingences and ward administration expenses.

(b) Debt Payment

In this study, debt payment means the payment made by the municipality to its creditors. It includes the amount of money borrowed by the municipality as well as the stipulated interest.

(c) Ordinary Capital Expenditure

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

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

(a) Investment on Capital

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

(b) Expenditure in Social Programs

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

2.5 Past Studies of Municipality Finance

Pandey S. (1977) has studied the plan financing in Nepal. She has emphasized in her study the relationship between revenue and outlay of the government, causes of growing government expenditure, different sources of plan finance. Her study is totally based on secondary data. She concludes that essential factor for development is a financial resource. NG has to mobilize if to a maximum to the possible extent and to put it in right uses, additional taxation should have to play the major role in generating more funds for development purposes and expenditure should be checked the leakages should also be minimized. She only focuses on governmental revenue and expenditure but she does not explain local government's expenditure and revenue.

Shrestha N.M. (1981) has studied the government investment pattern in Nepal. She has used secondary data to analyze the problems. Her study is

based on the contribution of government expenditure in different sectors. Her main conclusion is that the government expenditure in different plan periods indicates its great ambition to uplift the nation's economic status in rapid pace.

Khadayat G.B. (1995) has studied the municipality finance of Kathmandu Municipality. He studies using the secondary data. His study is devoted to sources of revenue and expenditure pattern of the municipality. Mr. Khadayat has focused that the revenue from taxes showed an increasing trend. The main sources of revenue are the octroi and vehicle tax where as revenue from other sources is very nominal. He has focused on the octroi tax is able to generate huge amount of tax is able to generate huge amount of revenue while other potential source of tax is neglected by the municipality. Octroi tax is found to be very important source of revenue of every municipality. The average per capita revenue and the average per capita expenditure need to be balanced. He also discusses that the Local Self-Government has a very significant role to play in the development process of the country and a sound financial management of any organization which is considered to be the back bone of the whole capital investment process. But the report do not discuss the socio-economic structure of the municipality under investigation.

Gautam R. (2002) has studied municipality finance in Nepal. His study is based on the case study of Nepalgunj Municipality. He has used secondary sources of information in his study. His study has mainly focused on the trends and patterns of municipality finance in nepal. He has also focused on possible potentials of the new sources of revenue and expenditure pattern of the municipality. He has concluded that the collected revenue is not fully utilized by the municipality. This has caused a high balance forward in this municipality. He has also concluded that the

potentialities of sources of revenue are presented in the municipality but the authorities have not paid attention to it. He has also concluded that the municipality should take firm decision in collecting taxes.

CHAPTER THREE

RESEARCH METHODOLOGY

To make a systematic study of the above-mentioned problems and to attain the objective of the present study, certain research procedure is followed. The researcher has followed the following methodology:

3.1 Selection of the Municipality

Kirtipur Municipality is one of the historical cities dominated by Newar community. However, in my knowledge no one has done any economic research of this municipality. This is one of reasons to select this municipality as a study area. Besides this, Kirtipur Municipality was established nearly before 12 years but economically and financially it is still very weak. The other and the main reason to select this municipality are to find the financial aspect of this municipality and provide some constructive suggestions.

3.2 Research Design

The design of this study is analytical as well as descriptive. On the other hand the researcher has used descriptive method to study the systematic collection and presentation of data to give a clear picture of a particular situation and attempt to obtain a complete and accurate description of a situation where as on the other hand, the researcher has used analytical research to use facts or information already available and analyze to make a critical evaluation of the material. In fact, the research design is the conceptual structure within which the research is conducted.

3.3 Sources of Data

This study is mainly based on the primary as well as secondary data. Secondary sources were used to find the economic condition of the municipality. The rest of the data were collected by conducting a sample survey. The survey was conducting by the author of this study.

3.3.1 Sources of Secondary Data:

The main sources of data are:

- (I) Records of Kirtipur Municipality office.
- (ii) Urban Development through Local Efforts (UDLE) office.
- (iii) NG/Ministry of Local Development (MoLD).
- (iv) Central Bureau of Statistics (CBS).
- (v) Records and reports on different aspects of the study, articles, books and dissertation on related topics.

3.3.2 Sources of Primary Data:

Primary data was collected from businessman, farmers, politicians and educated people using personal interviews. The primary data was basically collected to understand the views/opinions of the locals towards the municipality and its financial system along with their functions. Simple random sampling method was used to collect information. The tentative lists of businessman, farmers, politicians and educated people were prepared. The informants were randomly selected from the prepared lists. The sample population consists of twenty people; five businessman, five farmers, five politicians and five educated people. However, only four of them were consulted randomly for interview due to time, resources and the interviewer personal problems. A questionnaire was prepared to conduct the interview.

3.4 Method of Data Analysis

The available data are presented and analyzed as per required tables. After collecting data, the data are manually processed. The data obtained on income and expenditure of the Kirtipur Municipality published by gtz/udle, have been descriptively analyzed. Simple Statistical Tools as percentage, average are used to analyze data. The necessary tables, pie chart and other techniques of data interpretations have also been used to analyze the data in a meaningful way. After analyzing and organizing the information, necessary conclusion and recommendations are made.

CHAPTER FOUR

ANALYSIS OF THE SOURCES OF REVENUE AND EXPENDITURE PATTERN OF KIRTIPUR MUNICIPALITY

4.1 Local Taxation in Nepal

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

These taxes were largely unused due to administrative difficulty. It is very difficult for the local bodies to make relevant estimates for the average cost of construction, the current value of land and house or get information about rented house and other properties. The household tax, land tax and vehicle tax have been simplified. The entertainment and surcharge on land revenue were abolished from the tax system and two broad types of taxes were introduced in 1965 (i.e. octroi, panchayat development and land tax). Household and rent taxes were also divided into two separate taxes: Household tax and house rent tax. The household tax was levied with maximum of Rs. 10 per annum per house depending upon its size and type. However, the house rent tax was levied at the rate of 2 percent (not exceeding) of the rent amount in the case of rented house and land. In the case of vehicle tax, the same rate was introduced for the rented as well as private vehicles. Similarly, business and professional taxes were also fixed according to their nature. The local tax system adopted in 1965 remained unchanged until 1987. However, the panchayat development and land tax

become unpopular and were abolished in 1979/80. Recently passed the “Local Self Government Act 2055” and “Local Governance Rule 2056” has opened the floor to different sources of revenue that municipalities can impose to increase own source revenue. According to this Act municipality can levy: (1) land and household tax (2) rent tax on own or private house and land (3) business tax (4) vehicle tax (5) property tax (6) entertainment tax (7) commercial video tax (8) advertisement tax (9) parking tax (10) service charge/fee.

4.2 Sources of Revenue

The municipality has to increase the fund through the following two different sources:

-) Internal sources
-) External sources

Most of the sources of revenue are from internal sources of Kirtipur Municipality. However, some of the sources of revenue are from external side. The following table indicates the charts of the income sources:

Table 4.1
Sources of Revenue
(2001/02 to 2005/06)

(In percentage)

| Fiscal year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|------------------|---------|---------|---------|---------|---------|---------|
| Internal Sources | 83.20 | 88.91 | 63.10 | 66.44 | 46.07 | 69.54 |
| External Sources | 14.78 | 9.85 | 23.94 | 17.52 | 30.75 | 19.37 |
| Balance forward | 2.03 | 1.24 | 12.96 | 16.04 | 23.18 | 11.09 |
| Total Revenue | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: *Based on Appendix A..*

Figure – 4.1
Average Percent of Source of Revenue

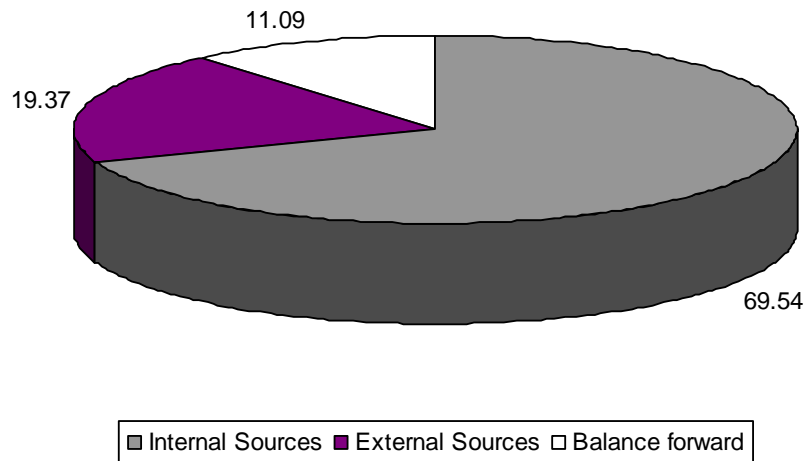


Table 4.1 shows the composition of total revenue with its percentage share. The highest percentage on total revenue comes from internal revenue. In average, it contributes 69.54 percent to total revenue. The contributions from internal revenue, external revenue and balance forward are not consistent. In fiscal year 2001/02, external revenue contributed about 14.78 percent while, in the fiscal year 2002/03 its contribution decreased down to 9.85 percent of total revenue. Again it increased to 23.94 percent in 2003/04 then it decreased again to 17.52 percent in 2004/05 and finally, it increased to 30.75 percent in 2005/06. On the other hand, balance forward decreased from 2.03 percent (FY2001/02) to 1.24 percent (FY 2002/03). Then it increased from 12.96 percent (FY2003/04) to 23.18 (FY 2005/06) of total revenue

4.2.1 Internal Sources (Own Sources Revenue)

Municipalities receive internal revenue from local taxes, fees and fines, property rental and other revenues.

