Revenue Generation Trends through Sharing and Grants
An Evidence from Baglung Municipality, Gandaki Province, Nepal

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Abstract

This paper assesses the trends of revenue generation through sharing and grants in Baglung Municipality from fiscal year 2018/19 to 2022/23. The data were gathered from a comprehensive review of financial reports, budgetary documents, revenue sharing agreements, and relevant records of the municipality, and from the opinions of the respondents using five-point Likert scale questionnaires, selecting 42 respondents from 14 wards of Baglung Municipality purposively. The obtained data were analyzed descriptively. The study shows variations in the revenue performance. This municipality has been found primarily dependent on value-added tax (VAT) revenue (54.18 % in an average), which regularly accounts for a sizable share of revenue sharing, even though revenue from real estate registration fees shows a constant increase and contributes to overall revenue sharing. Regarding grants, the allocation among different categories indicates a strong focus on equalization grants (covered 21.72 % in federal grant and 66.75 % in province grant in an average). Similarly, the study has found a turnover or new wave of representatives (69.0 % less than two years of involvement) within the local entity. The study result also indicates the multifaceted needs of the community, with a particularly strong focus on roads and water supply as per the responses of 59.5 % respondents. The current revenue sharing model promotes local development, and the distribution of revenue among different sectors is found effective. Finally, this study suggests strategies pertaining to revenue estimation methodologies, manpower planning initiatives, mitigation of risks associated with an overreliance on VAT, decisions based on needs, integration of community feedback, and diversification of revenue sources to foster long-term financial stability of this municipality.

Keywords: Grants, local revenue**,** revenue generation, revenue sharing

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Introduction

Revenue sharing refers to the allocation and distribution of financial resources among different levels of government. Municipal government at the local level often generates revenue from various sources, such as taxes, fees, and grants. Revenue sharing mechanisms ensure a fair distribution of these funds collected from different levels to support essential services like health, education, public security, infrastructure development, and community development. This collaborative approach addresses the diverse needs of the people within the municipality area, promoting equitable development and fostering a sense of community well-being. However, the revenue sharing methods and formulas can vary depending on the policies and strategies adopted by the local governments of different countries.

Revenue sharing is a vital concept in reckoning the makeup of a well-ordered intergovernmental grant system (Adams, 1986). It is the largest federal grant-in-aid program (Strauss, 1976). Federal unconditional grants represent the second-best solution to a wide variety of intergovernmental fiscal problems (Break, 1971). In Nepal, the Local Government Operation Act 2017 has granted local governments significant autonomy in tax administration, but their capacity to effectively collect and manage revenue is limited (Dhungana & Acharya, 2021). This act has led to the devolution of power to local-level governments. However, the effectiveness of this is hindered by inadequate laws, policies, and coordination (Chaudhary, 2019). So, the government of Nepal has to address these issues for the effectiveness of revenue generation at the local level.

Baglung Municipality, the oldest municipality of Gandaki Province, has urban and almost rural areas. This municipality generates revenue from different sources (such as registration fees, VAT, vehicle tax, entertainment tax, riverine sources, and royalties from natural resources). It also generates revenue from grants based on minimum requirements, formulas, performance, and supplementary grants (LBMB, 2017$_a$ & LBMB, 2017$_b$). As said by the municipal authorities, VAT and conditional grants by federal, and equalization grant by province government are the major sources of revenue sharing of Baglung Municipality.

Review of Literature

Local revenue sharing is the principle of intergovernmental fiscal relations. It refers to the framework that guides the financial interactions and resource allocation between the different levels of government entities within a country. Oates (1972) explored the economic rationale for decentralized government and the role of intergovernmental fiscal relations in achieving efficient resource allocation and public service delivery. He argued for the advantages of local autonomy and the need for appropriate fiscal arrangements to support decentralized governance. According to origin theory, revenue sharing at the local level is seen as a means to empower local authorities, promote fiscal autonomy, and encourage collaboration among different levels of government to address the needs of local people and the priorities of local entities, mitigate socio-economic inequalities, and enhance public services. Thus, it reflects community interests and sustainable development. Similarly, resident theory, as developed by political economist Charles M. Tiebout, posits that revenue sharing at the local level serves as a mechanism for residents to "vote with their feet" in a competitive market of local governments, emphasizing the importance of local autonomy and competition in driving innovation and responsiveness in governance at the grassroots level.

