

A Comparative Study of Strategic Financial Management of Selected Municipal Corporation in Gujarat

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Abstract:

The aim of the study is to compare per capita income and per capita expense among selected municipal corporation namely Vadodara municipal corporation (VMC) and Surat municipal corporation (SMC) in the context of strategic financial management of municipal corporation. The study is based on secondary data collected from a report published by the Department of Gujarat Government namely the Director of Economics and Statistics for the period 2015-16 to 2019-20. The data is tested by ANOVA and found that overall, the per capita income and per capita expense is fluctuated during the study period. The per capita income and per capita expenditure is not equal in all selected municipal corporation. It is also found that the per capita income and expense are highest in VMC during the study period 2015-16 to 2019-20.

Keyword: Per capita income, Per capita expenditure, Financial Management, Municipal Corporation, Gujarat.

Introduction:

Today, Economic growth is the most important problem for all the countries of the world. In order for the country to move towards economic development, the government of that country and its policies, local government, state government, municipality, gram panchayat, all these institutions should be involved in the work of economic development. Today, in the developed countries of the world, the central government as well as the local government are seen to be doing their job well, as a result of which the citizens are getting adequate basic amenities. While in underdeveloped and developing countries local government has not yet done enough. In the modern age, people are moving towards urbanization due to rapid population growth. due to urbanization, it is imperative to provide basic amenities in the city. It is difficult for the central government or the state government to reach for these basic facilities so the importance of local government at the local level does not increase much.

The basic concept of economic development has changed a lot in the modern literature of economics. In addition to economically measuring economic growth, social factors such as health and education are now seen as pillar. These pillar can only be measured by the local government in the true sense. Local government provides not only political training but also basic needs and services for the welfare of the local people.

I) Strategic Financial Management Concept

- a) The term "strategic" refers to planning/process in direction for achieving a long term objectives.
- b) The process of procuring or acquiring funds, as well as their use, is referred to as financial management.
- c) The term "strategic financial management" refers to the mechanism/process of arrangement and managing(using) a finance (e.g. Corporation's) in order to achieve it's long term objectives. It is a management method that formulates or creates a strategic plan using various financial techniques and tools.

II) Strategic Financial Management of Municipal Corporation in India

An important body of local self-government is the Municipal Corporation. In India, the municipal body for small towns is known as Nagarpalika and the body of big city is known as Municipal Corporation.

A corporation is a large urban area with a ward committee and one or more wards covering an area with a population of three lakhs or more.

According to the 2011 census of India, there are 210 municipal enterprises in India in 26 states and 5 municipal enterprises in 2 Union Territories. The largest municipal corporations in India are Mumbai, Delhi, Kolkata, and Chennai. The panchayati raj system allows for direct interaction between the state government and the local community, though it is administratively part of the district in which it is located.

A municipal corporation, City Corporation, Mahanagar Palika, Nigam or urban development board or Nagara Sabha is a local government in India that administers urban areas with a population of over one million. The increasing population and urbanization in various cities in India have necessitated the development of a local governing body that can provide necessary community services like water, health care, hygiene and sanitation, education, and urban housing. The municipality collects property taxes and fixed grants from the state government.

III) Municipal Corporation Total Income and Expenditure Segments

- a) **Revenue income** from municipal corporations are as follows. Own Revenue Income (Tax Revenue & Non-tax Revenue), Other Revenue Receipts, Transfers /Grants /Assigned Revenues.
 - b) **Revenue expenditure** is directly related with the operating expenses. Revenue earned by the municipal corporation is utilised for operating expenses are as follows. Administrative Expenses, Establishment and Salaries, Operation and Maintenance Loan Repayment (Interest Payments), other (any other Revenue Expenditure which is not Salaries, O&M or Interest Payment).
 - c) **Capital income** are grants from the state government, the federal government, loan from financial institutions like bank loan, development projects and schemes. The capital receipts from municipal corporations are as follows. Sale of Municipal Land, Loans (from State Govt. or banks etc.), State Capital Grant (State Schemes etc.), Central Capital Grant (Central Schemes etc.), Other Capital Receipts.
 - d) **Capital expenditure** is directly related with the development works of the city and well-being of citizens are as follows. All Development Work under Central/State Specific Schemes, Loan Repayments (Principal Amounts), Other Capital Expenditure.
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IV) Strategic Financial Management of Municipal Corporation in Gujarat.

The annual income includes (Revenue Income & Capital Income) and expenditure includes (Revenue Expenditure & Capital Expenditure) of all municipal corporations in Gujarat. The government has created an administrative body to manage all of the city's civic facilities. The local administration is making public matters and management more effective in order to help citizens and provide services like water supply, road, drainage, health, street light, Sitalink, healthcare facilities, and other civic services. The mission of the public administration is to make public services more efficient and accessible, while management's goal is to use up-to-date technology to improve public facilities in an affordable, easy, and effective way. There are 8 (eight) municipal corporations in Gujarat. The below table shows the establishment year, population, area, number of councillors etc.

