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Using the Power-Interruptions-Finances-Resources model to tackle the financial management problems of municipal corporations in India

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Eliza Sharma
Symbiosis Institute of Business Management Bengaluru, Symbiosis International (Deemed University), Bangalore, India, and
John Ben Prince
Welingkar Institute of Management Development and Research, Bengaluru Campus, Bangalore, India

Abstract

Purpose – The paper aims to explore the problems related to the financial management of municipal corporations in India and to suggest solutions.

Design/methodology/approach – The study is based on primary data collected from a sample of 577 employees of municipal corporations working in four metro cities of India, namely Chennai, Mumbai, Kolkata, and Delhi. Data were put through exploratory and confirmatory factor analysis for problem identification and inferences were classified and grouped to map the solutions for these problems.

Findings – The study found that municipal corporations in India face four major problems or issues in their financial management. These problems are mainly related to the four dimensions: Power, Interruptions, Finances, and Resources. The model used to explore these four types of issues is named as "PIFR model" by the author.

Originality/value – The findings suggest that real-world problems can be represented through a conceptual model that helps in identifying practical suggestions which can be implemented by municipal corporations at the ground level for better financial management.

Keywords Municipal corporations, India, Income and expenditure, Fiscal performance, Financial resources, Government control

Paper type Research paper

Introduction

Efficiency of local government functions is reflected in state and central government operations. Within the states, municipal corporations are responsible for management of finances. Financial management of metropolitan cities in India is a critical area of study, reasons including: a) Urban population and economic activity contribute substantially to the Gross Domestic Product (GDP); b) Over the last several decades, in India, the proportion of people living in cities and towns has grown substantially and now accounts for about 30 percent of the total population; and c) Urban centres are seats of power – political and

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economic leadership often resides here and therefore policy decisions, budgets, and various financial control mechanisms are designed and executed here. Consequently, researchers have indicated a keen interest in the way finances are handled by structures that are in power (Wei, 2022).

As per one of the published reports of Reserve Bank of India, India's banking regulator (Reserve Bank of India, 2022) total revenue receipts of municipal corporations in India as a percentage of GDP, has shown significant increase from 0.61 to 0.72 percent during 2017 to 2020. Similarly, the total expenditure of municipal corporations in India as a percentage of GDP, has increased from 0.68 percent to 1.05 percent during 2017 - 2020. Capital expenditures of municipal corporations in India have increased from 0.20 to 0.44 percent of GDP, and revenue expenditures have increased from 0.48 to 0.61 percent during 2017 - 2020. The numbers clearly show the fiscal deficit and it necessitates a deeper probe into problems faced by the municipal corporations in effective management of their financial resources.

In the total revenue receipts of the municipal corporations in India, 3.7 percent is from central government transfers, and 35.7 percent is the transfers from central and state government both, while 64 percent is the revenue generated by own operations of the municipal corporations. As the majority of the revenue is generated by municipal corporations, there is a need to study factors which affect their performance. For overall economic development, policymakers need to work out on the foundational performance for which municipal corporations are responsible or directly influenced by the municipal corporations.

Financial management practices of the municipal corporations need to be monitored to ensure that fiscal goals of the municipal corporations and central government are aligned (Sharma and Kautish, 2020). Municipal finance at local government level is affected by the international fluctuations at the economic front of the developing countries (Sharma *et al.*, 2018). Better fiscal management in a municipal corporation calls for better design of budgets – a clear statement of receipts, expenditure, and suitable policy decisions. Moreover, this has to align with a defined structure of an implementation. However, there are several impediments. Some of them can be grouped, for convenience, under the umbrella of 'institutional voids' according to Khanna *et al.* (2005); these are peculiar to emerging markets – where good supportive mechanisms from the judiciary and government are absent along with poor transparency of functioning. Together, they lead to poor policy implementation.

The next section undertakes a literature review, followed by the identification of research questions. Subsequently, the methodology and the data are explained; findings and discussions follow. Conclusion and policy recommendations complete the paper.

