PATTERN OF MUNICIPAL EXPENDITURE AND BUDGETING WITH REFERENCE TO NEPALESE MUNICIPALITIES

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ABSTRACT

This study examines the revenue and expenditure patterns of Nepalese municipalities, focusing on the role of local revenue in financing municipal activities. Municipal expenditures are categorized into regular, capital, and social development activities, with grants-in-aid, surplus revenue, and cost-sharing as key sources for development financing. Regression analysis reveals that 77.6% of total expenditure is explained by local revenue, while 19.1% is contributed by local development charges, indicating the significant role of internally generated funds in municipal spending. Correlation analysis shows a strong positive relationship between total revenue and expenditure, confirming that expenditure closely follows revenue trends. The study further employs the Coefficient of Vertical Imbalance, which highlights an increasing reliance on central government grants over the study period, despite growth in local revenue. Findings underscore the importance of improving local financial management, enhancing transparency, and addressing region-specific challenges in the allocation and utilization of development funds. Strengthening local revenue mobilization and optimizing the use of development charges are essential for sustainable municipal development and reduced dependence on central transfers.

Keywords: *Municipality, Capital Expenditure, Local Tax, Social Development Work, Financial Management*

INTRODUCTION

An assessment of municipal revenue allocation is essential to determine whether financial resources are directed toward priority sectors, harmonized with other funding sources, and responsive to areas of greatest local need. In the context of Nepal, municipal governments face persistent challenges in ensuring that public funds are utilized for their intended purposes and in evaluating the tangible outcomes of such expenditures at the community level. Strengthening the effectiveness of municipal finance therefore requires not only improved resource allocation mechanisms but also systematic evaluation of fiscal impacts on local development.

Although numerous non-governmental and international non-governmental organizations operate at the district and municipal levels, coordination between these agencies and local governments remains limited. Weak institutional linkages often result in overlapping programs and inefficient use of resources. The absence of structured collaboration mechanisms contributes to duplication of development activities, which undermines overall service delivery. Addressing these coordination gaps is necessary to enhance the efficiency and coherence of local development interventions.

Effective fiscal management further requires municipalities and District Development Committees (DDCs) to identify region-specific challenges related to the mobilization and utilization of development funds. The availability of localized financial and programmatic information enables evidence-based planning and enhances the effectiveness of development initiatives. Against this backdrop, the present study examines the major avenues through which municipal revenues are generated and applied in Nepalese municipalities.

Local public finance plays a pivotal role in the nation building process. Municipal expenditures in Nepal are financed through a combination of internal and external sources, with internal revenue forming the backbone of municipal financial sustainability. External financing, including borrowing and grants, serves a complementary function but may pose risks to fiscal stability due to repayment obligations and dependency concerns. Consequently, internally generated revenues such as house and land taxes, local taxes, rents, service charges, fees, fines, deposits, forfeitures, and other miscellaneous income constitute the principal source of municipal income.

Municipal expenditures in Nepal can broadly be classified into three categories: recurrent, capital, and social expenditures. Recurrent expenditures include salaries, allowances, travel expenses, rentals, maintenance, repairs, and other operational costs necessary for day-to-day administration. Capital expenditures are associated with long-term investments, including infrastructure development and construction related activities. Social expenditures primarily involve grants and financial assistance aimed at supporting social welfare and community development.

Municipal revenue sources comprise tax revenues, non-tax revenues, loans, and grants-in-aid. Among these, grants-in-aid, surplus revenues, and cost-sharing arrangements represent major financing mechanisms for development-oriented projects. The overall increase in municipal expenditure in Nepal is largely attributable to the expansion of development activities and rising administrative overheads. To meet growing fiscal demands, municipalities increasingly rely on expanding their internal revenue base and adjusting tax structures in accordance with local economic conditions

LITERATURE REVIEW

Ligal et al. (2005) examined a broad range of issues related to fiscal decentralization, including expenditure assignment, revenue assignment, estimation of expenditure needs, fiscal gaps, and intergovernmental fiscal transfers, with particular emphasis on various dimensions of revenue assignment. The study employed a sample comprising 14 District Development Committees (DDCs), 10 municipalities, and 40 Village Development Committees (VDCs). Data were collected using structured questionnaires, standardized data formats, and in-depth interview checklists. Officials from DDCs, municipalities, and VDCs were interviewed to capture institutional and operational perspectives on local fiscal management.

