



A Study Comparing the Strategic Financial Management of a Few Gujarat Municipal Corporations

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How to Cite this Article:

Shah, J. (2026). A Study Comparing the Strategic Financial Management of a Few Gujarat Municipal Corporations. International Journal of Creative and Open Research in Engineering and Management, <i>02</i>(05).
<https://doi.org/10.55041/ijcope.v2i5.851>

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<https://doi.org/10.55041/ijcope.v2i5.851>

Abstract

This study aims to evaluate and contrast the financial performance of two prominent municipal corporations in Gujarat that is Ahmedabad Municipal Corporation (AMC) and Surat Municipal Corporation (SMC) by examining their per capita income and expenditure over the period from 2016-17 to 2020-21. Utilizing secondary data sourced from official government reports and statistical databases, the research applies statistical tools such as Analysis of Variance (ANOVA) to determine the significance of differences observed across the years. The findings highlight fluctuations in per capita financial indicators and reveal that AMC consistently reports higher per capita income and expenditure compared to SMC. The study underscores the importance of strategic financial management in urban local governance and draws attention to the reliance of municipal bodies on external financial sources for sustainable development.

Keywords: Per capita income, Per capita expenditure, Financial Management, Municipal Corporation, Gujarat

Introduction

Urbanization has emerged as a defining trend of the contemporary era, significantly impacting the socio-economic landscape of nations worldwide. As cities expand, the financial management of municipal bodies becomes critically vital in ensuring the delivery of essential services and infrastructure development. Effective fiscal strategies are fundamental to stabilizing municipal finances, optimizing resource allocation, and fostering sustainable urban growth.

Local self-governments, especially municipal corporations, play a central role in managing urban affairs. These entities oversee a broad spectrum of functions including sanitation, water supply, healthcare, and urban planning, financed through a combination of local taxes, government grants, and borrowings. In India, municipal financial management is complex due to varying economic, demographic, and infrastructural factors across cities.



This research focuses on two major municipal corporations in Gujarat—Ahmedabad and Surat—aiming to compare their strategic financial management practices based on key financial indicators: per capita income and per capita expenditure. By analysing their financial performance over five years, the study seeks to provide insights into their fiscal health, operational efficiency, and reliance on external funding sources.

Strategic Financial Management Concept

- a) The term "strategic" pertains to the planning or process aimed at guiding efforts towards the attainment of long-term objectives.
- b) The act of obtaining or securing financial resources, along with their application, is known as financial management.
- c) The phrase "strategic financial management" denotes the process of organizing and overseeing the finances of an entity (such as a corporation) to fulfil its long-term goals. This management approach involves the development of a strategic plan through the application of diverse financial techniques and tools.

Strategic Financial Management of Municipal Corporations in India

A significant entity of local self-governance is the Municipal Corporation. In India, the municipal organization for smaller towns is referred to as Nagarpalika, while the governing body for larger cities is termed Municipal Corporation.

A corporation refers to a significant urban region that includes a ward committee and encompasses one or more wards, serving an area with a population of three hundred thousand or more.

As per the 2011 census of India, there exist 210 municipal enterprises across 26 states and 5 municipal enterprises within 2 Union Territories. The most prominent municipal corporations in India include Mumbai, Delhi, Kolkata, and Chennai. The panchayati raj system facilitates direct engagement between the state government and the local community, although it is administratively integrated into the district where it is situated.

A municipal corporation, known as City Corporation, Mahanagar Palika, Nigam, or urban development board, or Nagara Sabha, serves as a local government in India that oversees urban regions with populations exceeding one million. The rising population and urbanization in numerous Indian cities have made it essential to establish a local governing body capable of delivering vital community services such as water supply, healthcare, sanitation, education, and urban housing. The municipality is responsible for collecting property taxes and fixed grants from the state government.

