

**BUDGET ANALYSIS FOR
CORPORATION OF
THIRUVANANTHAPURAM
2015 to 2024**

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INTRODUCTION

Background

Thiruvananthapuram or Trivandrum is the capital city of Kerala. It lies in the southernmost part of the state and is situated on a coastal plain along the Arabian Sea. It is characterized by low undulating coastal hills.

The Portuguese and the British came to Kerala to trade in spices and gems. Thiruvananthapuram was part of the erstwhile Travancore State. It became the capital of the kingdom of Travancore in 1745. By 1806, Travancore was brought under the British Madras Presidency. Under British rule, the name Thiruvananthapuram was contracted to Trivandrum. Today, the city spans over 214.86 sq. km.

The Corporation of Thiruvananthapuram was empowered to act as the local government of the city by the 74th Constitutional Amendment Act, 1992 and the Kerala Municipalities Act, 1994.

Development Profile

The city of Thiruvananthapuram, as per Census 2011, has a population of 7,43,691. It has a population density of 4,470 persons per sq. km. The sex ratio is about 1054 females per 1000 males. The literacy rates among males and females are 87.75% and 85.98%, respectively.



Figure 2.1: Sex Ratio and Literacy Rate

About 9% of the population is constituted by Scheduled Castes and 0.5% by Scheduled Tribes. Thiruvananthapuram district is home to a large Hindu population (66.46%). Christians (19.1%) and Muslims (13.72%) form the largest religious minorities (Economics and Statistics Department, 2024).

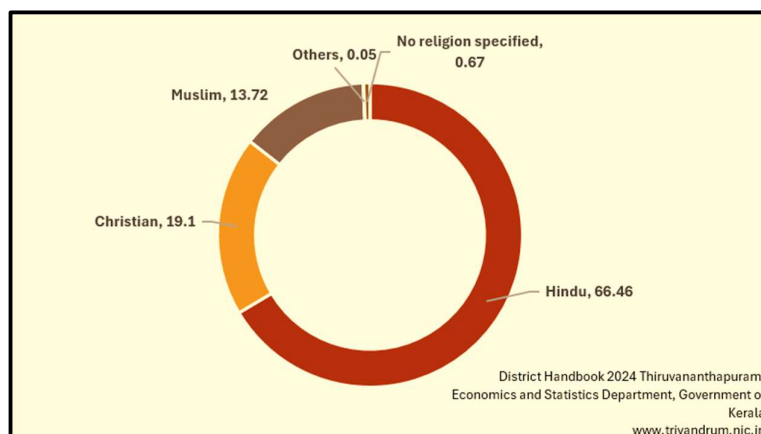


Figure 2.2: Religious Profile

The workforce participation rate is about 36.3%. Mineral processing, sugar milling, textiles and handcrafts, rice and coconut cultivation, and fishing constitute the major economic activities in Thiruvananthapuram. The presence of the Padmanabhaswamy Temple makes it a prominent pilgrimage centre.

Thiruvananthapuram district has over 100 medical institutions, including medical colleges, Primary Health Centres, and General and Speciality Hospitals. The crude birth and death rates were 11.09 and 9.66 (Department of Economics Statistics, 2021). The infant mortality rate was 5.05, and the maternal mortality ratio was 19 per 1 lakh live births.

Around 86.82% of the population of Thiruvananthapuram is literate. The district boasts high schools, upper and lower primary schools, higher secondary schools, and colleges. A major share of these is either government-run or government-aided institutions. It is also home to the University of Kerala and its affiliated colleges.

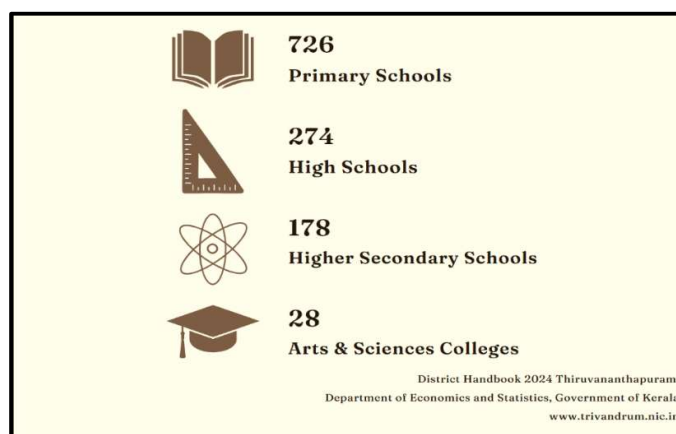


Figure 2.3: Number of Educational Institutions

In 2017, Thiruvananthapuram was selected under the Smart Cities Mission. As of July 2024, Trivandrum Smart City has completed projects worth Rs. 538.20 crores (Smart City Trivandrum Limited, 2024). These include upgradations of anganwadis and public health centres, provision of public toilets, and the construction of recreational public spaces, among other initiatives. In addition, there are fourteen ongoing projects worth Rs. 399.83 crores which include other initiatives to boost health and public spaces in the city.

Governance Profile

The organisational structure of the Corporation of Thiruvananthapuram consists of the Mayor at the apex position. The Deputy Mayor works under the Mayor, followed by the Corporation Secretary, the Additional Secretary, and the Deputy Secretary. There are 100 wards within the jurisdiction of the Corporation of Thiruvananthapuram, and each of these is represented by an elected Councillor.

The Corporation is composed of a Council, a Steering Committee, and a Standing Committee. There are eight Standing Committees under the Corporation of Thiruvananthapuram—Finance, Development, Welfare, Health, Works, Town Planning, Taxes Appeal, and Education.

