

**MUNICIPAL FINANCE IN NEPAL
(A CASE STUDY OF LEKHNATH MUNICIPALITY)**

A THESIS

Submitted by

Shiva Hari Subedi

Central Department of Management

Class Roll No.: 467/065

T.U. Regd. No.: 7-2-48-2779-2005

Submitted to

Office of the Dean

Faculty of Management

Tribhuvan University

**In the partial fulfillment of the requirements for the degree of
Master's in Business Studies (MBS)**

April, 2013

RECOMMENDATION

This is certify that the thesis

Submitted by:

Shiva Hari Subedi

Entitled:

MUNICIPAL FINANCE IN NEPAL

A CASE STUDY OF LEKHANATH MUNICIPALITY

has been prepared as approved by department in the prescribed format for the faculty management. This thesis forwarded for examination.

.....

Dr. Gopinath Regmi
(Thesis Supervisor)

.....

Prof. Dr. Bal Krishna Shrestha
(Research Head/ Head, Central
Department of Management)

VIVA-VOICE SHEET

We have conducted the viva- voice for the thesis presented

By

SHIVA HARI SUBEDI

Entitled:

**MUNICIPAL FINANCE IN NEPAL A CASE STUDY OF LEKHANATH
MUNICIPALITY**

and found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for the degree of Master of business Studies (MBS)

Viva –Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

Member (Department Head)

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled "The municipal finance in Nepal a case study of Lekhanath municipality." submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) Under the Supervision of Dr Gopinath Regmi of Central Department of management, T.U.

Date:-

ACKNOWLEDGEMENTS

This thesis entitled "The municipal finance in Nepal a case study of Lekhanath municipality". In this study the finance of Lekhnath municipality has been analyzed.

I would like to express my sincere appreciation and profound indebtedness to my thesis supervisor Dr. Gopinath Regmi for supervision, guidance, cordial, and support and co- operation in completing this thesis.

I would like to express my gratitude to my lecture Prof. Dr. Bal Krishna Shrestha Department Head and Research Head, Prof. Dr Santosh Raj Paudel, Prof. Dr. Upendra Kumar Koirala, Prof. Dr. Kundan Datta Koirala, Prof. Dr Manohar Krishna Shrestha, Dr. Gopinath Rgemi, Dr. Bhoj Raj Aryal, Mr. Ajaya Dhakal, Mr. Mahendra Chalise, Prof.Dr. Radheshyam Pradhan, Mr Binod Shaha Ass. Prof. Mr Bishnu Hari Koirala, who always encouraged, inspired and offered me valuable knowledge, information and ideas which are very valuable and priceless. I would like to thank very much all the staff of LM for cooperation and their great help to complete my work.

I am indebted to my father Nanda Prasad Subedi, Mother Khem Kumari Subedi Brothers Radha krishna Subedi and Yubaraj subedi and all my friends who are always supported by economically as well as other requirements to prepare this research work.

Shiva Hari Subedi

Central Department of Management T.U.

Researcher

Date: _____

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ABBREVIATIONS

CBS	=	Center Bureau of Statistics
CCD	=	Center for Constitutional Dialogue
HMG	=	His Majesty Government
LSGA	=	Local Self Government Act
LM	=	Lekhanath Municipality
MF	=	Municipal Finance
MLD	=	Ministry of Local Development
TDFB	=	Town Development Fund Board
UN	=	United Nation
VDC	=	Village Development Committee
WB	=	World Bank

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Nepal is one of the least developed countries in the world. It is situated in between two large countries India and China which have the significant position in the global economy. According to the census 2058, the population of Nepal is 23151424. The area of this small country is 147181 square kilometer and having three geographical regions i.e. Mountainous region, Hilly region and Terai region. Administratively, Nepal is divided into 5 development regions, 14 zones and 75 districts to assure the successful implementation of balanced economic activities. Again districts are divided into smaller administrative units called municipalities and village development committees.

The administrative system of Nepal has two steps. One is central government, which formulates policies, programs and strategies and another one is local government which implements those formulated programs to the focused groups by enhancing the social participation and optimum utilization of the local resources.

In present context, the central government has realized that the authorities and obligations should be decentralized to the local body. Different societies participate to make their local body. The local body can do more and better than the central government. The concept of self-governance has increased the authorities of the local bodies (municipalities) for their financial management and resources management. So the municipalities are less dependent than before in financial aspects. But still have problems of financial inadequacy and being unable to provide facilities to the municipal people.

Lekhnath is introduced urban center and located in east-southern portion from Pokhara valley and north-western portion from capital city, Kathmandu. It was

established in 2053 B.S. merging four village development committee named Begnas, Rakhi, Lekhnath and Shisuwa. It is named by the name of poet Shiromani Lekhnath Poudel. This municipality has largest water bodies having seven lakes within its territory. So, it is also called city of seven lakes. Moreover, this municipality can be developed as tourism center due to the beauty and being rich in biodiversity.

The definition of urban places in the world especially in developing countries is different. Although, human development report, 1996 has defined the urban population living in urban areas defined according to the national definition used in the most recent population census(HDR; 1996). But no definition of urban places has been made.

In Nepal the definition of urban areas has changed from time to time. The government change to time to time and changed its name as well so the urban areas of country have been denoted by various names in different census as Sahar in 1952 and 2054 Sahar or Nagarpalika 1961, Nagar panchayat 1971 and 1981 And Nagarpalika in 1991 and 2001. The urban area covered in the censuses since 1961 are the urban places i.e. Nagarpalika or Nagarpanchayat designed under the statutory provision. Different acts like Nepal State Municipality Act, 1952, Nagar Panchayat Act, 1962, Municipality act, 1992, and Local Self-Government Act 1999 have defined urban areas differently. Moreover the new act has been refined the earlier definition rather than the introducing completely new concept or definition.

The concept of municipality in many parts of the world emerges as de-concentration of central government department and public utilities to be look by regional out station for better provision and regulation of service. In England, the concept of municipality emerges as with the philosophy of regionalism. In 18th century Cromwell attempting for consolidating his position divided England and Wales in eleven military districts under major general to perform local duties. However, England experienced different system such as

the manorial court, the parish vestries and volunteer services etc. as population grew, and industries flourished and enclosure movement continued unabatedly. All these caused burden upon government once again for easier pace of life in different emerging cities and economic zones. The pressure from citizen made government to make some acts to create local bodies as improvement commissioner for paving, cleaning, lighting streets, guardians of the poor for poor relief and trusted for road improvement. Then for better coordination the municipal corporation act 1835 came in to the horizon. The important issues exacted in this act were to put corporate body under the control of elected councils. The act has also the provision of account to be audited once a year of town clerk and license to be granted for the sale of drink. (Jackson, 1976)

In USA according to Bridgewater and Kurtz (1963), as the complexity of urban life increased in the 19th century, the old system became less efficient, there were also overlapping of old offices with new, the poor methods of accounting taxation and much blatant graft which aroused the concept of municipality which have become a recurrent feature of American political life. As similar to England Bridgewater and Kurtz explained the corruption in the cities politics was common which brought two new type of government. The commission form had a board both legislative and administrative, usually elected non-partisans at large. For better administrative, performance the chief of such municipality had image of independent executive type. However later if the position of chief authority was sub-divided as strong mayor for the cities such as New York, Detroit and weak mayor for Chicago.

In general, the urban area is that part which is excluded from the rural areas. Likewise, urban population refer to individuals residing in define urban areas. Nowadays urbanization has become a dominant trend in the growth and distribution of population. In 1950, only 29 percent of human kind lived in urban community, but today, a more five decades later, the proportion is approaching 50 percent. It is growing faster than world population as a whole

within the next 10 year more than half of people in the world will live cities i.e. 3.86 billion (53.7%) out of the total population (UNDP, 2003)

1.2 Focus of the Study

This study is focus to explore the financial performance and collection and expenditure patterns of budget of Lekhnath Municipality.

1.3 Statement of the Problem

Since last a few decades, the migration rate has been increasing tremendously. Higher percentage of the rural people has been migrating to urban areas in search of opportunities and facilities. So the population is being increased in urban area. The local body or the municipality which is established for the development and the management of issues relating to general people of urban center has been facing serious problems especially financial problem. Due to inadequate financial sources, municipalities are being unable to address all the issues concern to public affairs. As other municipalities this municipality is also facing the financial problem. With the reference to the study on this topic, it is trying to answer the following questions.

- a. What are the potential sources of revenue of Lekhnath municipality?
- b. What is the revenue structure of Lekhnath municipality?
- c. What is the present expenditure pattern of Lekhnath municipality?

1.4 Objectives of the Study

The main objective of this study is to examine the financial performance of Lekhnath municipality. To support the main objective, the following specific objectives have been proposed.

- a. To analyze the potential sources of revenue of Lekhnath municipality.
- b. To examine the revenue structure of Lekhnath municipality.
- c. To assess the present expenditure pattern of Lekhnath municipality.

1.5 Significance of the Study

This research work is aimed to measure the efficiency of the funds used and evaluate the financial resources. This research work study the financial aspects of Lekhnath municipality in micro level. So the required data and information concerns to the financial aspects acquired and studied by its stakeholders. This study will be helpful to every one from every aspect. The businessmen, taxpayers, donor parties and central government can be benefited. The findings and the conclusions drawn from the study will be helpful for the officials to take corrective measures. And also beneficial for the each person of municipalities can also use this study as reference.

1.6 Limitation of the Study

This study particularly involves the financial aspects of the local government as Lekhnath municipality. It is also trying to examine overall performance in terms of revenue collection, allocation and utilization of the budget. So the limitations of the study are:

- a. This study is only concentrated to financial status of Lekhnath municipality.
- b. The accuracy and reliability of findings based on the accuracy of the figures and information in annual budget, reports and published documents.
- c. This study is analyzed the data of 10 years from fiscal year 2059/60 through 2068/69.
- d. Time and cost constraints also shorten the area of the study.

1.7 Organization of the Study

This research categorized into five chapters.

The first chapter deals the background of the study. Brief profile of Lekhnath Municipality, statements of the problems, objectives of the study, significance of the study, limitation of the study is stated.

Second chapter deals with the review of related literature. It includes the review of relevant theories, research works and reports.

Third chapter deals with the research methodology employed in this study. This includes research design, population, sample, and data collection procedure, sources of data, tools and techniques for the data analysis and limitation of the methodology.

Fourth chapter is very crucial chapter of the study which includes presentation and analysis of data by using the different statistical tools.

Fifth and the last chapter provide summary, conclusion and recommendation of the study.

CHAPTER- II

REVIEW OF LITERATURE

2.1 Conceptual Review

This chapter deals with the introduction of local self government, historical development of municipality in Nepal, structure of municipality in Nepal, the municipality budget, the source of municipal finance and expenditure pattern in municipality and Problems in municipal financing mechanism and new challenge.

2.2 The Introduction of Local Self Government

Effective decentralization is a good governments and expression of democratic practice. It is also a prerequisite for effective and efficient public administration. It is recognize that elected local authorities, alongside national and regional authorities are key actors in democratic governance and administration. They collaborate with national and regional authority but also have their own autonomous spheres of public action (CCD, 2009).

Peoples participation in the construction of such infrastructure and urban services gives the impetus to the urban dwellers to make the ownership on the other hand it help to make the financial activities more transparent and people representatives more accountable to the urban people, pattern of local policy, size and level of local units, local function and government. The decentralization policy has an immense impact on municipal finance. The size of the population and the area boundary are important that determines the financial requirement of any municipality.

2.3 The Historical Development of Municipality in Nepal

Nepal is one of the least developed countries in the world. It is situated in between two large countries who have the significant position in the world

economy is India and China. According to the census 2058, the population of Nepal is 23151424. The area of this small country is 147181 square kilometer and having three geographical regions. I.e. Mountainous region, Hilly region and Terai region. Administratively, Nepal is divided into 5 development regions, 14 zones and 75 districts to assure the successful implementation of balanced economic activities. Again districts are divided into smaller administrative units called municipalities and village development committees.

Nepal has the two step administrative system I.e. one is central government which formulate policies, programs and strategic plan and another is local government which implements those formulated plan with the support and the participation of their inhabitants by optimum utilization of available local resources.

Now in present context the central government has realized that the authority should be decentralized to the local bodies to get the better result. The local body can do better then the central government. The concept of self-government has increased the authorities of the local bodies for their financial management and the use of local resources by this municipalities are less dependent to the central government then before in financial aspect. But still have the problem of insufficient finance to provide the facility to the inhabitant.

The history of municipality was introduced during Rana regime. After the revolution of 1950 “Nagar Panchayat Act 1950” was declared the five municipalities Patan, Kantipur, Bhaktapur, Biratnagar and Birjung were officially formed.

Again after two year in 1952 two municipality were added. They were Bhadrapur and Palpa. Similarly, during the period of 1952 to 1962 seven municipality were added. They were Janakapur, Hanumannagar (Rajbiraj), Pokhara, Butwal, Nepalgunj, Dharan and illam. In this way, Bhairahawa and Hetaunda were also declared as municipality in 1968 and 1974 respectively. Gradually during the period of 1975 to 1980(2032 to 2037 BS) other

municipality such as; Lahan, Dhangadi, Biratnagar, Tribhuvan Nagar, Dhankuta, and Bharatpur were also declared as municipalities. Similarly between the period of 1980 to 1986 Dipayal, Inruwa, Kalaiya, Damak, Benepa, Taulihawa, Taleshwor, Dhulikhel, Bidur, Manangawa were also declared as municipalities.

With the restoration of municipality democracy in 1990 “The municipality act 1991” comes in to existence and new areas namely; Byas, Tulsipur and Gaur were declared as a new municipality. The government of Nepal upgraded Kathmandu as a metropolitan city and Pokhara Lalitpur and Biratnagar as sub-metropolitan cities in 1995.

After this 22 new municipalities were formed. They are Baglung (Baglung), Waling and putali bazaar (syangja), Lekhanath (Kaski), Prithivinarayan (Gorkha), Tikapur (Kailali), Panauti (Kavre), Ithari (Sunsari), Siraha, (siraha), Khandbhari, (sankhuwasawa), Glueriya, (Bardiya), Mechinagar, (Jhapa), Ratnanagar, (Chitwan), Bhimeshor, (Dolakha). Similarly, Kamalamai, (Sindhuli), Ttiyuga, (Udaypur), Kirtipur, (Kathmandu), Ramgram (Nawalparasi), Narayan, (Dailekh), Dhasharathchandra (Baitadi), and Madhyapur (Thimi) (HMG report 1997) in 1997.

Presently the government of Nepal has purposed a 41 new municipality they are Taplejung (Taplejung), Phidim (Panchthar), Birtamod (Jhapa), Urlabari (Morang), Myanglung (Terhathum), Bhojpur (Bhojpur), Diktel (Khotang), Katari (Udayapur), Kanchanpur Rupnagar (Saptari), Mohanpur Kalyanpur (Saptari), Saraha, Dhanushadham (Dhanusha), Sankhuwa Mahendranagar (Dhanusha), Nigaul-Gaushala (Mahottari), Manthali (Ramechhap), Hariwon (Sarlahi), Jitpur (Bara), Chautara (Sindhupalchowk) Chandranigahapur (Rautahat), Panchkhal (Kavre), Shankarapur (Kathmandu district), Karya Binayak (Lalitpur), Champapur (Lalitpur), Nilakantha (Dhading) Beshisahar (Lamjung), Khairainitar-Dulegauda (Tanahun), Kusma (Parbat), Beni (Myagdi), Tamghas (Gulmi), Sandhikharka (Arghakhachi), Gaidakot

(Nawalparasi), Sunawal (Nawalparasi), Bandipur (Tanahun), Pyuthan (Pyuthan), Salyan (Salyan), Kohalpur (Banke), Rajapur (Bardiya), Chainpur (Bajhang), Mangalsen (Achham), Sanfebagar (Achham), Chandanath (Jumla), (Municipal association of Nepal). By the adding of these 41 new municipalities the no of municipalities in Nepal is 99. These municipalities were formed on budget speech of 068\069.

2.4 Structures of Local Government (Municipality, Metropolis)

The creation of municipality or metropolis is to provide its inhabitants the basic civic amenities. In the context of the world the municipalities were formed according to the economic activities of a particular place and population density but in Nepal only considered the population density.

In Nepal the definition of urban areas has changed from time to time. The urban areas of the country have been denoted by various names in different census as, Sahar in 1952\54, Sahar to Nagarpalika in 1961, Nagar panchayat 1971 and 1981 and again Nagarpalika in 1991 and 2001. The urban areas covered in the censuses since 1961 are the urban place (i.e. Nagarpalika or Nagarpanchayat) designated under the statutory provision. Different Acts like, Nepal State municipality act, 1952, Town Panchayat Act, 1962, Municipality Act, 1992 and Local Self Government Act, 1999 have defined urban areas differently. Moreover the new act has redefined the earlier definition rather than introducing completely new concept or definition.

The most recent act i.e. Local Self Government Act, 1999 combines political as well as statistical components for the defining as urban areas. In addition to what had been included in the past, the new act includes criteria such as (I) minimum level of earning sources, and (II) urban environment, essential to be considered as area as municipal. For example, a municipality must have a population not less than 20 thousand along with electricity, road, clean drinking water, communication and other similar facility. The urban areas are classified in to three categories and they are as follows.

I. Municipality

According to the Nagarpalika act 2048 the sub city area within minimum population of twenty thousand and minimum annual income of Rs. 1 million is having minimum facility like electricity, drinking water, communication, roads etc.

II. Sub- metropolises

Those cities can be counted on sub metropolises whose have minimum population of 100 thousand and minimum annual income of Rs. 20 million and necessary facility of the town electricity, drinking water, communication and so on and already being municipality.

III. Metropolises

Those cities whose have minimum population of 300 million and minimum annual income of rs 70 million and necessary facility like electricity, drinking water, communication, roads and so on and also already being a sub-metropolises. According to this act authority, to changing wards and boarder of the municipality is reserved by the central government. There is a special provision of at least nine wards in one municipality and for an extension it should according to population.

2.4.1 Construction of Municipality

A municipality can constitute as an executive of the municipal council in a municipal area. A municipality can consist of the mayor, deputy mayor, and members as follows according to Local Self Government act, 1999

-) One mayor one deputy mayor elected by the Nepalese citizen within the municipal area who has processed the qualification to become voters under the prevailing law.

-) Ward chairman elected by the Nepalese citizens, who have processed qualification to become voters under the prevailing law of each ward of the municipal area at the rate of each from their respective ward.
-) Two members including women remained by the municipality from among the members of the municipal council.

