



Fiscal management of Local bodies: with references to Rajamahendravaram Municipal Corporation

U. Srinivasa Rao, Research Scholar, Dept. of Economics, University College, Acharya Nagarguna University, Guntur

Abstract: *The comparative advantage of local government undoubtedly resides in its superior knowledge of local conditions and the needs of local communities. Local Government can make an important contribution to public wellbeing through the execution of government policies and the delivery of local public services. Local government also has the potential to be the most transparent and accountable level of government. Full realization of that promise, however, requires strong fiscal administration to ensure that citizen interests are reflected in local programs; policies are conducted in fiscally sustainable way; and resources are not lost through inefficient, ineffective, wasteful, or corrupt operations.*

Key words: *corporations, local government, fiscal administration*

Introduction

Finance moves the machinery of any institution including local Government. Sound financial administration is the crux of the efficient administration of local Government operations. Kautilya in his Arthashastra states that the entire administration of the country can be controlled through financial administration and that is why the administrations in a country must give utmost priority to financial administration. This very analogy is perfectly truer in the context of local bodies. Financial administration is the art and science of planning, organizing, implementing and evaluating the financial resources to ensure their best use for the achievement of the objectives, goals and targets of municipal programmes, Emphasizing the importance of finance, Thavraj says : "Finance is the life blood of all monetized socio-economic formations ranging from simple nuclear families to complex

national and international organizations. Financial administration relates to the system, which generates, regulates and distributes the monetary resources needed for the system, which generates, regulates and distributes the monetary resources needed for the sustenance and growth of organization. In this respect financial administration is similar to the circulatory system in complex living organisms.

Municipal Financial Administration; can be defined as the art and science of policymaking, planning, decision-making, coordination, control of the processes of securing adequate resources, ensuring their safe custody, genuine allocations among different areas of development activities, effective utilization and avoiding the pilferages and leakage of resources and duplication of efforts to ensure best services to the people living in the area of the local Government. In short, we can say that municipal financial administration is the technique of



maximizing financial output, the optimization of financial resources and their judicious utilization. Finance thus constitutes the lubricant for the wheels of the local government. Without it, the governmental machinery at local level will come to a standstill and the local democracy will become meaningless.

Current scenario of Municipal corporations in India:

In India out of the total population of 1210.2 million as on 1st March, 2011, about 377.1 million are in urban areas. The net addition of population in urban areas over the last decade is 91.0 million. The percentage of urban population to the total population of the country stands at 31.6. There has been an increase 3.35 percentage points in the proportion of urban population in the country during 2001-2011. The provisional results of Census 2011 reveals that there is an increase of 2774 towns comprising 242 Statutory and 2532 Census towns and 220 Municipal corporations over the decade. Growth rate of population in urban areas was 31.8%. Further the number of million plus cities/urban agglomeration (UA) has increased from 35 in Census 2001 to 53 in Census 2011. It necessitates better urban development system with effective financial position.

The use of Budget

The use of budget has been a long standing practice in the local government system. Budgetary control is concerned with ensuring that the financial management plan that has been agreed with the board of management is achieved. Control is affected through monitoring expenditure before and after commitment to prevent under expenditure or over expenditure. An

effective use of the budget is good for achieving efficient financial management. A budget is a plan of activity expressed in financial terms; such plans are often short term, typically covering a period of one year. When approved, the budget becomes an authority to raise the amount of revenue and incur the amount of expenditure stated therein.

Management and Finance Practice:

The comparative advantage of local government undoubtedly resides in its superior knowledge of local conditions and the needs of local communities. Local Government can make an important contribution to public wellbeing through the execution of government policies and the delivery of local public services. Local government also has the potential to be the most transparent and accountable level of government. Full realization of that promise, however, requires strong fiscal administration to ensure that citizen interests are reflected in local programs; policies are conducted in fiscally sustainable way; and resources are not lost through inefficient, ineffective, wasteful, or corrupt operations.

Expenditure Performance

The level of expenditure is, to some extent, reflective of the level of services rendered by an urban local body. While the trend in per capita expenditure would provide first approximation of the level of services rendered by a municipal government, a further segregation into discretionary and non-discretionary components, relative share of revenue and capital expenditure, share of establishment /administrative/Wages-salaries as a proportion of total / revenue expenditure would reveal the quality of



expenditure and ability of the local bodies to meet its state objectives.

Fiscal management in Rajamahendravaram Municipal Corporation

Rajamahendravaram is very famous for its holy river Godavari; it's the fifth largest river in India. Here people at Rajamahendravaram are very friendly; approximately the population here is 6 lakhs. Rajamahendravaram was previously known as Rajahmundry, it was the first capital of many known Telugu Kingdoms. The Chalukya ruler Raja raja Narendra ruled this city around 1022. The city has traces of 11th century fine palaces and fort walls. The archeological evidence suggests that the city may have existed far before the Chalukyas. The original name underwent a gradual metamorphosis with the name changed to Rajamahendravaram during the British rule.