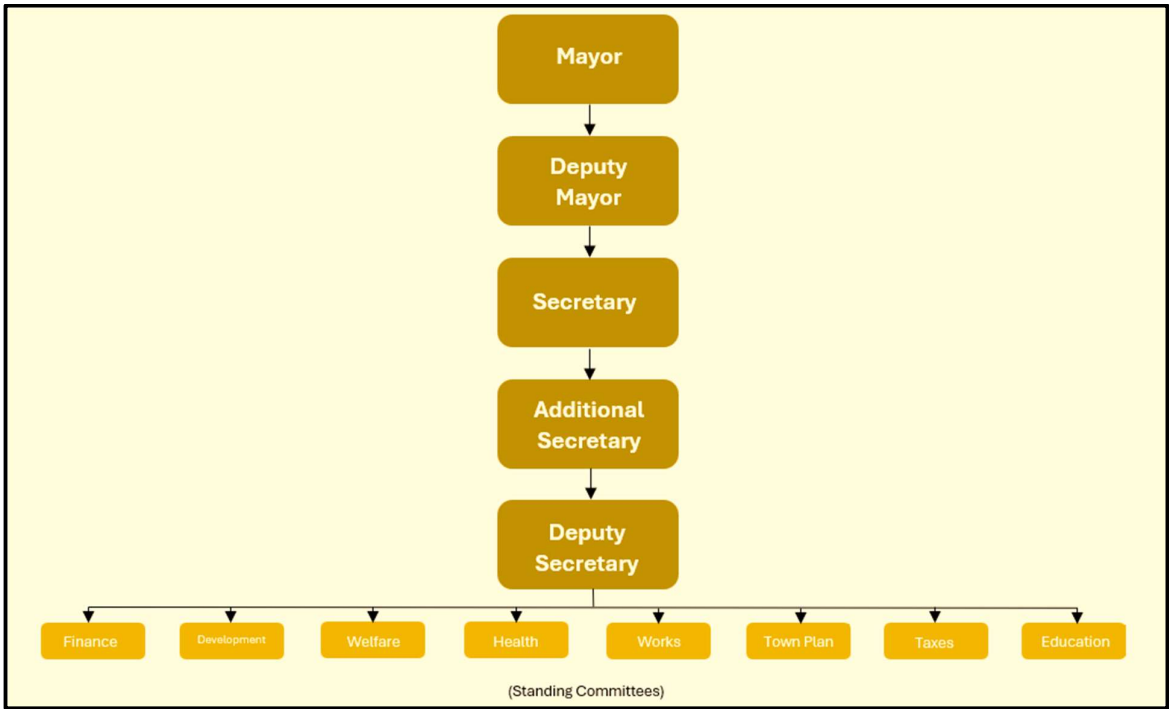


Figure 2.4: Organisational Structure of the Corporation of Thiruvananthapuram

Purpose and Objectives of the Study

This study analyses the budget documents of the Corporation of Thiruvananthapuram over the last ten years, i.e. 2015 to 2024. The purpose of the study is to understand the sources from which the municipal corporation generates its revenue, and the sectors and policies that it prioritises in its expenditure.

The objectives of the study are

1. To analyse how the revenue and expenditure of the Corporation of Thiruvananthapuram have evolved over.
2. To understand the policies implemented to increase the revenue of the Corporation of Thiruvananthapuram and reduce dependence on external funding.
3. To assess the expenditure priority of the Corporation of Thiruvananthapuram and to identify the key areas of spending.
4. To determine the credibility of the budget in estimating revenue and expenditure. Compare budget estimates with actual figures to determine the accuracy and reliability of the corporation's financial planning.
5. To identify gaps in data availability and the institutional structure of the Corporation of Thiruvananthapuram.

ANALYSIS OF REVENUE AND EXPENDITURE

An analysis of the revenue and expenditure of the municipal corporation explains its fiscal management. It helps understand how the corporation generates its income, and on what items it incurs expenditure. Figure 2.5 shows the surplus and deficit budgets of the Corporation of Thiruvananthapuram since 2015-16.

