

CHAPTER 6

Analysis of Income and Expenditure

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CHAPTER 6

Analysis of Income and Expenditure

6.1. Expenditure of Urban Local Government

The pattern of expenditure of corporation would reveal where its priorities lie. What followed is detailed analysis of the trend in expenditure for ten municipalities. The revenue and capital expenditure of municipalities indicate the trend expenditure of selected municipalities. The details of revenue and capital expenditure are presented in Table 1.1 of appendix.

Chart: 6.1 Revenue Expenditure:

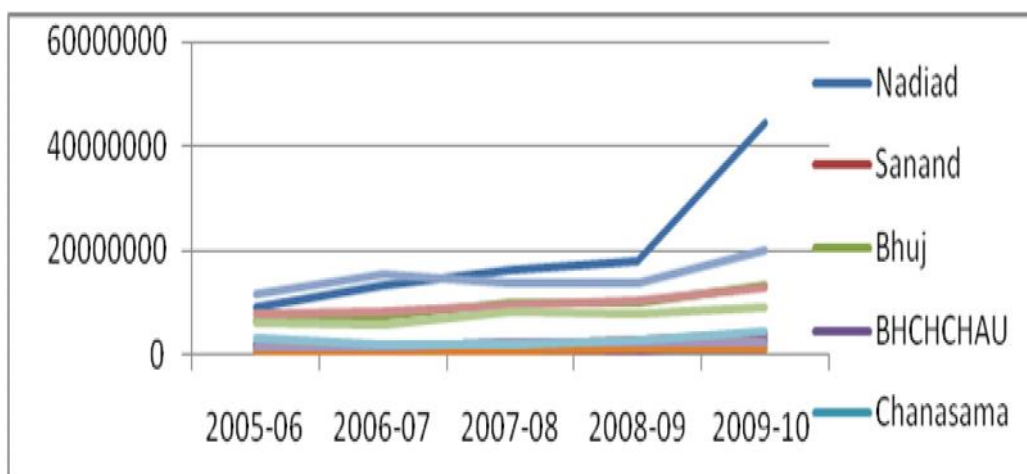
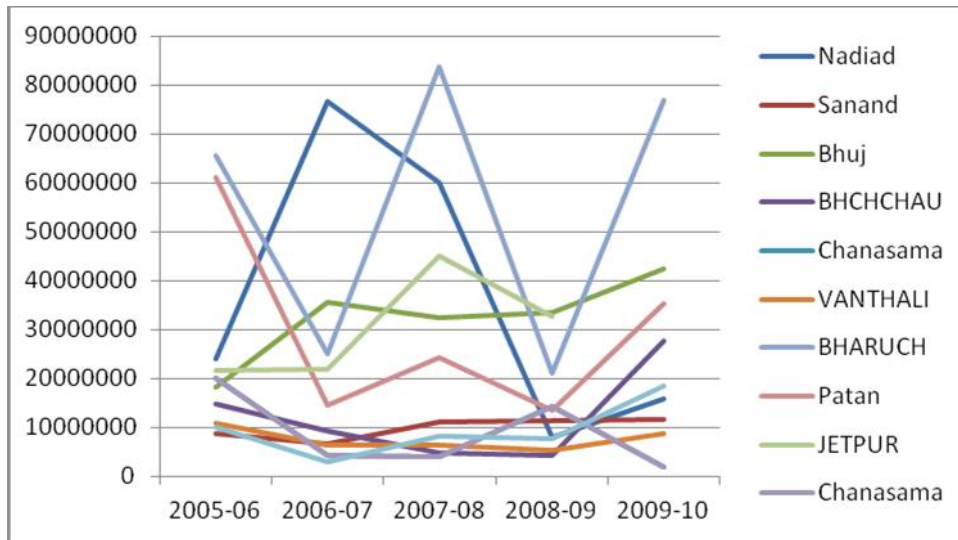


Chart: 6.2 Capital Expenditure:



The Nadiad municipality indicate increasing trend at increasing rate. Vanthali and Patan indicate positive trend in revenue account. Capital expenditure is majorly consists of grant expenditure, tied or untied. Hence there is no clear trend, for selected years.

The trend of expenditure pattern revealed the focus area of development by municipalities. In case of developed municipalities the major focus is development of socio-economical area. However in case of Jetpur, the expenses are from grants income which again is on the area of socio-economical development only. If we consider the case of developing municipalities the major area of development expenditure is from grant income except Songadh. However, even grants income is spend for socio-economical development.

The urbanized local government of urbanized state must focus on infrastructure and services development. Hence the allocation in socio-economical sector will be highest. It does not include essential goods like water but also public construction work. Table-1.2 of appendix indicates

overall distribution of total expenditure. Here the revenue expenditure (table 1.3, in appendix) has been presented in table 6.1

Table 6.1 Composition of Actual Revenue Expenditure

	Administrative		Social		Socio-Economical		Economic	
Nadiad								
2005-06	15818143	7.99	36799285	18.58706	52075199	26.30281	23722210	11.98
2006-07	15485166	6.56	37216175	15.75875	55835183	23.64275	28823516.4	12.20
2007-08	14386352	5.52	42104339	16.16213	91960426	35.29985	35324531.6	13.56
2008-09	14367183	6.09	54522735	23.09436	82630269	34.99995	37194908.6	15.75
2009-10	16102237	3.15	76710484	15.0245	3.03E+08	59.29232	38336077	7.51
Sanand								
2005-06	6890975	25.66	2944677	10.96375	4576683	17.04011	36780	0.14
2006-07	6723637	22.26	3898682	12.90464	10445947	34.57609	43400	0.14
2007-08	8329930	24.79	4438182	13.2068	7993661	23.78693	46320	0.14
2008-09	9125783	22.75	3204065	7.988905	12182157	30.37457	87970	0.22
2009-10	11998083	22.40	3409214	6.363889	18356343	34.2653	101960	0.19
Bhuj								
2005-06	7699522	7.62	23855146	23.59865	31367808	31.03053	882485.68	0.87
2006-07	10499286	8.34	24038374	19.08881	35241842	27.98546	0	0.00
2007-08	12626498	8.25	30641690	20.02076	53937222	35.24166	71000	0.05
2008-09	12350939	8.20	32956453	21.89102	46402833	30.82266	0	0.00
2009-10	11617988	5.80	41898702	20.90935	72691074	36.27614	0	0.00
BHCHCHA U								
2005-06	1235217	5.49	1597281	7.104936	2606068	11.59217		
2006-07	1694940	9.40	1614526	8.957268	4025113	22.33102		
2007-08	1757779	11.75	3230795	21.60027	3427422	22.91487		
2008-09	2244971	12.34	4108553	22.581	6924854	38.05966		
2009-10	2493256	6.13	2714713	6.670267	7029235	17.27139		
Chanasama								
2005-06	2104401	6.00	1863929	5.316405	1555160	4.435716	6263533	17.87
2006-07	1441982	7.25	1679411	8.445176	2060659	10.36234	5628450.4	28.30
2007-08	1557143	5.44	2571848	8.978704	1996388	6.969688	10107539	35.29
2008-09	2551746	6.88	3055890	8.235908	2628696	7.084581	10031800	27.04
2009-10	1405695	5.83	2149911	8.919018	2471096	10.25147	11033356	45.77

