CHAPTER-IV

RESEARCH METHODOLOGY

This chapter presents methodology followed the study. Its presents objective and scope of the study, statement of problem, questions raised for the study, selection criteria and parameters in the research are discussed in this chapter.

4.1. Introduction:

Municipal Corporations, as institutions of local government, are constituents of the third tier that play an important role in local economic development; they have a sizeable proportion of overall public financial resources but are nevertheless subject to the scrutiny in terms of physical and financial performance. Normally, an analysis of municipal finance begins with taking stock of their revenue and expenditure in terms of composition, trends and balance. To ensure transparency and give a correct picture of assets and liabilities, Municipal Corporation has introduced the accrual based accounting system; presently, a mix of cash based system and accrual based system is being followed. The system involves the revenue function (receipt of taxes, charges, loan and grants) and the expenditure function (release of funds against establishment works and supplies). The corporation maintains its accounts in the form of funds; the income and expenditure items are indicated under each fund account. There is a municipal general fund under which the normal income and expenditure (revenue and capital) items are listed. The analysis of municipal is made and presented thereafter successively in terms of the identified parameters and their measures. This chapter presents the methodology followed to pursue the research.

4.2. Statement of Problem:

Urban local government institutions perform numerous functions to provide civic amenities to the inhabitants. The services performed by these bodies such as garbage collection, cleaning of streets, drainage, sewerage, electricity, water supply, fire services, and health services etc. are very important for good civil life. Most of the Urban Local Bodies find it difficult to match the available resources with the responsibilities assigned to them by the Constitution and the respective States. The taxes, duties, tolls and fees to be levied by the municipalities and also the grants-in-
aid to be given to them have been left at the discretion of State Governments. This has allowed the fiscal mis-match to continue because there is not adequate decentralization of ULB resources to correspond to the decentralization of ULB expenditures. Therefore, appropriate transfer of funds from the Union Government to the State Government, Union Government to the Local Government and State Government to the Local Government becomes necessary.

The present study is an attempt to study the Finances of two important municipal corporations in Andhra Pradesh state viz., Greater Hyderabad Municipal Corporation and Vijayawada Municipal Corporation in order to suggest the suitable strategies to sustain and/or improve their financial position.

4.3. Objectives of the Study:

The main object of the study is to study the urban finances in Greater Hyderabad and Vijayawada Corporations and evaluate the finances of these two municipal corporations. The specific objectives of the study are as follows:-

1. To trace the evolution of urban local government in India.
2. To examine the structure and function of urban local government
3. To analyze the revenue resources and revenue expenditure of these two municipal corporations.
4. To find out whether existing resources are sufficient to meet the expenditure.
5. To study the gap between resources and expenditure and measures to bridge the gap, and
6. To offer some Suggestions for improvement in financial position, public facilities, future requirements of these two municipal corporations.

4.4. Questions raised for the Study:

Thus, the study seeks to get answers to the following questions.

1. What is the structure and function of urban local government?
2. What are the revenue resources and revenue expenditure of Greater Hyderabad and Vijayawada municipal corporations?
3. Whether existing resources are sufficient to meet the expenditure?
4. What is the gap between resources and expenditure and what measures are required to bridge the gap?

5. What changes are necessary for improvement in financial position, public facilities, and future requirements of these two municipal corporations?

4.5. Selection Criteria:

Vijayawada is commonly called the unofficial or de facto political capital of Andhra Pradesh which is located on the banks of the Krishna River. During Freedom struggle, hundreds of patriots were jailed and freedom movement took a big leap forward from this place. The city is a political center and known as the political capital of the state. It is bounded by Indrakiladri on the west and the Budameru River on the north. It is situated along Madras – Howrah and Madras – Delhi rail route. This is the largest railway junction of South Central Railway Region. The city forms a part of Krishna district and is spread over an area of 57 Sq. kms (urban area) and with a population of around 1 million as per present estimation.

