

CHAPTER II
FINANCES OF THE
STATE

CHAPTER II

FINANCES OF THE STATE

This Chapter analyses the Finance Accounts of the State for the year 2022-23 to unravel the underlying causes of deficit and areas of fiscal concern as well as positive trends.

2.1 Major Changes in Key Fiscal Aggregates vis-a-vis 2021-22

The major changes in key fiscal aggregates of the State during the year 2022-23, compared to the previous year are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

		(₹ in crore)			
	Particulars	2021-22	2022-23	Increase (+)/ Decrease (-) (in per cent)	
A	Revenue Receipts	1,16,640.24	1,32,724.65	13.79	
	Own Tax Revenue	58,340.52	71,968.16	23.36	
	Non-Tax Revenue	10,462.51	15,117.95	44.50	
	State's share of Union taxes and duties	17,820.09	18,260.68	2.47	
	Grants- in-aid from Govt. of India	30,017.12	27,377.86	(-)8.79	
	Revenue Receipts of the State increased by ₹16,084.41 crore mainly due to increase in Own tax Revenue by ₹13,627.64 crore followed by non-tax revenue by ₹4,655.44 crore				
B	Revenue Expenditure	1,46,179.51	1,41,950.93	(-)2.89	
	Social Services	50,695.61	50,275.91	(-)0.83	
	Economic Services	15,713.81	12,280.82	(-)21.85	
	General Services	70,110.00	69,831.68	(-)0.40	
	Grants in Aid	9,660.09	9,562.52	(-)1.01	
	The revenue expenditure under Economic Services decreased by ₹3,432.99 crore which contributed to a decrease of ₹4,228.58 crore in the total revenue expenditure of the State.				
C	Capital Receipts				
	Debt Capital Receipts	64,932.14	54,007.17	(-)16.83	
	Non-debt Capital Receipts	539.51	459.23	(-)14.88	
Debt capital receipts and non-debt capital receipts decreased by 16.83 per cent and 14.88 per cent respectively.					

	Particulars	2021-22	2022-23	Increase (+)/ Decrease (-) (in per cent)	
D	Capital Expenditure	Capital Outlay	14,191.73	13,996.56	(-)1.38
		Social Services	3,342.63	3,030.08	(-)9.35
		Economic Services	10,580.84	10,659.59	0.74
		General Services	268.26	306.89	14.40
		The capital expenditure under Social Services decreased by ₹312.55 crore and increased under Economic Services and General Services by ₹78.75 crore and ₹38.63 crore respectively resulting in a decrease of ₹195.17 crore in the total Capital expenditure of the State.			
E	Loans and Advances	Disbursement of Loans and Advances	2,854.29	2,790.93	(-)2.22
		Recovery of Loan & Advances	479.24	409.29	(-)14.60
		The recovery of Loans and Advances decreased by ₹69.95 crore when compared to the previous year.			
F	Public Debt	PD Receipts*	64,932.14	54,007.17	(-)16.83
		PD Disbursement	35,900.00	35,980.76	0.22
G	Public Account	PA Receipts	3,55,961.24	3,37,441.36	(-)5.20
		PA Disbursement	3,36,440.12	3,27,399.51	(-)2.69
H	Cash balance	Closing Balance	7,475.46	9,991.68	33.66

* Effective Public Debt Receipts for the year 2021-22 would be ₹56,192.83 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹8,739.31 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The major pattern evolving from these aggregates are

1. The revenue receipts of the State including GoI transfers could fund only 93.5 per cent of the revenue expenditure. Though the revenue expenditure during the current year has decreased by 2.89 per cent when compared to the previous year, the fact, however, remains that 6.5 per cent of the revenue expenditure was still to be met from the borrowed funds.
2. Expenditure on Capital Account represents only 8.82 per cent of the total expenditure. This was due to the insufficiency of revenue receipts to fund the revenue expenditure.

2.2 Sources and Application of Funds

The components of the sources and application of funds of the State during the financial year compared to the previous year is given below in **Table 2.2**.

Table 2.2: Details of Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

Particulars		2021-22	2022-23	Increase (+)/ Decrease (-) (in per cent)
Sources	Opening Cash Balance	4,967.98	7,477.96*	50.52
	Revenue Receipts	1,16,640.24	1,32,724.65	13.79
	Capital Receipts	60.27	49.94	(-) 17.14
	Recoveries of Loans and Advances	479.24	409.29	(-) 14.60
	Public Debt Receipts (Net) **	29,032.14	18,026.41	(-) 37.91
	Public Account Receipts (Net)	19,521.12	10,041.85	(-) 48.56
	Contingency fund	0	0	0
	Total	1,70,700.99	1,68,730.10	(-) 1.15
Application	Revenue Expenditure	1,46,179.51	1,41,950.93	(-) 2.89
	Capital Expenditure	14,191.73	13,996.56	(-) 1.38
	Disbursement of Loans and Advances	2,854.29	2,790.93	(-) 2.22
	Closing Cash Balance	7,475.46	9,991.68	33.66
	Contingency fund	0	0	0
	Total	1,70,700.99	1,68,730.10	(-) 1.15