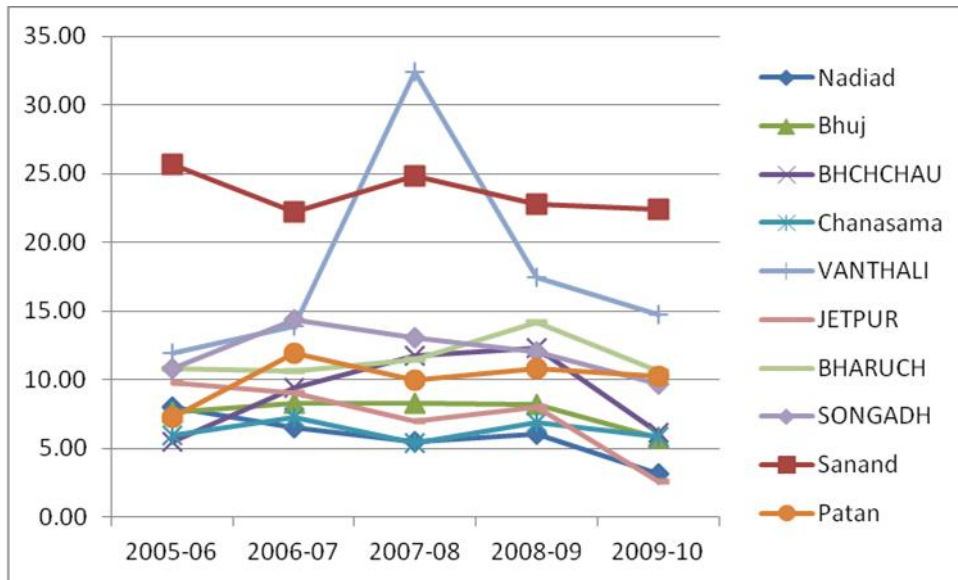
Patan								
2005-06	13089166	7.24	9395345	5.19442	54851294	30.32573	3080857	1.70
2006-07	14437567	11.93	7486055	6.183663	57992319	47.90306	2608807	2.15
2007-08	14320845	9.97	9318269	6.484242	70532444	49.08095	2758772	1.92
2008-09	14292929	10.86	7014774	5.32816	78507339	59.63124	3147442	2.39
2009-10	18946882	10.26	8843860	4.791132	96061218	52.04085	2881573	1.56
VANTHALI								
2005-06	2040500	11.95	350000	2.050321	3390000	19.85882		
2006-07	1856213	13.94	241167	1.810631	3810318	28.60707		
2007-08	4519000	32.40	160000	1.147241	1820000	13.04987		
2008-09	2978309	17.40	355728	2.078821	5907133	34.52039		
2009-10	3236225	14.75	725278	3.305794	5837064	26.60515		
JETPUR								
2005-06	9904201	9.78	10187184	10.06288	38223411	37.75701		
2006-07	8517531	9.07	7646908	8.144524	36992829	39.40011		
2007-08	10669733	6.95	8411676	5.478047	53470149	34.82207		
2008-09	10265741	7.97	8220215	6.381465	56758582	44.06246		
2009-10	10166513	2.64	9756026	2.530182	67075396	17.39571		
BHARUCH								
2005-06	22676640	10.85	15328806	7.332065	75137783	35.93986	1058145	0.51
2006-07	28877795	10.63	15645866	5.760547	1.04E+08	38.13193	809217	0.30
2007-08	31289560	11.43	16725751	6.109004	79226057	28.93692	809049	0.30
2008-09	35027084	14.16	15477366	6.258284	75629963	30.58103	701996	0.28
2009-10	40854125	10.61	18176563	4.719392	1.32E+08	34.28239	783666	0.20
SONGADH								
2005-06	3899586	10.80	1759912	4.872993	21726608	60.15847	3402	0.01
2006-07	3256408	14.37	1836042	8.102332	13325365	58.80395	2000	0.01
2007-08	3800986	13.06	3260150	11.20383	11931280	41.00303	0	0.00
2008-09	4476017	12.03	2349286	6.314291	21432926	57.60633	0	0.00
2009-10	4758253	9.68	3093842	6.294451	27475615	55.8994	0	0.00

Source: Table 1.3, appendix

6.1.1. Administrative Expenditure

Oates (1972) in his book “fiscal federalism” pointed out that establishment of any layer of government itself incurs the cost viz the cost of establishment and maintains.

Chart: 6.3 Share of Administrative Expenditure in Total Expenditure



The onerous expenditure as administrative expenditure is around 10 percent of total expenditure for almost all municipalities more or less. However it is important to note down that there is no specific trend. In case of developed municipalities, the salary expenditure is greater in total administrative expenditure except Nadiad where share of other administrative expenditure is greater than salary expenditure. While in case of developing municipalities the share of salary expenditure is greater in case of Sanand and Vanthali only. The share of other administrative expenditure is higher in case of Bhachcau. In case of Chanasama and Songadh the share of both is more or less same.

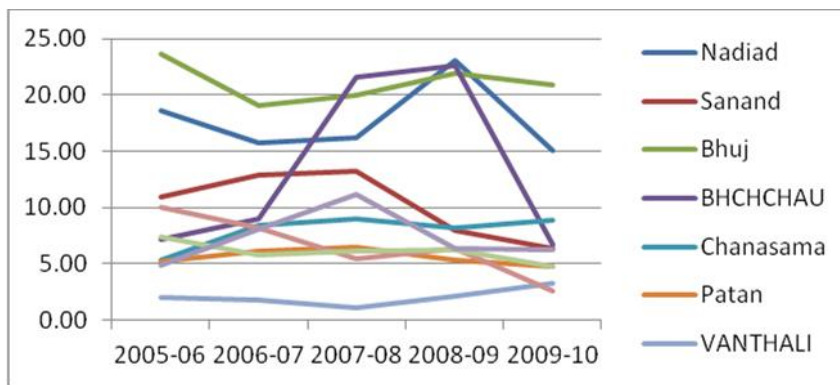
The growth administrative expenditure is around 43 percent. Except Chanasama growth rate of total administrative is positive. The highest

growth rate is observed in case of Vanthali followed by Bhachchau and Sanand. It is important to note down that in case of developed municipalities the highest growth rate is 64 percent found in Bharuch Municipality followed by Bhuj (48.51 percent) and Patan(42 percent).