Vijayawada is one of the class I Cities of Andhra Pradesh. It is suffering from all the maladies called by urbanization, though in low intensity. The city of Vijayawada is the main agricultural market center in Krishna basin. It is a major commercial center of wholesale and retail business activities dealing with consumer goods, textiles, automobiles, industrial products etc., Most of the agricultural commodities produced in Andhra Pradesh find market in Vijayawada both for local consumption and exports. Autonagar and Kondapally industrial estates are the two important industrial estates in Vijayawada.

Greater Hyderabad is the capital of Andhra Pradesh in India. Hyderabad city is also called the Pearl City. It is identified not only with the IT sector and industrial development but also with the large-scale migration and its associated problems. According to Greater Hyderabad Municipal Corporation (GHMC), the city has a population of over 70 lakh. In addition, it is considered one of the rapidly growing cities in India. In 2007, Greater Hyderabad and surrounding 12 major municipalities (L B Nagar, Malkajgiri, Quthbullapur, Patancheru, Gaddiannaram, Kapra, Kukatpally, Ramachandrapuram, Uppal Kalan, Alwal, Serilingampally and Rajendranagar)
merged into Hyderabad city and became GHMC by notification released on 16 April 2007 by the Government of Andhra Pradesh. For revenue and administration purposes, GHMC was divided into five zones (North, South, Central, East and West) and 18 circles. The Serilingampally municipality divided into two circles as Serilingampally - I and II. A city grows from 175 sq km to 650 sq km. The total population is 77,49,334 (Census, 2011).

Hyderabad is currently ranked as the sixth largest urban agglomeration in the country. Covering an area of 625 sq. kms, the present population is over 75 lakhs. It is not only the administrative capital, but also the economic and financial capital of Andhra Pradesh. It is the largest contributor to the state’s GDP, state taxes and excise revenues; the urban economic profile of the economy is undergoing a transformation in the recent years with the service industry playing a major role in the economic development of Hyderabad.

4.6. Methodology of the Study:

The present study is based on a combination of descriptive, analytical and empirical methods of research. Both formal and informal sources are also used to elicit more details about finances of corporations. The available and assessable official records have also been consulted. The present study is based on two types of data: Primary and Secondary data. The primary data is collected with the help of structured and unstructured questionnaires. Structured questionnaire was used for the Municipal Commissioners and Deputy Commissioners and unstructured questionnaire was used for the Councilors. Random sampling technique was employed to select Councilors. 10 per cent of councilors were selected as sample. Moreover certain facts are pointed out based on the oral communication with officials, employees and elected members of the council having the knowledge of financial position of municipal council. Wherever necessary the chief auditors help was taken for the clarification of the doubts.

The secondary sources have been collected through annual reports of these two municipal corporations, web site of Vijayawada and Greater Hyderabad Municipal Corporations. The present study focused on the local finances of municipal corporations of Greater Hyderabad and Vijayawada for ten financial years 2000-01 to
2009-10. The income and expenditure (data) budget reports were collected from the office of the municipalities Greater Hyderabad and Vijayawada on request. The secondary data have also been collected from various books and journals besides consulting official records and government reports. Further, various news papers and magazines by current issues of Municipal Finances were also referred.

4.7. **Parameters in the Research:**

The following parameters are considered for the purpose of analysis:

- Revenue income parameter
- Revenue expenditure parameter

4.8. **Scope of the Study:**

The scope of the study is to examine the phenomenon of urbanization and its problems, urban planning, structure of urban governments and their classification, municipal legislation, personnel management, financial administration, State and Local relations, special purpose agencies, organization and functions of the Union Ministry of Urban Affairs and Employment and its subordinate and attached officers, as also that of the state departments of urban local government, reports of various commissions and committees appointed from time to time by the State governments to study the various aspects of the working of urban local governments and recommendations made by them, municipal bureaucracy, research and evaluations and comparative urban local governments.