Kandel (2008) mentions that there are different methods of revenue sharing among different levels of government: downward system, upward system, mixed system, and horizontal system (p. 67). In Nepal, revenue at local levels from equalization grants is distributed on the basis of a minimum grant, formula-based grant, and performance-based grant (Baglung Municipality, 2024). Other grants are distributed according to the provision of National Natural Resources and Fiscal Commission (NNRFC) Act 2017 and Intergovernmental Fiscal Transfer Act 2017.

Searl (2004) discusses public sector revenue sharing and revenue raised from natural resources. He further mentions that a fiscal transfer system can be combined to meet the government's overall objectives. Of the sources, Shah (2006)

mentions that on average in industrial countries, 30 percent of the local revenues come from transfers from higher levels (p. 31). Mochida (2006) highlights that fiscal transfers from the central government to localities account for about one-third of the central government's revenue in Japan. The sharing of tax revenues among levels of government in the United States is less prominent than in many developing countries (Schroeder, 2006, p. 342). In the United States, governments at the local level were not heavily dependent on direct grants from the federal government. However, more than one-third of local government general revenues was derived from transfers from the states. Thus, local governments rely to varying degrees on transfers from both the federal and state governments (Schroeder, 2006). Such reliance on transfer differs greatly by type of local government.

Similarly, the grant distribution system differs from country to country. The general grants are distributed according to the local share of the population in Denmark and Sweden (Lotz, 2006). In France, all transfers are block grants (general subsidies, decentralization subsidies and compensation subsidies) which is automatic and formula driven. Such transfers from central government to local governments cover about five percent of GDP and the other half of local government resources (Homme, 2006, pp. 86-101). McMillan (2006) argues that intergovernmental transfers mean provincial transfers to municipalities and are important for capital expenditure finance. He further mentions that overall, transfers provide 17 percent of revenue in Canada; federal transfers are small, and provincial transfers are much greater (pp. 40-81). As mentioned by Shah (2006), intergovernmental transfers dominate local government revenues in many developing countries; they may constitute two-thirds to three-quarters of the revenues available to subnational governments (p. 63). In developed countries, transfers, grants and subsidies from the central government to local governments are a very important part of local government resources.

Research Questions

This study attempts to examine the evolving trends in revenue derived from revenue sharing mechanisms and grants at the municipal level. While conducting this research, the following research questions were formulated: What are the shifting patterns and implications of revenue generation through revenue sharing and grants within municipalities over recent fiscal years? How do variations in funding sources and allocation strategies impact municipal fiscal health, service delivery, and local development priorities over time? No study has yet been conducted regarding these issues in Baglung Municipality. Accordingly, this study aims to address this issue.

Methods and Materials

This study employs a mixed-method research approach to investigate the trends of revenue through revenue sharing and grants at the local government level, taking Baglung Municipality as a purposively selected sample. Data are gathered from both primary and secondary sources. Quantitative or secondary data are collected through a comprehensive review of financial reports, budgetary documents, revenue sharing agreements, and relevant records of Baglung Municipality, the Intergovernmental Fiscal Transfer Act, 2017, the Local Government Operation Act 2017, and other related acts and regulations.

Similarly, qualitative or primary data were gathered through interviews with municipal representatives. Purposefully, 42 respondents were selected from 14 wards of Baglung Municipality, maintaining at least three representatives from each ward, including one chairperson, one woman, and one Dalit local representative. The fieldwork was conducted from January to February 2024, during which interviews were conducted with 14 ward chairpersons, 14 women, and 14 Dalit ward members from local government units of the sample municipality. During the data collection period, the researcher was physically present and observed the new practice of federalism, service delivery mechanisms, and the overall operational system of the municipality. This study focuses on gathering opinions and attitudes of the respondents pertaining to the existing revenue sharing model, effectiveness of the distribution pattern of revenue, types of grants and their utilization, accountability and transparency in revenue collection and utilization, understanding of overall revenue trends, the impact of revenue sharing and grants on local development, and preparation of strategies for

enhancing revenue and grants utilization. For this, five-point Likert scale questionnaires were designed and applied accordingly.

In this study, data obtained from different sources are analyzed using trend analysis and descriptive statistics to identify patterns and changes in revenue over time. Similarly, qualitative data are subjected to thematic content analysis to extract key themes and insights from the interviews. The integration of quantitative and qualitative findings enables a comprehensive interpretation of the trends in revenue through revenue sharing and grants in Baglung Municipality. The section below discusses the results.