Table 4.2
Internal Revenue of all Municipalities and Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-----------------------|---------|---------|---------|---------|---------|---------|
| All Municipalities | 74.22 | 78.88 | 70.07 | 62.26 | 62.26 | 70.16 |
| Kirtipur Municipality | 83.20 | 88.91 | 63.10 | 66.44 | 66.44 | 69.54 |

Source: *Based on Appendix A and C.*

Table 4.2 shows the percentage of internal revenue of all municipalities and Kirtipur Municipality of their total revenue from fiscal year 2001/02 to 2005/06. The average percentage of internal revenue of the total revenue of all municipalities during the study period is about 70.16 percent while, that for Kirtipur Municipality is 69.54 percent. This clarifies the fact that Kirtipur Municipality is dependent on internal sources of revenue less than that of all municipalities.

Internal sources of revenue of Kirtipur Municipality are local taxes, fees and fines, property rental and other revenues. Local taxes are significant internal sources of revenue of Kirtipur Municipality. Local taxes cause more income in this municipality. Revenue rose from all these sources discuss separately for the period 2001/02 to 2005/06 in the following ways:

Table 4.3
Composition of Internal Sources of Revenue of Kirtipur Municipality
(2001/02 to 2005/06)

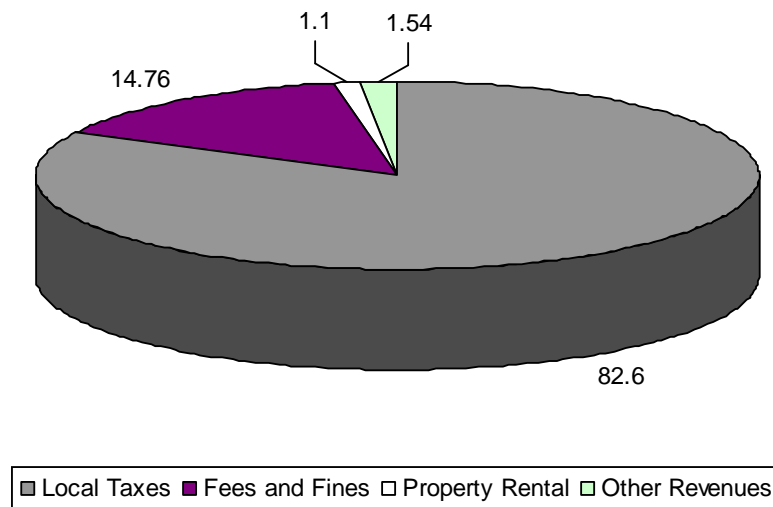
(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-----------------|---------|---------|---------|---------|---------|---------|
| Local Taxes | 92.52 | 88.30 | 79.62 | 75.64 | 76.90 | 82.60 |
| Fees and Fines | 4.92 | 8.10 | 17.40 | 22.25 | 21.14 | 14.76 |
| Property Rental | 1.44 | 1.16 | 0.94 | 0.17 | 1.78 | 1.10 |
| Other Revenues | 1.12 | 2.43 | 2.05 | 1.94 | 0.17 | 1.54 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: *Based on Appendix A.*

Figure - 4.2

Average Percent of Internal Sources



While observing table 4.3 we see local taxes as the main source of internal revenue in Kirtipur Municipality, which is in fluctuating situation in different fiscal years. Its contribution to own source revenue hovers around 82.60 percent. Fees and fines command second highest share in own source revenue during the study period. The share of property rental and other revenue count negligible in own source revenue. It indicates that Kirtipur Municipality has not been able to exploit other potential sources of revenue. Hence, it should try to exploit other potential sources of revenue.

4.2.1.1 Local Taxes

Local taxes are the most important sources of revenue of Kirtipur Municipality. Octroi/Local development fee, vehicle tax, professional tax, house and land tax, house rent tax, contract tax, local market tax, sales tax: cattle/fish, unclaimed land tax, tax arrears and other taxes are local taxes. Among the local taxes octroi/local development fee is the most significant in raising internal revenue for the Kirtipur Municipality.

Table 4.4
Local Taxes
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Octroi/Local Development.fee | 86.98 | 85.94 | 85.38 | 78.94 | 76.93 | 82.83 |
| Vehicle Tax | 5.26 | 5.38 | 6.05 | 9.02 | 9.05 | 6.95 |
| Professional Tax | 1.65 | 1.44 | 1.66 | 1.13 | 1.14 | 1.40 |
| House and Land Tax | 6.11 | 7.23 | 6.92 | 10.91 | 12.82 | 8.80 |
| House Rent Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 0.01 |
| Contract Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Local Market Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales Tax: Cattle/Fish | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unclaimed Land Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tax Arrears | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: *Based on Appendix A.*

By the table 4.4, we know octroi/local development fee has contributed significantly in local taxes of Kirtipur Municipality. Vehicle tax, house and land tax have medium contribution to local taxes, while professional tax, house rent tax have negligible effect. Contract tax, local market tax, sales tax: cattle/fish, unclaimed land tax, tax arrears and other taxes have no any contribution to local taxes. Octroi/Local development fee, house and land tax, vehicle tax, professional tax, house rent tax occupy 82.83 percent, 8.80 percent, 6.95 percent, 1.40 percent, 0.01 percent respectively. The share of local taxes, on average, is 58.28 percent of total revenue. Therefore, it is evident that the rate of octroi/local development fee, vehicle tax, house and land tax is very important in the collection of local taxes revenue and the contributions of rest of the components are very nominal during the study period.

Local tax collection system applied by the municipality is one of the main reasons for poor collection of the local taxes. Kirtipur Municipality usually collects local taxes through contractors. Contractors usually play an intermediary's role and their main objective is to make profit. To make profit they charge much more than the tax levied by the municipality.

4.2.1.2 Fees and Fines

Fees and fines is also the important sources of revenue of the Kirtipur Municipality. It includes service fee (surcharge), industrial service fee, recommendation fee, radio license, application fee, appraisal fee, building permit, registration fee, animal house fee and other fees and fines. Detail in the table 4.5:

Table 4.5
Fees and Fines
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|------------------------|---------|---------|---------|---------|---------|---------|
| Service Fee(Surcharge) | 14.24 | 17.69 | 4.58 | 2.14 | 0.46 | 7.82 |
| Industrial Service Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Recommendation Fee | 3.50 | 10.96 | 19.35 | 22.47 | 35.21 | 18.30 |
| Radio License | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Application Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Building Permit | 66.09 | 62.39 | 71.37 | 75.03 | 63.75 | 67.73 |
| Registration Fee | 16.17 | 8.80 | 3.73 | 0.00 | 0.00 | 5.74 |
| Appraisal Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Animal House Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Fees/Fines | 0.00 | 0.16 | 0.97 | 0.36 | 0.58 | 0.41 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: *Based on Appendix A.*

Contribution of building permit fee in the table 4.5 is the greatest

(67.73%) which has been followed by recommendation fee (18.30%) and service fee (7.82%) in collection of total fees and fines. Among the five fiscal years of the study, registration fee has contributed only in first three years. Other fees and fines occupy 0.41 percent (in the average) of the total fees and fines. Industrial service fee, radio license, application fee, appraisal fee, animal house fee have no any contribution to fees and fines. The share of fees and fines, on average, is 9.36 percent of total revenue.

The percentage of revenue from building construction permit fee has floated in the study period. However, building construction in the municipality has been increasing constantly. This is because in this municipality many buildings are built without taking permission. This indicates that the building permit rule of Kirtipur Municipality is more or less limited in the paper. Hence, the authority of Kirtipur Municipality should try to enforce its permission to build house rule more strictly. If they do this, this will increase their revenue too.

The low collection of revenue from fees have many reasons, the main reasons are such as inability of the authorities to implement the rules and regulations; the level of services provided by the municipality is lot less than the fee paid by the people; unwillingness of the people to pay the fee; the low level of services people get by paying fee has made fee a kind of tax, so people try to evade it; and civic sense of the people being at the low level in the municipality.

4.2.1.3 Property Rental

Another source of municipality revenue is property revenue, which includes taxes on market/shops/building, bus Park, fishpond and equipment /others. These properties are rented out to the public as well as

to various institutions. Detail in the table 4.6:

Table 4.6
Property Rental
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------|
| Market/ Shops/ Building | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Bus Park | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fish Pond | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equipment/ Others | 248,500 (100.00) | 182,640 (100.00) | 164,480 (100.00) | 33,095 (100.00) | 358,910 (100.00) | 100.00 |
| Total | 248,500 (100.00) | 182,640 (100.00) | 164,480 (100.00) | 33,095 (100.00) | 358,910 (100.00) | 100.00 |

Source: *Based on Appendix A.*

In table 4.6 equipment/others has the major contribution in the own source of revenue of Kirtipur Municipality. The contribution from the equipment/others is 100 percent on average during the study period. Market/shops/building, bus park, fish pond have no any contribution to property rental. The share of property rental, on average, is 0.75 percent of total revenue. It clarifies that Kirtipur Municipality has not charged property rental fees systematically.

4.2.1.4 Other Revenues

There are some other sources of revenue of the municipality. Some of the revenues, which do not come under the topics explained before in internal sources, are arranged under the other sources of revenue. The other sources of revenue of the municipality are: sand gravel sale, land building sale, auction sale, tender forms sale, confiscation deposit, miscellaneous revenue/sale other sources of different fiscal year are shown in the following table:

Table 4.7
Other Revenue Sources
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2002/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| Sand Gravel Sale | 84.46 | 0.00 | 0.00 | 0.00 | 0.00 | 16.89 |
| Land/Building Sale | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Auction Sale | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tender Forms Sale | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Confiscation Deposit | 0.00 | 0.00 | 0.49 | 0.00 | 28.79 | 5.86 |
| Miscellaneous Revenue/Sale | 15.54 | 100 | 99.51 | 100 | 71.21 | 77.25 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

Source: *Based on Appendix A.*

Table 4.7 shows that miscellaneous revenue/sale form the bulk among other revenue of Kirtipur Municipality mainly. However, in some fiscal years sand gravel sale and confiscation deposit also has given good revenue. Land building sale, auction sale and tender forms sale have no any contribution. In average of total other revenues miscellaneous revenue/sale has highly affected by getting revenue of 77.25 percent.