4.9. **Limitations of the Study:**

- It is limited to only two Municipal Corporations among the 15 Municipal Corporation of the Andhra Pradesh State i.e. Greater Hyderabad Municipal Corporation and Vijayawada Municipal Corporations.
- It touches financial and in some area non-financial measure where social service is more important.
The subsidiary data used in the study is collected from website and budget published by Vijayawada Municipal Corporation and Greater Hyderabad Municipal Corporation. The limitation of subsidiary data should be considered.

4.10. Scheme of the Study:

This study has been divided into eight (VIII) chapters.

4.10.a). CHAPTER-I:

This chapter presents the meaning, definition and role of urban local governments. Theory and importance of local government finances, types of urban local governments and urbanization and economic growth also form a part of this chapter. This chapter also presents problems of urban local government. It also presents a detailed history of urban local governments in India.

4.10.b). CHAPTER-II:

This chapter covers the provisions of 74th Constitutional Amendment Act, 1992, functions and finances of urban governments, State of finances, State finance commission and its role, recommendations of the Twelfth Finance Commission restructuring public finances, reforms suggested by Thirteenth Finance Commission for improving the data base for urban local bodies and this chapter covers recommendations of various Committees on methods of improving local finances have also been discussed in this chapter. Recommendations of various (Committees) to improve the finances of urban local governments: these are (1) Local Finance Enquiry Committee 1951, (2) Taxation Enquiry Commission 1953-54, (3) Rural-Urban Relationship Committee, (4) Committee on Augmentation of Financial Resources of urban local bodies have been discussed in this chapter. It also presents the municipal government sources of revenue have been discussed in this chapter. Recommendations of the State Finance Commissions in Andhra Pradesh have also been discussed in this chapter.
4.10.c). CHAPTER-III:

This chapter presents “review of literature”. Since urban finances are popular and problematic areas, extensive work has been done by a number of scholars on urban finances. According to these scholars, finance is the root of good or bad performance everywhere, especially for local bodies. Local finances are necessary to provide basic amenities for the citizens. But these amenities are not provided because of paucity of funds, mismanagement and lack of transparency in operation. Various suggestions were made by the scholars on improvement of urban finances. The role of grants-in-aid, establishment of Municipal Finance Corporation, exploiting the existing sources of revenue, searching new resource generation avenues, monitoring effective recovery of taxes, developing new taxes etc., were discussed by scholars in detail. Some important works were selected for review and the major findings were given in this chapter.

4.10.d). CHAPTER-IV:

This chapter presents methodology followed the study. Its presents objectives and scope of the study, statement of problem, questions raised for the study, selection criteria and parameters in the research also discussed in this chapter.

4.10.e). CHAPTER-V:

This chapter presents profiles of the Greater Hyderabad and Vijayawada Municipal Corporations. It also presents its population, organization structure, functions of municipal corporations, staff pattern, municipal administration and urban development, objectives, scope and methodology of audit and implementation of reforms undertaken is presented in this chapter.

4.10.f). CHAPTER-VI:

This chapter deals with the finances of Greater Hyderabad Municipal Corporation, in a tabular form 2000-01 to 2009-10. A broad picture of the municipal finances in Greater Hyderabad, covering the revenue and expenditure trends is presented in this chapter. It also presents the comparison between tax revenue and expenditure on salaries and expenditure on roads, health and water of Greater Hyderabad Municipal Corporation is presented in this chapter.
4.10.g). CHAPTER-VII:

This chapter deals with the finances of Vijayawada Municipal Corporation, in a tabular form 2000-01 to 2009-10. A broad picture of the municipal finances in Vijayawada, covering the revenue and expenditure trends is presented in this chapter. The comparison between tax revenue and expenditure on salaries and expenditure on roads, health and education of Vijayawada Municipal Corporation is presented in this chapter.

4.10.h). CHAPTER-VIII:

This chapter presents the findings, conclusions and suggestions of the present study.

The Greater Hyderabad and Vijayawada Municipal Corporations population, organization structure, functions of municipal corporations, staff pattern, municipal administration and urban development, objectives, scope and methodology of audit and implementation of reforms undertaken will be discussed in the next chapter.