GTZ and the Ministry of Local Development (MLD) (2007) reported that Bhaktapur Municipality holds a distinctive position in terms of municipal finance due to its ability to collect tourist entry fees as a local tax, which constitutes a major source of revenue. As a result, the municipality is comparatively less dependent on financial transfers from the central government. From fiscal year 1999/2000 onward, the growth rate of Bhaktapur's total expenditure exceeded the national average. Increased investment activities, particularly in capital infrastructure and social programs, were identified as the primary contributors to development expenditure. The study further noted that municipal spending was largely concentrated in infrastructure and the education sector, including investments in operating municipal educational institutions.

Baral (2008) highlighted that the sustainable financial management of Nepalese municipalities is constrained by an inadequately designed revenue system, which has resulted in a substantial gap between revenue assignments and expenditure responsibilities. This issue is particularly acute in smaller municipalities with limited administrative and fiscal capacity. The study identified two major challenges: first, municipalities have been unable to mobilize internal resources effectively due to various structural and administrative constraints; second, the growth rate of municipal revenue has not kept pace with the increasing rate of expenditure. Although municipal revenues have shown incremental growth, they remain insufficient to meet expanding expenditure demands.

Upadhyay (2015) conducted an empirical study to assess municipal revenue compliance and to identify the potential of own-source revenues in Birendranagar Municipality, Nepal. The findings

indicate that revenue compliance and revenue potential are distinct concepts. A significant proportion of taxpayers paid lower amounts of taxes or fees, suggesting either limited authority in tax rate determination or deficiencies in revenue mobilization planning and administrative efficiency. The study further revealed inconsistencies in both the contribution of own-source revenues to total municipal revenue and the collection of major own-source revenue streams during the study period. These findings underscore the need for simultaneous implementation of revenue compliance measures and comprehensive revenue mobilization strategies. The study recommended the integrated property tax as a highly promising source of own-source revenue for Nepalese municipalities.

Upadhyay and Manandhar (2015) analyzed municipal revenue compliance and examined the potential of own-source revenues in Damak Municipality. Their findings showed that the contribution of own-source revenue to total municipal revenue fluctuated over a six-year period. From the perspective of municipal policymakers, the integrated property tax emerged as a more viable revenue source compared to other own-source alternatives. The study found that tax compliance levels were satisfactory to some extent, with tax revenue constituting the dominant component of municipal own-source revenues. Furthermore, the service delivery quality and local revenue collection capacity of Damak Municipality were assessed as moderate, with strong potential for improvement.

Problem Statement

Despite the constitutional mandate for fiscal decentralization in Nepal, municipalities continue to face persistent challenges in managing development revenues and public expenditures effectively. At the local government level, weaknesses remain evident in institutional capacity, data management systems, fiscal transparency, and evidence-based policy formulation. Prolonged political transition, limited technical capacity of municipal institutions, inconsistencies in revenue and expenditure data, and weak mechanisms for information utilization have collectively constrained effective fiscal governance. These challenges are further compounded by insufficient stakeholder engagement and limited public access to reliable and comparable fiscal information. An effective assessment of municipal revenue utilization requires systematic, accessible, and verifiable data on revenue generation, expenditure composition, and patterns of fund allocation. However, such data are often fragmented, inconsistently reported, or insufficiently analyzed, limiting their usefulness for public scrutiny and policy decision-making. As a result, municipalities face difficulties in evaluating whether public resources are aligned with development priorities and whether fiscal interventions generate measurable socio-economic outcomes.

Institutional and human capacity constraints also hinder transparency and accountability in municipal financial management. Strengthening the analytical and operational capacity of municipal officials, local user groups, and policymakers is therefore essential to improve fiscal discipline and promote responsible resource utilization. Without such capacity enhancement, efforts to improve governance and service delivery remain largely symbolic.