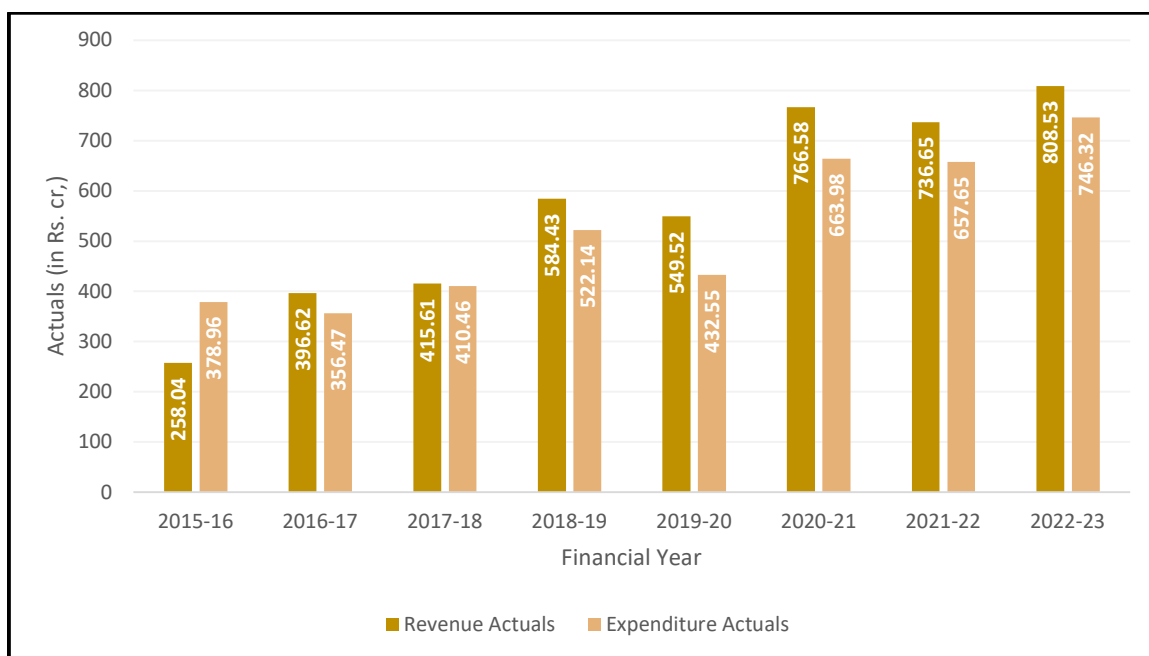


Figure 2.5: Surplus and Deficit Budgets from 2015 to 2022

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

The expenditure exceeded the revenue in the financial year 2015-16. In other words, the budget in 2015-16 was in deficit. However, for all the subsequent financial years, revenue has consistently exceeded the expenditure. This suggests that the municipal corporation has improved its fiscal management and has planned its revenue and expenditures more efficiently. A detailed analysis of the revenue and expenditure of the Corporation of Thiruvananthapuram has been undertaken in the following sections.

Revenue Augmentation Policy

The most recent financial year for which the actuals are available is 2022-23. In this year, the Corporation of Thiruvananthapuram generated a total revenue of Rs. 237,29,40,859. The sources of this revenue are depicted in Figure 2.6.

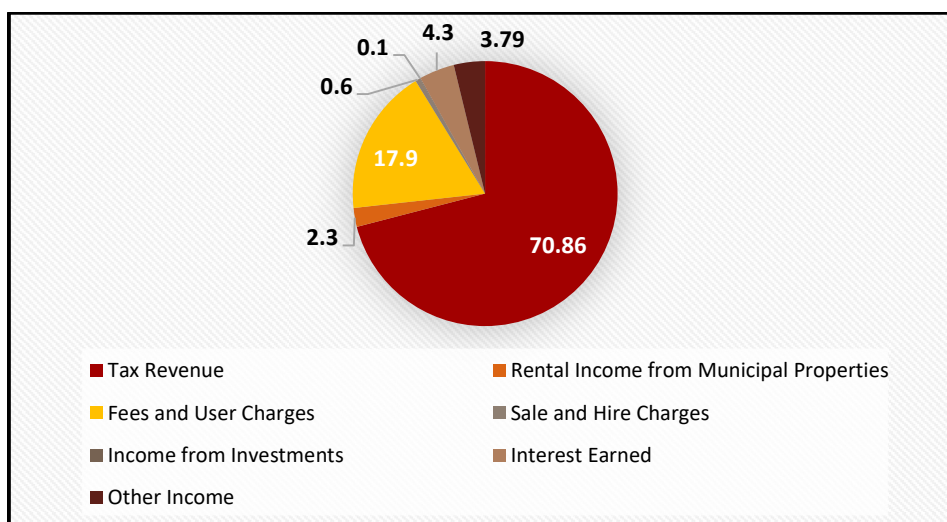


Figure 2.6: Sources of Own Revenue (Actuals) in 2022-23

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

Tax revenue formed the major share of this amount (70.86%). The second highest source of own revenue was non-tax revenue in the form of fees and charges (17.9%). Income from investments had the smallest share in the revenue generated by the municipal corporation (0.1%).

Tax revenue forms the major share of the revenue generated from the municipal corporation's own sources. However, its share has fluctuated over the past financial years. This has been depicted in Figure 2.7.

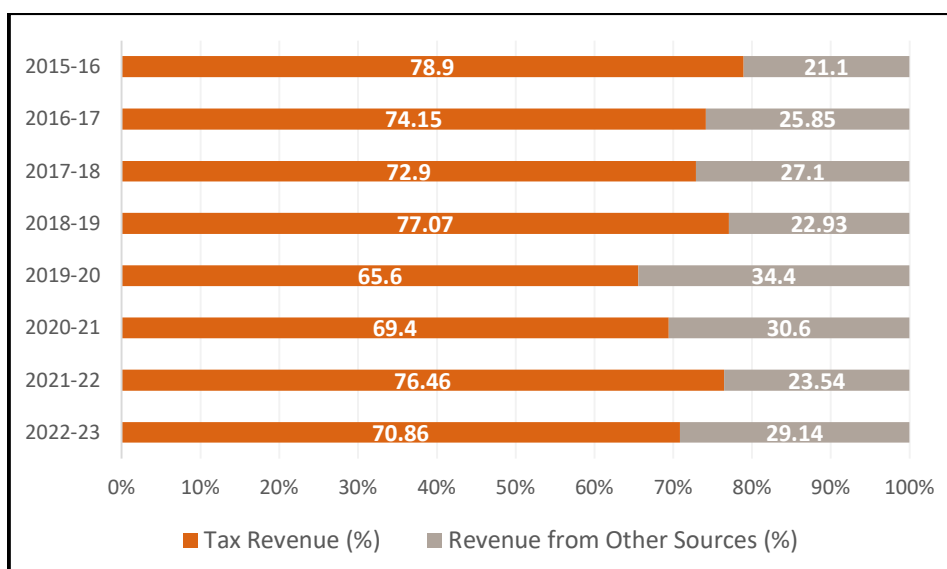


Figure 2.7: Percentage Share of Tax Revenue in Own Revenue from 2015 to 2022

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

Upon analysing the actual figures since 2015-16, it is seen that the share of tax revenue has fallen. In fact, the proportion of tax revenue generated in 2022-23 is still below the statistic observed in 2015-16. This indicates that there has been no effective change that would enhance the municipal corporation's ability to generate its own taxes. This increases its reliance on funding from the Union and State governments.

Local governments like municipal corporations earn a considerable proportion of their revenue in the form of grants from the central and state governments. A wide margin between their own revenue and revenue from external sources indicates that the municipal corporation is dependent on the Centre and the State to fund its operations.

Figure 2.8 shows how the corporation's revenue from different sources has increased since 2015-16.