Literature review

Studies in the discipline of municipal finance and urban management of finances have been broadly classified under the heads of a) International studies and b) Indian studies. Since the model is a very nascent one and is not mature or well established, the literature review seeks to study related and relevant papers that can provide starting insights. Subsequently, a suitable research gap is identified, leading to research questions and further parts of the paper. The study relies on quantitative approaches that help in logically approaching the inferences.

Review of international studies

Early studies focused on providing greater conceptual understanding – for instance, Hirst (1899) strongly advocated municipal reform while sharply criticizing the levy of protective tariffs. Post-World War-era studies examined issues that mainly related to the association between the municipal administration and the relations with the federal government (Götze and Hartmann, 2021; Stewart and Hanson, 1948) – issues of administrative hurdles, jurisdictional feuds, and power struggles among the political gentry were highlighted. Canadian studies were undertaken by Curtis (1951) who brought the tussles between the Federal-Province-Municipality to the forefront. Subsequent studies are explained under the three heads of a) funding methods for municipal bodies and b) performance of municipal bodies and c) institutional relationships determining the efficacy of functioning – facilitators and deterrents.

Several studies have broadly reinforced the role of better tax collections (Kitchen and Slack, 2015; Holm-Hadulla, 2020), using municipal bonds and various public financing methods to fund various municipal activities (Ambrosius, 2019; Zedan *et al.*, 2020), tapping the private sector's coffers for developmental initiatives and the need for priority allocation of tax revenue for regional development. Research highlighting the performance of municipal bodies finds mixed evidence. For instance, Paradela *et al.* (2019) identified that the efficiency of Odessa municipality in Spain could be increased with the reduction of non-value-added activities and better usage of available financial assets – reinforcing a lean management approach. In the Netherlands, a public-private partnership was advocated to increase the efficacy of municipal corporations (Voorn *et al.*, 2017), while Vinnari and Nasi (2013) found that the competence of board members played a role in better execution expertise of the municipal administration in Finland. Jones *et al.* (2016) and Hrabincova *et al.* (2019) proposed a better role for voluntary associations to drive execution efficiencies of the municipalities.

Political connections, politics, and the functioning of urban bodies such as municipalities are part of the same ecosystem. Communities react to better service by municipal corporations (Bordignon *et al.*, 2017; Rasoolimanesh *et al.*, 2019) while acknowledging the presence of bureaucratic structures. Activities required for the quick and speedy resolution of municipal problems by modern governments do not align well with hierarchies (Wagner, 2011). Nagy *et al.* (2021) studied and reported on measures in Hungary that were an unexpected fallout of the economic crisis of 2008; this led to considerable changes in the relationship between institutions, centre-state relations and dependencies.

Review of Indian studies

Funding has been at the forefront of municipal bodies' concerns and researchers such as Sharma (2020) and Baxi (2017) have found that better tax collections along with non-tax revenue need to be emphasized. Other scholars have noted that municipal bonds are a good funding method (Banerji *et al.*, 2013) for better performance. Kalamkar (2017) finds evidence of various challenges in the area of funding for urban infrastructural development. Studies in developed states such as Gujarat discuss the need for better planning and supervision (Jariwala, 2016) while other studies look at conflict management and municipal finances (Ahluwalia, 2019; Govindarajulu, 2020).

Studies with a pan-India perspective, for instance, Pandey (2018) noted that several bottlenecks hinder effective implementation. Bureaucracy may be useful in some cases while government services need to focus on implementation (Bandyopadhyay, 2015) and long-term borrowings are necessary for urban infrastructure projects (Bagchi and Chattopadhyay, 2004; Lin *et al.*, 2015). Diagnostic analysis was used to assess the financial health and sanitation levels of Indian cities – for instance (Chaplin, 2011), while Giroux and McLelland (2003) studied organizational and operational efficiency measures among municipal corporations. Summary of research with country-specific focus and key findings are listed in Table 1.

The performance of the economy is directly affected by the financial management of the local government, which is revealed through their income and expenditure statement.