2.4.2 Functions, Duties and Power of Municipality

The functions of municipal governments differ among countries around the world but generally include transportation services (including roads and transit), environmental services (including water, sewerage, and solid waste

Collection and disposal), protection (including policing and fire protection), recreation and culture, planning and development, economic development, social services, housing, and health. Municipal governments in some countries also deliver primary and secondary education; in some countries, education is delivered by school boards or by the province/ state level of government.

Local government plays the vital role in development process of the whole country. In Nepal, in the beginning the municipality were not recognize and their responsibility were limited only for providing the basic needs of the people. But today, there is vast change and the local government (municipality) has greater responsibility.

Municipality has been assigned both mandatory and voluntary functions under the local self governance act, 1999. They are stated below.

1. Relating to Finance

-) To prepare annual budget, plan and programs of the municipality and submit to the municipal council.
-) To keep the accounts of incomes and expenditure and other documents pertaining there to in an updated manner.

-) To expand the money to execute the decisions of the municipality, subject to the limits of the approved budget.
-) To raise taxes, charges and fee etc. approved by the municipal council.

2. Relating to Physical Development

-) To prepare housing plan, the industrial state, residential, agricultural areas within the territory of the municipal area
-) To carry out plans on drinking water and drainage in areas of municipality and operate, maintain and repair or cause to be operated, maintained and repair the same.
-) To develop or case to be developed green zones, parks and recreational areas in various places in the municipality area.
-) To arrange for public toilet in various places in the municipality area.
-) To approve houses, buildings etc. to be constructed in the area in municipality.
-) To built community buildings and rest houses.

3. Relating to Water Resources Environment and Sanitation

-) To prepare plane implement it to preserve rivers, streams, ponds, deep water, wells, lakes, stone water tap etc. and utilize them properly.
-) In the event of necessity to carry out irrigation plans in the municipality area, to make plans there of and implement and causes to be implemented the same.
-) To control and prevent possible river cutting, flood and soil erosion in the municipality areas.
-) To assist environmental protection acts by controlling water, air and sound pollution to be generated in the municipality area.
-) To protect the forest, vegetation and other natural resources within the municipal area

-) To carry out sanitation programs in the municipality area.
-) To carry out manage the acts of collection, transportation and disposal of garbage and soil wastes.
-) To generate and distribute electricity in the area of municipality.

4. Relating to Education and Sports Development

-) To establish, operate and manage pre-primary schools with own source in the municipality area and give permission to establish the same.
-) To extend supports in the operation and management of schools being operated within the municipality and to make recommendation for the establishment and dissolution of such schools.
-) To make arrangement for providing scholarship to the students of oppressed ethnic communities who are extremely backward on economic point of view. And providing primary level education in mother tongue in the area of municipality.
-) To prepare and implement the program on municipality level sex and adult education.
-) To open, operate and manage the public library and reading halls in the municipality area.
-) To prepare and implement sports development program and develop sports development committee.

5. Relating to Culture

-) To prepare an inventory of the culturally and religiously important places within the municipality area and maintain, repair, protect and promote them.
-) To protect, promote and use archaeological objects, language, religion and culture within the municipality area.

6. Relating to Health and Service

-) To operate and manage municipal level hospital, Ayurvedic dispensaries and health centers.
-) To operate and manage health posts sub-health post within the municipality territory.
-) To formulate program relating to family planning, mother and child welfare, extensive vaccination, nutrition, population education and public health and implement it in proper way.
-) To ban the public use of such things and objects in the municipality areas are harmful to the public health.
-) To ban the sale, distribution and consumption of such type of consumer
-) Goods this may cause adverse effect on public health.

7. Relating to Industry and Tourism

-) To act as a motivator to the promotion of cottage, small and medium industry in the municipal territory.
-) To protect, promote, expand and utilize natural, cultural and tourist heritage within the municipal territory.

8. Relating to Works and Transport

-) To prepare plans of unpitched and pitched roads, bridges and culverts as needed within the municipality area, except those roads which are under the responsibility and control of Government of Nepal.
-) To arrange for bus parks and parking place within the municipal boundary.

9. Miscellaneous

-) To do plantation on either side of the roads and other necessary places in the municipal territory.

-) To protect barren and governmental unregistered (Ailani) land in the municipality area.
-) To determine and manage crematoriums.
-) To act for the development of trade and commerce.
-) To carry necessary functions on the controlling of natural calamities.
-) To maintain inventory of population and houses and lands within the municipality area.
-) To register births, deaths, marriages and other personal events pursuant to the prevailing law.
-) To maintain inventory of helpless, orphan and disable children within the municipality area and arrange to keep in appropriate place.
-) To update the block numbers of the houses in the municipality area.
-) To arrange for light on the road and alleys.
-) To operate and manage fire brigades.
-) To carry out other rule to develop municipality area development.
-) To evaluate the performance of the secretary and forward it with recommendation to the authority.
-) To encouraged and carrying out cooperative, industrial and commercial activities generating income to the municipality with the investment of private sector as well.
-) To formulate various program based on cooperativeness.

2.5 The concept of Municipal Finance

Finance refers to the provision of monetary resources to operate a system it may be a sector, where it is require. Finance may be short term (usually up to one year) medium term (usually over one year and up to five to seven year) and long-term (more than five to seven years). When finance is not separated from economics, finance got narrow meaning that is finance meant procuring only long-term fund but excluding short-term and medium term fund. But now,

finance is concerned with investment decision, financing decision and dividend decision and their execution.

Municipal finance is one of the branches of public financial management and its goal is to maximize the social wealth. Municipal financial management is related to collection from its resources and its maximization utilization of collected funds. The whole municipal finance functions concentrated toward the following points

-) The amount of fund need to run the municipality
-) Where to or how to raised that amount
-) How the municipal people fell comfort about the urban infrastructure and services, to be the urban resident.
-) The size of the population and the area boundary of the municipal.

A number of factors contribute to the structural composition of municipal finance the area boundary of municipality, pattern of local policy, local function and the attitude of central government. The degree of functional autonomy with the considerable amount of freedom levy assesses and local taxes along with sufficient liberty to formulate and execute budgetary proposal determines the degree in government interference in municipal activities. The functions assigned by the municipality are yet another important factor for determining the scope and scale of municipal finance. It is almost a universal phenomenon that with the increasing involvement of local government in nation building activities, and the flow of government grants and aid has also increased.

2.6 The sources of Municipal Finance

Revenue is the important factor of any origination here we concentrated on both internal and external source of incomes of municipality. Internal sources are collected directly from the community i.e. taxes, revenue, fees, fines etc. and external source is coming from outside of the local community.

2.6.1 The Internal Source of Revenue

Internal source is the most consistent source of any municipality. According to local self government act, 1999 any municipality can raise revenue from different internal sources i.e. house and land tax, rent tax, enterprise tax, vehicle tax, integrated property tax, professional tax and so on, and it can raise funds from different types of fees service charges and fines. On the other hand it can impose different type of service charge like parking charge, drinking water charge, public telephone, waste management charge and also take some charges for approval and recommendation. Although according to the provision on local self government act (LSG) the major internal source are local tax, fees and fines. On the LSG act 1999 the internal source are pointed as follows.

2.6.1.1 Land tax/ *bhumi kar*

Municipalities are authorized to levy land revenue/Bhumi kar. These taxes levied on land. For the purpose of land revenue, land is divided in to four categories on the basis of productivity of land viz. Abbal, Doyam, Seem, Chahar.

2.6.1.2 House and Land Tax

Municipality may levy house and land tax on each house and land within their jurisdiction on the basis of the size, design, and stricture of the house and area covered by the house as approved by the Municipal Council.

The base of house and land tax is capital value of house and land property. For the purpose of this tax land and building are valued separately. A local valuation committee would be set up to fix the land value for the purpose of this tax.

2.6.1.3 Integrated Property Tax

Municipalities are also empowered to levy an integrated property tax on land and building under their area, except for the following property.

-) The royal palace or the land occupied by the royal palace.
-) The houses and land under the ownership of HMG\N
-) The building and land of governmental hospital.
-) Land under the ownership of trusts.
-) The land of the government education institute and governmental non profit organization.
-) The building or lands of religious institutions.
-) The building and lands of the embassy, consular and diplomatic mission.

2.6.1.4 Rent tax

The municipality are empowered to levy a tent tax on the amount of rent in case where any houses, shops, garages, stores, stalls, factories, lands is rented. The rent tax may be levied at a rate of not exceeding by 2 Percent.

2.6.1.5 Professional tax

Municipalities are also empowered to levy a professional tax on the specified industry, trade, profession or occupation. Minimum and maximum rates for each category of profession are fixed in the Local self government regulations and the municipality can fix rates according to their local condition within the limits.

2.6.1.6 Vehicle tax

Municipality are authorized to levy an annual vehicle tax on the specified vehicles within their area of jurisdiction and a per entry tax on all kinds of vehicles entering into their area.

2.6.1.7 Entertainment tax

Municipalities may levy entertainment tax at the rate of 2 to 5 percent of entrance fee on the means of entertainment such as cinema halls, video halls,

and cultural shows permitted within the municipal area. Similarly, municipalities can levy entertainment tax on the circus and magic shows.

2.6.1.8 Commercial Video tax

Municipality may levy tax at the rate of RS. 200 to 500 pre annum on pre video projection and cable etc. used by any person or organization for commercial purpose

2.6.1.9 Advertisement tax

Municipality may also levy an advertisement tax on signboard, globe board, stall, etc. permitted to be place by roads, junction, public placeless etc. under their jurisdiction.

2.6.2 External Sources of Revenue

The external source of revenue includes various types' grants, financial assistance and loan received from government agencies and other donor agencies. In addition municipality can also get the grants and loan through the government of Nepal.

2.6.2.1 Town Development Fund Board (TDFB)

In Nepal financial and commercial banking institutions are not geared to provide loans, particularly for social infrastructure projects. They are difficult to be handled because of several factors like lengthy procedure of loan sanctioning, high, collateral against the loan, inefficiency and absence of investment policy in urban development in general. On the other hand, the municipalities are very reluctant to take loan from banks as the interest rate is very high (16% to 22%). At the same time, the banking institution, do not seem to be willing to extend loans to the municipalities whose board is composed of various political party members and they doubt whether municipalities would pay back their principal and interest in time.

Accordingly, HMG, Ministry of Housing and Physical Planning (MHPP) under the TDFB formation order 1988 and under the Development Board act 1956, decided to establish Town Development Fund Board for providing urban development fund to municipality. These are the main objective of TDFB.

-) To provide financial support to the municipalities to implement social infrastructure and the income generating projects.
-) To built technical, financial and managerial capabilities of the municipalities to implement the projects.

At present, TDFB is providing loans, soft loans and grants. Loans are provided for larger scale social infrastructure and income generating projects, soft loans are provided for small income generating projects up to 1.5 million, and grants are provided for sanitation and environmental improvements projects such as schools buildings, technical equipments like computers photocopy machine, fax machine etc. (TDFB, its grants and loan program)

From its beginning until July 1996, the TDFB was financed by loans from the World Bank and by grants from GTZ and 273 grants and 41 loan projects were completed at a cost of approximately US \$ 4.7 million. Although the type of projects differed according to the priorities and needs of the municipalities; the most popular ones included sanitation, environmental improvement and revenue generating projects. A new financing agreement was concluded in December 1995 between the Federal Republic of Germany and His majesty's Government of Nepal to enable the TDFB to continue its support to municipalities. Under this agreement, the Federal Republic of Germany through "Kreditanstalt für Wiederaufbau" (KfW) has provided grant fund of 10 million to the TDFB for continuing its activities until December 2000. The fund will be used for grants and loans to municipalities, as well as local consultancy services for project studies and construction supervision. Interest and loan repayment from the municipalities will be turned into revolving fund

by the TDFB to finance further projects. (A case study on municipal development fund in Nepal, 1997 p.2)

2.6.3 Provision for Reward and Punishment

Reward and punishment are the managerial tools that either motivates or aware the payers to get their installment amount paid in time. If the contractor breaks the contract before period of it's expire the rule 81 and 83 of local bodies (Financial administration regulation), 2056 (1999) is to be followed which makes provision to include such contractor in black list. The concerned competent authority maintained the record of reward and punishment only which in practice has been imposing a fine on the remaining unpaid amount or installments that varies with the time horizon as shown below;

-) First year; @ 5% of total unpaid amount.
-) Second year; @ 7% of unpaid balance.
-) Third year or more; @ 10% of the total unpaid balance.

The ability of local governments to meet the environmental and social goals of sustainable development, and in particular to address issues of poverty and social inclusion, depends on both their technical, managerial and fiscal capacity and on their ability to involve local stakeholders in the development process. In many parts of the world, including advanced economies, globalization has affected the financial resources of both national and local governments as taxable economic activities moved to other locations. The situation is further aggravated by the increased local fiscal burden resulting from the shifting of responsibility for infrastructure investment and the delivery of services to local governments. Further complexity is introduced by new development overlapping municipal boundaries and imposing an unexpected financial burden on the localities housing poorer populations or receiving migrants. Households in these under-serviced communities and outlying areas have to pay higher per unit cost for inferior quality services. (Center for urban development studies Harvard school of design)

2.7 The Expenditure Pattern of Municipality

In this section expenses made by the local government are categorized as recurrent expenditure and non recurrent expenditure. For the purpose of our study the classification of the expenditure made by the municipalities is taken according to the provision mentioned in the Local Body Administration Regulation 1999. (LSGA 1999)

This study of public expenditure occupies the same important place as the income dose. Public expenditure refers to the expenses incurred by the government for its own maintenance and also for the preservation and the welfare of society and the economy as a whole.

2.7.1 Recurrent Expenditure

Recurrent expenditure includes operating expenditure. These are salary\remuneration, allowance, traveling relate expenditure, service and office relate exp, rent, repairs and maintain, office goods, newspaper and books, fuel, and miscellaneous and casual expenditure.

2.7.1.1 Salary/remuneration exp

Expenditure made for the employee's salary, remuneration that office bears are including in this section. Expenditure including salary provident fund, annual grade increment and motivational rewards are including in this section.

2.7.1.2 Allowance Expenditure

Expenses for employee allowance, meeting allowance, and clothing allowance are including in this section.

2.7.1.3 Traveling Cost and Daily Allowance

Transportation cost and traveling cost made on foot for the purpose of office assignment. Similarly embankment tax, insurance cost relating to travel and approved miscellanies expenses to be incurred in performing the travel by

airplane allowance in fixed rate to be obtain by the employee or municipality leader allowances while traveling by abroad.

2.7.1.4 Service and Office Expenses

Expenses for office services costs, service expenses and office operation cost are included in this section. Charges payable for the use of water tap, electricity installed in the office and installation cost, telephone charges, telegram charges, trunk calls charges, the use of computer, fax, internet and other.

2.7.1.5 Rent expenses

Expenses incurred for rent is included in this section. Building hired on rent, mayor's quarter and other expenses made on the topic of rent.

2.7.1.6 Repair and maintenance

Expenditure for the spear parts and wage require for repair and maintenance for the capital goods are fall under this section. To give example of these are repair and maintenance of roads, bridge, machines, equipments, furniture etc. similarly in this section include those expenses incurred to maintain the vehicle also.

2.7.1.7 Office goods expenditure

Expenditure made for the cost of goods required for the government office and non durable for more than one year is included in this section i.e.; heater, fan, telephone etc.

2.7.1.8 Newspaper and books

Expenditure made for the books guidelines for the office or library purposes are fall under this section.

2.7.1.9 Fuel expenditure

Expenditure made for the office use, use of office bearer, employee and other are fall under this section. Similarly fuel cost for the vehicle provided to the office bearer and employee as facility and for the office use.

2.7.1.10 Miscellaneous and casual expenditure

Expenditure made for the entertainment, festival, and welcoming, foreign visit and other incidental expenditure is fall in this section.

2.7.2 Non-recurrent expenditure

Expenditure made for the non operating purpose and for the capital assets or such as durable goods, expenses for lunching a program, grants and financial assistance, construction and purchase of land or building etc;

2.7.2.1 Durable goods purchase

Expenditure made for the purchase of goods whose life is more than one year is fall in this section. Expenses made on the furniture purchase for office purpose, transportation fare and insurance. Purchase of vehicle, the price of heavy machines, equipment, tractor, generator, transformer, factory goods made for construction. The expenses made for the repair such goods by changing its main parts and transportation cost.

2.7.2.2 Expenditure made on the lunching a program

Expenditure made for the training, seminar; publicity and campaigning are fall under this section.

2.7.2.3 Grants and financial assistance

Expenditure made for the grants, fees, financial assistance and prize fall under this section. Grants to be provided to the social institution expanding support to

perform function and duty referred in to the act. Amount to be provided as assistance to the educational institutions or clubs.

2.7.2.4 Construction and Purchase of land and building

Expenditure incurred on accruing the constructed building and occupies this building and expenditure made on the purchase of land as the municipal premises are fall under this section. Cost incurred in feasibility study, survey design, consultant service charge etc;

2.7.2.5 Investment

Share or loan investment made by the municipality in any bank and other institutions are fall under this section. Production material received with the direct involvement of raw material and other goods, material purchased, labor and other expenses relate to production are added too.

2.8 Problems in Municipal Financing Mechanism and New Challenge

The fundamental problem of municipality finance can be stated as the gap between financial resources and expenditure pattern. The fact that the growths of municipality revenue do not match the expenditure that should be done to maintain and increase the life standard of the municipal people. This financial gap being wider and wider as the urban population expended. As the population expended the demand of infrastructure and municipal service increase and the municipal cant met these demand. The city population in most of the municipality is distributed in a scattered way i.e., relatively very low population density. This contributed in increasing the cost of municipal services, which the municipalities simply unable to perform.

One of the reasons for municipal financial gap is that municipalities to a certain extent, still lack of autonomy to establish their own tax base and other internal income sources therefore, cannot raise revenues commensurate with their expenditure requirement. However in the same time, the given local autonomy

has not been enjoyed in the absence of institutional capacity of the municipalities. Most of the municipalities are unable to update property roll, conduct property valuation, issue tax billing and enforce collection of integrated property tax because of lack of qualified trained municipal staffs. Actually there need to make a clear road map to implement financial decentralization activities at local level.

Nepal has already got the full membership of WTO (World Trade Organization); Nepal has to withdraw the local development fee because WTO wants no other taxes to be linked up with customs duties. It is collected in different customs office of the country at the rate of 1.5 percent of total Import invoice of items by the government of Nepal and distributed to all 99 municipalities.