4.2.2 External Sources

Municipalities receive revenue from external sources too. Grants, miscellaneous income and loans are the main source of external revenue. Especially grants provided by the central governments to municipalities to carryout development works and to meet the administrative expenditure are the main source of external revenue. Similarly, District Development Board also provides grants to the municipalities. In the same manner Town Development Fund (TDF), also provide grants to the municipalities. Sometimes TDF provides loans to the municipalities to run developmental

works.

Table 4.8
External Revenue of all Municipalities and Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-----------------------|---------|---------|---------|---------|---------|---------|
| All Municipalities | 17.07 | 13.67 | 15.03 | 25.86 | 27.82 | 19.89 |
| Kirtipur Municipality | 14.78 | 9.85 | 23.94 | 17.52 | 30.75 | 19.37 |

Source: *Based on Appendix A and C.*

Table 4.8 shows the external revenue of all municipalities and Kirtipur Municipality of their total revenue from fiscal year 2001/02 to 2005/06. The average percentage of external revenue of the total revenue of all municipalities during the study period is about 19.89 percentage while, that for Kirtipur Municipality is 19.37 percentage. This clarifies the fact that Kirtipur Municipality is also dependent on external sources of revenue though not significantly like internal sources.

Kirtipur Municipality raises revenue through external sources in the forms of grants, loans and miscellaneous income. Grant is the main external source of revenue of this municipality. Like other municipalities in the country, Kirtipur Municipality has taken grants from the Town Development Fund Board (TDFB) and other organizations.

Table 4.9

Composition of External Sources of Revenue (Without Balance Forward)
of Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/04 | 2003/04 | 2004/05 | 2005/06 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Miscellaneous Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.39 | 0.08 |
| Grants | 100.00 | 100.00 | 100.00 | 100.00 | 99.61 | 99.92 |
| Loans | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix A.

Figure - 4.3

Average Percent of External Sources

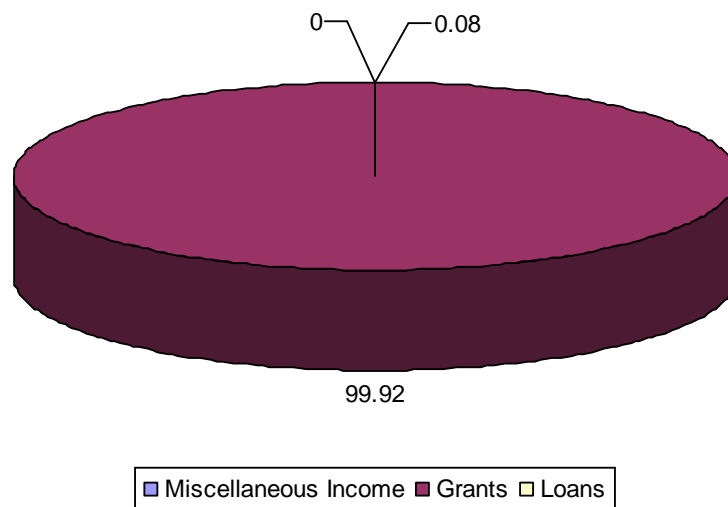


Table 4.9 shows the grants have contributed as the main external source in Kirtipur Municipality. Miscellaneous income has contributed 0.08 percent of the total external source of revenue, where as grants occupies 99.92 percent of total external source of revenue.

4.2.2.1 Miscellaneous Income

The municipality also receives revenue from the miscellaneous sources like advance refund, cost sharing and other miscellaneous. However, Kirtipur Municipality has received miscellaneous income by cost sharing only in fiscal year 2005/06 (Rs. 52850) during the study period. Its contribution is almost the contribution of completely titled miscellaneous income. Cost sharing covers 100 percent of total miscellaneous income of this municipality. Advance refund and other miscellaneous have no any contribution to miscellaneous income. This shows that miscellaneous income completely depends on only one component viz., cost sharing. Considering these trends, it can be said that the miscellaneous income of Kirtipur Municipality is not a reliable source of income.

Even though miscellaneous income has not been a reliable source of income but the officials of this municipality should try to use cost sharing scheme of NG which they have not used in the study period. If they can exploit this source of income can become a reliable source of income.

Cost sharing scheme of NG/Nepal signifies sharing cost of running development program by NG and municipality. Cost sharing scheme of the NG on the one hand helps to develop municipality on the other it indirectly initiates municipalities to increase their revenue. As already said Kirtipur Municipality has not yet used this source of income. This indicates that the authorities of this municipality are reluctant to develop this municipality by putting extra effort to increase its revenue.

4.2.2.2 Grants

Grants is another external source of revenue of Kirtipur Municipality. External source of income of Kirtipur Municipality heavily

depends on grant. The municipality receives grants from The NG in the form of administrative and development grants. The central level to carryout development activities at the local level and also to support the employees provides grants. Municipality also receives some grants from the District Development Committee (DDC) and other organizations.

Table 4.10
Grants
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|----------------------------|---------|---------|---------|---------|---------|---------|
| NG/Administrative Grant | 21.76 | 32.98 | 8.69 | 10.95 | 4.39 | 15.75 |
| NG/Development Grant | 0.00 | 0.00 | 57.98 | 60.45 | 27.19 | 29.12 |
| District Development Board | 78.24 | 67.02 | 33.33 | 28.59 | 68.42 | 55.12 |
| TDF Grant | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: *Based on Appendix A.*

From the table 4.10 we see that the average contribution of District Development Board grant revenue is the highest at 55.12 percent among other parts of grants. NG/Development grant is 29.12 percent, NG/Administrative grant is 15.75 percent and Town Development Fund grant has no any contribution as found in the study period. External source of revenue has contributed 22.69 percent of total revenue.

The revenue that has a fluctuating or no trend cannot be considered reliable. Hence, this source of revenue cannot be consider as a reliable source of revenue. Getting grants is not bad itself but it should be used in developmental works properly. Grants can be a boon in the initial stage of

development but in the end, it can make the officials of the municipalities idle and effortless. The officials usually do not put serious effort to exploit their own source of revenue if they can get easy money. Hence, grants should be tied to the growth rate of own source of revenue.

4.2.2.3 Loans

Another source of external revenue is loans, which includes internal borrowing, external borrowing and TDFB loan. Municipalities are also authorized to take loans from other organizations, if there is deficit in the development budget. However, Kirtipur Municipality has not taken any loan during the study period.

Taking loans by any institution is a normal behavior when they are in need of money. However, the money should be used in a productive manner; otherwise, the institutions can run into a serious problem. It is because the money borrowed from other institutions or from the people has to be returned back along with the stipulated rate of interest.

4.3 Balance Forward

Balance forward is nothing but the left over money that was supposed to spend on the previous fiscal year. Balance forward is not revenue in real sense but in accounting, this is also considered as one component of revenue. Table 4.11 shows that the percentage of balance forward of all municipalities and Kirtipur Municipality with respect to their total revenue.

Table 4.11
Balance Forward of all Municipalities and Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-----------------------|---------|---------|---------|---------|---------|---------|
| All Municipalities | 8.71 | 7.46 | 14.90 | 11.88 | 6.80 | 9.95 |
| Kirtipur Municipality | 2.03 | 1.24 | 12.96 | 16.04 | 23.18 | 10.69 |

Source: *Based on Appendix A and C.*

The average percentage of balance forward of Kirtipur Municipality is higher than that of all municipalities. The amount of balance forward of Kirtipur Municipality has fluctuated during the study period. In fiscal year 2001/02 it was 2.03 percent while, in fiscal year 2002/03 it decreased to 1.24 percent and then it increased from 12.96 percent (FY 2003/04) to 23.18 percent (2005/06) of total revenue.

Table 4.12
Total Balance Forward of Kirtipur Municipality
(2001/02 to 2005/06)

(In Rs.)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-------------|---------|---------|-----------|-----------|------------|---------|
| Balance | 421,173 | 218,498 | 3,605,121 | 4,824,050 | 10,142,406 | 10.69% |
| Forward | (2.03%) | (1.24%) | (12.96%) | (16.04%) | (23.18%) | |

Source: *Based on Appendix A.*

The maximum and minimum amounts of balance forward of Kirtipur Municipality were Rs. 10,142,406 and Rs. 218,498 in fiscal year 2005/06 and fiscal year 2002/03 respectively (Table 4.12). This means the balance forward of this municipality is in an increasing trend, through fluctuating in fiscal years 2001/02 and 2002/03. It indicates that the fiscal plan prepared by this municipality is defective. It also indicates that either the officials of this municipality do not have sufficient vision to develop

their municipality or they do not work hard enough for the development of this municipality. Whatever may be the reason, an ever increasing amount of balance forward suggest that the developmental works are not taking place the way it should be in Kirtipur Municipality.

4.4 Pattern of Expenditure

Expenditure pattern of Kirtipur Municipality are of two types:

-) Regular expenditure
-) Development expenditure

Regular expenditure includes current expenditure, debt payment and ordinary capital; and parts of development expenditure are expenses on development activities such as social programmes and capital investment. The average annual regular expenditure and development expenditure of Kirtipur Municipality for the period fiscal year 2001/02 to 2005/06 are respectively 36.21 percent and 63.79 percent of the total expenditure.

