

# **Public Expenditure in Kerala : Fiscal Policies & Consequences**

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March 07, 2019

# Objectives

- Examine fiscal policies pursued in Kerala with regard to resource mobilisation and public expenditure
- Discuss the trend, pattern and consequences of the public expenditure
- The changing fiscal situation since the white paper on State finances, 2016
- Data sources are Budget documents of Government of Kerala, Reports of the Comptroller and Auditor General of India and RBI data on state finances.

# Hypothesis

- The unsound fiscal policies pursued by successive governments neglecting the own resource mobilisation on the one hand and excessive increase in non-plan revenue expenditure and poor fiscal management on the other have contributed to persistent fiscal crisis.
- This led to a vicious circle of persistent low revenue receipts, higher non-plan revenue expenditure (NPRE) increase in borrowing to meet NPRE and unmanageable level of revenue and fiscal deficits
- Failure of state government to take prompt action on steady deterioration and collapse of state finances predicted by the white paper, 2016 lead the state towards a fiscal collapse.

# **I. The Worst Fiscal Crisis of Kerala (1998-2001)**

(White Paper 2001)

- What is Kerala's experience relating to excessive increase in non-plan revenue expenditure (NPRE) and stagnation of own resource mobilisation?
- The result is the worst fiscal crisis in Kerala history.
- Persistent huge revenue deficit (RD-GSDP ratio) since 1998-99 (3.3–5.2 % )
- Alarming growth in fiscal deficit (FD), FD-GSDP ratio (4.8–6.6 %)
- Steep increase in public debt (25.2 – 32.9% of GSDP)
- Borrowing to meet additional liability due to pay and pension revision, 1997
- Unsustainable salary and pension bill built up overtime



- Salary expenditure increased from 16 % in 1998-99 to 38% in 1999-2000 resulting in a spurt in revenue deficit
- Increase in debt servings investment payment and repayment of capital
- Financial liability due to the implemetation of Plus Two school scheme in 1999-2000
- Inflated annual plans without considering resource availability
- Accumulation of losses of public sector undertakings (PSUs) and failure to pay dividends
- Reckless expenditure on non-plan revenue items without considering resources
- Fiscal extravagance to satisfy the powerful vested interest groups
- Ad hoc resource mobilisation short term borrowing

# Magnitude of the Crisis

- Unable to pay cash to cheques issued by the Government
- Dishonored cheques are being revalidated after the expiry of date (6 months)
- Courts are attaching Government property, vehicles and furniture for failure to pay liabilities
- Retired staff were unsure about getting their gratuity and pensionary benefits.
- Severe restrictions on withdrawal of Provident Fund of employees
- Severe cut in plan expenditure to finance non-plan revenue expenditure
- Government departments did not have funds to purchase postal stamps, fuel for vehicles, payment of telephone, water and electricity charges.

## **Fiscal crisis in 2016** (White Paper, June 2016)

- The State is facing an acute fiscal crisis
- Entire borrowing permitted by central government is just sufficient to meet the day to day expenditure
- No funds left for capital expenditure
- State budgets presented are highly unrealistic with regard to resource mobilisation and expenditure for 3 years (2013-16)
- Additional resource mobilisation measures have not been implemented
- Inflated annual plans- not based on resources availability

- Fall in plan expenditure (actual plan expenditure 60-70%)
- For 3 years, the implementation of annual plans have virtually stagnated
- Schemes in the budget had no resources to finance them
- The state has been living on a financial lie.
- The total short term liabilities is ₹ 10,628 crore. The LDF government is tied down for meeting their liabilities



➤ **Two reasons for the crisis :**

- 1) Failure on expenditure control and
- 2) Poor resource mobilisation

➤ **Causes attributed to the crisis :**

- 1) Unsound fiscal policy
- 2) Poor fiscal management
- 3) Inefficiency in tax administration and
- 4) Corruption (of the UDF government for 3 years, 2013-16)

## **Prediction of White Paper 2016**

- If the same fiscal situation continues, state would be in a fiscal anarchy in 2017-18.
- Development and growth of the state would come to a halt
- By 2021, the revenue deficit would exceed 3.25% of GSDP and gross fiscal deficit 6.25% of GSDP
- Will Result in default of payments on salaries, pensions and loan repayment obligations by 2021
- The state will move to fiscal collapse by 2021

