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2. Research Methodology

2.1 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 highlights the basic manner and methodology in which the research is conducted.
2.2 Statement of Problem

The study is an attempt to undertake a comparative study of Financial Management of local self government of Municipal Corporation in Gujarat state with reference to Surat Municipal Corporation, Ahmedabad Municipal Corporation & Vadodara Municipal Corporation in order to suggest the suitable strategies to sustain and/or improve their financial management.

2.3 Objectives of the Study

(1) To compare the financial system of these three municipal corporations and to compare it each other.

(2) To analyse the revenue resources and revenue expenditure of these three municipal corporations.

(3) To find out whether existing resources are sufficient to meet the expenditure.

(4) To find the effect of rise in prices on revenue and expenditure.

(5) To study the gap between resources and expenditure and majors to bridge the gap

(6) To study the existing structure and suggest suitable majors to improve it.

(7) Suggestions for improvement in financial position, public facilities, future requirements of these three municipal corporations.
2.4 Hypotheses of the Study

The following Hypotheses have been framed on the basis on various objectives covered under the study to point out the real fact findings and to provide the suggestions.

(1) Seva Sadan of Gujarat does not find financial crunch on public expenditure

(2) Financial position of Surat, Vadodara and Ahmedabad Seva Sadan represent the financial positions of Seva Sadan of Gujarat

(3) There is no effect of rise in prices on Revenue Income of Seva Sadans in Gujarat

(4) There is no effect in rise in price of Revenue Expenditure for public utilities.

2.5 Selection Criteria

Gandhinagar, July 23 2008-2009 in the first-ever evaluation exercise of the 69 urban local bodies of the country, Gujarat’s top four municipal corporations – Ahmedabad, Surat, Rajkot, and Vadodara – have been given the best possible credit ratings. The ratings have been given by private sector agencies appointed by the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). While the Ahmedabad Municipal Corporation (AMC) got an A+, the Surat Municipal Corporation (SMC) came second with an A-, followed by the Vadodara Municipal Corporation (VMC) and the Rajkot Municipal Corporation (RMC), which got an A-. 
A senior department official said that the ratings have not only underlined the good financial position of these bodies, but have also allowed them to approach the debt market confidently, in order to raise funds for their various infrastructure projects.

Ahmedabad – (A+) – highest degree of financial strength to meet debt obligations.
Surat (AA-) – high degree of financial strength to meet debt obligations.
Vadodara and Rajkot (A-) – good degree of financial strength to meet debt obligations.

Using above reference location wise three municipal corporations have been selected, Ahmedabad represent North Gujarat, Vadodara represent central Gujarat and Surat represent South Gujarat. Also by taking the comparison of surplus, out of four on an average percentage of surplus during the past ten years Surat (50.67), Ahmedabad (30.87), Vadodara (14.64) and Rajkot (13.01).

2.6 Data Collection

The data have been collected through secondary sources of annual reports of these three municipal corporations, web site of S.M.C, A.M.C. & V.M.C. And the data have been also collected through primary sources by interview with the chief auditor of
S.M.C., A.M.C. and V.M.C. and direct contact and meeting with account officers of S.M.C., A.M.C. and V.M.C.

2.7 Research Instrument

2.7.1 Analysis of Data

As per the design of the research, the collected data is followed by the statistical analysis, Ratio analysis, Percentage analysis, Trend analysis.

2.7.2 Parameters in The Research

The following parameters are considered for the purpose of analysis:

- Revenue income parameters
- Revenue expenditure parameter
- Capital Assets parameters
- Long Liabilities parameters

2.7.3 Tools and Techniques Used

- Financial Techniques
  - Ratio analysis
  - Percentage analysis
  - Trend analysis
- Various parameters comparisons between cities using analysis of variance statistics
2.8 Limitations of the Study

- It is limited to only three Municipal Corporations among the six Municipal Corporation of the Gujarat State i.e. Surat Municipal Corporation, Ahmedabad Municipal Corporation & Vadodara Municipal Corporation.

- 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 Surat Municipal Corporation, Ahmedabad Municipal Corporation & Vadodara Municipal Corporation. The limitation of subsidiary data should be considered.

2.9 Chapter Scheme

The first chapter gives introduction of Local Self Government in India, Municipal Administration in Gujarat, Position of Municipal Services, Structure of Local Finance etc., in India and theoretical frame work.
The second chapter focused on methodological framework of the present study. This chapter also included the objectives of the study and limitations of the study.

The third chapter contains review of literature. This chapter focused on past research work on this topic and importance and useful conclusion are derived.

The fourth chapter is about the Selected Municipal Corporations. This chapter gives the broad pictures of the Surat, Ahmedabad and Vadodara Cities and municipal Corporations.

The fifth Chapter entitled “Analysis and Interpretation”. In this chapter we have Analysis the Growth Rates of major financial components of selected municipal corporations, Ratio Analysis, Mean Comparison and Regression Analysis.

In Last Chapter, we have derived the major findings and suggestions.