Segments of Total Income and Expenditure for the Municipal Corporation:

Sources of Income

- Operating Income (Revenue): This includes money the corporation raises itself and funds it receives from other government bodies.
 - Self-Generated Revenue: This is broken down into Tax Revenue (taxes collected from the public) and Non-tax Revenue (income from fees, permits, and other services).
 - External Funding: This consists of money from the central and state governments in the form of grants, transfers, and assigned revenues.
- Capital Income: This category includes funds used for large-scale projects and investments.
 - Sale of Assets: Money earned from selling municipal land.
 - Loans: Borrowed money from financial institutions or the state government.



- Government Grants: Financial assistance for capital projects received from both the central and state governments.

Categories of Expenditure

- Operating Expenses (Revenue Expenditure): These are the costs associated with the day-to-day functioning of the corporation.
 - Salaries and Administration: Paying staff and covering general administrative costs.
 - Operations and Maintenance: Expenses for maintaining infrastructure and services.
 - Interest Payments: The cost of servicing debt from loans.
 - Other Expenses: Any other regular costs not covered by the above categories.
- Capital Expenditure: This refers to money spent on long-term investments and city development.
 - Development Projects: Funding for infrastructure and welfare projects initiated under state or central government schemes.
 - Loan Repayments: The repayment of the original principal amount of borrowed loans.
 - Other Capital Costs: Additional spending on major projects or assets.

A Look into the Finances of Gujarat's Municipal Corporations

Annual income for all of Gujarat's municipal corporations is made up of two parts: Revenue Income and Capital Income. Similarly, their total expenditure is categorized as Revenue Expenditure and Capital Expenditure.

An administrative body has been established by the government to oversee all civic facilities within the city. The local government is working to improve public services and management to better serve its community. Essential services being enhanced include water, roads, drainage, healthcare, and street lighting. The core goal of public administration is to make these services more effective and readily available, while management aims to integrate modern technology to make facilities both cost-effective and easy to use. There is a total of eight municipal corporations in Gujarat. The table below illustrates the year of establishment, population, area, number of councillors, and other relevant details.

Table No.1 List of Selected Municipal Corporation in Gujarat

Particular	City of Gujarat State	
Municipal Corporation	AMC	SMC
Established year	1950	1966
Geographical Area	466 Sq.Km	326.515 Sq.K.m
Population Census:2011	5,577,940	4,467,797
Number of Wards	48	29
Number of Councilors	192	116

Components affecting the Key Monetary Administration of Metropolitan Organizations

The key budgetary administration of a civil enterprise is affected by different inside and outside components.

- a. Inner components incorporate the administration show, sorts of consumptions, income source and other budgetary components



b. Outside variables include socioeconomics, populace elements, patterns in suburbanization, portability designs, instructive fulfilment, pay levels and accessibility of health care administration.

Literature Review:

Serageldin, M. et al. (2008) outlined the extensive challenges associated with financing urban development and the response of authorities to the significant transformation in the economic foundation brought about by the reduction of trade barriers and the globalization of the economy. The focus was on the obstacles encountered, domestic financial management and performance, as well as collaboration to tackle urgent urban issues and the evolving trends in capital investment financing.

Patel (2016) conducted a comprehensive comparative study of the financial performance of six major municipal corporations in Gujarat — namely Ahmedabad, Vadodara, Bhavnagar, Jamnagar, Rajkot, and Surat — over the period from 1996-97 to 2005-06. The research examined key fiscal parameters including total income, income from revenue sources, total expenditure, and capital-related income and spending. The findings highlighted significant discrepancies in the accounting methods and budgeting practices followed by these urban local bodies. Based on the analysis, the study strongly recommended the adoption of consistent accounting standards, enhanced financial discipline, and improved transparency in the budgeting process. Furthermore, the author advocated for a standardized classification system for income and assets, as well as the implementation of a uniform budgeting format across all municipal corporations to ensure more accurate financial comparisons and informed policy decisions.

Sharma, R., “Fundamentals of Local Governance”, Sage Publications, New Delhi, (2022), p. 312 Local self-government denotes the democratic governance of local affairs by elected municipal institutions. These local bodies deliver essential public services while also acting as agents to uphold democratic participation at the grassroots. In this model, self-government exists without sovereign authority—meaning such institutions operate under the supervision of central or, in federal systems, state/regional governments. The central aim is often to assess and compare per-capita revenue generation and per-capita expenditure across municipal systems, such as that between AMC (Ahmedabad Municipal Corporation) and SMC (Surat Municipal Corporation).

