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Comparative Study of Financial Position of Municipal Councils of Haryana State

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Abstract: The current study was conducted with an aim to analyse how the selected municipal councils of Haryana state have performed during last sixteen years. In this study, secondary data played a major role, as the objective of the study have been achieved using the secondary data. Secondary data was collected related to the total income of the municipal councils along with its components, and total expenditures of the municipal councils along with its components. All this data has been collected from the Abstract of Haryana Government for the period 2003-04 to 2018-19. Researcher has collected the data from employees working in the four selected municipal councils of Haryana state. Overall, the fiscal position of the selected municipal councils has improved a lot during the last six years, and shows that these municipal councils are focusing on collecting incomes, and also spending on development works for the community, and overall contributing to the growth of the overall state, and the economy as well.

Keywords: Fiscal position, Income, Expenditures, Haryana, Municipal Councils, Financial Performance etc.

I. INTRODUCTION

Urban Local bodies perform a plethora of functions in the areas that they are entrusted with both politically, administrative-wise and fiscally. The most important function of the ULBs is local representation in popular democracy through devolution of powers of a central authority, through the formation of various committees. The main functions of the ULBs have been specified in the Twelfth Schedule of the Indian Constitution. Some of those are discussed in detail here.

It has been noted that central finance commissions and state finance commissions have emphasized the need to completely transfer the functions listed in the Twelfth Schedule to the ULBs, only because much of these functions have not been actually transferred to them even if on paper (Bandopadhyay and Bohra, 2010). The NIUA (2000) comparison report has categorised the obligatory and discretionary functions of ULBs based on whether they fall under public health, education, public works, medical relief, development and other services. However, a brief summary of the delegated functions of the ULBs has been noted by Chaubey (2004) by taking from the Twelfth Schedule as:

- Public health, sanitation, conservancy, and solid waste management;

- Urban amenities and facilities such as public parks and playgrounds;

- Burials and burial grounds, crematorium grounds and electric crematoriums;

- Registration of births and deaths;

- Regulation of slaughterhouses and tanneries.

From these, the importance of the ULBs in India can be gauged and inferred. Cross-nationally, too, the importance of urban local bodies and local governance has been noted by several scholars. For instance, Baker et al. (2012) has noted the role local governments play in preparing and adapting to global climate change through adapting climate change policies in Australia. It has been suggested that climate change risks need to be included in the core functions list and council risk registers of ULBs in order to have a palpable influence on local planning outcomes. Ongoing financial liabilities need to be exempted and long-term financial sources need to be arranged in order to equip them to deal with climate crises. Set standards, too, need to be redefined in order to have a proper impact on the risk-management strategies of ULBs and public participation programmes need to be engaged with in order to ensure local community participation in climate adaptation.

The role of local governments, cross-nationally, in providing sustainable urban agriculture has also been observed by Halloran and Magid (2013) in four different cities- Dar es Salaam,

Tanzania, Copenhagen and Denmark. It has been inferred that the 'municipal recognition and institutional support is an important component in the increasing sustainability of such practices. A more holistic rather than precautionary approach to such endeavours, through a cooperative rather than top-down approach has been recommended in order to achieve long-benefits of sustainable urban agricultural programmes. Thus, the importance of urban local bodies other than in light of federal local-level representation has been mentioned.