# **Fiscal Situation Worsens Since 2015-16**

- Available evidences suggests that the fiscal situation worsens since 2015-16
- The CAG report on state finances says that the fiscal crisis become more worse in 2016-17 compared to previous year (Table 1,2 & 3)
- There has been an increase in revenue deficit, fiscal deficit and debt GDP ratio.
- During the year 2017-18 government imposed severe restrictions on treasury payments during the major part of the year
- Except salary, pensions and few establishment items, treasury payments of all other item were restricted between October and December 2017

- The state government was forced to withdraw an amount of ₹ 12,000 crore deposited by government departments and 1200 LGs in treasury saving bank accounts.
- Expenditure control on non-plan revenue expenditure and additional treasury restrictions were announced in March 2018.
- In addition to the existing treasury restrictions, new restrictions were imposed in December 2018.
- The devastating flood during August 2018 also contributed to substantial fall in revenue receipts of state.



**Table 1**  
**Trends in Revenue Deficit (RD)**

<b>Year</b>	<b>Revenue deficit (Rs Crore)</b>	<b>RD as % of revenue expenditure</b>	<b>GSDP* (₹ crore)</b>	<b>RD as % of GSDP</b>	<b>RD as per KFR Act (%)</b>
2000-01	3147	26.5		4.3	
2005-06	3129	17.0		2.3	
2010-11	3674	10.6	324513	1.13	
2011-12	8035	17.4	364048	2.21	1.4
2012-13	9352	17.5	412313	2.27	0.9
2013-14	11309	18.7	465041	2.43	0.5
2014-15	13796	19.2	512564	2.69	0.0
2015-16	9657	12.3	561994	1.72	0.0
2016-17	15484	17.0	616357	2.51	0.0
2017-18	16928	16.9	686764	2.46	0.0

Note: \*The GSDP figures given in budget in brief 2019-20 issued for calculation of all GSDP fiscal indicators in the paper

Source: CAG (2016), Report of CAG on state finances for the year ended March 2015 and CAG (2018), Report for the year ended March 2017 and budget in brief 2019-2020.

**Table 2**  
**Trends in Gross Fiscal Deficit (GFD)**

<b>Year</b>	<b>GFD (Rs crore)</b>	<b>GFD as % of total expenditure</b>	<b>GFD as % of GSDP</b>	<b>GFD Target as per KFR Act (%)</b>
2000-01	3878	31.1	5.3	
2005-06	4182	21.4	3.1	
2010-11	7731	19.9	2.38	
2011-12	12815	25.2	3.52	3.5
2012-13	15002	25.3	3.64	3.5
2013-14	16944	25.5	3.64	3.0
2014-15	18642	24.2	3.64	3.0
2015-16	17818	20.5	3.17	3.0
2016-17	26448	25.8	4.29	3.0
2017-18	26837	24.3	3.91	3.0

*Source:* Same as Table 1

**Table 3**  
**Trends in public debt**

<b>Year</b>	<b>Public debt (Rs Crore)</b>	<b>Rate of growth (%)</b>	<b>Debt/GSDP (%)</b>	<b>Target as per KFR Act (Debt-GSDP Ratio)</b>
2000-01	23919	-	32.9	
2005-06	45929	9.7	33.5	
2010-11	78673	10.9	24.24	
2011-12	89418	13.7	24.56	32.2
2012-13	103561	15.8	25.12	31.7
2013-14	119009	14.9	25.59	30.7
2014-15	135440	13.8	26.42	29.8
2015-16	157370	16.2	28.00	31.3
2016-17	186453	18.5	30.25	30.8
2017-18	210762	13.03	30.69	30.4

*Source:* Same as Table 1

## **II. Fiscal Policy on Resources**

- Fiscal policy pursued by successive governments in Kerala had given low priority for achieving healthy and stable fiscal situation due to political considerations.
- Political consideration are the major factors behind lack of timely revision of taxes and non-taxes, poor collection, laxity in collection of arrears, fixing inflated plan outlays and fiscal extravagance.
- For instance there was no revision of rate of taxes and non-tax items collected by LGs for a period of 2 decades
- Poor performance of commercial taxes departments in the collection of sales tax, VAT, GST etc.
- Failure to achieve resources mobilisation targeted in the budget



- Fixing inflated plan outlays without considering resource availability
- Promotion of loss making public sector undertakings by giving funds from the state budget
- Lack of serious steps to collect the arrears of tax & non-tax revenue
- Lack of prompt settlement of dues between different governments & public sector undertakings
- Tax concession given to certain sections due to political considerations
- Lack of serious steps to strengthen the tax collection machinery, increase efficiency in collection, reducing corruption and failure to implement e-governance in tax administration etc.