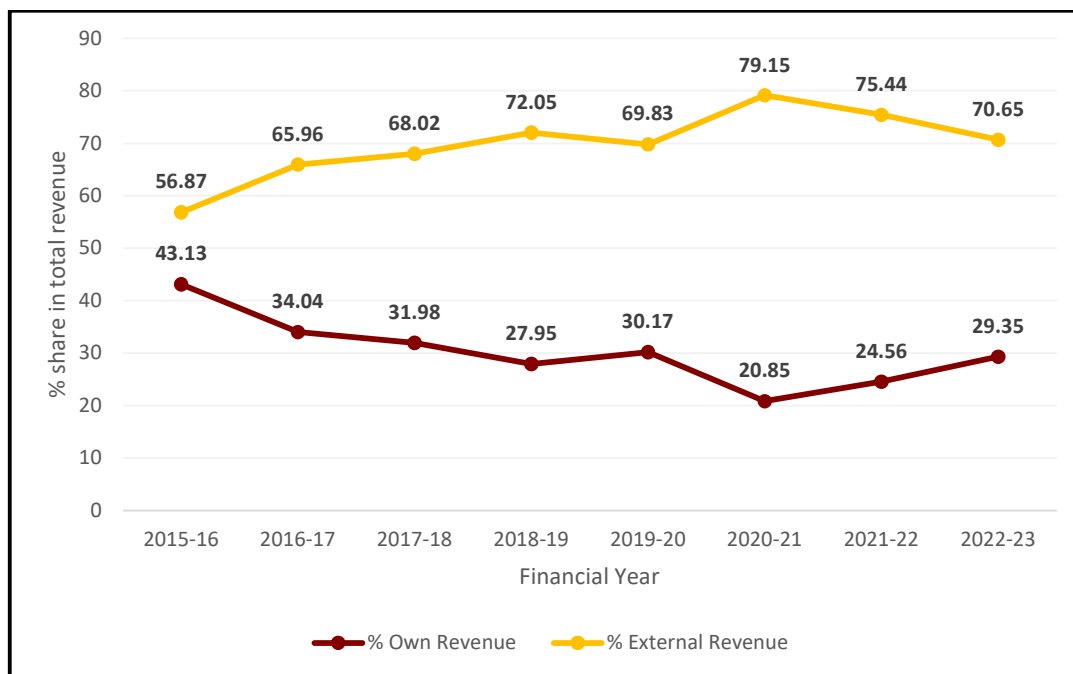


Figure 2.8: Percentage Share of Revenue from Own and External Sources from 2015 to 2022

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

The municipal corporation's income from external sources has remained much higher than that generated by the corporation itself. The gap between own revenue and revenue from external sources has widened since 2015-16.

The year 2020-21 is notable with the highest revenue from external sources. This can be attributed to grants from the central and state governments to cope with the effects of the COVID-19 pandemic. The revenue generated from the corporation's own sources in the same year decreased.

It has been reported that, on average, urban local governments generate only 32 per cent of funds from their own sources (Comptroller and Auditor General of India, 2024). This causes municipal corporations, including the Corporation of Thiruvananthapuram to be dependent on Union and State Government grants. The gap between the revenue from external sources and the corporation's own fund indicates a greater dependence on funding from the Union and the State government. This hinders the corporation's capacity to generate its own revenue and its financial autonomy.

Expenditure Priority

The municipal corporation's expenditure has changed over the years. Figure 2.9 compares the revenue and capital expenditures of the municipal corporation from 2015 to 2022.

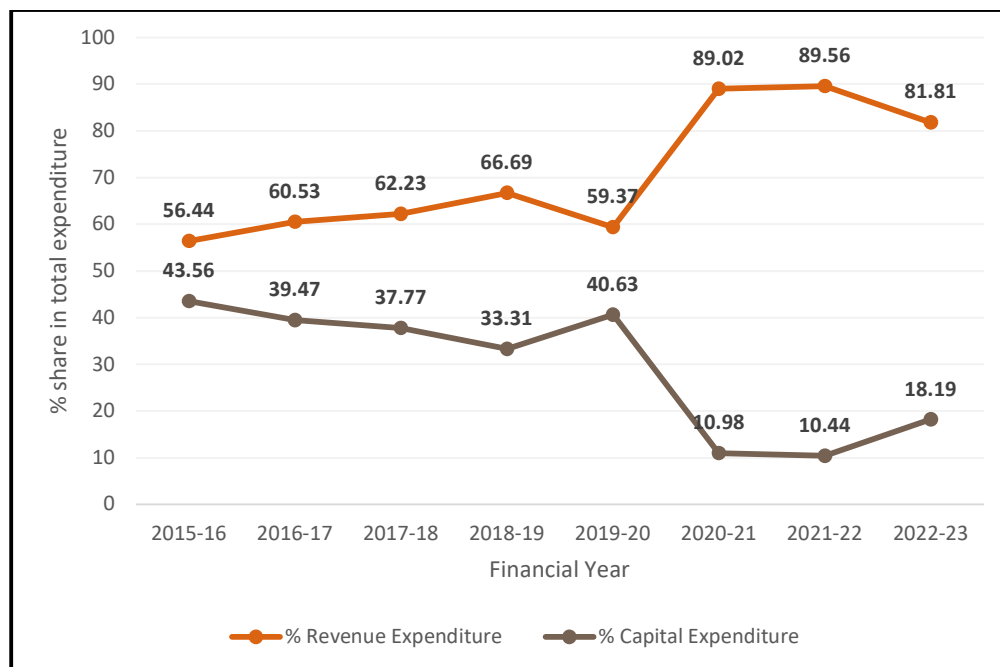


Figure 2.9: Percentage Share of Revenue and Capital Expenditure from 2015 to 2022

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

Since 2015-16, the revenue expenditure has consistently been higher than capital expenditure. This means that the municipal corporation incurs more recurring expenditures than one-time or non-recurring expenses. The graph shows a sharp rise in revenue expenditure between 2019-

20 and 2020-21. In the year 2020-21, revenue expenditure increased by over 300 crores. It is notable that this year also saw the incidence of the COVID-19 pandemic. However, in the same year, capital expenditure reduced by over 100 crores. This means that since 2020-21, revenue expenditures have received an unprecedented amount priority over capital expenditures.