No.	Author(s)	Country	Critical Suggestions / Findings
1	Curtis (1951)	Canada	Tussles between the Federal-Province-Municipality; rationalization of tax exemptions to improve municipal finances
2	Kitchen and Slack (2015)	Canada	Better tax collections as a key responsibility
3	Holm-Hadulla (2020)	Global	Role of tax collections by municipal bodies
4	Zedan *et al.* (2020)	Palestine	Municipal bonds used to finance developmental activity
5	Serageldin *et al.* (2000)	Global: Poland, Sweden, Guatemala, Botswana, Colombia, etc.	Municipal financing – enabler in infrastructural development of cities
6	Paradela *et al.* (2019)	Spain	Odessa municipality in Spain: increased with the reduction of non-value-added activities
7	Voorn *et al.* (2017)	Netherlands	A public-private partnership was encouraged to improve performance of municipal corporations
8	Vinnari and Nasi (2013)	Finland	Board members' competence led to better implementation of decisions
9	Hrabincova *et al.* (2019)	Czech Republic	Voluntary associations should help drive execution of the municipalities' decisions
10	Sharma and Kautish (2020)	India	Better tax collections and non-tax revenues, both have to be increased
11	Kalamkar (2017); Ahluwalia (2019)	India	Challenges in funding for urban infrastructural development

Source: By authors

Table 1.
Summary of Country-wise Studies in Municipal Finance

Municipal corporations in India continue with budgetary planning practices of the past and depend on financial assistance from the central government. The sound fiscal health of municipal corporations is necessary to ensure the efficient operation of local governance bodies. Therefore, the current study was conducted to understand what kind of problems are faced by these municipal corporations and the strategies devised to solve them.

Research questions

Numerous studies are available which show the fiscal performance of the municipal corporations (MCs). Yet, quantitative research alone is insufficient to identify root causes, or help suggest appropriate solutions for these problems. There is a need for behavioural study to understand the problems faced by the MCs in the effective financial management, as well as suggesting the solutions for the same. Current study is an attempt in this direction, and helps answer the following research questions (RQ):

RQ1. What are the problems faced by the municipal corporations in effective financial management?

RQ2. What can be the probable solutions to these problems which can lead to better fiscal performance of municipal corporations?

Methodology

Employees who are working in different departments of the MCs can provide authentic and practical problems they face in the day-to-day operations. Further, the four metro cities, Delhi, Mumbai, Kolkata, and Chennai represent the major MCs of India, hence the data were collected accordingly. The study was based on primary data collected from employees of municipal corporations of these four Indian cities from November 2021 to February 2022. Equal sample sizes were drawn from each city. Data were collected only from the employees involved in the finance department, and at the administration level of these selected municipal corporations. Sample details are shown in Table 2.

A structured questionnaire with 24 statements was developed in consultation with the head of the municipal corporations as well as the literature review (Table 1). After testing for reliability, the questionnaire was sent to the employees. Statements were developed using five-point Likert scale ranging from (5= strongly agree to 1= strongly disagree). Identification of problems was done through exploratory factor analysis, while confirmatory factor analysis was used to develop and confirm the "PIFR" model emerged from exploratory factor analysis. Response of the employees was obtained through qualitative analysis. An open-ended question was added in the questionnaire, to suggest the solutions to the problems which municipal corporations face. The responses were interpreted through qualitative analysis.

Data analysis and results

RQ1: What are the problems faced by the municipal corporations in effective financial management?

This section covers the results of the data analysis to answer RQ1, to identify the problems or major issues related to the income collection and expenses of municipal corporations. Exploratory factor analysis method was used to categorize 24 statements, under a few definable factors which were heterogeneous and consisted of homogenous variables or statements under each factor, based on the principal component analysis with rotated solution matrix method.

Exploratory factor analysis

Results of the preliminary test before applying the factor analysis showed that the KMO value was 0.844, it signifies that the sample size was adequate for factor analysis, and the number of variables used in the study was also adequate. Furthermore, Bartlett's test showed that data is suitable for the factor analysis because the value of chi-square was 3544.83 at a 99 percent confidence level. After the preliminary test, factor analysis was used on this data. Using principal component analysis, the total variance table showed that out of 24 variables, only four variables had an eigen value above one, which shows that only four variables can be taken as representative factors that categorize the 24 statements. These four variables explain 87.05 percent of the variance in total variance, while the remaining 13 percent remained as unexplained variance. The first factor explains 31.98 percent of the variance, the second factor explains 22.80 percent of the variance, the third factor explains 17.97 percent of

Name of city	Survey form distributed	Survey form collected and analysed	Rejection rate
Delhi	200	139	31%
Mumbai	200	155	23%
Kolkata	200	122	39%
Chennai	200	161	20%
Total	800	577	28%

Source: By authors

Table 2. Sample size for Municipal Corporations

the total variance, and the fourth factor explains 14.30 percent variance. Details related to the exploratory factor analysis are found in Table 3.