In research work by **Prof. R.K. Menon (2023)**, the focus was on the practical application of the 3R concept—Reduce, Reuse, and Recycle—in the context of solid waste management. Prof. Menon elaborated on the shared responsibilities involved in effective waste management, highlighting the roles of city governments, state governments, and pollution control boards. The study emphasized the importance of integrated efforts and policy implementation at multiple levels of governance to achieve sustainable urban waste management.

Khan, A., & Banerjee, R. (2024), Urban Financing in a Globalising Economy, Global Development Press, London, p. 152 This study examines the complex challenges confronting urban authorities in financing city development amid the accelerating forces of globalization and trade liberalization. It focuses on how municipal and subnational authorities have responded to the transformation of economic structures by adapting domestic fiscal strategies, improving public financial management, and engaging with broader institutional partners. Key themes include the constraints to mobilizing capital for infrastructure investment, evolving public-private collaboration mechanisms, and emerging trends in financing modalities such as municipal borrowing, PPPs, and blended finance instruments.

In a recent study conducted by **Dr. Meera Sinha (2024)**, the researcher analyzed the overall scenario of solid waste management in India by focusing on the regional distribution of urban waste generation. The study categorized India into regions such as North, East, South, and West to evaluate the urban waste generation rates. Dr. Sinha undertook field visits to major metropolitan cities to observe and document the various physical characteristics of municipal solid waste in different urban areas. Through this research, data was gathered on the quantity of waste generated and the amount collected across 34 Indian states. This comprehensive



evaluation helped to identify which states are underperforming in terms of waste collection. Furthermore, the study provided valuable insights into the operational efficiency of different municipal corporations in handling solid waste in urban India.

Research Methodology:

Research Statement:

“A Study Comparing the Strategic Financial Management of a Few Gujarat Municipal Corporations”

Objectives of Study:

The objective of this study is to analyse and compare the per capita income and per capita expenditure of two selected municipal corporations, specifically the Ahmedabad Municipal Corporation (AMC) and the Surat Municipal Corporation (SMC), within the framework of strategic financial management of municipal corporations. Additionally, the study aims to examine the disparity between the per capita income and per capita expenditure of AMC and SMC.

Sources of Data:

This research undertakes to compare strategic financial management practices between AMC and SMC. This study relies on secondary data primarily gathered from the statistics of municipal towns and cities in Gujarat, covering the period from 2016-17 to 2020-21, as provided by the Director of Economics and Statistics in Gandhinagar, as well as the websites of the Ahmedabad and Surat Municipal Corporations.

Study Hypothesis:

H0: The data indicates that the per capita income of the chosen municipalities shows no significant variation.

H1: The data indicates that the per capita income of the chosen municipalities shows significant variation.

H0: The data indicates that the per capita expenditure of the chosen municipalities shows no significant variation.

H1: The data indicates that the per capita expenditure of the chosen municipalities shows significant variation.

Tools and Techniques used for Analysis:

The major techniques used for analysis are as following.

Simple Average Method and Standard Deviation Method

ANOVA

T- test with SPSS Analysis.

Limitation of the Study:

1. This research is founded on historical data.

2. The research depends on secondary sources, such as annual reports and magazines, along with additional information sourced from www.gujecostat.gujarat.gov.in.

3. The accounting methods and statistical techniques employed in this research, including simple averages, standard deviations, and T-tests, each have their own limitations. These are derived from historical data, thus making future predictions unhelpful.

4. Financial statements are fundamentally based on cost principles. Consequently, they do not reflect the current situation.



