

Analysis of Financial Performance of Municipal Corporation, Chandigarh

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Abstract

This research study analyzes the financial performance of the Municipal Corporation of Chandigarh (MCC) based on the Municipal Performance Index 2019 and focusing on income management, spending management, fiscal decentralization, and fiscal responsibility. The study's foundation is secondary data gathered from MCC's 2016–2018 profit and loss statements and annual budgets. The results show that MCC's lack of planning and consistency in its revenue and expenditure management results in budget deficits. While capital expenditure per capita has been dropping, indicating an imbalance between population growth and infrastructure investment, the ratio of own revenue to total revenue has been rising, indicating healthy financial growth. The research paper also points out problems with fiscal decentralization, most notably how transparency and public confidence are weakened by the public's inability to view audited accounts. MCC has a BBB credit rating, but its financial flexibility is limited because it hasn't issued any new bonds. According to the study, MCC can raise its credit rating by selling bonds, publishing audited financial statements, improving budget planning, allowing the public to participate in the budgeting process, and implementing a unified accounting system. The analysis is restricted to information from 2016 to 2018 and concentrates only on the Municipal Performance Index's financial component. The report emphasizes how crucial sound financial management is to local administration and how this affects Indian municipal corporations' overall success.

Keywords: Municipal Corporation, Chandigarh (MCC), Fiscal Decentralisation, Fiscal Responsibility, Revenue and Expenditure Management.

Introduction

In a large nation like India, where there are significant regional variations in population density, topography, and natural resources, local organizations such as Municipal Corporations are crucial to the functioning of the democracy. The relationship between the people and the government is not particularly close in the current model of highly centralized, sophisticated administration. People feel involved in their governance because of the institution of local self-government. In many respects, local self-government is essential to the process of economic development. First, it offers the two categories of services required for economic growth: economic services like markets, roads, water, and power, and social services like health and education. Second, by developing businesses engaged in trade, manufacturing, and services like fair pricing stores, dairies, and ventures for the production of manure, gas and electricity, transportation services, etc., the local government can take part in economic growth itself. Third, local government is the most effective entity for carrying out

the higher-level government's own development objectives.

The financial sector is thought to be the lifeblood of business and industry. This holds true for all tiers of government, including municipal self-governance. Only when they have sufficient resources at their disposal and know how to use them effectively and efficiently can local self-governments function smoothly. There is a close relationship between local finances and local functions. They are mutually exclusive; in actuality, one is necessary for the other to exist. Without local financing, it is impossible to carry out local functions, and without functions, finance is not required. As a subset of public finance, local finance examines the revenue and expenses of local governments as well as how they relate to one another. The process and tenets of raising and allocating funds necessary to enable local government in meeting the needs of the populace under its purview are covered by the field of local finance.

As finance is important for the working of local Government, the analysis of finance part is important. Many studies have been done to analysis financial performance of local government. But in 2019, Ministry of Housing and Urban Affairs , Government of India, came with Municipal Performance Index 2019. Municipal Performance Index is a framework for assessing and evaluating the performance of Indian municipalities, and it is based on a specified set of functions. Municipal responsibilities range from offering basic public services to more complex ones like urban planning. This evaluates 114 cities' performance based on 99 indicators, 20 categories, and 5 pillars.

Five Pillars of Municipal Performance Index 2019:

Governance	<ul style="list-style-type: none">• Effectiveness• Human resource• Participation• Transparency and accountability
Technology	<ul style="list-style-type: none">• Digital literacy• Digital governance• Digital access
Planning	<ul style="list-style-type: none">• Plan enforcement• Plan preparation• Plan implementation
Finance	<ul style="list-style-type: none">• Fiscal decentralisation• Fiscal responsibility• Revenue management• Expenditure management
Services	<ul style="list-style-type: none">• Infrastructure• SWM & Sanitation

	<ul style="list-style-type: none">• Registration and Permits• Education• Health• Water and Waste Water
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Finance Pillar of Municipal Performance Index 2019:

1. **Revenue Management:** The strategic management of the various income streams and financial resources at the local government's disposal is referred to as revenue management. Municipal corporations depend on a range of revenue streams to support their operations and satisfy the demands of their citizens. These organizations are in charge of delivering infrastructure and vital public services at the local level.