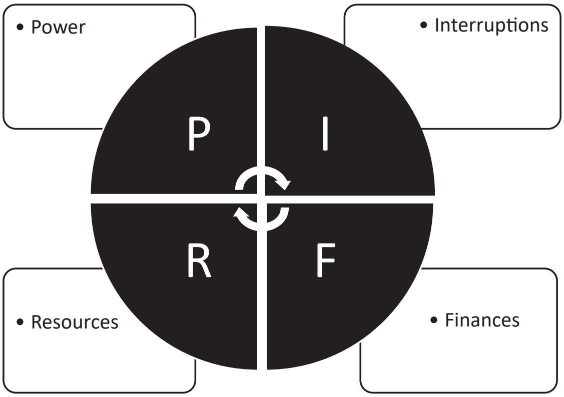
Items of scale/questionnaire/instrument in the rotated component matrix have been categorized under four factors based on the factor loadings (Figure 1). The criteria to categorize the items under specific factors was factor loading above 0.45, the item with higher factor loading to be loaded on that particular factor.

Table 3. Exploratory Factor Analysis

Kaiser-Meyer-Olkin Value = 0.84
Bartlett's Test of Sphericity (3544.83, 276, p-value =0.000)
Total variance explained = 87.05%

Factor 1 (Alpha value = 0.972) Variance Explained = 31.98%	Factor Loadings
Inefficiency in collecting property tax, due to constraints like inefficiency in updating property rolls, rent control and resistance to periodic assessment.	.935
Lack of clarity on the role of utility boards and local government related to project planning, implementation and operation, and maintenance	.927
Lack of regulations for ascertaining the minimum pricing of services by local government to recover costs	.923
Lack of regulations for a minimum level of services provided by local government bodies	.922
DPCs and MPCs play a negligible role in planning and investment-related decisions	.919
Small and medium local government bodies are unable to manage all functions assigned in the 12th Schedule	.916
The local government has limited capacity for project development and implementation	.913
Elected Mayor does not have executive powers	.899
As per the 74th CAAA, it is not compulsory to transfer all the functions to the local government	.879
Factor 2 (Alpha value = 0.81) Variance Explained = 22.80%	
Usually, SECs prepare separate rolls for elections of local government bodies and do not adopt rolls prepared by Election Commission for state assemblies	.951
Power with the government for delimitation of wards for election of local government bodies	.943
Electoral rolls for local government bodies carried out by State Election Commission	.941
Postponing elections for more than six months due to reorganization of ward boundaries, an extension of limits, etc.	.930
Delaying the local government elections due to delimitation exercises	.928
State and local government have different consensus for the reform agenda, related to PPP and pricing of services	.898
Factor 3 (Alpha value = 0.87) Variance Explained = 17.97%	
Revenue collection is low of local government bodies	.959
Charges on the services of local government are low	.932
Funds transferred by the state government to local government is low and not done uniformly	.928
Due to the inadequacy of the tax rate, the revenue base is weak	.873
Local government is getting less support from Central Finance Commissions or central revenue source	.866
Factor 4 (Alpha value = 0.789) Variance Explained = 14.30%	
Poor administrative structure	.947
Lack of required number of technical staffs	.925
Local government bodies have not been set up in certain industrial areas	.895
Employees of MCs have limited knowledge of reforms or regulations	.866

Source: By authors



Source: By authors

Figure 1.
PIFR Model

(P): The first factor consists of nine items named "Power", which shows the lack of power as the central issue related to municipal corporations' income collection and expenses (MCs). MCs do not have the power to formulate and regulate the tax collection system; moreover, elected mayors do not have executive powers. MCs have no role in planning and investment-related decisions, project development, and implementation. Due to a lack of Power, MCs are unable to perform effectively and manage their fiscal deficit problems.