The concept of municipality in any parts of the world emerged as decentralization. Now the world experiencing rapid urbanization and people shift themselves in city area and it formed a mega-cities. Now the number of mega-cities (cities with more than 10 million people) is also on the rise. Whereas in 1950, there were only two mega-cities (New York and Tokyo),

There were 20 mega-cities in 2005 and the number is projected to increase to 22 by 2015. Developing countries will have 17 of the 22 mega-cities in 2015 (United Nations, 2008). Large cities and metropolitan areas are different than smaller urban or rural municipalities, in large part, because of the size of their population, the high degree of concentration of population, and the presence of a heterogeneous population in terms of social and economic circumstances (Freire, 2001). In many countries, large cities also serve as regional hubs for people from neighboring communities who come to shop or to use public services that are not available in their own communities (Slack, 2007a) (Guide to MF, UN HABITANT 2009, P. 11)

2.9 Review of Literature

Some of the research study related to this study has been reviewed below.

Mishra (1983) conducted a study entitled “Local finance in Nepal a case study of Rajbiraj Town Panchayat” in 1983. His whole study based on the secondary data obtaining from the study area. This study has been focused on evaluation of municipality and its function, the trend of different source of income, pattern of expenditure and the developmental activities of the municipality. Misra has concluded in his study that the income has always been excess of the expenditure. Tax structured is haphazard and there is much scope for increasing the local revenue. Most of the expenditure is for the maintenance and unproductive purpose and they do not have clear plan for development. But he did not explain the social and economic structure of the municipality. He focused more on more on income and expenditure pattern of the municipality.

Thapa, (2003), has conducted a study entitled, " An assessment of municipal finance of Vhimeshwor municipality", Charikot, Dolkha district. In his research it was found that the revenue from local tax fluctuating due to the ineffective tax collection system. The municipality couldn't find the new sources for the internal revenue collection. The tax administration of municipality was found weak due to the lack of proper strategies and mechanism. The dependency on revenue collection was more on local development fees than other alternatives. The financial position of the municipality was below the average per capita value of all municipalities.

Subedi, (2005), has conducted a research on the topic of "Local Government Financial Management", A Case Study of Kaski District Development Committee. It was found that the tax revenue had the largest contribution to total internal revenue. The financial performance of Kaski District Development Committee in terms of actual and budgeted figures of revenue and expenditure of Kaski DDC was dependent factor of its income but actual

expenditure of DDC remained under control with the budgeted expenditure. The researcher has also found that the relative growth of Kaski DDC was lower than the standard prescribed by the World Bank. The financial performance of Kaski DDC in terms of administrative expenditure to the total expenditure looked strong during study period.

Sigdel, (2008), has conducted a research entitled "Financial Analysis of Local Government" A Case Study of Tanahun District Development Committee. In this research, researcher has found that the budget was not formulated upon the budgetary norms and standard. The contribution of external revenue was higher percentage in the total revenue. Internal revenue was fluctuating because of lack of internal revenue mobilization. The total revenue was in decreasing trend due to lack of study in depth and planning. Similarly, the financial performance was fluctuating. It was also found the positive relation between budgeted performance and actual performance.

Pokhrel, (2009), has conducted a research on the topic of "A study on financial Analysis of Lekhnath municipality". In this research, he has found that, the revenue collection and expenditure was fluctuated during his study period. Researcher has also found that the contribution of local tax revenue to the total revenue was higher than the non tax revenue. But institution was suffering from financial inadequacy. Lekhnath municipality was not applying specific tax to the specific work but taking as professional tax. It was found that the budget was unsystematic, unrealistic and over ambitious.

Jha (2010) has studied about the local finance in Nepal. His whole study is based on the secondary data source of data obtaining from the study area. The research has conducted on evaluation of municipality and its function, the trend of different source of income, the pattern of expenditure and the developmental activities of municipality. Jha (2010) has concluded in his study that income has always been excess of the expenditure. Tax structured is haphazard and there is much scope for increasing the local revenue. Most of the expenditure is

for office maintenance and unproductive purpose and they do not have clear plan for development.

Pahadi (2011) has studied about the municipal finance in Nepal. He studied over Janakpur municipality. In his study data presentation and analysis is based on non statistical analysis. The overall study is focused on the social and the economic condition, source of income and expenditure pattern and budget making policy of the municipality. Pahadi has shown that the local tax is the main internal source of revenue and other taxes are nominal.

2.10 Research Gap

The study is trying to find how municipality expenses its budget by analyzing pattern strategies and how their expense gives facility to its residence. Other study shows revenue from local tax is fluctuating due to the ineffective tax system, this study is trying to examine the trend still the same or not? Whether the income and expenditure of this municipality is balanced or not? Lekhanath municipality can be developed as a tourism center due to the natural beauty and being rich in biodiversity whether there any visible action taken by municipality or not? The previous research may forget this point of view so this study may fulfill this gap.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objects in view. In order to find our true result an appropriate research methodology is necessary for an investigation.

The basic objectives of the study are to assess explore the potential source of revenue, analyze the socio-economic condition, income and expenditure pattern of Lekhanath municipality, possibility of raising internal source of revenue and to make policy recommendation for the improvement detected weaknesses. To fulfill these objectives of the study appropriate methodology should be followed.

In this study, the methodology consisted of research design, selection of study unit, and source of data, data collection procedure, data processing procedure, technique of analysis and limitation of methodology.

3.2 Research Design

Research design is the specification of method and procedure for accruing the information to solve the problem. Research design is the integrated framework of the whole study that guides the researcher in formulating, implementing and controlling the research work.

‘Research design is the plan, stricture and strategy of investigation conceived so as to obtain answers to research question and control the variance’ (Puspa raj joshi research methodology, P, 52)

In this study the income and expenditure pattern of Lekhanath municipality will be studied. The descriptive research design has been used to examine and find out the necessary suggestion for strengthening the financial condition.

3.3 Selection of study unit

Lekhnath is introduced urban center and located in east-southern portion from Pokhara valley and north-western portion from capital city, Kathmandu. It was established in 2053 B.S. merging four village development committee named Begnas, Rakhi, Lekhnath and Shisuwa. It is named by the name of poet Shiromani Lekhnath Poudel.

It will be chosen by the researcher to make transparent a financial status towards as general public of Lekhanath municipality and it is convenient place for the researcher too.

3.4 Source of data

This study is based on secondary source of data. Lekhanath municipality's bulletins and those data which are public by municipality are used as a secondary source of data. To meet the settle objective of the study, have supplemented some important and relevant information through primary sources too. The main sources of data are presented bellow

-) Records of Lekhanath municipality office, Sisuwa, Kaski
-) Municipality's bulletins and published data.
-) Government and non government organization.
-) Interviewed with the stuff of Finance section of Lekhanath municipality.
-) Central Bureau of Statistics (CBS)
-) Town Development Fund Board (TDFB)
-) Other related information i.e. meeting minutes of the board.
-) Records and reports on different aspect of the study.

3.5 Data Collection Procedure

This study is mainly based on the secondary data those are directly from official records, published and unpublished statement and the annual report of Lekhanath municipality for the study period is obtained from its office which is located in Kaski district. The data in some extent are obtained from publication and web site of Lekhanath municipality. Some supplementary data and information and literature review are collected from the central library T.U. Kirtipur. And other needed information is gathered from different journals, magazines and other published and unpublished documents by the concern groups.

To study the potential sources of income of Lekhanath municipality, a field survey of the study area was done. To get the general picture of the study area, a school teachers and educated and knowledgeable person were selected as key informers. Verification and clarification of the data has been done through personal interview and discussion with concern authorized body where it is possible.

3.6 Data Processing Procedure

To meet the requirement of this study, most of the data used in this study have been processed according to the deeds of the study. The obtained data were presented in various tables, charts with supporting interpretation. Data were tabulated according to the nature of the data.

3.7 Data Analysis

After collecting a data, the data were manually processed. Simple statistical tool were used of analysis the data. Presentation and analysis of the collected data is the core part of research work. The collected raw data are first presented in systemic manner in tabular firms and then analyzed by applying different

statistical tools to achieve the objective. In this study mean and trend analysis have been used as statistical tool.

3.8 Limitation of the Study

This study is carried out on the framework of descriptive research design. So it is difficult to illuminate the limitation of the descriptive research design in which the study and methodology is bounded. The study only consider Lekhanath municipality among 99 municipalities. And it only considered the only 10 years time frame. Therefore the study may not be able to present the whole scenario of municipalities in Nepal.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation and Analysis

This chapter deals with the presentation, analysis and interpretation of data and information of Lekhanath municipality. To obtain the best result the data and information have been analyze according to the research methodology as mentioned in previous chapter.

This chapter deals and analyze different source of revenue, pattern of revenue and expenditure pattern of Lekhanath municipality.

4.1.1 Source of Revenue

Revenue is the significant factor for every organization and institution. Like other municipality main source of Lekhanath municipality can also be divided in to two different types. Internal source (tax and non tax revenue) external source (grants and loans). Internal and external source of revenue are the backbone of every municipality. Revenue of Lekhanath municipality has raised from both sources over a period of ten year in given table no 4.1

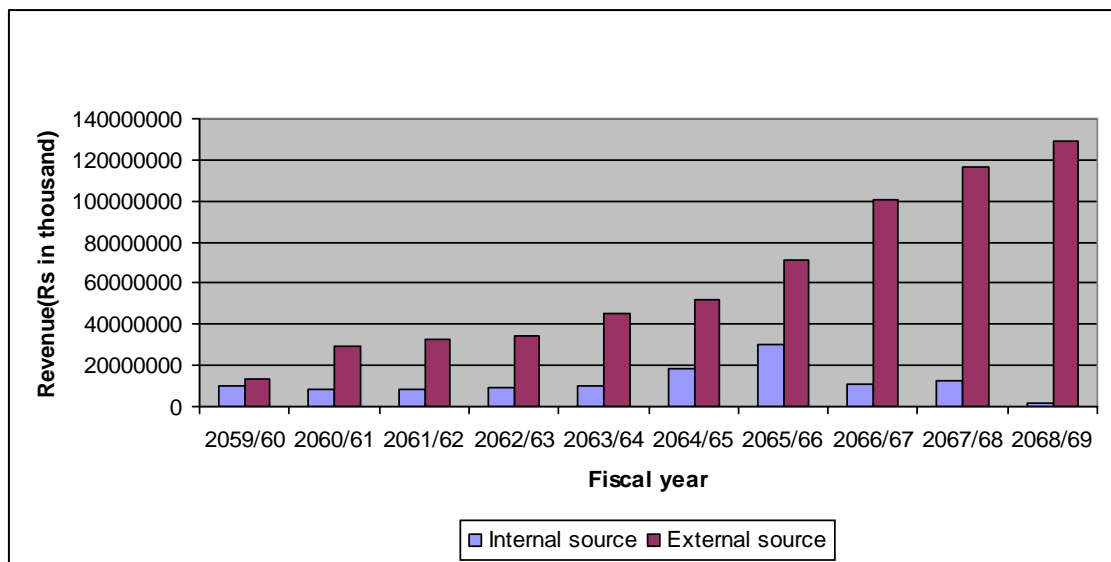
**Table 4.1: Source of Revenue
(FY 2059/60 through 2068/69)**

Fiscal year	Internal source		External source		Total	
	Amount	%	Amount	%	Amount	%
2059/60	10182014	42.76	13632726	57.24	23814740	100
2060/61	8701257	22.96	29188960	77.04	37890127	100
2061/62	8619627	20.71	33007352	79.29	41626979	100
2062/63	9188000	20.95	34665525	79.05	43853525	100
2063/64	10429078	18.83	44952799	81.17	55381877	100
2064/65	18291738	26.16	51617918	73.84	69909656	100
2065/66	30006332	29.74	70872776	70.26	100879108	100
2066/67	10515000	9.43	100965138	90.57	111480138	100
2067/68	12372500	9.61	116335000	90.93	128707500	100
2068/69	17274900	11.81	129031000	88.91	146305900	100

Source = Revenue section LM

Table 4.1 shows that the revenue collection from both sources is not in any order and fluctuate every fiscal year. The contributions of internal source are 42.76% in FY2059/60 which is decreased down up to 22.96% in FY 2060/61, and fiscal year 2061/62 is 20.71%, 2062/63 is 20.95% in 2063/64 is 18.83%, in FY 2064/65 is 26.16%, in FY2065/66 is 29.74%, in FY 2066/67 it decreased down to 9.43%, in FY 2067/68 is 9.61% and at last year of the study period FY 2068/69 is 11.81% . Which shows the scenario that how the internal source fluctuate.

Fig. 4.1: Source of Revenue



The contribution of internal source is 42.76% in the FY 2059/60, in FY 2060/61 is 22.96% in FY 2061/62 is 20.17%, in FY 2062/63 is 20.95%, in FY 2063/64 18.83%, and in FY 2064/65 are 26.16%, in FY 2065/66 29.74%, in FY 2066/67 9.43%, in FY 2068/69 9.61%, in FY 11.8. Thus external source has dominant role in the total revenue of Lekhanath municipality during the study period.

4.1.2 Annual Growth and Trend in Revenue

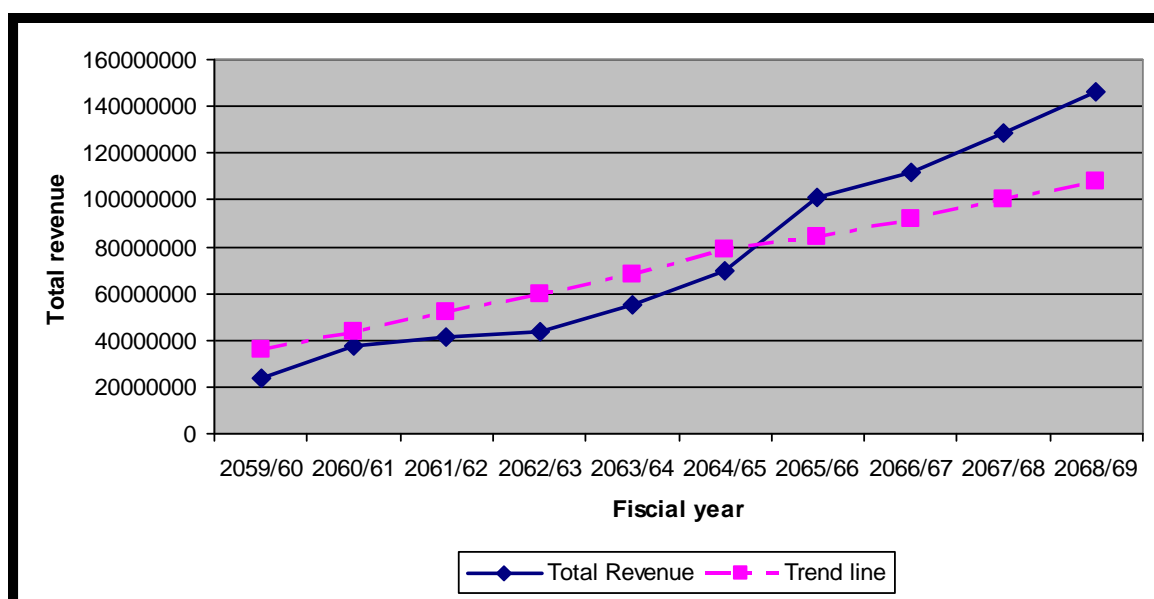
As stated earlier municipality can raise funds from two sources that are internal and external. The annual growth rate of revenue of Lekhanath municipality during the study period are given in table no 4.2

Table 4.2: Annual Growth Rate of Revenue of Lekhanath Municipality

[FY 2059/60 through FY 2068/69]

Fiscal year	Internal source		External source		Total	
	Amount	%	Amount	%	Amount	%
2059/60	10182014	-	13632726	-	23814740	-
2060/61	8701257	-14.54	29188960	114.11	37890127	59.10
2061/62	8619627	-9.01	33007352	13.08	41626979	9.68
2062/63	9188000	6.59	34665525	5.02	43853525	5.35
2063/64	10429078	13.51	44952799	29.68	55381877	26.29
2064/65	18291738	75.39	51617918	14.83	69909656	26.23
2065/66	30006332	64.04	70872776	37.30	100879108	44.30
2066/67	10515000	-64.96	100965138	42.46	111480138	10.56
2067/68	12372500	17.67	116335000	15.22	128707500	15.56
2068/69	17274900	39.62	129031000	10.91	146305900	13.67
Average growth rate		14.26		31.40		23.42

Fig. 4.2: Trend of revenue



The annual growth rates of internal source are -14.54% in FY 2060/61, in FY 2061/62 is -9.01%, in FY 2062/63 is 6.59%, in FY 2063/64 is 13.51%, in FY 2064/65 is 75.39%, in FY 2065/66 is 64.04%, in FY 2066/67 is -64.96%, in FY 2067/68 is 17.67% and FY 2068/69 is 39.62% respectively. Whereas the average growth rate of internal source over the study period is 14.26%. On the other hand the annual growth rate of external source is 114.11% in FY 2060/61, in FY 2061/62 is 13.08%, in FY 2062/63 is 5.02%, in FY 2063/64 is 29.68%, in FY 2064/65 is 14.83%, in FY 2065/66 is 37.30%, in FY 2066/67 is 42.43%, in FY 2067/68 is 15.22% and FY 2068/69 is 10.91%.

Whereas the average growth rate of external source over the study period is 31.40%. The trend line of total revenue of Lekhanath municipality shows that it is in increasing trend.

The table shows that the Lekhanath municipality is depending more and more to an external source for its revenue collection instead of trace the error and to increase and mobilize internal source. Which is not good for proper development and its increase the dependency to the external donations, loans etc. This is not good for any local governmental body like municipality.

4.1.3 Analysis of Internal Revenue

Internal source of Lekhanath municipality are Local taxes, Fees and Fines property rental and other source of revenue such as income from tender and auction sales. All the revenue raised by Lekhanath municipality discussed separately during the study period FY 2059/60 through 2068/69.

