

**Revenue-Expenditure Gap in the Provision of Club and Merit Goods :
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Swami Ramanand Teerth Marathwada University, Nanded**Abstract**

The study examines the revenue-expenditure gap in the provision of club and merit goods by the Nanded Waghala City Municipal Corporation (NWCMC). It has considered the period from 2013-14 to 2017-18. Local governments are facing a growing challenges in balancing the financial demands of rapidly expanding urban areas, particularly in the context of club goods and merit goods (essential public services). Despite increasing investments in these goods such as Health, Education, and Sport & Culture, the proportion of revenue generated from these goods remains below 5 percent of total revenue. Expenditure data indicates significant growth in Health and Education, with variable consistency in other goods like Sport & Culture and Garden services. It is proved from the study that there is lack of efficiency in the provision of club and merit goods by NWCMC. It is acceptable phenomena since the goods are meant for the social welfare rather than to earn profit. The study identifies a notable research gap in the equitable provision of these goods and suggests that diversifying revenue sources, optimizing expenditure, and improving tax collection mechanisms could help bridge the financial gap. By analyzing revenue and expenditure trends, this research provides insights into the financial challenges faced by rapidly urbanizing cities and offers recommendations for enhancing financial stability and service delivery.

JEL: H4, H7

Key Words: Club Goods, Nanded-Waghala City Municipal Corporation (NWCMC), Public Satisfaction**1. Introduction**

The delivery of public services is a crucial role played by local authorities, especially in areas that are quickly becoming cities, such as Nanded Waghala City. In this setting, it's important to understand the difference between club goods (like local facilities and services that can be controlled but used by many at the same time) and merit goods (such as healthcare, education, and cleanliness services that are necessary and benefit the community at large). These are essential for achieving fair and lasting growth in cities. However, the increasing demand for these services has led to a consistent shortfall between the money collected and the money spent, putting pressure on city governments to manage their finances better.

This financial shortfall is due to a variety of reasons: the inability to raise enough money, poor systems for collecting taxes, and a heavy dependence on money from the state and federal governments. At the same time, the need for spending on infrastructure and important services is growing because of more people living in cities, cities getting bigger, and people expecting more from their local governments. Nanded Waghala City, a rapidly expanding city in India, is a perfect example to look at how local governments are struggling to balance their budgets while providing both club and merit goods.

This research seeks to examine the difference between the money collected and spent on both types of goods in Nanded Waghala City, looking into the reasons behind this difference and suggesting ways to make the city's finances more stable. By doing this, it adds to the discussion on how cities manage their money, providing insights that could help shape policies and structures to close this gap and ensure that essential public services are delivered effectively and fairly.

2.Review of Literature and Research Gap

Rajashekariah K., (2007)¹ studied "Pool Finance: Exploring the Prospects of Financing Urban Infrastructure in Indian Cities" and explored the idea of pooling funds as a mode of bridging the gap in funding for urban infrastructure development in India. According to the author a pooled finance several cities can be generated through issuing bonds, which will lowers the risk for each city and makes it easier to access the capital markets. The piece looks into the possible advantages, such as reduced borrowing expenses and higher confidence from investors, while also tackling obstacles like regulatory challenges, coordination among cities, and issues with creditworthiness. It calls for better governance structures, development of skills, and support from institutions to fully unlock the potential of pooled financing in improving the development of city infrastructure.

Cities, U., & Governments, L. (2010)² in their study on "Local government finance: The challenges of the 21st century" offered a detailed examination of the changing financial environment that local governments across the globe are navigating. They pointed out major concerns like the shift towards fiscal decentralization, the increasing needs for infrastructure and social services, and the restrictions brought about by limited revenue and the need for fiscal sustainability. Their study highlighted the importance of developing new ways to finance projects, better managing finances, and improving collaboration between different levels of government to tackle these issues successfully.