(I): The second factor consists of six items, mainly referred to as "Interruptions". These interruptions are from central or state government bodies. Central and state government bodies keep interfere with the functions of the local government bodies, which reduces the efficiency of the MCs. Such signals of bureaucracy are often related to the election polls for local government, and timing of elections for MCs. Due to the excessive interference of the central and state government bodies, MCs are unable to carry out their duties.

(F): The third factor consists of five items, which mainly refer to "Finances". Inadequate funds or lack of financial resources is another issue related to municipal corporations' income collection and expenses (MCs). The financial issue of MCs is due to two reasons: the dependency of the local government on central government or state government funding and the poor collection mechanisms (taxes, cess, etc.) of the MCs. Hence, finance is another issue that leads to the poor financial management of income and expenses of MCs in India.

(R): The fourth factor consists of four items, mainly representing the "Resources" of the municipal corporations. MCs need help in effective financial management of income and expenses due to insufficient resources to administer and manage their routine functions. These resources are mainly related to the administrative structure, lack of technical and knowledgeable human resources, and infrastructure limitations. Due to the limited/insufficient resources, MCs are unable to perform their functions effectively. It has a direct impact on the financial management of the MCs.

Confirmatory Factor Analysis

To develop the conceptual models for the problems that municipal corporations face while collecting income and spending it on public utility services, confirmatory factor analysis was adopted by using AMOS (Figure 2).

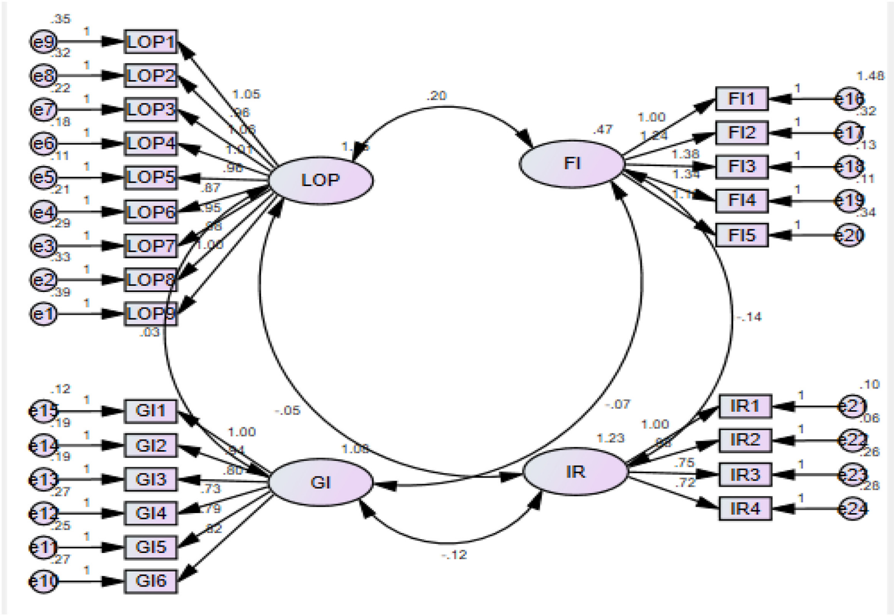


Figure 2.
CFA Output Model

Source: By authors

Model Fit Summary

The minimum default model was achieved at a chi-square value of 3072.71, with a degree of freedom of 555 and at a 99 percent significance level. Hence, the measurement model cleared the initial criteria to run using CFA.

