

Financing of Urban Self Governing Bodies (USGBs) in Karnataka

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ABSTRACT

Urban Self Governing Bodies (USGBs), popularly known as Urban Local Bodies (ULBs), are the crucial setup in India which carries the most important constitutional and governing ejection for the wellbeing of the local living society. The Constitution of India had made them self governing in the local limits such as Mahanagara Palikas, City Corporations (CCs), City Municipal Councils (CMCs), Town Municipal Councils (TMCs) and Town Panchayats (TPs). There are completely free from planning and management to controlling of the local area limits. In order to the administration, they have constitutional right to make financial management by enacting and partially amending the provisions of Acts, regulations, statutes etc. in the smooth and proper administration of their activities by passing and getting approval from their elected representatives and hence, they have their sovereign style of administration and management in all spheres.

It is very habitual to study the financing of ULBs in the state of Karnataka and in the lieu of activities and/or functions performing for the wellbeing of the people living in their area limits. It is the bound duty of every ULB to provide basic and affordable facilities and services to its people such as provision of sanitary, drinking water, street lighting, environmental protection, upliftment of weaker sections, creating atmospheres for local youths, health and education, women empowerment and animal husbandries etc. in sense of holistic welfare and betterment of the local society.

1. Introduction

Urban Self Governing Bodies (USGBs), popularly known as Urban Local Bodies (ULBs), are the crucial setup in India which carries the most important constitutional and governing ejection for the wellbeing of the local living society. The Constitution of India has given constitutional status to them by self governing in the local limits such as Mahanagara Palikas, City Corporations (CCs), City Municipal Councils (CMCs), Town Municipal Councils (TMCs) and Town Panchayats (TPs) in its 74th Constitutional Amendments in 1992-93. They are completely free from planning, and managing and controlling of the local area limits, with certain provincial subjectivity. In order to the administration, they have constitutional right to make financial management by enacting and partially amending the provisions of Acts, regulations, statutes etc. in the smooth and proper administration of their activities by passing and getting approval from their elected representatives and hence, they have their sovereign style of administration and management in all spheres.

India has increasing its population towards urban. Presently, it has 31 percent of the urbanization and which is expected to 40 percent by 2031 (Census Report of India, 2011). However, the growing rate is very slow comparing to China (45 Percent), Indonesia (54 percent) and Brazil (85 percent). Hence, it becomes a challenge for the Local Governments in reforming and finding funds for their functions and functionaries. Along the entire spectrum of issues, India

has seen good experiments in reforms and grappling with challenges of urbanization.

It is very habitual to study the financing of ULBs in the state of Karnataka and in the lieu of activities and/or functions performing for the wellbeing of the people living in their area limits. It is the bound duty of every ULB to provide basic and affordable facilities and services to its people such as provision of sanitary, drinking water, street lighting, environmental protection, upliftment of weaker sections, creating atmospheres for local youths, health and education, women empowerment and animal husbandries etc. in sense of holistic welfare and betterment of the local society.

2. Review of Literature

Makandar and Mulla (2014) study has analyzed the financial health of selected municipal corporation in Karnataka. The study is indicated by a set of closely interrelated factors and growth rate of income-expenditure. The study results and suggested as the government budgetary resources is not enough and multiple sources of funding is required.

Katyal and Rajkumari (2014) study inflicts with the status of municipal finance in selected municipal corporation of Punjab in India. The study compares and analyses the financial performance of Municipalities. The analysis has revealed that even after the serious effort of both the state and central government to upgrade the standard of Municipal Corporation but yet they suffer loss because of unplanned expenditure and less income generating source.

Gupta and Mahapatra (2014) have studied on the financial management practices of ULBs in West Bengal. The author has accounting reforms by converting cashbook based single entry system into accrual-based double entry accounting system. The ULB are reluctant to use treasury management tool for effective management of the funds, Because of non usage of such tool, lack of knowledge, lack of will of the councilors, municipal officials. And the authors suggest for systematically designed training programmes to improve the potentiality and workable knowledge of personnel.