* Difference is due to rectification of misclassification of previous year

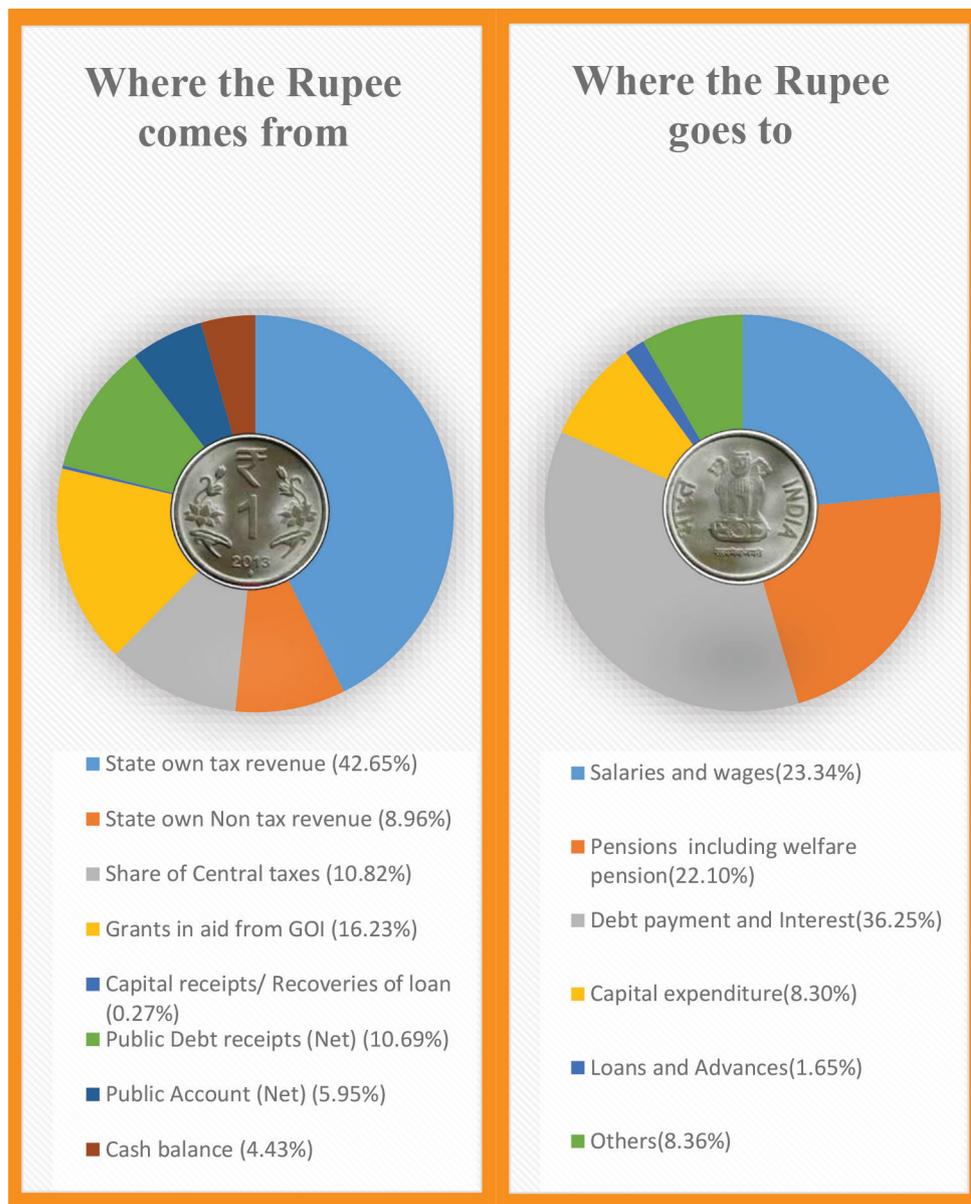
** Effective Public Debt Receipts (Net) for the year 2021-22 would be ₹20,292.83 crore as the Department of Expenditure, GOI had decided that GST compensation of ₹8,739.31 crore given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

Source: Finance Accounts for 2021-22 and 2022-23

The details of the sources and application of funds of the State during the financial year 2022-23 are given in **Chart 2.1** and **Chart 2.2** as “where the rupee comes from” and “where the rupee goes to”.

Chart 2.1 Composition of resources
(in per cent)

Chart 2.2 Application of resources
(in per cent)



The comparison of various components of Resources available with the State during 2022-23 as compared to previous year along with growth rate has been detailed in **Table 2.3**.