Municipal corporations incur expenditures on various recurring and non-recurring items. These include the day-to-day operational expenditures, sector-specific developmental expenditures, expenses on capital development, and financial transactions and liabilities. Figure 2.10 shows how the share of these expenditure items has varied between 2015-16 and 2022-23.

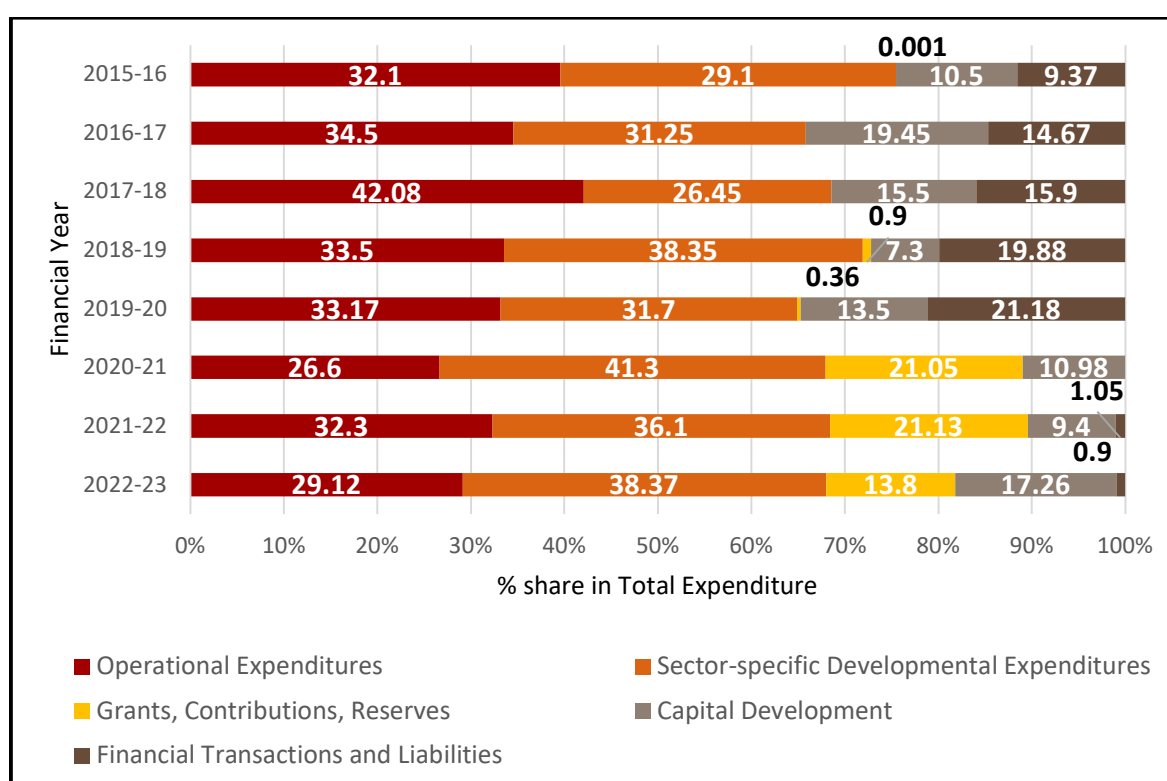


Figure 2.10: Percentage Share of Expenditure Items from 2015 to 2022

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

The operational expenditures include recurring expenses like establishment and administrative expenses, operation and maintenance charges, and interest payments. These expenditures have remained stable over the years.

Developmental expenditures included expenses in sectors like productive, service, and infrastructure. In 2020-21, these constituted the largest share of total expenditure. There has been an increased spending on agriculture-related facilities, epidemic control, education,

sanitation and waste management, drinking water, and the construction of roads, bridges, and public buildings. This explains the significant rise in revenue expenditure in this year. The share in expenditure of grants and reserves has also increased since 2020-21.

Expenditure on capital development differs every year, depending on what capital projects are being undertaken. The amount has doubled from Rs. 61,77,67,208 in 2021-22 to Rs. 128,82,27,133 in 2022-23. The share of financial transactions, including investments, advances and deposits, and loan repayments, has reduced significantly after 2019-20.

As per the budget for 2024-25, the Corporation of Thiruvananthapuram plans to spend Rs. 1702,90,23,600. Figure 2.11 shows a breakdown of this estimated expenditure.