Evidence from the Ministry of Finance (2008) highlights systemic deficiencies in intergovernmental fiscal management, including weak accountability mechanisms, limited local ownership of development programs, ineffective planning and budgeting processes, minimal stakeholder participation, poorly functioning administrative systems, and inadequate monitoring and evaluation practices. These structural weaknesses contribute to inefficiencies in fund utilization and weaken trust in public institutions.

Moreover, corruption continues to undermine public sector performance at both central and local levels by distorting resource allocation and reducing development effectiveness. Weak institutional frameworks, ineffective policies, income inequality, inadequate remuneration of civil servants, and limited enforcement of accountability mechanisms further exacerbate this problem. Addressing these challenges requires empirical evidence on how municipal revenues are mobilized, allocated, and

utilized, as well as an understanding of the institutional factors influencing fiscal outcomes.

Against this backdrop, the present study adopts a quantitative-dominant mixed-method approach to examine municipal revenue utilization patterns, expenditure behavior, and their implications for local development in Nepal. By integrating financial data analysis with institutional insights, the study seeks to generate evidence-based findings that can inform policy reform and strengthen local fiscal governance.

OBJECTIVES OF THE STUDY

The overall objective of this study is to examine the impact of municipal revenue on local-level expenditure, with special reference to Nepalese municipalities.

The specific objectives of the study are to:

- Examine the status and structure of municipal revenue in Nepal.
- Assess the pattern and composition of municipal expenditure in Nepal.

RESEARCH METHODOLOGY

The analytical framework of this study is guided by a set of key research questions that determine the overall research approach and methodological orientation. These guiding questions shape the scope of analysis and inform the selection of appropriate data sources and analytical techniques, as outlined below.

Research Questions

The scope of the study is guided by the following research questions:

1. What procedures and mechanisms govern budgetary allocation across major municipal activities?
2. How does local-level revenue contribute to and influence local-level expenditure?

Data Collection and Sources

This study relies entirely on secondary data. The primary sources include publications from the Ministry of Finance, the Ministry of Federal Affairs and Local Development, and the Local Government Fiscal Commission. The analysis focuses on the 58 municipalities of Nepal that existed prior to the Government of Nepal's declaration of new municipalities. These municipalities constitute the study population and were examined to explore their revenue generation and expenditure frameworks. A complete list of the municipalities is provided in Appendix Tables in the results section.

Secondary data were selected due to their availability, reliability, and consistency, which are essential for analyzing trends in municipal fiscal behavior. The study specifically collected data on revenue sources, expenditure composition, and sector-wise budget allocations to facilitate a comprehensive assessment of municipal financial management.

Research Parameters and Analytical Approach

The study examines how development funds are disbursed and allocated across different municipal sectors. The analysis focuses on both **capital expenditure** (infrastructure and long-term investments) and **recurrent expenditure** (salaries, allowances, operational costs, and social program financing). In addition, the study investigates sector-wise allocation patterns and the relative contribution of municipal revenues to local development initiatives.

Research Design

A quantitative-dominant mixed-method design was adopted. The study is both exploratory and descriptive, aiming to identify patterns and relationships in municipal revenue and expenditure while providing an empirical basis for policy recommendations.

- **Quantitative analysis**: Descriptive statistics, percentages, correlation, and regression analyses were performed using SPSS software to examine revenue-expenditure patterns and relationships.
- **Qualitative component**: The study draws on institutional reports and policy documents to contextualize the quantitative findings and understand administrative and governance factors influencing municipal fiscal behavior.

Model Specification

To assess the dependence of municipalities on central government transfers, the study adopts the **vertical imbalance model** proposed by Mello and Barenstein (2001, IMF Working Paper No. 01/71).

The vertical imbalance (VIb) is calculated as follows:

$$VIb = (CG+RS)/TR$$

Where:

- **VIb** = vertical imbalance of the local body
- **CG** = central government grants
- **RS** = revenue-sharing transfers
- **TR** = total revenue of the local body

A higher value of VIb indicates a greater degree of dependence on central government funding, highlighting potential vulnerabilities in local fiscal autonomy.