II. REVIEW OF LITERATURE

Jagan Shah (2020) developed a paper on the overview of Municipal Finance in the existing financial situation of municipalities in India. The previous research papers that this study is based on, date between 1900 to 2018. It shows developments in the per capita revenue, grants, revenue expenditure, growth rate of revenue, etcetera throughout the years using graphs. The bars or pints are located higher up in the graphs with the increase in a year. This, in turn, can be summed up, to the conclusion that there has been steady development so far. Ilias Dierie (2020) has articulated a research paper on municipal finance and innovative resourcing for the exact purpose of municipal infrastructure and service provision. It aims to produce an analysis of municipal finances and resource allocation, and devise ways in which the Aberdeen Agenda can progress. The data has been collected from papers dating between 1998 and 2004. It has been analyzed that the key to the progress of the Aberdeen Agenda is a cooperation between the governments and also cooperation within the local governments between private and public sectors or the civil societies. Financial resources are also needed to b used effectively to take the Aberdeen Agenda forward. Once the scarce resource has been put into effective use and financed in a transparent and accountable manner, it could meet a rather pro-poor developmental strategy. Stewart and Hanson (2020) have formulated a research paper on Some Aspects of Rural Municipal Finance. The paper mainly concerns itself with rural local government, the equalization feature of grants to local government concerning Alberta situation. The most significant difference is between urban and rural municipalities is that of fiscal deposits. Tax, mostly acquired from income is significantly more in the urban areas. Moreover, some taxes like amusement taxes, sales taxes, income taxes have more validity in the urban areas than rural. Herraiz and Arroyo (2020) conducted an exploratory study that points out that smart city environments and sustainability worldwide are at stake because of uncontrolled global economic growth. Experts suggest that the current economic growth model are not healthy or sustainable. Immediate measures should be taken. If not, it will be difficult for future generations to sustain themselves. The major solution given to this problem is by managing the areas which are faulty and focusing and improvising on the positive areas. This can be done by including all the agents affecting a smart city (SC) as it requires collaborative views to identify complex problems. In all this, technology has a vital roleplay. Its importance will only intensify and become core to SCs. The revolution of ICT technologies is capable of providing sustainable measures, which would require less energy and resources for economic development. In this way, sustainability would become a chosen direction by all agents and eventually a smart city integrator backbone. A study conducted by Paul, Bhattacharya, Mandal, Haldar, Mandal, Kundu and Biswas (2020) is to find the nature of SARS-CoV-2 cases in cities and urban areas by using cartographic techniques. AHP method was used to determine the factors

giving a quick rise to SARS-CoV-2 cases with fragility assessments and risks. Before nationwide lockdown, the cases noted in urban areas were around 25% which hiked to almost 60% at the end of 3rd phase of lockdown. Covid cases were very high for Chennai. There was an increase in the number of containment zones. Central and North Kolkata witnessed a higher degree of exposure and sensitivity to the disease. The containment of the slum areas also led to a rise in the covid cases. However, urban areas are more affected and hence strategic measures are to be implemented. The characteristic factor contributing to this hike is high population density, especially in slum areas with low per-capita income. Naturally, in such concentrated areas, social distancing cannot be maintained. Execution of proper containment plan, disposing proper and optimum human resources at ward level, keeping eye on different geographical areas and conducting rapid tests can minimize the transmission and rate of people getting affected. Pethe and Lalvani (2020) developed a review paper to compare the pattern of finances of the Urban Local Bodies of Maharashtra. They tried to understand the problems related to inadequate data available for the study and find solutions to rectify the same. The paper reviewed data sourced from Ministries of the State Government, Bureau of Economics and Statistics and the ULB's of Maharashtra (1999-2003). The secondary analysis was done following the parameters set by State Finance Commissions and provisions of the 74th Constitution Amendment. The authors conducted a financial comparison and found that adequate data related to budget heads that could make comparisons for financial performance meaningful did not exist. Information regarding expenditures was only available in the following areas- water supply, conservancy and sanitation, licence fees and entertainment. Authors observe that the efficiency of local bodies is studied on a financial basis rather than studying the purposes behind utilising the funds. The ULB's failed to provide substantial records related to service delivery and physical performance of the organisations and staff which rendered comparisons even more difficult. Uniform and standardised data regarding crucial services which are of paramount importance to understand whether the citizens' needs are being met satisfactorily were missing as well. Mechanisms to review the quality of services being provided by the municipalities have not been sufficiently established and a huge gap between data related to revenue and expenditure exists. The authors comment that corporations outperform Councils owing to greater financial resources. They suggest greater resources should be allocated to the ULB's as the country is becoming increasingly urbanised with the passing days. Revolutionary changes are required to be brought in the market sector and UBC's should create action plans following the 74th Amendment Act for the same purpose. Finally, Authors emphasise the creation of Autonomous, Techno savvy, well-funded institutions that can collect standardised, uniform data for better analysis, diagnosis and creation of policy recommendations in the future.

III. OBJECTIVE

The objective of the study was to compare the financial position of the selected municipal councils of Haryana state.

IV. RESEARCH METHODOLOGY

Current study is ex-post factor research, which is based on the secondary data. This research provides the findings about the facts, events, that has already taken place. Meaning by this, is the current study is based on the past performance of the selected municipal councils, hence data is historical in nature. Based on the historical data, the performance of the municipal councils has been measured, and results were interpreted. Hence, this is an ex-post facto research, which is explaining the results of the past performance. Total four municipal councils have been selected on random number method, where each of the council was given a random number and randomly four were selected for the study. Secondary data was collected related to the following variables:

- Total income of the municipal councils along with its components.

- Total expenditures of the municipal councils along with its components.