Important facets of municipal corporations' revenue management include:

- Own revenue vs. Total revenue
- Tax revenue vs. Total revenue
- Review of property tax
- Last revision of taxes
- Accrual based double entering accounting system
- Alternate sources of financial raised by the municipality

Expenditure Management

The process of successfully and efficiently managing a person's or organization's financial resources is known as expenditure management. It include budgeting, managing, and keeping an eye on spending to make sure it fits within set limits and objectives. To improve overall financial health, maximize resources, and achieve financial stability, effective expenditure control is essential.

Important components in managing spending include:

- Capital expenditure and total expenditure
- Salary expenditure of budget estimate
- Capital expenditure per capita
- Budget deficit/ surplus

Fiscal Decentralisation

The process of shifting financial obligations and decision-making authority from the federal government to sub national or local governments is known as fiscal decentralization. It entails distributing taxing power, spending obligations, and monetary resources to states, municipalities, and other subordinate levels of government.

Important facets of financial responsibility consist of:

- External Budget Participatory
- Budget Variance
- Audit
- Publication of audited accounts

Fiscal Responsibility

The responsible administration of public finances to guarantee sustainability, stability, and accountability is referred to as fiscal responsibility. It entails deciding on expenditure, taxes, borrowing, and budgeting in a way that supports the efficiency and long-term health of the economy.

Important facets of financial responsibility consist of:

- Tax collection powers
- Borrowing powers
- Credit rating

Review Of Literature

Ramakrishna Nallathiga (2021)

This study evaluates the ULG's finances in the context of fiscal decentralization for Pune, a significant Indian city. In order to assess the Pune Municipal Corporation's (PMC) financial standing, the study has look at the trends and patterns of the key financial metrics in the context of the PMC's shifting fiscal autonomy as a result of upper-level governments' intervention. It discover that the PMC's finances, both on the revenue and spending fronts, have been impacted by these upper tier governments' intervening acts. Due to these initiatives, the PMC's finances are now more brittle and susceptible to drops in funding for public infrastructure services.

Dr. Vijay S. Jariwala (2016)

In order to recommend appropriate strategies to maintain and/or enhance their financial management, the study compares the financial management of Gujarat state's municipal corporations, specifically Ahmedabad Municipal Corporation (AMC), Surat Municipal Corporation (SMC), Vadodara Municipal Corporation (VMC), and Rajkot Municipal Corporation (RMC).The relative comparison of the MCs in the cross section in terms of absolute figures is used to gauge performance. ANOVA has been used to assess every main category of revenue and expenditure for every MC (one way).According to an analysis of municipal finances, MCs are producing a modest income surplus and have few resource shortages. The growth rate of per capita expenditure varies greatly across all MCs. The growth rate of per capita expenditure varies greatly across all MC.

Simanti Bandyopadhyay (2015)

The Third State Finance Commission Report of Delhi is compared with the periods prior to and following its filing in this article. The primary conclusions indicate that the Municipal Corporation of Delhi (MCD) has made some attempts to improve its "own revenues" and lessen its dependency on transfers from higher levels of government. This improvement is due to a wider diversification of sources of revenue, both tax and non-tax. Other tax sources like corporate tax and electricity tax became more significant during the second phase. Higher collection of some components, including conversion charges, also bolstered non-tax revenues. Furthermore, MCD's own revenues have not increased as a result of the expansion in the Gross State Domestic Product (GSDP). Instead, the study discovers that more GSDP and its components related to the tertiary sector are linked to higher MCD spending.

Dr. S. K. Wadekar, Prof. Smt. Mangala Aher (2013)

Greater investments in civic infrastructure are required by urban local bodies in order to facilitate and maintain this kind of economic activity. It is evident that ULBs are now ill-equipped to handle the growing demands on infrastructure. A contributing factor to this situation is the low income and excessive expenses. The ULBs must increase revenue in order to have more authority. Only when they are permitted to impose their own taxes and fees will they be able to accomplish this. Having an open system in place for grant transfers is also critical. The current analysis sheds light on the Municipal Corporations' revenue and expenditure positions over the previous two years in Nashik District. Additionally, an endeavor is being made to compile a summary of the financial standing of the Nashik District Municipal Corporations. Only secondary data were used to create this study.