Additionally, a simple linear regression model was applied to examine the relationship between municipal revenue and expenditure:

$$Expenditure = \alpha + \beta \times Revenue + \epsilon$$

- α alphaα = intercept
- β = regression coefficient measuring the impact of revenue on expenditure
- ϵi = error term

Hypotheses

The study tests the following hypotheses:

H1: Municipal revenue has a positive and significant impact on local-level expenditure.

H2: Municipalities with higher vertical imbalance are more dependent on central government transfers for funding development expenditures.

H3: Sector-wise allocation of municipal expenditures is influenced by the magnitude of internally generated revenue.

Significance and Limitations

This study provides insights into the fiscal behavior of Nepalese municipalities, particularly in terms of revenue mobilization, expenditure allocation, and central-local fiscal relations. By analyzing sector-wise budget allocation, the study highlights patterns and imbalances that can inform policy reforms for enhanced transparency, accountability, and efficiency in local financial management.

However, the study has some limitations:

1. Data availability restricts the analysis to the 58 municipalities existing before the Government of Nepal's post-2011 declaration of new municipalities.
2. Only published secondary data were considered; primary data collection could have enriched the study with field-level insights.
3. Some administrative and qualitative aspects of municipal governance could not be fully captured due to limitations in available data.

Despite these limitations, the study provides a systematic empirical assessment of municipal revenue-expenditure patterns and serves as a reference for policymakers and scholars studying local public finance in Nepal.

Procedure of data collection and analysis

All the data has been collected through secondary sources. Publication of Ministry of Finance, Publication of Ministry of Federal Affairs and Local Development, Publication of Local Government Body Fiscal Commission were the main source of the published data. The entire population of 58 Municipalities of Nepal (before the new pronouncement of Municipalities by Government of Nepal) have been considered as the sample of the study to examine and explore their revenue and expenditure framework. Detail list of the Municipalities has been presented in the result sheet of respective Appendix Tables.

Research parameters and approach

Under the modality of disbursement of development fund and its proportions for the different development sectors, key areas has been examined including the capital and revenue expenditure.

Significance and Limitation of the Study

The current study has explored the current status of sector wise budget allocation in Nepalese Municipalities. Due to its specialty in estimating the pattern of municipal revenue and expenditure, the current study has considered the published data only. It has considered the 58 Municipalities of Nepal (before the new pronouncement of Municipalities by Government of Nepal). Due to data limitations, it has not captured the data of Nepalese Municipalities established after the decision of Government of Nepal by July, 2011.

RESULTS AND DISCUSSION

All quantitative data related to various sources of revenue and expenditure for the fiscal years 2065/066, 2066/067, and 2067/068 were compiled, tabulated, and analyzed using Microsoft Excel and SPSS software. The analysis includes regression results and the computation of the vertical imbalance coefficient for Nepalese municipalities. The following section presents the key findings.

Determinants of Municipal Total Expenditure for FY 2067/068

To examine the determinants of municipal total expenditure for FY 2067/068, the following regression model was estimated:

$$\text{Total Expenditure}_{067/68} = \beta_0 + \beta_1 LR_{067/68} + \beta_2 LDC_{067/68} + \beta_3 MisIncom_{067/68} + \beta_4 Anu_{067/68} + \beta_5 Loan_{067/68} + \beta_6 Balance_{067/68} + \varepsilon_i \quad (1)$$

The estimated coefficients for the model are as follows:

$$\text{Total Expenditure}_{067/68} = \beta_0 + 0.776 LR_{067/68} + 0.191 LDC_{067/68} - 0.08 MisIncom_{067/68} + 0.35 Anu_{067/68}$$

INTERPRETATION OF RESULTS

Model 1.1 (Appendix Table 1) indicates that the p-value for local revenue (LR) is 0.00, which is below the significance threshold ($\alpha = 0.05$), making it a statistically significant determinant of total expenditure for FY 2067/068. Similarly, the **p-value for Local Development Charge (LDC)** is 0.045, which is also statistically significant. The remaining variables—miscellaneous income, grants (Anu), loans, and balance ($\beta 3$, $\beta 4$, $\beta 5$, and $\beta 6$)—have p-values greater than 0.05, indicating that they are not significant predictors in this model.