# Total Receipts

- Revenue and Capital are the two streams of receipts
- Revenue receipts consists of tax revenue, non-tax revenue, State's share of union taxes and duties and grant in aid from the GOI
- Capital receipts comprise of non-debt capital receipts such as miscellaneous capital receipts, recoveries of loans and advances, and public debt resources from internal sources
- There has been a growth in the share of public debt receipts to total receipts (Table 4).
- It indicates that the state is depending on borrowing to meet revenue expenditure

**Table 4**  
**Trends in Total Receipts in the Consolidated Fund\***  
**(Rs crore)**

<b>Year</b>	<b>Total revenue receipts</b>	<b>Non-debt capital receipts</b>	<b>Public debt receipts</b>	<b>Total receipts</b>	<b>Share of public debt receipts to total receipts</b>
2000-01	8731	117	2156	11004	19.6
2005-06	15295	52	5823	21170	27.5
2010-11	30991	69	7189	38249	18.8
2011-12	38010	71	9799	47880	20.5
2012-13	44137	89	13261	57487	23.1
2013-14	49177	123	14461	63761	22.7
2014-15	57950	152	18509	76611	24.2
2015-16	69033	181	19658	88872	22.1
2016-17	75612	322	23858	99792	23.9
2017-18	83020	380	30234	113634	26.6

\*Excluding public account receipts:     *Source:* Same as Table 1

# Trends in Revenue Receipts

- There has been a steep decline in growth rate of own tax revenue since 2011-12 (Table 5)
- But there has been an increase in growth rate of central tax transfer
- The growth rate of revenue receipts was lower in 2016-17 and 2017-18
- The share of own taxes revenue receipts witness a steady fall
- The share of central tax transfer and grants-in-aid witnessed an increase
- Of the total revenue, the state's share is 69% and centre 31% in 2017-18 (Table 6)
- The structure of total revenue receipts is given in the Table 6



**Table 5**  
**Total Revenue Receipts**

<b>Year</b>	<b>Own taxes</b>	<b>Non-tax revenue</b>	<b>Central tax transfer</b>	<b>Grant-in-aid</b>	<b>Total revenue receipts</b>
	<b>Amount ₹ crore</b>				
2010-11	21722	1931	5142	2196	30991
2011-12	25719	2592	5990	3709	38010
2012-13	30077	4198	6841	3021	44137
2013-14	31995	5575	7469	4138	49177
2014-15	35232	7284	7926	7508	57950
2015-16	38995	8426	12691	8921	69033
2016-17	42177	9700	15225	8510	75612
2017-18	46459	11199	16833	8528	83020
	<b>Growth in %</b>				
2011-12	18.4	34.2	16.5	68.9	22.6
2012-13	16.9	62.0	14.2	-18.5	16.1
2013-14	6.4	32.8	9.2	37.0	11.4
2014-15	10.1	30.7	6.1	81.4	17.8
2015-16	10.7	15.7	60.1	18.8	19.1
2016-17	8.2	15.1	19.9	-4.6	9.5
2017-18	10.1	15.4	10.6	0.2	9.8

*Source:* Same as Table 1

**Table 6**  
**Percentage share of Total revenue receipts**

<b>Year</b>	<b>Own taxes</b>	<b>Non-tax revenue</b>	<b>Central tax transfer</b>	<b>Grant-in-aid</b>	<b>Total revenue receipts</b>
2010-11	70.09	6.23	16.59	7.08	100
2011-12	67.66	6.81	15.75	9.75	100
2012-13	68.14	9.51	15.49	6.84	100
2013-14	65.06	11.33	15.18	8.41	100
2014-15	60.79	12.56	13.67	12.95	100
2015-16	56.49	12.21	18.38	12.92	100
2016-17	55.78	12.83	20.14	11.25	100
2017-18	55.96	13.49	20.28	10.27	100

*Source:* Same as Table 1

# **Trends in SOTR and Non-tax Revenue**

- The state own tax revenue comprises of sales tax and VAT, stamps and registration, state excise, taxes on vehicles, other taxes etc (Table 7)
- There has been a decline in its growth rate since 2011-12
- The rate of growth was 8.8% in 2016-17 and 9.4% in 2017-18
- Sales tax and VAT accounts for the largest share of SOTR (79%)
- The other major taxes are taxes on vehicles, stamps and registration and state excise.
- The major items of non-tax revenue are interest receipts, dividends and profits, state lotteries, forestry and wild life revenue and others (Table 8)
- Of this, state lotteries is the largest item. But the amount is not net income but income from the sale of lottery tickets.
- The share cost for conducting the lotteries is about 78 per cent and net income is about 22 per cent