6.1.2. Social Expenditure:

The government is termed as welfare government; hence it is essential to carry out functions which lead to positive externalities in society. Those functions are named under ‘social functions’ in municipal budget. The expenditure on social activities is hardly 10 percent of total expenditure for selected municipalities.

Chart: 6.4 The share of total Social share in total expenditure



However, in case of Nadia and Bhuj the share is still higher but same is not the case with Patan, Bharuch and Jetpur. In case of developing municipalities it is in single digit except bhachahu and Sanand. The focus area of development expenditure was spend on public health by selected municipalities of the Gujarat state, another area of development where major share of expenditure was spend was public safety.

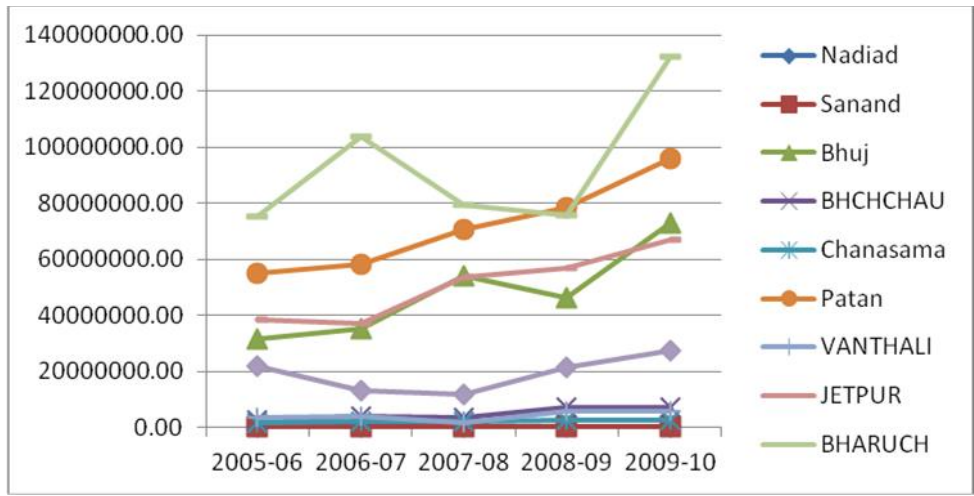
The growths on expenditure of social activities of various municipalities are around 57 percent. The Vanthali has highest growth of 161 percent

followed by Songadh, Nadiad. In case of Jetpur the growth of social activities are lowest followed by low growth of Patan and Bharuch.

6.1.3. Socio-economic expenditure

The major beneficial expenditure is the expenditure on socio-economical activities which was water expenditures by selected municipalities.

Chart: 6.5 Share of Socio-Economical Expenditure in total expenditure



In case of developed municipalities such as Bhuj and Patan the expenditure on water is around 20 percent. Nadiad has highest expenditure on drainage followed by expenditure on water and road. Jetpur and Bharuch have highest expenditure on solid-waste management followed by expenditure on water and streetlight.

In case of developing municipalities such as Sanand (17 percent) and Bhachchau (12 percent), the highest expenditure was on water expenditure followed by streetlight and repair and maintains. The developing municipality such as Chanasma has highest expenditure on streetlight followed by water and solid-waste management. Vanthali depend maximum on solid waste management and streetlight. Songadh spends

highest on road followed by water and streetlight. The state has emphasized on zero waste urban regions and availability of potable water as basic needs which is reflected well in budget of various municipalities.

6.1.4. Special Expenditure

There are certain special activities undertaken by urban local government known as economic activities. It is adopted for the purpose of economic yield by urban local government. The expenditure on economic activities is very marginal except in case of Nadiad and Chanasama. Since the local government is public administrative organization with welfare function the allocation for economic expenditure is not much expected. The expenditure under various sub-head is presented in table 1.3 in the appendix.

6.1.5 Expenditure Grants

The expenditure grants are divided into revenue grants and capital grants in similar fashion as that of income. The cost to carry out various urban functions out-weights the revenue funds hence higher level of government is required to support them through transferring funds and grants. Total revenue expenditure is divided into tied, untied and special revenue expenditure. The grants of tied revenue are around 10 percent for developed municipalities and 23 percent for developing municipalities. Table 1.4 provides (in appendix) details of various grants as percentage to total grants and table 1.5 provides (in appendix) various grants as percentage to revenue and capital grants.

Total capital expenditure is further divided in capital grants and capital expenditure carried out by municipalities. The capital grant is normally

utilized for the development of major infrastructure projects in the area. The highest expenditure in Patan municipality is on infrastructure related activities followed by special capital grants which are received from finance commission also grants received for some special purpose once. The other developed municipality Nadiad spends highest for various miscellaneous purpose grants followed by expenditure on infrastructure. The municipality of Jetpur and Bharuch spends maximum on development of urban areas followed by special purpose and expenditure on other purpose respectively, both spends around 20 to 30 percent of total grants for the development of various infrastructure. The municipality of Bhuj, spends maximum on untied capital grants followed by expenditure on various urban activities and special activities.

In case of developing municipalities, Sanand and Chanasama spends maximum on infrastructure development followed by various other activities. The Vanthali and Bhachchau municipalities spends maximum for the development of their urban regions followed by various miscellaneous expenditure. Songadh municipality grants expenditure is occurred for special purpose activities and for untied capital grants.

In case of Bhuj municipality, the capital expenditure from own income contributed around three percent of total expenditure. The developing municipalities of Songadh and Bhachcau incurred the cost under the head of capital expenditure which was around 20 percent of total expenditure.

The debt of budget indicate gap between required expenditure and income or at the same time it is around just 2.5 percent of total expenditure.

However it varies from municipalities to municipalities on yearly based. It is presented in table-1.1.