Despite the insignificance of some variables, the model is largely explained by **local revenue and local development charge**, as reflected in the high **adjusted R^2 value of 0.899**, indicating that approximately 89.9% of the variance in total expenditure is accounted for by the predictors. The **F-value of 85.612** confirms that the overall model is statistically significant.

In terms of contributions:

- **Local revenue** explains approximately **77.6%** of total municipal expenditure.
- **Local Development Charge (LDC)** contributes approximately **19.1%** of total expenditure.

This analysis demonstrates that, for FY 2067/068, **local revenue and local development charges were the primary determinants of total municipal expenditure**, highlighting their critical role in municipal fiscal management. Grants and other sources, while present, play a relatively minor role in explaining expenditure patterns.

Key Insights

1. Local revenue collection is the dominant driver of municipal expenditure, emphasizing the importance of strengthening local revenue mobilization mechanisms.
2. Local Development Charges also contribute significantly to total expenditure, reflecting the municipalities' reliance on this source for development activities.
3. Other revenue sources such as grants, loans, and miscellaneous income have limited explanatory power in this fiscal year.
4. The high adjusted R^2 suggests that municipal expenditure is largely predictable based on local revenue and LDC, which can inform future fiscal planning and policy decisions.

Direction of Total Revenue and Total Expenditure of Nepalese Municipalities

Appendix Table 6 presents the correlation matrix across total revenue and total expenditure for FY 2065/066, 2066/067, and 2067/068. The **Pearson correlation coefficient** between total revenue and total expenditure for FY 2067/068 is **0.982**, significant at the 0.01 level. This indicates a strong positive correlation, meaning that total revenue and total expenditure move in tandem: as revenue increases, expenditure also rises proportionally. Similarly, the correlation coefficient for FY 2065/066 is **0.957**, also highly significant, confirming that municipal expenditures are closely aligned with revenues for all 58 municipalities in aggregate.

Test of Vertical Imbalance

The **Vertical Imbalance (VIB) model** described in the methodology section was applied to assess the dependence of Nepalese municipalities on central government grants. The **VIB coefficient** indicates the degree of reliance: a higher coefficient reflects greater dependence on central grants, while a lower coefficient indicates stronger fiscal autonomy. In this model:

- **CG** represents transfers as central grants,
- **RS** represents transfers as revenue sharing, and
- **TR** represents total municipal revenue.

Appendix Table 7 reveals that the **VIB coefficient for Amargadhi Municipality** increased from FY 2065/066 to 2067/068, suggesting growing reliance on central grants. Conversely, Baglung Municipality experienced a decreasing VIB coefficient over the same period, indicating reduced dependence. Similar increasing trends were observed for Banepa and Bhadrapur municipalities.

For FY 2067/068, Dipayal Silgadhi Municipality had the highest VIB coefficient (0.8689**),** while Birgunj Municipality had the lowest **(**0.1336**),** demonstrating significant variation in central grant dependence among municipalities. In aggregate, Nepalese municipalities became **more dependent on central grants in FY 2067/068** (aggregate VIB = 0.466) compared to FY 2065/066 (aggregate VIB = 0.372). Urban-oriented municipalities generally exhibit **lower dependence on central grants**, owing to diversified local revenue sources, whereas young and remote municipalities rely more heavily on central transfers.

Pattern of Municipal Total Revenue and Expenditure

The researcher also examined the relationship between total revenue, total expenditure, capital expenditure, and grants through various ratio analyses for the 58 municipalities.

Total Expenditure to Total Revenue (FY 2067/068):

Appendix Table 8 shows that **Narayan Municipality** had the highest ratio (1:1), indicating full utilization of revenue, whereas **Malangwa Municipality** had a ratio of 0.88:1, utilizing only 88% of its revenue.