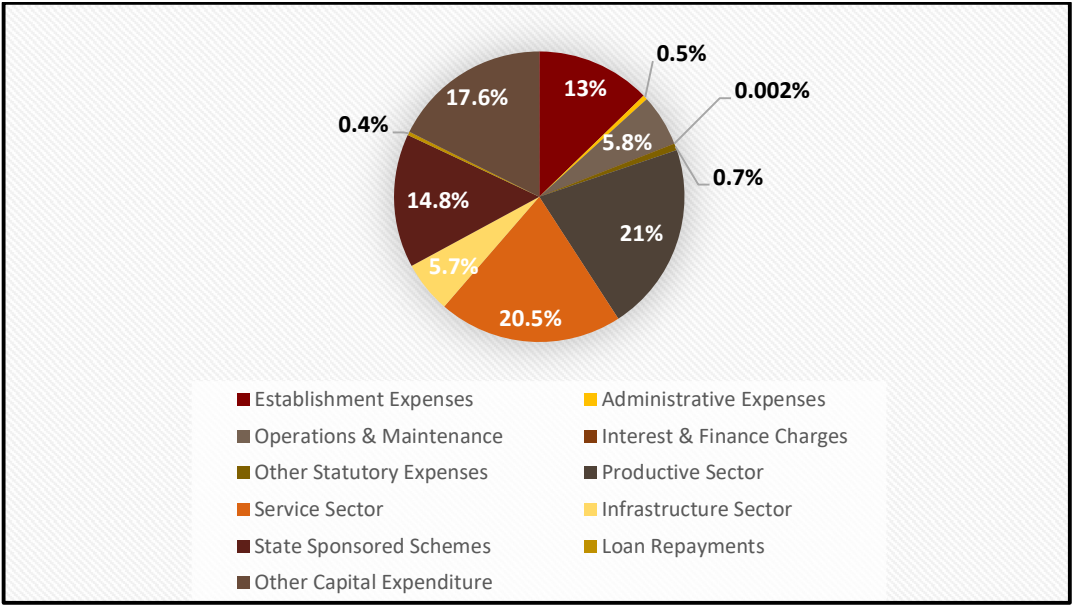


Figure 2.11: Estimated Share of Expenditure Items in 2024-25

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

It estimates to incur a major share of its expenditure on the productive and service sectors of the city. Notable expenses under these sectors are development funds for housing and poverty eradication, and welfare programmes for women, the elderly, the differently abled, and the SC/ST population. It also expects to spend 17.6% of its expenditure amount on capital projects, such as municipal land and buildings, as well as concrete and black topped roads.

BUDGET CREDIBILITY ANALYSIS

Accuracy of Estimation

For each financial year, municipal corporations estimate the amount of revenue that they expect to earn and the amount of expenditure that they expect to incur. During the financial year, the budget estimates are revised to meet the needs of the corporation. However, estimated figures can differ from the actual figures for that year. The following graphs assess Thiruvananthapuram’s accuracy of estimation.

A comparison of the budget estimates, revised estimates, and actuals of revenue has been shown in Figure 2.12.

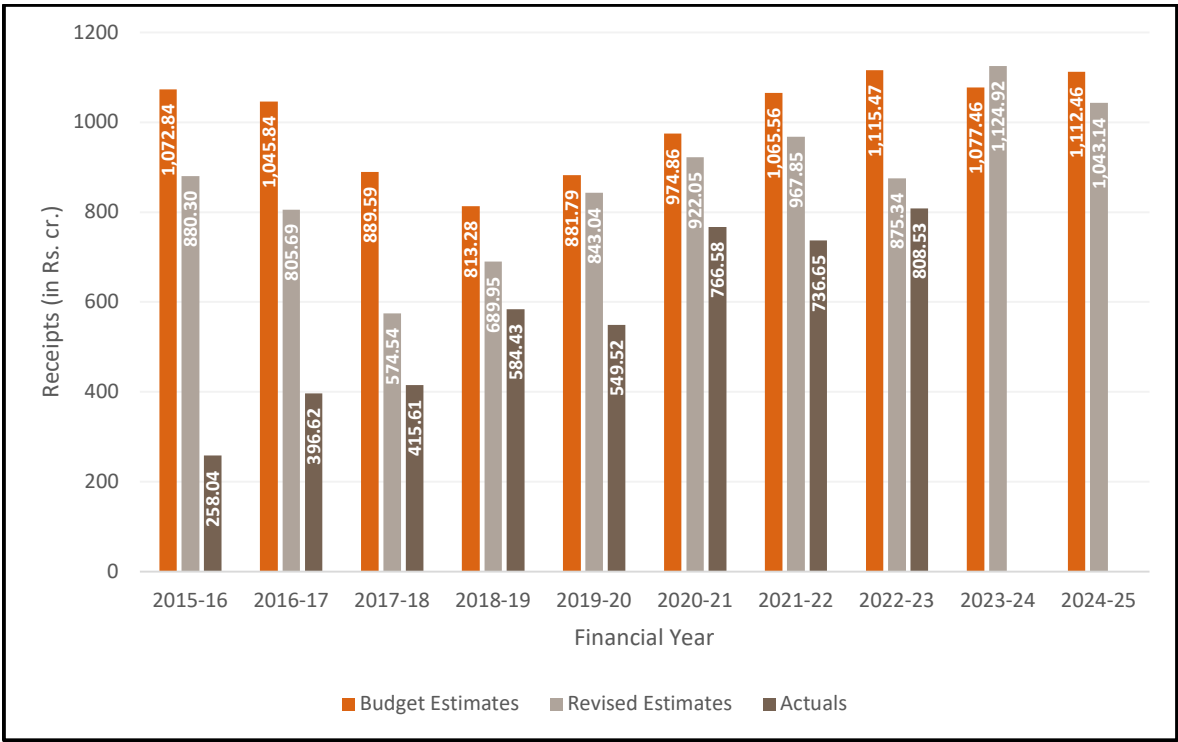


Figure 2.12: Comparison of Income Budget Estimates, Revised Estimates, and Actuals from 2015 to 2024
Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

The deviations between the budget estimates and the actuals are provided in Figure 2.13.