Jain, M., & Joshi, R. (2015)³ in their study on "Municipal finances in India: Unresolved issues and way forward. *Cities: The 21st century India*" analyzed the current issues that cities and urban governments in India are facing. They highlighted the problems such as inadequate revenue sources, a huge dependency on central and state funds, and ineffective systems for collecting taxes, which resulted in long-term budget shortfalls in the urban local governments. They pointed out that these issues are raised due to the limited power of local governments to determine tax rates and the underutilization or sometime mis-utilization of property taxes. Moreover, there's an widening gap between the needs of expanding cities and the financial resources available to fulfill these needs. They suggested to offer more power to the local governments to increase their financial resources and to provide utilization autonomy. They suggested to control over their finances, making changes to property tax structure and to promote public private partnership in urban infrastructure development. According to them it will improve the ability to collect taxes and manage finances. Their study emphasized that without these changes, local governments will not continue to tackle the urban growth challenges.

Sodhi, I. S. (2017)⁴, in his article entitled "Financial Status of Megacities in India: Emerging Issues and Challenges" examined the fiscal struggles of India's largest urban centers. He highlighted the growing financial pressures due to rapid urbanization, inadequate revenue sources, and the increasing costs of providing basic services and infrastructure.

Rode, S. (2017)⁵, in his article entitled "Financing the Socioeconomic Infrastructure Facilities in Municipal Corporation: A Case Study of Bhiwandi-Nizampur Municipal Corporation, India" investigated the financial approaches and obstacles come across before the Bhiwandi-Nizampur Municipal Corporation in securing the necessary social and economic key infrastructures. He highlighted the key problems such as insufficient local income generation, heavy reliance on state funding, and inefficiencies in collecting taxes, especially property taxes. He emphasized the significance of various funding sources, including municipal

bonds and collaborations with the private sector, to tackle infrastructure gaps. The study suggested changes in governance structures, better financial management, and the development of skills to enhance the financial health of the municipal corporation and achieve its social and economic development objectives.

Research Gap

The research on local government finance and urban infrastructure development highlights several key issues such as inadequate revenue sources, reliance on central/state funds, and inefficiencies in tax collection. However, a notable research gap exists in the context of club and merit goods provision. While studies have focused on financial strategies like pooled financing, municipal bonds, and public-private partnerships for infrastructure, they largely overlook the challenges of equitably providing club goods (shared local services) and merit goods (essential public services) within rapidly urbanizing areas. Specifically, the balance between optimal funding mechanisms for collective services and ensuring equitable access, as well as addressing the revenue-expenditure gap in these areas, remains underexplored.

3. Statement of the Problem

The rapid growth of Nanded Waghala city has greatly raised the need for both public goods (like local infrastructure and services) and public services (like healthcare, education, and cleanliness). Despite this increasing need, local authorities are often struggling to cover their expenses due to insufficient income, poor tax collection, and a heavy dependence on funds from higher levels of government. This situation highlighted the urgent need to understand the root causes of the financial shortfall and to find long-term financial solutions for delivering vital services in the city. This research aims to fill this void by examining the financial obstacles that Nanded Waghala City faces in providing both club and merit services and suggesting practical ways to narrow the financial gap.

4. Objectives of the Study

The objectives of the present investigation are as below.

1. To examine revenue generated through the provision of club and merit goods.
2. To study the expenditure incurred on the provision of club and merit goods.
3. To assess the revenue-expenditure gap in the provision of club and merit goods in Nanded Waghala city.

5. Methodology

The present study is quantitative research in which the secondary data from the various budgets of Nanded Waghala City Municipal Corporation was gathered and the statistical tools such as proportion share, CGR and CV were used for data processing purpose. The period of the study is from 2012-13 to 2017-18.

6. Discussion

The data presented in Table No. 1 for the Nanded Waghala City Municipal Corporation (NWCMC) reveals distinct trends in the revenue generation from the different club and merit goods from 2013-14 to 2017-18.