Capital Expenditure to Grants:

For FY 2066/067, **Dipayal Silgadhi Municipality** had the highest ratio (1.86:1), while several municipalities, including Bhimeshwor, Biratnagar, and Birgunj, had a ratio of 0:1, likely due to either zero capital expenditure or absence of grants. For FY 2067/068, **Lalitpur Sub-Metro Corporation** had the highest capital expenditure to grants ratio (3.1:1). These variations suggest **non-uniform allocation of central grants and inconsistent capital expenditure patterns**.

Overall, the analysis indicates that total expenditure and total revenue in most municipalities move in the same direction, with higher expenditure generally supported by corresponding revenue.

FINDINGS AND CONCLUSIONS

1. The **revenue system of Nepalese local governments** is inadequately designed, leading to a substantial gap between expenditure responsibilities and available revenue, particularly in smaller municipalities with limited capacity.
2. Key challenges include lack of accountability and transparency, absence of local ownership, weak leadership, poor top-down planning, minimal stakeholder involvement, and underpaid or poorly functioning civil servants. These factors hinder sustainable fund management at both central and local levels.
3. **Local revenue and local development charges** are the primary and sustainable sources of municipal expenditure, especially for social development work. Increasing these sources reduces dependence on central grants, enhancing municipal fiscal autonomy.
4. Urban municipalities exhibit **lower reliance on central grants** due to diversified local revenue streams, whereas remote and newly established municipalities remain highly dependent on central transfers.
5. To improve financial sustainability, **remote and small municipalities** should focus on infrastructure development and urbanization to expand their local revenue base, thereby supporting long-term municipal development.

In conclusion, strengthening local revenue mobilization and optimizing the use of development charges **is** essential for enhancing the fiscal capacity, autonomy, and social development outcomes of Nepalese municipalities.

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Appendix Table 1

Module 1 **Predictors of Total Expenditure for the FY 067/68**

Predictors	Standardized Beta	T	Significance
LR (Local Revenue) FY 067/68	.776	8.318	.000
LDC (Local Development Charge) FY 067/68	.191	2.055	.045
Bividh Aay (Miscellaneous income) FY 067/68	-.008	-.189	.851
Anudan (grants) FY 067/68	-.035	-.795	.430
Loan FY 067/68	.084	1.879	.066
Maujdaat (closing balance) FY 067/68	.075	1.762	.084
F	85.612		.000
Adjusted R^2	.899		.000

Appendix Table 2 **Predictors of Total Revenue for the FY 067/68**

Module 2

Predictors	**Standardized Beta**	**T**	**Significance**
Log GLI FY 067/68	-.020	-.297	.767
LOG Local Tax FY 067/68	-.029	-.417	.678
LOG Local Revenue FY 067/68	.574	5.762	.000
LOG LDC FY 067/68	.360	3.563	.001
Log Anudan FY 067/68	-.074	-1.087	.282
F	37.840		.000
Adjusted R^2	.767		.000

Appendix Table 3

Module 3

Predictors of Total Revenue for the FY 066/67

Predictors	**Standardized Beta**	**T**	**Significance**
Local Revenue (LR)FY 066/67	.280	2.013	.052
LOG Local development charges (LDC) FY 066/67	.304	2.587	.014
Log Miscellaneous Income (BIB Aay) FY 066/67	.218	2.459	.019
Log Grants (Anudan) FY 066/67	.142	1.731	.092
Log Mauadjat (Closing Balance) FY 066/67	-.046	-.515	.609
Log Population	.279	1.838	.074
F	20.915		.000
Adjusted R^2	.777		.000

Appendix Table 4

Predictors of Social Development Work Expenditure FY 067/68

Module 4

Predictors	Standardized Beta	T	Significance
LOG Local Revenue FY 067/68	-.605	-3.121	.003
LOG LDC (Local development charges) FY 067/68	.369	1.874	.067
Log Anudan (Grants) 067/68	-.046	-.342	.734
F	3.475		.000
Adjusted R^2	.127		.000

