

# **Financial Management Practices in Urban Local Bodies: A Case Study of Greater Visakhapatnam Municipal Corporation**

**Thanga Srinivasa Rao**

Research Scholar (Part-Time)

Dept. of Political Science and Public Administration

Andhra University

&

**Prof. Peteti Premanandam**

Dept. of Political Science and Public Administration

Andhra University

## ***Abstract***

*This study examines the financial management practices of the Greater Visakhapatnam Municipal Corporation (GVMC) over the five-year period from 2019–20 to 2023–24, focusing on revenue income, revenue expenditure, and capital income. GVMC plays a crucial role in delivering essential urban services and infrastructure through sound fiscal strategies. The analysis of revenue income reveals consistent growth in tax and non-tax revenues, indicating robust economic activity and improved administrative efficiency. However, there was a notable decline in assigned revenues and minimal reliance on grants and subsidies. Revenue expenditure was dominated by a significant rise in operations and maintenance (O&M) costs, reflecting GVMC's emphasis on service delivery and infrastructure upkeep. While administrative expenditure saw a sharp increase in 2023–24, interest payments showed a downward trend, signalling improved debt servicing. Capital income remained heavily dependent on grants for capital works, with no borrowings reported during the study period, underscoring a conservative approach to capital financing. Fluctuations in deposit works and "other" income categories further highlight the dynamic nature of municipal funding. The study concludes that GVMC's financial management demonstrates overall prudence and sustainability, though diversification of revenue streams and strategic investment planning remain essential for long-term fiscal resilience and urban development.*

**Keywords:** Financial Management, Urban Local Bodies, GVMC, Revenue Income, Revenue Expenditure, Capital Income, Municipal Finance, Urban Governance, Debt Servicing, Infrastructure Development.

Financial management in urban local bodies (ULBs) in India is critical to ensuring that cities and towns can provide necessary services, control urban expansion, and maintain public infrastructure. ULBs manage a variety of services, including water supply, sanitation, public

health, education, transportation, and urban planning. Efficient financial management helps ULBs accomplish these commitments while promoting sustainable urban growth.

Financial management is an important component of running any municipal government, and GVMC relies on it to ensure that the city's administrative, developmental, and welfare activities run smoothly. Effective financial management ensures that resources are allocated efficiently, fiscal stability is maintained, and the city's infrastructure and services are adequate for its rising population. GVMC manages and develops critical infrastructure such as highways, public transportation, sanitation, water supply, and waste management. Proper financial management ensures that sufficient funds are provided to these essential sectors. With proper budgeting and spending control, GVMC can plan for long-term infrastructure development without overspending or underfunding.

A significant amount of GVMC's budget is allocated to capital projects such as road building, drainage systems, and urban development projects. Financial management guarantees that capital projects are funded long-term, taking into account future revenue streams and debt levels. It also guarantees that funds for these initiatives are used efficiently, avoiding delays and cost overruns.

As part of its budget, GVMC borrows money for capital projects and development. Financial management guarantees that GVMC does not overleverage and borrows within its ability to repay. It also ensures that the interest and principal payments schedules are followed, preserving the city's creditworthiness and avoiding financial difficulties. Monitoring and managing debt servicing costs (interest and principal payments) is an important aspect of effective financial management. For GVMC, balancing the necessity for borrowing with the ability to repay debt without affecting operational budgets is crucial to long-term financial stability. This helps to prevent budgetary crises that could jeopardize public services and investments.

Sound financial management gives the data and insights required for the development of policies that are consistent with the city's long-term goals. It enables GVMC to make educated decisions on urban planning, zoning, and environmental sustainability, among other things. These policies are developed in light of the available financial resources, assuring their viability. With adequate planning and financial discipline, GVMC can deliver consistent services to citizens, which is critical for public happiness. With prudent financial management, GVMC can continue to build and improve the city's infrastructure and services, benefiting both present and future generations of citizens. In view of this last five years financial flow is taken up for the study for understanding the financial prudence of Greater Visakhapatnam Municipal Corporation.