All this data has been collected from the Abstract of Haryana Government for the period 2003-04 to 2018-19. The comparative analysis of the income and expenditure of the selected four municipal councils has been done using the One-way

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ANOVA method with Post-hoc (LSD), where each of the municipal councils has been considered to be a different set of data, and among four groups of data, the difference in their mean values was derived and tested for the null hypothesis.

Hypothesis in the study have been tested using the secondary data

1. Null hypothesis: There is no significant difference in the income pattern of the four selected municipal councils of Haryana state.

2. Null hypothesis: There is no significant difference in the expenditure pattern of the four selected municipal councils of Haryana state.

3. Null hypothesis: There is no significant difference in the fiscal position of the four selected municipal councils of Haryana state.

Comparison of Financial Position of Selected Municipal Councils

This section covers the comparative analysis of the income and expenditure of the selected four municipal councils using the One-way ANOVA method, where each of the municipal councils has been considered to be a different set of data, and among four groups of data, the difference in their mean values was derived and tested for the null hypothesis.
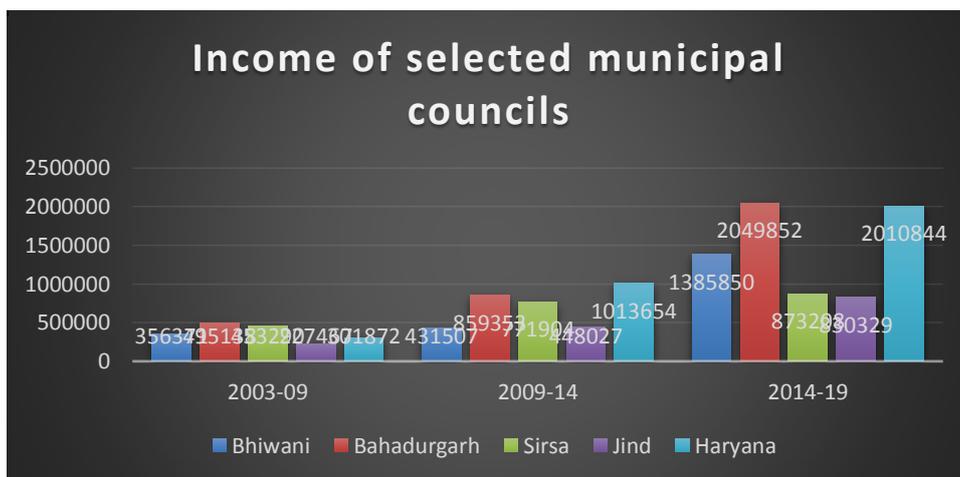
For a better understanding of the income pattern of the selected four municipal councils, the data period has been categorized into three parts i.e. 2003 to 09, 2009 to 14, and 2014 to 19. From the data period it is visible that during 2014-19, the municipal councils' income has started increasing significantly when compared to 2003-09 and 2009-14. The income of the Bahadurgarh municipal council, and all the municipal councils of Haryana state, have increased at a very high rate during 2014-19. It signifies that overall, the income of the selected municipal councils has increased during the last six years and shows the better financial position of the municipal councils, and improved financial performance can be predicted in upcoming years.

Null hypothesis: There is no significant difference in the income pattern of the four selected municipal councils of Haryana state.

	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
Bhiwani	16	135858.00	127342.03	31835.50	31122.00	467838.00
Bahadurgarh	16	212771.43	159454.07	39863.51	50455.00	568325.00
Sirsa	16	131150.12	48096.53	12024.13	64350.00	217369.00
Jind	16	94113.93	59769.07	14942.26	29171.00	210966.00
Total	64	143473.37	114924.62	14365.57	29171.00	568325.00

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The highest mean score for the income was found at 212771.43 thousand rupees for the Bahadurgarh Municipal council, followed by the Bhiwani municipal council. While the lowest mean score for the income was 94113.93 thousand rupees for the Jind municipal council. Hence, in terms of income, Bahadurgarh and Bhiwani municipal councils were doing well when compared to the other two municipal councils, while Jind municipal council was performing least in terms of income.