Appendix Table 5

Module 5	**Predictors of Total Expenditure for the FY 065/66**		
Predictors	Standardized Beta	T	Significance
LOG L (Local)Tax FY 065/66	-.056	-.705	.485
Log Local Revenue FY 065/66	.344	2.595	.014
LOG LDC FY 065/66	.519	4.280	.000
Log BIB Aay (Miscellaneous Income) FY 065/66	.173	1.883	.068
Log Anudan (grants)FY 065/66	.104	1.278	.210
Log Mauadjat (Balance) FY 065/66	-.012	-.151	.881
F	23.814		.000[b]
Adjusted R^2	.770		.000[b]

Appendix Table 6
Correlations Matrix

		Total revenue FY 067/68	Total expenditure FY 067/68	Total revenue FY 066/67	Total revenue FY 065/66	Total expenses FY 065/66	Total expenditure FY 066/67
Total revenue FY 067/068	Pearson Correlation	1	.982**	.632**	1.000**	.957**	.937**
	Sig. (2-tailed)		.000	.000	0.000	.000	.000
	Pearson Correlation	.982**	1	.631**	.982**	.953**	.947**

Total expenditure FY 067/68	Sig. (2-tailed)	.000		.000	.000	.000	.000
Total revenue FY 066/67	Pearson Correlation	.632**	.631**	1	.632**	.619**	.594**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	58	58	58	58	58	58
Total revenue FY 065/66	Pearson Correlation	1.000**	.982**	.632**	1	.957**	.937**
	Sig. (2-tailed)	0.000	.000	.000		.000	.000
	N	58	58	58	58	58	58
Total expenditure FY 065/66	Pearson Correlation	.957**	.953**	.619**	.957**	1	.963**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	58	58	58	58	58	58
Total expenditure FY 066/67	Pearson Correlation	.937**	.947**	.594**	.937**	.963**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	58	58	58	58	58	58

**. Correlation is significant at the 0.01 level (2-tailed).

Appendix Table 7
Coefficient of Vertical Imbalance for Nepalese Municipalities

Name of Municipalities	VIB Coefficient for 2067/068	VIB Coefficient for 2066/067	VIB Coefficient for 2065/066
Amargadhi	0.76	0.74	0.44
Baglung	0.63	0.60	0.63
Banepa	0.56	0.17	0.24
Bhadrapur	0.69	0.67	0.44
Bhaktapur	0.25	0.22	0.15
Bharatpur	0.54	0.30	0.27
Bhimeshwor	0.82	0.61	0.81
Bidur	0.58	0.88	0.68
Biratnagar	0.25	0.25	0.34
Birendranagar	0.74	0.64	0.67
Birgunj	0.14	0.16	0.06

Butwal	0.42	0.30	0.17
Byas	0.54	0.43	0.52
Damak	0.42	0.31	0.29
Dashrathchand	0.71	0.62	0.85
Dhangadhi	0.49	0.27	0.26
Dhankuta	0.65	0.63	0.74
Dharan	0.55	0.43	0.35
Dhulikhel	0.47	0.52	0.52
Dipayal Silgadhi	0.87	0.89	0.76
Gaur	0.61	0.46	0.41
Gularia	0.74	0.03	0.73
Hetauda	0.52	0.45	0.38
Illam	0.69	0.69	0.69
Inaruwa	0.58	0.58	0.52
Itahari	0.52	0.70	0.57
Jaleshwor	0.69	0.45	0.68
Janakpur	0.59	0.34	0.56
Kalaiya	0.63	0.51	0.67
Kamalamai	0.56	0.83	0.61
Kapilbastu	0.55	0.55	0.79
Kathmandu	0.16	0.33	0.08
Khadbari	0.55	0.25	0.33
Kirtipur	0.36	0.45	0.53
Lahan	0.70	0.87	0.24
Lalitpur	0.46	0.20	0.30
Lekhnath	0.53	0.52	0.74
Madhyapur Thimi	0.42	0.36	0.50
Bhimdatt	0.62	0.53	0.38
Malangawa	0.46	0.24	0.24
Mechinagar	0.47	0.30	0.39
Narayan	0.81	0.62	0.40
Nepalgunj	0.50	0.22	0.51
Panauti	0.24	0.41	0.60
Pokhara	0.36	0.61	0.17
Gorkha	0.75	0.56	0.72
Putalibajar	0.80	0.84	0.84
Rajbiraj	0.57	0.44	0.72
Ramgram	0.74	0.39	0.74
Ratnanagar	0.79	0.56	0.69
Siddhartha	0.48	0.36	0.24
Siraha	0.83	0.56	0.73

