



ANALYSIS OF FINANCIAL PERFORMANCE OF MUNICIPAL CORPORATION: A CASE STUDY

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ABSTRACT

Recently in India three tier system of governance is existed to effective and efficient administration of nation. The Municipal Corporations is one of them which are playing vital role in the overall development of the cities. This paper attempted to study of sources of income and expenditure of Jalgaon Municipal Corporations in Maharashtra. This study based on financial statements of Jalgaon Municipal Corporation. After an analysis of four years financial statements of Jalgaon Municipal Corporation researchers has been conclude that theMunicipal Corporation has need to enhancement in sources of receipt and reduce the administration expenses to earn maximum gain from operation.

KEYWORDS

Municipal Corporation, financial performance, receipts and expenditures.

INTRODUCTION:

India is experiencing rapid urbanization over the last twenty years. Municipal Corporations are directly influence the welfare of the people by providing civil services and facilities in both urban and rural areas. The Constitution 73rd and 74th amendment acts, 1992 providing additional function, powers and resources and consist in three tier system of governance to Municipal Corporation in delivering services in the hierarchy.

Recently the functions and responsibilities of Municipal Corporation have increased but sources of finance are not increase in same proportion so most of the Municipal Corporations are suffering in financial crisis. Municipal Corporations can play major role in nation empowerment process through efficient utilization of local financial resource. Local finance utilization is a process of raising the adequate revenue and optimum allocation of funds to providing basic amenities to citizens.

The sources of fund for Municipal Corporations are consisting of tax revenue, fees, charges, penalty, recovery, subsidy, grant, and loan from government. Tax revenues consist of house tax, entertainment tax, hoardings tax, advertisements tax, open land tax, water tax and education tax. Non-tax revenues consists of various fees, charges, recovery and penalty such as birth certificate fees, death certificate fees, registration fees, electricity charges, sewer charges, license fees from shop keepers. Central government and state government provide grants-in-aid, loan and subsidy for various projects and program related to development and infrastructure. Municipal corporations can take loan on banking institutions on concessional interest rate for running development project.

The applications of fund for Municipal Corporations are consisting formation expenditure, administration expenditure, maintenance expenditure and capital expenditure. Formation expenditures are consists of infrastructure creation, purchasing fixed assets, employee insurance, salary and wages, prerequisite and allowances, pensions & retirement benefits. Administrative expenditures are consists of rents, rates & taxes, communications charges, printing&stationary, travel expenditure and guest felicitation expenses. Operations and maintenance expenditures are consists of office maintenance, electricity, fuel, ordinary stationary and repairing expenses. Capital expenditures are

consists of buildings, machinery, water supply & sewerage equipments, energy/lighting tools, solid waste management , roads and bridges, parks and recreation spaces, furniture & fittings.

REVIEW OF LITERATURE:

Dr. Hitesh Katyal and Raj Kumari (2014), Financial analysis of Urban local bodies of India– A study of selected Municipal Corporations of Punjab, The present study is undertaken to comparative study of financial performance of Municipal corporation of Ludhiana, Amritsar and Patiala Municipal corporation to suggest the appropriate policies to maintain and improve their financial position.

Dr. N. M. Makandar (2013), financial performance of selected city Municipal Corporations in Karnataka, The aim of this paper is to evaluate the financial health of the selected Municipal Corporation for the period of five years. The present paper have utilise Per Capita Income, Per Capita Expenditure, Ratios of Income and Expenditure to diagnose the financial health of the selected city Municipal Corporation in Karnataka. Municipal Corporation has need to improvement in sources of revenues for providing service delivery.

Dr.RatnaVadra (2010), State finances in India: Problems and Prospects, This study attempts to find out the declining trend in state finances of India in recent years and identify examine reform measures taken by states are helpful in reducing the deficits. The States should focus on improvement in efficiency; improve revenue productivity and compression of unproductive expenditures. Public finances in India are important need for social development and providing better services to citizens. From the study of the past data it is indicating no improvement in any of the major fiscal performance.

Md. Samiul Huda and Muhammad RashidulHasan (2009), If the amount of holding tax is increased, this will help Municipal Corporation to gradually become self-financed. The study had been based on two sets of questionnaire were prepared for data collection, one for household survey and the other is for institutional survey. Researcher had been found individual valuation of holdings is responsible to increase corruption so improvement needed in holding tax valuation by the municipality.