Table No.1 List of Selected Municipal Corporation in Gujarat

Particular	City of Gujarat State	
Municipal Corporation	VMC	SMC
Established year	1950	1966
Geographical Area	159.95 Sq.Km	326.515 Sq.K.m
Population Census:2011	1,670,806	4,467,797
Number of Wards	25	29
Number of Councillors	75	116

(Sources: Website of Listed Municipal Corporation)

V) Factors affecting Strategic Financial Management of Municipal Corporation.

The following internal and external factors affect the strategic financial management of a municipal corporation.

- Internal factors:** governance model, typology of expenditure, revenues, and other budget items.
- External factors:** demographics, population, sub-urbanization trends, mobility of people, level of education, income level, healthcare facilities.

Review of Literature:

Heywood Andrew, "Key Concepts in Politics", Macmillan Press Ltd, London, (2000), Pg.249 Local self-government is the management of local affairs by elected local bodies. These local government bodies provide services to the community as well as helping to ensure the democratic process is carried out effectively. Local self-government is a form of government in which the government is not sovereign, and is thus subordinate to central authority or, in a federal system, to state or regional authority.

Serageldin, M. et. al. (2008) She described the wide range of difficulties in financing urban development and the authorities' response to the major shift in the economic base resulting from the decline of trade barriers and the globalization of the economy and focused on challenges faced, domestic financial management and performance, and partnership to address pressing urban issues and emerging trends in capital investment financing.

Mehta Ketan J. (2013) in his research works entitled "A Comparative Study on Public Expenditure and Income of Rajkot Municipal Corporation" study during 2007-08 to 2011-12, the economic and social work of Rajkot Municipal Corporation increased revenue income, revenue expenditure, capital income, and capital expenditure On average income is 1.91% higher than expenditure.

Sonal Nena (2014) compare total income income, total income expenditure, total capital income and total capital expenditure of 6 city corporations i.e. Ahmadabad, Vadodara, Bhavnagar, Jamnagar, Rajkot and Surat Gujarat during 1996-97 to 2005-06 and suggested that this municipal corporation as a whole should follow & maintain consistent accounting practices, greater efforts, controls, efficiency and transparency while preparing budgets and preparing decisions. uniform form of budgeting and uniform classification of different income and asset entities.

Abhishek Nandan, Bikaram Prasad Yadav, Soumyadeep Baksi, Debajyoti Bose (2017): Recent Scenario of Solid Waste Management in India: In this study, the researcher explained the total urban waste generation rate across India by region such as North India, East India, South India, South and West India. The researcher also visited major metropolitan cities to study the different physical characteristics of municipal solid waste in Indian cities. From this study, we can know the amount of waste generated and the amount of waste collected in 34 states to conclude which states are lagging behind in solid waste collection. We will also get an idea of the efficiency of various municipal corporations in Indian cities in waste collection. In this research paper, the researcher explained the 3R concept related to waste reduction, reuse and recycling. The researcher also explains the responsibility of the city government, the responsibility of the state government, and the responsibility of the pollution control committees.

Research Methodology:

❖ Research Statement:

“A Comparative Study of Strategic Financial Management of Selected Municipal Corporation in Gujarat”

❖ Objectives of Study:

- 》 The aim of study is to compare per capita income and per capita expense of selected municipal corporation namely vadodara municipal corporation (VMC) and surat municipal corporation (SMC) in the context of strategic financial management of municipal corporation.
- 》 To study the gap between VMC and SMC per capita income and per capita expenditure.

❖ Sources of Data:

This study attempts to compared strategic financial management between VMC and SMC. This study is based on secondary data which were collected mainly from statistics of municipal towns and cities of gujarat from the period of 2015-16 to 2019-20 director of economics and statistics gandhinagar and website of vadodara and surat municipal corporation.

❖ Hypothesis of the Study:

H0: There is no statistically significant difference in per capita income between selected municipal corporations.

H1: There is a statistically significant difference in per capita income between selected municipal corporations.

H0: There is no statistically significant difference in per capita expenditure between selected municipal corporations.

H1: There is a statistically significant difference in per capita expenditure between selected municipal corporations.

❖ 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. The study is based on historical information.
2. The study relies on secondary data e.g. annual reports, magazines etc. additional data obtained from www.gujecostat.gujarat.gov.in.
3. The accounting tools and statistical techniques used for the study, such as simple averages, standard deviations, T-tests have their own limitations. It is calculated from past data. so predicting the future is not helpful.
4. Financial statements are primarily based on cost concepts. Therefore, it cannot give the current status.
5. Qualitative factors are not accounted for in the income statements as they are not in monetary terms.