Tansen	0.56	0.53	0.72
Tikapur	0.63	0.71	0.79
Ghorahi	0.73	0.66	0.69
Triyuga	0.65	0.53	0.76
Tulasipur	0.62	0.37	0.68
Waling	0.80	0.64	0.69
Total	0.47	0.38	0.37

Appendix Table 8
Pattern of Municipal Total Revenue and Total Expenditure

Name of Municipalities	Ratio between Total Expenditure of FY 067/68 to Total Revenue of FY 067/68	Ratio between Capital Expenditure of FY 066/67 to Grants (Anudan) of FY 066/67	Ratio between Capital Expenditure of FY 067/68 to Grants (Anudan) of FY 067/68
Amargadi	0.99	1.14	0
Baglung	0.99	0.15	0.41
Banepa	0.96	0.04	0.15
Bhadrapur	0.99	0.46	0.45
Bhaktapur	0.98	0.34	0.16
Bharatpur	0.97	0.79	1.04
Bhimdatta	0.99	0.31	0.24
Bhimeshwor	0.98	0	0
Bidur	0.98	0.61	0
Biratnagar	0.99	0	0
Birendranaga	0.98	0.51	0
Birgunj	0.97	0	0
Butwal	0.98	0.69	0
Byas	0.99	1.34	0.4
Damak	0.99	0	0
Dasrathchand	0.99	0.75	0.42
Dhangadi	0.98	0	0
Dhankuta	0.99	0.48	2.31
Dharan	0.99	0.45	1.25
Dhulikhel	0.99	0.16	0.5
Dapayal silg	0.96	1.86	0.72
Gaur	0.98	0	0.54
Ghorahi	0.99	0	0
Gorkha	0.99	1.08	0.99
Guleria	0.97	0	0
Hetauda	0.98	0.19	0
Illam	0.99	0.08	0

Inaruwa	0.96	0.29	0.16
Ithari	0.98	1.81	0
Jaleshwor	0.99	0.04	0.14
Janakpur	0.99	0.23	0.36
Kalaiya	0.98	1.02	0.56
Kamalamai	0.97	1.3	1.9
Kapilbastu	0.97	0.96	0.63
Kathmandu	0.96	0	0.31
Khadbari	0.96	0.25	1.43
Kirtipur	0.98	0	0
Lahan	0.97	0	1.38
Lalitpur	0.99	0.13	3.15
Lekhnath	0.9	0.1	0
Madhyapur Th	0.99	0.41	0.36
Malangwa	0.88	0.23	0
Mechinagar	0.99	1.07	0
Narayan	1	0	0.19
Nepalgunj	0.98	0	0
Panauti	0.98	0.71	1.33
Pokhara	0.98	0.55	0
Putalibazar	0.96	1.08	0.94
Rajbiraj	0.98	0.46	0
Ramgram	0.99	1.41	0.81
Ratnanagar	0.97	0.5	0
Shiddhartha	0.94	0.07	2.52
Siraha	0.98	0.51	0
Tansen	0.98	0.28	0.76
Tikapur	0.99	0.07	0
Triyuga	0.99	0	0.24
Tulasipur	0.99	1.07	1.05
Waling	0.98	0	0

Fiscal Year (FY) Translation from Nepali to English Calendar
FY 2067/068 = FY 2012/013
FY 2066/067 = FY 2011/012
FY 2065/066 = FY 2010/011