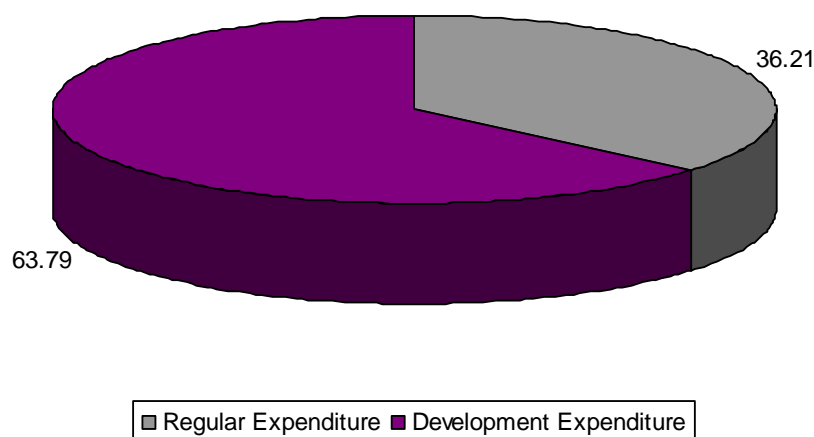
Table 4.13
Pattern of Expenditure
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-------------------------|---------|---------|---------|---------|---------|---------|
| Regular Expenditure | 39.98 | 43.88 | 29.01 | 34.67 | 33.53 | 36.21 |
| Development Expenditure | 60.02 | 56.12 | 70.99 | 65.33 | 66.47 | 63.79 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: *Based on Appendix B.*

Figure - 4.4
Average Percent of Expenditure



4.4.1 Regular Expenditure

Regular expenditure is mainly consumption type of expenditure. Regular expenditure is made up of various components. The main components of regular expenditure are:

-) Current expenditure
-) Debt payment
-) Ordinary capital

Table 4.14
Regular Expenditure of Total Expenditure of all Municipalities and
Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-----------------------|---------|---------|---------|---------|---------|---------|
| All Municipalities | 45.13 | 48.89 | 43.17 | 33.22 | 40.51 | 42.18 |
| Kirtipur Municipality | 39.98 | 43.88 | 29.01 | 34.67 | 33.53 | 36.21 |

Source: Based on Appendix B and D.

Table 4.14 shows that the average percentage of regular expenditure of Kirtipur Municipality with respect to its total expenditure was lower than that of all municipalities. This indicates that the employees of this municipality are comparatively efficient. The regular expenditure of all other municipalities should be abated by increasing efficiency of the employees and by reducing extravagance.

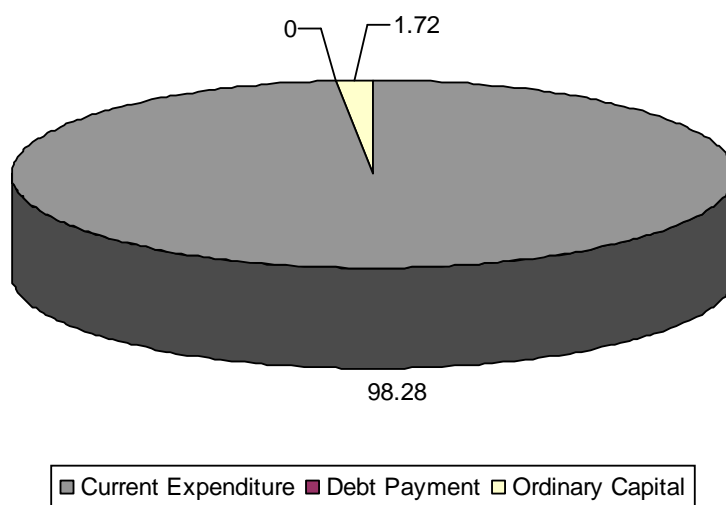
Table 4.15
Composition of Regular Expenditure of Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|---------------------|---------|---------|---------|---------|---------|---------|
| Current Expenditure | 99.16 | 97.37 | 98.01 | 99.21 | 97.66 | 98.28 |
| Debt Payment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Ordinary Capital | 0.84 | 2.63 | 1.99 | 0.79 | 2.34 | 1.72 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix B.

Figure - 4.5
Average Percent of Regular Expenditure



Given table 4.15 shows, the current expenditure is the most

significant expenditure of Kirtipur Municipality. The share of current expenditure of Kirtipur Municipality is 99.21 percent of regular expenditure in fiscal year 2004/05 (the highest expenditure during the study period). The percentage of the expenditure made under the heading ordinary capital in the same year is 0.79 percent of total regular expenditure. The average share of current expenditure of Kirtipur Municipality during the fiscal year 2001/02 to 2005/06 is 98.28 percent of total regular expenditure. Similarly, the average share of ordinary capital is 1.72 percent of total regular expenditure in the same year. There is no expense on the heading debt payment. The share of regular expenditure, in average, is 36.21 percent of the total expenditure.

4.4.1.1 Current Expenditure

Current expenditure of a municipality includes administrative expenditure, official expenditure and other expenditure. Current expenditure includes salaries, allowances, travel and per diem, services, rent, repair and maintenances, offices supplies, newspaper, fuel, clothes/food allowance, other material, health supplies, food (prisoners/animals), financial assistances/donations, contingencies and wards administrative expenses. The percentages of current expenditure of Kirtipur Municipality of its respective total expenditure, from the fiscal year 2001/02 to 2005/06, have presented in the table 4.16:

Table 4.16
Current Expenditure
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| Salaries | 51.69 | 62.17 | 56.08 | 61.70 | 65.96 | 59.52 |
| Allowances | 2.74 | 5.38 | 5.91 | 6.71 | 4.42 | 5.03 |
| Travel & Per Diem | 0.61 | 0.29 | 2.09 | 0.61 | 0.72 | 0.86 |
| Services | 3.18 | 5.02 | 8.80 | 5.65 | 4.36 | 5.40 |
| Rent | 0.31 | 0.87 | 1.25 | 0.78 | 0.18 | 0.68 |
| Repair & Maintenance | 9.88 | 5.09 | 4.98 | 4.06 | 5.58 | 5.92 |
| Office Supplies | 1.80 | 4.95 | 4.57 | 3.80 | 4.10 | 3.84 |
| Newspaper | 1.25 | 0.62 | 0.45 | 0.28 | 0.26 | 0.57 |
| Fuel | 9.69 | 6.74 | 7.94 | 9.27 | 8.31 | 8.38 |
| Clothes/Food Allowance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Material | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Health Supplies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Food (prisoners/animals) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Financial Assistance/Donations | 1.57 | 1.00 | 0.63 | 0.74 | 0.99 | 0.99 |
| Contingencies | 17.32 | 7.87 | 7.29 | 6.41 | 5.12 | 8.80 |
| Wards Administrative Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix B.

Under the heading current expenditure, the highest percentage of the total expenditure is spend on salaries whose average share in total current expenditure is 59.52 percent during the fiscal year 2001/02 to 2005/06. Table 4.16 shows that the percentage of expenses on salary fluctuates. In the same way, the amount-spent allowances is also fluctuating, the figure are 2.74 percent of total current expenditure in the fiscal year 2001/02, 5.38 percent in 2002/03, 5.91 percent in 2003/04, 6.71 percent in 2004/05 and 4.42 percent in 2005/06.

The percentage of expenditure made under the topics contingencies,

fuel, repair and maintenance, services, office supplies are 8.80 percent, 8.38 percent, 5.92 percent, 5.40 percent, 3.84 percent respectively in the total current expenditure on average during the study period.

Expenditure on travel and per diem, rent, newspaper, financial assistance/donations are nominal. There is no expense on the headings clothes/food allowance, other material, health supplies, food (prisoners/animals) and wards administrative expenses.

This indicates that the substantial part of current expenditure goes to salaries and allowances (table 4.16). These two command about 65 percent of current expenditure. In comparison to salaries and allowances, expenditure on other headings was nominal. Without the human resources, municipality cannot function but municipality should try to use human resources efficiently and economically. The salary and allowances that have to be paid to the employees should not hamper the developmental activities of the municipality. Besides salary and allowances, the expenditure on other headings have fluctuating trend. The fluctuating trend indicates wistful use of financial resources by the officials. The trend of the regular expenses should be usual.

4.4.1.2 Debt Payment

Debt payment is essential for every municipality but there is no expense on this heading in Kirtipur Municipality.

4.4.1.3 Ordinary Capital

Another expenditure of Kirtipur Municipality is ordinary capital expenditure. The goods that have been used for more than one year are

termed as ordinary capital goods like the furniture, vehicles and machinery equipment used and needed in the municipality office. These expenses are mainly occurred due to procurement of furniture, vehicles and machinery equipment needed to the Kirtipur Municipality. The situation of ordinary capital expenditure of Kirtipur Municipality is given in the following table:

Table 4.17
Ordinary Capital Expenditure
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|------------------------|---------|---------|---------|---------|---------|---------|
| Furniture | 33.91 | 16.73 | 23.64 | 100 | 49.26 | 44.71 |
| Vehicle | 0.00 | 44.69 | 0.00 | 0.00 | 0.00 | 8.94 |
| Machinery Equipment | 66.09 | 38.58 | 76.36 | 0.00 | 50.74 | 46.35 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix B.

Ordinary capital expenditure in furniture, vehicle and machinery equipment is spent 16.73 percent, 44.69 percent and 38.58 percent in fiscal year 2002/03 respectively. However, Kirtipur Municipality before and after fiscal year 2002/03 has not spent in a regular way, on the headings vehicle and machinery equipment. For example, there is no investment for vehicle in fiscal year 2001/02, 2003/04, 2005/06; for vehicle and machinery equipment in 2004/05.

4.4.2 Development Expenditure

Development expenditure is the almost investment type of expenditure. It is one of the most important factors of municipality. Development expenditure is closely related to the people and hence people show their concern on this expenditure.