**Revenue Income of GVMC (2019-20 to 2023-24)**

(Rs. In Lakhs)

S.No.	Head	2019-20	2020-21	2021-22	2022-23	2023-24
1	Tax Revenue	21,597.51	25,098.52	28,875.73	38,082.04	40,873.11
2	Non-Tax Revenue	29,551.58	36,076.74	38,424.12	40,389.19	41,905.57
3	Assigned Revenue and Compensations	10,351.88	13,924.79	15,214.51	9,627.04	5,741.28
4	Grants, Contributions and Subsidies	0	587.02	0	0	0
5	Other Income	2,671.22	9,970.39	6,804.70	9,235.38	6,357.37
<b>Total</b>		<b>64,172.19</b>	<b>85,657.46</b>	<b>89,319.06</b>	<b>97,333.65</b>	<b>94,877.33</b>

Source: Greater Visakhapatnam Municipal Corporation (GVMC)

The revenue income of the Greater Visakhapatnam Municipal Corporation (GVMC) from 2019-20 to 2023-24 illustrates important patterns in its financial performance. The report breaks down revenue into five categories: tax revenue, non-tax revenue, assigned revenue and compensations, grants, contributions and subsidies, and other income. This analysis will look at the growth of these revenue streams, their variations, and the GVMC's overall financial health over the years.

Starting with tax revenue, GVMC saw a consistent increase from Rs. 21,597.51 lakhs in 2019-20 to Rs. 40,873.11 lakhs in 2023-24. This reflects a large increase in tax receipts, with a prominent peak in 2022-23, when revenue exceeded Rs. 38,000 lakhs. Tax revenue is an important source of income for any municipal body, and its development suggests strong economic activity and possibly improvements in tax compliance or collection efficiencies within the GVMC area. The increase in this category could also be related to growing urbanization, improved property tax collection techniques, or a larger base of taxpayers.

The Non-Tax Revenue stream, which includes fees, levies, and other sources of income, also increased over the five-year period. It increased from Rs. 29,551.58 Lakhs in 2019-20 to Rs. 41,905.57 Lakhs by 2023-24. Non-tax revenue, like tax revenue, has grown steadily, with a large increase expected in 2020-21, reaching Rs. 36,076.74 lakhs. This could include an increase in service costs, fees for various municipal services, or new revenue-generating opportunities such as the commercialization of municipal assets or the implementation of new user fees. The consistent growth of both tax and non-tax revenue indicates an increasing economy and improving administrative systems at GVMC.

The category of Grants, Contributions, and Subsidies showed limited activity, with no revenue in 2019-20, 2022-23, and 2023-24, while 2020-21 had a small contribution of Rs. 587.02 Lakhs. The minimal presence of this category points to GVMC's reliance on other revenue sources over these years and the lack of substantial government or philanthropic contributions in the form of grants and subsidies. This could reflect a trend of reduced financial

assistance or a shift in the nature of such contributions toward more targeted programs rather than general grants.

Other Income exhibited significant fluctuations. It started at Rs. 2,671.22 Lakhs in 2019-20, surged to Rs. 9,970.39 Lakhs in 2020-21, before dropping to Rs. 6,804.70 Lakhs in 2021-22, and further decreasing to Rs. 6,357.37 Lakhs by 2023-24. This income category might include miscellaneous revenues such as penalties, fines, or other ad-hoc financial inflows. The peak in 2020-21 could be attributed to one-off events or extraordinary income during that period, while the decline in subsequent years may signal a return to more typical income levels. In terms of overall revenue growth, GVMC experienced substantial increases in total income, from Rs. 64,172.19 Lakhs in 2019-20 to Rs. 94,877.33 Lakhs in 2023-24. However, this growth rate slowed in the last two years of the period, suggesting that while the municipal corporation was able to increase its income steadily, the pace of growth began to decelerate as it reached higher levels of revenue. This might be due to market saturation or the diminishing returns from the strategies employed earlier to boost revenue.

GVMC's financial performance from 2019-20 to 2023-24 indicates an overall positive trajectory, with significant growth in tax and non-tax revenues, despite fluctuations in other income streams and government support. However, the volatility in Assigned Revenue and Compensations, along with the minimal role of grants and subsidies, suggests that GVMC may need to explore alternative sources of revenue or reinforce fiscal resilience against potential government funding cuts.