Table 4.3: Tax and Non-Tax Revenue of Lekhanath Municipality
[FY 2059/60 through 2068/69]

Fiscal year	Taxable income		Non-tax revenue		Total	
	Amount	%	Amount	%	Amount	%
2059/60	860120.42	8.45	9321893.58	91.55	10182014	100
2060/61	591396.85	6.80	8109860.15	93.20	8701257	100
2061/62	977385.32	11.34	7642241.68	88.66	8619627	100
2062/63	977000	10.63	8211000	89.37	9188000	100
2063/64	1075584	10.13	9353494	89.69	10429078	100
2064/65	1101360	6.02	17190378	93.98	18291738	100
2065/66	2500000	8.33	27506332	91.67	30006332	100
2066/67	3100000	29.48	7415000	70.52	10515000	100
2067/68	3490000	28.21	8882500	71.79	12372500	100
2068/69	4500000	26.05	12774900	73.95	17274900	100

Source = Revenue section Lm

Fig. 4.3: Tax and Non-Tax Revenue of LM

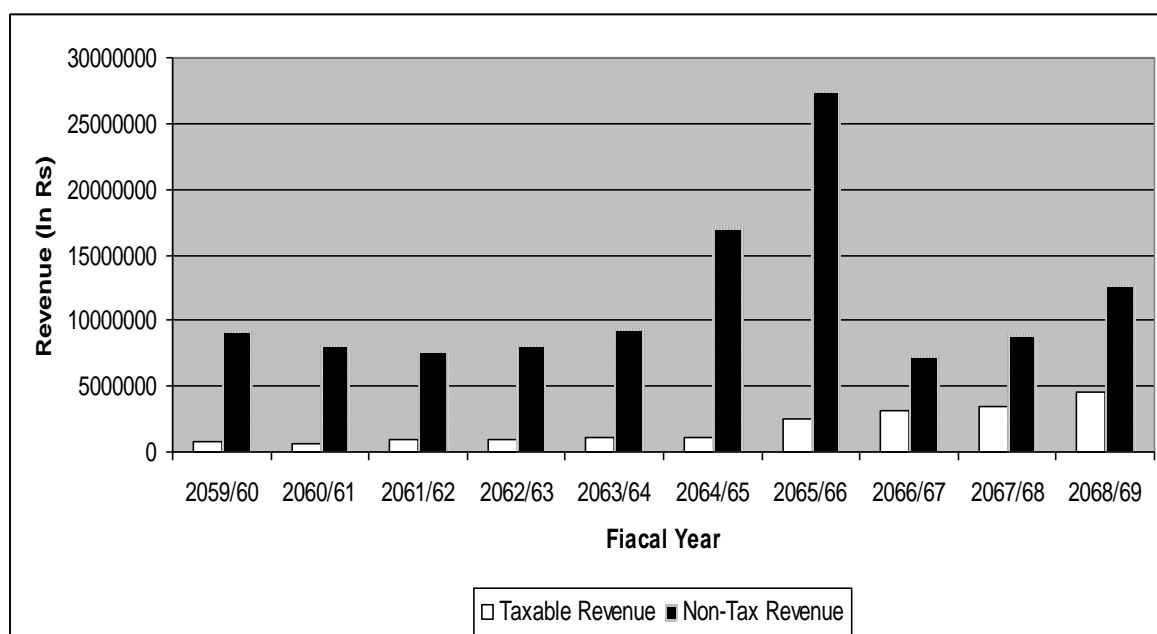


Table 4.3 shows that tax and non tax revenue of Lekhanath Municipality. Through out the study period [i.e. 2059/60 through 2068/69] the taxable revenue is dominant by Non- tax revenue. The taxable income includes House and Land Tax, Vehicle Tax, House Rent Tax, Business Tax, Entertainment Tax, Advertising tax etc; on the other hand Non- tax revenue includes Fees,

Fines, Property Rental and other Revenue. The contributions of Taxable income in internal source are 8.45% in FY 2059/60, 6.80% in FY 2060/61, 11.34% in FY 2061/62, 10.63% in FY 2062/63, 10.13% in FY 2063/64, 6.02% in FY 2064/65, 8.33% in FY 2065/66, 29.48% in FY 2066/67, 28.21% in FY 2067/68 and FY 2068/69 has 26.05% contribution to the taxable income. The average contribution on internal source over the ten year study period is 14.54%. The contribution of Non-tax revenue in internal revenue is higher than taxable revenue over the study period. The contribution of Non-tax revenue on internal source is 91.55%, 93.20%, 88.66%, 89.37%, 89.69%, 93.98%, 91.67%, 70.52%, 71.79%, and 73.95%. The average contribution of Non-tax revenue on internal source over the study period is 85.44%.

4.1.4 Growth and Trend in Tax and Non-tax Revenue

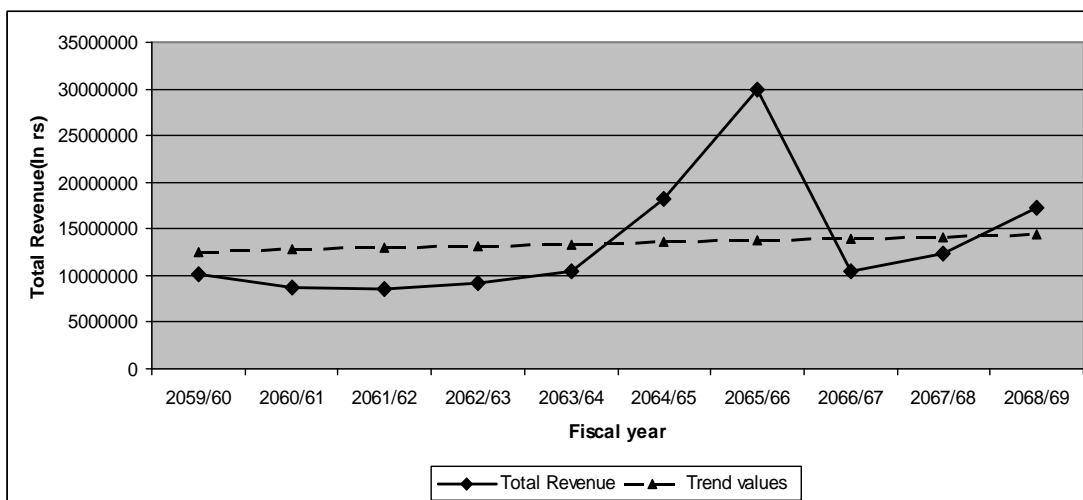
The income source of Lekhanath municipality is classified into two parts i.e. internal revenue and External revenue. Also internal revenue classified into two categories i.e. taxable revenue and non-tax revenue. The annual growth rate of taxable and non-tax revenue is given on table no 4.4.

**Table 4.4: Growth and Trend in Tax and Non-tax Revenue
[FY 2059/60 through 2068/69]**

Fiscal year	Taxable revenue		Non-tax revenue		Total	
	Amount	%	Amount	%	Amount	%
2059/60	860120.42	-	9321893.58	-	10182014	-
2060/61	591396.85	-31.24	8109860.15	-13	8701257	-14.5
2061/62	977385.32	65.27	7642241.68	-5.77	8619627	-0.94
2062/63	977000	-0.04	8211000	7.44	9188000	6.59
2063/64	1075584	10.09	9353494	13.91	10429078	13.51
2064/65	1101360	2.40	17190378	83.79	18291738	75.39
2065/66	2500000	126.99	27506332	60.01	30006332	64.04
2066/67	3100000	28	7415000	-73.04	10515000	-64.9
2067/68	3490000	12.58	8882500	19.79	12372500	17.67
2068/69	4500000	28.94	12774900	-43.82	17274900	39.62
Average growth rate		27	-	5.48	-	15.16

Source = Revenue section of LM

Fig. 4.4: Trend Line of Tax and Non-tax Revenue

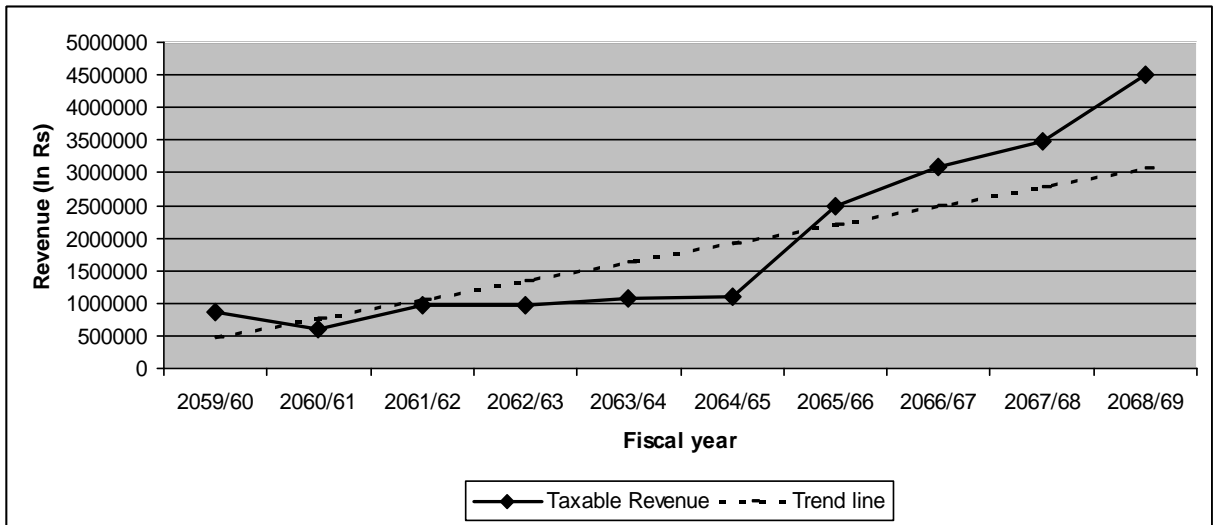


The annual growth rate of taxable revenue is -31.24% on 2060/61, 65.27% on FY 2061/62, -0.04% on FY 2062/63, 10.09% on FY 2063/64, 2.40% on FY 2064/65, 126.99% on FY 2065/66, 28% on FY 2066/67, 12.58% on FY 2067/68 and 28.94% on FY 2068/69. And the average growth rate during the study period is 27%. The taxable revenue of Lekhanath municipality is not in any form or any trend which is fluctuating over the period of time.

On the other hand the growth rate of non-tax revenue is -13% on FY 2060/61, -5.77% on FY 2061/62, 7.44% on FY 2062/63, 13.91% on FY 2063/64, 83.79% on FY 2064/65, 60.01% on FY 2065/66, -73.04% on FY 2066/67, 19.79% on FY 2067/68 and -43.82% on FY 2068/69.

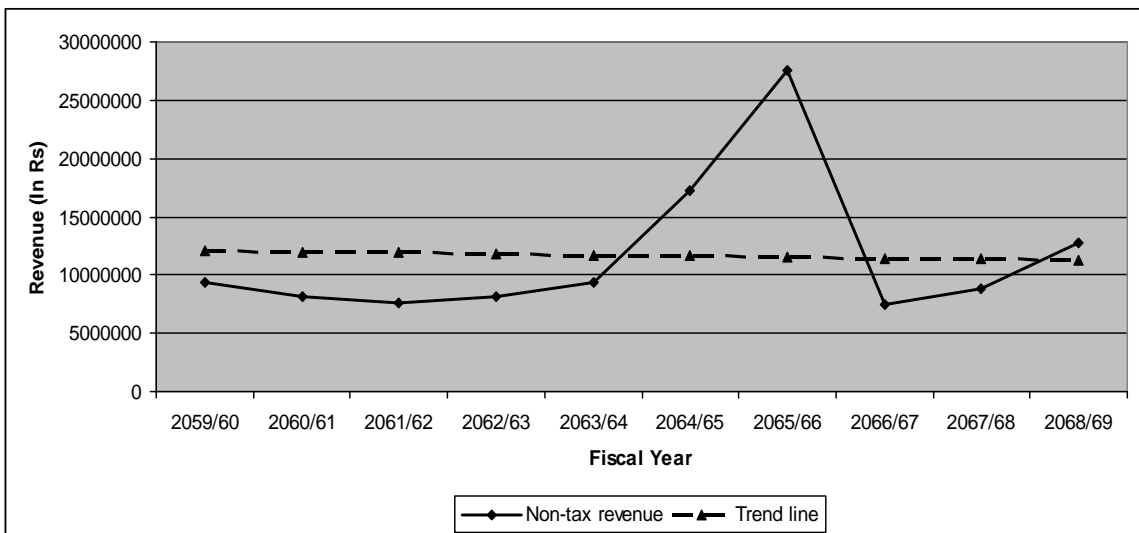
And the average growth rate during the study period is 5.48%. The non-tax revenue of Lekhanath municipality is not in any form or any order which is fluctuating over the period of time.

Fig. 4.4.1: Trend line of taxable revenue



Initially, the trend line of taxable revenue is fluctuating over the year and year until the FY 2063/64 (i.e. FY 2060/61, 2061/62 and 2062/63). After 2063/64 the trend line of taxable revenue is upward sloping during the study period. (I.e. FY 2064/65, 2065/66, 2066/67, 2067/68 and 2068/69).

Fig. 4.4.2: Trend line of non- tax revenue



The trend line of taxable revenue is below the trend line until the FY 2063/64, it means it is below the average. At fiscal year 2065/66 it is on the highest point. After this the line down below the trend line at FY 2066/67 and after it the line has positive move.

4.1.5 Analysis of Taxable Revenue

The taxable income includes House and Land Tax, Vehicle Tax, House Rent Tax, Business Tax, Service charge and other etc. We know tax is the tax is the most significant factor in internal revenue. As we go through the table 4.5 we find the house and land tax and house and land tax are the most significant tax in raising the internal fund for Lekhanath municipality. As mention in the local self government act 2055 the main source of tax of municipality is house and land tax, Vehicle tax, Business/wealth tax, some services charges, House rent tax and other so we mention these on the table.

Table 4.5: Tax Revenue

FY	House and land tax		Vehicle tax		House rent tax		Business /wealth tax		Service charge		Other tax	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	300653	35.94	2900	.004	-	-	240320	28	60296	7.01	255951	29.8
2060/61	454006	76.77	13390	2.3	-	-	-	-	65300	11.1	58701	9.93
2061/62	500278	51.19	-	-	10640	1.1	360497	36.9	70896	7.25	35074	3.57
2062/63	647472	66.27	13650	1.40	1680	0.17	148500	15.2	75300	7.71	90398	9.25
2063/64	637782	59.30	4600	0.43	4680	0.44	327898	30.5	73562	6.84	27064	2.52
2064/65	656862	59.6	47330	4.3	6770	0.61	307026	27.9	72124	6.55	11248	1.02
2065/66	1147265	45.8	44000	1.76	7123	0.28	568680	22.8	132420	5.30	600512	24.1
2066/67	1465748	47.3	42120	1.4	6320	0.2	687986	22.2	174512	5.63	723314	23.3
2067/68	1522350	43.6	45360	1.3	5652	0.16	798650	22.9	180450	5.19	937538	26.86
2068/69	1884956	41.9	44000	1.04	7500	0.2	1155000	25.4	182450	4.05	1226094	27.25

Source = Tax section of LM

As shown in the table 4.5, the significant source of taxable revenue of lekhanath municipality is House and lane tax during the study period. It is 35.94% on FY 2059/60, on FY 2060/61 it increase to 76.77% it is the highest return during the study period, again it decreased to 51.19% on FY 2061/62, on FY it increase to 66.27%, and then it decreased to 59.30% on FY 2063/64, on FY 2064/65 59.6%, 45.8% on FY 2065/66, 47.3% on FY 2066/67, 43.6% on FY 2067/68, and 41.9% on FY 2068/69. The average return during the study period is 52.77%.

The contribution from vehicle tax is so low during the study period. The returns are 0.004% on FY 2059/60, on FY 2060/61 it increase to 2.3%, on FY 2061/62 the return is not available, on FY 2062/63 is 1.40%, on FY 2063/64 is 0.43%, on FY 2064/65 is 4.3%, 1.76% on FY 2065/66, 1.4% on FY 2066/67, on FY 2067/68 is 1.3%, on FY 2068/69 is 1.04%. On an average return of vehicle tax during the study period is 1.55%.

Another lower return provider during the study period is House rent tax. The first and second (2059/60 and 2060/61) year's return are not available. On FY 2061/62 is 1.1%, on FY 2063/64 is 0.44% on FY 2064/65 is 0.61%, on FY 2065/66 is 0.28%, on FY 2066/67 is 0.2% 0.16% return on FY 2067/68 and FY 2068/69 is 0.2%. The average return during the study period is 0.40%.

The municipality also raised funds from business/wealth tax also. It is another significant source for the Lekhanath municipality during the study period. On FY 2059/60 the return from Business/Wealth tax is 28%, for the period of FY 2060/61 the data related to this topic is not available. On FY 2061/62 the return increase to 36.9%, on FY 2062/63 15%, on FY 2063/64 is 30.5%, on FY 2064/65 is 27.9%, on FY 2065/66 22.8, on FY 2066/67 is 22.2, on FY 2067/68 is 22.9 and lastly on FY 2068/69 is 25.4%. The average return during the study period is 25.76%.

The municipality raises funds from service tax also. It would risen from the charge of different kind of facility that municipality can provide to their residence. The average return during the study period is 6.66%.

4.1.6 Analysis of Non-tax Revenue

The Lekhanath municipality raised revenue from non-tax sources such as fees and fines, property rental and other. The non-tax revenue their respective contribution to the total, raised from different sources and their respective contribution to the non-tax revenue are given in table 4.6.

Table 4.6: Non-tax Revenue
[FY 2059/60 through 2068/69]

FY	Fees and fines		Property rental		Other		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	5045303	54.12	556567	5.97	3720024	39.91	9321894	100
2060/61	5359608	66.09	1262174	15.56	1488078	18.35	8109860	100
2061/62	3961105	51.83	1288891	16.87	2392246	31.30	7642242	100
2062/63	6088737	74.15	702954	8.56	1419309	17.29	8211000	100
2063/64	6161489	65.87	696925	7.45	2495080	26.68	9353494	100
2064/65	11342114	65.98	373676	2.17	5474588	31.85	17190378	100
2065/66	18532569	67.38	577385	2.09	8396378	30.53	27506332	100
2066/67	6265032	84.49	344978	4.65	804990	10.86	7415000	100
2067/68	6563524	73.89	465978	5.25	1852998	20.86	8882500	100
2068/69	9867265	77.24	524698	4.11	2382937	18.65	12774900	100

Source = Revenue section of LM

The table 4.6 shows revenue collection from non-tax revenue for Lekhanath municipality. Contribution of fees and fines is the most significant non-tax source for Lekhanath municipality. Its contribution on FY 2059/60 is 54.12%, on FY 2060/61 66.09%, on FY 2061/62 is 51.83%, on FY 2062/63 us 74.15%, on FY 2063/64 is 65.87, on FY 2064/65 is 65.89%, on FY 2065/66 is 67.38%, on FY 2066/67 is 84.49%, on FY 2067/68 is 73.83% and finally FY 2068/69 is 77. 24%. Average return from fees and fine is 68.10% during the over study period.

Another source of non-tax revenue is property rental which is collected from property that can be rented by the municipality. Its contribution on non-tax revenue is 5.97% on FY 2059/60, on FY 2060/61 is 15.56%, on FY 2061/62 is 16.87%, on FY 2062/63 is 8.56%, on FY 2063/64 is 7.45%, on FY 2064/65 is 2.17%, on FY 2065/66 is 2.09%, on FY 2066/67 is 4.65%, on FY 2067/68 is 5.25% and on FY 2068/69 is 4.11. Average return from Property rental is 7.27% during the study period.