Results and Discussion

The federal constitution of Nepal (2015) provides equal state power to each level of the federal unit, i.e., federal, provincial, and local governments. This constitution mandates fiscal transfers to bridge the gap between revenue rights and expenditure needs (LBMB, 2015). In Nepal, sub-federal units receive four types of grants: fiscal equalization, conditional, special, and matching grants. Among them, the largest category of grant is fiscal equalization, which is distributed based on the expenditure need and revenue potential of sub-federal units. Similarly, Devkota (2020) mentions that sub-federal units have received fiscal transfers amounting to 33 percent of the total federal budget and 11 percent of the country's GDP. The largest category of the grant is fiscal equalization, which alone accounts for about 3.4 percent of total GDP. This indicates smooth vertical allocation of funds.

Similarly, Shah and Boadway (2007) discuss various methods of fiscal transfers used in intergovernmental relations. These are general-purpose grants based on local needs and priorities; categorical grants earmarked for specific purposes (education, health care, or infrastructure projects); equalization grants based on equity in service to reduce fiscal disparities among sub-national governments; conditional grants based on meeting certain criteria of performance targets; and matching grants for specific projects. Okoye (2016) mentions two principal sources of revenue generation available to local government councils. They are grants from state and federal sources, and internally generated revenue from commercial activities and rent from council property.

Table 1

Demographic information of the sample area (N=42)

Factors	Demographic variables	Frequency	Percent
Gender	Male	17	40.5
	Female	28	59.5
Marital status	Unmarried	1	2.4
	Married	41	97.6
	Single	0	0.0
Age	Age 20-30 years	6	14.3
	Age 31-40 years	10	23.8
	Age 41-50 years	16	38.1
	Age 51 and above years	10	23.8
Level of Education	Primary school	13	31.0
	Secondary school	23	54.8
	Technical education	3	7.1
	University education	3	7.1
Occupation before elected as a local representative	Agriculture	25	59.5
	Government job	2	4.8
	Private job	10	23.8
	Social services	5	11.9

Sources: Field Study, 2024.

Table 1 presents the demographic information such as gender, marital status, age, education, and occupation of the respondents. It reveals a balanced gender distribution among respondents with slightly more females (59.5%) than males (40.5%). Regarding marital status, the overwhelming majority are married (97.6%). In terms of age, the highest

percentage falls within the 41-50 years range (38.1%). The majority have completed secondary education (54.8%), followed by primary education (31.0%), and only a small proportion have technical or university education. A significant portion of respondents were found to be involved in agriculture (59.5%), suggesting a strong connection to rural or agrarian livelihoods. Small proportions of respondents were engaged in government or private jobs as well as in social services. These factors provide important context for understanding the perspectives and experiences of the respondents taken as a sample in relation to local development, revenue sharing, and grant utilization within the municipality.

Table 2

Year of involvement in the local entity (N=42)

Years	Frequency	Percent
Less than two years	29	69.0
Five years	6	14.3
10 years	5	11.9
More than 10 years	2	4.8
Total	42	100.0

Source: Field Study, 2024.

Table 2 presents the year of involvement in the local entity. This indicates that the majority of respondents have been serving for less than two years (69.0%), followed by a tenure of five years (14.3%), while even fewer have served for 10 years (11.9%) or more than 10 years (4.8%). This scenario of involvement suggests a turnover or new wave of representatives within the local entity. It could impact continuity in policies and initiatives as well as the depth of institutional knowledge among the governing body of the study area.

Table 3

Type of services provided first at the local level (N=42)

Types of services	Frequency	Percent
Water supply	8	19.0
Road	17	40.5
Education and health	2	4.8
All of these	15	35.7
Total	42	100.0

Source: Field Study, 2024.

Similarly, Table 3 presents the type of services provided first at the local level. This study highlights a significant focus on road infrastructure. Of the total, 40.5% of respondents found focusing on road infrastructure as a first priority. Water supply also emerges as a notable area of concern, with 19.0% of respondents emphasizing its importance. In terms of education and health services, only 4.8% of respondents indicated relatively lower attention. All of these services (35.7%) seem important for a holistic approach to municipal development. This aggregate result indicates the multifaceted needs of the community with a particularly strong focus on infrastructures like roads and water supply.