#### **Revenue Expenditure GVMC (2019-20 to 2023-24)**

S.No.	Particulars	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
1	Establishment Expenditure	2,965.59	1,078.32	1,121.95	1,408.74	1,285.57
2	Administrative expenditure	4,832.96	4,771.46	5,026.42	2,564.75	6,648.34
3	O & M Expenditure	31,035.96	33,670.99	43,828.07	50,607.27	69,827.86
4	Interest and Finance charges / Debt servicing (only interest)	3,086.03	2,966.14	2,675.95	2,531.17	2,278.05
5	Grants/contributions to allied institutions	84.09	84.75	294	0	25
6	Programee Expenses	1,197.06	1,512.75	1,379.55	1,860.00	888.81
7	Other Expenses	100.87	177.14	235.76	144.13	212.81
8	<b>Total</b>	<b>43,302.56</b>	<b>44,261.55</b>	<b>54,561.70</b>	<b>59,116.06</b>	<b>81,166.44</b>

Source: Greater Visakhapatnam Municipal Corporation (GVMC)

The revenue expenditure data of the Greater Visakhapatnam Municipal Corporation (GVMC) from 2019–20 to 2023–24 reveals notable shifts in financial priorities and resource allocation over the five-year period. The total revenue expenditure has consistently increased from ₹43,302.56 lakh in 2019–20 to ₹81,166.44 lakh in 2023–24, reflecting a compound growth trend driven primarily by operational and maintenance (O&M) expenses.

O&M expenditure emerges as the most dominant component, rising sharply from ₹31,035.96 lakh in 2019–20 to ₹69,827.86 lakh in 2023–24. This consistent increase indicates a growing emphasis on service delivery, infrastructure upkeep, and urban utility management. Notably, administrative expenditure remained relatively stable in the initial years but experienced a significant spike in 2023–24, jumping to ₹6,648.34 lakh, potentially due to expanded governance functions or inflationary impacts.

Establishment expenditure displayed an unusual pattern. It declined steeply in 2020–21 and stayed relatively low compared to 2019–20 levels, suggesting workforce restructuring, cost-cutting measures, or reclassification of expenses during the pandemic years. Similarly, interest and finance charges show a gradual decline over the years, indicating either reduced borrowing or more efficient debt servicing strategies.

Grants to allied institutions were minimal and inconsistent, disappearing entirely in 2022–23 and remaining negligible in other years. Program and other miscellaneous expenses fluctuated without a clear trend, but remained a small share of overall spending, pointing to relatively stable discretionary and contingency outlays. Overall, the data indicates that GVMC's financial management over the period prioritized essential service maintenance and infrastructure sustainability, while exhibiting control over debt-related expenditures. The rise in total expenditure also reflects the challenges of urban governance amid growing demands and potentially higher costs associated with expanding municipal responsibilities.

### Capital Income and Borrowings (2019-20 to 2023-24)

S.No.	Capital Income and Borrowings	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
1	Grants/Contributions for capital works	36,328.95	23,907.71	12,998.01	23,050.71	22,215.41
2	Loans/Borrowings (excluding principal repayments)	0	0	0	0	0

3	Deposit works (grants received)	3,162.70	1,784.24	1,319.91	2,240.26	5,213.32
4	Others	11,491.71	13,869.99	10,639.32	11,809.38	13,407.89
5	<b>Total</b>	<b>50,983.36</b>	<b>39,561.94</b>	<b>24,957.24</b>	<b>37,100.35</b>	<b>40,836.62</b>

The capital income and borrowings data of the Greater Visakhapatnam Municipal Corporation (GVMC) from 2019–20 to 2023–24 highlight key trends in funding sources for infrastructure and long-term asset development. Over this five-year span, total capital income witnessed fluctuations, peaking at ₹50,983.36 lakh in 2019–20, dipping to ₹24,957.24 lakh in 2021–22, and then recovering moderately to ₹40,836.62 lakh in 2023–24. The primary component of capital income was grants and contributions for capital works, which consistently formed the largest share, though it declined significantly from ₹36,328.95 lakh in 2019–20 to ₹12,998.01 lakh in 2021–22 before stabilizing around ₹22,000 lakh in the following years. This variation may reflect shifts in state or central government allocations, changes in project implementation pace, or reprioritization of infrastructure investments.