CMIN output depicts the value of 4.937 for the model, at 99 percent significance, which shows the model fit. CMIN/DF is the measure for the minimum discrepancy, and any value below 5 is recommended model fit. GFI less than one indicates a perfect model. In our output, the GFI is 0.871. Further, AGFI (Adjusted Goodness of Fit Index) was found to be 0.828, and both these measures depict a good model fit. From the baseline comparison, the value of NFI, RFI, IFI, TLI, and CFI was measured. NFI (Normed Fit Index should be close to 1, while in the output the value of NFI was found to be 0.938, RFI (Relative Fit Index) was found to be 0.924, IFI (Incremental Fit Index) was 0.950, TLI (Tucker-Lewis coefficient) as 0.938 and CFI (Comparative Fit Index) as 0.950. All these should be between 0 to 1, the closer they are to one, the better the model fit. PRATIO was found to be 0.815, which is close to one. Root mean square error of approximation results showed that RMSEA was found to be 0.083, which is close to 0.08, and PCLOSE was found to be 0.000, which makes the model perfectly fit. Hence, overall, the model fit summary signifies that the default model tested using the AMOS was found to be fit and confirms the four latent factors along with its sub-variables under each latent factor. Standardized regression weights obtained from the analysis are displayed in Table 4.

None of the variables was deleted from the model, as all the variables had a standardized regression coefficient above 0.70. Normality test results showed that the value of skewness lies between -1 and +1, and also the critical ratio for each of the variables was found to be less than 10 percent. This suggested that the data are normal and results could be generalized for the whole population.

Table 4. Standardized Regression Weights

Estimates			Estimates			Estimates			Estimates		
LOP9	LOP	.844	GI6	GI	.838	FI1	FI	.487	IR1	IR	.986
LOP8	LOP	.843	GI5	GI	.831	FI2	FI	.665	IR2	IR	.954
LOP7	LOP	.872	GI4	GI	.801	FI3	FI	.944	IR3	IR	.874
LOP6	LOP	.935	GI3	GI	.847	FI4	FI	.928	IR4	IR	.820
LOP5	LOP	.950	GI2	GI	.920	FI5	FI	.754			
LOP4	LOP	.945	GI1	GI	.967						
LOP3	LOP	.936									
LOP2	LOP	.866									
LOP1	LOP	.873									

(LOP = Power (P), GI = Interruptions (I), FI= Finances (F), IR = Resources (R))
Source: By authors

Interpretations of results

Power (P)

Municipal corporations continue to function despite asymmetric delineation of resources and powers. This can be seen through the unavailability of funds and irresponsible bureaucratic responses during a crisis. Jariwala (2016) has pointed out that if the state interferes to a great degree in the workings of municipal corporations, the very purpose of having it as a statutory body to ensure federal and local level governance is lost. Bandyopadhyay (2015) stated that a lack of clarity about the status and power of municipal corporations often causes more interference from the state.

Interruptions (I)

Urban growth at a local municipal level was reduced after independence owing to the stringent control of the state machinery in various ways (Ta'i, 2000). The Amendment Act of 1992, which ensured more powers and autonomy to the functioning of Urban Local Governments (UBLs) has not been effective. Party politics adversely shape municipal bodies as inefficient collectives. Often, cheap and populist measures by the state to govern these institutions would result in an overshadowing of sound financial considerations (Chakrabarti, 2001). Overall, excessive State control has undermined the effective functioning of local municipal bodies.

Finances (F)

Functional inefficiencies in municipal corporations are due to lack of effective use of funds received from the state. Out of the eighteen functions that municipal bodies are supposed to perform, less than half receive adequate funding (Revi *et al.*, 2022). Also, Mathur (2013) pointed out reasons as to why municipal bodies have failed to be secure in the financial sector. These include the utilization of financial tools of analysis by just one-third of municipal bodies, utilization of just one technique of financial forecasting out of many, utilization of short-term financial management techniques by less than half the municipal bodies, and planning for long-term financial development by just half the municipalities.

Resources (R)

The lack of proper resources is evident, especially in the way in which municipal solid waste is treated. Efficient Municipal Solid Waste (MSW) management is not fulfilled due to a lack of an appropriate collection system (Devi *et al.*, 2016, p. 119). Insufficient financial resources have resulted in poor collection, transportation, and disposal of waste by municipal bodies in

India (Srivastava *et al.*, 2015). Moreover, insufficient financial resources have also been pointed out to be the main cause of weaker infrastructure and lack of service delivery. Any kind of positive reformation in the aid-policies at the central level strengthens the local government and results in efficient performance of the municipal corporations (Sharma and Kautish, 2021).