Similarly, Table 4 provides the perception of local authority regarding various issues of local development and resource generation such as revenue and its utilization, accountability, community impacts, and future strategies within the municipality. According to the responses of respondents (64.3 %), the current revenue sharing model promotes local development but the distribution of revenue among different sectors remains neutral. However, mixed opinions are found regarding the utilization of grants received, with some respondents indicating effectiveness while others remain neutral. Some respondents express their views as a disagreement. The mechanisms of community involvement in decision-making regarding revenue utilization are effective, but opinions vary on whether there is an adequate

understanding of municipal revenue trends over the past decade.

Table 4

Perception of municipal authority regarding revenue generation (N=42)

S.N.	Statements	Attitudes									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		N	%	N	%	N	%	N	%	N	%
1	The current revenue sharing model promotes local development. (V_1=revenue sharing)	10	23.8	27	64.3	4	9.5	1	2.4	0	0
2	The current distribution of revenue among different sectors is effective. (V_1=revenue sharing)	6	14.3	15	35.7	16	38.1	3	7.1	2	4.8
3	The municipality has effectively utilized the received grants for community development. (V_2=grant utilization)	16	38.1	9	21.4	14	33.3	3	7.1	0	0
4	The types of grants received in the past five years have positively impacted local development. (V_2=grant utilization)	12	28.6	25	59.5	5	11.9	0	0	0	0
5	Accountability and transparency in revenue collection and grant utilization are adequately ensured within municipality. (V_3=Accountability /transparency	11	26.2	20	47.6	9	21.4	2	4.8	0	0
6	Mechanisms involving the community in decision making regarding revenue utilization is effective. (V_3=Accountability /transparency	9	21.4	24	57.1	8	19	1	2.4	0	0
7	I have good understanding of the overall revenue trend over the past decade. (V_4= revenue trends)	4	9.5	9	21.4	7	16.7	14	33	8	19
8	External factors (economic conditions and policy changes) significantly influence revenue trends. (V_4= revenue trends)	7	16.7	22	52.4	9	21.4	2	4.8	2	4.8
9	Local people perceives a positive impact of revenue sharing and grants on local development. (V_5= community impacts)	9	21.4	18	42.9	10	23.8	3	7.1	2	4.8
10	Specific projects have been successful in community's view. (V_5= community impacts)	8	19	4	9.5	17	40.5	12	28.6	1	2.4
11	The planned strategies for enhancing revenue and grant utilization are well-defined. (V_6= future strategies)	8	19	21	50	7	16.7	6	14.3	0	0

Source: Field Study, 2024.

The perception of the community's impact from revenue sharing and grants is prevalent, although specific projects are

more divisive. There is general agreement on the clarity of planned strategies for enhancing revenue and grant utilization.

Reliability Statistics: In this study, Cronbach's Alpha value is 0.785, which is generally considered to be a good level of internal consistency. A value above 0.70 indicates satisfactory reliability among the items tested.

Table 5

Income earned from revenue sharing (Rs. In Lakhs)

Fiscal Years	Estimated revenue	Actual Revenue	Achieved %	Total Internal Revenue	Covered % of revenue sharing in total internal revenue	Total Revenue	Covered % of revenue sharing in Total Revenue
2018/19	193.01	955.36	494.98	1098.27	86.99	9325.95	10.24
2019/20	1530.28	1014.41	66.28	934.82	108.51	10197.82	9.94
2020/21	1294.78	1366.73	105.55	1358.06	100.64	10120.54	13.50
2021/22	1437.41	1312.41	91.30	2122.10	61.85	11541.87	11.37
2022/23	1666.90	961.75	57.69	4059.73	23.69	13296.62	7.23

Source: Internal Documents of Baglung Municipality Office, 2023.

Table 5 presents the existing scenario of estimated revenue from revenue sharing, actual revenue and its achievements, total internal revenue, total revenue, and the covered percentage of revenue sharing in internal revenue and total revenue of Baglung Municipality during the fiscal years from 2018/19 to 2022/23. In the fiscal year 2018/19, the achieved percentage of revenue sharing from estimated revenue is found significantly higher than one hundred percent. The covered percentage of revenue sharing is relatively high in both internal revenue (86.99%) and total revenue (10.24%). Similarly, in fiscal years 2019/20 and 2022/23, the achieved percentage of revenue from revenue sharing is low at 66.28 percent and 57.69 percent, indicating a significant shortfall of revenue. The covered percentage of revenue sharing is found notably higher in the fiscal year 2019/20. However, in fiscal year 2022/23, the covered percentage in both internal revenue and total revenue is low. Likewise, the covered percentage of revenue sharing in the 2020/21 fiscal year is found higher in both internal revenue and total revenue. However, in fiscal year 2021/22, the covered percentage of revenue sharing in internal revenue and total revenue is found to be lower than one hundred percent. This result also justifies from the responses of respondents mentioned in Table 4.