Loans and borrowings were notably absent throughout the period, indicating a debt-averse or debt-free approach by GVMC in its capital funding strategy. This could suggest prudent financial management or reliance on grants over debt instruments to fund capital expenditures.

Deposit works, which also include specific-purpose grants, showed a volatile trend, starting at ₹3,162.70 lakh in 2019–20, dropping to ₹1,319.91 lakh in 2021–22, and then rising sharply to ₹5,213.32 lakh by 2023–24. This indicates periodic variations in project-specific funding inflows, possibly linked to externally aided or time-bound infrastructure initiatives.

The "Others" category, likely including internal resource mobilization or miscellaneous capital receipts, remained relatively stable, contributing significantly each year with figures ranging from ₹10,639.32 lakh to ₹13,869.99 lakh. Overall, GVMC's capital income strategy appears to depend heavily on grants and internally sourced funds, with minimal reliance on borrowing, reflecting a conservative yet potentially sustainable approach to municipal capital financing.

#### **Capital Expenditure of GVMC (2019-2020 to 2023-2024)**

S.No.	Capital Expenditure	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
1	Capital Works	26,238.97	19,808.92	20,505.24	27,298.14	34,438.47

2	Deposit works (expenditure incurred)	1,000.68	359.9	542.05	628.85	1,247.52
3	Others	4,788.66	3,257.68	4,221.41	4,599.69	5,532.95
4	<i>Principal Repayments of Debt</i>	2,044.52	2,322.52	2,322.52	2,322.52	7,255.70
5	<b>Total</b>	34073	25749	27591	34849	48475

The capital expenditure pattern of the Greater Visakhapatnam Municipal Corporation (GVMC) from 2019–20 to 2023–24 reveals a gradual but clear upward trend, with total spending increasing from ₹34,073 lakh in 2019–20 to ₹48,475 lakh in 2023–24. This overall growth reflects an expanding focus on long-term infrastructure development and financial obligations. Capital works consistently dominated the expenditure structure, rising steadily from ₹26,238.97 lakh in 2019–20 to ₹34,438.47 lakh in 2023–24. This suggests continued investment in infrastructure projects such as roads, drainage, water supply, and urban development, aligning with the city's growth and modernization objectives.

Deposit works expenditure remained relatively low throughout the period, fluctuating modestly from ₹1,000.68 lakh in 2019–20 to ₹1,247.52 lakh in 2023–24. This category, typically involving third-party or grant-driven projects executed by GVMC, represents a minor portion of total capital outlay, indicating a limited role for externally funded or special-purpose infrastructure tasks. The “Others” category, possibly encompassing project management costs or miscellaneous capital investments, also showed moderate increases, from ₹4,788.66 lakh to ₹5,532.95 lakh, maintaining a consistent share in the overall capital expenditure.

A significant observation is the pattern in principal debt repayments. From 2019–20 to 2022–23, the principal repayment remained constant at ₹2,322.52 lakh annually. However, in 2023–24, this figure more than tripled to ₹7,255.70 lakh, indicating either the conclusion of a moratorium period, the maturity of a large loan, or a strategic decision to clear debts more aggressively. This shift reflects a financial turning point that could impact liquidity or future capital allocations.

Overall, GVMC’s capital expenditure strategy demonstrates a balanced emphasis on infrastructure enhancement and debt servicing, with growing fiscal commitments in line with urban development priorities.

### **GVMC Budget for the Year 2024-2025**

The budget for 2024-2025 reflects the income side of GVMC’s financial plan, showcasing various sources of revenue. The key components include tax revenue, non-tax revenue, assigned revenue, grants, contributions, and loans/borrowings.