**Table 7**  
**Trends in State Own Tax Revenue**

Year	Sales tax and VAT	Stamps and registration	State excise	Taxes on vehicles	Other taxes	Total
	Amount ₹ crore					
2010-11	15833	2552	1700	1331	306	21722
2011-12	18939	2987	1883	1587	323	25719
2012-13	22511	2938	2314	1925	389	30077
2013-14	24885	2593	1942	2161	414	31995
2014-15	27908	2659	1777	2365	523	35232
2015-16	30737	2878	1964	2814	602	38995
2016-17	33453	3007	2019	3107	591	42177
2017-18	36586 (Sales Tax-24578 + GST-12008)	3453	2240	3663	518	46460
	Growth in %					
2011-12	19.6	17.0	10.8	19.2	5.6	18.4
2012-13	18.9	-1.6	22.9	21.3	20.4	16.9
2013-14	10.5	-11.7	-16.1	12.3	6.4	6.4
2014-15	12.1	2.5	-8.5	9.4	26.3	10.1
2015-16	10.1	8.2	10.5	19.0	15.1	10.7
2016-17	8.8	4.5	2.8	10.4	-1.8	8.2
2017-18	9.4	14.8	10.9	17.9	-12.4	10.2

Source: Same as Table 1



**Table 8**  
**Trends in non-tax revenue**

<b>Year</b>	<b>Interest receipts</b>	<b>Dividends and profits</b>	<b>State lotteries</b>	<b>Forestry and wild life</b>	<b>Other non-tax receipts</b>	<b>Grand total</b>
	<b>Amount ₹ crore</b>					
2010-11	172	75	571	274	839	1931
2011-12	136	67	1283	221	885	2592
2012-13	172	48	2674	237	1067	4198
2013-14	149	101	3796	330	1199	5575
2014-15	102	74	5445	300	1363	7284
2015-16	105	90	6271	283	1677	8426
2016-17	144	96	7283	297	1880	9700
2017-18	145	126	9034	245	1570	11120
	<b>Growth in %</b>					
2011-12	-20.9	-10.7	124.7	-19.3	5.5	34.2
2012-13	26.5	-28.4	108.4	7.2	20.6	62.0
2013-14	-13.4	110.4	42.0	39.2	12.4	32.8
2014-15	-31.5	-26.7	43.4	-9.1	13.7	30.7
2015-16	2.9	21.6	15.2	-5.7	23.0	15.7
2016-17	37.1	6.7	16.1	4.9	12.1	15.1
2017-18	0.7	31.3	24.0	-17.5	-16.5	14.6

*Source:* Same as Table 1

# **Arrears of Tax and Non-tax items**

- Mounting arrears is a serious issue
- According to CAG, the total arrear in March 2017 is ₹ 12591 crore (Table 9)
- Of this, the amount of arrears for more than five years is ₹ 5183 crore (41 per cent)
- Major share of arrears and from sales tax and VAT (61 per cent in March 2015)
- Land revenue arrears accounts for 20 per cent (March, 2015)
- Motor vehicles tax accounts for 12 per cent (March 2015)
- A major reason is stay orders issued by courts, state government and appellate bodies.
- Most public sector undertakings failed to pay dues in time
- Government also fail to take prompt action in collection of arrears due to political factors/corruption

**Table 9**  
**Amount of Tax and Non-Tax Arrears outstanding (Rs crore)**

<b>Year (as on March)</b>	<b>Total amount of arrears</b>	<b>Amount of arrears for more than five years</b>	<b>Amount of arrears for more than five years (Per cent)</b>
2011	5358	1679	31.3
2012	10273	3768	36.7
2013	12244	4389	35.8
2015	10436	1872	17.9
2017	12591	5183	41.2

Source: CAG (2018) Report of CAG on Revenue sector for the year ended on March 2017, (and previous issues)



### **III. Fiscal policies on Expenditure**

- State sponsored and funded development strategy since the formation of the state.
- Major political parties in Kerala believed in the ideology of socialism and expansion of bureaucracy
- The policy was to achieve development in all sectors through public investment
- Little priority was given to private investment till 1991 especially in non-agricultural sectors
- A large number of regulatory measures were implemented till 1991
- Salaries and pensions were revised once in five years and the same pattern was followed in autonomous bodies, universities, public sector undertakings and semi government organisations.