The contribution from other revenue 39.91% on FY 2059/60, on FY 2060/61 is 18.35%, on FY 2061/62 is 31.30, on FY 2062/63 is 17.29%, on FY 2063/64 is 26.68%, on FY 2064/65 is 31.85%, on FY 65/66 is 30.53%, on FY 2066/67 is 10.86%, on FY 2067/68 is 20.86 and FY 2068/69 is 18.65%.

Thus all source Fees and fines, Property rental and other revenue has fluctuate. We did not find any order on non-tax revenue of Lekhanath municipality.

4.1.7 Analysis of External Revenue

Besides internal collection of revenue, municipalities also raise revenue through external sources in the form of Grants (from Government of Nepal), Development Grants, Administration Grants, District Development Board, TD Grants (internal borrowing and external borrowing) and loan etc. Grants are mainly by the central government to carry out specific development activities and also to support employee. Municipalities are also authorized to take loans from other organization too, if there is a deficit in development expenditure.

Table 4.7: External Revenue

(FY2059/60 through 2068/69)

FY	Grants		Loans		Mis.income		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	6701907	49.16	5287694	38.79	1643125	12.05	13632726	100
2060/61	7872989	26.97	9402220	32.21	11913751	40.82	29188960	100
2061/62	8752818	26.52	5431546	16.60	18822988	57.03	33007352	100
2062/63	8228256	23.74	5633809	16.25	20803460	60.01	34665525	100
2063/64	15570000	34.64	4678967	10.41	24703832	54.96	44952799	100
2064/65	21436069	41.56	1536697	2.98	28645152	55.49	51617918	100
2065/66	49510473	69.86	5871489	8.28	15490814	21.86	70872776	100
2066/67	62800000	62.20	6574598	6.51	31590540	31.29	100965138	100
2067/68	78568965	67.54	5469870	4.70	32296165	27.76	116335000	100
2068/69	89275000	69.19	4964230	3.85	34791770	26.96	129031000	100

Source = Revenue section of LM

The table 4.7 shows revenue collection from external revenue for Lekhanath municipality. The contribution of loan on FY 2059/60 is 38.79%, on FY 2060/61 is 32.21%, on FY 2061/62 is 16.60%, on FY 2062/63 is 16.25%, on FY 2063/64 is 10.41%, on FY 2064/65 is 2.98%, on FY 2065/66 is 8.28%, on FY 2066/67 is 6.51%, on FY 2067/68 is 4.70 and FY 2068/69 is 3.38%. The average contribution of loans during the study period is 14.06%.

Miscellaneous is another source of revenue for Lekhanath municipality on external source. Its contribution of FY 2059/60 is 12.05%, on FY 2060/61 is 40.82%, on FY 2061/62 is 57.03%, on FY 2062/63 is 60.01%, on FY 2063/64 is 54.96%, on FY 2064/65 is 55.49%, on FY 2065/66 is 21.86%, on FY 2066/67 is 31.29%, on FY 2067/68 is 27.76% and on FY 2068/69 is 26.96%. The average contribution of miscellaneous income during the study period is 38.82%.

Grants: Grants is another major source of external revenue. It includes administrative grants, development grants, district development grants and town development fund ford. Grants revenue from these sources are given in table 4.8

Table 4.8: Grants Received by LMC**(FY2059/60 through 2068/69)**

FY	Adm. Grants		Dev. Grants		Dis. Grants		Dev. TDFB. Grant		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	700000	10.5	2500000	37.3	1110368	16.5	2391539	35.7	6701907	100
2060/61	700000	8.9	4080000	51.8	1000000	12.7	2092989	26.6	7872989	100
2061/62	695575	7.9	4471340	51.1	-	-	3585903	41	8752818	100
2062/63	874001	10.6	4940256	60.0	-	-	2413999	29.4	8228256	100
2063/64	800000	5.1	9070000	58.3	5700000	36.6	-	-	15570000	100
2064/65	800000	3.7	5004069	23.3	13242000	61.8	2390000	11.2	21436069	100
2065/66	5350000	10.8	20000000	40.4	22000000	44.4	2160473	4.4	49510473	100
2066/67	9568000	15.2	27845000	44.3	24507000	39.0	880000	1.4	62800000	100
2067/68	12108900	15.4	29860065	38.0	27100000	34.5	9500000	12.1	78568965	100
2068/69	18468000	20.7	31175000	34.9	30032000	33.6	9600000	10.8	89275000	100

Source: Revenue section of LM

The contribution of administrative grants is 10.9% on an average during the study period. Contribution of development grants is highest among the grants which is 43.9% during the study period. The contribution of district development grants is 27.9%. The contribution of Town Development Fund Board grant is 17.3% during the study period.

4.1.8 Growth and Trend in External Revenue

As mentioned early the municipality can raise funds from different source it receive from government as a grants which is called government grants. The government typically provides two types of grants administrative and development grants. Municipalities have authority to take loans from different organizations. Revenue raised from different source along with its growth rate is given in table 4.9.

Table 4.9: External revenue

(FY2059/60 through 2068/69)

FY	Grants		Loans		Mis. income		Total	
	Amount	growth	Amount	growth	Amount	growth	Amount	growth
2059/60	6701907	-	5287694	-	1643125	-	13632726	-
2060/61	7872989	17.5	9402220	77.81	11913751	625.07	29188960	114.11
2061/62	8752818	11.2	5431546	- 42.23	18822988	57.99	33007352	13.08
2062/63	8228256	- 6.0	5633809	3.72	20803460	10.52	34665525	5.02
2063/64	15570000	89.2	4678967	- 16.98	24703832	18.75	44952799	29.68
2064/65	21436069	37.68	1536697	- 67.16	28645152	15.95	51617918	14.83
2065/66	49510473	130.97	5871489	282.09	15490814	- 45.92	70872776	37.30
2066/67	62800000	26.84	6574598	11.97	31590540	103.93	100965138	42.46
2067/68	78568965	25.11	5469870	- 16.80	32296165	2.23	116335000	15.22
2068/69	89275000	13.63	4964230	- 9.24	34791770	7.73	129031000	10.91

Source = Revenue section of LM

Fig. 4.5: Growth and Trend of External Revenue

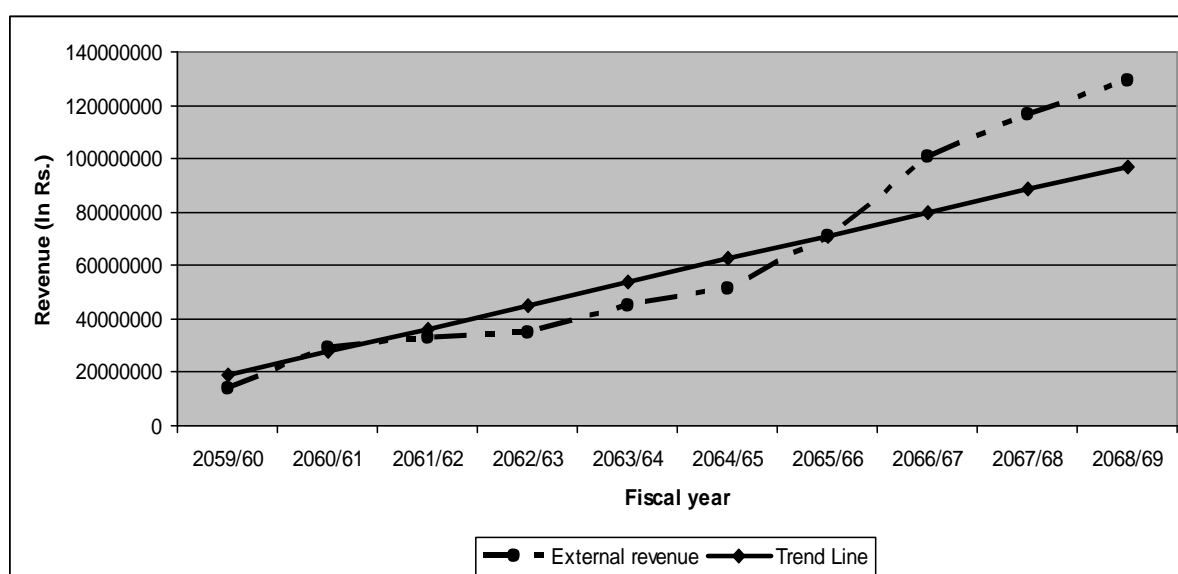


Table 4.9 shows the annual growth rate of grants, loans, miscellaneous income and total revenue. The growth rate of grants on FY 2060/61 is 17.5%, on FY 2061/62 is 11.2%, on FY 2062/63 is -6%, on FY 2063/64 is 89.2%, on FY 2064/65 is 37.68%, on FY 2065/66 is 130.97%, on FY 2066/67 is 26.84%, on FY 2067/68 is 25.11%, and FY 2068/69 is 13.63%. The average growth rate of grants during the study period is 34.62%. On the other hand the growth rate of loans are 77.81%, - 42.23%, 3.72%, -16.98%, - 67.16%, 282.09%, 11.97%, -

16.80%, - 9.24% through fiscal year 2060/61 to 2068/69. The average growth rate of loans during the study period is 23.32%. And growth rate of miscellaneous income are 625.07%, 57.99%, 10.52%, 18.75%, 15.95%, - 45.92%, 103.93%, 2.23%, 7.73% during the study period fiscal year 2060/61 through 2068/69. The average growth rate of miscellaneous income during the study period is 79.63%.

The growth rate of total amount is 114.11% on FY 2060/61, on FY 2061/62 is 13.08%, on FY 2062/63 is 5.02%, on FY 2063/64 is 29.68%, on FY 2064/65 is 14.83%, on FY 2065/66 is 37.30%, on FY 2066/67 is 42.46%, on FY 2067/68 is 15.22% and FY 2068/69 is 10.91%. The average growth rate of total revenue is 28.26% during the study period. The trend line of external revenue somehow does not follow the movement of trend line.

4.1.9 Analysis of Expenditure Pattern of Lekhanath Municipality

Expenditure pattern of Lekhanath municipality refers to the expenses incurred by the Lekhanath municipality to preserve the welfare of society as a whole. In other words expenses made to satisfy the common wants of its people which they cannot satisfy individually their own. It is for protecting the citizen or for promoting their economic and social welfare.

Municipal expenditure is divided mainly into two parts i.e. regular expenditure and development expenditure. Development expenditure is a combination of social program and expenditure on capital investment and regular expenditure includes day to day expenses such as current expenditure, dept payment and ordinary capital. The amount of both expenditure are shown in table 4.10

Table 4.10: Development and Regular Expenditure of LM

(FY2059/60 through 2068/69)

Fiscal year	Regular exp.		Development exp.		Total	
	Amount	%	Amount	%	Amount	%
2059/60	5001101	30.94	11162978	69.06	16164079	100
2060/61	6055982	17.31	28927128	82.69	34983110	100
2061/62	7725992	23.24	25511718	77.76	33237710	100
2062/63	7539862	20.05	30058405	79.99	37598267	100
2063/64	9095417	20.63	34995580	79.37	44090997	100
2064/65	14664000	21.82	52546000	78.18	67210000	100
2065/66	17520000	16.65	87735138	83.35	105255138	100
2066/67	12481400	13.92	77193300	86.08	89674700	100
2067/68	21016000	18.96	89843398	81.04	110859398	100
2068/69	29836000	23.22	98665000	76.78	128501000	100

Source = Revenue section of LM

Fig. 4.6: Development and Regular Expenditure of LM

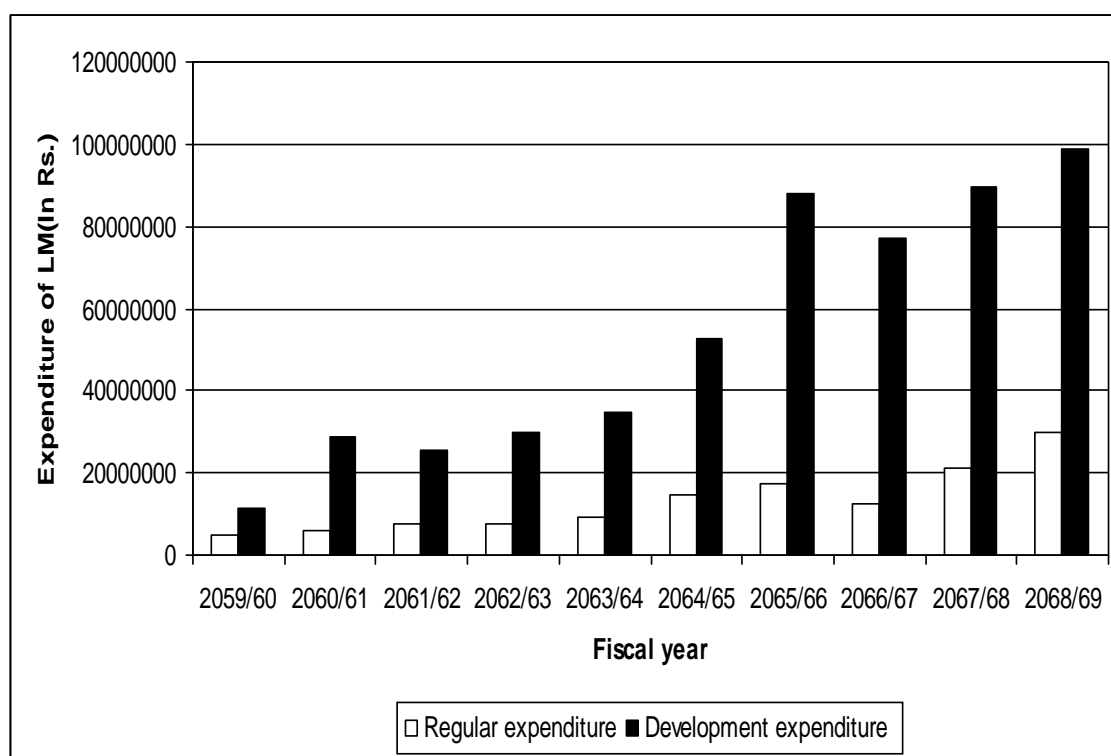


Table 4.10 shows that the expenditure of Lekhanath municipality which consists of regular and development expenditure. Development expenditure is a combination of development expenditure and social investment and regular expenditure includes day to day expenses i.e. salary, rent, fuel, electricity and

other day to day expenses. The regular expenditure is 30.94% on FY 2059/60, on FY 2060/61 is 17.94%, on FY 2061/62 is 23.24%, on FY 2062/63 is 20.05%, on FY 2063/64 is 20.63%, on FY 2064/65 is 21.82%, on FY 2065/66 is 16.65%, on FY 2066/67 is 13.92%, on FY 2067/68 is 18.96% and on FY 2068/69 is 23.22%. The average expenditure on Regular expenditure during the study period is 20.67%. Development expenditure is 69.06% on FY 2059/60, on FY 2060/61 is 82.69% on FY 2061/62 is 77.76%, on FY 2062/63 is 79.99%, on FY 2063/64 is 79.37%, on FY 2064/65 is 78.18%, on FY 2065/66 is 83.35%, on FY 2066/67 is 86.08%, on FY 2067/68 is 81.04% and on FY 2068/69 is 76.78%. The average contribution of development expenditure is 79.43% during the study period.

Figure 4.6 shows the regular expenditure and development expenditure on chart table which is shows that the regular expenditure is dominant by development expenditure which includes of capital investment, high maintenance expenditure, and other big investment done by municipality to give facilities to its residence. Regular expenditure is fully dominant every fiscal year 2059/60 through 2068/69. Which indicates Lekhanath municipality is done more investment to the capital investment to develop and to fulfill the public demand and to develop the municipality area.

4.1.10 Growth and Trend in Municipal Expenditure

The amount of both regular and development expenditure along with its growth rate is given on table 4.11.

**Table 4.11: Growth of Municipal Expenditure
(FY2059/60 through 2068/69)**

Fiscal year	Regular exp.		Development exp.		Total	
	Amount	%	Amount	%	Amount	%
2059/60	5001101	-	11162978	-	16164079	-
2060/61	6055982	21.09	28927128	159.13	34983110	116.43
2061/62	7725992	27.58	25511718	- 11.81	33237710	- 4.99
2062/63	7539862	- 2.41	30058405	17.80	37598267	13.12
2063/64	9095417	20.63	34995580	16.43	44090997	17.27
2064/65	14664000	61.22	52546000	50.15	67210000	52.43
2065/66	17520000	19.48	87735138	66.97	105255138	56.56
2066/67	12481400	- 28.76	77193300	-12.02	89674700	- 14.38
2067/68	21016000	68.38	89843398	16.39	110859398	23.62
2068/69	29836000	41.97	98665000	9.85	128501000	15.91
Average growth		22.92	-	31.29	-	27.60

Source = Revenue section of LM

Fig. 4.7 Trend line of Municipal Expenditure

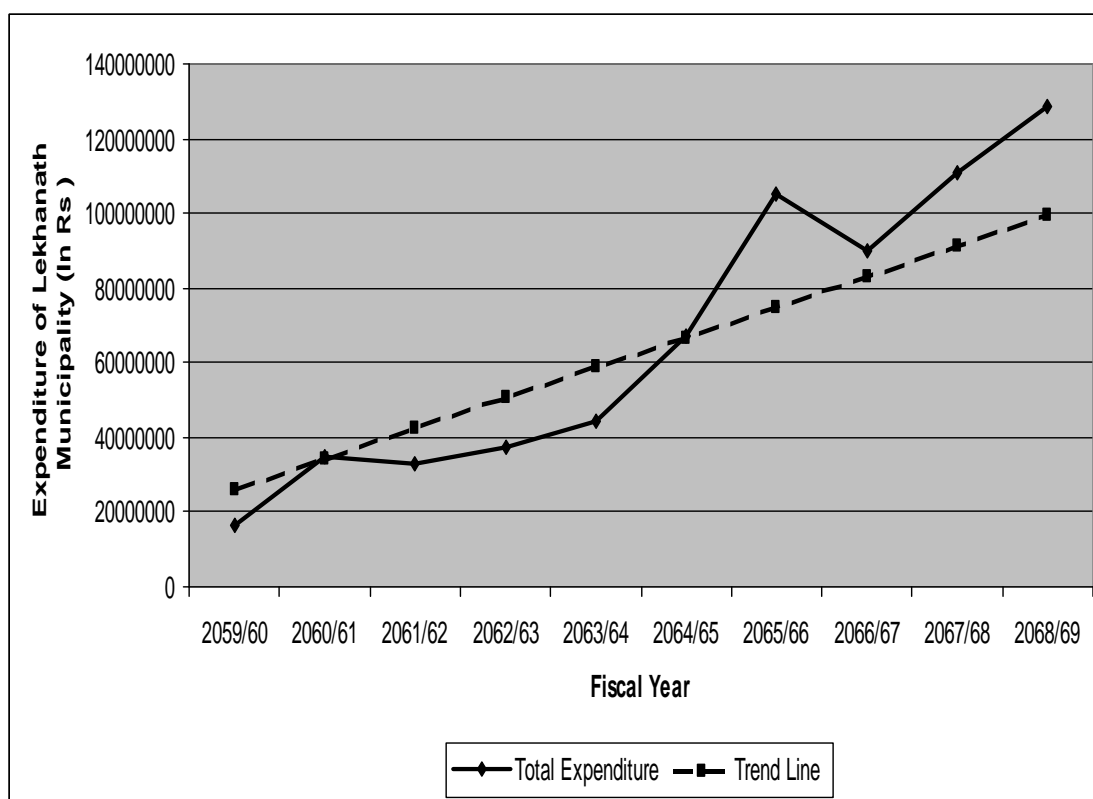


Table 4.11 shows that the growth of Regular and Development expenditure of Lekhanath Municipality. The growth rate of Regular expenditure is 21.09% on FY 2060/61, on FY 2061/62 is 27.58%, on FY 2062/63 the growth rate is on negative which is - 2.41%, on FY 2063/64 is 20.63%, on FY 2064/65 is 61.22%, on FY 2065/66 is 19.48%, on FY 2066/67 is -28.76%, on FY 2067/68 growth rate is 68.38% which is the highest growth rate during the study period and on FY 2068/69 is 41.97%. The average growth rate of regular expenditure during the study period is 22.92%.

