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ASSESSING THE FINANCIAL HEALTH OF CITY MUNICIPAL CORPORATIONS: A COMPARATIVE STUDY



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Abstract: Municipal governments in India are vested with the statutory responsibility for the provision and maintenance of basic infrastructure and services in cities and towns. Additionally they have been assigned a range of planning functions through the state legislature and other administrative orders. The objective is to ensure that suitable levels of infrastructure and services are available to the citizens. In many parts of India, the quality of life in urban areas is miserable and the citizens lead a difficult life. To overcome this problem, a series of reforms have been initiated by the Indian government to strengthen local-level governance. The main objective of this paper is to evaluate the financial health of Belgaum City Corporation and Bellary City Municipal Corporation for the period of five years. Municipal Corporations are generating small revenue surplus with low resource gaps. More than that, they are spending lower than that required for providing a minimum level of civic amenities. Improved financial management is required to increase efficiency in revenue collection and expenditure control. Therefore the financial health of an urban local body (ULB) is indicated by a set of closely interrelated factors and not merely income-expenditure balance.

The present paper intends to diagnose the financial health of urban local bodies in general and city municipal corporation in particular considered so as to measure the efficiency in financial management. For this broad objective the following parameters have been identified so as to assess the financial performance of the sample city municipal corporation in Karnataka. Growth Rate of Total Income, Growth Rate of Total Revenue Growth Rate of Income over Expenditure, Growth Rate of Property Tax, Growth Rate of Total Expenses, Growth Rate of Administrative Expenses, Growth Rate of Financial Expenses, Growth Rate of Service Related Direct Expenses. The study concluded that it would be desirable for City corporations to get into the process of monitoring their own performance in terms of net surpluses or deficits on a regular basis. In the view of the above, the approach to urban development and management should be the prime focus of the municipal corporations.

Keywords: Financial Health, satisfactory, legislature, financial management.

INTRODUCTION:

India has to improve its urban areas to achieve objectives of economic development. However, urban governance and management of the services is far from satisfactory. Municipal governments in India are vested with the statutory responsibility for the provision and maintenance of basic infrastructure and services in cities and towns. Additionally they have been assigned a range of planning functions through the state legislature and other administrative orders. The objective is to ensure that suitable levels of infrastructure and services are available to the citizens. In many parts of India, the quality of life in urban areas is miserable and the citizens lead a difficult life. To overcome this problem, a series of reforms have been initiated by the Indian government to strengthen local-level governance. Provision and maintenance of municipal services is the key function of all municipal. A study

conducted by the National Institute of Public Finance & Policy (2001) reveals that most of the urban Local Bodies are constrained in discharging their obligatory functions due to a limited resource base. The low per capita receipts of municipal governments do not enable them to meet the minimum standards of services. The study also shows that the finances of municipal bodies are in a mess; a majority of them are not able to raise adequate resources from their own sources to meet increasing expenditure on services.

Urbanization has emerged as a key policy and governance challenge in India in recent years. While urban development accelerates the process of economic growth, it can also make growth more inclusive too. Studies on the finances of municipalities have a long tradition in India. Most studies including those that have been conducted at the National Institute of Public Finance and Policy (NIPFP) have, in the past, focused on an examination of income and

expenditure of municipalities and led to the now widely-held conclusion that their finances are in a shambles. Policy prescriptions that have emanated from such studies have not gone beyond suggesting that municipalities should improve the administrative efficiency of their tax regime, and use cost recovery mechanisms for augmenting their revenue base.

SIGNIFICANCE OF THE STUDY:

The local government and finance are constitutionally the domain of the state governments, however, the latter, over the years, became indifferent to the ways and means of empowerment of local self-government. Further, the municipal financial structure in India primarily consists of tax and non-tax sources of revenue. They also receive funds from the State Government in the form of grants-in-aid as also share in taxes collected by the State Government. Municipal expenditure can be categorized into three main components: Wages & Salaries; Operations and Maintenance; and Interest on Payments. Wages and Salaries constitute nearly 60 per cent of the total municipal expenditure, followed by operation and maintenance (20%) and Interest on payments (7.17%). It is evident that many local bodies use capital nature grants or even loans taken by them for various development works, to finance their regular civic activities. In some cases they also hold the payments of contractors, re-payment of loan installments, electricity charges, etc. besides diverting pension and other statutory funds. Thus most of the municipalities in the country have a high income-expenditure differential. It is observed that the municipalities, particularly of small and medium towns do not have sufficient financial resources to manage their functions efficiently. They always run in the deficit budgeting and are heavily dependent on state governments grants to bridge the gap.

