Fund Mobilization of Panchkhal Drinking Water User Group

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Abstract

User groups can play a vital role in nation building process through efficient mobilization of local financial resources. In order to meet the needs of the local population, financial resource mobilization entails both generating sufficient revenue and making the best use of available funds. The user groups budget is supported by both internal and external revenues. Fund mobilization includes both raising the adequate revenue and optimal allocation of funds to meet the local people's needs. In order to maximize the marginal productivity of resources, it must improve its allocation efficiency. The objective of this study is to identify the current status of sources of revenue and uses of revenues of Panchkhal Drinking Water User Group. This paper follows the descriptive methods to carry the study. The study was conducted using key informant interviews based on the open-ended questions. Also, the secondary data was collected through the audit report and publications of organizations. The average contribution of internal revenue to total revenue is around 75 % whereas the average share of external revenue to total revenue is around 24 % during the study period. Spending on operating activities has shown a declining tendency whereas spending in capital activities has shown an increasing tendency during the study period. The proportion of development expenditure to total expenditure has increased by 34.57 % whereas the proportion of operating expenditure has increased by 34.57% during study period.

Key Words: User Group, Fund mobilization,sources of revenue, allocation of revenue

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Chapter 1: Introduction

1.1Background

A fund is an accumulation of money reserved for an intended purpose. A fund can be created for several reasons, such as a government putting money aside to build a new convention center, a college putting money away to provide a scholarship, or an insurance organization investing money aside to repay its customers' claims. The government also creates funds that are allocated for various reasons. Some government funds include:

- **Debt-service funds** are allocated to repay the government's debt.
- **Capital projects fund** resources are used to finance the capital projects of a country, such as purchasing, building, or renovating equipment, structures, and other capital assets.
- **Permanent funds** are investments and other resources that the government is not allowed to cash out or spend; however, the government normally has the right to spend any revenue these investments generate on appropriate functions of government.

Fund mobilization means to flow the cash in different sectors at profit motive, Investment in its broadest sense means the sacrifice of certain present value for (possibly uncertain) future value. In purely financial sense, the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of other for their use, in return for a proper instrument entitling the holders to fixed income payment or the participation in expected profits. It can define the terms of investment at manufacturing and trading forms those long-term expenditures that aim at increasing plant capacity of efficiency or at building up goodwill, there by producing an increased return over a period. Experts define the terms of investment from economic view point that investment as a productive process by means of which additional are made to capital equipment's. It is finding to clear the terms of investment at different points of view. But it needs to clear the terms of investment in financial point of view as related to this study.Financial resource mobilization includes both raising the adequate revenue and optimal allocation of funds to meet the local people's needs.

It is not possible for public bodies to conduct development activities by themselves. It acts as a hindrance to development and the benefits of development do not reach the target beneficiaries.

There is a situation in the world where the development conducted keeping the citizens as the highest priority has given good returns. In Nepal, by promoting people's participation in development, there is a practice of putting development works and projects through consumer committees for sustainable development. Maintenance of a general nature, minor routine work or cleaning, road construction etc.

User group means any established group within the facility comprised of consumers, led by consumers and meets regularly to address consumer concerns to support the overall operations of the facility. Delegation of administrative authority from the central government to the local bodies had been envisioned that the development works would be completed by time, with quality works, and bear fewer problems during their implementation. It was expected that there would be meaningful participation of the locals in the monitoring and evaluations of the community level development activities. It was envisaged that the development activities which operate with less budget, should be performed by the local consumer committees using locally available resources and technologies, without hiring contractors.

Panchkhal Drinking Water User Group was primarily established at 2036 B.S under Nepal Government. It was later handover to user group at 2050 B.S. First it provided the drinking water facility to the people of Ward no 5 and 6. It was registered as Panchkhal drinking water user group in 2069 B.S. Now it provides the drinking water facility to 5 wards including ward-1, 2, 3, 4, and 7. There are 13 members including 4 female, 8 Male and 1 Dalit member. The purpose of this study is how fund are generated and allocated to this project.

1.2 Statement of Problem

Nepal is a sovereign nation that strives for growth. The social legacy is important in this place because of its variety. Therefore, rather than only producing development activities, participatory development aims to ensure human consent and let them feel a part of the process. The Development via Users Committee is crucial in this regard.

Delegation of administrative authority from the central government to the local bodies had been envisioned that the development works would be completed by time, with quality works, and bear fewer problems during their implementation. It was expected that there would be meaningful participation of the locals in the monitoring and evaluations of the community level development activities. It was envisaged that the development activities which operate with less budget, should be performed by the local consumer committees using locally available resources and technologies, without hiring contractors. However, the reality is different as the development activities initiated by local consumer committee groups are not completed on time and the monitoring and evaluations have become ritualized only. Despite, the policy provisioning of giving full authority to the local peoples and local government to design, implement, and do monitoring and evaluation of the local works, there are problems in the timely completion of the local development activities. We have witnessed that the local people are afraid of participating in local consumer committees and work as volunteers in development activities. Thus, the purposes of this study are to explore how the user group are formed, what hurdles they face to get the allocated budget from the government and how the fund are allocated and distributed in transparent way for the implementation of local projects so as to fulfill the need of local people.