- Successive government resorted to fiscal extravagance to satisfy the powerful vested interest groups-trade unions in public sector, private aided institutions, bureaucracy, social organisations, other vested interest groups etc.
- Unnecessary public sector undertakings were started in tourism, hotels, housing, trade production of consumer goods etc.
- Expansion of public sector employment without considering future liability.
- Promoted public educational institutions, giving liberal grants-in-aid to private institutions (public expenditure)
- Restrict or prohibit private institutions in higher education /professional till 2001
- Contributed to rapid growth in non-plan revenue expenditure, borrowing to meet the NPRES and pushed the state in to persistent fiscal crisis

# Total Expenditure (TE)

- Total Expenditure is classified as revenue and capital
- The growth rate was 31.2% in 2011-12. This was mainly due to the pay revision (Table 10).
- During last five years the annual growth rate of total expenditure ranged between 17.6 & 11.8 except 2017-18
- The total expenditure-GSDP ratio in the last three years was about 16%
- The resource gap between revenue receipts and TE was about 25% for six years (out of 8 years)
- This means that nearly one fourth of the expenditure has been met through borrowing

**Table 10**  
**Total expenditure – Basic Parameters**

<b>Year</b>	<b>Total expenditure(TE) (Rs crore)</b>	<b>Rate of growth (%)</b>	<b>TE/ GSDP* (%)</b>	<b>Revenue receipts/TE (%)</b>
2010-11	38791	-	11.9	79.9
2011-12	50896	31.2	13.9	74.7
2012-13	59228	16.4	14.4	74.5
2013-14	66244	11.8	14.2	74.2
2014-15	76744	15.9	14.9	75.5
2015-16	87032	13.4	15.5	79.3
2016-17	102382	17.6	16.6	73.8
2017-18	110238	7.7	16.1	75.3

\* GSDP figures given in the table 1 is used to estimate TE/GSDP ratio

*Source:* Same as Table 1



# Revenue Expenditure (RE)

- RE accounts for about 89 to 93% of TE (Table 11)
- Annual Growth rate of RE range between 10 & 33 %
- Pay revisions ones in five years is the major factor which determine the growth of RE
- During 2011-12 the growth rate in RE was 32.8% mainly due to pay revision
- Only a small share of TE is spends for Capital Expenditure
- To find resources for RE, a cut in Capital Expenditure were effected
- The fall in RE in 2017-18 is due to severe restrictions imposed on treasury payments for major part of the year.



**Table 11**  
**Revenue Expenditure – Parameters (Rs in crore)**

<b>Year</b>	<b>Revenue expenditure (RE)</b>	<b>Growth rate of RE (%)</b>	<b>RE to total expenditure (%)</b>	<b>RE/GSDP Ratio (%)</b>
2010-11	34665	-	89.4	10.7
2011-12	46045	32.8	90.5	12.6
2012-13	53489	16.2	90.3	12.9
2013-14	60486	13.1	91.3	13.0
2014-15	71746	18.6	93.5	13.9
2015-16	78690	9.7	90.4	14.0
2016-17	91096	15.7	88.9	14.8
2017-18	99948	9.7	90.7	14.6

*Source:* Same as Table 1

# **Non Plan Revenue Expenditure (NPRE)**

- The NPRE is to meet items like salaries, pension, interest, subsidies, establishment, administration, grants-in-aid, etc.
- NPRE accounts for 76-81% of total expenditure (Table 12)
- NPRE as percent of revenue receipts was more than 100% in seven years except 2015-16
- This suggest that the entire revenue receipts is not sufficient to meet NPRE
- For meeting NPRE, government resort to continuous borrowing.
- The major factor which influence NPRE is salary, pension and DA revisions
- Rapid rise in NPRE is the root cause of the fiscal crisis

**Table 12**  
**Non Plan Revenue Expenditure (NPRE)**

<b>Year</b>	<b>NPRE (₹ in crore)</b>	<b>Rate of Growth (%)</b>	<b>NPRE/GSDP Ratio (%)</b>	<b>NPRE as % of TE</b>	<b>NPRE as % of revenue receipts</b>
2010-11	30469	-	9.4	78.5	98.3
2011-12	40718	33.6	11.2	80.0	107.1
2012-13	46640	14.5	11.3	78.7	105.7
2013-14	53412	14.5	11.5	80.6	108.6
2014-15	61462	15.1	11.9	80.1	106.1
2015-16	66611	8.4	14.4	76.5	96.5
2016-17	77604	16.5	12.6	75.8	102.6
2017-18	83767	7.9	12.2	76.0	100.9