Daware (2013) observes the financial management of Nagpur Municipal Corporation urban self governing body. The study focuses on financial management of Municipal Corporation by using two parameters namely operating income and utilization ratio. The municipal corporation under study has spent more expenditure on the public health compared to general administration, public safety and clearance of debt.

Bhattacharyya and Bandyopadhyay (2012) cover financial control of urban local bodies in India for their better financial performance. The financial performance is depicted by an indicator as recurrent surplus or deficit. The authors suggest

for increase in the percentage of surplus and shift from traditional way of applying financial ratio to statistical techniques in analyzing the financial performance in urban local bodies.

3. Objectives of the Study

The present study has the objective to study the financing sources and trends of ULBs.

4. Research Methodology

The study is presented on the basis of secondary data sources and primary data from the public. For the study, the Ballari City Corporation, Hosapete City Municipal Council, Kampli Town Municipal Council and Kamalapur Town Panchayat have been selected for study. The secondary data has been analyzed with the help of percentages and trend methods.

Table-1: Categories of Receipts (Sources) and Expenditures (Applications) of ULBs

Revenue Receipts	Revenue Expenditures
Own Taxes, Assigned Taxes	Salary and Wages Administration and General Expenses, Light and Energy, Repairs and Maintenance, Service and Programme Expenses, Grant Expenses, Loan Charges and Other Expenses
Property Tax, Octroi, Toll Tax, Tax on Sale of Electricity, Advertisement Tax, Entertainment Tax, Profession Tax, Motor Vehicle Tax, Surcharge of Stamp Duty	
Others	
User Charges and Fees, Inter-Governmental Grants, Sale and Hire Charges, Borrowings	
Capital Receipts	Capital Expenditures
Loans from the State Government, Open Market Borrowings, Loans from Financial Institutions and Grants and Aids for Specific Projects	Various Infrastructure Projects viz. roads, bridges, water supply, sewerage etc.

Table-2: Revenue Generated by Ballari City Corporation (BCC)

Year	Tax revenue	%	Rental Income from Municipal Properties	%	Fees, User Charges and Other Charges	%	Sale and Hire Charges	%	Total
2012-13	108,017,318	100	4,207,134	100	89,699,202	100	941,360	100	202,865,014
%	53.25		2.07		44.22		0.46		100
2013-14	122,042,072	113	3,423,775	81	91,179,978	102	572,872	61	217,218,697
%	56.18		1.58		41.98		0.26		100
2014-15	137,392,206	127	2,988,584	71	107,907,766	120	100,100	11	248,388,656
%	55.31		1.20		43.44		0.04		100
2015-16	136,920,341	127	5,160,329	123	136,564,316	152	112,226	12	278,757,212
%	49.12		1.85		48.99		0.04		100

(Source: Annual Performance Reports of BCC)

Chart-1: Revenue Generated by the Ballari City Corporation (BCC)