6.2. Ahluwalia Report Comparison

The Ahluwalia report on urban infrastructure and services (2011) indicate the provision of 135 liter per day per capita water supply for urban regions, 24 hours. The Gujarat is water scarce state, hence the available supply of water by municipal authorities become more essential, however with the Narmada water supply at the cost of Rs 1.60 per thousand liter (2012, November) helped local urban authorities to maintain the essential supply level. The municipalities of north Gujarat, Patan and Chanasama are able to provide less than required. The ground water level in overall north Gujarat has fallen down which is reflected in the water supply ability of Patan and Chanasama. The municipalities from desert region--- Kutch regions, Bhuj and Bhachchau are again facing the shortage of water, the cost of providing Narmada water is greater in case of Kutch region, according to Hirway and Lodhiya (2008), per capita provision of water is just 40 lpcd. Municipalities of Saurashtra region, also facing acute water shortage this is due to hard rock, the rain water harvesting is difficult. South Gujarat, due to Narmada does not face much water shortage they provide 113 to 100 lpcd water in the Jetpur and Vanthali municipal regions. The central Gujarat again does face water shortage but it is not as severe as that of Kutch, Saurashtra and North Gujarat. In case of solid waste management, almost all the municipalities are able to collect 75 to 80 percent of waste collected in the region. According to

Ahluwalia committee, municipalities should be able to cover 100 percent of waste generated.

Table : 6.2 Comparative analysis

Municipalities	Water (lpcd)	Population Cover (%)	streetlight	Area Cover(%)	Solid Waste Management [Collected as per generated (%)]	Population Cover(%)
Ahluwalia committee	135	100	--	100	100	100
Patan	120	70		80	90	90
Chansama	110	80		90	90	90
Nadiad	90	85		90	90	90
Sanand	110	85		90	90	90
Bharuch	120	80	12000	100	75	80
Songadh	100	80	1371	100	95	100
Bhuj	140	85		80	100	100
Bhachau	100	85		85	90	85
Jetpur	80	97	2045		95	95
Vanthali	80	90	250	90	90	90

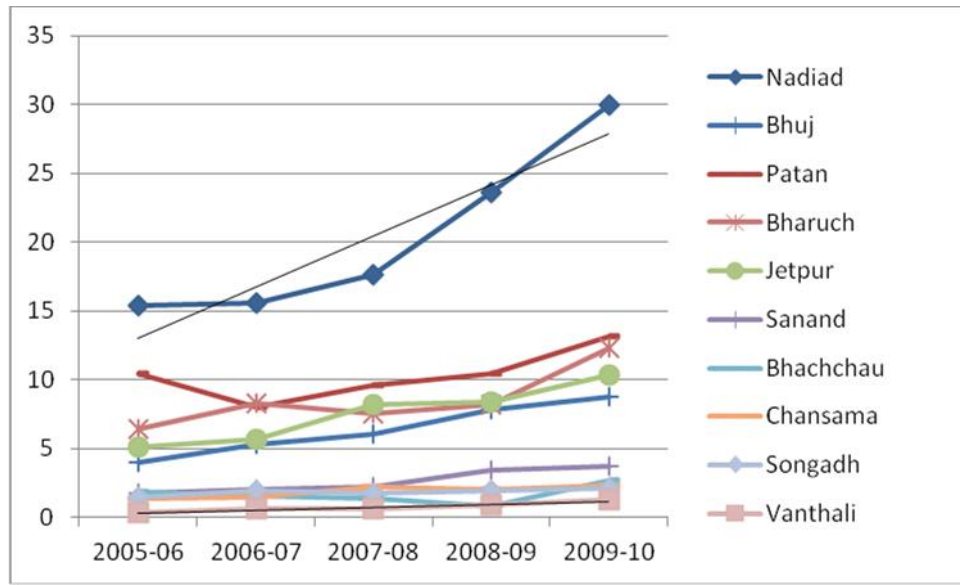
Sources: Ahluwalia committee's report, information collected through municipal visit.

6. 3. Income of Urban Local Government:

The revenue account is consisting of revenue account and capital account.

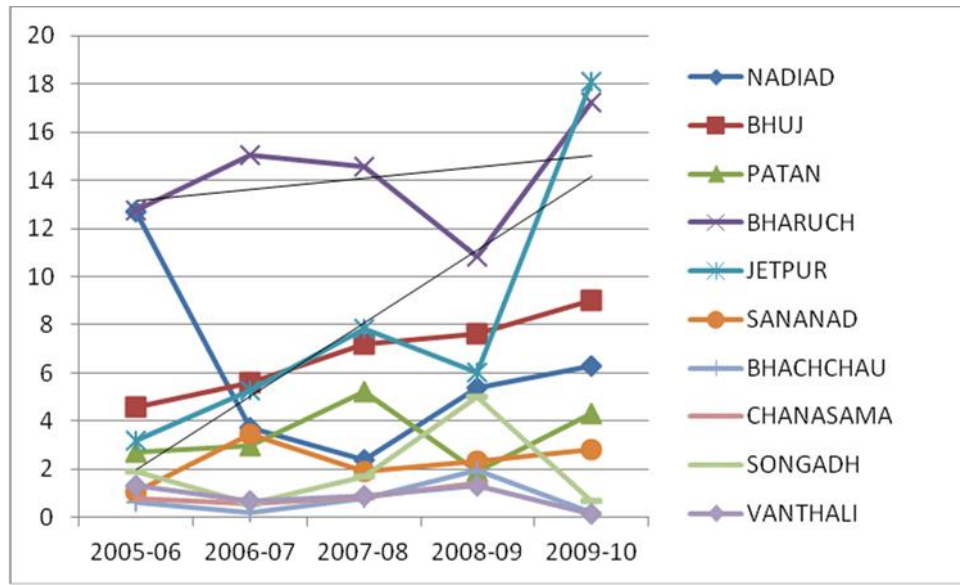
The trend as depicted in chart as shown below detail table is indicated in appendix.

Chart: 6.6 Revenue Incomes



Revenue income of municipalities includes current (yearly) income from various sources such as own-income, revenue grants. In case of selected municipalities, the Nadiad municipality indicate consistently increase at increasing rate. The trend is positive even in case of Bhuj, Jetpur and Sanand. The trend line in general indicates rising revenue for all municipalities. Moreover the revenue account growth is overall positive for developed municipality except for one year in case of Patan and Bharuch. The growth rate (CARG) for developed municipalities are 0.18, 0.22, 0.06, 0.18 and 0.20 for Nadiad, Bhuj, Patan, Bharuch and Jetpur respectively. The developing municipality is also indicating promising growth rate. The Chanasma, Songadh and Vanthali indicates positive growth rate for except for one year. In case of Bhachchau the growth rate is positive only for one year. However, due to location factor the growth rate of Sanand is positive.