In aggregate, these findings suggest variations in revenue performance across fiscal years, experiencing both overestimation and underestimation of revenue. Regarding these issues, this study suggests the municipal authorities for the implementation of effective financial planning, manpower planning, and need-based decision-making policies.

Table 6 reveals a diversified income stream with varying contributions from different sources over the five fiscal years from 2018/19 to 2022/23. The revenue from real estate registration fees has been increasing over the five years, reaching a total of Rs. 611.51 lakhs and covering 10.90 percent of the overall revenue sharing. Revenue from value-added tax (VAT) contributes significantly to the municipality's revenue with a total of Rs. 3039.96 lakhs over five years, which shows a consistent and substantial share of 54.18 percent of revenue sharing. There is a notable increase in VAT from 2018/19 to 2020/21, followed by a slight decrease in the subsequent years. Similarly, excise duty, while experiencing a peak in the fiscal year 2020/21, found a subsequent decline leading to a negative percentage point (-99.79) over the four years. Regarding vehicle tax, there is a moderate contribution, and the five-year average is 6.92 percent, with a significant increase in the fiscal year 2021/22.

Table 6

Revenue sharing by sources (Rs. in Lakhs)

Sources	F.Y. 2018/19	F.Y. 2019/20	F.Y. 2020/21	F.Y. 2021/22	F.Y. 2022/23	Total	Five year average	% covered	% point
Registration fee	0.00	134.22	164.47	164.47	148.36	611.51	122.30	10.90	48.36
VAT	0.00	776.52	802.09	802.09	659.27	3039.96	607.99	54.18	559.27
Excise duty	0.00	0.22	265.64	265.64	0.21	531.72	106.34	9.48	(-) 99.79
Vehicle tax	0.00	73.67	80.22	80.22	153.91	388.03	77.61	6.92	53.91
Income from sale	0.00	29.79	0.00	0.00	0.00	29.79	5.96	0.53	(-) 100
Others	955.37	0.00	0.00	0.00	0.00	955.37	191.07	17.03	(-) 100
Total	955.37	1014.41	1366.73	1312.42	961.76	5610.68	1122.14	99.04	861.76
Covered % over five year	17.03	18.08	24.36	23.39	17.14	100.00			0.11

Source: Internal Documents of Baglung Municipality Office, 2023.

The percentage covered by income from sales is only 0.53 percent, which indicates its minor role in the overall revenue sharing. Revenue sharing from other sources is nil except in fiscal year 2018/19. Finally, total revenue sharing over five years is found to be Rs. 5610.68 lakhs, which shows a relatively stable pattern with a slight increase over the year. Thus, this result indicates a diverse revenue stream for Baglung Municipality, significant reliance on VAT, and a notable but fluctuating contribution from other sources of revenue sharing. In aggregate, the municipality needs to implement different strategies to diversify revenue sources to mitigate risks and identify factors influencing fluctuations for enhancing overall financial sustainability.

Table 7

Income earned from federal grants (Rs. in Lakhs)

Grants Types	Fiscal Years						Covered % in federal grants	Covered % in total grants
	2018/19	2019/20	2020/21	2021/22	2022/23	Total		
Equalization	1566.00	1647.00	1621	1738.00	1702.93	8274.93	21.72	21.06
Conditional (Current)	5091.34	6184.23	5368.52	4771.01	5041.17	26456.28	69.44	67.32
Conditional (Capital)	0.00	0.00	0.00	1167.07	971.62	2138.69	5.61	5.44
Special	100.00	35.36	0.00	153.11	253.05	541.52	1.42	1.38
Complementary	0.00	116.00	218	0.00	62.86	396.86	1.04	1.01
Others	289.51	0.00	0.00	0.00	0.00	289.51	0.76	0.74
Total	7046.85	7982.59	7207.52	7829.19	8031.63	38097.78	100.00	96.94

Source: Internal Documents of Baglung Municipality Office, 2023.