**Income Breakdown of GVMC for 2024-2025**

S.No.	Particulars	2024-2025
1	Tax Revenue	66,559.00
2	Non-Tax Revenue	91,429.00
3	Assigned Revenue and Compensations	23,300.00
4	Grants, Contributions and Subsidies	1,500.00
5	Other Income	7,018.00
6	Grants/Contributions for capital works	1,78,025.00
7	Loans/Borrowings (excluding principal repayments)	83,800.00
8	Deposit works (grants received)	16,700.00
9	Others	24,662.00
10	total	4,92,993.00

The income breakdown of the Greater Visakhapatnam Municipal Corporation (GVMC) for the financial year 2024–25 reflects a substantial revenue base amounting to ₹4,92,993 lakh, with a significant portion derived from capital sources. Tax revenue, at ₹66,559 lakh, constitutes a key pillar of GVMC's regular income, supported robustly by non-tax revenue, which stands even higher at ₹91,429 lakh. This strong performance in non-tax income suggests effective mobilization through user charges, fees, licenses, rents, and other municipal services, indicating diversified income generation beyond traditional taxation.

Assigned revenue and compensations contribute ₹23,300 lakh, reflecting funds transferred from higher government bodies such as state and central agencies, typically for shared tax collections. However, grants, contributions, and subsidies for operational purposes appear surprisingly low at just ₹1,500 lakh, indicating limited reliance on such support for day-to-day functions. Other income, totaling ₹7,018 lakh, adds a minor but consistent source of additional funds, potentially from interest earnings, investments, or miscellaneous recoveries.

A standout feature in this year's income structure is the heavy inflow from capital-related sources. Grants and contributions for capital works amount to ₹1,78,025 lakh, forming the largest single component of GVMC's overall income. This indicates a strong push toward infrastructure development and capital investment, likely backed by central/state urban development programs or externally aided projects. Loans and borrowings contribute ₹83,800 lakh, signaling a major shift from previous years' debt-averse approach, potentially reflecting new project financing needs. Deposit works also contribute a healthy ₹16,700 lakh, suggesting increased third-party project executions.

The “Others” category contributes ₹24,662 lakh, maintaining relevance as a flexible revenue source. Overall, the 2024–25 income composition reflects GVMC's strategic blend of internal resource generation and external capital inflows, aimed at scaling infrastructure while maintaining a diversified and expanding revenue base.

**Expenditure Breakdown of GVMC for 2024-2025**

S.No.	Budget Estimates – Expenditure – 2024-25	
1	Establishment Expenditure	1,733.00
2	Administrative expenditure	11,263.00
3	O & M Expenditure	1,42,938.00
4	Interest and Finance charges / Debt servicing (only interest)	4,520.00
5	Grants/contributions to allied institutions	30
6	Programee Expenses	2,724.00
7	Other Expenses	260
8	Capital Works	1,30,607.00
9	Deposit works (expenditure incurred)	3,450.00
10	Investments (excluding sale)	600
11	Others	14,523.00
12	Principal Repayments of Debt	6,000.00
13	Total	3,18,648.00

The expenditure breakdown of the Greater Visakhapatnam Municipal Corporation (GVMC) for 2024–25 presents a comprehensive overview of its fiscal priorities, with a total budgeted expenditure of ₹3,18,648 lakh. A substantial portion is allocated toward core operational and infrastructure activities, indicating a development-focused and service-driven financial strategy. Operation and Maintenance (O&M) expenditure leads the revenue-side outlay at ₹1,42,938 lakh, highlighting GVMC’s commitment to maintaining urban infrastructure and essential services such as sanitation, water supply, and public utilities.

Administrative expenditure is the second-highest among revenue expenditures, allocated ₹11,263 lakh, suggesting a sizable cost for running municipal governance and offices. Establishment expenditure is relatively modest at ₹1,733 lakh, reflecting controlled spending on staff salaries and human resources, especially compared to earlier years. Interest and finance charges are budgeted at ₹4,520 lakh, indicating the servicing of newly undertaken debt, which aligns with the significant borrowings planned in the same fiscal year.

Program expenses and other routine spending are kept moderate, with ₹2,724 lakh and ₹260 lakh allocated respectively, while grants to allied institutions remain negligible at ₹30 lakh. On the capital side, capital works account for ₹1,30,607 lakh, a clear signal of GVMC’s infrastructure development push, comprising over 40% of the total budget. Deposit works and investments are budgeted at ₹3,450 lakh and ₹600 lakh respectively, reflecting third-party or grant-driven projects and asset creation activities.