Table No. 1 Revenue of the NWCMC from the Club and Merit Goods (Rs. in '000')

Years	Health	Educatio n	Garde n	Fire Brigade	Sport & Culture	Water Supply	Other	Total Revenue
2013- 14	6436.74 (0.21)	143.04 (0.00)	3146.8 5 (0.10)	3432.93 (0.11)	1573.43 (0.05)	62078.79 (2.06)	2934016.5 3 (97.45)	3010828.30 (100.00)
2014- 15	6133.07 (0.18)	322.79 (0.01)	7101.4 5 (0.21)	4034.91 (0.12)	3227.93 (0.10)	63267.45 (1.87)	3292256.8 3 (97.51)	3376344.44 (100.00)

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2015-16	7139.47 (0.32)	169.99 (0.01)	7649.4 4 (0.34)	3909.71 (0.18)	2379.82 (0.11)	62215.41 (2.80)	2141899.4 2 (96.25)	2225363.26 (100.00)
2016-17	10551.1 0 (0.30)	767.35 (0.02)	6138.8 2 (0.17)	3453.09 (0.10)	4220.44 (0.12)	79804.70 (2.25)	3445186.1 0 (97.04)	3550121.61 (100.00)
2017-18	10066.3 5 (0.27)	1048.58 (0.03)	5662.3 2 (0.15)	4613.74 (0.12)	9227.48 (0.25)	87870.82 (2.35)	3613228.9 4 (96.82)	3731718.23 (100.00)
CGR	11.8%	64.5%	15.8%	7.7%	55.6%	9.1%	5.3%	5.5%
CV	23.15	72.94	26.29	11.18	65.40	15.14	16.93	16.76

Source: Based on the annual budgets of the NWCMC

Note: Figures in bracket shows the percentage to the total revenue

Health expenditure increased from Rs.6,436.74 thousand in 2013-14 to Rs.10,066.35 thousand in 2017-18, recorded a compound annual growth rate of 11.8 percent. This steady growth indicates a heightened focus on healthcare services, though with moderate variability (CV = 23.15), suggesting some fluctuations in revenue levels. Education recorded a remarkable growth of 64.5 percent, with revenue rising from Rs.143.04 thousand to Rs.1,048.58 thousand over the same period. Even though, there is high CGR of the educational revenue; the size of the revenue is small as compare to total revenue. It has recorded high coefficient of variation i.e. 72.94 indicating high degree of variability. Garden revenue also experienced growth, from Rs. 3,146.85 thousand in 2013-14 to Rs. 5,662.32 thousand in 2017-18, at a CAGR of 15.8 percent. It has recorded the moderate variability (CV = 26.29) indicating relatively stable revenue flow. Fire Brigade revenue grown modestly by 7.7 percent, from Rs.3,432.93 thousand in 2013-14 to Rs.4,613.74 thousand in 2017-18. The low coefficient of variance is observed in fire brigade. Sport & Culture revenue recorded significant increase of 55.6 percent, from Rs.1,573.43 thousand in 2013-14 to Rs.9,227.48 thousand in 2017-18. Water Supply revenue has grown by 9.1 percent, from Rs.62,078.79 thousand to Rs.87,870.82 thousand during the same period, demonstrating a continued commitment to essential services. Revenues from other sources is the largest component, increased from Rs.2,934,016.53 thousand to Rs.3,613,228.94 thousand during the same period, with a modest growth rate of 5.3 percent and moderate variability of 16.93 percent. This category encompasses a broad range of items, indicating overall revenue stability but with some variance. The total revenue increased by 5.5 percent over the period, reflecting the combined effect of changes across all categories.

The overall trend shows that while certain merit goods, such as Education and Sport & Culture, have seen dramatic increases in revenue, others like Fire Brigade and Water Supply have experienced more gradual growth. The proportion of the revenue generated through the club and merit goods is less than five percent indicating low contribution of the club and merit goods in total revenue generation of the NWCMC.