Research Methodology

Objectives

1. To evaluate revenue management and expenditure management of MCC
2. To analysis of fiscal decentralization of MCC
3. To study fiscal responsibility of MCC
4. To suggest the measures for improving financial performance

Nature and Source of data collection

The current study is based on secondary data . Suitable research tool to collect secondary data are annual budgets and Profit and Loss accounts of MCC from 2016-2018.

Scope of study

As per the availability and convenience only three years data has been collected. It was not possible to study more years.

Analysis

Revenue Management

Own revenue vs. Total revenue

(IN LACS)

	Own revenue (A)	Total revenue (B)	A/B*100
2015-16	15536.50	49237.50	31.55
2016-17	15598.48	57524.48	27.11
2017-18	16022.00	99298.0	16.13

Tax revenue vs. Total revenue

(IN LACS)

	Tax revenue (A)	Total revenue (B)	A/B*100
2015-16	2200.00	49237.50	4.46
2016-17	1925.00	57524.48	3.34
2017-18	2000.00	99298.0	2.01

Review of property tax

Since the assessment year 2015–16, the Chandigarh administration has once again imposed property taxes on residential lands and buildings within the boundaries of the Municipal Corporation Chandigarh. The municipal corporation has been collecting property taxes on approximately 22,000 commercial institutional land and building assessments. In addition, service fees have been applied to residential government properties and buildings. There are currently about 83000 assesses, and that number is probably going to increase to 1.5 lacs when the Chandigarh administration directs a revision of the tax system.

Last revision of tax

There are currently about 83000 assesses, and that number is probably going to increase to 1.5 lacs when the Chandigarh administration directs a revision of the tax system in the year 2016-17.

Accrual based double entering accounting system

Since the MCC implemented the double entry method on January 1, 2015. The task of converting the Chartered Accountant firm's 2009–10, 2011–12, 2013–14, and 2014–15 accounts has been contracted out, involving the use of two assistants and one DEO as temporary employees.

Alternate sources of financial raised by the municipality

PPP, municipal bonds, CSR, land monetization, open market borrowings, value capture finance, and external financing are examples of alternative sources of funding.

STATEMENT SHOWING ACTUALS RECEIPTS FOR THE LAST TWO YEARS, ACTUALS FOR THE FIRST NINE MONTHS OF 2015-16 AND THE LIKELY ILE, 2015-16 AND 2nd 2016-17

S.No.	Major/Detailed Head of Account	Actuals Receipts 2013-14	Actual Receipts 2014-15	Budget Estimates 2015-16 approved by the Corpn.	Actual Receipts from 1.4.15 to 31.12.15	Anticipated Receipts from 1.1.16 to 31.3.16	Revised Estimates proposed 2015-16 (B+7)	Budget Estimates proposed 2016-17	Remarks
COMMISSIONER'S OFFICE									
1	Estate Receipts								
(i)	Capital Receipts	0.00	0.00	1500.00	0.00	100.00	100.00	1000.00	Receipts subject to Auction of Commercial sites
(ii)	Revenue Receipts (Rent from Night food street, subways shops, eating joints, Recovery from liquor permits, Development Charges, petrol pump, rent from bare sites in 5253 & Mauljaganj, Concession/transfer fee, sale of forms etc. etc.)	308.19	453.54	400.00	577.42	22.58	600.00	500.00	
	Sub Total (i + ii)	308.19	453.54	1900.00	577.42	122.58	700.00	1500.00	
2	Removal Charges, Auction of seized articles, Festival stall charges, Rockstar Senses fee, other misc. receipts etc.	611.96	373.27	210.00	315.05	34.95	350.00	350.00	
3	Interest on Deposits	4671.21	3951.89	1800.00	1991.33	508.67	2500.00	2000.00	
4	Property Tax			1800.00		52.57	1800.00	1800.00	
5	House Tax	2043.68	1707.00	400.00	1747.43	125.00	125.00	400.00	
6	Auction of parking lots	671.35	556.47	500.00	366.39	13.61	400.00	500.00	
7	Receipt from Cable operators	2.44	30.82	13.00	24.07	5.93	30.00	13.00	
8	Rent of Taxi stand-Chandigarh	6.78	106.13	37.00	59.64	40.36	100.00	40.00	
BOOKING CENTRE									
9	Advertisement fee			15.00	14.45	10.55	25.00	15.00	
10	Rent from Community Centre(Mas) Ghans	444.21	328.30	200.00	299.66	15.35	315.00	250.00	
11	Wdg. material through CC & Lifting of Matka	4.42	28.55	30.00	27.77	2.23	30.00	30.00	
12	Scooter/Car Bazar	10.16	53.56	17.00	205.05	44.95	250.00	20.00	
13	Membership fee from CC/Clubs	0.00	2.61	4.00	3.83	0.17	4.00	4.00	
14	Other Receipts (Water Meter, Water tariffs, sale of form, RTI) refund of unspent balance etc.	505.72	111.10	6.00	380.30	39.70	400.00	200.00	
LOANS & ADVANCES									
15	Recoveries from HDA/Socstar Advance	2.24	1.54	3.00	0.50	1.00	1.50	3.00	
	Sub Total 2 to 15	8974.19	7251.24	6035.00	5435.46	885.04	6330.50	5725.00	
	Total CMC	9282.38	7704.78	6935.00	6012.88	1017.62	7030.50	7225.00	