Table 7 presents the existing scenario of Baglung Municipality's revenue earned from federal grants by type. Of the grants, conditional grants dominate the allocation, consistently constituting the largest share, ranging from 67.32 percent to 69.44 percent of the federal and total grants. It is followed by the equalization grant, contributing a smaller percentage (21.06% to 21.72%), which indicates a steady allocation trend. Special grants (1.38% to 1.42%) and complement grants (1.01% to 1.04%) cover a relatively minor proportion. Similarly, grants in the other category covered only 0.74 percent of the total grant, and 0.76 percent of the federal grant. In aggregate, grant revenue obtained by the above types has been found to fluctuate over the fiscal years. The municipality needs to assess the reasons behind fluctuations in grant amounts to inform future budgeting decisions.

Similarly, Table 8 offers insights into the distribution of grants across various categories over the fiscal years from 2018/19 to 2022/23. Of the grants by categories, equalization grants form a substantial proportion, contributing 66.75 percent to the covered percentage in provincial grants and 2.04 percent in total grants. This scenario indicates a significant focus on addressing regional disparities and supporting provincial development. Complementary grants, as the second largest source of provincial grants, cover 24.73 percent. Conditional grants by capital are found to have a higher percentage share in provincial grants than conditional grants by current. This also justifies from the results mentioned in Table 4. Similarly, the covered percentage of special grants in provincial grants is found to be only 2.08 percent over the fiscal years.

Table 8

Income earned from province grants (Rs. in Lakhs)

Grants Types	2018/19	2019/20	2020/21	2021/22	2022/23	Total	Covered % in Province grants	Covered % in total grants
Equalization	116.13	144.32	128.27	214.22	198.94	801.88	66.75	2.04
Conditional (Current)	27.00	0.00	0.00	0.00	0.00	27.00	2.25	0.07
Conditional (Capital)	0.00	0.00	0.00	50.35	0.00	50.35	4.19	0.13
Special	0.00	0.00	25.00	0.00	0.00	25.00	2.08	0.06
Complementary	82.34	121.68	34.95	13.6	44.57	297.15	24.73	0.76
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	225.47	266.00	188.22	278.17	243.51	1201.37	100.00	3.06

Source: Internal Documents of Baglung Municipality Office, 2023.

In aggregate, grants from the province by type have been found to fluctuate over the periods. The municipality needs to explore the reasons behind these variations and assess the effectiveness of each grant type in achieving the province's developmental objectives in the days to come.

Major Findings and Conclusion

Thus, the analysis of revenue sharing in Baglung Municipality over the fiscal years 2018/19 to 2022/23 reveals significant fluctuations in revenue performance. The covered percentage of revenue sharing varies across different fiscal years and has shown inconsistencies in revenue management practices. The analysis of revenue sources for Baglung Municipality over the five fiscal years highlights a diversified income stream with varying contributions from different sources. While revenue from real estate registration fees (10.90 %) shows consistent growth and contributes to overall revenue sharing; Baglung Municipality heavily relies on revenue from value-added tax (54.18 %), which consistently accounts for a substantial portion of revenue sharing. Similarly, fluctuation is found in contributions from other sources such as excise duty (9.48) and vehicle tax (6.92). Regarding revenue from federal grants, there is a consistent dominance

of conditional grants, contributing the largest share of allocation. While equalization grants contribute significantly (covered 21.72 % in federal grant and 66.75 % in province grant); special grants, complementary grants, and grants from other categories are found covering relatively minor proportions (Table 7 & 8). Regarding these issues, the municipality should explore opportunities to diversify its revenue sources beyond conditional grants and consider strategies to enhance its eligibility for other types of grants. Similarly, the analysis of grant distribution across various categories reveals a significant emphasis on equalization grants, highlighting a concerted effort to address regional disparities and bolster provincial development. Complementary grants at the provincial level are found to play a substantial role. Notably, fluctuations are found in the distribution of grants over the periods. Almost respondents (38.1 %) are seen neutral regarding the effectiveness of current distribution pattern of revenue in different sectors.

Finally, regarding the scenario observed, this study suggests that municipal authority should implement strategies for effective financial planning, including refining revenue estimation methodologies, establishing realistic revenue targets, comprehensive manpower planning initiatives, decision-making on a need-based approach, integration of community feedback, and diversification of revenue sources for fostering long-term financial stability. It also suggests mitigating risk with over-reliance on VAT and fluctuation in contributions from other sources. This enhances overall financial sustainability for the long-term fiscal health of Baglung Municipality.

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