RATIONALE BEHIND THE STUDY:

India has opted three tier system of government i.e. at centre, state and local levels and they have been playing a significant role in civil as well as political civilization. The municipal bodies (urban local bodies) which are statutorily responsible for the provision and maintenance of basic infrastructure and services in cities and towns are experiencing tremendous fiscal stress to operate and maintain the required services at satisfactory levels. An improved Public Financial Management and Accountability environment has become crucial to better urban governance and performance. Because,

This is the first step of a democratic country and it is like a school of democracy

This type of government solved local problems very fast and very effectively.

Local people are directly involved to solve their problems,

Municipal Corporations are generating small revenue surplus with low resource gaps. More than that, they are spending lower than that required for providing a minimum level of civic amenities. Improved financial management is required to increase efficiency in revenue collection and expenditure control. Therefore the financial

health of an urban local body (ULB) is indicated by a set of closely interrelated factors and not merely income-expenditure balance.

REVIEW OF LITERATURE:

A comprehensive literature review was conducted to obtain the information needed for pursuing the objectives of this paper. Information was obtained from books, academic journals, government and institutional reports. Studies on the finances of municipalities have a long tradition in India. Harsh Jaitli PRIA in his working paper observed that it is necessary that financial analysis of any municipality should consider the issue of fiscal assets and liabilities, and collect the data on it to analyse the actual financial status of the urban local body. It has been observed that most municipalities are not maintaining a assets and liabilities register and other related documents and that makes assessment of the financial liabilities difficult. Rao N.R. in his book "Municipal Finance in India" has undertaken an in-depth discussion on evaluation of municipal Government, sources of revenue expenditure and financial administration in a broader perspective of national fiscal frame. Inter-state comparison in respect of major sources of revenue, expenditure including prevailing system of budgeting and financial administration is attempted. Bhamberi C.P. he has conducted a comprehensive survey on the organizational functions and finances of municipalities in general. His study involves selected municipalities of Ajmer, Alwar, Bikaner, Jaipur and Kota. In his study titled "Municipalities and their finances" he has written on the organizational and functional aspects of municipalities. He also gives an extensive description of the legal framework governing municipalities. With this background the researcher has made a scientific and methodical analysis the functional aspects of the municipal corporations. He has dealt with the sources of revenue and heads of expenditure in an analytical way. Thus, he has made good contribution of financial administration of the municipal institutions in general. Goshi R.N (2005) in his paper entitled "Accountability of Local Governments – CAG's Initiatives and the Challenges Ahead" has addresses the issues related to improving accountability of local self-government in India. The paper point out the specific areas for up gradation of skill in the local fund audit department likes Accrual Accounting, Use of Information Technology and Stoical Sampling in audit 40, Performance Audit etc. The local bodies should take recourse to use of IT for preparation of accounts and clearance of arrears. Internal audit departments need to be established where not in existence and their functioning strengthened in a systematic manner so that this can provide the necessary assurance on existence and effective functioning of internal controls. A Study by Emunuele Padovani (2004) entitled "The Use of Financial Indicators to Determine Financial Health of Italian Municipalities" highlights to what extent each governance model requires specific financial health measures, in order to stress that measuring financial health is a contingent issue, which cannot be assessed regardless the prevailing governance setting implemented. Under a practical point of view, this study identifies the features of different types of financial

health measurement systems in various governance models.

OBJECTIVE OF THE STUDY:

The main objective of this paper is to evaluate the financial health of Belgaum City Corporation and Bellary City Municipal Corporation for the period of five years. Following are the workable objectives of present paper.

- 1.To examine the trends in major revenue sources and expenditures of municipalities and assess their fiscal position.
- 2.To analyze the growth rate of total income and total expenses
- 3.To analyze the growth rate of income over expenditure
- 4.To analyze growth rate of administrative and financial expenses
- 5.To offer useful suggestion

DATA BASE AND RESEARCH METHODOLOGY:

The present research paper is based on secondary sources of data. The necessary secondary data has been collected from the annual financial statements from the sample units, relative reference books, journals and other published document by the Government of Karnataka, directorate of municipal administration for the period under the study. The data so collected have been properly composed and appropriate statistical tools viz, mean, standard deviation and coefficient of variance has been used to justify the findings of the data.