STATEMENT SHOWING ACTUALS RECEIPTS FOR THE LAST YEAR AND THE LIKELY R.E. 2016-17 AND BE 2017-18

S.No	Major/Detailed Head of Account	Actual Receipts 2015-16	Budget: Estimates 2016-17 approved by the Corpn.	Actual Receipts from 1.4.16 to 31.12.16	Anticipated Receipts from 1.1.17 to 31.3.17	Revised Estimates proposed 2015-17 (5+5)	Budget Estimates proposed 2017-18	(C In Lacs)	Remarks
1	2	3	4	5	6	7	8	9	
	MC DIRECTORATE								
1	Estate Receipts								
(I)	Capital Receipts	0.00	1000.00	286.65	63.35	350.00	300.00		
(II)	Revenue Receipts (Rent from Night food street, subways shops, eating joints, Development Charges, petrol pump, rent from bare sites in 52/52 & Mauljagan, Conversion/transfer fee, sale of forms etc. etc.)	979.21	500.00	542.51	157.49	700.00	700.00		
	Sub Total (I + II)	979.21	1500.00	829.16	220.84	1050.00	1000.00		
2	Removal Charges, Auction of seized articles, Festival stall charges, Rockshaw license fee, other misc. receipts etc.	421.50	350.00	265.83	84.17	350.00	400.00		
3	Interest on Deposits	3322.16	2000.00	950.47	1549.53	2500.00	2500.00		
4	Property Tax		1900.00		67.00	2000.00	2000.00		
5	House Tax	2021.33	400.00	1933.00	125.00	125.00	400.00		
6	Auction of parking lots	452.22	500.00	299.50	101.50	400.00	500.00		
7	Receipt from Cable operators	45.18	13.00	20.98	9.02	30.00	13.00		
8	Rent of Taxi stand-Chandigarh	75.34	40.00	43.58	56.42	100.00	100.00		
	BOOKING CENTRE								
9	Advertisement fee		15.00	0.11	24.89	25.00	15.00		
10	Rent from Community Centres/Jany Ghats	408.81	250.00	321.59	3.41	325.00	400.00		
11	Bag material through CC & Living of Mata	36.38	30.00	27.25	2.75	30.00	30.00		
12	Scooter/Car Bazar	221.20	20.00	54.23	195.77	250.00	20.00		
13	Membership fee from CC/Clubs	3.91	4.00	4.75	5.24	10.00	4.00		
14	Other Receipts: Water Meton, Water tanker, sale of form, R?I refund of unspent balance etc.	784.94	203.00	380.53	20.97	401.50	503.00		
	Sub Total 2 to 14	7792.95	5725.00	4300.83	2245.87	6546.50	6885.00		
	Total MC Directorate	8772.16	7225.00	5129.99	2466.51	7596.50	7885.00		

