

Preface

The reform of existing municipal accounting systems has to be viewed in the context of urbanization and urban growth. The rapid pace of urbanization in the country poses a demanding challenge on the capability of municipal bodies who have to meet the continuously increasing demand for urban infrastructure and civic services. Constraints on the availability of financial resources, to augment the level of urban infrastructure and services, have become a compelling reason to generate substantial funds by improving sources of own revenue, through effective municipal tax administration, and creating conditions for private sector involvement.

The accounting system that exists in existing municipalities in India is based on simple single entry cash accounting method. It does not remotely reflect either the financial performance of municipal governments or their innate financial strength. It does not reveal the expenditure liabilities postponed due to compelling fiscal reasons which is generally a rampant practice and which camouflages the financial status of municipalities. Further, it does not ensure the accuracy of information either. Even the cash based accounts are not updated regularly. Thus there is a need to introduce an improved accounting system, which could reflect the true financial status of municipalities on the one hand, and improve the efficiency of the municipal administration to manage civic resources and functions effectively on the other.

In recent years, a number of states/cities have introduced improved systems of municipal accounting and financial reporting. In this study, an attempt has been made to review the new systems in select states/cities and suggest measures to improve it further.

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