The Cash balance of Rs.18527-82 Lakhs available as on 01-04-2015 in the Cash Book has been taken as opening balance and after taking in to consideration of the actual receipts and expenditure up to 30-09-2015. The Budget Estimates for 2015-2016 is revised. The Revised Budget Estimates for 2015-2016 is prepared expecting receipts for Rs.30120-15 Lakhs and expenditure for Rs.31472-85 Lakhs and closing balance is Rs 17175-12 Lakhs.

The closing balance of Rs.17292-42 Lakhs in Revised Budget Estimates 2015-2016 has been taken as opening balance in the Budget Estimates for the year 2016-2017. In the Budget Estimate the total receipts are shown for Rs.19223-85. The total expenditure is Estimate for Rs.34815-55 Lakhs and the closing balance is carried for Rs.1583-42 Lakhs.

Receipts of Rajamahendravaram Municipal Corporation

The receipts of income shown various head of accounts during the year 2016-2017 is detailed as follows. Expenditure on various developmental works already taken up during the year 2015-2016 and to be taken up during the year 2016-2017 is - an amount of Rs.2885-00 .Lakhs provided for Capital Works to be taken up with Municipal Corporation Funds are year marked as per Government Orders as detailed below: (a) S.C. (16.2%); S.T. (6.6%); Women Child Welfare (5%); Disabled Welfare 1%. (b) Development works to be taken up in Slum Areas (40%), (c) Various Development Works to be taken up in the City (including Pushkaram Works) except earmarked funds (32.20%), 4) Expected grants during the year 2016-2017 on various Government Schemes are shown below the expenditure will be made subject to receipts of grants.



Table-1: Receipts of Rajamahendravaram Municipal Corporation

Head Description	2014-2015	2015-2016	2016-2017
General Administration	2538-36	3030-00	3099-60
Engineering	318-85	140-75	187-70
Public Health	418-24	428-04	491-30
Remunerative Enterprises	1058-38	1194-75	1260-00
Lighting	98-16	112-00	112-00
Education	196-52	205-70	224-40
Water Supply & Drianage	1043-74	1144-40	1204-40
Town Planning	799-23	1607-00	1408-50
Deposits and Advances	1179-95	1343-89	1525-95
Grants and Liabilities	19206-13	32069-00	9710-00
Grand Total	26857-56	41275-53	19223-85

Conclusion

Local Government can make an important contribution to public wellbeing through the execution of government policies and the delivery of local public services. Local government also has the potential to be the most transparent and accountable level of government. Full realization of that promise, however, requires strong fiscal administration to ensure that citizen interests are reflected in local programs; policies are conducted in fiscally sustainable way; and resources are not lost through inefficient, ineffective, wasteful, or corrupt operations. Expenditure on various developmental works already taken up during the year 2015-2016 and to be taken up during the year 2016-2017 recorded amount of Rs.2885-00 in Rajamahendravaram Municipal Corporation.

References

- Urban Local Bodies in Jharkhand: Soma Issues and Comparisons', International Studies Program Working Paper 11-13, Andrew Young School of Policy Studies, Georgia State University, Atlanta, USA, May 2011.
- Bandyopadhyay (2012): 'Performance Evaluation of Urban Local Governments: A Case for Indian Cities', International Center for Public Policy, Working Paper 12-32, Andrew Young School of Policy Studies, Georgia State University, Atlanta, USA, October 2012.
- Bandyopadhyay(2013a): 'Estimating Fiscal Health of Cities: A Methodological Framework for Developing Countries', International Center for Public Policy, Working Paper 13-19, Andrew Young School of Policy Studies, Georgia State University, Atlanta, USA, September 2013,



Bandyopadhyay(2013b):‘Property Taxation in Indian Cities: A Comparison of Delhi and Bangalore’ International Center for Public Policy, Working Paper 13-21 Andrew Young School of Policy Studies, Georgia State University, Atlanta, USA, October 2013,

Bandyopadhyay and Bagchi D (2013): ‘Are User Charges Underutilised in Indian Cities? An Analysis for Delhi’

(with Debraj Bagchi), International Center for Public Policy, Working Paper 13-26 Andrew Young School of Policy Studies, Georgia State University, Atlanta, USA, December 2013.

Bandyopadhyay and Rao M.G (2009): ‘Fiscal Health of Selected Indian Cities’, (with M Govinda Rao) Policy Research Working Paper No: 4863,