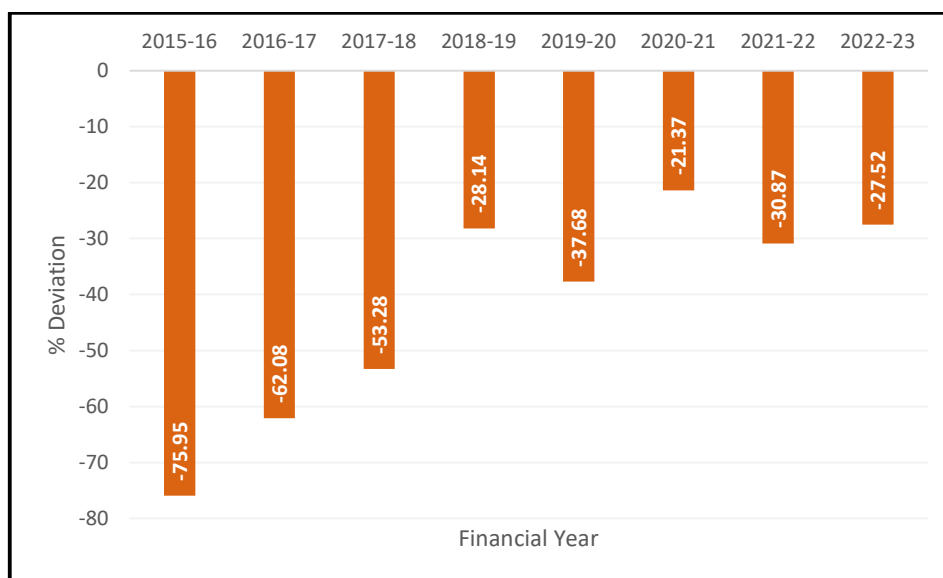


Figure 2.13: Percentage Deviations between Income Budget Estimates and Actuals

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

The budget estimates and the actuals for the year 2015-16 show an overestimation by nearly 76%. Over the years, the overestimation has decreased. This suggests that the municipal corporation is consistently unable to generate the amount of revenue that it expects to in a given financial year. The margin between the budget estimates and the actuals has narrowed by nearly 50% over the years. Yet, the most recent actual figures still show an overestimation of 27.51%.

Further, the estimates and actuals for expenditure also differ by a wide margin. This has been shown in Figure 2.14.

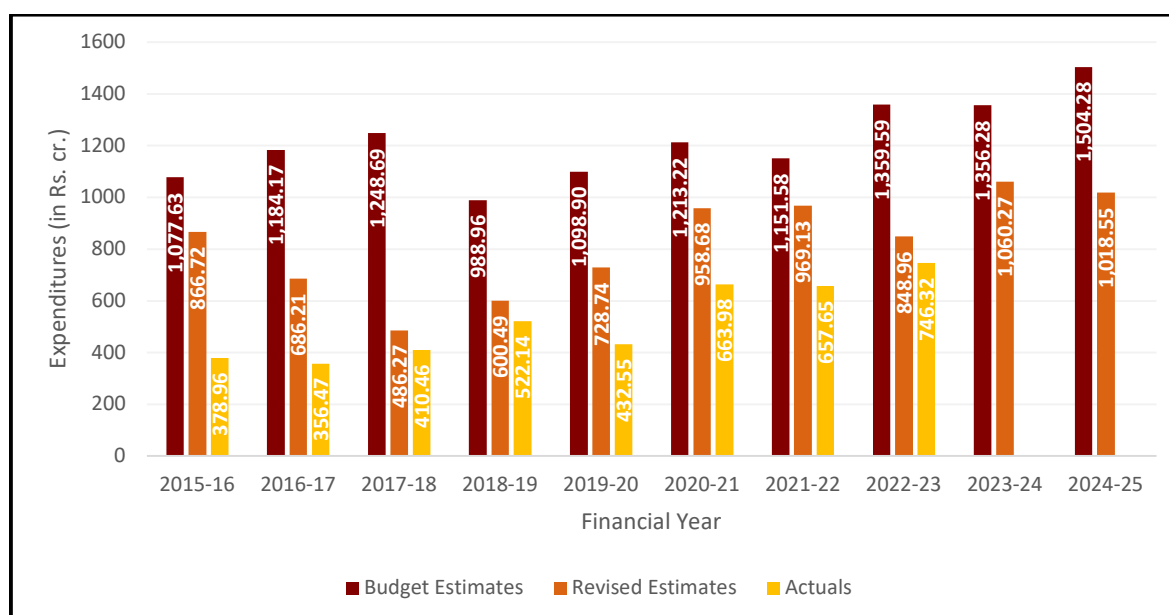


Figure 2.14: Comparison of Expenditure Budget Estimates, Revised Estimates, and Actuals - 2015 to 2024

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

The budget estimates for expenditures in each financial year are much higher than their respective actuals. The Revised Estimates for each year show a considerable reduction in the amount that the corporation estimates to spend. However, even the revised figures exceed the actual expenditure in each year.

Figure 2.15 shows the percentage deviations between Budget Estimates and Actuals over the years.

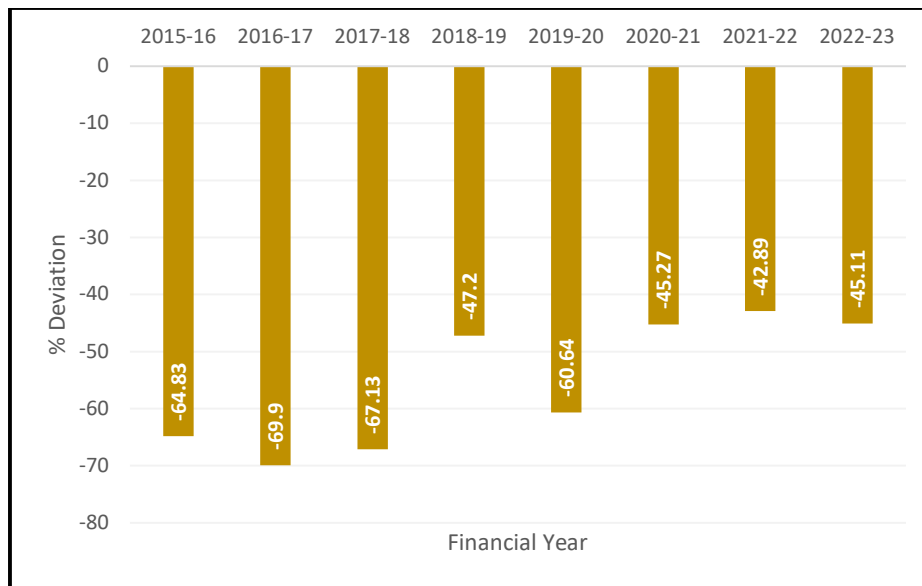


Figure 2.15: Percentage Deviation between Expenditure Budget Estimates and Actuals from 2015 to 2022

Data Source: Budget, Corporation of Thiruvananthapuram. <https://tmc.lsgkerala.gov.in/en/budget->

It is evident that the gap between budget estimates and actuals of expenditure has reduced by nearly 20% between 2015-16 and 2022-23. However, an overestimation by over 45% in 2022-23 shows that the municipal corporation is projecting figures much higher than its actual requirements.