Similarly, the growth rate of development expenditure is 159.13% on FY 2060/61 which is the highest growth rate of development expenditure during the study period. On FY 2061/62 the growth rate is negative which is -11.81%, on FY 2062/63 is 17.80%, on FY 2063/64 is 16.43%, on FY 2064/65 is 50.15%, on FY 2065/66 is 66.97%, on FY 2066/67 is -12.02%, on FY 2067/68 is 16.39%, on FY 2068/69 is 9.85%. The average growth rate of development expenditure during the study period is 31.29%.

The figure 4.7 shows the trend line of municipal expenditure and the total expenditure line. The trend line of expenditure pattern of Lekhanath municipality is upward slopping. From the beginning the total expenditure line is bellow the trend line which indicates that the low expenditure. The last four fiscal year (2065/66, 2066/67, 2067/68 and 2068/69) has higher expenditure then the trend because the trend line is below the total expenditure line.

4.1.11 Analysis of Regular Expenditure

Regular expenditure of Lekhanath municipality is divided in to three board categories. They are describing as below.

-) **Current expenditure** refers to that expenditure which occurs in the smooth operation and administration of municipal bodies. It should keep minimum level without hampering the developmental activities. The municipal rule and regulation of 2049 has prescribed a limit of 30% of

the total municipality budget. It includes salary, allowances, Traveling and daily allowances, utility services charge, rent, repair and maintenance, printing, newspaper, fuel and others.

) **Ordinary expenditure** refers to that expenditure on goods that have been used for more than one year. Such as furniture, vehicle and machinery equipment used and needed for municipality office.

) **Dept payment** is that kind of expenditure which is made for the payment for debt. Dept payment is essential for every municipality.

Table 4.12: Regular Expenditure of LM

(FY2059/60 through 2068/69)

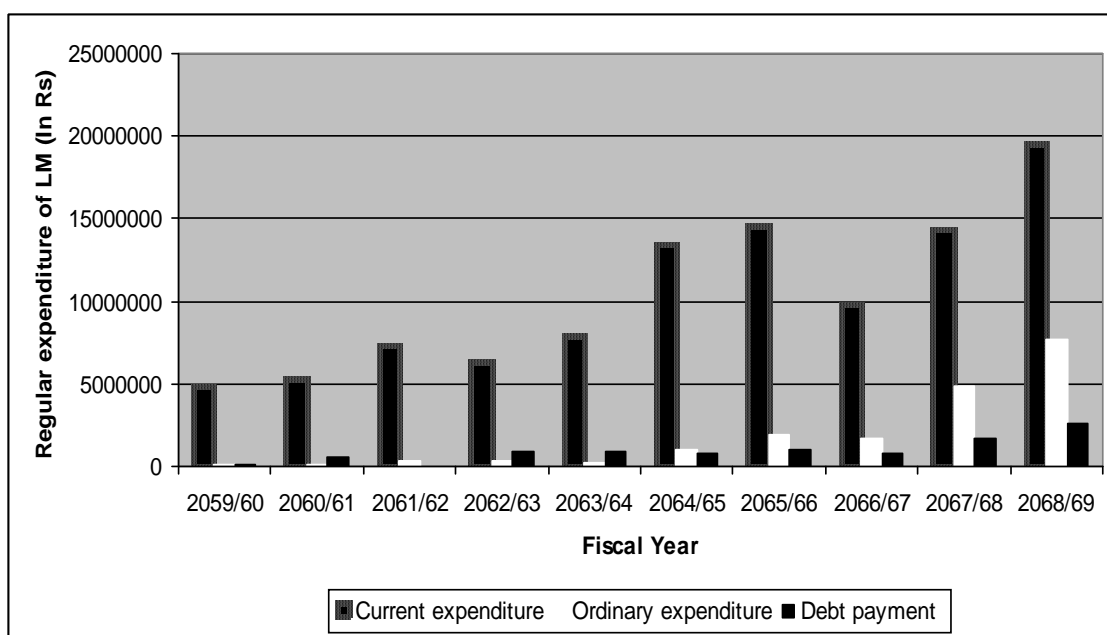
FY	Current expenditure		Ordinary expenditure		Debt payment		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	4866948	97	60461	1.21	73692	1.47	5001101	100
2060/61	5360381	88.51	145601	2.41	550000	9.08	6055982	100
2061/62	7332076	94.90	393916	5.10	-	-	7725992	100
2062/63	6294862	83.49	330000	4.38	915000	12.14	7539862	100
2063/64	7925898	87.14	217965	2.40	951554	10.46	9095417	100
2064/65	13453719	91.75	977001	6.66	833280	5.68	14664000	100
2065/66	14579600	83.22	1925400	10.99	1015000	5.79	17520000	100
2066/67	9895760	79.28	1750000	14.02	835640	6.70	12481400	100
2067/68	14395419	68.50	4875619	23.20	1744890	8.30	21016000	100
2068/69	19564910	65.57	7685460	25.76	2585630	8.67	29836000	100

Source = Revenue section of LM

Table 4.12 shows the regular expenditure of Lekhanath municipality. Regular expenditure is a combination of current expenditure, ordinary expenditure and debt payment. Current expenditure occupy highest portion of expenditure during the study period. It occupy 97%, 88.51%, 94.90%, 83.49%, 87.14%, 91.75%, 83.22%, 79.28%, 68.50% and 65.57% for the FY of 2059/60 through 2068/69 respectively. The average expenditure on current expenditure is 77.38% during the study period. The average expenditure on ordinary expenditure is 9.71% during the study period. The trend expenditure on

ordinary expenditure is increasing rate during the study period. The average expenditure on debt payment of Lekhanath municipality is 6.83% during the study period. On fiscal year 2061/62 there is no any amount of expenditure on debt payment.

Fig. 4.8: Regular Expenditure



The figure 4.8 shows the regular expenditure which is combination of current expenditure, ordinary expenditure and debt payment of Lekhanath municipality. Municipality expenses on current expenditure are highest during the study period, on an average the expenditure on current expenditure is 77.38% during the study period. On the other hand the expenditure on ordinary and debt payment is lesser to the compare of current expenditure. The average expenditure on ordinary and debt payment is 9.71% and 6.83% respectively during the study period. It shows that the Lekhanath municipality is expending its regular expenditure highly on current expenditure. It is the expenses which is for smooth run the office and give the good working environment for its employee. The municipal rule and regulation of 2049 has prescribed a limit of 30% of the total municipality budget. The Lekhanath municipality has average current expenditure during the study period is 17.53%. The ordinary expenditure is increasing in rate during the study period as the table 4.8.

**Table 4.13: Current Expenditure
(FY2059/60 through 2068/69)**

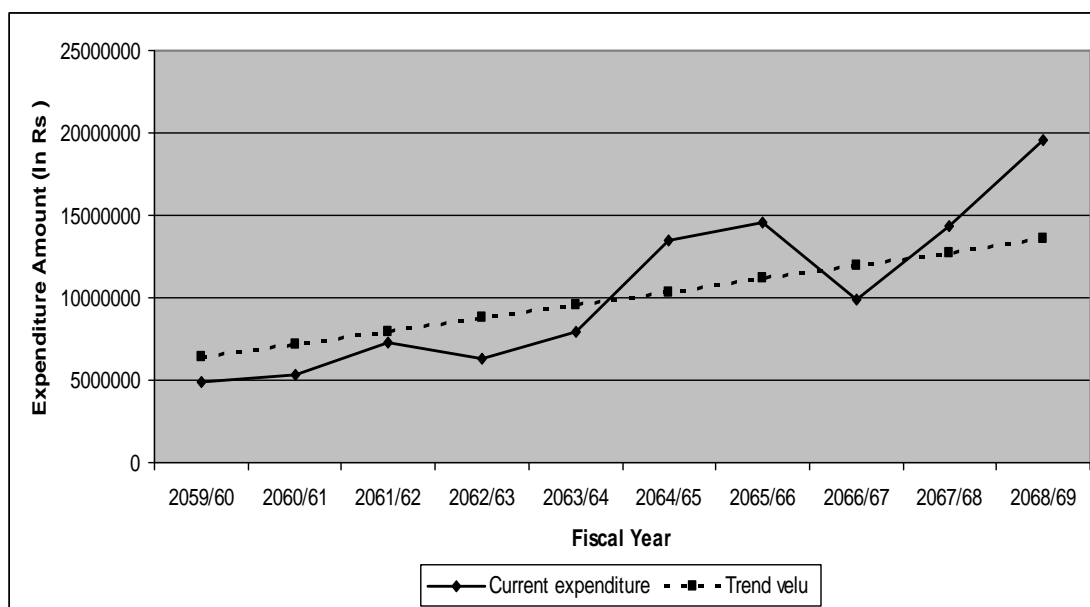
FY	Salaries		Allowances		Travel expenditure		Insurance		Rent	
	Amount	%	Amount	%	amount	%	amount	%	Amount	%
2059/60	2187129	44.9	99634	2.05	131026	2.69	355890	7.31	102555	2.11
2060/61	2255893	42.1	324131	6.05	149662	2.79	464074	8.66	327737	6.11
2061/62	3005780	41	386143	5.27	206157	2.81	536457	7.32	345125	4.71
2062/63	2964662	47.1	386623	6.14	229564	3.65	525526	8.35	31055	0.49
2063/64	4013447	50.6	385920	4.89	200000	2.63	508083	6.41	105200	1.33
2064/65	5316190	39.5	680442	5.06	568420	4.23	385462	2.87	213540	1.59
2065/66	5956450	40.9	782450	5.37	634500	4.35	465230	3.19	193300	1.33
2066/67	6012450	60.8	545210	5.51	496325	5.02	364500	3.68	85600	0.87
2067/68	6987200	48.5	879520	6.11	754120	5.24	478693	3.33	130000	0.90
2068/69	7623450	39	982456	5.02	845200	4.32	637540	3.26	145000	0.74

Contd.

Fuel		Office supplies		Repair and maintenance		Financial Ass. /donation		Other expenses		Total	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
263150	5.41	358866	7.37	68455	1.41	253676	5.21	1046567	21.5	4866948	100
177636	3.31	571962	10.7	152829	2.85	210170	3.92	726287	13.6	5360381	100
205369	2.80	578889	7.89	257356	3.51	228398	3.12	1582402	21.6	7332076	100
198564	3.15	579891	9.21	215403	3.42	75950	1.21	1115524	17.7	6294862	100
125974	1.59	604587	7.63	235690	2.49	199000	2.51	1547997	19.6	7925898	100
301184	2.24	823298	6.12	344650	2.56	235150	1.75	4585473	34.1	13453719	100
453200	3.11	986420	6.77	410500	2.82	295400	2.03	4402150	30.2	14579600	100
521300	5.27	623200	6.30	86500	0.87	-	-	1160675	11.8	9895760	100
682400	4.72	992560	6.89	579600	4.06	245300	1.70	2666026	18.2	14395419	100
956200	4.89	894650	4.57	745000	3.81	765365	3.91	5970049	30.5	19564910	100

Source = Revenue section of LM

Fig. 4.9: Trend in Current Expenditure



Under the heading of current expenditure, the highest percentage of total current expenditure is on salaries i.e. 44.9% on FY 2059/60, on FY 2060/61 is 42.1%, on FY 2061/62 is 41%, on FY 2062/63 is 47.1%, on FY 2063/64 is 50.60%, on FY 2064/65 is 39.5%, on FY 2065/66 is 40.9%, on FY 2066/67 is 60.80%, on FY 2067/68, is 48.5% and FY 2068/69 is 39%. The average expenditure on salaries during the study period is 45.44%.

Allowance is another heading of current expenditure. In it include allowances for the employee who represent himself/herself from Lekhanath municipality on different kind of programmed that held throughout the country or outside the country. The average expenditure on allowances is 5.147% during the study period. The other expenses like travel expenditure, insurance, rent, fuel, office supplies, repair and maintenance, financial assistance/donation has average expenditure as follows 3.773%, 5.438%, 2.018%, 3.649%, 7.345%, 2.78%, 2.8178% respectively during the study period. The other expense covers all other expenses except these done by the Lekhanath municipality. The average expenditure on other expenditure is 21.88% during the study period.

Figure 4.9 shows the trend in current expenditure. The figure shows that initially five fiscal year has expenditure on current expenditure below the trend line. It means the expenditure is lesser then the trend value. Fiscal year 2064/65 and 2065/66 have expenditure above the trend line, again on Fiscal year 2066/67 it goes down to the trend line and last two fiscal year which shows the increasing trend. We can say that the expenditure is fluctuating.

**Table 4.14: Ordinary Capital Expenditure of LM
(FY2059/60 through 2068/69)**

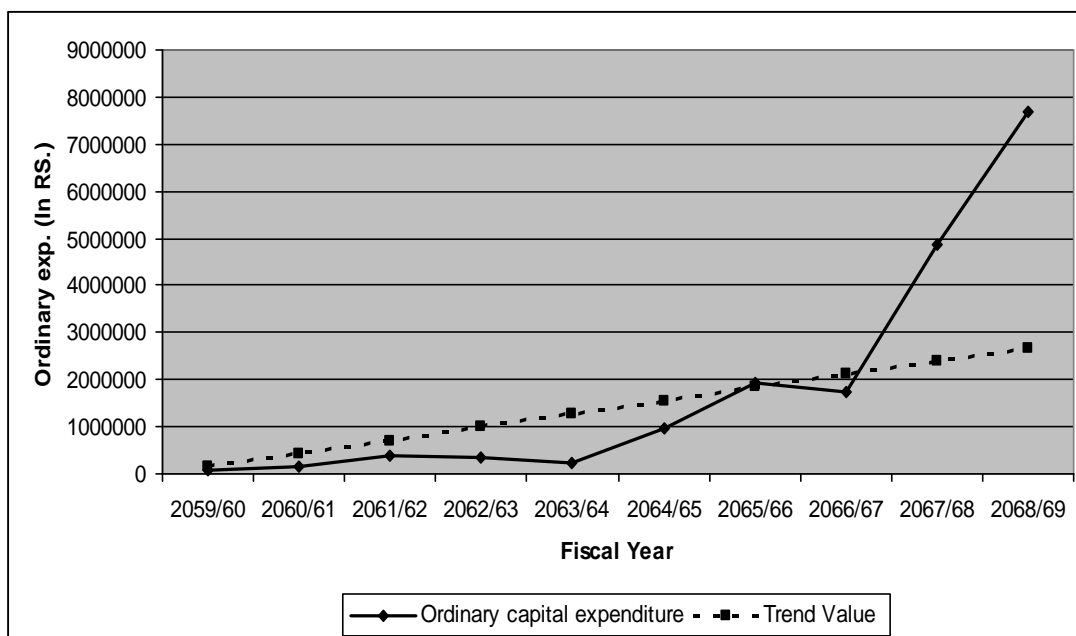
FY	Furniture		Machinery		Vehicle		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	19452	32.19	34226	56.61	6783	11.22	60461	100
2060/61	-	-	112868	77.52	32733	22.48	145601	100
2061/62	32460	8.24	175620	44.58	185836	47.18	393916	100
2062/63	25460	7.72	98500	29.85	206040	62.44	330000	100
2063/64	45200	20.74	105300	48.31	67465	30.95	217965	100
2064/65	-	-	236450	24.20	740551	75.80	977001	100
2065/66	55254	2.87	630450	32.74	1239696	64.39	1925400	100
2066/67	68400	3.91	885460	50.60	796140	45.49	1750000	100
2067/68	63200	1.30	678500	13.85	4133919	84.47	4875619	100
2068/69	95400	1.24	2845450	73.02	4744610	61.73	7685460	100

Source = Revenue section of LM

Table 4.14 shows the ordinary capital expenditure of Lekhanath municipality. The ordinary capital expenditure is a combine expenditure done on Furniture, machinery equipment, and vehicle. Machinery and vehicle occupy the most expenditure on Lekhanath municipality. Furniture occupy the 32.19% on FY 2059/60, there is no data available for the Fiscal year 2060/61, on FY 2061/62 is 8.24%, on FY 2062/63 is 7.72%, on FY 2063/64 is 20.74%, on FY 2064/65 data not available, on FY 2065/66 is 2.87%, on FY 2066/67 is 3.91% on FY 2067/68 is 1.30% and FY 2068/69 is 1.24% the average expenditure on Furniture during the study period is 9.78%. Machinery occupy 56.61%, 77.52%, 44.58% 29.85%, 48.31%, 24.20%, 32.74%, 50.60%, 13.85%, 73.02% through the FY 2059/60 to 2068/69 respectively. The average expenditure on machinery during the study period is 45.128%. Expenditure on vehicle is the

highest expenditure sector of Lekhanath municipality on ordinary expenditure. The average expenditure on vehicle during the study period is 50.615%.

Fig. 4.10: Ordinary Capital Expenditure



During the study period under the heading to ordinary capital expenditure the highest percentage of total ordinary capital is made under the topic of vehicle expenditure which is 50.615% during the study period and the average expenditure on furniture and machinery is 9.78% and 45.128% respectively. Figure 4.10 shows that the ordinary capital expenditure below the trend line. Expenditure on Fiscal year 2059/60 through 2066/67 is below the trend line it means the expenditure is less than the trend. Last two fiscal year's expenditure is higher than the trend expenditure.