1.3 Objectives

The objective of this study is to identify the current status of fund mobilization i.e., Sources of revenue and uses of revenues of Panchkhal Drinking Water User Group.

1.4 Research Methodologies

This paper follows the descriptive case study research design. The study was conducted using key informant interviews based on the open-ended questions. Also, the secondary data was collected through the audit report and publications of organizations.

Chapter 2: Results and Discussion

Panchkhal Drinking Water User Group was established at 2036 B.S under Nepal Government and was handover to user group at 2050 B.S. First it provided the drinking water facility to the people of Ward no 5 and 6. It was registered as Panchkhal drinking water user group in 2069 B.S. Now it provides the drinking water facility to 5 wards including ward-1, 2, 3, 4, and 7. There are 13 members including 4 female, 8 Male and 1 Dalit member nominated through Village assembly. They get 12 unit free monthly for drinking water for their contribution to group. There is Provision of re-nomination of committee member in every 3 years. There are 1400 households this group. There are 17 Staff including Computer Manager, Assistant, Meter Reader, Plumber, Support Staffs.

2.1 Source of Revenue:

Financial resources provide energy for smooth operation of any organization and stimulate their activities. In fact, financial resource is a critical base, without which even the viability and existence of any organization would be questionable. Without financial resources, even the sustainability and continuation of the municipality would be in doubt. So, generally speaking, the municipality and user should be given the right to raise its own funds through taxes and fees/charges, be allowed to take out loans, and be eligible for the grant-in-aid.

Grant from District Water supply and Sanitation Office, Water Supply Charge Income, Donations and Bank Interest are the sources of revenue of Panchkhal Drinking Water User Group. The faster increase in total expenditure necessitates exploring the possibilities of mobilizing additional resources from different sources to the maximum possible extent. PDWUG has financed its expenditure with internal and external sources. As per Local Self-Governance Act, 1999, borrowings and grant-in-aid are considered as the external sources of revenue. These sources are not reliable and consistent sources of financing (Agrawal 1980) because they depend upon the higher-level government's policy, will of the donors, and economic environment of the country External financing should play only supportive role in financing the expenditures.

Internal sources of revenue comprise of the monthly water supply charge, bank interest, penalty and other income sources The optimum exploitation of internal sources ensures the financial viability. Hence, priority should be given to raise the revenue from internal sources to the maximum possible extent.

As indicated in Table 1, the actual value of sources of revenue was Rs. 4167972.1 in fiscal year 2074/75 and increased to Rs. 11894198.35 in 2077/78 and decreased to Rs. 11567547.18 in 2078/79.

Table 1: Contribution of Internal Revenue to Total Revenue of PDWUG

Fiscal Year	Internal Revenue		External Revenue		Total Revenue
	Amount	**Contribution %**	**Amount**	**Contribution %**	
2078/79	7256069.00	62.73	4311478.00	37.27	11567547.18
2077/78	5970027.00	50.19	5924171.00	49.81	11894198.35
2076/77	4635789.00	62.89	2735680.00	37.11	7371468.63
2075/76	3575178.00	100	00	00	3575177.87
2074/75	4167972.00	100	00	00	4167972.1

(Source: PDWUG Reports)

The share of internal source of revenue to total revenue was 100 % in 2074/75 and 2075/76 and it has decreased to 62.73 % in 2078/79. The average contribution of internal revenue to total revenue is around 75 % during the study period. The contribution of external source of revenue to total revenue was 0% in FY 2074/75 and 2075/76; it is climbed up to 37.11 % in FY 2077/78 and furthered increased to 49.81 % in FY 2077/78. The average share of external revenue to total revenue is around 24 % during the study period.

Table 2: Revenue from Drinking Water and Tap fitting charge

S.no	Details	Yearly Contribution %				
		2078/79	**2077/78**	**2076/77**	**2075/76**	**2074/75**
1	Monthly drinking water Charge	82.96	79.62	87.57	85.58	80.51
2	New Tap charge	6.17	0	0	0	0
3	Fine	0.53	0.78	2.27	2.88	2.36
4	Tap Fitting Charge	0.00	18.45	8.82	9.90	14.81
5	Electricity Charge Discount	0.12	0	0	0	0
6	Electricity Charge Covid Discount	10.22	0	0	0	0
7	Fine of not doing lab our contribution	0	1.14	1.34	1.63	2.32
	Total Revenue	**7246820**	**5961737.50**	**4621824.75**	**3551331.75**	**4143575.75**