Chart:6.7 Capital Income



In case of capital income trend only Bhuj municipality has positive trend. Since capital income is consists of mainly grant income, fluctuation is tends to be there. Out of selected municipalities only Bhuj municipality is having rising trend of capital income. The developed municipality does not have overall positive growth in case of capital account except Bhuj. Nadiad and Jetpur have negative growth rate for one year while Bharuch has negative growth rate for two year. The developing municipalities also has negative growth rate for at-least two years except Sanand where growth rate is negative only for one year. Trend line of capital income clearly indicates variations in the capital income of selected municipalities. The details of revenue and capital income are presented in Table 1. 1 of appendix.

6.3.1 Distribution of revenue by own income and others

Total revenue income is divided into income earned through own sources of income and other sources. In case of developed municipalities such as Nadiad, Bhuj and Bharuch indicate higher revenue is coming in the form of

grants rather than their own income. This indicates inefficient and inability on the part of urban local government. However, in case of Patan and Jetpur, the major revenue source is their own income. In case of developing municipalities, except Bhachchau, the major share of earnings is coming from grants. Table -2 clearly indicates the total share. The detail distribution of revenue income by own income and others is depicted in table:3 in appendix

Table: 6.2 Distribution of Revenue by own income and others (in percentage)

	Own income	Grants	Others		Own income	Grants	Others
Nadiad				Patan			
2005 -2006	24.62	68.26	7.11	2005 -06	59.40	19.57	21.03
2006 -2007	33.76	51.67	14.56	2006 -07	58.64	27.54	13.82
2007 -2008	31.16	56.26	12.58	2007 -08	54.21	36.29	9.51
2008 -2009	38.22	51.02	10.76	2008 -09	68.80	17.71	13.50
2009 -2010	53.30	44.20	2.50	2009 -10	66.85	26.28	6.87
Sanand				Bharuch			
2005 -06	52.31	40.97	6.72	2005 -06	20.09	66.00	13.91
2006 -07	30.51	66.22	3.28	2006 -07	15.75	62.70	21.55
2007 -08	41.85	48.02	10.13	2007 -08	17.63	66.03	16.34
2008 -09	40.13	50.76	9.12	2008 -09	30.90	60.46	8.65
2009 -10	47.64	46.88	5.48	2009 -10	24.66	52.30	23.04
Bhachchau				Jetpur			
2005 -06	65.23	24.71	10.06	2005 -06	17.29	60.50	22.21
2006 -07	54.23	11.95	33.82	2006 -07	17.61	68.85	13.54
2007 -08	56.48	37.65	5.87	2007 -08	14.13	70.85	15.02
2008 -09	25.67	70.00	4.33	2008 -09	24.78	57.80	17.42

2009 -10	89.95	6.76	3.29	2009 -10	13.76	71.39	14.86
Bhuj				Vanthali			
2005 -06	33.41	51.51	15.08	2005 -06	13.50	83.60	2.90
2006 -07	35.29	51.04	13.67	2006 -07	39.52	55.61	4.86
2007 -08	35.41	51.97	12.61	2007 -08	35.65	61.41	2.94
2008 -09	34.75	47.49	17.75	2008 -09	36.78	55.43	7.79
2009 -10	38.20	48.22	13.58	2009 -10	71.20	19.47	9.33
Chanasama				Songadh			
2005 -06	44.16	50.79	5.05	2005 -06	31.13	56.38	12.48
2006 -07	49.34	46.10	4.56	2006 -07	46.14	44.19	9.67
2007 -08	48.38	49.13	2.49	2007 -08	29.45	50.78	19.77
2008 -09	42.77	57.08	0.15	2008 -09	20.52	56.72	22.76
2009 -10	67.20	29.47	3.33	2009 -10	46.03	22.74	31.23

Soruce: Table1.8, Appendix

6.3.2 Own Income

Own income of municipalities is consists of tax income, non -tax income and income from other miscellaneous sources. The share of various taxes and non -tax income as percentage to total own income is presented in table 1.9

of appendix. The d eveloped municipalities of Nadiad and Patan clearly indicated share of tax income is great than non -tax income which is due to higher shares of property tax and water tax. However in case of Bhuj, Jetpur and Bharuch the share of non -tax is higher compared to tax revenue which is due to higher share of non -tax income i.e. Fee

In case of developing municipalities except Vanthali, for other municipalities the major share of revenue comes from non -tax income. Vanthali has major share of income from property ta x and octroi. The major share in non -tax

revenue income is from miscellaneous non -tax income in case of Bhachahu and Chanasama. While in case of Songdh major revenue sources is fee. The detail distribution of revenue income by own income and others is depicted in table:1.8 and share of various head as percentage to total income is presented in table 1.7 in appendix.

Table: 6.3 Share of Tax and Non -tax income in total Own Income (in percentage)