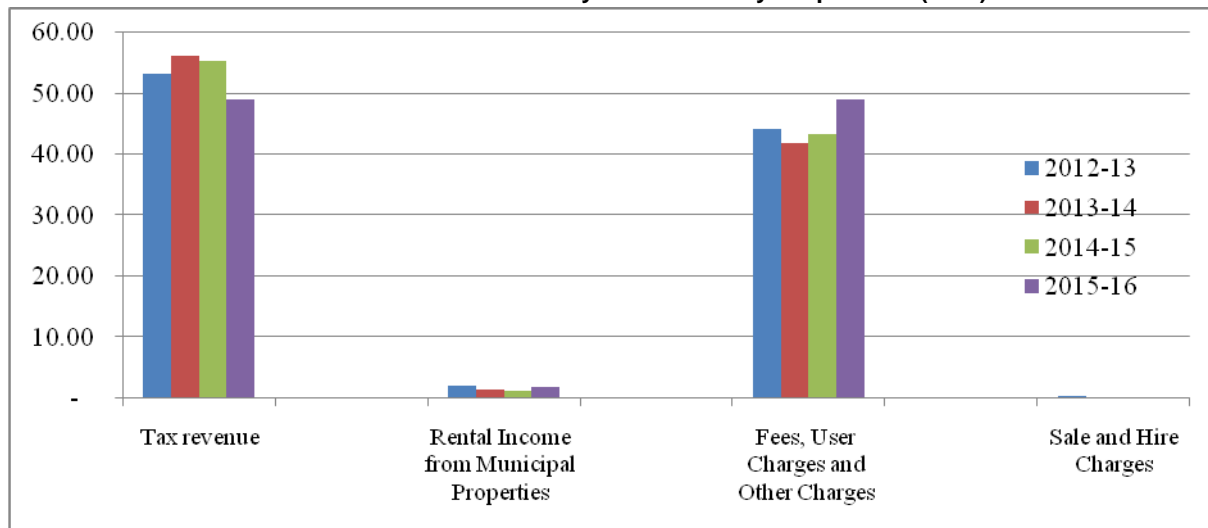


Table-3: Revenue Generated by Hosapete City Municipal Council (HCMC)

Year	Tax revenue	%	Rental Income from Municipal Properties	%	Fees, User Charges and Other Charges	%	Sale and Hire Charges	%	Total
2012-13	3,03,61,935	100	26,09,350	100	2,27,64,751	100	9,85,600	100	56,721,636
%	53.53		4.60		40.13		1.74		100
2013-14	3,03,35,485	99.91	21,44,926	82.2	2,61,07,231	115	2,70,100	27.4	58,857,742
%	51.54		3.64		44.36		0.46		100
2014-15	2,86,86,725	94.48	20,90,034	80.1	3,55,49,466	156	91,324	9.27	66,417,549
%	43.19		3.15		53.52		0.14		100
2015-16	3,00,93,550	99.12	18,25,350	70	3,61,69,647	159	1,82,300	18.5	68,270,847
%	44.08		2.67		52.98		0.27		100

(Source: Annual Performance Reports of HCMC)

Chart-2: Revenue Generated by Hosapete City Municipal Council (HCMC)

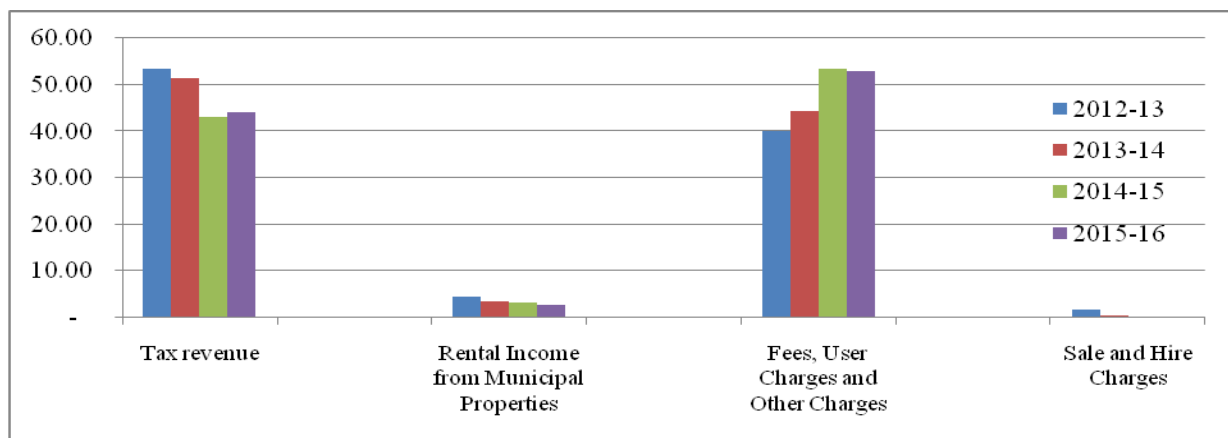


Table-4: Revenue Generated by Kampli Town Municipal Council (KTMC)