Structure of Municipal Revenue

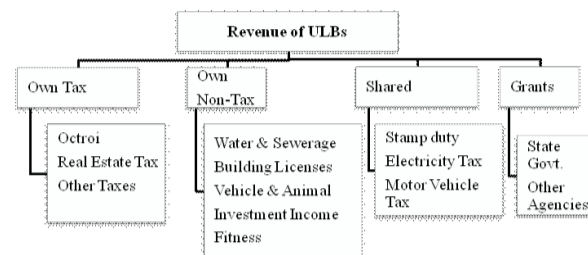
The revenue base of Municipal Corporations can be broadly classified into:

- a)Tax revenue
- b)Nontax revenue
- c)Assigned (Shared) revenue
- d)Grants-in-aid

The constitution of India does not lay down the revenue base for municipalities. The power to determine their revenue base rests with the state government. The state government has specified the taxes that the municipalities can levy and collect.

Apart from the tax and nontax revenue source MCs depend upon grants from the State Governments. These grants are primarily intended to compensate for the mismatch of functions and finance. Most of the MCs receive financial support in the form of revenue grants from State governments to meet current expenses. Similarly, capital grants are provided to meet project related expenditure.

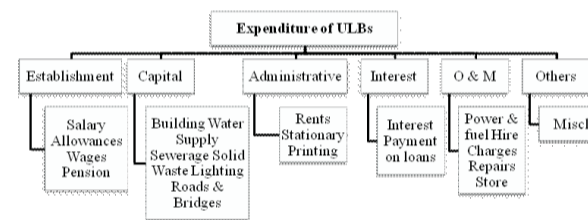
In addition, loans also constitute an important source of municipal revenue in case of some ULBs.



Structure of Municipal Expenditure of the municipal corporations can be broadly classified into:

- a)Establishment expenditure
- b)Administrative expenditure
- c)Operations and Maintenance expenditure
- d)Interest payments on Loans

Amongst all the components of municipal expenditure, the expenditures incurred on capital works, established and administrative expenditure & operations and maintenance assume importance.



Belgaum City Municipal Corporation

Belgaum is a town in northwest Karnataka, Belgaum (also called Belagavi in Kannada, Belgaon in Marathi) is a city and a municipal corporation in Belgaum district in the state of Karnataka, India. It is the fifth largest city in the state of Karnataka, after Bengaluru, Hubli-Dharwad, Mysore, and Gulbarga the city has carved itself a new name as Kunda nagari because of its famous sweet dish Kunda . The Belgaum City Corporation is ranked third in "Best Urban Local Body Award 2009-10" under City Corporation Category. District Administration, Belgaum and City Corporation, Belgaum jointly conducting a marathon program on 24th January 2013 at 8.00 am from Dharmaveer Sambhaji Chowk to Kumar Gandharva Ranga Mandir. All Citizens are kindly invited to join & make this event successful.

Belgaum also has a number of training centres of the Indian Armed Forces, and an air base of the Indian Air Force. Belgaum City Municipal Corporation aims to enhance ease in administration, transparency and accountability to ensure timely and assured service delivery to all citizens and stakeholders. Belgaum City Corporation has its mission to enhance ease in administration, transparency and accountability to ensure timely and assured service delivery to all citizens and stakeholders. The Belgaum City Corporation has won the "GREEN LEAF AWARD 2011" in the category of "Best Garbage Disposal" for significant contribution in the field of Solid Waste Management. The city is also known as Sugar City", and the

district as Sakkare Jille" (Sugar District) because of its enormous sugarcane cultivation and sugar production. The Government of Karnataka has proposed making Belgaum the second capital of the State of Karnataka with the recently upcoming second state administrative building Suvarna Vidhana Soudha. The Dy. Commissioner is head of district and assisted by two Asst. Commissioners, 10 Tahsildars pertaining to 10 Talukas. Belgaum is also the headquarters for the Belgaum division. Headed by Divisional Commissioner.