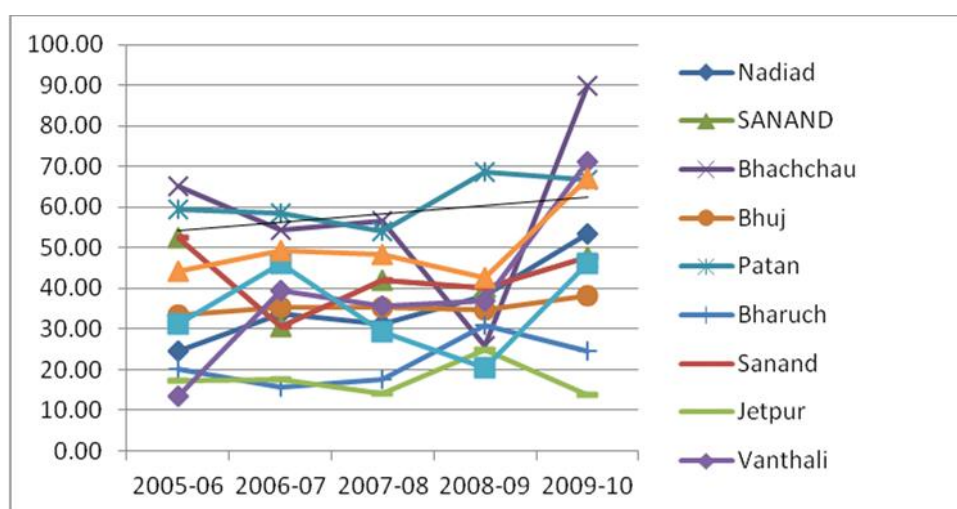
	Tax	Non-Tax		Tax	Non-Tax
NADIAD			BHARUCH	%	%
2005 -2006	64.10	35.90	2005 -06	53.59	46.41
2006 -2007	57.37	42.63	2006 -07	55.39	44.61
2007 -2008	71.38	28.62	2007 -08	46.64	31.33
2008 -2009	58.77	41.23	2008 -09	64.12	35.88
2009 -2010	65.31	34.69	2009 -10	70.45	29.55
SANANAD			JETPUR		
2005 -06	81.23	18.77	2005 -06	47.40	52.60
2006 -07	81.72	18.28	2006 -07	54.62	45.38
2007 -08	86.53	13.47	2007 -08	57.97	42.03
2008 -09	79.76	20.24	2008 -09	69.86	30.14
2009 -10	87.82	12.18	2009 -10	72.52	27.48
Bhachchau	%		VANTHALI	%	%
2005 -06	26.90	73.10	2005 -06	39.45	60.55
2006 -07	51.77	48.23	2006 -07	76.95	23.05
2007 -08	38.03	61.97	2007 -08	81.04	18.96
2008 -09	83.41	16.59	2008 -09	70.89	29.11
2009 -10	26.71	73.29	2009 -10	81.11	18.89
Chanasama	%	%	SONGADH	%	
2005 -06	26.74	73.26	2005 -06	35.39	64.61
2006 -07	37.13	62.87	2006 -07	31.84	68.16
2007 -08	26.63	73.37	2007 -08	30.01	69.99
2008 -09	23.40	76.60	2008 -09	40.06	59.94
2009 -10	31.47	68.53	2009 -10	45.80	54.20
PATAN			BHUJ		
2005 -06	44.86	55.14	2005 -06	33.58	66.42
2006 -07	76.34	23.66	2006 -07	37.05	62.95
2007 -08	85.85	14.15	2007 -08	35.99	64.01
2008 -09	82.21	17.79	2008 -09	33.25	66.75
2009 -2010	77.42	22.58	2009 -10	36.78	63.22

Soruce: Table :1.9, Appendix

The growth rate is highest for the developing municipality Vanthali (79 percent, CARG) as it is economical unit in terms of population hence easy to manage. However second highest growth rate is found in Jetpur. Both

to manage. However second highest growth rate is found in Jetpur. Both belong to Saurashtra region. The Bachchau of Kutch region is indicating least growth, due to inadequate administrative staff. The growth of non-tax income is highest in Nadiad (29 percent, CARG) followed by Bhuj. Table-5 clearly indicate share of various tax and non-tax income with respect to total own income.

Chart: 6.8 Share of Own Income into Total Income



Tax-Non-tax

The property tax consist of major tax revenue for all he selected municipalities. It is one of the important local taxes as it is levied on immobile goods as indicated in Table-4. The highest growth rate is indicated in developing municipalities Songadh and Vanthali (29 percent, CARG) which clearly indicate relative smaller unit if has good administrative can raise more taxes. It also justify the law of Laffer curve.

In case of developed municipalities, Bhuj and Bharuch municipalities having highest share of tax income from property tax which is around 90 percent. This indicates heavy reliance on one sources of revenue income

i.e. property tax and failure on behalf of local government to augment new revenue resources. In case of Nadiad and Jetpur the drainage and sanitation or safai vero contributed as major taxes respectively. The provision of local good does not have spatial benefit as it leads to externalities. In case of Patan, Octroi is contributing major share apart from water tax. The highest revenue yielding tax now has been removed.

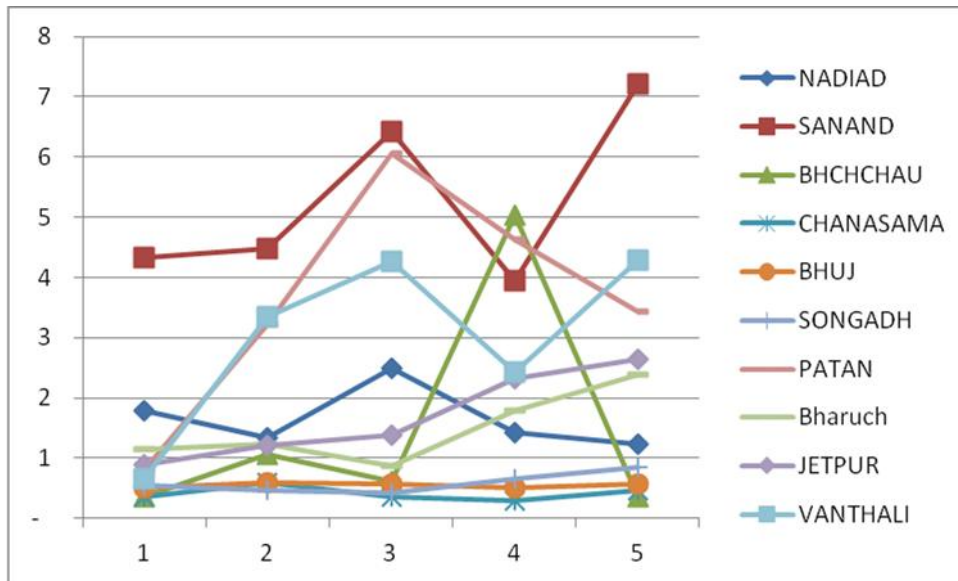
In case of developing municipalities, Bhachcau is having highest share of income from octroi and water tax. Water is an essential local service which should be provided, however Songadh levied special daily and month tax for which is higher contributor in total tax income. In case of Sanad octroi and water tax contribute majorly into total tax income. Vanthali has highest share from property tax only. Chanasma earns its tax revenue by levying tax on water and land.

In case of non-tax the highest non-tax revenue is coming from fee income in case of developed municipalities such as Bhuj, Bharuch and Jetpur. While in case of Nadiad it is marginal. Fee is indirect tax and helps to solve the problem of free rider which occurs frequently in case of taxes. Developing municipalities such as Vanthali earns highest revenue from fee income. While for rest of municipalities fee income is yield marginal income.

The contribution of rent income is marginal for all municipalities except Sanand. The share of miscellaneous income is higher for developed municipality Nadiad, Chanasam and Bachau. The special non-tax income is yield for Patan and Songadh municipalities.

The tax to non-tax ratio as indicated in below table clearly indicates efficiency of administrative of local government not only to levy taxes but also to collect it efficiently. The highest ratio is found for Patan and Sanad followed by Vanthali and Jetpur.