Year	Tax revenue	%	Rental Income from Municipal Properties	%	Fees, User Charges and Other Charges	%	Sale and Hire Charges	%	Total
2012-13	33,92,100	100	15,43,284	100	73,76,856	100	2,05,763	100	1,25,18,003
%	27.1		12.33		58.93		1.64		100
2013-14	36,38,500	107.3	16,74,000	108	69,95,917	94.8	3,14,513	153	1,26,22,930

%	28.83		13.26		55.42		2.49		100
2014-15	39,58,361	116.7	18,36,436	119	89,37,985	121	26,981	13.1	1,47,59,763
%	26.82		12.44		60.56		0.18		100
2015-16	40,44,058	119.2	19,53,390	127	80,88,958	110	43,820	21.3	1,41,30,226
%	28.62		13.82		57.25		0.31		100

(Source: Annual Performance Reports of (KTMC))

Chart-3: Revenue Generated by Kampli Town Municipal Council (KTMC)

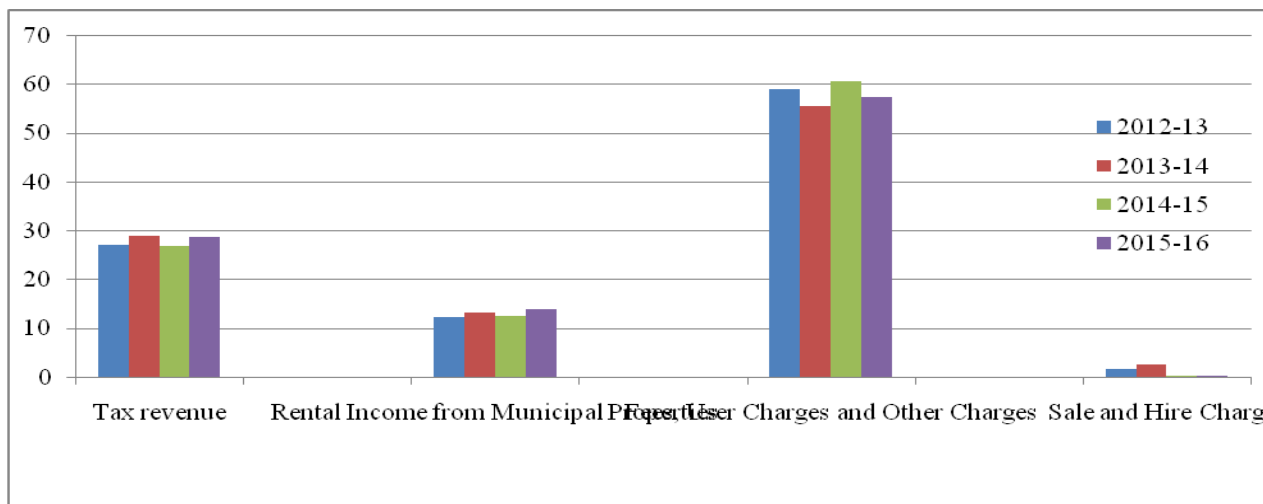
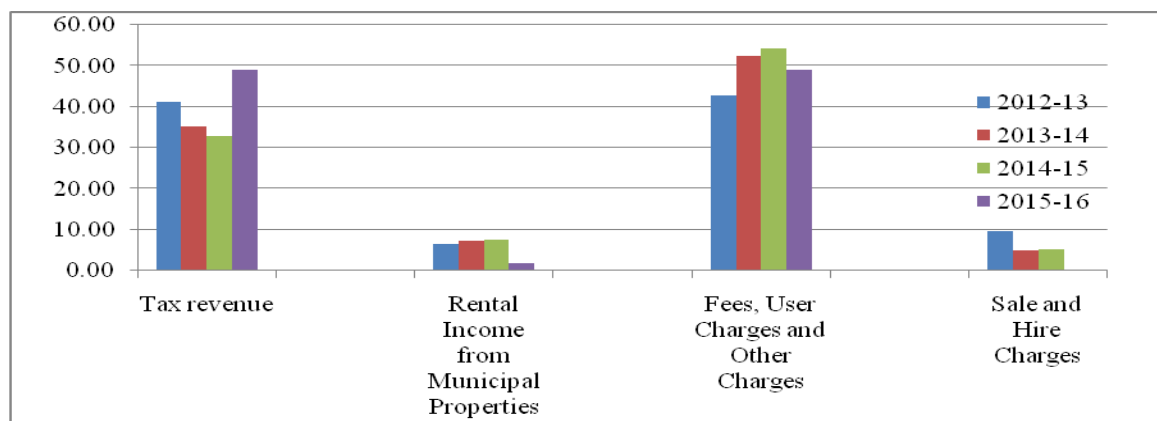