Bellary City Municipal Corporation:

Bellary city is situated in the Karnataka State border adjoining Andhra Pradesh. The state capital Bengaluru is about 305 KM from the city. Bellary city presently has a jurisdiction over an area of 81.95 Sq.Kms with a population of about 3.17 Lakhs as per 2001 census and 4.10 Lakhs as per 2011 census (provisional). Bellary takes its name from the word Balari which refers to goddess Durugamma as this goddess had manifested herself in the town. With the commencement of construction of several steel plants in the district, the city promises to be "The Jamshedpur of Karnataka" in the 21st Century. The city was ruled by several well known dynasties such as the Sathavahanas, Kadamabas, Chalukyas, Rashtrakutas, Gangas, Chalukyas of Kalyana, KalaChuryas & Hoysalas and thereafter it became the territory of Vijaynagar rulers. The city also has significant small-scale industrial activity and is one of the major centres of Jeans manufacturing in the country, and it is the second largest city in Asia in manufacturing ready-made garments. Bellary City Municipal Council came into existence in the year 1867. Later it is upgraded as Bellary City Corporation on 28th September 2004. Bellary City Corporation is situated at the Gadigichennappa Circle, Opposite to Royal Theatre, Bellary.

A brief summary of both the sample units has been given in the following table

**Table-1
Summary of Belgaum and Bellary City Municipal Corporations**

	Belgaum City Municipal Corporation	Bellary City Municipal Corporation
Population	4,90,045	4,10,445
Area	94 Sq. Km	81.95 Sq Km
Number of Properties	80,963	85235
Number of Wards	58 Wards	35 Wards
Length of Roads	615 Km	776.5 Km
Total Water Supply	68-70 MLD	56.20 MLD
Per Capita Water Supply	110-130 LPCD	125 LPCD
Summer Temp.	25°C-40°C	35°C - 45°C
Winter Temp.	18°C-26°C	25°C - 30°C

Source: sample units websites

Data Base and Interpretation:

The present paper intend to diagnose the financial health of urban local bodies in general and city municipal corporation in particular considered so as to measure the efficiency in financial management .For this broad d

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objective the following parameters have been identified. so as to assess the financial performance of the sample city municipal corporation in Karnataka.

- 1.Growth Rate of Total Income
- 2.Growth Rate of Total Revenue
- 3.Growth Rate of Income over Expenditure
- 4.Growth Rate of Property Tax
- 5.Growth Rate of Total Expenses
- 6.Growth Rate of Administrative Expenses
- 7.Growth Rate of Financial Expenses
- 8.Growth Rate of Service Related Direct Expenses

**Table – 2
Growth Rate of Total Income**

Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth (%)	Value	Growth	Growth (%)
2006-07	4038.88	--	--	2036.50	--	--
2007-08	6125.36	2086.48	51.66	3698.44	1661.94	81.61
2008-09	6499.07	373.71	6.10	3539.95	-158.49	-4.29
2009-10	7465.94	966.87	14.88	4079.60	539.64	15.24
2010-11	11783.96	4318.02	57.84	3887.78	-191.81	-4.70
	<i>Mean (X)</i>		32.62	<i>Mean (X)</i>		21.97
	<i>Sd</i>		22.45	<i>Sd</i>		35.36
	<i>CV</i>		68.83	<i>CV</i>		161.00

Source: Computed from Annual financial statements of sample units.

The perusal of table-2 indicates growth rate of total income of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from 51.66 percent in the year 2006-07 to 57.84 percent in the year 2010-11 with an average growth rate 32.62 percent, Standard deviation 22.45 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 81.61 percent in the year 2006-07 to -4.70 percent in the year 2010-11 with an average growth rate 21.97 percent, Standard deviation 35.36 indicates consistency in the growth rates during the period of time.

**Table – 3
Growth Rate of Total Revenue**

Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	507.00	--	--	266.96	--	--
2007-08	637.19	130.19	25.68	286.98	20.02	7.50
2008-09	862.00	224.81	35.28	377.16	90.18	31.43
2009-10	901.25	39.25	4.55	607.79	230.63	61.15
2010-11	910.04	8.79	0.98	801.26	193.48	31.83
	<i>Mean (X)</i>		16.62	<i>Mean (X)</i>		32.98
	<i>Sd</i>		14.32	<i>Sd</i>		19.02
	<i>CV</i>		86.17	<i>CV</i>		57.66

Source: Computed from Annual financial statements of sample units.