*Source:* Same as Table 1

# Salary and Pension Expenditure

- Kerala has a total staff strength of 5.15 lakh of staff including private aided staff (Table 13)
- A major cause of the fiscal crisis has been the revision of salary and pensions once in five years (Table 14)
- Between 1997 and 2014, four pay revisions were implemented (Table 14)
- Revision of salary results in an increase in expenditure of about 45 per cent in 2011-12 (Table 15)
- The revision of pension results in 50 per cent increase in expenditure in 2011-12 (Table 16)
- The total expenditure of salary and pension ranged between 43 to 49 per cent of total expenditure (Table 17 & 18)



- It accounts for 46 to 54 percent of the revenue expenditure
- It accounts for major share of NPRE
- Starting new private aided institutions and courses involving huge financial commitment.
- Funds to support uneconomic Government and private aided schools and excess teachers
- Due to lack of norms for utilisation of Government vehicles for personal purposes, widespread misutilisation is taking place
- The LDF government has created nearly 20,000 new posts during the last 3 years

**Table 13**  
**Total Staff: Different Categories**

	<b>Category</b>	<b>Number in March 2012</b>	<b>Number in January 2019</b>	<b>Growth rate (%) (2012-2019)</b>
1	State Government	485757	496196	2.1
2	Consolidated Pay	592	934	57.8
3	All India Services	197	288	46.2
4	UGC	13544	15380	13.6
5	AICTE	1877	2230	18.8
6	Judicial	525	551	4.9
7	Others	183	60	-67.2
	Total	502675	515639	2.6

*Source:* GoK (2019), Appendix 1 to detailed budget estimates of 2019-20, Details of Staff (and previous issues)

**Table 14**  
**Revision of Scales of Pay: Lowest and Highest Scales (₹)**

<b>Date of Pay Revision</b>	<b>Lowest Scale of Pay</b>
1-3-1997	2610-60-3150-65-3540-70-3680
1-7-2004	4510-120-4990-130-5510-140-5930-150-6230
1-7-2009	8500-230-9190-250-9940-270-11020-300-12220-330-13210
1-7-2014*	16500-35700
<b>Date of Pay Revision</b>	<b>Highest Scale of Pay</b>
1-3-1997	16300-450-19900
1-7-2004	26600-650-33750
1-7-2009	48640-1100-57440-1200-59840
1-7-2014*	93000-120000

\*implemented on 20-01-2016

*Source:* Same as Table 13

**Table 15**  
**Salary Expenditure**

<b>Year</b>	<b>Salary Expenditure (₹ in crore)</b>	<b>Growth (%)</b>	<b>Share of total expenditure (%)</b>	<b>Share of revenue expenditure (%)</b>
2010-11	11178	-	28.8	32.2
2011-12	16229	45.1	31.8	35.2
2012-13	17505	7.8	29.5	32.7
2013-14	19554	11.7	29.5	32.3
2014-15	21621	10.5	28.1	30.1
2015-16	23757	9.9	27.3	30.2
2016-17	28373	19.4	27.7	31.1
2017-18	32349	14.0	32.4	32.4

*Source:* Same as Table 1



**Table 16**  
**Pension Expenditure**

<b>Year</b>	<b>Pension Expenditure (₹ in crore)</b>	<b>Growth (%)</b>	<b>Share of total expenditure (%)</b>	<b>Share of revenue expenditure (%)</b>
2010-11	5767	-	14.8	16.6
2011-12	8700	50.8	17.1	18.9
2012-13	8867	1.9	14.9	16.6
2013-14	9971	12.4	15.1	16.5
2014-15	11253	12.8	14.6	15.7
2015-16	13063	16.1	15.0	16.6
2016-17	15277	16.9	14.9	16.7
2017-18	19938	30.5	18.1	19.9