Principal repayments of ₹6,000 lakh highlight GVMC’s increased borrowing obligations, with a focus on maintaining financial discipline. The “Others” category at ₹14,523

lakh likely includes contingency, emergency, or unclassified project expenses. Overall, the budget indicates a balanced focus on infrastructure expansion, efficient service delivery, and prudent financial management, supported by increased capital investments and enhanced administrative spending.

### ***Conclusion***

The financial analysis of the Greater Visakhapatnam Municipal Corporation (GVMC) from 2019–20 to 2024–25 reveals a structured and evolving approach to urban financial governance. Over these six years, GVMC demonstrated consistent efforts to strengthen its revenue base, manage expenditures prudently, and prioritize infrastructure development. The revenue income trajectory showed a significant increase in both tax and non-tax revenues, reflecting improved collection efficiency, economic growth, and administrative reforms. However, reliance on grants and contributions remained minimal, suggesting a shift towards greater financial self-reliance and internal revenue mobilization.

On the expenditure front, GVMC has significantly prioritized operation and maintenance (O&M), which accounted for the largest share of revenue expenditure, ensuring sustained service delivery and urban utility management. Capital expenditure, particularly in capital works, steadily increased, underscoring GVMC's commitment to urban infrastructure expansion. Despite fluctuations in income from grants and deposit works, the consistent investment in capital assets indicates long-term planning and a development-oriented outlook.

The 2024–25 budget marks a substantial escalation in both income and expenditure, driven largely by a notable increase in capital grants and the introduction of significant borrowings—an evident shift from previous debt-averse practices. This indicates GVMC's readiness to take on larger-scale infrastructure projects while accepting higher financial risk. The planned debt servicing and principal repayments in the same year show a parallel commitment to fiscal discipline.

Overall, GVMC's financial management exhibits a balance between operational sustainability and capital investment. The Corporation has effectively leveraged its internal revenue sources while gradually embracing external funding mechanisms to meet growing urban demands. This strategic financial planning positions GVMC to handle future challenges while continuing to improve urban infrastructure and service delivery. The five-year financial review reflects prudent decision-making, responsible budgeting, and an increasing alignment of financial practices with the long-term goals of sustainable urban development.

### ***Reference***

1. Bahl, Roy W., and Johannes F. Linn. *Urban Public Finance in Developing Countries*. Oxford University Press, 1992.
2. Mathur, Om Prakash. *Urban Local Bodies in India: Financial and Institutional Constraints on Urban Infrastructure Development*. National Institute of Public Finance and Policy, 2006.

3. Rao, M. Govinda, and Richard M. Bird. *Urban Governance and Finance in India*. National Institute of Public Finance and Policy, 2010.
4. Sharma, Prasanna K. *Local Government Finance in India: Policy and Practice*. Deep & Deep Publications, 1987.
5. Singh, S. K. *Public Finance in Theory and Practice*. S. Chand Publishing, 2011.
6. Tiwari, Rajesh K., and Raj Kumar. *Handbook of Urban Infrastructure Finance*. McGraw Hill Education, 2016.
7. World Bank. *Improving Municipal Management for Cities to Succeed: An IEG Special Study*. The World Bank, 2009.
8. Ahluwalia, Isher Judge, et al., editors. *Urbanisation in India: Challenges, Opportunities and the Way Forward*. SAGE Publications India, 2014.
9. Kameswar, S. "Saukaryam: An E-Governance Initiative of Greater Visakhapatnam Municipal Corporation." *International Journal of Management, Technology and Engineering*, vol. 8, no. 12, Dec. 2018, pp. 2744–2753.
10. Kumar, D. Vijaya, and M. Umadevi. "Solid Waste Management and Material Recovery in an Urban Area in India: A Case Study of Greater Visakhapatnam Municipal Corporation (Andhra Pradesh), India." ResearchGate, Jan. 2013.
11. Mukherjee, Chanchal, and P. Venkata Rao. "An Empirical Study of Cash Management Practices with Reference to the Construction Sector in Visakhapatnam District of Andhra Pradesh, India." *International Research Journal on Advanced Engineering and Management*, 2024,