Table no. 2 indicates the trend in the expenditure on various club and merit goods during the period 2013-14 to 2017-18 of the NWCMC. Health expenditure recorded a substantial growth of 21.19 percent, reflecting a strong focus on healthcare, along with high coefficient of variation. Education expenditure grown by 34.47 percent, highlighting increased investment in educational services with moderate variability. Garden expenditures surged dramatically by 64.09 percent, indicating major investments in green spaces, but with very high variability. Fire Brigade funding rose by 41.74 percent, underscoring a heightened focus on fire safety, albeit with relatively high variability.

Table No 2 Expenditure of the NWCMC on the Club and Merit Goods

(Rs. in '000')

Years	Health	Education	Garden	Fire Brigade	Sport & Culture	Water Supply	Other	Total Expenditure
2013-14	155871.52 (3.41)	18987.99 (0.42)	170.04 (0.00)	4109.34 (0.09)	1190.29 (0.03)	128948.26 (2.82)	4258357.72 (93.23)	4567635.16 (100.00)
2014-15	186519.80 (3.78)	32640.97 (0.66)	295.32 (0.01)	6839.06 (0.14)	994.77 (0.02)	135848.59 (2.75)	4571746.52 (92.64)	4934885.03 (100.00)
2015-16	212082.52 (5.03)	38174.85 (0.91)	342.59 (0.01)	8972.72 (0.21)	12072.39 (0.29)	114035.14 (2.71)	3826941.03 (90.84)	4212621.25 (100.00)
2016-17	252986.67 (5.82)	44453.37 (1.02)	795.10 (0.02)	10842.29 (0.25)	12468.63 (0.29)	136432.10 (3.14)	3892602.41 (89.47)	4350580.56 (100.00)
2017-18	336242.07 (7.22)	62092.70 (1.33)	1232.89 (0.03)	16587.94 (0.36)	10535.58 (0.23)	154223.03 (3.31)	4074869.59 (87.52)	4655783.81 (100.00)
CGR	21.19%	34.47%	64.09%	41.74%	72.48%	4.58%	-1.10%	0.48%
CV	27.31	36.09	69.51	44.41	70.22	9.69	6.53	5.51

Source: Based on the annual budgets of the NWCMC

Note: Figures in bracket shows the percentage to the total revenue

The area of Sport & Culture experienced the largest rise, showing a rising focus on leisure pursuits, though the growth was quite inconsistent. Expenditure on Water Supply recorded a modest growth of 4.58 percent, showing consistent investment in basic amenities. Spending in other areas was only slightly down by 1.10 percent, and the total spending increased by a small margin of 0.48 percent, indicating a balanced approach to budgeting despite differences in growth rates within various goods. This pattern indicates a move towards giving more importance to health, education, and leisure services, with some areas showing more stable investment levels than others. The proportion of the expenditure incurred on the club and merit goods is ranging between seven to thirteen percent indicating low share of the club and merit goods in the total expenditure by the NWCMC.

7. Suggestions

To boost revenue and cut down on expenditure, the NWCMC ought to look into expanding its revenue streams beyond just the club and merit goods, which make up less than 5 percent in the total revenue. By adopting tactics like focused fundraising efforts, partnerships with the public and private sectors, and the use of municipal bonds, the NWCMC could find more revenue. Additionally, by concentrating on areas that have a big impact and are growing steadily, like Health and Water Supply, and making sure to keep investing in areas that are less predictable, like Sport & Culture and Education, the organization could achieve a balance between growth and stability. Improving the way it collects taxes and looking into new ways to bring in money, such as charging fees for certain services, could help fill financial holes and ensure the ongoing delivery of important services.

8.Conclusions

The revenue from club and merit goods, although it has seen growth in certain goods such as Education and Sport & Culture, still represents a minor part of the overall revenue, making up less than 5 percent. On the other hand, expenditure has seen a more notable rise, especially in Health, Education, and Sport & Culture, with significant growth but also a wide range of fluctuations. The study suggested a move towards more investment in health and education, along with considerable spending on recreational activities and gardens. Despite these rises in expenditure on club and merit goods it makes up a small share in total expenses, showing the focus on these goods is minimal compared to other goods.

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