Prof. Dr. P. Y. Harkal and Prof. P.T. Bhosle (2011), Role of Municipal Council in Urbanisation, The development of strong political and administrative structure for Municipal Corporation is necessity to solve urban problems because it provides basic amenities to citizens. Municipal corporations are basically depending on tax revenue, government grant and revenues from fees and charges so it is necessary to collection of taxes with increasing urbanisation to providing better facilities.

Raj Kumari (2015), Financial Performance of Urban local bodies in Punjab case Study of selected Municipal Corporations, The present paper is analysis of the income and expenditure and sources of their finances of Municipal Corporation in Punjab. The researcher is found that Municipal Corporations in Punjab mostly has the surplus budgets because Municipal administration always doing safe practices because they were uncertain about the amount of grants and loans from the government. The Municipal Corporations in Punjab mostly spending major share on establishment and other non-development works. Although some corporations have improved their expenditure trend in recent years and convert it to development works. Uncertainty about the amount of grants and loans is making pressure on corporations to meet with their committed expenditure including establishment.

Ram Bahadur Thapa (2004), Financial Resource Mobilization in Pokhara Sub-Municipal Corporation, Recently in the Municipal Corporation development expenditure has been increased more than regular expenditure as well as internal sources of revenue is more stable than external sources. Municipal corporations should have the supplementary in municipal financing due to External sources of revenue are less reliable source of financing because of wide fluctuation in nature. Municipal Corporations should expand their internal revenue sources and modify the tax rate so they can collect adequate revenue to meet their financial needs

Ramakrishna Nallathiga (2008), Trends and Perspectives of Urban Public Finance in Select Countries and India, This paper attempt to analysis of urban public finances of select countries of the West and India. In European and America countries the well structured system of public finances and wider range of financial structures both revenue and expenditure.

STATEMENT OF PROBLEM:

Recently in India urbanization is increasing rapidly which is resulting in higher demand of basic amenities like water, sanitation, public place. Municipal Corporation is playing crucial role in providing better amenities to the citizens but fund is becoming main obstacle in creation and maintain quality services. Municipal corporations have collecting the various taxes, fees and charges from citizens and receiving grants, subsidy and concessional loans from state government and central government so it is necessary to municipal corporation should be efficiently used these fund for welfare of citizens. Hence the need of study the financial performance of Municipal corporations has become essential.

OBJECTIVES OF STUDY:

1. To analysis of the financial performance of the Municipal Corporation for the period of four years
2. To analysis of the trends in major revenue sources and expenditures of Municipal Corporation
3. To analysis the growth of income and expenses of Municipal Corporation

ORGANISATIONAL PROFILE:

Jalgaon Municipal Corporation was founded in 22th September 2003 to provide civil services & facilities around the 460000 citizens with serves area approximately 68.78 Sq.km. Jalgaon Municipal Corporation consist of various departments like public relation, health care, finance and audit, constructions work, street lighting, parking, establishment, public places developments, legal services, water works, education and fire services. The corporation is

headed by Municipal commissioner and mayor. The Jalgaon city is divided into 69 wards. Jalgaon Municipal Corporation has supplies basic amenities like water and sewerage to over 99,361 numbers of houses.

RESEARCH METHODOLOGY:

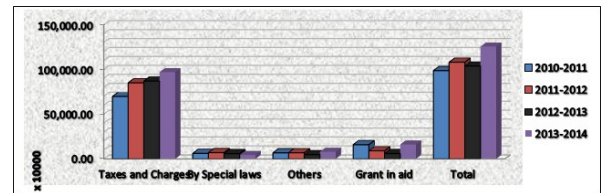
Present research study is based on secondary data and published research papers, budgets of Municipal Corporation and discussion with concerned persons in the Municipal Corporations. The present research study has analyzed four years data from the year 2010-2011 to 2013-14. The collected data is representing with utilizing tabulation and bar graph. The findings of this study are applicable only for relevant Municipal Corporation. Following parameters are selected to analysis of financial performance of Municipal Corporation i.e. sources of receipt, applications of expenditure, availability of cash balance, profit or loss.