Expenditure Management

Capital expenditure and total expenditure

(IN LACS)

	Capital expenditure (A)	Total expenditure (B)	A/B*100
2015-16	-	28094.50	-
2016-17	49030	107298	45.69
2017-18	33955	100568	33.76

Salary expenditure of budget estimate

(IN LACS)

	Salary Expenditure
2015-16	21300
2016-17	23765
2017-18	24144

Capital expenditure per capita

(IN LACS)

	Capital expenditure (A)	Total population	A/B*100
2015-16	-	10,70,000	-
2016-17	49030	1,090,000	4.49
2017-18	33955	11,10,000	3.05

Budget deficit/ surplus

(IN LACS)

	Receipts	Expenditure	A-B
2015-16	64477	81880	(17,403)
2016-17	89187	107298	(18,111)
2017-18	90789.95	100568	(9778.05)

Fiscal Decentralisation

Budget Participatory

On January 12, 2016, newly appointed city Mayor Arun Sood made history by announcing that the Chandigarh Municipal Corporation will prioritize public opinion over its yearly budget. This is the first time the public has been included in the corporation's annual budget process. According to the idea, the public will be able to offer suggestions once the draft budget, which will be finalized in a week, is released to the MC's official website.

Budget Variance

	Budgeted expenditure (A)	Actual expenditure (B)	A-B
2015-16	81880	70862.81	11017.19
2016-17	107298	77299.22	29998.78
2017-18	100568	-	-

External Audit

Before 2017-18, Only income and expenditure along with the details of all revenue and expenditure were given in the annual report. In the year 2016-17, Chandigarh Administration was planning to adopt double entry system . From 2017-18, double entry system was adopted

by Chandigarh Administration and annual report came along with auditor report.

Publication of audited accounts

Before covid-19, data was easily available for Chandigarh Administration. But after covid-19, it is not access the data is not easy. To avail the data there is procedure one needs to follow under RTI.

Fiscal Responsibility

Tax collection powers

Municipal corporation, Chandigarh has authority to calculate property tax, water tax, sewerage tax, conservancy tax, lighting tax, education tax, vehicle tax, tax on animals, electricity tax, professional tax, advertisement tax, octroi and tall tax.

Borrowing powers

According to Punjab Municipal Corporation Act, 1976 as extended to the UT, Chandigarh with effect from the 24th day of May, 1994. the corporation may borrow by the way of debenture or ration to borrow.

Credit rating

On 4th February 2018, Hardeep Singh Puri, the minister of union housing and urban affairs, requested on Saturday that the financially constrained municipal corporation (MC) raise its credit rating from a subpar triple B to a triple-A. The MC can issue bonds to draw new customers by raising its credit rating from triple B to triple A, but only if it is in good financial standing. Civic organizations in Ahmedabad and Bengaluru have previously issued bonds.

Results

1. MCC revenue and expenditure management lacks planning and uniformity. Budget deficit exist because of lack of depth in accounts. MCC didn't follow uniform methods of accounting in 2016, 2017 and 2018.
2. The ratio of own revenue and total revenue is increasing every year which is a good sign for MCC.
3. Salary has incline graph in nature. Which shows better employment and promotions with updated pay scales.
4. Capital expenditure per capita is keep on decreasing which shows the ratio of capital expenditure is less than population ratio.
5. MCC doesn't have decentralisation because audited accounts are not public. Which creates a distance between public and local government.
6. MCC have BBB credit rating according to 2018 data because it doesn't issue new bonds.
7. MCC has a good tax collection system which helps it to have better revenues. s

Suggestions

1. MCC can publish audited accounts by which public can see the performance of the corporation.
2. It can done better planning for budgets by doing in depth analysis.
3. MCC can issue bonds to improve credit rating.
4. Public should be open to give suggestion in budget.
5. MCC should use uniform method of accounting by which performance can be compared.

Limitations

1. This study has considered the data of 2016, 2017 and 2018 only.
2. This paper is based on only one pillar that is finance.

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