Development expenditure of municipality is under two headings:

-) Social programs
-) Capital investment

Table 4.18

Development Expenditure of Total Expenditure of all Municipalities and
Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2002/02 | 2003/04 | 2003/04 | 2004/05 | 2005/06 | Average |
|-----------------------|---------|---------|---------|---------|---------|---------|
| All Municipalities | 54.87 | 51.11 | 56.83 | 66.78 | 59.49 | 57.82 |
| Kirtipur Municipality | 60.02 | 56.12 | 70.99 | 65.33 | 66.47 | 63.79 |

Source: Based on Appendix B and D.

Table 4.18 shows that the average percentage of development expenditure of Kirtipur Municipality with respect to its total expenditure was significantly higher than that of all municipalities. This indicates that the local authorities are comparatively seriously concerned developing this area than other that of all municipalities.

Table 4.19

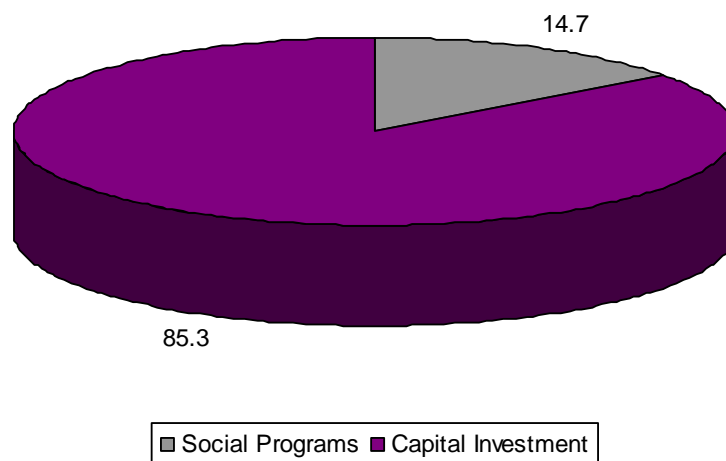
Composition of Development Expenditure of Kirtipur Municipality
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|--------------------|---------|---------|---------|---------|---------|---------|
| Social Programs | 18.51 | 23.53 | 8.55 | 12.07 | 10.85 | 14.70 |
| Capital Investment | 81.49 | 76.47 | 91.45 | 87.93 | 89.15 | 85.30 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix B.

Figure - 4.6
Average Percent of Development Expenditure



In the table 4.19 shows that Kirtipur Municipality has more emphasized on capital investment on which except fiscal year 2002/03, has more than 80 percent of the total development expenditure in each fiscal year and in fiscal year 2003/04, capital investment was at highest point i.e. 91.45 percent of total development expenditure. In average, from fiscal year 2001/02 to 2005/06, the social programmes and capital investment cover 14.70 percent and 85.30 percent of the total development expenditure.

4.4.2.1 Social Programs

Expenditure on social programmes refers to that expenditure which is invested to establish public utilities in different sectors. Kirtipur Municipality has not been able to invest enough amount of money on social programs. It could not invest because of many problems such as dirty politics, lack of innovative ideas, lack of fund, lack of resources etc.

Under social programs, expenditure of the Kirtipur Municipality is occurred in education, health, forestry, cultural/sports, financial assistance

and miscellaneous areas. The above-mentioned headings shown in the following table:

Table 4.20
Social Programs
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Education | 6.59 | 4.16 | 0.03 | 6.77 | 0.38 | 3.59 |
| Health | 13.18 | 9.11 | 11.17 | 6.68 | 8.99 | 9.83 |
| Forestry | 0.53 | 1.13 | 0.28 | 0.33 | 0.71 | 0.60 |
| Cultural Sports | 1.51 | 0.61 | 2.79 | 2.27 | 3.56 | 2.15 |
| Disaster Relief | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Financial Assistance | 22.50 | 12.37 | 30.84 | 11.71 | 4.78 | 16.44 |
| Miscellaneous | 55.70 | 72.62 | 54.89 | 72.24 | 81.57 | 67.40 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix B.

Table 4.20 shows that Kirtipur Municipality has mainly emphasized in miscellaneous. But it has not spent properly in the side of education, health, forestry, cultural sports, disaster relief and financial assistance. The average percentage of miscellaneous, financial assistance, health, education, cultural sports and forestry are 67.40 percent, 16.44 percent, 9.83 percent, 3.59 percent, 2.15 percent and 0.60 percent of the total social programs respectively.

4.4.2.2 Capital Investment

The huge amount of expenditure is spent in the capital investment of Kirtipur Municipality. This heading is also included under development expenditure. Capital investment contains subjects of expenditure like

land/building purchase, building construction, town level projects and other development/construction works. The above-mentioned headings shown in the following table:

Table 4.21
Capital Investment
(2001/02 to 2005/06)

(In percentage)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| Land/Building Purchase | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Building Construction | 1.18 | 0.00 | 0.13 | 0.00 | 0.00 | 0.26 |
| Town Level Projects | 23.71 | 0.00 | 49.61 | 10.10 | 0.00 | 16.68 |
| Other Development/Construction | 75.10 | 100 | 50.25 | 89.90 | 100 | 83.05 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Based on Appendix B.

Table 4.21 shows that Kirtipur Municipality has spent in average, 83.05 percent, 16.68 percent and 0.26 percent of the total capital investment in other development/construction, town level projects, building construction respectively. In other development/construction, 75.10 percent, 100 percent, 50.25 percent, 89.90 percent, 100 percent of the total capital investment is spent in fiscal year 2001/02, 2002/03, 2003/04, 2004/05, 2005/06 respectively. The percentage share of total capital investment in total expenditure has been 54.69 percent during the study period.

4.5 Balance Sheet of Revenue and Expenditure of Kirtipur Municipality

In Kirtipur Municipality, the balance sheet of revenue and expenditure is of different nature. In all five fiscal years from 2001/02 to 2005/06, the total revenue (including balance forward) is higher than total expenditure, i.e. there are surplus budgets in all five fiscal years. In the period of five fiscal years, the revenue is greater than expenditure by Rs. 218,498; Rs. 5,343,326; Rs. 4,547,754; Rs. 10,539,615; Rs. 20,708,195 respectively. The total revenue and expenditure is shown in the following table:

Table 4.22
Balance Sheet of Revenue and Expenditure of Kirtipur Municipality
(2001/02 to 2005/06)

(In Rs.)

| Fiscal Year | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Average |
|-------------------------|----------------|------------------|------------------|-------------------|-------------------|--------------------|
| Total Revenue | 20,781,919 | 17,676,511 | 27,809,901 | 30,068,980 | 43,762,522 | 28,019,966.6 |
| Total Expenditure | 20,563,421 | 12,333,185 | 23,262,147 | 19,529,395 | 23,054,327 | 19,748,495 |
| Surplus(+) & Deficit(-) | 218,498 (+) | 5,343,326 (+) | 4,547,754 (+) | 10,539,615 (+) | 20,708,195 (+) | 8,271,477.6 (+) |

Source: Based on Appendix A and B.

4.6 Concluding Remarks

From the above study, it is concluded that Kirtipur Municipality always collects its revenue through two different sources: internal sources and external sources. Internal sources of revenue of this municipality have always been in excess of external sources of revenue during the study period.

The major source of internal sources of revenue of Kirtipur Municipality is local taxes. Its contribution to own source revenue is 82.60 percent in average. Except local taxes, other types of revenues (fees and fines, property rental and other revenue) contribution are very nominal. It indicates that the potential sources of revenue are not fully identified. Similarly, in case of local taxes, Kirtipur Municipality used limited sources such as octroi/local development fee, vehicle tax, house and land tax, professional tax, house rent tax. Among these taxes, octroi/local development fee covers 82.83 percent in average and the obtained amount of revenue from contract tax, local market tax, sales tax: cattle/fish, unclaimed land tax, tax arrears and other taxes are nil. It shows that the tax structure has not yet been clearly spelled out and planned.

The contribution of grants to external source revenue is 99.92 percent. Kirtipur Municipality receives grants from the NG in the form of administrative and development. This municipality receives revenue from miscellaneous income only 0.08 percent in average and has not taken any loan during the study period.

Kirtipur Municipality spends its revenue under two headings namely regular expenditure and development expenditure. The average percentages of regular expenditure and development expenditure are found 36.21 percent and 63.79 percent respectively. Hence, the average total percentage of development expenditure is greater than regular expenditure. In the study area, there is less emphasis on social programs. In Kirtipur Municipality, the major development expenditure is on capital investment. It covers 85.30 percent of the total expenditure.

The income of Kirtipur Municipality has always been in excess of the expenditure in the five fiscal periods from 2001/02 to 2005/06.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Municipality finance deals with the revenue and expenditure pattern of the municipality in a systematic way. The different aspects related to municipality finance need to be discussed. The ultimate aim of every municipality is to provide essential needs to its residents in a balanced and coordinating way. Local people depend on the municipality for their different kinds of needs like local features and basic infrastructures like maintenance of the local roads, provision of water and electricity supply, sanitation, environment conservation, provision of primary education and so on. And for the efficient system and to perform their functions smoothly and effectively municipalities need finances. Thus, certain taxes and some other resources of revenue have been assigned to the municipalities for their revenue collection. Likewise, the Kirtipur Municipality also has the responsibility to work towards the needs of its residents. This study is mainly concentrated in analysis based on five years revenue and expenditure pattern of Kirtipur Municipality for the period of 2001/02 to 2005/06.

Kirtipur Municipality has two types of sources of income i.e. internal sources of income and external sources of income. Internal sources of income consist of local tax, fees and fines, property rental and other revenues. In the external sources of income included government's grants, other grants, loans and miscellaneous income. During the study period, Kirtipur Municipality was mainly dependent on internal sources. In average, it contributes 69.54 percent to total revenue.