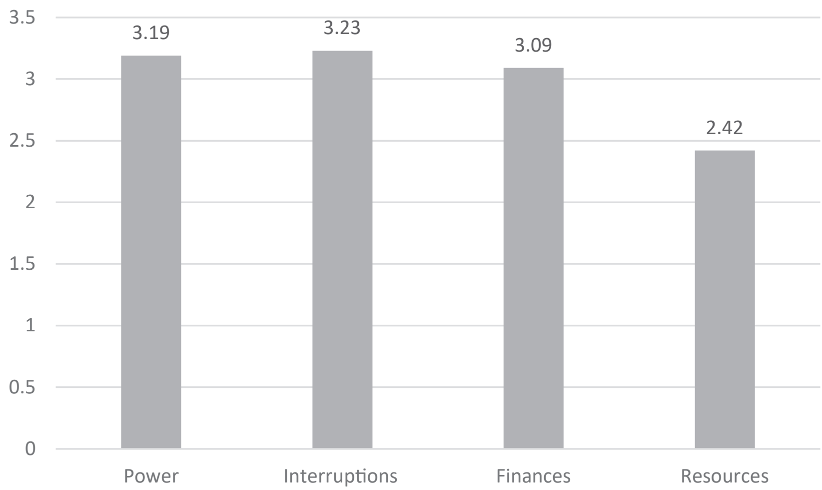
Based on the average value of the four types of problems which municipal corporations face, it can be inferred that the highest average score was 3.22 for “Interruptions”, followed by “Power” while the least average score was 2.41 for the “Resources”. Employees of municipal corporations have perceived that due to the excess interruptions from the state government they face major problems with execution of duties (Götze and Hartmann, 2021). The score for the overall problem was 3.04, which is above average. A graphical representation is shown in Figure 3.

RQ2: What can be the probable solutions to these problems which can lead to better fiscal performance of Municipal Corporations.

Response of the employees was obtained through qualitative analysis. An open ended question was added in the questionnaire, to suggest the solutions to the problems which municipal corporations face, the responses were interpreted through qualitative analysis, and common solutions have been derived from the responses cited in the Table 5, and also supported with the literature. The proposed solutions aim at better financial management of municipal corporations in urban centres. Mapping the proposed PIFR model against a set of actionable suggestions is represented in Table 5.

Conclusion and recommendations

Key findings indicate that municipal corporations in India face four major types of problems in their financial management. These problems mainly relate to the four different dimensions, namely Power, Interruptions, Finances, and Resources. The model used to explore these four types of problems is named as “PIFR Model”. Increased self-sufficiency can be achieved by keeping some form of external funding from higher governmental bodies, through improvements in financial and accounting management systems (Sharma, 2020).



Source: By authors

Figure 3.
Problems of Municipal Corporations (MCs)

Model	Description	Suggested Solutions
P	Power (Jain and Joshi, 2015); Sellers and Scharff, 2020)	• Strengthening local bodies; providing role clarity • Liberty to take decisions related to investments in urbanization.
I	Interruptions (Ta'i, 2000, Chakrabarti, 2001; Abbasi, 2017)	• Getting consensus over the reforms which can improve fiscal performance. • Integrating development plans at the state, national and local level for sustainable development.
F	Finances (Bhagat, 2005; Mathur, 2013; Das, 2020)	• More focus on innovative financing and PPP to reduce dependency on the state and central government funding • Timely transfers of funds from central and state government. • Capacity building by providing
R	Resources (Srivastava *et al.*, 2015; Devi *et al.*, 2016; Mani and Singh, 2016)	• Training programs for Human Resources to make them aware about the reforms and regulations, • Improvement in infrastructural facilities, • Reforms in administrative structure • Hiring of technical staff members.

Source: By authors

Table 5. Mapping of the solutions to the problems

Political interference and dissatisfaction play a major role in restricting the municipal bodies from increasing the taxes, which also prevents them from being financially sound. Implementation is effective only when the ULBs facilitate infrastructural growth. Increased flow of funds from the centre to municipalities has increased control over the ULBs. This can be managed by devising new methods of revenue generation, which would reduce their dependence on the centre (Chowdhury and Samanta, 2021). Overall, it can be inferred that fiscal devolution, financial concession, and fiscal regulation can, on the whole, improve the functioning of a municipal body in the Indian context.