Data Analysis & Interpretation:

Table No. 2.0 Total Income and Expenditure

YEAR	TOTAL INCOME (in lakh)		TOTAL EXPENDITURE (in lakh)	
	VMC	SMC	VMC	SMC
2015-16	15,049,030,000	288,411,400	12,594,368,000	6,725,471
2016-17	16,940,418,000	323,474,060	14,559,346,000	353,269,060
2017-18	16,863,397,000	37,361,513,000	11,456,390,000	40,750,863,000
2018-19	18,077,377,000	43,808,301,000	15,484,248,000	41,829,396,000
2019-20	16,030,381,000	42,075,271,000	17,090,837,000	47,217,606,000

Sources : Director of Economics and statistics Gandhinagar

Table No. 2.1 Population of City

YEAR	POPULATION	
	VMC	SMC
2015-16	1,986,946	5,326,690
2016-17	2,027,018	5,566,112
2017-18	2,067,899	5,816,701
2018-19	2,109,604	6,078,457
2019-20	2,149,130	6,352,273

Sources: Website of Municipal Corporation

❖ **Hypothesis Testing:**

- ❖ **H0:** There is no statistically significant difference in per capita income between selected municipal corporations.
- ❖ **H1:** There is a statistically significant difference in per capita income between selected municipal corporations.

Table No. 3 Per Capita Income

Year	Per Capita Income			
	VMC	GROWTH (%)	SMC	GROWTH (%)
2015-16	7,573.95		54.14	
2016-17	8,357.31	10.34	58.11	7.33
2017-18	8,154.85	-2.42	6,423.14	10953.42
2018-19	8,569.09	5.08	7,207.14	12.21
2019-20	7,459	-12.95	6,623.65	-8.10
AVERAGE	8022.8		4,073.24	
SD	486.60		3678.40	
T CAL	-2.4267			
T CRIT.	2.7764			
P VALUE	0.0722			
HYPOTHESIS	Accepted			

In VMC, the per capita income was 7,573.95 rupees in the year 2015-16 whereas it was 54.14 rupees in SMC for the same year. during the study period 2015-16 to 2019-20, the per capita income in VMC continuously increased with a fluctuating growth rate. However, in the fiscal year 2019-20, per capita income fell by 12.95% to 7,459 rupees in VMC. The per capita income of SMC increased during the study period from 2015-16 to 2019-20. During the study period from 2015-16 to 2019-20, the per capita income of VMC was the highest compared to SMC. In VMC, the highest per capita income was 8,569.09 rupees in the year 2018-19.

Hypothesis Testing:

- ❖ **H0:** There is no statistically significant difference in per capita expenditure between selected municipal corporations.
- ❖ **H1:** There is a statistically significant difference in per capita expenditure between selected municipal corporations.

Table No. 4 Per Capita Expense

Year	Per Capita Expense			
	VMC	GROWTH (%)	SMC	GROWTH (%)
2015-16	6,338.56		1.26	
2016-17	7,182.64	13.32	63.46	4926.76
2017-18	5,540.11	-22.87	7,005.83	10938.41
2018-19	7,339.88	32.49	6,881.58	-1.77
2019-20	7,952.44	8.35	7,433.18	8.01
AVERAGE	6870.72		4,277.06	
SD	940.91		3880.33	
T CAL	-1.4995			
T CRIT.	2.7764			
P VALUE	0.2081			
HYPOTHESIS	Accepted			

The per capita expense was 6,338.56 rupees in the year 2015-16 in VMC. In the same year, it was 1.26 rupees in SMC. In the year 2017-18, the per capita expense decreased with a high growth rate by 22.95% in VMC and became 5,540.11 rupees. It increased by 10938.41% in SMC. In the selected Municipal Corporation, the per capita income was increased overall. In the last fiscal year 2019-20, the per capita expense of VMC was increased by 8.35% and became 7,952.44 rupees, whereas it was increased by 8.01% in SMC in the same year. In VM, the highest per capita expense was 7,952.44 rupees and the lowest per capita expense was 5,540.11 rupees. In SMC, the highest per capita expense was 7,433.18 rupees and the lowest per capita expense was 1.26 rupees.

Conclusion:

We conclude from the analysis that the aggregate per capita income and per capita expense in the selected Municipal Corporation fluctuated from 2015-16 to 2019-20. A comparison found a significant gap between VMC and SMC per capita income and per capita expenditure in each year. As a result, comparing the income and expenditures of each Municipal Corporation is impossible. It also found that the expense of selected Municipal Corporation is high, compared to their income which means the Vadodara and Surat Municipal Corporation highly depends on State Government grant and loan. The per capita income and expense is the higher VMC compared to SMC. Because each Municipal Corporation's area, population, industrialization, and business climate differ, the T – Test (ANOVA) does not show parity in per capita income and per capita expenditure between the selected Municipal Corporation's.

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