Chart : 6.9 Share of Tax Income



6.3.3 GRANTS

The total grants are divided majorly into revenue grants, capital grants and special Octroi grants in lieu of Octroi tax. Local government do not have strong financial base to carry out their allocated functions efficiently hence required financial support from higher level government. Since capital account of selected municipalities has grants as their income, it has been analyzed along with grants received under revenue account.

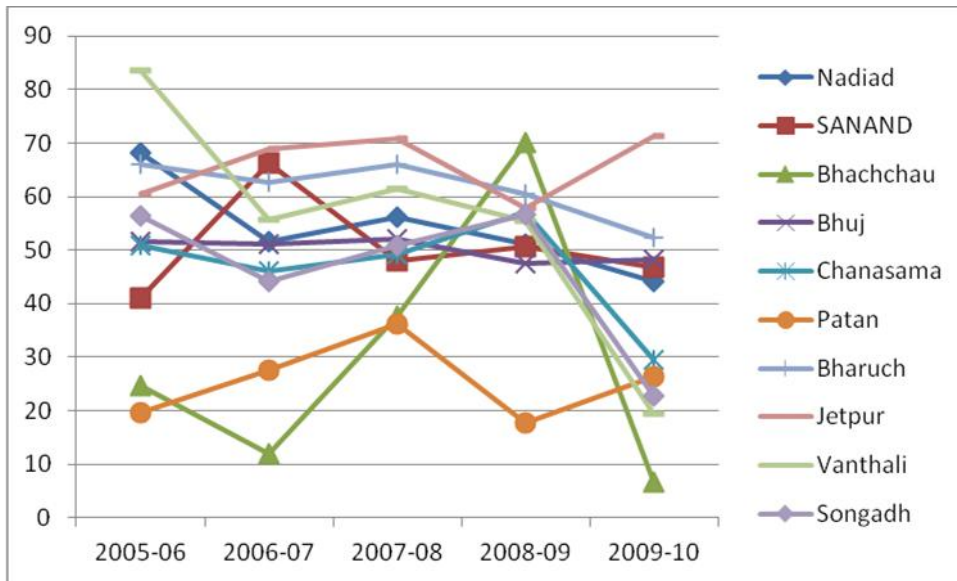
Table. 6.4.

	Nadiad	Bhachcau	Bhuj	Chanasama	Patan	Bharuch	Sanand	Jetpur	Vanthali	Songadh
Revenue										
2005 -06	8.47	0.52	5.87	16.52	3.21	8.50	5.43	4.32	6.88	3.53
2006 -07	9.55	1.74	6.40	18.98	3.95	6.91	5.02	3.27	7.16	22.75
2007 -08	1.87	2.18	4.29	22.50	4.39	6.97	3.94	1.48	3.46	10.62
2008 -09	11.60	0.54	4.58	15.69	3.85	7.24	10.67	2.07	2.55	0.25
2009 -10	3.52	0.08	4.52	18.47	3.26	3.40	4.55	1.43	10.97	4.25
Capital										
2005 -06	42.76	24.19	173.97	34.27	16.35	57.50	29.84	30.53	76.71	52.86
2006 -07	17.13	10.21	20.13	27.13	23.59	55.79	53.58	42.22	48.46	21.44
2007 -08	10.77	35.46	11.97	26.63	31.90	59.06	38.88	41.80	58.61	41.10
2008 -09	17.80	69.46	8.45	41.39	13.85	53.21	35.65	36.36	52.88	53.47
2009 -10	16.13	6.68	176.64	11.00	23.01	48.90	42.33	54.47	8.50	18.49
Octroi										
2005 -06	17.03		28.30					25.65		
2006 -07	24.99		24.51					23.36		
2007 -08	43.61		35.71					27.57		
2008 -09	21.62		19.20					19.37		
2009 -10	24.55		26.21					15.48		

Source: 1.11, Appendix

The developed municipalities received major share of grants income in their capital account however in case of Bhuj and even Nadiad the Octroi grants is contributing major share in total grants. The revenue grants contributed very marginal share in total income of the selected municipalities. In case of Patan, Bharuch and Jetpur the capital grants income contributed highest share into total grants. Even in case of capital grants, the urban development and miscellaneous grants are major contributing factors for Bharuch and Jetpur municipality. In total capital grants for Patan municipality share of Infrastructure development is major one.

Chart: 6.10 Share of Total Grants in total Income



The grant income help to achieved horizontal equity as the ability of each municipal government to efficiently collect the taxes are different. The grants to own income ratio indicate dependency ratio of urban local government which is highest for Bhachchau followed by Patan.

6.4. Gap between Income and Expenditure:

The total deficit is depicted to understand the gap between income and expenditure. The revenue and capital deficit has also been analyzed. The budget of urban local body is financial statement of urban local government. It indicates the income and expenditure reflecting the planning and priorities of urban local governments. The total income and expenditure of selected ten municipalities of Gujarat is depicted in table -1 in appendix

Table: 6. 6 Total Deficit, Revenue deficit and Capital deficit

	TD	RD	KD		TD	RD	KD
Nadiad				Sanand			
2005 -06	16.49	6.1	10.29	2005 -06	0.18	0	0.18
2006 -07	-1.64	2.3	-3.97	2006 -07	2.7	-0.07	2.77
2007 -08	-2.44	1.19	-3.6	2007 -08	0.92	0.14	0.79
2008 -09	10.02	5.45	4.61	2008 -09	1.921	0.69	1.22
2009 -10	-9.93	-14.64	4.72	2009 -10	1.31	-0.33	1.65
Bhuj				Bhachau		0	0
2005 -06	-0.1	-2.9	2.79	2005 -06	0.42	1.24	-0.83
2006 -07	-0.1	-2.2	2.04	2006 -07	0.04	0.78	-0.74
2007 -08	-0.1	-4.1	3.95	2007 -08	0.75	0.41	0.33
2008 -09	2.1	-2.1	4.24	2008 -09	1.003	-0.56	1.55
2009 -10	0.4	-4.5	4.76	2009 -10	-1.19	1.45	-2.58
Patan		0	0	Chansama		0	0
2005 -06	-1.07	2.31	-3.37	2005 -06	-1.27	-0.02	-1.23
2006 -07	0.99	-0.54	1.54	2006 -07	0.16	0.01	0.14
2007 -08	2.51	-0.32	2.79	2007 -08	0.21	-0.2	0.43
2008 -09	0.55	-0.02	0.56	2008 -09	-0.25	-0.25	-0.01
2009 -10	0.88	0.11	0.77	2009 -10	0.22	0.12	0.09
Bharuch		0	0	Songadh		0	0
2005 -06	0.91	-5.3	6.21	2005 -06	-0.15	-1.8	1.7
2006 -07	4.985	-7.53	12.52	2006 -07	0.25	0	0.3
2007 -08	-0.18	-6.37	6.2	2007 -08	0.73	-0.2	1
2008 -09	2.89	-5.81	8.7	2008 -09	3.32	-1	4.3
2009 -10	1.53	-7.98	9.51	2009 -10	-1.95	-2.3	0.4
Jetpur		0	0	Vanthali		0	0
2005 -06	0.12	-0.92	-4.97	2005 -06	0.01	-0.24	0.24
2006 -07	3.12	0.03	-2.55	2006 -07	0.008	-0.02	0.02
2007 -08	3.49	0.16	-4.74	2007 -08	-0.066	-0.13	0.24
2008 -09	3.41	0.64	2.77	2008 -09	0.908	-0.05	0.79
2009 -10	-6.35	1.26	-7.6	2009 -10	-0.54	0.21	-0.75