(Source: PDWUG Reports)

The above table shows revenue from Drinking Water and Tap Fitting charge was Rs.4143575.75 in fiscal year 2074/75 and increased to Rs.7246820 in FY 2078/79. The Share of Monthly drinking Water Charge was 80.51% and increased slightly to 82.96 % in FY 2078/79. The late payment fine was 2.36% in FY 2074/75 and decreased to 0.53% in FY 2078/79. The share of New Tap installation charge, Electricity charge Discount and Electricity Charge Covid Discount was zero in other fiscal year and 6.17%, 0.12% and 10.22% respectively in FY 2078/79. The fine for not doing labor contribution was 2.32% in FY 2074/75 and decreased to 0% in FY 2078/79. So, from this table we can conclude that monthly drinking water charge is the major source of revenue for this user group.

Table 3: Revenue from Other Sources

S.no	Details	Contribution in Percentage				
		2078/79	2077/78	2076/77	2075/76	2074/75
1	District Water supply and Sanitation Office	92.84	99.86	78.16	0.00	0.00
2	Bank Interest	0.21	0.07	0.51	87.42	93.83
3	Donation/Received from Municipality	0	0	21.33	0	0.00
4	Protection of Sources of Water	6.94	0	0	0	0.00
5	Others	0	0.07	0	12.58	6.17
	Total	4320727.22	5932460.85	2749634.88	23846.12	24316.35

(Source: PDWUG Reports)

PDWUG didn't get any revenue till FY 2075/76 from District Water Supply and Sanitation Office and received 78.16%, 99.86% and 92.84% of total revenue in FY 2076/77, 2077/78 and 2078/79 respectively. Its shows the major source of external revenue is District Water Supply and Sanitation Office for this user group. PDWUG gets fund from District Water and Sanitation office as reimbursement form as per projects. Revenue from Bank interest is decreasing from 93.83% to 0.21% in 2074/75 to 2078/79.PDWUG received donation from Panchakhal Municipality 21.33%. of total revenue at 2076/77. As per data and interaction with user groups Members it does not receives enough support and financial grant from municipality and state government.

This analysis concludes that internal sources of revenue are more reliable source and higher contributor than the external source of revenue

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2.2 Allocation of Funds

Both internal and external sources of revenue must be efficiently distributed and utilized. The organization should use its limited resources to meet the growing demand for services and the rising expectations of residents. Due to the nearness of local people, municipality and user committee can recognize the genuine necessities of local individuals. As a result, local preferences and priorities can be closely aligned with public expenditures. As a result, local public services are provided more effectively. Local government and user committee cannot often provide adequate service because they are lacking own/adequate financial mechanism Consequently, the exercises which are principally of public interest should not to be supported locally (Singh, 1982).

Different regulations connected with the local government are in force to make the local authority more responsible and accountable. The Local Self-Governance Act, 1999 has determined the methods and obligation of procedures of expenditures of funds which can be useful in efficient allocation of internal and external revenues. The user committee/group expenditures can broadly, be divided into regular/operating expenditure, capital expenditure and social activity. Regular expenditure consists of salary, allowance, traveling expenses, rent, repair & maintenance, and other operational/consumption expenses. Capital investment is concerned with capital expenditures such as purchase of assets, capacity expansion expenditures and other construction expenditures. Similarly, social activities comprise the grants and financial assistance.
As indicated in Table 4, the size of total expenditure has been increasing during the study period. The share of Capital expenditure constitutes a large part of total expenditure compared to operating expenditure. Share of operating expenditure and capital expenditure were 68.99% and 31.01% respectively in 2074/75 and reached to 34.42 % and 65.58 % respectively in 2078/79.

Table 4: Funds Allocation Position of PDWUG

Fiscal Year	Operating Expenditure		Capital Expenditure		Total Expenditure
	Amount	%	Amount	%	
2078/79	3644159.25	34.42	6943946.00	65.58	10588105.25
2077/78	2914845.00	22.92	9805343.00	77.08	12720188.00
2076/77	3644159.25	49.94	3652190.00	50.06	7296349.25
2075/76	3083409.75	85.99	502195.00	14.01	3585604.75
2074/75	3039789.75	68.99	1366203.00	31.01	4405992.75

(Source: PDWUG Reports)

The average share of operating expenditure and capital expenditure are around 52.45 % and 47.55 % respectively during the study period. Spending on operating activities has shown a declining tendency whereas spending in capital activities has shown an increasing tendency during the study period. Capital expenditures covers the purchase of capital assets to increase the capacity of water supply and installation of taps in the consumer's house. Considering the growing needs of development and rising expectations of user group's inhabitants, PDWUG has been expending major portion of its revenue in developmental activities. Thus, the proportion of development expenditure to total expenditure has increased by 34.57 % whereas the proportion of operating expenditure has increased by 34.57% during study period. This shows that the major share of revenue has been expended in the development activities. Grant-in-aid, surplus revenue and cost sharing are the major sources of financing for developmental activities.