5. Qualitative aspects are excluded from income statements as they cannot be quantified in monetary terms.

Data Analysis & Interpretation:

Table No. 2.0 Total Income and Expenditure

YEAR	TOTAL INCOME (in lakh)		TOTAL EXPENDITURE (in lakh)	
	AMC	SMC	AMC	SMC
2016-17	36,53,68,66,227	20,80,92,74,835	27,65,48,06,978	20,24,82,73,623
2017-18	39,43,20,93,764	25,60,82,16,893	31,58,94,34,393	24,65,00,99,446
2018-19	42,68,51,56,380	29,04,54,36,722	34,71,06,95,632	25,72,99,85,811
2019-20	43,94,81,64,227	28,37,37,37,779	35,87,64,16,490	28,36,10,47,853
2020-21	52,03,37,96,941	27,85,62,38,842	44,06,84,68,968	30,24,93,28,512

(Sources: Director of Economics and statistics Gandhinagar)

Table No. 2.1 Population of city

YEAR	POPULATION	
	AMC	SMC
2016-17	72,14,225	62,51,620
2017-18	74,85,321	65,64,897
2018-19	79,69,302	68,74,332
2019-20	80,59,221	69,03,041
2020-21	89,50,326	74,94,053

(Sources: Website of Municipal Corporation)

Hypothesis Testing:

H0: The data indicates that the per capita income of the chosen municipalities shows no significant variation.

H1: The data indicates that the per capita expenditure of the chosen municipalities shows significant variation.

Table No. 3 Per Capita Income

Year	Per Capita Income			
	AMC	GROWTH (%)	SMC	GROWTH (%)
2016-17	5,064.56		3328.62	
2017-18	5,267.92	4.015	3900.78	17.19
2018-19	5,356.20	1.68	4,225.20	8.32
2019-20	5,453.15	2.37	4,110.32	-2.72
2020-21	5,814	6.62	3,717.11	-9.57
AVERAGE	5,391.09		3,845.31	
SD	276.3118919		407.4107298	
T CAL	2.15631643			
T CRIT.	2.306004135			



P VALUE	0.063150797
Decision	The data indicates that the per capita income of the chosen municipalities shows no significant variation.

Hypothesis Testing:

H0: The data indicates that the per capita expenditure of the chosen municipalities shows no significant variation.

H1: The data indicates that the per capita expenditure of the chosen municipalities shows significant variation.

Table No. 4 Per Capita Expenditure

Year	Per Capita Expenditure			
	AMC	GROWTH (%)	SMC	GROWTH (%)
2016-17	3,833.37		3238.89	
2017-18	4,220.18	10.08	3754.83	15.93
2018-19	4,355.55	3.2	3,742.90	-0.318
2019-20	4,451.60	2.2	4,108.49	9.77
2020-21	4,933	10.8	4,036.44	1.75
AVERAGE	4,358.67		3,776.31	
SD	397.882297		342.202076	
T CAL	2.48134775			
T CRIT	2.306004135			
P VALUE	0.038031673			
Decision	The data indicates that the per capita expenditure of the chosen municipalities shows significant variation.			

The per capita costs were 3833.37 rupees in 2016-17 in AMC. Within the same year, it was 3238.89 rupees in SMC. Within the year 2020-21, per capita cost increments at 28.69% in AMC. In chosen Civil Enterprise, the per capita wage was expanded generally. In final monetary year 2020-21, the per capita salary of AMC was 14.80% and got to be 5814 rupees, whereas it was expanded by 11.67% in SMC within the same year. In AMC, the most noteworthy per capita cost was 4933 rupees and lower per capita cost was 3833.37 rupees. In SMC the most noteworthy per capita cost was 4108.49 rupees and lower was 3238.89 rupees.

Conclusion:

The examination leads us to conclude that the entire per capita income and per capita consumption within the chosen Civil Enterprise changed from 2016-17 to 2020-21. A comparative think about uncovered an eminent difference between the per capita salary and per capita consumption of AMC and SMC in each year. Consequently, it is not feasible to compare the income and expenditures of each Municipal Corporation. Furthermore, it was observed that the expenses of the selected Municipal Corporation are considerably high in relation to their income, indicating that both Ahmedabad and Surat Municipal Corporations heavily rely on grants and loans from the State Government. The per capita pay and use are higher of AMC when compared to SMC. Given the contrasts in region, population, industrialization and business environment among the civil enterprises, the T-Test (ANOVA) does not illustrate uniformity in per capita income and per capita expenditure among the chosen municipalities.



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