Table-5: Revenue Generated by Kamlapura Town Panchayat (KTP)

Year	Tax revenue	%	Rental Income from Municipal Properties	%	Fees, User Charges and Other Charges	%	Sale and Hire Charges	%	Total
2012-13	17,58,065	100	2,76,000	100	18,32,093	100	4,11,361	100	42,77,519
%	41.10		6.45		42.83		9.62		100
2013-14	17,20,161	97.84	3,62,130	131.21	25,53,667	139.39	2,42,888	59.04	48,78,846
%	35.26		7.42		52.34		4.98		100
2014-15	24,75,190	140.79	5,71,316	207	40,88,937	223.18	4,01,010	97.5	75,36,453
%	32.84		7.58		54.26		5.32		100
2015-16	13692034	778.81	516033	186.97	13656432	745.4	112226	27.3	27976725
%	48.94		1.84		48.81		0.40		100

(Source: Annual Performance Reports of (KTP))

Chart-4: Revenue Generated by Kamlapura Town Panchayat (KTP)



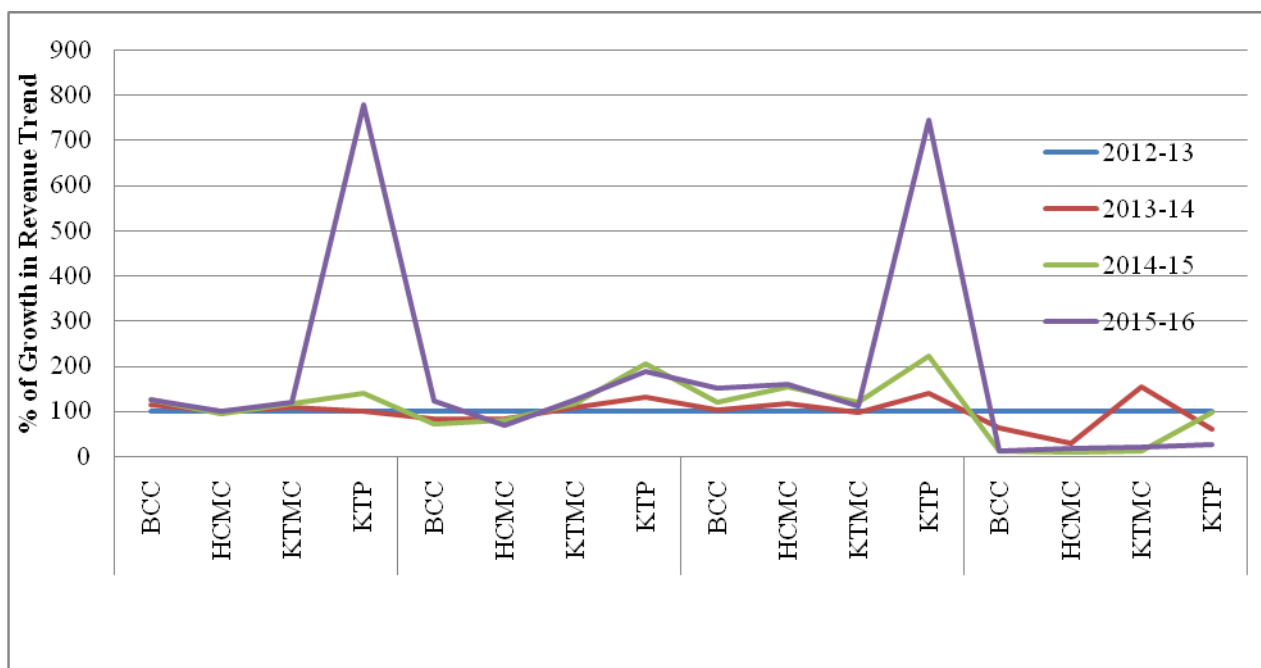
5. Results and Analysis

Table-6: Revenue Performance (%) of ULBs in Karnataka

Year	Tax Revenue				Rental Income from Municipal Properties				Fees, User Charges and Other Charges				Sale and Hire Charges			
	BCC	HCM C	KTM C	KTP	BCC	HCM C	KTM C	KTP	BCC	HCM C	KTM C	KTP	BCC	HCM C	KTM C	KTP
2012-13 (Base Year)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
2013-14	113	99.91	107.3	97.84	81	82.2	108	131.21	102	115	94.8	139.39	61	27.4	153	59.04
2014-15	127	94.48	116.7	140.79	71	80.1	119	207	120	156	121	223.18	11	9.27	13.1	97.5
2015-16	127	99.12	119.2	778.8	123	70	127	186.97	152	159	110	745.4	12	18.5	21.3	27.3
Mean	117	98	111	279	94	83	114	156	119	133	106	302	46	39	72	71

(Source: Compiled from the Annual Performance Reports of ULBs)

Chart-5: Revenue Performance (%) of ULBs in Karnataka



Trend in Tax Revenue: The Kamplapur Town Panchayat (KTP) has recorded highest growth trend and the Kampli Town Municipal Council (KTMC) showed lower increasing trend whereas the Ballari City Corporation (BCC) maintained increased growth trend compared to variation in the Hosapete City Municipal Council (HCMC). However, the constant tax collection performance of BCC and KTMC is better than HCMC and KTP.