4.1.12 Development Expenditure

Development expenditure is almost investment type expenditure. It is one of the most important factors of a municipality. Development expenditure is closely related to the people and hence a person shows their concern on this expenditure. Development expenditure of Lekhanath municipality is combination of capital investment and social investment. Capital investment is a combination of building construction, land acquisition, for municipality, town

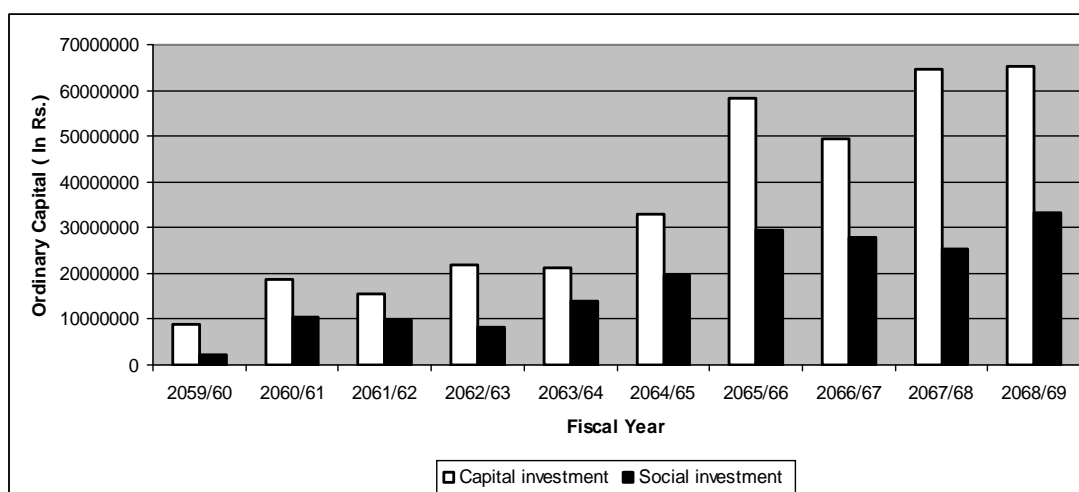
level project and other development construction. On the other hand the social investment is combination of expenditure made on education, health, cultural program and other expenditure for social improvement.

**Table 4.15: Development Expenditure
(FY2059/60 through 2068/69)**

Fiscal year	Capital investment		Social investment		Total	
	Amount	%	Amount	%	Amount	%
2059/60	8825601	79.06	2337377	20.94	11162978	100
2060/61	18535542	64.08	10391586	35.92	28927128	100
2061/62	15655473	61.37	9856245	38.63	25511718	100
2062/63	21755000	72.38	8303405	27.62	30058405	100
2063/64	21144650	60.42	13850930	39.58	34995580	100
2064/65	32836000	62.49	19710000	37.51	52546000	100
2065/66	58366200	66.53	29368938	33.47	87735138	100
2066/67	49365000	63.95	27828300	36.05	77193300	100
2067/68	64554896	71.85	25288502	28.15	89843398	100
2068/69	65345600	66.23	33319400	33.77	98665000	100

Table 4.15 shows the development expenditure which is divided in two categories i.e. capital investment and social investment. During the study period the social investment is dominated by the capital investment. The capital invest is 79.06%, 64.08%, 61.37%, 72.83%, 60.42%, 62.49%, FY 66.53%, 63.95%, 71.85%, 66.23% respectively FY 2059/60 through 2068/69. The average expenditure on capital expenditure is 66.836% during the study period. On the other hand expenditure on social investment is 20.94%, 35.92%, 38.63%, 27.62%, 39.58% 37.51%, 33.47%, 36.05%, 28.15%, 33.77% respectively FY 2059/60 through FY 2068/69. The average expenditure on social investment during the study period is 33.164%.

Fig. 4.11: Development Expenditure



Expenditure on capital investment

Lekhanath municipality made on an average 66.836% on capital investment Within the FY 2059/60 through 2068/69. Capital investment includes investment made on building construction, land acquisition for municipality, town level project and other development construction which is directly relate to municipal residence. Table 4.16 shows that the share of capital on each section.

**Table 4.16: Capital Investment
(FY2059/60 through 2068/69)**

FY	Building construction		Town level project		Other development construction		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	2976000	33.72	1368823	15.51	44807789	50.77	8825601	100
2060/61	9765400	52.68	4512630	24.34	4257512	22.97	18535542	100
2061/62	9985000	63.78	3689000	23.56	1981473	12.66	15655473	100
2062/63	11245000	51.69	8623000	39.64	1887000	8.67	21755000	100
2063/64	11055800	52.29	7985450	37.76	2103400	9.95	21144650	100
2064/65	19368000	58.98	8569000	26.10	4899000	14.92	32836000	100
2065/66	28553000	40.18	10157200	26.14	19656000	33.68	58366200	100
2066/67	26475000	53.63	9754000	19.97	13136000	26.40	49365000	100
2067/68	32693000	50.64	12645000	19.59	19216896	29.77	64554896	100
2068/69	33421500	51.15	12456200	19.06	19467900	29.79	65345600	100

Source = Revenue section of LM

Fig. 4.12: Capital Investment of LM

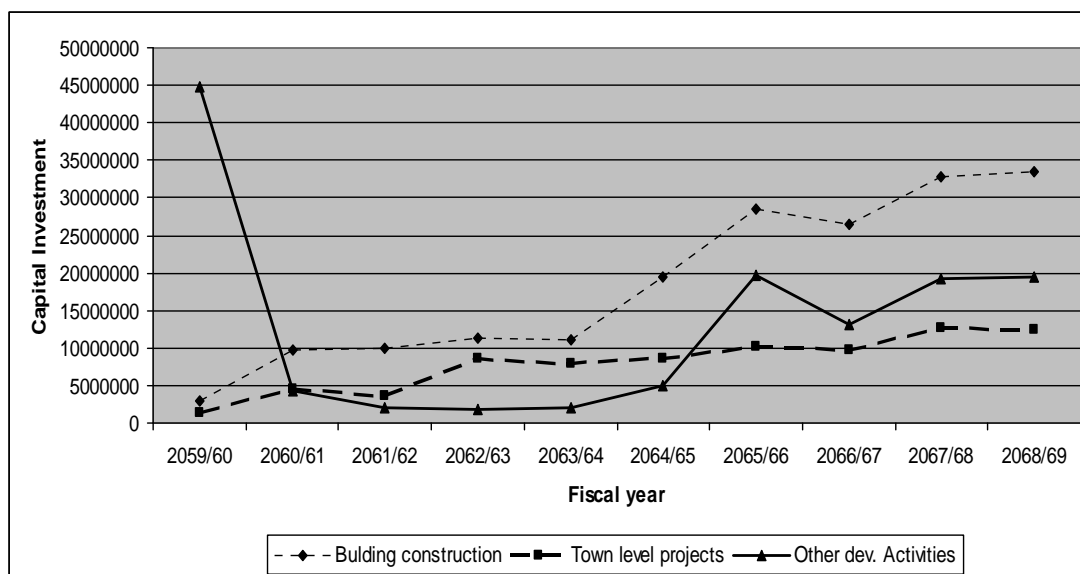


Table 4.16 shows that expenses made by Lekhanath municipality on the capital investment. Lekhanath municipality made on an average 66.836% on capital investment Within the FY 2059/60 through 2068/69. Building construction occupy the most of the investment under the topic of capital investment. On FY 2059/60 is 33.72%, on FY 2060/61 is 52.68%, on FY 2061/62 63.78%, on FY 2062/63 is 51.69%, on FY 2063/64 is 52.29%, on FY 2064/65 is 58.98%, on FY 2065/66 is 40.81%, on FY 2066/67 is 53.63%, on FY 67/68 50.64% and FY 2068/69 is 51.15%. On an average building construction occupies 50.874% during the study period.

Lekhanath municipality has invested its money to town level projects. Municipality invested its money on the following pattern 15.51%, 24.34%, 23.56%, 39.64%, 37.76%, 26.10%, 26.14%, 19.97%, 19.59% and 19.06% through the FY2059/60 through 2068/69 respectively. On an average 25.167% invested on town level during the study period.

Lekhanath municipality also invests its money to other development construction. On an average 23.958% invested on other development construction during the study period.

Expenditure on social program

Lekhanath municipality spent its highest percentage of development expenditure on capital investment (i.e. 66.836%) only 33.164% of development expenditure spent on social program during the study period. Social program includes the program on the field of education, health, cultural, sports, miscellaneous and others. The amount and the percentage of expenditure made by municipality on the above topic are given on the table no 4.17.

**Table 4.17: Expenditure on Social Program
(FY2059/60 through 2068/69)**

FY	Education/ sports		health/cultural		miscellaneous		other		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
2059/60	1213270	51.9	645750	27.6	-		478357	20.5	2337377	100
2060/61	3125690	30.1	2845632	27.4	1685420	16.2	2734844	26.3	10391586	100
2061/62	2945600	29.9	3125240	31.7	1328405	13.5	2457000	24.9	9856245	100
2062/63	3546200	42.7	3245600	39.1	1511605	18.2	-		8303405	100
2063/64	4256800	30.7	3695200	26.7	2813720	20.3	3085210	22.3	13850930	100
2064/65	4583500	20.3	3865200	19.6	4893600	24.8	6367700	32.3	19710000	100
2065/66	9882456	33.7	4759620	16.2	8754200	29.8	5972662	20.3	29368938	100
2066/67	10145600	36.5	5545200	19.9	6975700	25.1	5161800	18.5	27828300	100
2067/68	10827450	42.8	5869200	23.2	6046150	24.0	2545702	10.1	25288502	100
2068/69	12472000	37.4	6856460	20.6	8967500	26.9	5023440	15.1	33319400	100

Source = Revenue section of LM

Fig. 4.13: Trend in Expenditure on Social Program

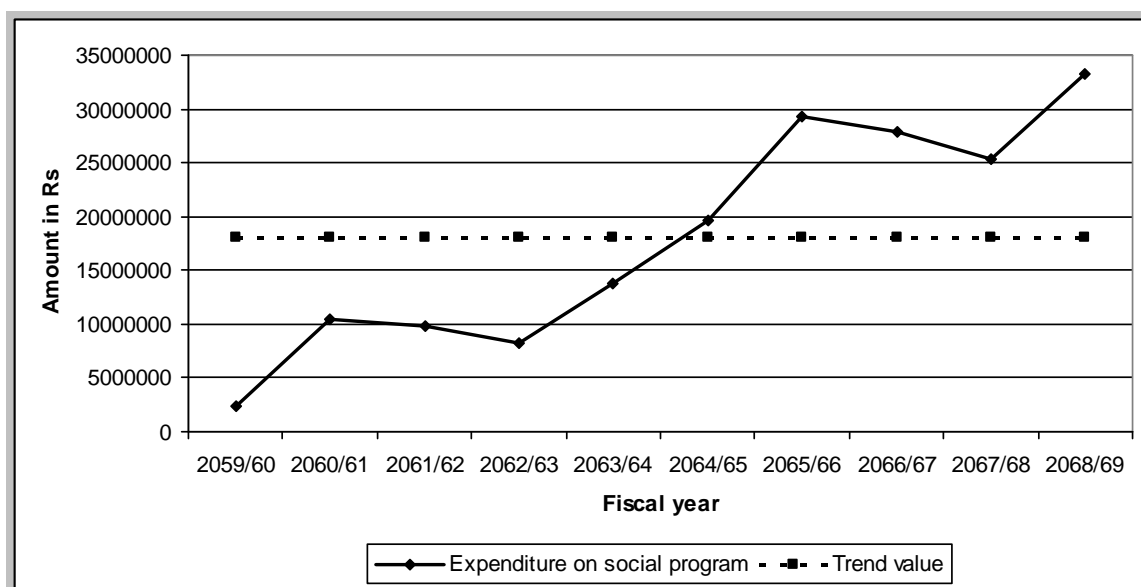


Table 4.17 shows that expenses made by Lekhanath municipality on the topic of social program. Lekhanath municipality made on an average 33.164% on social program Within the FY 2059/60 through 2068/69.

Municipality made average expenses under the topic of education/sports, health/cultural, miscellaneous and other are 35.6%, 25.2%, 19.88%, and 19.3% respectively. Municipality did not spend any money on the topic of miscellaneous on FY 2059/60 and on other on FY 2062/63. Expenditure on education/sports are 51.9%, 30.1%, 29.9%, 42.7%, 30.7%, 20.3%, 33.7%, 36.5%, 42.8% and 34.7% during the study period FY2059/60 through 2068/69. Which occupy the highest portion of social expenditure i.e. 35.6% during the study period.

Similarly on the heading of health/cultural it occupy second highest portion of social program it has 27.6%, 27.4%, 31.7%, 39.1%, 26.7%, 19.6%, 16.2%, 19.9%, 23.2% and 20.2% during the study period.

Again other remaining topic of expenditure of social program are miscellaneous and other on an average these two topic occupy the same expenditure i.e. 19.88% and 19.3% respectively.

The trend line of Lekhanath municipality is increasing rate and the expenditure made by the municipality is increasing.

4.1.13 Annual Growth Rate and Trend in Development Expenditure

Development expenditure is almost investment type expenditure. It is one of the most important factors of a municipality. It includes expenditure on social welfare programs in which municipality shows its presents as a socially and other capital investment in which municipality give its people to feel physically develop. This development type expenditure closely related with the service to the municipal people and total development of the municipality. The table 4.18 shows the growth rate of development expenditure of Lekhanath municipality.

**Table 4.18: Development Expenditure
(FY2059/60 through 2068/69)**

Fiscal year	Capital investment		Social expenditure		Total	
	Amount	%	Amount	%	Amount	%
2059/60	8825601	-	2337377	-	11162978	-
2060/61	18535542	110.02	10391586	344.58	28927128	195.13
2061/62	15655473	-15.54	9856245	-5.15	25511718	-11.81
2062/63	21755000	38.96	8303405	-15.75	30058405	17.82
2063/64	21144650	-2.81	13850930	68.81	34995580	16.43
2064/65	32836000	55.29	19710000	42.30	52546000	50.15
2065/66	58366200	77.75	29368938	49.01	87735138	66.97
2066/67	49365000	-15.42	27828300	-5.25	77193300	-12.02
2067/68	64554896	30.77	25288502	-9.13	89843398	16.39
2068/69	65345600	1.22	33319400	31.76	98665000	9.82
Average growth		28.024	-	50.12	-	34.88

Source = Revenue section of LM

Fig. 4.14: Development Expenditure

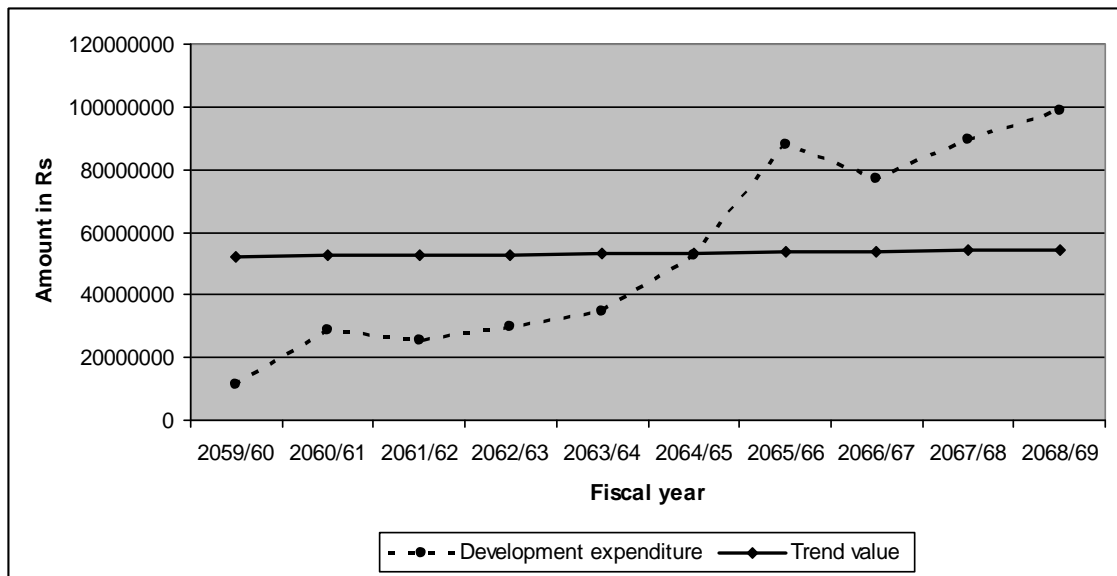


Table 4.18 shows the annual growth rate on development expenditure. The growth rate of capital investment is 110.02% on FY 2060/61, on FY 2061/62 is -15.54%, on FY 2062/63 is 38.96%, on FY 2063/64 is -2.81%, on FY 2064/65 is 55.29%, on FY 2065/66 is 77.75%, on FY 2066/67 is -15.42%, on FY 2067/68 is 30.77% and on FY 2068/68 is 1.22%. The average growth rate of capital investment during the study period is 28.024%.

Similarly, the growth rate of social expenditure is 344.58% on FY 2060/61, on FY 2061/62 is -5.15%, on FY 2062/63 is -15.75%, on FY 2063/64 is 68.81%, on FY 2064/65 is 42.30%, on FY 2065/66 is 49.01%, on FY 2066/67 is -5.25%, on FY 2067/68 -9.13% and on FY 2068/69 is 31.76% during the study period. The average growth rate of social expenditure is 50.12% during the study period. The average growth rate of total amount i.e. development expenditure is 34.88% during the study period.

The trend line of development expenditure of Lekhanath municipality is upward sloping.

4.1.14 Major Findings of the Study

- J Like other municipality the sources of LM consists of internal source and external source. On internal source the heading of income is house and land tax, vehicle tax, house rent tax, business/wealth tax, service charge, fees and fines, property rental and other. On external revenue the heading of source is grants, loans and miscellaneous. Internal revenue cover 21.17% and external revenue cover 78.83% on total revenue.
- J During the study period the contribution of taxable income is 14.54% and the contribution of non-tax revenue is 85.44%. On taxable income the most contribution is by house and land tax which occupy 52.77% and business/ wealth tax occupy 25.76% and remaining cover by other. And on non-tax revenue fees and fines occupy 68.10% and remaining by property rental and other.
- J The contribution of external revenue on total revenue is 78.83%. On the topic of external revenue the grants contributes the most which is 47.14% during the study period. And miscellaneous covered 38.82% and remaining 14.06% by loans. Grants are made up by administrative grants, development grants, district development grants and TDFB grants.
- J Expenditure made by LM refer to the expenses incurred by municipality to preserve the welfare of society as a whole in other word expenses made to satisfy the common wants of its people which they cannot satisfy individual on their own. Municipality expenses its fund on regular expenditure and development expenditure. Regular expenditure occupy 20.67% on the other hand development expenditure the remaining 79.43% which means LM concentrated on development. Regular expenditure is made up by current expenditure, ordinary expenditure and debt payment. The average expenditure on current expenditure is 77.38%, on ordinary 9.71% and for the debt payment is 6.83%. And development expenditure is made up by capital investment

and social investment. Capital investment occupies 66.84% and social expenditure got only 33.16% fund during the study period.