Table 5: Administrative and Operating Expenses

S.no	Details	Contribution in Percentage				
		2078/79	**2077/78**	**2076/77**	**2075/76**	**2074/75**
1	Salary	26.23	23.40	25.47	26.23	23.40
2	Repair and Maintenances and Wages expenses	7.52	7.69	16.72	7.52	7.69
3	Printing and office goods	0.00	0.00	0.01	0.00	0.00
4	Meeting Expenses	0.00	0.00	0.00	0.00	0.00
5	Hospitality Expenses	0.04	0.22	0.00	0.04	0.22
6	Audit Expenses	0.00	0.00	0.69	0.00	0.00
7	Transportation Expenses	0.83	2.10	0.00	0.83	2.10
8	Miscellaneous expenses	0.72	0.28	1.49	0.72	0.28
9	Electricity and Fuel Expenses	61.34	62.66	52.93	61.34	62.66
10	Charge Discount	3.30	3.65	2.69	3.30	3.65
	Total	3083409.75	3039789.75	3644159.25	3083379.75	3039789.75

(Source: PDWUG Reports)

Table No.5 Shows the 5 years Administrative and Operating Expenditures of PDWUG. The major expenses incurred at electricity and fuel expenses which covered average 60.19% of total operating expenditures. The expenses on salary of employees increased 23.40% to 26.23% from FY 2074/75 to 2078/79.Others expenses like printing and office goods, meeting expense, Audit expenses, Transportation expenses have nominal effect on total operating expenses.

Table 6: Expenses related to Drinking Water

S.no	Details	Contribution in Percentage				
		2078/79	**2077/78**	**2076/77**	**2075/76**	**2074/75**
1	Purchase of construction Materials	67.86	94.22	96.13	53.56	97.57
2	Lunch and Food Expenses	1.89	3.88	2.01	46.44	2.43
3	Maintenance Fund	24.47	0.00	0.00	0.00	0.00
4	Carrying Cost	1.48	1.90	1.85	0.00	0.00
5	Cost of water source Protection	4.30	0.00	0.00	0.00	0.00
	Total	**6945946.00**	**9805343.00**	**3652190.00**	**502195.00**	**1366203.00**

(Source: PDWUG Reports)

The table no 6 shows that expenses relating to drinking water was Rs. 1366203 in FY 2074/75 and increased to Rs. 6945946 in FY 2078/79. The majority share of total expenditures is incurred on Purchase of Construction Materials. The lunch expenses, carrying cost, and cost of water source protection have nominal share on total expenses. The Maintenance cost is 24.47% in FY 2078/79 only.

PDWUG prepares its financial statement annually and verified by private audit company. Since the budget are received from District Water Supply and Sanitation Office in the form of Reimbursement as an external source and mainly water supply charge from consumer as internal revenue, it shows transparency in revenue and expenses.

In order to meet the increasing requirements and expectations of the local populace, PDWUG has been mobilizing revenue from both internal and external sources. Internal sources of revenue are amore steady and predictable than outside sources. Due to their wide range of fluctuations, external sources of revenue are less reliable sources of financing. These sources, in this manner, should be supplementary in financial management. As demonstrated above, operating as well as capital expenditures of PDWUG have been expanding bit by bit. It is quite important that the portion of capital expenditure has been expanded more pointedly than that of operating expenditure. The upward trend in development expenditures can be interpreted as a positive sign that this city is on the right track for its economic and social development. The majority of the increase in total expenditures can be attributed to expanding for development activities and overhead costs.

2.3 Challenges

The challenge prevalent in PDWUG was lack of adequate budget and infrastructure. PDWUG has to use their internal fund for expenses for any activities and receives fund from District and Sanitation office in the form of reimbursement at the end of fiscal year. So, funds from external source are not received at right time. The user group do not receive enough support from state government and Municipality. As per user group members, there is no any training and awareness program conducted for proper mobilization of fund to user group members.

2.4 Conclusions

To ensure that they are able to collect sufficient funds to meet their financial obligations, user groups require to expand their internal revenue base and adjust in accordance with local circumstances. In order to make it more effective, accountable, and accountable to the people, PDWUG ought to upgrade the existing institutional and administrative process. It should further build up its institutional capacity to successfully execute its financial functions. Policies should be made by the governments that are more in tune with the needs of local people; financial resources ought to be allotted according to the local priorities and inclinations.

2.5 Implication for Further Research

There are extensive areas available for future research as sequel studies. It may complement and help in understanding more about fund management of user groups. This research gives some perspectives on trends of sources of revenues and uses of revenues of Panchkhal Drinking Water User Group that may be used as a guideline for further research in the future.

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