Source: Municipal Budgets

Note : TD= Total deficit, RD= Revenue deficit, CD= Capital deficit

Table 1.1 of appendix provides the details of deficit. The table 6.5, provide various deficits and the municipality -wise analysis is presented as follows.

In Nadiad, the first year of the study indicates highest surplus, however the next year i.e. 2006 -07 indicate the deficit which continue even for next year,

once again 2008-09 indicate surplus in the account and 2009-10 indicate deficit. The revenue account of Nadiad indicate surplus throughout the study year except 2009-10. The capital account is having surplus for the first year of the study. The next two years indicate deficit and again last two year indicates surplus. The Nadiad municipalities indicates deficit budget for the year 2006-07, 2007-08 and 2009-10. In case of first two year the deficit was due to deficit in the capital account while in case of third (2009-10) financial year it was due to deficit of 14.64 crores in revenue account. The Bhuj municipality have total deficit for the first three year of the study, however the year 2008-09 and 2009-10 indicate surplus in the account. The revenue account of the Bhuj municipality indicate deficit for all the five year. The capital account indicate surplus for all the five year of the study. The Bhuj municipality is indicating deficit in the budget for all the selected years except 2008-09 and 2009-10. This is due to overall deficit in revenue account for all the year; however surplus in the capital account is great which out weight the deficit of revenue account for the year 2008-09 and 2009-10.

The Patan municipality indicates overall deficit for the first year of the study followed by surplus in the account. The revenue account indicates surplus for the first year followed by deficit for the next two year i.e. 2006-07 and 2007-08. However, 2008-09 and 2009-10 indicate surplus in the revenue account. The capital account indicate deficit for the year 2005-06, followed by surplus for the next four year of the study. The deficit budget in the Patan municipality is only for the financial year 2005-06. The budget year has deficit both in revenue as well as capital account. There is higher

deficit in capital account overshadow the surplus revenue account for the year 2005-06.

The Bharuch municipality, indicate overall surplus for the first two year of the study, however in the year 2007-08 it indicates deficit but again for the next two year it indicates surplus in the budget. The revenue account is having deficit for all the five year of the study surprisingly capital account is having surplus for the all the five year of the study. The case of Bharuch, is unique as revenue account is having deficit for all the selected years but there is surplus capital account. The overall budget indicates surplus except for the year 2007-08. This two year has greater deficit in revenue account than surplus in capital account hence leads to overall deficit in the budget.

The overall budget of Jetpur Municipality indicates surplus except for the last year of the study i.e. 2009-10. The revenue account indicates surplus for the first year of the study. In case of capital account there is deficit for all the five year of the study except 2008-09. Jetpur has deficit in the financial year 2009-10 which is due to greater deficit in capital account which surpassed surplus in revenue account. In case of developed municipalities the adequate revenue in the budget will provide better services hence will have comparatively stronger fiscal position. The detail of total income, expenditure as well as revenue and capital income, expenditure is indicated in appendix tables -1.1.

The Sanand municipality is having overall surplus in the total budget; here location is important as it is situated at suburb of the mega city. The revenue account has surplus for the first year of the study followed by

deficit for the year 2006-07. The next two year of the study indicates surplus in the account followed by deficit. The capital account indicates overall surplus for all the five year of the study. The Sanand municipality is having overall surplus in budget (repeated twice in 1same para). This is due to surplus revenue and capital account. However the revenue account faced deficit during the financial year 2006-07 and 2009-10 but the surplus in capital account overshadows the effect of deficit budget of revenue.

The overall budget of Bhachchau indicates the surplus except for the year 2009-10. The revenue account of the municipality shows surplus for the first three year of the study followed by deficit for the year 2008-09. The year 2009-10 is again having surplus in the revenue account. The capital account indicate deficit for the first two year of the study, followed by surplus for the next two year however in the year 2009-10 it again indicates deficit. Bhachau municipal budget faced deficit for the year 2000-10 the capital account is having deficit for the year 2009-10. Moreover revenue account indicate deficit for the year 2008-09 also but great capital account overshadow it. In similar manner the capital account faced deficit for the year 2005-06 and 2006-07 but great amount of surplus in revenue account over shadow it.

The first year indicate deficit budget for Chanasma followed by surplus for the next two year of the study however 2009-10 indicates deficit in the overall budget of the municipality. The first year of the study indicates deficit in the revenue account followed by surplus. Again the year 2007-08 and 2008-09 indicates deficit followed by surplus in the account. The capital account of the municipality is having deficit for the first year of the

study followed by surplus in the account for the next two year. The year 2008-09 indicate deficit but once again the year 2009-10 indicates surplus in the capital account. Chanasma municipality indicated deficit for the year 2005-06 and 2008-09 which is due to deficit in both revenue and capital account. The budget indicates deficit in the overall budget for the first year of the study followed by surplus for the next three year of the study. The year 2009-10 indicates deficit in overall budget. Songadh municipality is facing three year budget deficit i.e. 2005-06 and 2009-10. The revenue account was having deficit budget for the year 2005-06 and 2009-10 which leads to overall budget deficit.

The Vanthali municipality indicates overall surplus for the first two year of the study followed by deficit in the year 2007-08; however 2008-09 is having surplus in the budget followed by overall deficit. The capital account indicates surplus in the budget except the year 2009-10. Vanthali municipality, faced deficit for the year 2007-08 and 2009-10. The years faced deficit in their revenue and capital account respectively. In case of developing municipalities the growth rate of only Vanthali and Songadh are positive.

The comparative analysis of developed and developing municipality indicates that economical unit's i.e. small municipalities are financially sound. However the further analysis will throw some light on the dependency and independent sources of funds.