*Source:* Same as Table 1

**Table 17**  
**Salary and Pension : Indicators of Expenditure**

<b>Year</b>	<b>Total salary &amp; pension (₹ in crore)</b>	<b>Salary &amp; pension to total expenditure (%)</b>	<b>Salary &amp; pension to total revenue expenditure (%)</b>	<b>Salary &amp; pension to total non-plan revenue expenditure (%)</b>
2010-11	16945	43.7	48.9	55.6
2011-12	24929	48.9	54.1	61.2
2012-13	26372	44.5	49.3	56.5
2013-14	29525	44.6	48.8	55.3
2014-15	32874	42.8	45.8	53.5
2015-16	36820	42.3	46.8	55.3
2016-17	43650	42.6	47.9	56.2
2017-18	52287	47.4	52.3	62.4

*Source:* Same as Table 1

**Table 18**  
**Annual Average Growth Rate of Salary and Pension Expenditure (%)**

<b>Period</b>	<b>Salary</b>	<b>Pension</b>	<b>Total</b>
2000-01 to 2005-06	5.4	8.6	6.2
2005-06 to 2010-11	14.6	16.5	15.0
2010-11 to 2015-16	16.8	19.0	17.5
2016-17	19.4	16.9	18.5

*Source:* Calculated based on the sources given in Table 17

# Interest Payments

- Interest on public debt is a major item of revenue expenditure
- There has been an increase in interest payments since 2011-12 (Table 19)
- Interest accounts for 13 to 16 percent of revenue expenditure.
- During the year 2017-18, this was a spurt in growth rate (25%)
- This indicate increased borrowing to meet NPRE



**Table 19**  
**Expenditure on interest**

<b>Year</b>	<b>Interest (₹ in crore)</b>	<b>Growth rate (%)</b>	<b>Interest as % of revenue expenditure</b>
2010-11	5690	-	16.41
2011-12	6294	10.6	13.67
2012-13	7205	14.5	13.47
2013-14	8265	14.7	13.66
2014-15	9770	18.2	13.62
2015-16	11111	13.7	14.1
2016-17	12117	9.1	13.3
2017-18	15120	24.8	15.1

*Source:* Same as Table 1

# **Revenue Expenditure : General, Social and Economic Services**

- General service consists of administration of justice, land revenue, interest payments, police, pension and other general services
- Social service consists of public education, health, water supply, urban development, welfare of SC/ST etc, labour and labour welfare, social welfare etc.
- Economic service consists of agriculture and allied, rural development, irrigation, energy, industry, transport, science and technology etc.

## **Trends in Revenue Expenditure : General, Social and Economic Service**

- There has been an increase of general and social services except 2017-18 (Table 20)
- But the spending on economic service registered a steady decline.
- There has been a negative growth in 2016-17
- The growth in expenditure was only 6.5% in 2017-18
- Due to fiscal crisis there has been a cut in economic services

**Table 20**  
**Revenue expenditure : general, social and economic services**

Year	General Services	Social Services	Economic Services	Grants-in-aid	Total
	<b>Amount (₹ crore)</b>				
2010-11	15418	12111	4358	2778	34665
2011-12	20300	16224	6132	3389	46045
2012-13	22787	18878	7808	4016	53489
2013-14	26605	20980	7929	4972	60486
2014-15	31433	23718	10197	6398	71746
2015-16	36085	27603	11099	3903	78690
2016-17	41195	33765	10655	5481	91096
2017-18	45524	35876	11351	7197	99948
	<b>Growth Rate (%)</b>				
2011-12	31.7	33.9	40.7	22.0	32.8
2012-13	12.2	16.3	27.3	18.5	16.2
2013-14	16.7	11.1	1.5	23.8	13.1
2014-15	18.1	13.1	28.6	28.7	18.6
2015-16	14.8	16.4	8.8	-39.0	9.7
2016-17	14.2	22.3	-4.0	40.4	15.8
2017-18	10.5	6.3	6.5	31.3	9.7

*Source:* Same as Table 1



## **Trends in Capital expenditure : General, Social and Economic services**

- The spending on general and social services witness wide variation
- There has been a negative growth in economic services (Table 21)
- Of the seven years, 3 years witnessed a negative growth
- There has been a negative growth in capital expenditure during 3 years
- This indicate that there has been a cut in capital expenditure
- The structure of revenue and capital expenditure is given in table 22