Table 2.3: Growth rate of Resources*(₹ in crore)*

SI No.	Components	2021-22	2022-23
1	Tax Revenue	76,160.61 (28.60)	90,228.84 (18.47)
	Own Tax Revenue	58,340.52 (22.41)	71,968.16 (23.36)
	Share of Union taxes/duties	17,820.09 (54.15)	18,260.68 (2.47)
2	Non-Tax Revenue	10,462.51 (42.79)	15,117.95 (44.50)
3	Grants-in-aid and Contributions	30,017.12 (-3.38)	27,377.86 (-8.79)
4	Revenue Receipts (1+2+3)	1,16,640.24 (19.49)	1,32,724.65 (13.79)
5	Recovery of Loans and Advances	479.24 (81.65)	409.29 (-14.60)
6	Misc Capital Receipts	60.27 (76.49)	49.94 (-17.14)
7	Public Debt receipts	64,932.14 (-6.89)	54,007.17 (-16.83)
8	Public Account (net) including cash balance(net)	17,013.64 (68.66)	7,528.13 (-55.75)

The figures in parenthesis shows the growth rate as compared to previous year.

- The annual growth rate of Tax revenue decreased from 28.60 *per cent* in 2021-22 to 18.47 *per cent* in 2022-23. However, non-tax revenue increased from 42.79 *per cent* to 44.50 *per cent* during the same period. Grant-in-aid from GoI on the other hand had registered a negative annual growth rate of 3.38 *per cent* during 2021-22 which further decreased to 8.79 *per cent* in 2022-23.
- The non-debt receipts namely Recoveries of loans and advances and miscellaneous capital receipts registered a negative annual growth rate of 14.60 *per cent* and 17.14 *per cent* during 2022-23 as against an annual growth rate of 81.65 *per cent* and 76.49 *per cent* during 2021-22 respectively.
- The receipts under public debt registered a negative annual growth rate of 6.89 *per cent* and 16.83 *per cent* during 2021-22 and 2022-23 respectively.

The details of actual receipts during 2022-23 *vis-à-vis* budgeted estimates are given in **Table 2.4** below:

Table 2.4: Actual receipts during 2022-23 *vis-à-vis* budgeted estimates*(₹ in crore)*

SI No.	Components	2022-23 (Budget Estimate)	2022-23 (Actuals)	Percentage of Actuals to BE during 2022-23
1	Tax Revenue	91,818.30	90,228.84	98.27
	Own Tax Revenue	74,097.80	71,968.16	97.13
	Share of Union taxes/duties	17,720.50	18,260.68	103.05
2	Non-Tax Revenue	11,769.55	15,117.95	128.45
3	Grants-in-aid and Contributions	30,509.95	27,377.86	89.73
4	Revenue Receipts (1+2+3)	1,34,097.80	1,32,724.65	98.98
5	Recovery of Loans and Advances	323.50	409.29	126.52
6	Misc Capital Receipts	49.60	49.94	100.69
7	Public Debt receipts	83,053.77	54,007.17	65.03
8	Public Account (net) including cash balance(net)	11,260.59	7,528.13	66.85

Against the budgeted estimates of ₹1,34,097.80 crore during 2022-23, actual revenue receipts were ₹1,32,724.65 crore which was about 99 *per cent* of the budgeted estimates. The actual receipts on account of Recoveries of loans and advance and miscellaneous capital receipts were more than the budgeted estimates. However, actual receipts under Public debt was only 65 *per cent* of the budgeted estimates.

The Revenue buoyancy and Tax buoyancy w.r.t GSDP during 2022-23 *vis-à-vis* 2021-22 are given in **Table 2.5** below:

Table 2.5: Revenue and Tax Buoyancy ratios w.r.t GSDP

Sl No.	Components	2021-22	2022-23
1	GSDP (₹ in crore)	9,34,542	10,46,188
2	Growth rate of GSDP (in <i>per cent</i>)	21.10	11.95
3	Tax Revenue (₹ in crore)	76,160.61	90,228.84
4	Growth rate of Tax revenue (in <i>per cent</i>)	28.60	18.47
5	Total Revenue (₹ in crore)	1,16,640.24	1,32,724.65
6	Growth rate of total revenue (in <i>per cent</i>)	19.49	13.79
7	Revenue Buoyancy w.r.t GSDP (ratio)	0.92	1.15
8	Tax buoyancy w.r.t GSDP (ratio)	1.36	1.55