Local taxes have played vital role to increase the internal sources of revenue of Kirtipur Municipality during the study period. Although revenue from taxes fluctuates from year to year, the main source of revenue is octroi/local development fee. Where as revenue from other sources are either very nominal or not significant. In average, octroi/local development fee yield about 82.83 percent of total local taxes. Municipality's authorities neglected other potential sources of tax such as contract tax, local market tax, sales tax: cattle/fish, unclaimed land tax, tax arrears, and other taxes.

Fees and fines command second highest share in own source of revenue. Under the headings of fees and fines, contribution of building permit is high. It contributes 67.73 percent of total fees and fines. However, the share of service fee, recommendation fee, registration fee, other fees are nominal and industrial service fee, radio license fee, application fee, appraisal fee, animal house fee are zero percent during the study period. In own source revenue, the share of property rental and other revenue are only 1.10 percent and 1.54 percent respectively.

In Kirtipur Municipality, the amount collected from internal sources except octroi/local development fee is very low. It was found that the tax paying system has become voluntary rather than compulsory due to the negligence on the part of political leaders and municipal officers.

During the study period, revenue collected from external sources was mainly confined to grants, including NG/administrative grants, NG/development grants and district development board/other grants. The contribution of grants is 99.92 percent and it is only 0.08 percent from miscellaneous income. Kirtipur Municipality has not taken any loans in

the study period.

The revenue source of Kirtipur Municipality is less than that of all municipalities.

Kirtipur Municipality has spent a less amount in regular expenditure compared to the development expenditure. In average, municipality expenses in regular expenditure only 36.21 percent of total expenditure. The highest share in regular expenditure is current expenditure. It commands 98.28 percent of total regular expenditure. The substantial part of current expenditure goes to salaries. Salaries cover about 59.52 percent of current expenditure. The share of debt payment of Kirtipur Municipality is zero. The negligible share in regular expenditure is of ordinary capital. The average percentage of ordinary capital of Kirtipur Municipality with respect to its regular expenditure is only 1.72 percent in the study period.

Although development expenditure of Kirtipur Municipality is higher than that of all municipalities, it is not being fully utilized. In average, 85.30 percent of development expenditure is spent on capital investment and only 14.70 percent on social programs. Due to the lack of systematic plans and programs for investments, the revenue seems to have remained unutilized in productive area during the study period. Expenditure on health, education, forestry, disaster relief and cultural sports were not emphasized. Therefore, unnecessary expenses should be controlled and invested in social development sector.

Kirtipur Municipality as a local government has been playing very crucial role in the development of the study area. Financial management

has been considered as the backbone for the development of the municipality. Here, it is worth concluding that the development of Kirtipur, depends on its right utilization of its financial resources, otherwise, it will return into a tinny political spot in the district where the interests of few political parties will be served than the welfare of the residents of the municipality.

Majority of people of the municipality are still based on agriculture. They want the rate of the property tax to be reduced. So that they can adopt modern technology in the agriculture to increase productivity. Businessman and educated people were not satisfied with the municipality as they criticized that the municipality can not even cater to the basic services effectively example: drinking water, street lighting etc. Streets are dirty and proper management of public goods has not been done to make them sustainable.

5.2 Recommendations

1. Municipality should reduce unproductive expenditure:

The major portion of development expenditure of Kirtipur Municipality has been spent on capital investment. Construction is not bad itself but corruption should be abolished so that more money can be used in productive works. Similarly, major portion of current expenditure of Kirtipur Municipality goes to pay salaries. Commissions, unnecessary allowances and facilities has to be discouraged. Government regulations on this part should be followed strictly. Salary of absent clerk should be cut and there should not be political pressure on municipality administration for the appointment of staffs.

2. Municipality should increase productive expenditure:

The municipality should minimize unproductive expenditure as far as possible and the expenditure should be channelised towards productive activities. Kirtipur Municipality has expended only few amounts in social programs such as health, education, cultural sports, forestry and disaster relief. There is only one public hospital, which caters only primary clinical needs of the patients. Few private hospitals/nursing homes exploit locals by charging unnecessary fees on consultancy and medicines. Mechanisation in administrative works of municipality is essential to make the staffs efficient as well as to reduce the unnecessary time spent on people's works.

3. Infrastructure facilities such as Drinking water, street lightening and good roads should be available to each wards of the municipality:

The responsibilities of the municipality are increasing. In this context, the municipality should give the provision of drinking water, street lightening, good roads and other facilities in each wards of the municipality area. However, there is no availability of these things in all of wards of the Kirtipur Municipality. The municipality can collect more revenue after providing the above-mentioned facilities.

4. Other sources of revenue should be identified:

Kirtipur Municipality is highly dependent on octroi/local development fee. About 82.83 percent of the self-source revenue has covered by the amount of octroi/local development fee. The municipality has not tried to identify other potential sources of revenue available with in the municipality area. There is much possibility to increase internal sources of revenue.

Maximum houses have been rented in this municipality but only

0.01 percent of total local taxes have been received from house rent tax in the study period. Similarly, Kirtipur Municipality cannot receive any revenue from contract tax, local market tax, sales tax: cattle/fish, unclaimed land tax etc. It indicates that the tax collection system is not systematic in this municipality. The tax collection system should be made systematic. Equity and equality should be maintained while imposing taxes. To make tax collection system more effective, the provision of reward and punishment should be made.

There are many small and cottage industries like carpet industry; papermaking industry etc but they are not registered. Therefore, the industrial service fee is zero in the study period. Every industries of this municipality should be registered and tax should be collected regularly. Parks and public places especially picnic spot should be developed and managed in natural panoramic places of Kirtipur Municipality to raise fund of the municipality. There is only one cinema hall and no theatres. Entertainment tax could be increased by increasing the number of entertainment houses like cinema halls, theatres etc. Kirtipur Municipality also can collect more revenue from the proper management of bus parks and parking lots.

5. Availability on training facility:

Training should give to the municipal employees on technical and management aspects for better performance of the municipal finance.

6. Utilization of grants should be more effective:

Municipality obtains grants from NG in the form of development and administrative grants. It is the most important external sources of revenue of each municipality. It has not been utilized more effectively in Kirtipur until now. Therefore, the municipality should utilize this type of

grant effectively. There is need to attract other donor agencies to provide grants to Kirtipur Municipality.

7. Establishment of Eco-tourism sector:

Kirtipur Municipality has historical places and many temples such as Bagbhairab, Umamheswor, Champadevi, Bisnudevi. These resources can be used to attract tourist and generate revenue. However, there is lack of sufficient facilities and advertisement. For developing these places, the municipality should allocate some amount of revenue.

8. People's participation:

More interaction should take place between the ward offices and its residents regarding the development activities within the wards, and the municipal body should be transparent regarding its financial activities and should be able to provide a financial statement to its inhabitants every year if demanded. For this municipality may publish the timely financial reports and make those available to publics and more interaction program can be done with the residents to notify them regarding the development as well as financial situation of the municipality.

APPENDIX – A

Detailed Revenue Breakdown of Kirtipur Municipality

(In Rs.)

| LINE | FY 01/02 | FY 02/03 | FY 03/04 | FY 04/05 | FY 05/06 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1 Octroi/Local Development Fee | 13,914,186 | 11,928,000 | 11,928,000 | 11,928,000 | 11,928,000 |
| 2 Vehicle Tax | 840,835 | 747,310 | 845,125 | 1,362,959 | 1,403,020 |
| 3 Octroi and Vehicle Tax | 0 | 0 | 0 | 0 | 0 |
| 4 Professional Tax | 264,100 | 200,242 | 231,375 | 170,844 | 177,243 |
| 5 House and Land Tax | 977,552 | 1,002,961 | 966,073 | 1,649,176 | 1,988,521 |
| 6 House Rent Tax | 0 | 0 | 0 | 0 | 9,210 |
| 7 Contract Tax | 0 | 0 | 0 | 0 | 0 |
| 8 Local Market Tax | 0 | 0 | 0 | 0 | 0 |
| 9 Sales Tax: Cattle/Fish | 0 | 0 | 0 | 0 | 0 |
| 10 Unclaimed Land Tax | 0 | 0 | 0 | 0 | 0 |
| 11 Tax Arrears | 0 | 0 | 0 | 0 | 0 |
| 12 Other Taxes | 0 | 0 | 0 | 0 | 0 |
| 13 LOCAL TAXES | 15,996,673 | 13,878,513 | 13,970,573 | 15,110,979 | 15,505,994 |
| 14 Service Fee (Surcharges) | 121,100 | 225,300 | 139,725 | 95,050 | 19,400 |
| 15 Industrial Service Fee | 0 | 0 | 0 | 0 | 0 |
| 16 Recommendation Fee | 29,780 | 139,531 | 590,766 | 998,973 | 1,501,191 |
| 17 Radio License | 0 | 0 | 0 | 0 | 0 |
| 18 Application Fee | 0 | 0 | 0 | 0 | 0 |
| 19 Appraisal Fee | 0 | 0 | 0 | 0 | 0 |
| 20 Building Permit | 562,106 | 794,446 | 2,178,613 | 3,335,671 | 2,717,646 |
| 21 Registration Fee | 137,500 | 112,060 | 113,875 | 0 | 0 |
| 22 Animal House Fee | 0 | 0 | 0 | 0 | 0 |
| 23 Other Fees/Fines | 0 | 1,992 | 29,562 | 16,068 | 24,725 |
| 24 FEES AND FINES | 850,486 | 1,273,328 | 3,052,541 | 4,445,762 | 4,262,962 |
| 25 Market/Shops/Building | 0 | 0 | 0 | 0 | 0 |
| 26 Bus Park | 0 | 0 | 0 | 0 | 0 |
| 27 Fish Pond | 0 | 0 | 0 | 0 | 0 |
| 28 Equipment/Others | 248,500 | 182,640 | 164,480 | 33,095 | 358,910 |
| 29 PROPERTY RENTAL | 248,500 | 182,640 | 164,480 | 33,095 | 358,910 |
| 30 Sand Gravel Sale | 163,793 | 0 | 0 | 0 | 0 |
| 31 Land/Building Sale | 0 | 0 | 0 | 0 | 0 |
| 32 Auction Sale | 0 | 0 | 0 | 0 | 0 |
| 33 Tender Forms Sale | 0 | 0 | 0 | 0 | 0 |
| 34 Confiscation Deposit | 0 | 0 | 1,760 | 0 | 10,000 |
| 35 Miscellaneous Revenue/Sale | 30,133 | 382,571 | 357,801 | 387,971 | 24,729 |
| 36 OTHER REVENUES | 193,926 | 382,571 | 359,560 | 387,971 | 34,729 |
| 37 OWN SOURCE REVENUE | 17,289,586 | 15,717,052 | 17,547,154 | 19,977,807 | 20,162,595 |
| 38 Advance Refund | 0 | 0 | 0 | 0 | 0 |
| 39 Cost Sharing | 0 | 0 | 0 | 0 | 52,850 |
| 40 Other Miscellaneous | 0 | 0 | 0 | 0 | 0 |
| 41 MISCELLANEOUS INCOME | 0 | 0 | 0 | 0 | 52,850 |
| 42 NG/Administrative Grant | 668,160 | 574,160 | 578,250 | 577,000 | 588,000 |
| 43 NG/Development Grant | 0 | 0 | 3,859,775 | 3,184,137 | 3,645,000 |
| 44 District Development Board/Others | 2,403,000 | 1,166,800 | 2,219,600 | 1,505,986 | 9,171,671 |
| 45 TDF Grant | 0 | 0 | 0 | 0 | 0 |
| 46 GRANTS | 3,071,160 | 1,740,960 | 6,657,625 | 5,267,123 | 13,404,671 |
| 47 Internal/External Borrowing | 0 | 0 | 0 | 0 | 0 |
| 48 TDF Loan | 0 | 0 | 0 | 0 | 0 |
| 49 LOANS | 0 | 0 | 0 | 0 | 0 |
| 50 EXTERNAL REVENUE | 3,071,160 | 1,740,960 | 6,657,625 | 5,267,123 | 13,457,521 |
| 51 BALANCE FORWARD | 421,173 | 218,498 | 3,605,121 | 4,824,050 | 10,142,406 |
| 52 TOTAL REVENUE | 20,781,919 | 17,676,511 | 27,809,901 | 30,068,980 | 43,762,522 |