**Table 21**  
**Capital expenditure : general, social and economic services**

<b>Year</b>	<b>General Services</b>	<b>Social Services</b>	<b>Economic Services</b>	<b>Total</b>
	<b>Amount (₹ crore)</b>			
2010-11	119	479	2766	3364
2011-12	162	595	3096	3853
2012-13	147	562	3894	4603
2013-14	148	617	3529	4294
2014-15	135	875	3245	4255
2015-16	257	1035	6208	7500
2016-17	211	1293	8622	10126
2017-18	268	1406	7075	8749
	<b>Growth Rate (%)</b>			
2011-12	36.1	24.2	11.9	14.5
2012-13	-9.3	-5.5	25.8	45.4
2013-14	0.7	9.8	-9.4	-6.7
2014-15	8.8	41.8	-8.0	-0.9
2015-16	90.4	18.3	91.3	76.3
2016-17	-17.9	24.9	38.9	35.0
2017-18	27.0	8.7	-17.9	-13.6

*Source:* Same as Table 1

**Table 22**  
**Structure of Revenue and Capital Expenditure (% share)**

<b>Year</b>	<b>General Services</b>	<b>Social Services</b>	<b>Economic Services</b>	<b>Grants-in-aid</b>	<b>Total</b>
	<b>Revenue Expenditure (%)</b>				
2010-11	44.5	34.9	12.6	8.0	100
2017-18	45.5	35.9	11.4	7.2	100
	<b>Capital Expenditure (%)</b>				
2010-11	3.5	14.2	82.2	NA	100
2017-18	3.1	16.1	80.8	NA	100

# Plan Expenditure

- Plan expenditure (revenue) accounts for 12 to 16 percent of total revenue expenditure (Table 23)
- There has been a decline in its growth rate in plan expenditure since 2014-15
- During 2017-18, the growth in plan expenditure was 19.9 percent
- Plan expenditure (capital) account for 75 to 91 percent of capital expenditure (Table 24)
- The growth rate in capital expenditure is not steady.
- During 2017-18, there has been a negative growth in capital expenditure.



**Table 23**  
**Revenue Expenditure : Plan + Non-plan**

<b>Year</b>	<b>Plan (₹ crore)</b>	<b>Non-plan (₹ crore)</b>	<b>Total revenue expenditure (₹ crore)</b>	<b>Growth rate of plan expenditure (%)</b>	<b>Share of plan to total revenue expenditure (%)</b>
2010-11	4196	30469	34665	-	12.1
2011-12	5327	40718	46045	26.9	11.6
2012-13	6849	46640	53489	28.6	12.8
2013-14	7074	53412	60486	3.3	11.7
2014-15	10282	61464	71746	45.3	14.3
2015-16	12079	66611	78690	17.5	15.4
2016-17	13492	77604	91096	11.7	14.8
2017-18	16182	83767	99948	19.9	16.2

*Source:* Same as Table 1

**Table 24**  
**Capital Expenditure : Plan + Non-plan**

<b>Year</b>	<b>Plan (₹ crore)</b>	<b>Non-plan (₹ crore)</b>	<b>Total capital expenditure (₹ crore)</b>	<b>Growth rate of plan expenditure(%)</b>	<b>Share of plan to total capital expenditure (%)</b>
2010-11	2766	598	3364	-	82.2
2011-12	3398	455	3853	22.8	88.2
2012-13	3466	1137	4603	2.0	75.3
2013-14	3497	797	4294	0.9	81.4
2014-15	3881	374	4255	10.9	91.2
2015-16	6518	982	7500	67.9	86.9
2016-17	8946	1180	10126	37.3	88.3
2017-18	7994	755	8749	-10.6	91.4

*Source:* Same as Table 1

# Conclusions

- Kerala's fiscal crisis is a basic, structural and persistent problem
- It is not a temporary or short term problem relating to the rule of one government
- But successive governments in Kerala treated this as a temporary problem
- The white paper 2016 has considered this as a temporary problem of fiscal mismanagement of UDF
- Basically there is not much difference in fiscal policy pursued by the present and previous government
- Fiscal policies pursued have given low priority for own resource mobilisation. Efforts was not made to improve the fiscal management or revenue collection
- Fiscal policies promote excessive increase in non-plan revenue expenditure

- There is no change in the fiscal extravagance to satisfy the powerful vested interests (trade unions in public sector, private aided institutions, bureaucracy, social organisations etc)
- The failure of successive governments to correct the unsound policies, regarding resource mobilisation and restrict the excessive growth in non-plan revenue expenditure have resulted in deepening the crisis
- All available evidences suggest that the fiscal situation worsened since the publication of white paper 2016
- The state is heading towards a fiscal collapse.
- The white paper 2016 predicted that the fiscal collapse will happen in 2021
- But it is likely that it will happen before that



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**THANK YOU**

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