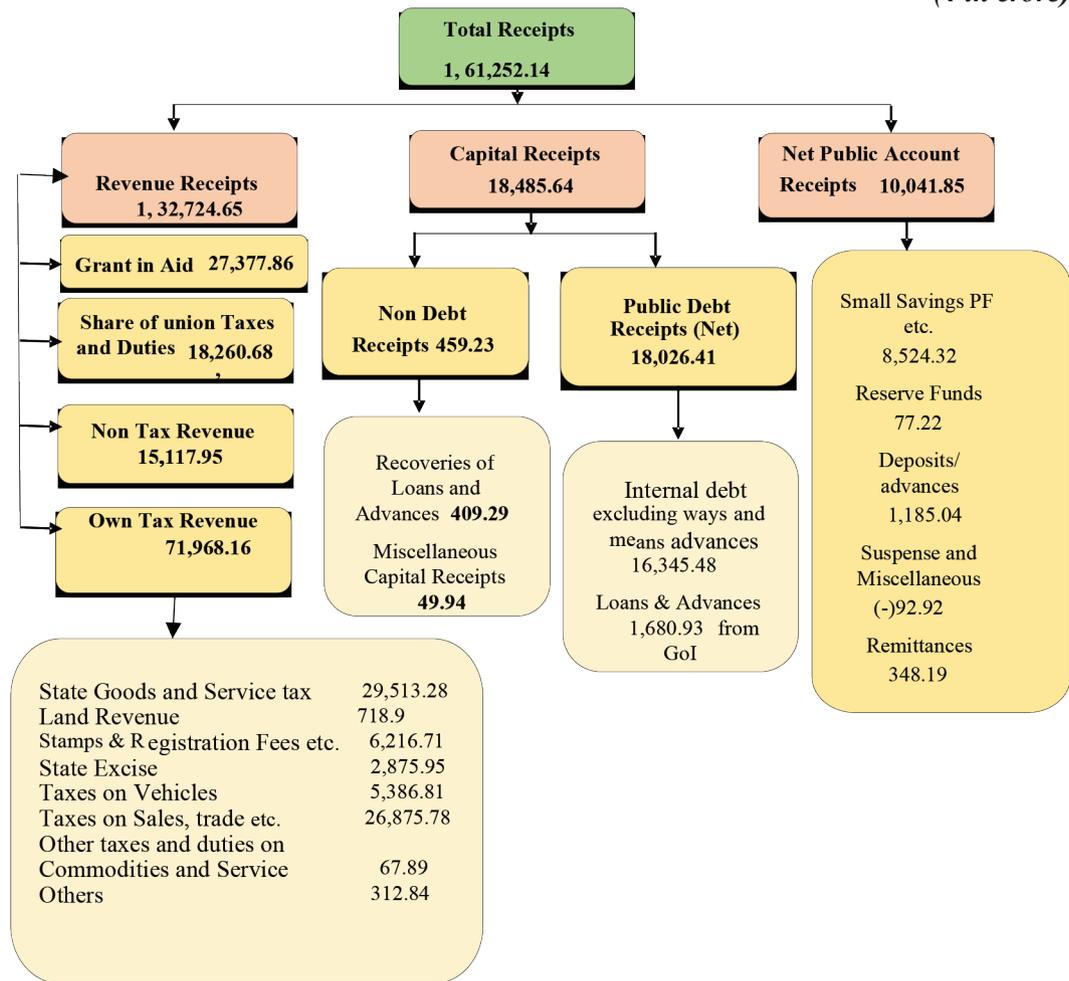
Both revenue buoyancy and tax buoyancy w.r.t GSDP improved during 2022-23 as compared to previous year as shown in **Table 2.5**.

2.3 Resources of the State

The resources of the State come mainly from revenue receipts, capital receipts and from net public account receipts. The revenue receipts consist of the State's own tax and non-tax revenues, share of Central tax transfers and Grants-in-aid from GoI. This is supplemented by capital receipts (debts and loans). Besides the capital and revenue receipts, funds available in the Public Account are also utilised by the Government to finance its deficit. FRBM Act defines revenue deficit as the excess of revenue expenditure over revenue receipts in a given financial year. The composition of the receipts of the State is as given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2022-23