Improving fiscal systems to generate tax and other financial resources and extracting the same from citizens within the administrative area decreases dependence on the state and reduces the latter's control over the same. Incentives based on the performance of local government to be given by state government can directly affect the performance of the municipal corporations in India (Dave, 2020). Integrating development plans at the state, national and local level for sustainable development can help in solving the problems of municipal corporations. This has also been observed in Pune in the case of waste management processes where industry, government, and citizens have been realigned towards Sustainable Development Goals using various technologies and public participation (Yaduvanshi *et al.*, 2016).

Overall, it can be concluded from the study that for effective financial management of the municipal corporations, policymakers need to focus on the four major dimensions of "PIFR". Such model evolved can be further explored and weights can be assigned for each of the four major problematic areas for municipal corporations. It can then serve as a standard performance measurement tool for the municipal corporations.

Theoretical contributions from the paper are two-fold. First, the paper supports the theoretical underpinnings of institutional voids (Alexander and Doherty, 2021; Khanna *et al.*, 2005) where the lack of well-developed mechanisms discourages transparent dealings, leading to slow and inefficient decision making. Evidence from the paper is reflected in the 'P' - Power and 'I' - Interruptions. This is exacerbated by the lack of a strong judiciary and therefore a robust contract-enforcing mechanism. Second, the findings support key tenets of the Resource-Based View (Wernerfelt, 1984; Barney, 2001) where the availability of key resources is critical for the growth of the firm. This paper considers the availability (non-availability) of funds as a subset of the generic term Resources, which refers to tangible as well as intangible assets. Evidence is reflected in the form of 'F' – Finances and 'R' – Resources.

There are two distinctive types of implications of this paper. For researchers, this paper has identified four major dimensions where there is a need to solve the problems of municipal corporations – a) **P**ower, b) **I**nterruptions, c) **F**inances, and d) **R**esources. This would help future researchers conduct studies where these strategies can be used for the research related to the municipal corporations. The findings can guide the authorities to work on the factors which create hurdles in the functioning of the local government. Hence, the current research can be proved as a useful piece of information to work on the ground level for improving the performance of municipal corporations.

For policymakers, the study has effectively pointed out the intricacies of municipal financial management and realities in India. Findings have impact for urban policy making as it can help formulate policies that affect urban local bodies directly. The study will help reduce problems such as the exercise of the state's political muscle over local municipal bodies in India. For instance, adequate policy measures can be taken to formulate regulatory mechanisms - central state institutions and state regulatory bodies can be kept in check by middle statutory bodies which ensure that direct political intervention of the Central government is not exercised through them. Besides, policymakers can devise strategic policies to ensure that turnover of fiscal devolution does not happen in the case of municipal bodies, for the state to have financial and administrative control in absolute terms. This will ensure certain financial independence of the municipal corporations, which will lead to administrative independence and lack of authoritative scrutiny of State institutions. Policymakers can detect key areas where fiscal strategies are faltering and where the state is exercising excessive control over the ULBs through fiscal bailouts. Moreover, strategic policymaking will involve devising effective ways to ensure that taxes are collected on time by the ULBs themselves, and also give more fiscal flexibility to the ULBs in carrying out this function.

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About the authors

Eliza Sharma, PhD in management, works at Symbiosis Institute of Business Management Bengaluru, a constituent of Symbiosis International (Deemed University). She is UGC NET – JRF qualified and has twelve years of work experience in academics and research. Her research interests are sustainability and Environment Social and Governance (ESG) disciplines. She has published 40 research papers in national and international journals and conference proceedings.

John Ben Prince works at Welingkar Institute of Management Development and Research. He holds a Ph.D. in management. His career of twenty years spans ten years in industry as well as ten years in academics. His research interests are corporate governance and strategy. He has published in reputed journals and attended international conferences. John Ben Prince is the corresponding author and can be contacted at: princejohnben@gmail.com

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