

PRESS BRIEF

The State Finance Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, Government of Kerala has been laid on the table of Kerala Legislative Assembly on 14-11-2019. Audit Reports upon their presentation to the Legislature are public Documents.

This Audit Report, apart from providing a broad perspective of the finances of the Government of Kerala, contains observations on matters arising from examination of the Finance Accounts and Appropriation Accounts of the State Government for 2017-18. It also provides an overview and status of State Government's compliance with various financial rules, procedures and directives during the current year. The summary of the most important points highlighted in the Report are given below:

Finances of the State Government

Overall financial status

Revenue deficit increased from ₹15,484 crore in 2016-17 to ₹16,928 crore in 2017-18 and fiscal deficit increased from ₹26,448 crore in 2016-17 to ₹26,838 crore in 2017-18. The ratio of fiscal deficit to GSDP improved from 4.3 *per cent* in 2016-17 to 3.9 *per cent* in 2017-18. State did not achieve any of the targets fixed in its Medium Term Fiscal Plan or Kerala Fiscal Responsibility Act during 2017-18. As per the recommendation of the Fourteenth Finance Commission, Fiscal deficit to GSDP ratio was to be anchored at 3 *per cent* but it was 3.9 *per cent* during 2017-18.

Revenue resources of the State

Revenue receipts of the State increased from ₹49,177 crore in 2013-14 to ₹83,020 crore in 2017-18 recording a growth rate of 69 *per cent* during last five years. Share of State's own tax revenue being the main source of revenue in revenue receipts decreased from 65 *per cent* in 2013-14 to 56 *per cent* in 2017-18 indicating low growth rate of tax revenue when compared to other components of tax revenue. Though the receipts under State Lotteries was ₹9,034 crore (81 *per cent* of Non-tax revenue) an equally high expenditure of ₹7,628 crore on distribution of prizes, agent commission, etc. reduced the net yield to ₹1,406 crore during the year.

Revenue expenditure of the State

Revenue Expenditure of the State increased from ₹60,486 crore in 2013-14 to ₹99,948 crore in 2017-18 recording a growth of 65 *per cent* during the five year period. Revenue expenditure as a percentage of total expenditure increased during 2017-18 over the previous year indicating low priority of Government towards capital expenditure. Share of committed expenditure in revenue expenditure increased from 63 *per cent* in 2016-17 to 69 *per cent* in 2017-18. Interest payments and pension payments consumed 18 *per cent* and 24 *per cent* respectively of revenue receipts and is a matter of concern for the State Government.

Quality of expenditure

Capital expenditure decreased by ₹1,377 crore during the year and its share in total expenditure decreased from 10 *per cent* in 2016-17 to 8 *per cent* in 2017-18. State's share of expenditure on health and education sector in total expenditure was more than General Category States, but the share of capital expenditure and development expenditure in total expenditure was less than that of General Category States. During 2017-18, expenditure of Kerala on health and education sectors as percentage of total expenditure (6 *per cent* and 17.30 *per cent* respectively) was higher than Tamil Nadu (5.36 *per cent* and 15.21 *per cent* respectively) and Karnataka (4.55 *per cent* and 12.60 *per cent* respectively). However, capital expenditure as percentage of total expenditure was lower for Kerala (7.90 *per cent*) when compared to Tamil Nadu (10.38 *per cent*) and Karnataka (20.06 *per cent*). The average return on investment made by State Government in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives was 1.44 *per cent* in the last five years while the Government paid an average interest rate of 7.24 *per cent* on its borrowings during the same period. The interest receipt on loans and advances given by State Government was 0.25 *per cent* during 2017-18 against the average cost of borrowing of 7.48 *per cent*.

Debt management

Open market borrowings have a major share (54 *per cent*) in total fiscal liabilities of the State. The net debt available with State for development activities was only ₹6,164 crore (26 *per cent* of public debt receipts) during 2017-18. Maturity profile of the State shows that about 50.14 *per cent* of the debt (₹71,698.62 crore) is to be repaid by March 2025.

Resumption of funds from Special Treasury Savings Bank Accounts during the fag end of 2017-18

State Government resumed an amount of ₹8,298.22 crore to the Consolidated Fund from Special Treasury Savings Bank Accounts of various Government Departments and PSUs during the fag end of 2017-18 in order to increase State's entitlement to open market borrowings during the last quarter of 2017-18. However, the consequent increased market borrowings were used mainly for financing the revenue expenditure. Decrease in Capital Expenditure (14 *per cent*) during 2017-18 when compared to previous year did not justify the requirement for enhancement in market borrowings.

Financial Management and Budgetary Control

The overall savings of ₹11,424.97 crore (7.89 *per cent*) in 2017-18 against the total budget allocation of ₹1,44,881.94 crore was 7.60 *per cent* less than the savings noticed during 2016-17 (15.49 *per cent*). Persistent savings exceeding ₹100 crore were noticed in eight Grants under revenue section and five Grants and one Appropriation under capital section. During 2017-18, 11 *per cent* of the total budget allocation was surrendered at the end of the financial year, which includes five grants having surrender more than ₹1,000 crore.

Financial Reporting

Out of 26 Autonomous Bodies, the audit of accounts of those was entrusted to C &AG of India, accounts of 12 bodies were due for submission to Audit for periods ranging from two to five years.

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