Trend in Rental Income: The Kampli Town Municipal Council (KTMC) has performed well in the collection of rent from municipal properties compared to Ballari City Corporation (BCC), Kamplapur Town Panchayat (KTP) and Hosapete City Municipal Council (HCMC). However, the performance of HCMC is not favourable manner.

Trend in Income from Fees, User and Other Charges: The Kamplapur Town Panchayat (KTP) has showed the higher progress followed by the Ballari City Corporation (BCC) in increasing trend than slower progress in case of Hosapete City

Municipal Council (HCMC) and unsatisfactory in case of Kampli Town Municipal Council (KTMC).

Trend in Income from Sale and Hire Charges: All the ULBs are not performed up to the mark and hence, the income from sale and hire charges is reduced year by year.

6. Conclusion

The financing patter of Urban Local Bodies (ULBs) has widely different in collection and utilization of revenue funds. As the ULBs in India are enjoying self governance and management after the constitutional amendment. There are some state governments are funding initially for its pickup and development and later, they have gradually reducing the funding patter and making them to self financing bodies for their functions and activities. The ULBs are not in a position to generate self supported finance from its avenues and most of the time, they have underperformed or shown failure in the management. Therefore, the reasons for the failure may be

less control of State Governments, ineffective or under utilization of available resources, hesitation in adoption of innovative systems (accounting or any other), influence of local elected representatives, etc. There is also a lesser participation and advice of local citizens in the management of ULBs. Hence, the importances of ULBs are gradually in detrimental in recent time.

The dream and unique projects of governments like smart cities, swacha bharath abhiyan, amruth cities etc. may be sign towards failure in future due to the erratic style of management and governance of ULBs. Therefore, there is a need of hour to introduce an effective administration mechanism in finance and accounting to evaluate their performance properly and timely.