APPENDIX – B

Detailed Expenditure Breakdown of Kirtipur Municipality

(In Rs.)

| LINE | FY 01/02 | FY 02/03 | FY 03/04 | FY 04/05 | FY 05/06 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 53 Salaries | 4,213,677 | 3,276,226 | 3,708,064 | 4,144,441 | 4,979,020 |
| 54 Allowances | 223,483 | 283,728 | 390,711 | 450,558 | 333,795 |
| 55 Travel and Per Diem | 49,782 | 15,197 | 138,051 | 40,813 | 54,094 |
| 56 Services | 259,184 | 264,293 | 582,187 | 379,215 | 328,995 |
| 57 Rent | 25,500 | 45,763 | 82,554 | 52,500 | 13,240 |
| 58 Repair & Maintenance | 805,686 | 268,489 | 329,396 | 272,798 | 421,057 |
| 59 Office Supplies | 146,565 | 260,615 | 302,352 | 255,402 | 309,744 |
| 60 Newspapers | 101,587 | 32,453 | 29,930 | 19,107 | 19,959 |
| 61 Fuel | 786,511 | 355,432 | 525,321 | 622,524 | 627,399 |
| 62 Clothes/Food Allowance | 0 | 0 | 0 | 0 | 0 |
| 63 Other Material | 0 | 0 | 0 | 0 | 0 |
| 64 Health Supplies | 0 | 0 | 0 | 0 | 0 |
| 65 Food(Prisoners/Animals) | 0 | 0 | 0 | 0 | 0 |
| 66 Financial Assistance/Donations | 128,356 | 52,700 | 41,800 | 49,500 | 74,710 |
| 67 Contingencies | 1,411,733 | 414,927 | 482,304 | 430,475 | 386,597 |
| 68 Wards Administrative Expenses | 0 | 0 | 0 | 0 | 0 |
| 69 CURRENT EXPENDITURE | 8,152,064 | 5,269,824 | 6,612,669 | 6,717,333 | 7,548,609 |
| 70 DEBT PAYMENT | 0 | 0 | 0 | 0 | 0 |
| 71 Furnitures | 23,500 | 23,795 | 31,825 | 53,900 | 89,244 |
| 72 Vehicle | 0 | 63,575 | 0 | 0 | 0 |
| 73 Machinery Equipment | 45,800 | 54,875 | 102,780 | 0 | 91,916 |
| 74 ORDINARY CAPITAL | 69,300 | 142,245 | 134,605 | 53,900 | 181,160 |
| 75 REGULAR EXPENDITURE | 8,221,364 | 5,412,069 | 6,747,274 | 6,771,233 | 7,729,769 |
| 76 Education | 150,462 | 67,855 | 408 | 104,264 | 6,398 |
| 77 Health | 301,000 | 148,531 | 157,733 | 102,875 | 149,640 |
| 78 Forestry | 12,000 | 18,398 | 4,000 | 5,140 | 11,767 |
| 79 Cultural/Sports | 34,387 | 10,000 | 39,400 | 34,900 | 59,200 |
| 80 Disaster Relief | 0 | 0 | 0 | 0 | 0 |
| 81 Financial Assistance | 514,000 | 201,686 | 435,559 | 180,434 | 79,538 |
| 82 Miscellaneous | 1,272,259 | 1,184,300 | 775,143 | 1,112,658 | 1,356,677 |
| 83 SOCIAL PROGRAMS | 2,284,108 | 1,630,770 | 1,412,242 | 1,540,270 | 1,663,220 |
| 84 Land/Building Purchase | 0 | 0 | 0 | 0 | 0 |
| 85 Building Construction | 119,047 | 0 | 20,000 | 0 | 0 |
| 86 Town Level Projects | 2,384,941 | 0 | 7,493,120 | 1,133,486 | 0 |
| 87 Other Development/Construction | 7,553,961 | 5,290,346 | 7,589,511 | 10,084,405 | 13,661,337 |
| 89 CAPITAL INVESTMENT | 10,057,949 | 5,290,346 | 15,102,631 | 11,217,891 | 13,661,337 |
| 90 DEVELOPMENT EXPENDITURE | 12,342,057 | 6,921,116 | 16,514,873 | 12,758,161 | 15,324,557 |
| 91 TOTAL EXPENDITURE | 20,563,421 | 12,333,185 | 23,262,147 | 19,529,395 | 23,054,327 |

Source: *Detailed Revenue and Expenditure Breakdown and Financial Information of 58 Municipalities of Nepal, UDLE/GTZ (FY 2001/02-2005/06).*

APPENDIX – C

Detailed Revenue Breakdown with Aggregate of All Municipalities

(In Rs.)