ANOVA					
Income					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	119174911416.375	3	39724970472.125	3.343	.025
Within Groups	712908198468.625	60	11881803307.810		
Total	832083109885.000	63			

The results of the one-way ANOVA test applied to test the null hypothesis, came out with an f-value of 3.343, at a p-value of 0.025, which leads to rejection of the null hypothesis, which states that there is no significant difference in the expenditure pattern of the four selected municipal councils of Haryana state. Hence, all four selected municipal councils have shown different patterns of income, and a significant difference was found for the average income of the four selected municipal councils. It conveys that four selected municipal councils were performing differently, some are doing well, and some are not doing well.
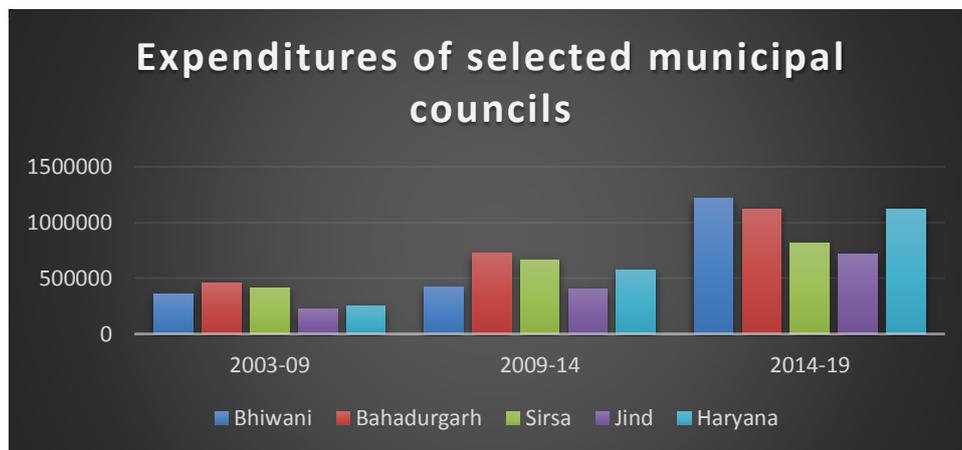
For a better understanding of the expenditure pattern of the selected four municipal councils, the data period has been categorized into three parts i.e. 2003 to 09, 2009 to 14, and 2014 to 19. From the data period it is visible that during 2014-19, the municipal councils' expenditures have started increasing significantly when compared to 2003-09 and 2009-14. The expenditures of the Bhiwani and Bahadurgarh municipal council, and all the municipal councils of Haryana state, have increased at a very high rate during 2014-19. It signifies that overall, the expenditures of the selected municipal councils have increased during the last six years, and shows that these municipal councils are spending on development works for the community, and contributing to the growth of the overall state, and economy as well. An increasing trend in the expenditures of municipal councils conveys the developmental activities of the municipal councils, which helps in making the life of the community members easy, and improve the lifestyle of the community members, increase in their income level and overall growth of the economy.

Null hypothesis: There is no significant difference in the expenditure pattern of the four selected municipal councils of Haryana state.

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	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
Bhiwani	16	124135.1250	113976.45969	28494.11492	31058.00	451823.00
Bahadurgarh	16	143751.8750	81716.27128	20429.06782	43677.00	317400.00
Sirsa	16	118421.5625	43879.82120	10969.95530	58430.00	203179.00
Jind	16	84161.4375	48508.41501	12127.10375	29673.00	156849.00
Total	64	117617.5000	78551.10003	9818.88750	29673.00	451823.00

The highest mean score for the expenditures was found 143751.87 thousand rupees for the Bahadurgarh Municipal council, followed by the Bhiwani municipal council. While the lowest mean score for the expenditures was 84161.43 thousand rupees for the Jind municipal council. Hence, in terms of expenditures, Bahadurgarh and Bhiwani municipal councils were spending higher for the development work, when compared to the other two municipal councils, while Jind municipal council was performing least in terms of expenditures.

ANOVA					
Expenditures					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	29527034028.625	3	9842344676.208	1.644	.189
Within Groups	359200310849.375	60	5986671847.490		
Total	388727344878.000	63			