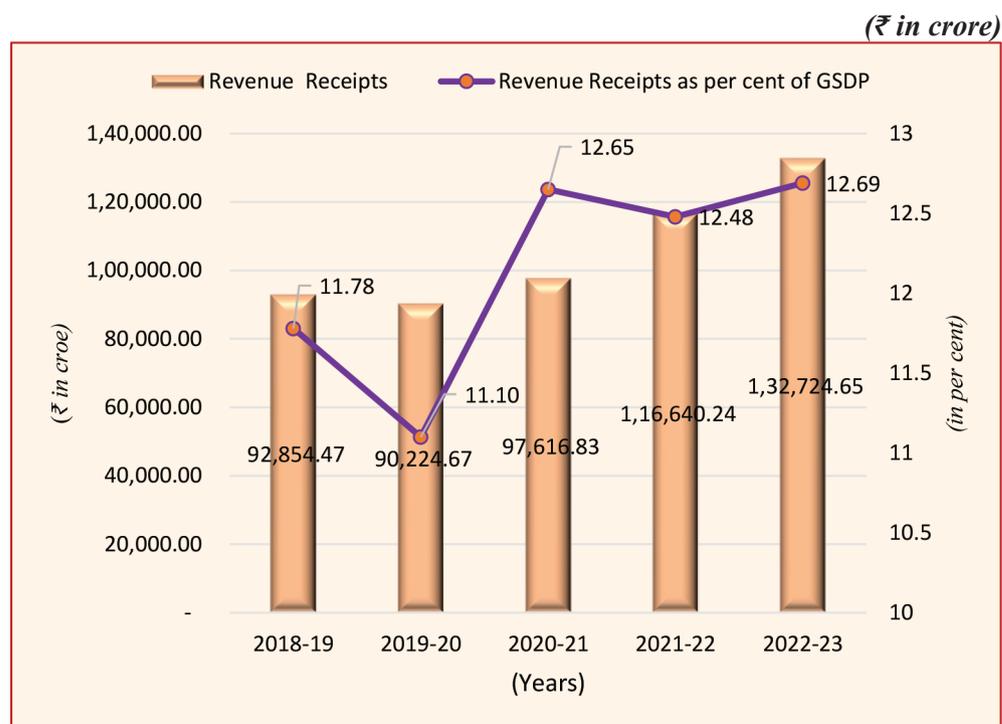
₹ in crore)



2.3.1 State's Revenue Receipts

The paragraph gives the trend of the revenue receipts, its components and its relation with GSDP for a period of five years (2018-2023) as shown in **Chart 2.4**.

Chart 2.4: Trend of Revenue Receipts



2.3.1.1 Trends and growth of Revenue Receipts

The total revenue receipts of the State during 2022-23 was ₹1,32,724.65 crore. There was an increase of ₹16,084.41 crore (13.79 per cent) when compared to ₹1,16,640.24 crore in 2021-22. When compared to the year 2018-19 the total revenue receipts increased by 42.94 per cent.

A major portion (65.61 per cent) of revenue receipts during 2022-23 came from State's own revenue. The trends of components of revenue receipts is given in **Table 2.6** below.

Table 2.6: Trend in Revenue Receipts

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.65
Rate of growth of RR (per cent)	11.85	(-) 2.83	8.19	19.49	13.79
Own Tax Revenue (₹ in crore)	50,644.10	50,323.14	47,660.84	58,340.52	71,968.16
Non-Tax Revenue (₹ in crore)	11,783.24	12,265.22	7,327.31	10,462.51	15,117.95
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	8.27	0.26	(-) 12.14	25.12	26.57

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Grants-in-aid from GOI (<i>₹ in crore</i>)	11,388.96	11,235.26	31,068.28	30,017.12	27,377.86
Rate of growth of Grants-in-aid (<i>per cent</i>)	33.55	(-) 1.35	176.52	(-) 3.38	(-) 8.79
Gross State Domestic Product (<i>₹ in crore</i>)	7,88,285.57	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14
Rate of growth of GSDP (<i>per cent</i>)	12.36	3.13	(-) 5.07	21.10	11.95
RR/GSDP (<i>per cent</i>)	11.78	11.10	12.65	12.48	12.69
Buoyancy Ratios ³					
Revenue Buoyancy w.r.t GSDP	0.96	-	-	0.92	1.15
State's Own Revenue Buoyancy w.r.t GSDP	0.67	0.08	2.39	1.19	2.22

Source: Finance Accounts of respective years; for GSDP, Department of Economics & Statistics

- During 2022-23, Own Revenue (tax plus non-tax) of the State increased by ₹18,283.08 crore recording a growth rate of 26.57 *per cent* as compared to the previous year.
- The revenue receipts as a percentage of GSDP showed a meagre increase from 12.48 *per cent* in 2021-22 to 12.69 *per cent* in 2022-23.
- Grants-in-aid from GOI increased by 140.39 *per cent* during the period 2018-19 to 2022-23. It however decreased by ₹2,639.26 crore (8.79 *per cent*) in 2022-23 as compared to 2021-22. The grants-in-aid decreased in 2022-23 mainly due to decrease in receipt of post devolution revenue deficit grant.

2.3.2 State's own revenue

State's revenue consists of own tax revenue and non-tax revenue.

2.3.2.1 Own tax revenue

Own tax revenue of the State consists of State specific taxes like State GST, Excise etc. The trend of own tax revenue and analysis of its components during the period 2018-2023 are shown in **Table 2.7**.

³ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Table 2.7: Components of States' own tax revenue

(₹ in crore)

Sl No.	Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23	As Percentage of total Own Tax revenue during 2022-23
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	State Goods and Services tax	21,014.71	20,446.95	20,028.31	24,169.81	29,513.28	41.01
2	Taxes on Sales, Trade etc.	19,225.75	19,649.64	17,689.17	22,487.42	26,875.78	37.34
3	Stamps and Registration Fees	3,693.17	3,615.01	3,489.59	4,857.33	6,216.71	8.64
4	State Excise	2,521.40	2,255.28	2,329.22	2,032.23	2,875.95	4.00
5	Taxes on Vehicles	3,708.61	3,721.14	3,386.28	4,037.10	5,386.81	7.48
6	Land Revenue	202.78	332.42	493.35	470.84	718.90	1.00
7	Other Taxes and Duties on Commodities and Services	37.57	39.31	48.80	56.04	67.89	0.09
8	Others	240.11	263.39	196.12	229.75	312.84	0.44
9	Total	50,644.10	50,323.14	47,660.84	58,340.52	71,968.16	100.00
10	Growth rate in (<i>per cent</i>)	9.01	(-0.63)	(-5.29)	22.41	23.36	

Source: Statement 3 of Finance Accounts of respective years

- State's own tax revenue increased by ₹13,627.64 crore from ₹58,340.52 crore in 2021-22 to ₹71,968.16 crore in 2022-23 marking a growth of 23.36 *per cent*. As percentage to Revenue Receipts, State's own tax revenue was 54.22 *per cent* during 2022-23.
- The revenue collection under all components of State's own tax revenue shows an increasing trend in 2022-23.

The growth rate of revenue collection under Stamps and Registration and Taxes on Sales, Trade *etc.* declined from 39.19 *per cent* and 27.13 *per cent* in 2021-22 to 27.99 *per cent* and 19.51 *per cent* in 2022-23 respectively.

2.3.2.2 State Goods and Services Tax

Goods and Services Tax (GST) was introduced with effect from 1 July 2017. During the year 2022-23, against the estimated SGST collection of ₹36,818.28 crore the State collected ₹29,513.28 crore. When compared to 2021-22 (₹24,169.81 crore), there was an increase of ₹5,343.47 crore (22.11 *per cent*) during 2022-23. This includes Advance Apportionment of IGST amounting to ₹960.14 crore. In addition, the State received ₹5,165.39 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹34,678.67 crore. The State received, compensation of

₹7,245.97 crore as Grant-in-aid from Government of India on account of loss of revenue arising out of implementation of GST during 2022-23. During the year 2022-23, adjustment entries for ₹584.30 crore of State GST(SGST) relating to the previous years from 2017-18 to 2021-22 were carried out by the Office of the Principal Accountant General (A&E) based on the alteration memorandum received from the Treasury Department due to difference between the RBI's figures and figures booked in the Finance Accounts. Increase in SGST of ₹584.30 crore in 2022-23 is due to the adjustment.

2.3.3 Analysis of arrears of revenue

The arrears of revenue indicate delayed realisation of revenue due to the Government. It deprives the State of potential revenue receipts and ultimately affects the revenue deficit.

2.3.3.1 Arrears of revenue

Audit noticed that there were huge arrears of revenue in 16 cases in fifteen departments pending realisation. The arrears of revenue as on 31 March 2023 amounted to ₹27,902.45 crore of which ₹1,204.79 crore was outstanding for more than five years, as detailed in **Table 2.8**.

Table 2.8: Arrears of revenue as on 31 March 2023

(₹ in crore)

Sl. No	Name of Department/Heads of Account	Amount	Outstanding for more than 5 years
1	Police Department (MH 0055)	454.35	239.83
2	Kerala State Audit Department (MH 0070)	105.49	20.63
3	Factories & Boilers (MH 0230)	1.90	0.06
4	Finance Department-Arrears in interest receipts (MH 0049)	6,855.62	0
5	Finance Department-Arrears in Guarantee commission (MH 0075)	323.68	0
6	Taxes and duties on electricity (MH 0043)	3,800.92	0
7	Registration Department (MH 0030)	719.95	0
8	Excise Department (MH 0039)	285.26	285.26
9	Mining and Geology Department (MH 0853)	198.96	0.00
10	Printing (MH 0058)	52.74	40.32
11	Stationery (MH 0058)	31.02	22.87
12	Labour Department (MH 0230)	2.56	0.17

Sl. No	Name of Department/Heads of Account	Amount	Outstanding for more than 5 years
13	Kerala Maritime Board (Erstwhile Department of Ports) (MH 1051)	2.48	0.39
14	State Goods and Services Tax Department	13,559.58	0.06
15	Motor vehicles Department (MH 0041)	1,109.91	328.45
16	Forest Department (MH 0406)	398.03	266.75
Total arrears		27,902.45	1,204.79

2.3.3.2 Evasion of tax detected by the department

The cases of evasion of taxes detected by the department, cases finalised and demands for additional tax raised are important indicators of revenue collection efforts of the State Government. The promptness in disposal of these cases is an important indicator of performance of the departments concerned.