DATA ANALYSIS AND INTERPRETATION:

1. Analysis of Key Sources of Receipt

Year	Taxes and Charges	By Special laws	Others	Grant in aid	Total
2010-2011	69833574	61531597.	67888345.	15905670	98681239
2011-2012	1.37	40	04	9.00	2.8
2011-2012	85066840	70516694.	68905419.	91033960.	10811244
2012-2012	6.45	15	25	00	80
2012-2012	87043210	59416047.	47237789.	60616777.	10377027
2013-2013	3.24	65	50	00	17
2013-2013	96991017	44036486.	80103618.	16171995	12557702
2014-2014	4.00	00	00	5.00	33

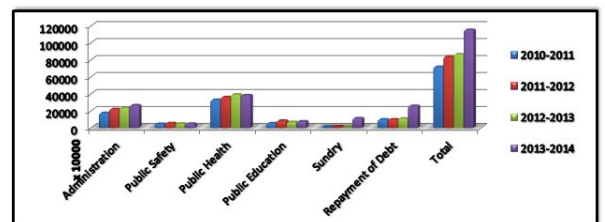
Source: - Website of JMC, Jalgaon



2. Analysis of Key Applications of Expenditures

Year	2010-2011	2011-2012	2012-2013	2013-2014
Administration	17598 6122.9	22201 3078.2	23509 9135	26729 1138
Public Safety	48197654	56198505	50748522	49411431
Public Health	33062 9840.2	36314 3169	39369 8697.6	38533 6161
Public Education	54892204	86227919	70240228	77902723
Sundry	8571481	12487197	6927748	114332112
Repayment of Debt	10054 6061	10015 3897	11000 0000	26000 0000
Total	71882 3363.1	84022 3765.2	866714 330.6	11542 73565

Source: - Website of JMC, Jalgaon

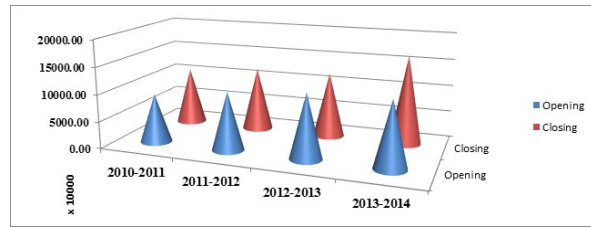


3. Availability of Cash Balance

Year	Opening	Closing	% of Growth
2010-2011	90626978.86	108086575.26	16.15
2011-2012	108086575.26	119341907.96	9.43

2012-2013	119341907.96	121390886.35	1.69
2013-2014	121390886.35	165257888.00	26.54

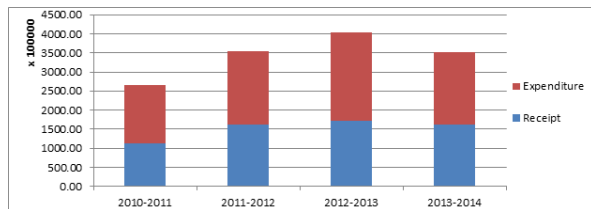
Source: - Website of JMC, Jalgaon



4. Receipt and Expenditure on Water Supply

Year	Receipt	Expenditure	% of Deficiency
2010-2011	111756952.50	153207607.16	27.06
2011-2012	161529648.00	191846731.00	15.80
2012-2013	170973088.00	232891427.00	26.59
2013-2014	161952627.00	190896426.00	15.16

Source: - Website of JMC, Jalgaon



CONCLUSION:

After an analysis of four years financial statements of Jalgaon Municipal Corporation researcher has been conclude that the taxes and charges levied by Municipal Corporation and grants from the central and state governments is major source of receipts. Financial analysis of four years annual reports disclose that in 2012-13 Jalgaon Municipal Corporation was earned lowest grant in aid. In 2013-14 the cash balance of Jalgaon Municipal Corporation was highly increased from Rs. 121390886.35 to Rs. 165257888.00. The Jalgaon Municipal Corporation was earned lowest positive difference among cash balances in 2012-13 due to increase in expenditure on water supply in this period. Analysis of expenditure side shows that the administration expenses has constantly increase but total receipts of Municipal Corporation's has not increase in same proportion. Municipal Corporation has need to enhancement in sources of receipt and reduce the administration expenses to earn maximum gain from operation.

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