| LINE | FY 01/02 | FY 02/03 | FY 03/04 | FY 04/05 | FY 05/06 |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1 Octroi/Local Development Fee | 1,066,290,567 | 989,238,182 | 986,099,138 | 990,470,000 | 986,640,089 |
| 2 Vehicle Tax | 30,586,226 | 36,053,949 | 34,367,586 | 31,578,768 | 31,422,526 |
| 3 Octroi and Vehicle Tax | 0 | 0 | 0 | 0 | 0 |
| 4 Professional Tax | 44,184,155 | 51,548,925 | 47,586,182 | 63,384,792 | 57,321,042 |
| 5 House and Land Tax | 195,453,226 | 143,995,513 | 142,044,794 | 233,996,182 | 229,139,993 |
| 6 House Rent Tax | 4,454,108 | 4,800,552 | 5,586,129 | 3,875,197 | 7,181,124 |
| 7 Contract Tax | 412,961 | 853,977 | 282,712 | 248,162 | 645,313 |
| 8 Local Market Tax | 9,836,400 | 10,313,918 | 10,011,625 | 10,127,696 | 9,853,693 |
| 9 Sales: Cattle/Fish | 5,608,104 | 5,125,004 | 5,278,063 | 4,152,886 | 4,246,097 |
| 10 Unclaimed Land Tax | 3,780,890 | 3,413,003 | 2,793,631 | 2,424,952 | 2,678,232 |
| 11 Tax Arrears | 3,009,940 | 2,944,798 | 3,331,909 | 7,082,865 | 1,457,136 |
| 12 Other Taxes | 4,551,780 | 124,756 | 53,751 | 8,250 | 18,818 |
| 13 LOCAL TAXES | 1,368,168,356 | 1,248,412,577 | 1,237,435,519 | 1,347,349,751 | 1,330,604,063 |
| 14 Service Fee (Surcharges) | 99,714,858 | 101,475,630 | 122,515,450 | 106,150,084 | 108,706,092 |
| 15 Industrial Service Fee | 0 | 0 | 0 | 0 | 0 |
| 16 Recommendation Fee | 11,591,289 | 11,998,408 | 20,331,732 | 34,185,211 | 42,239,200 |
| 17 Radio License | 5,820 | 1,700 | 1,581 | 630 | 830 |
| 18 Application Fee | 1,637,272 | 1,800,081 | 1,562,662 | 1,988,801 | 1,836,779 |
| 19 Appraisal Fee | 2,485,903 | 2,814,544 | 2,916,857 | 4,019,966 | 3,954,624 |
| 20 Building Permit | 112,259,842 | 181,747,726 | 191,011,763 | 202,756,055 | 175,664,995 |
| 21 Registration Fee | 3,393,917 | 4,070,649 | 3,791,415 | 2,617,283 | 2,446,868 |
| 22 Animal House Fee | 220,125 | 135,646 | 80,036 | 106,057 | 98,660 |
| 23 Other Fees/Fines | 15,214,393 | 19,657,964 | 17,337,760 | 57,003,767 | 50,416,244 |
| 24 FEES AND FINES | 246,523,419 | 323,702,339 | 359,549,258 | 408,827,853 | 358,364,291 |
| 25 Market/Shops/Building | 47,838,926 | 55,071,383 | 52,297,901 | 55,018,760 | 53,043,082 |
| 26 Bus Park | 16,336,078 | 17,136,727 | 25,804,174 | 28,172,528 | 19,465,232 |
| 27 Fish Pond | 1,099,161 | 936,258 | 1,643,334 | 1,749,691 | 1,836,694 |
| 28 Equipment/Others | 2,317,794 | 5,504,097 | 2,920,283 | 5,206,915 | 4,685,834 |
| 29 PROPERTY RENTAL | 67,588,959 | 78,648,465 | 82,665,692 | 90,147,893 | 79,030,842 |
| 30 Sand Gravel Sale | 5,441,437 | 7,354,439 | 6,496,938 | 6,941,892 | 3,990,797 |
| 31 Land/Building Sale | 22,937,385 | 3,526,253 | 3,065,926 | 1,958,087 | 2,411,469 |
| 32 Auction Sale | 2,369,424 | 643,924 | 493,307 | 1,057,560 | 2,127,849 |
| 33 Tender Forms Sale | 1,318,128 | 2,020,373 | 3,090,057 | 3,555,058 | 2,333,845 |
| 34 Confiscation Deposit | 9,370,027 | 4,336,850 | 7,695,850 | 5,133,856 | 5,241,907 |
| 35 Miscellaneous Revenue/Sale | 48,970,823 | 39,464,177 | 64,998,580 | 68,564,998 | 56,342,291 |
| 36 OTHER REVENUES | 82,455,542 | 57,346,016 | 85,840,658 | 87,211,451 | 72,448,158 |
| 37 OWN SOURCE REVENUE | 1,764,736,275 | 1,707,970,048 | 1,765,491,127 | 1,933,536,948 | 1,867,447,354 |
| 38 Advance Refund | 2,917,052 | 3,620,889 | 1,785,223 | 4,637,438 | 5,433,683 |
| 39 Cost Sharing | 21,799,171 | 28,862,959 | 56,988,500 | 61,515,143 | 50,468,207 |
| 40 Other Miscellaneous | 1,679,766 | 4,030,964 | 4,595,984 | 7,291,017 | 36,058,584 |
| 41 MISCELLANEOUS INCOME | 26,395,990 | 36,514,812 | 63,369,707 | 73,443,599 | 91,960,474 |
| 42 NG/Administrative Grant | 78,224,263 | 73,125,950 | 49,052,140 | 43,128,813 | 44,147,540 |
| 43 NG/Development Grant | 57,477,763 | 92,080,321 | 140,172,604 | 264,648,157 | 313,269,146 |
| 44 District Development Board/Others | 226,310,517 | 62,449,609 | 87,922,348 | 390,399,464 | 296,879,448 |
| 45 TDF Grant | 8,255,160 | 5,683,655 | 11,839,225 | 7,520,751 | 8,456,606 |
| 46 GRANTS | 370,267,703 | 233,339,535 | 288,986,316 | 705,697,185 | 662,752,741 |
| 47 Internal/External Borrowing | 3,680,685 | 12,356,217 | 9,854,148 | 9,385,165 | 2,270,128 |
| 48 TDF Loan | 5,544,145 | 13,787,502 | 16,491,861 | 14,599,357 | 37,574,092 |
| 49 LOANS | 9,224,829 | 26,143,719 | 26,346,009 | 23,984,522 | 39,844,220 |
| 50 EXTERNAL REVENUE | 405,888,522 | 295,998,066 | 378,702,032 | 803,125,306 | 794,557,435 |
| 51 BALANCE FORWARD | 207,135,890 | 161,462,829 | 375,368,324 | 368,876,234 | 194,130,328 |
| 52 TOTAL REVENUE | 2,377,760,688 | 2,165,372,775 | 2,519,561,488 | 3,105,538,488 | 2,856,135,116 |

APPENDIX – D

Detailed Expenditure Breakdown with Aggregate of All Municipalities

(In Rs.)

| LINE | FY 01/02 | FY 02/03 | FY 03/04 | FY 04/05 | FY 05/06 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 53 Salaries | 490,696,079 | 474,523,445 | 465,029,734 | 407,124,498 | 463,244,226 |
| 54 Allowances | 80,285,322 | 48,015,773 | 54,856,765 | 72,260,381 | 49,833,868 |
| 55 Travel and Per Diem | 27,978,761 | 9,499,085 | 19,570,627 | 14,691,831 | 17,454,079 |
| 56 Services | 43,096,922 | 37,709,204 | 52,978,482 | 50,978,752 | 46,321,020 |
| 57 Rent | 20,640,337 | 12,697,429 | 14,334,672 | 11,148,639 | 9,422,471 |
| 58 Repair & Maintenance | 24,349,231 | 34,756,632 | 27,429,806 | 37,316,057 | 31,550,790 |
| 59 Office Supplies | 31,221,317 | 28,776,943 | 42,286,287 | 48,001,332 | 47,135,691 |
| 60 Newspapers | 7,637,377 | 3,543,278 | 3,582,847 | 2,807,169 | 2,947,696 |
| 61 Fuel | 43,926,112 | 43,435,401 | 50,538,030 | 56,134,941 | 72,342,008 |
| 62 Clothes/Food Allowance | 16,627,355 | 19,252,426 | 21,374,302 | 20,895,361 | 16,753,978 |
| 63 Other Material | 7,261,529 | 9,472,688 | 8,890,361 | 5,201,340 | 3,787,697 |
| 64 Health Supplies | 547,389 | 523,930 | 318,511 | 668,230 | 981,190 |
| 65 Food(Prisoners/Animals) | 1,016,443 | 680,860 | 751,701 | 989,240 | 1,075,629 |
| 66 Financial Assistance/Donations | 16,223,124 | 7,412,704 | 9,461,959 | 5,659,054 | 5,847,992 |
| 67 Contingencies | 76,676,238 | 53,218,240 | 63,548,891 | 77,532,787 | 74,759,437 |
| 68 Ward Administrative Expenses | 161,533 | 80,850 | 57,528 | 41,200 | 0 |
| 69 CURRENT EXPENDITURES | 888,345,068 | 783,598,889 | 835,010,503 | 811,450,811 | 843,457,772 |
| 70 DEBT PAYMENT | 62,658,910 | 66,915,746 | 62,478,978 | 76,626,536 | 57,780,766 |
| 71 Furnitures | 4,799,572 | 3,290,831 | 4,457,391 | 4,099,789 | 4,046,090 |
| 72 Vehicle | 11,163,684 | 2,748,146 | 9,349,086 | 2,942,001 | 256,982 |
| 73 Machinery Equipment | 8,639,713 | 7,366,196 | 21,343,042 | 10,513,783 | 71,703,990 |
| 74 ORDINARY CAPITAL | 24,602,969 | 13,405,173 | 35,149,518 | 17,555,572 | 76,007,062 |
| 75 REGULAR EXPENDITURE | 975,606,947 | 863,919,808 | 932,638,999 | 905,632,919 | 977,245,600 |
| 76 Education | 5,592,499 | 35,703,371 | 52,285,567 | 79,755,391 | 55,833,269 |
| 77 Health | 50,053,488 | 63,629,916 | 89,696,712 | 89,142,855 | 115,649,472 |
| 78 Forestry | 397,654 | 694,326 | 2,587,429 | 660,642 | 378,302 |
| 79 Cultural/Sports | 12,242,583 | 5,864,282 | 15,844,660 | 5,244,657 | 3,354,876 |
| 80 Disaster Relief | 1,243,612 | 165,900 | 953,042 | 304,602 | 1,106,971 |
| 81 Financial Assistance | 21,827,070 | 19,601,989 | 30,041,554 | 29,877,049 | 30,361,245 |
| 82 Miscellaneous | 47,437,882 | 51,790,554 | 52,582,712 | 83,492,944 | 100,065,260 |
| 83 SOCIAL PROGRAMS | 138,794,788 | 177,450,338 | 243,991,676 | 288,578,140 | 306,749,396 |
| 84 Land/Building Purchase | 47,777,672 | 49,620,831 | 17,477,397 | 6,121,282 | 3,688,199 |
| 85 Building Construction | 21,298,129 | 28,141,383 | 34,980,839 | 34,384,327 | 34,192,723 |
| 86 Town Level Projects | 50,996,457 | 31,689,458 | 61,329,113 | 70,374,610 | 32,610,946 |
| 87 Other Development/Construction | 927,085,894 | 616,351,058 | 869,735,455 | 1,421,036,488 | 1,057,796,212 |
| 89 CAPITAL INVESTMENT | 1,047,158,152 | 725,802,730 | 983,522,804 | 1,531,916,706 | 1,128,288,079 |
| 90 DEVELOPMENT EXPENDITURE | 1,185,952,940 | 903,253,068 | 1,227,514,480 | 1,820,494,846 | 1,435,037,475 |
| 91 TOTAL EXPENDITURE | 2,161,559,888 | 1,767,172,875 | 2,160,153,479 | 2,726,127,766 | 2,412,283,074 |

Source: Detailed Revenue and Expenditure Breakdown and Financial Information of 58 Municipalities of Nepal, UDLE/GTZ (FY 2001/02-2005/06).

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