The details of cases of evasion of tax detected by five departments, cases finalised and demands for additional tax raised, as reported by the departments are given in **Table 2.9** below:

Table 2.9: Details of evasion of tax

Sl No	Particulars	0030- Stamps & Registration fees	0029- Land Revenue	0406 - For-estry and Wildlife	0041- Motor vehi-cles	SGST	
1	Number of Cases pending as on 31 March 2022	1,47,394	2,585	3	38	12,355	
2	Number of Cases detected during 2022-23	16,066	2,907	0	1	16,081	
3	Total	1,63,460	5,492	3	39	28,436	
4	Cases in which as-sessment/ investiga-tion completed and additional demand with penalty etc. raised	Number of cases	21,610	3,031	0	23	9,331
		Amount of demand (₹ in crore)	20.81	4.87	0	1.11	1,189.76
5	Number of cases pending for finalisa-tion as on 31 March 2023	1,41,850	2,461	3	16	19,105	

Source: Information collected from departments

The details of cases of evasion of tax detected by the departments were called for by Audit from 16 departments out of which five ⁴ departments did not detect any case of evasion of tax. The details from Health, Electrical Inspectorate, Printing Department, PWD Roads, PWD Bridges, Transport have been called for (September 2023), their remarks are awaited.

Registration department (December 2023) replied that a proposal has been forwarded to the State Government for the expeditious disposal of pending cases of tax evasion.

2.3.4 Non-Tax Revenue

Non-Tax revenue consists of State lotteries, dividends and profits, Forestry and wildlife, interest receipts, *etc.* as shown in **Table 2.10**.

Table 2.10: Main components of State's non-tax revenue

(₹ in crore)

Sl No	Revenue Heads	2018-19	2019-20	2020-21	2021-22	2022-23
1	State Lotteries	9,264.66	9,973.67	4,873.01	7,134.93	11,892.87
2	Dividends and profits	132.12	100.33	110.19	227.98	48.93
3	Forestry and Wildlife	287.21	255.85	236.61	200.57	290.61
4	Interest receipts	132.38	84.95	246.64	177.05	171.95
5	Other non-tax receipts	1,966.87	1,850.42	1,860.86	2,721.98	2,713.60
6	Non Tax revenue	11,783.24	12,265.22	7,327.31	10,462.51	15,117.96
7	Total Revenue Receipts	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.65
8	Non-tax revenue as a percentage of revenue receipts	12.69	13.59	7.51	8.97	11.39
9	GSDP	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14
10	Non-Tax revenue as a percentage of GSDP	1.49	1.51	0.95	1.12	1.45
Share in Non-tax revenue						
11	Share of Lotteries	78.63	81.32	66.50	68.20	78.67
12	Share of Dividends / Profits	1.12	0.82	1.50	2.18	0.32
13	Share of Forestry & Wildlife	2.44	2.09	3.23	1.92	1.92
14	Share of Interest receipts	1.12	0.69	3.37	1.69	1.14
15	Other non-tax receipts	16.69	15.08	25.40	26.01	17.95

Source: Statement 14 of Finance Accounts of respective years

The non-tax revenue which ranged between 7.51 per cent and 13.59 per cent of the revenue receipts of the State during the last five years increased by ₹4,655.45 crore (44.50 per cent) during 2022-23 over the previous year. Receipts from

4 Excise Department, Stationery Department, Animal Husbandry Department, Department of Lotteries, Agriculture Department

State Lotteries is the major source of non-tax revenue and its share in non-tax revenue ranged between 66 *per cent* and 81 *per cent* of Non-Tax Revenue during the period from 2018-19 to 2022-23. During 2022-23, revenue from State Lotteries increased by 66.69 *per cent* (₹4,757.94 crore) over the previous year and it constituted 78.67 *per cent* of the non-tax revenue.

2.3.4.1 State Lotteries

Lotteries yield GST on the sales value, as well as non-tax revenue on the sales value of tickets are shown in **Table 2.11** below:

Table 2.11: Revenue from State Lotteries for the period 2018-2023

(₹ in crore)

Sl No	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Sales Revenue	9,264.66	9,973.67	4,873.01	7,134.93	11,892.87
2	GST	1,111.52	1,273.56	1,375.03	2,000.47	1,660.52
3	Total Revenue	10,376.18	11,247.23	6,248.04	9,135.40	13,553.39

Lotteries organised by GoI or Government of a State is a Union subject but the tax on sale of such lotteries is a State subject. States are allowed to organise the lotteries subject to observance of the provisions in the ‘Lotteries Regulation Act, 1998’ and rules made there under. Against the actual sale proceeds of ₹11,892.87 crore during 2022-23, the GST collected on sales value is ₹1,660.52 crore. Thus, revenue from State lotteries is a very important source of own revenue of the Government contributing ₹13,553.39 crore.

2.3.5 State’s performance in mobilisation of resources

The State’s actual tax and non-tax revenue for the year 2022-23 *vis-à-vis* projections made by XV-FC and Budget Estimates are presented in **Table 2.12** below.