-) LM violates the LSGA 1999 because on LSGA it is clearly mention that regular expenditure which is made up by current expenditure, ordinary expenditure and debt payment should be 25% to 40% but LM has only 20.67% so there should be increase some fund.
-) The expenditure made by LM does not show any trend during the study period. LM invests highest percentage of development expenditure on capital investment i.e. 66.84% and only 33.164% expenditure on social program. LM has not realized the importance of social investment and need to work on this.
-) LM has authority to collect funds from grants and loans but due to lack of proper administrative system and lack of competent skilled man power this funds could not spent during the study period.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Local self government constitutes an important segment of administration. The local government is divided in to district development committee, municipality and village development committee. The municipalities are local bodies created for urban area to look after local areas like sanitation, public health, education, street lights, drinking water, road and other basics. It is belief to established local government that has the potentialities and capabilities to identify the needs and preferences of local bodies and its residence. That's why the role of local government is significant for the local government.

The municipality finance deals with the income and expenditure pattern of the municipality. Municipality people need different king of basic services. To fulfill these needs effectively round financing system is inevitably for each municipality. The study is concentrated on the analysis of various potential sources of revenue, way of increasing internal source of revenue and pattern of expenditure to trace an appropriate financing system for Lehanath municipality. In this way the conclusion of these study based on the over the trends of revenue and expenditure of Lekhanath municipality based on FY 2059/60 through 2068/69.

5.1.1 Revenue Pattern

Lekhnath municipality collects its fund through various sources viz. taxes, non-tax services, grants and loans. Taxation is the largest and important source of each municipality it is the regular cash inflow of internal revenue. Lekhanath municipality has also some loans to finance its other activities. Among the source of income one important source is internal revenue which has

contributed 21.17% and next important source is external revenue which has contributed to the total revenue of 78.83% during the study period.

Internal revenue is the backbone of every business and service organization. But in the case of Lekhanath municipality the external revenue is higher than the internal revenue. Internal revenue contributes 21.17% of revenue of total.

Internal revenue is divided in to two parts i.e. taxable revenue and non-tax revenue. The taxable income includes House and Land Tax, Vehicle Tax, House Rent Tax, Business Tax, Service charge and other etc. We know tax is the most significant factor in internal revenue Taxable revenue contributed 14.55% on internal revenue where as non- tax revenue contributed 84.55% during the study period. Where as the average growth rate of taxable income is 27% and average growth rate of non-tax revenue is only 5.48%. Although, there is some other possibilities to raise revenue through other taxes. House and land tax occupy highest portion of taxable income which is 52.77%, business tax has contributed 23.18% among Vehicle tax, House rent tax, Service charge, and other tax are contributed the remaining part.

Another important source among internal revenue is non-tax revenue i.e. fees and fines, property rental and other revenue which is not through the tax. Non-tax revenue contributed to the internal revenue by 84.55%. Among non-tax revenue fees and fines contributed on an average 68.104%, Property rental contributed 7.268% and other contributed remaining 24.628% during the study period. Here we suggest that there should take some action to fully utilize its assets to collect more from property rental.

Besides internal collection of revenue, municipalities also raise revenue through external sources also. Municipality collects revenue as grants, loans, and miscellaneous income. Among this on an average grants occupy 48%, loans 14% and miscellaneous 38% on an average during the study period.

Municipality has not able to collect as much as it can; there are many loopholes in applying the law in the context of collection of taxable revenue which makes financial weak and irregular cash inflow. It has the lack of managerial system about the collecting the revenue through tax. Irregular cash inflow ultimately affects the development program and it loose its credit from its residence. LM collects heavy amount from the grants, in spite of possibilities to rise from internally, ultimately it makes municipality as like as parasite it means increase to dependency to the central government and don't be able to respond to its residence. Dependency makes fail on protecting the citizen, promoting their economic and social welfare and heavy deviations in between public want and municipality performance.

5.1.2 Expenditure Pattern

Expenditure pattern of LM refers to the expenses incurred by the Lekhanath municipality to preserve the welfare of society as a whole. In other words expenses made to satisfy the common wants of its people which they cannot satisfy individually their own.

LM divided its expenditure as development expenditure and regular expenditure. Development expenditure consist of expenditure made on social program and expenditure on capital investment where as regular expenditure consist of day to day expenditure such as current expenditure, dept payment and ordinary capital. Regular expenditure occupies 20.67% and development expenditure 79.33% on an average during the study period on total expenditure. Where as average growth rate of regular expenditure is 22.92% and development expenditure is 31.29% during the study period.

Regular expenditure made up by current expenditure, ordinary expenditure and debt payment. Current expenditure occupy 83.93%, ordinary expenditure 9.62% and debt payment occupy 6.45% of regular expenditure.

Among ordinary expenditure salaries occupy the highest portion of expenditure by 45.44%, allowance got 5.147%, travel 3.773%, insurance 5.438%, fuel 3.649%, office supplies 7.345% and other rent, repair, donation and other got normally. Where as ordinary capital expenditure is made up by Furniture, Machinery and Vehicle. Furniture 7.82%, machinery 45.13% and vehicle 47.05%, on FY 2060/61 and 2064/65 there is no expenditure on furniture.

Another expenditure done by LM is development expenditure. Development expenditure is almost investment type expenditure. It is one of the most important factors of a municipality. Development expenditure is closely related to the people and hence a person shows their concern on this expenditure. It consists of capital investment and social investment.

LM spent its 66.836% on development expenditure of capital investment and only by 33.164% on social program of capital investment.

Capital investment is made up by building construction, town level projects, and other development construction each of these heading occupy 50.874%, 25.167% and 23.958% on an average during the study period respectively on development expenditure. Social program is made up by education/sports, health/cultural, miscellaneous and other. On an average the expenditure on each heading are 35.5%, 25.29%, 19.98% and 19.13% during the study period respectively.

All financial source of LM are found to fluctuate over a year Lekhanath municipality found to utilize heavy amount of resources collected in building, drinking water projects, salaries where is necessary. There is fluctuation in trend in revenue and expenditure trend of the study period shows that total revenue is higher then the total expenditure. Hence Lekhanath municipality has not been able to utilize and develop the budget mote effectively. Lekhanath municipality as a local self government has been playing very crucial role is the development considered as the backbone for the development for the

municipality. Here it is worth concluding that the development of LM depends on its right utilization and using a proper way manager its resources.

5.2 Conclusion

Nepal is one of the least developed countries in the world. There are 99 municipalities till now, municipality as a local government has the potentialities and capabilities to identify the needs and aspiration of the local people. Municipalities are established at local level to make local development and to meet the requirement of the local people effectively. So the municipality has to play the crucial role for the local development for the country. For satisfying its residence effectively it needs finance necessarily. This study has concentrated on the analysis of income from various sources and its expenditure pattern for the period of 10 years from FY2059/60 through 2068/69.

Municipality are empowered with fiscal autonomy through levying different types of tax, fees and other financial source and all these fiscal activities are regulated through “Local Self- Government Act and Regulation” 1999. Nepal is now a member of WTO, and municipalities are having collected its revenue through the LDF, the further of LDF is quit hazy and may be abolished any time in the coming years. LDF is going to be phased out due to the WTO pressure and other pre- condition such as protocols signed by Nepal already. To avoid this financial crisis, lekhanath municipality and countries other municipality are bound to adopt some more reliable and sustainable revenue source to run their urban development activities.

Municipality finance deals with the revenue and expenditure pattern of the municipality in systemic way. The different aspect of the municipality should be discussed. The ultimate aim of every municipality is to provide essential needs to its residence in a systemic and coordinating way.

Overall financial position of lekhanath municipality is satisfactory. Although development expenditure is higher than the regular expenditure municipality is concentrated on the development because of the situation of the country there are lots of infrastructure are destroyed on the Maoist revaluation. Regular expenditure 20.67% and development expenditure is 79.43% of development expenditure.

In the local tax structure house and land tax got 52.77%, where as the contribution from most promising and potential tax i.e. business/ wealth tax, house rent tax and vehicle tax got on total 27.71% of taxable revenue. It gives a clear indication that there are lost of rooms to improve in the collection procedure of property based taxation system in Lekhanath municipality. Another potential tax is service charge tax. It would risen from the charge of different kind of facility that municipality can provide to their residence that yields 6.66% of taxable revenue on an average during study period.

Lekhanath municipality, as a local self- government has been playing a 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 to concluding that the development of Lekhanath municipality depends on its right utilization of its financial resources, otherwise it will remain only as tiny political spot in the district where the interest of few political parties will served than the welfare of the residence of municipality

5.3 Recommendation

Based on the above findings and conclusion the following recommendations have been made.

- 1) The municipality should minimize unproductive expenditure as far as possible and the expenditure should be canalized toward productive activities. There should not be political pressure on municipality administration for the appointment of staffs.

-)] LM should increase little expenditure on regular expenditure it is the combination of current expenditure, ordinary expenditure and debt payment which is important to run municipality smoothly on an average it is 20.67%. The LSGA 1999 has provision of 25 to 40 percentage of regular expenditure.
-)] Property tax is the most important source of revenue of the municipality. In other municipality property tax is acting as a major source of revenue in case of LM it is introduce but it is not as significance as it can be.
-)] Since entertainment tax is one of the local level taxes. Municipality should introduce the entertainment tax
-)] Internal source is the back bone for each municipality. So municipality should identify other internal source of the revenue to become an independent and also to satisfy its residence. So it shows that even if there are possibilities to increase internal source of revenue the municipality has not yet tried to identify other potential sources of revenue available within the municipality area. The municipality should identify the potential source of revenue to boost up income level of the municipality.
-)] The responsibilities of the municipality are increasing gradually. In this context, the municipality should give the provision of electricity, drinking water, roads and other facilities in each ward of the municipality area after that municipality can collect the more revenue after providing the above mentioned facilities.
-)] The most obligatory function of municipality is to introduce more social programs for the betterment of its people. So LM should allocate more development expenditure on social programs with the coordination to social community and NGO'S.

-) Municipality obtains grants from the government of Nepal in form of development and administration grants. It is the most important external source of the each and every municipality. It has not been utilized more effectively in LM until now. So the municipality should utilize this type of grant effectively. There is a need to mobilize other donor agencies to provide grants to LM. The most of the development budget are going to be fringed because of the conflict to the political parties. And in LM there is no clear cut planning yet. Without proper planning there is no any development can be seen.
-) In LM there are different sectors where municipal development activities should be directed. They are agricultural sector, tourism sector, business sector, marketing sector, forestry sector, historic sector and so on. By levying different taxes in this sector the municipality can collect a good amount of revenue. But from the beginning to present the municipality has not given emphasis on particular sectors. In this context the municipality should determine the priority and then it can collect more amount of revenue.
-) LM should increase to invest in town level projects for balanced development of municipality area.
-) Lekhanath municipality it has the name on *kabi siromani lekhanath paudle* his home is lie in the area of municipality unfortunately municipality has no sufficient concern about to preserve his literature, his historic home it need some care and preserve and more importantly reconstruction of his home is needed for the next generation to be proud of him. He is not only the person belong to only the Lekhanath municipality he is national hero. So we can say that there should take some action to preserve and protect his creation and his historic birth place.

) Lekhanath municipality is called **the garden city of seven lakes** there are seven lakes lie in the area of municipality. Which has the hug potentialities to attract tourist, through this municipality can collect revenue which we can't be imagine. Only nationally/internationally known lake *Bagnastal* has its only real size but other lake such as Rupa, maidi, khaste, deepang, neureni and gudaie has going to depletion and has host their size they are going to be smaller and smaller. So municipality should take some visible action to preserve and develop this lake to attract tourist and this could become a very important internal source.

) As we know a proper communication can find the loophole so municipality should try to make more interaction in between ward officers, its residence and the municipal buddies time to time and should try to find the gap between people acceptance and the performance also try to minimize this gap. And the municipality buddy should be transparent on its financial activities and should be able to provide when it demanded to its habitants and municipality should publish these report for its habitants for knowing them, how municipality expenses their money.

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APPENDIX I

Calculation of growth rate (g) table 4.2 annual growth rate of revenue of LM

We have,

$$g = \frac{\text{New} - \text{old}}{\text{old}}$$

Calculation of growth rate for internal source

$$2059/60 = -$$

$$2060/61 = \frac{8701257 - 10182014}{10182014} = -14.54$$

$$2061/62 = \frac{8619627 - 8701257}{8701257} = 39.62\%$$

$$2062/63 = \frac{9188000 - 8619627}{8619627} = 6.59\%$$

$$2063/64 = \frac{10429078 - 9188000}{9188000} = 13.51\%$$

$$2064/65 = \frac{18291738 - 10429078}{10429078} = 75.39\%$$

$$2065/66 = \frac{30006332 - 18291738}{18291738} = 64.04\%$$

$$2066/67 = \frac{10515000 - 30006332}{30006332} = -64.96\%$$

$$2067/68 = \frac{12372500 - 10515000}{10515000} = 17.67\%$$

$$2068/69 = \frac{17274900 - 12372500}{12372500} = -39.01\%$$

Calculation of growth rate for external source

$$2059/60 = -$$

$$2060/61 = \frac{29188960 - 13632726}{13632726} = 114.115\%$$

$$2061/62 = \frac{33007352 - 29188960}{29188960} = 13.08\%$$

$$2062/63 = \frac{34665525 - 33007352}{33007352} = 5.02\%$$

$$2063/64 = \frac{44952799 - 34665525}{34665525} = 29.68\%$$

$$2064/65 = \frac{51617918 - 44952799}{44952799} = 14.83\%$$

$$2065/66 = \frac{70872776 - 51617918}{51617918} = 37.30\%$$

$$2066/67 = \frac{100965138 - 70872776}{70872776} = 42.46\%$$

$$2067/68 = \frac{116335000 - 100965138}{100965138} = 15.22\%$$

$$2068/69 = \frac{129031000 - 116335000}{116335000} = 10.91\%$$

APPENDIX II

Calculation of trend value fig. 4.5 growth and trend of external revenue

We have straight line trend equation according to least square method

$$Y=b_0 +b_1t \dots\dots\dots (I)$$

Yr(x)	External revenue (y)	T= x-6	T ²	T x Y
1	13632726	-5	25	- 68163630
2	29188960	-4	16	- 116755840
3	33007352	-3	9	- 99022056
4	34665525	-2	4	- 69331050
5	44952799	-1	1	- 44952799
6	51617918	0	0	0
7	70872776	1	1	70872776
8	100965138	2	4	201930276
9	116335000	3	9	349005000
10	129031000	4	16	516124000
sum	624269194	-	85	739706677

We have straight line of trend equation

$$Y= b_0+b_1t$$

Where,

$$b_0= \sum y/n$$

$$= 624269194 / 10$$

$$= 62426919$$

$$b_1= \sum ty/ \sum t^2$$

$$= 739706677/85$$

$$= 8702431$$

Now the calculation of trend value

$$Y=b_0+b_1t$$

year	$b_0 + b_1t$	Trend value
1	$62426919 + 8702431 \times -5$	18914764
2	$62426919 + 8702431 \times -4$	27617195
3	$62426919 + 8702431 \times -3$	36319626
4	$62426919 + 8702431 \times -2$	45022057
5	$62426919 + 8702431 \times -1$	53724488
6	$62426919 + 8702431 \times 0$	62426919
7	$62426919 + 8702431 \times 1$	71129350
8	$62426919 + 8702431 \times 2$	79831781
9	$62426919 + 8702431 \times 3$	88534212
10	$62426919 + 8702431 \times 4$	97236643

APPENDIX III

Evolution of municipality in Nepal

A glance of evolution of municipality in Nepal can be obtained as follow

Period	Name of municipality	cumulative no
1976	Katmandu	1
2008	Patan, Bhaktapur, Biratnagar, Birgung	5
2008/09	Bhadrapur, Tensen,	7
2009/019	Janakpur, Rajbiraj, Pokhara, Butwal, Nepalgunj	
	Dharan and illam	14
2020/025	Bhairawa	15
2025/031	Hetauda	16
2031/037	Dhangadhi, Birendranagar, Mehandranagar, Tribhuvannagar, Dhankuta, Bharatpur and lamahi	23
2038/43	Dipyal, Inaruwa, Kalaiya, Damak, Benepa, Kapilvastu, Jaleswor, Dhulikhel, Bidur, Malaguwa,	33
2043/048	Vyas, Tulaipur and Gaur	36
2052	Upgraded municipality as Katmandu in to metropolises and Biratnagar, Pokhara, Lalitpur Birjung and Municipality in to sub- metropolises	
2053	Amargadni, Baglunj, Bhimeshor, Gulariya, Dasarath Chandra, Lehanath, Ithari, Madhyapurthimi Machinagar, Narayan, Siraha, Tikapur, Triyuga, Walling, Putlibazar and Ratnagar	58
2068/069	The government purposed new 41 municipalities are Taplejung (Taplejung), Phidim (Panchthar), Birtamod (Jhapa), Urlabari (Morang), Myanglung (Terhathum), Bhojpur (Bhojpur), Diktel (Khotang), Katari (Udayapur), Kanchanpur Rupnagar (Saptari), Mohanpur Kalyanpur (Saptari), Saraha,	

Dhanushadham (Dhanusha), Sankhuwa Mahendranagar
(Dhanusha), Nigaul-Gaushala (Mahottari), Manthali
(Ramechhap), Hariwon (Sarlahi), Jitpur (Bara),
Chautara (Sindhupalchowk), Chandranigahapur (Rautahat),
Panchkhal (Kavre), Shankarapur (Kathmandu district),
Karya Binayak (Lalitpur), Champapur (Lalitpur),
Nilakantha (Dhading) Beshisahar (Lamjung),
Khairainitar-Dulegauda (Tanahun), Kusma (Parbat),
Beni (Myagdi), Tamghas (Gulmi), Sandhikharka (Arghakhachi),
Gaidakot (Nawalparasi), Sunawal (Nawalparasi),
Bandipur (Tanahun), Pyuthan (Pyuthan), Salyan (Salyan),
Kohalpur (Banke), Rajapur (Bardiya), Chainpur (Bajhang),
Mangalsen (Achham), Sanfebagar (Achham),
And Chandanath (Jumla),

Appendix IV

Lekanath municipality organization chart