The results of the one-way ANOVA test applied to test the null hypothesis, came out with an f-value of 1.644, at a p-value of 0.189, which leads to acceptance of the null hypothesis, which states that there is no significant difference in the expenditure pattern of the four selected municipal councils of Haryana state. Hence, all four selected municipal councils have shown an almost similar pattern of expenditures and a significant difference was not found for the average expenditures of the four selected municipal councils. It conveys that four selected municipal councils were spending equally for the development work of the community.
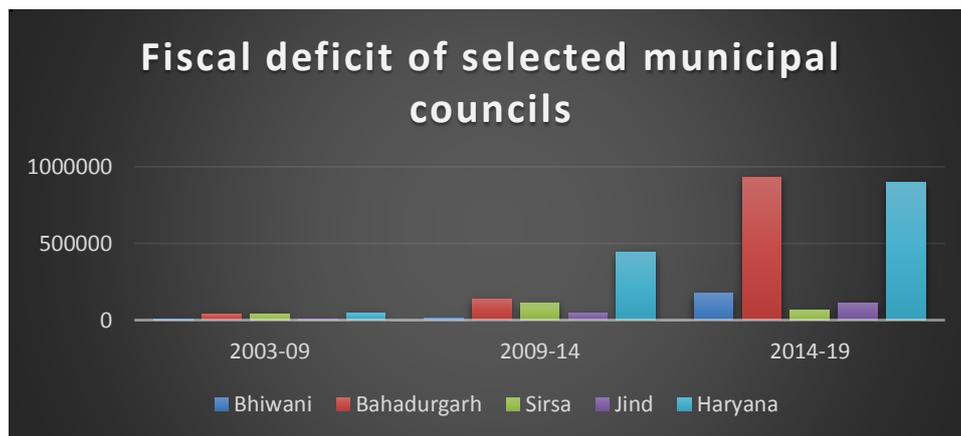
For a better understanding of the fiscal position of the selected four municipal councils, the data period has been categorized in three parts i.e. 2003 to 09, 2009 to 14, and 2014 to 19. From the data period it is visible that during 2014-19, the fiscal surplus of the municipal councils has started increasing significantly when compared to 2003-09 and 2009-14. The fiscal surplus of the Bahadurgarh municipal council, and all the municipal councils of Haryana state, have increased at a very high rate during 2014-19. It signifies that overall, the fiscal position of the selected municipal councils has improved a lot during the last six years, and shows that these municipal councils are focusing on collecting incomes, and also spending on development works for the community, and overall contributing to the growth of the overall state, and the economy as well. An increasing trend in the fiscal surplus of municipal councils conveys the better financial performance of the local bodies, which helps in improving the burden of the state and central government related to the fiscal deficit.

Null hypothesis: There is no significant difference in the fiscal position of the four selected municipal councils of Haryana state.

	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
Bhiwani	16	11722.8750	32176.80248	8044.20062	-3356.00	130310.00
Bahadurgarh	16	69019.5625	97553.68424	24388.42106	-1157.00	289314.00
Sirsa	16	12728.5625	12147.38399	3036.84600	-5543.00	28240.00
Jind	16	9952.5000	19526.70165	4881.67541	-971.00	77772.00
Total	64	25855.8750	57185.74755	7148.21844	-5543.00	289314.00

The highest mean score for the fiscal surplus was found at 69019.56 thousand rupees for the Bahadurgarh Municipal council, followed by the Sirsa municipal council. While the lowest mean score for the fiscal surplus was 9952.50 thousand rupees for the Jind municipal council. Hence, in terms of fiscal surplus, Bahadurgarh and Bhiwani municipal councils were performing well, when compared to the other two municipal councils, while Jind municipal council was performing least in terms of fiscal surplus.

ANOVA					
Fiscal Deficit					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	39809428439.37	3	13269809479.79	4.790	.005
Within Groups	166213784133.	60	2770229735.560		
Total	206023212573.0	63			

The results of the one-way ANOVA test applied to test the null hypothesis, came out with an f-value of 4.790, at a p-value of 0.005, which leads to rejection of the null hypothesis, which states that there is no significant difference in the fiscal position of the four selected municipal councils of Haryana state. Hence, all four selected municipal councils have shown different levels of financial position and a significant difference was found for the average fiscal position of the four selected municipal councils. It conveys that four selected municipal councils were performing differently and shows the different financial performance of the selected municipal councils.

V. CONCLUSION

Overall, the fiscal position of the selected municipal councils has improved a lot during the last six years, and shows that these municipal councils are focusing on collecting incomes, and also spending on development works for the community, and overall contributing to the growth of the overall state, and the economy as well. An increasing trend in the fiscal surplus of municipal councils conveys the better financial performance of the local bodies, which helps in improving the burden of the state and central government related to the fiscal deficit. In terms of fiscal surplus, Bahadurgarh and Bhiwani municipal councils were performing well, when compared to the other two municipal councils, while Jind municipal council was performing least in terms of fiscal surplus. All four selected municipal councils have shown different levels of financial position and a significant difference was found for the average fiscal position of the four selected municipal councils. It conveys that four selected municipal councils were performing differently and shows the different financial performance of the selected municipal councils.

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