The above table-3 indicates growth rate of total income of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all

consecutive years. The growth rate is vary from 51.66 percent in the year 2006-07 to 57.84 percent in the year 2010-11 with an average growth rate 32.62 percent, Standard deviation 22.45 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 81.61 percent in the year 2006-07 to -4.70 percent in the year 2010-11 with an average growth rate 21.97 percent, Standard deviation 35.36 indicates consistency in the growth rates during the period of time.

Table – 4
Growth Rate of Income over Expenditure
Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	481.02	--	--	285.60	--	--
2007-08	796.34	315.33	65.55	1240.16	954.57	334.23
2008-09	108.82	-687.53	-86.34	439.45	-800.71	-64.57
2009-10	927.03	818.21	751.91	-130.40	-569.85	-129.67
2010-11	3259.59	2332.57	251.62	-1237.23	-1106.83	848.81
	<i>Mean (X)</i>		245.69	<i>Mean (X)</i>		247.20
	<i>Sd</i>		315.83	<i>Sd</i>		390.11
	<i>CV</i>		128.55	<i>CV</i>		157.81

Source: Computed from Annual financial statements of sample units.

Table – 4 shows the growth rate of income over expenditure of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from 65.55 percent in the year 2006-07 to 251.62 percent in the year 2010-11 with an average growth rate 245.69 percent, Standard deviation 315.83 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 334.23 percent in the year 2006-07 to 848.81 percent in the year 2010-11 with an average growth rate 247.20 percent, Standard deviation 390.11 indicates consistency in the growth rates during the period of time.

Table – 5
Growth Rate of Property Tax
Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	500.00	--	--	256.45	--	--
2007-08	626.70	126.70	25.34	266.13	9.68	3.77
2008-09	850.00	223.30	35.63	370.97	104.84	39.39
2009-10	880.00	30.00	3.53	573.15	202.18	54.50
2010-11	890.00	10.00	1.14	778.54	205.39	35.84
	<i>Mean (X)</i>		16.41	<i>Mean (X)</i>		33.38
	<i>Sd</i>		14.56	<i>Sd</i>		18.47
	<i>CV</i>		88.75	<i>CV</i>		55.34

Source: Computed from Annual financial statements of sample units.

Table-5 explain the growth rate of Property Tax of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from 25.34 percent in the year 2006-07 to 1.14 percent in the year 2010-11 with an average growth rate 16.41 percent, Standard

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deviation 14.56 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 3.77 percent in the year 2006-07 to 35.84 percent in the year 2010-11 with an average growth rate 33.38 percent, Standard deviation 18.47 indicates consistency in the growth rates during the period of time.

Table – 5
Growth Rate of Total Expenses
Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	3204.63	--	--	1012.77	--	--
2007-08	4639.28	1434.64	44.77	1830.53	817.75	80.74
2008-09	4837.66	198.38	4.28	2458.78	628.25	34.32
2009-10	5593.10	755.43	15.62	3282.24	823.46	33.49
2010-11	7329.60	1736.51	31.05	3380.77	98.53	3.00
	<i>Mean (X)</i>		23.93	<i>Mean (X)</i>		37.89
	<i>Sd</i>		15.33	<i>Sd</i>		27.77
	<i>CV</i>		64.08	<i>CV</i>		73.30

Source: Computed from Annual financial statements of sample units.

The perusal of table - 5 explain the growth rate of total expenses of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from 44.77 percent in the year 2006-07 to 31.05 percent in the year 2010-11 with an average growth rate 23.93 percent, Standard deviation 15.33 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 80.74 percent in the year 2006-07 to 03 percent in the year 2010-11 with an average growth rate 37.89 percent, Standard deviation 27.77 indicates consistency in the growth rates during the period of time.

Table – 6
Growth Rate of Administrative Expenses
Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	1503.84	--	--	560.52	--	--
2007-08	1923.76	419.92	27.92	651.65	91.13	16.26
2008-09	2081.12	157.36	8.18	823.09	171.44	26.31
2009-10	2027.27	-53.85	-2.59	782.50	-40.60	-4.93
2010-11	2149.93	122.66	6.05	974.32	191.83	24.51
	<i>Mean (X)</i>		9.89	<i>Mean (X)</i>		15.54
	<i>Sd</i>		11.16	<i>Sd</i>		12.41
	<i>CV</i>		112.87	<i>CV</i>		79.88

Source: Computed from Annual financial statements of sample units.