Data Gap Analysis

The Corporation of Thiruvananthapuram has made its budget documents available to the public on their website. The items in the budgets are listed in both English and Malayalam, making them accessible to the native population. The budget actuals are available in all budget documents from 2015-16. However, prior to that, the actual figures are not published in the

budget documents. Only the budget estimates and revised estimates for the financial year have been published.

There are numerous instances of missing actual figures for various items in the budget documents. For instance, there is no data available for 2020-21 which indicates the expenditure incurred on loan repayments, advances, deposits, investments, and other financial liabilities.

The classification of items under various major heads has been updated over the years. The coding pattern has also changed. For instance, the major head Productive Sector has been included in the budget document from 2020-21. Prior to 2020-21, the items under this major head are not listed. This makes it difficult to analyse the corporation's expenditure on development of the productive sector.

Gap in Institutional Structure

The Corporation of Thiruvananthapuram has a well-organised administrative structure. In 2017, the city was chosen as the Best Governed City in India by Janaagraha Centre for Citizenship and Democracy. The corporation makes budget documents publicly accessible on its website for public perusal. The budget is created in both English and Malayalam. In this way, it ensures transparency.

The budget documents are only available in PDF format, and not as an Excel workbook, making it difficult to analyse the data. Some budget documents contain missing figures. This suggests that there are discrepancies in the data verification mechanism. It creates challenges in tracking government revenue and expenditure.

The corporation conducts an internal audit process. The audit process follows the guidelines issued by the Comptroller and Auditor General. However, the audit reports are not published on the website. There is no evidence of inviting public participation in the budget cycle.

Annexure 1 analyses how far the budget process of the Corporation of Thiruvananthapuram is transparent, accessible, timely, and accountable.

CONCLUSION

Key Findings

1. The revenue earned by the Corporation of Thiruvananthapuram has exceeded the expenditure incurred in each financial year since 2016-17.

2. The margin between revenue generated by the municipal corporation on its own and that from external funding has widened over the past few years. The share of revenue from own sources has reduced from 43% in 2015-16 to 29% in 2022-23. The Corporation of Thiruvananthapuram is heavily reliant on funds from the Centre and the State.
3. Tax revenue is the biggest contributor to the municipal corporation's revenue. This indicates that there has not been an improvement in the capacity of the municipal corporation to generate its own revenue.
4. In 2020-21, the Corporation of Thiruvananthapuram increased its expenditure on the production, service, and infrastructure sectors by over 300 crores. This means that the municipal corporation has boosted its spending towards the development of these sectors.
5. The budget documents for all the years studied indicate a high degree of overestimation in the budget estimates for both revenue and expenditure.
6. The deviation between budget estimates and actuals has reduced over the years. However, the deviations in expenditure values have reduced at a lower rate than those in revenue values.
7. There are instances of the absence of figures in budget documents. The coding system and the classification of budget items has also undergone change. This creates difficulty in comparing more recent budgets to earlier ones.

The shortcomings associated with the budget of Thiruvananthapuram city can be overcome by introducing certain changes in how the municipal corporation functions.

1. The share of revenue from own sources has fallen over the years. The municipal corporation's capacity to generate its own revenue, particularly in the form of property taxes, can be enhanced. For this, property taxes at the municipal level should be reflective of property valuation. In addition, the corporation can introduce digital platforms for tax collection to improve tax compliance. This was proposed in the RBI report on Municipal Finances (Reserve Bank of India et al., 2024).
2. The problem of overestimation of budget figures can be reduced by adapting the budget process. The municipal corporation can use a more data-driven approach. This would involve understanding the past trends in its revenue and expenditure, and estimating figures accordingly.

3. The municipal corporation can implement a standardized classification system for budget items. This will systemize the data and ensure homogeneity across budget documents. It will facilitate budgetary analysis across years, and also a comparative study of different municipal corporations. This was also proposed by the report of the Sundaramurti Committee (2012) to review the list of major and minor heads of accounts.

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ANNEXURE 1

Table 1:Institutional Gaps in the budget of the Corporation of Thiruvananthapuram

| Indicators | Performance of the Municipal Corporation |
|-------------------------------------------------------------------------------------------|-------------------------------------------------|
| Availability of Data | |
| Is budget data on actual figures available? | Yes |
| Are actuals available for all years? | No |
| Is complete data on budget estimates available? | Yes |
| Is data available for all budget items? | No |
| Does the Corporation of Thiruvananthapuram have a user-friendly and functioning website? | Yes |
| Is budget data available in one place on the Corporation of Thiruvananthapuram's website? | Yes |
| Is the data available in Excel or other reader-friendly formats? | No |
| Does the Corporation of Thiruvananthapuram publish internal audit reports? | No |
| Timeliness | |
| Is the budget information published on time? | Yes |

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|-----------------------------------------------------------------------------------------------------------------------|------------|
| Accessibility | |
| Is the budget document available in languages other than English? | Yes |
| Does the Corporation of Thiruvananthapuram publish a simplified Citizen's Budget? | No |
| Accountability | |
| Does the Corporation of Thiruvananthapuram follow an internal audit process? | Yes |
| Is the MC budget audited by an external authority like State Audit Department/ Comptroller and Auditor General (CAG)? | No |
| Is there a formal window for public participation at any stage of the budget cycle? | No |