Table-6 indicates the growth rate of Administrative Expenses of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from 27.92 percent in the year 2007-08 to 6.05 percent in the year 2010-11 with an average growth rate 9.89 percent, Standard deviation 6.05 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal

Corporation 16.26 percent in the year 2006-07 to 24.51 percent in the year 2010-11 with an average growth rate 15.54 percent, Standard deviation 12.41 indicate consistency in the growth rates during the period of time.

Table – 7
Growth Rate of Financial Expenses
Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	0.58	--	--	0.77	--	--
2007-08	0.41	-0.18	-30.26	1.33	0.56	73.04
2008-09	0.28	-0.13	-31.93	2.66	1.33	99.60
2009-10	2.23	1.95	702.09	4.77	2.10	78.99
2010-11	2.55	0.32	14.58	1.04	-3.72	-78.11
	<i>Mean (X)</i>		163.62	<i>Mean (X)</i>		43.38
	<i>Sd</i>		311.45	<i>Sd</i>		70.83
	<i>CV</i>		190.34	<i>CV</i>		163.28

Source: Computed from Annual financial statements of sample units.

Table-6 highlights that the growth rate of Financial Expenses of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from -30.26 percent in the year 2007-08 to 14.58 percent in the year 2010-11 with an average growth rate 163.62 percent, Standard deviation 311.45 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 73.04 percent in the year 2006-07 to -78.11 percent in the year 2010-11 with an average growth rate 43.38 percent, Standard deviation 70.83 indicates consistency in the growth rates during the period of time.

Table – 8
Growth Rate of Service Related Direct Expenses
Rs. in lakh

Years	Belgaum City Municipal Corporation			Bellary City Municipal Corporation		
	Value	Growth	Growth(%)	Value	Growth	Growth(%)
2006-07	159.18	--	--	34.34	--	--
2007-08	275.28	116.11	72.94	47.15	12.80	37.28
2008-09	63.22	-212.07	-77.04	445.48	398.33	844.89
2009-10	321.57	258.36	408.69	214.31	-231.17	-51.89
2010-11	118.46	-203.11	-63.16	186.04	-28.27	-13.19
	<i>Mean (X)</i>		85.36	<i>Mean (X)</i>		204.27
	<i>Sd</i>		195.66	<i>Sd</i>		371.21
	<i>CV</i>		229.22	<i>CV</i>		181.72

Source: Computed from Annual financial statements of sample units.

The perusal of table-8 shows the growth rate of Service Related Direct Expenses of Belgaum City Municipal Corporation and Bellary City Municipal Corporation for the period of five years data from 2006-07 to 2010-11. Overall growth rate, during this period has been shown by taking average growth rate of all consecutive years. The growth rate is vary from 72.94 percent in the year 2007-08 to -63.16 percent in the year 2010-11 with an average growth rate 85.36 percent, Standard deviation 195.66 indicates consistency in the growth rates during the period of time in case Belgaum City Municipal Corporation. Where as in case of Bellary City Municipal Corporation 37.28 percent in the year 2006-07 to -13.19 percent in the year 2010-11 with an average growth rate 204.27 percent, Standard deviation 371.21 indicates consistency in the growth rates during the

period of time.

CONCLUSION

Revenue growth has been buoyant over the years. However, the pace of increase in expenditure too has risen commensurately on account of the increased quantum of activity undertaken by these City municipal corporations. There has been a shift to greater dependence on non-tax revenue and grants, which is a concern as these flows are not endogenous to the system being affected by external factors. Revenue expenditure has been mainly on both operations and maintenance as well as establishment expenditure. This study observes that the property tax rate revisions and tax collection efficiency of the municipal corporations has been unsatisfactory. Therefore it would be desirable for City corporations to get into the process of monitoring their own performance in terms of net surpluses or deficits on a regular basis. In the view of the above, the approach to urban development and management should be the prime focus of the municipal corporations. Urban India will be the focus of future economic growth with more cities coming up as economic activity expands and migration takes place. MCs will have an important role to play in future with the proliferation of urbanization. With increasing pressure on fiscal restraint on central and state governments there will be a tendency for flow of funds in the form of grants to slow down to the MCs.

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