Table 2.12: Tax and Non-Tax receipts *vis-à-vis* projections for the year 2022-23

(₹ in crore)

Particulars	XV-FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				FC Projections	Budget Estimates
Own Tax Revenue	74,868.00	74,097.80	71,968.16	(-3.87)	(-2.87)
Non-Tax Revenue	4,080.00	11,769.55	15,117.95	270.54	28.45
Total	78,948.00	85,867.35	87,086.11	10.31	1.42

Source: XV-FC report, Annual Financial Statement and Statement 2 of Finance Accounts of 2022-23

The actual own revenue of the State in 2022-23 was higher than the projections made in the XV-FC and budget estimates. This was mainly attributed to the

actual non tax revenue which was higher than both XV-FC and budget estimates.

As seen from the table above, XV-FC projections in respect of own tax revenue was not achieved with variations being 3.87 *per cent* against FC projections and 2.87 *per cent* against budget estimates.

A major part of the State's tax and non-tax revenue is collected from few commodities like Petroleum, Alcoholic Beverages, and Lotteries etc. As per the budget estimate of the State, the total own revenue of the State was estimated at ₹85,867.35 crore, whereas the total own revenue collected during the year was ₹87,086.11 crore which is 1.42 *per cent* more than the budget estimates. Significant increase in the Own tax revenue of the State when compared to the budget estimate was noticed in all the components except State Goods and Services Tax where it reduced by 19.84 *per cent*.

Table 2.13: Analysis of Own Revenue of the State for the year 2022-23 in comparison with the Budget Estimates

Sl No	Particulars	Budget Estimate	Actual	Difference	
A	Own Tax Revenue			<i>(₹ in crore)</i>	<i>(in per cent)</i>
1	State Goods and Services Tax	36,818.28	29,513.28	(-7,305.00)	(-19.84)
2	Land Revenue	509.51	718.90	209.39	41.10
3	Stamps and Registration Fees	4,687.40	6,216.71	1,529.31	32.63
4	State Excise	2,655.52	2,875.95	220.43	8.30
5	Taxes on Sales, Trade etc.	24,964.65	26,875.78	1,911.13	7.66
6	Taxes on vehicles	4,138.59	5,386.81	1,248.22	30.16
7	Other Taxes and Duties on Commodities and Services	52.19	67.89	15.70	30.08
8	Others	271.66	312.84	41.18	15.15
9	Total (1 to 8)	74,097.80	71,968.16	(-2,129.64)	(-2.87)
B	Non Tax Revenue				
10	State Lotteries	8,402.00	11,892.87	3,490.87	41.55
11	Dividends and profits	257	48.93	(-208.07)	(-80.96)
12	Forestry and Wildlife	292.15	290.61	(-1.54)	(-0.53)

Sl No	Particulars	Budget Estimate	Actual	Difference	
13	Interest receipts	128.42	171.95	43.53	33.90
14	Other non-tax receipts	2,689.98	2,713.59	23.61	0.88
15	Total (10 to14)	11,769.55	15,117.95	3,348.40	28.45
16	Grand Total (9+15)	85,867.35	87,086.11	1,218.76	1.42

Source: Annual Financial Statement and Statement 2 of Finance Accounts of 2022-23

2.3.6 Capital Receipts (Debt and non-debt capital receipts)

Capital receipts comprise public debt receipts and non-debt receipts. The share of public debt receipts to capital receipts stood at 98.81 per cent in 2022-23 as shown in Table 2.14.

Table 2.14: Trends in growth and composition of capital receipts

(₹ in crore)

Sl No	Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
1	Capital Receipts	24,004.84	24,984.68	40,810.58	42,597.17	38,721.39
2	Non-Debt Receipts	257.04	322.80	297.97	539.51	459.23
	<i>i. Miscellaneous Capital Receipts</i>	46.50	27.48	34.15	60.27	49.94
	<i>ii. Recovery of Loans and Advances</i>	210.54	295.32	263.82	479.24	409.29
3	Public Debt Receipts*	23,747.80	24,661.88	40,512.61	42,057.66	38,262.16
4	<i>Internal Debt</i>	23,295.63	22,511.19	33,493.87	32,592.64	35,737.73
5	<i>Loans and advances from GoI</i>	452.17	2,150.69	7,018.74	9,465.02	2,524.43
6	Rate of growth of Debt Capital Receipts (in per cent)	(-) 0.63	3.85	64.27	3.81	(-)9.02
7	Rate of growth of Non-Debt Capital Receipts (in per cent)	(-) 32.40	25.58	(-) 7.69	81.06	(-)14.88
8	GSDP	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14
9	Rate of growth of GSDP (in per cent)	12.36	3.13	(-)5.07	21.10	11.95
10	Debt Receipts/Capital Receipts (in per cent)	98.93	98.71	99.27	98.73	98.81
11	Rate of growth of Capital Receipts (in per cent)	(-) 1.13	4.08	63.34	4.38	(-)9.10

Source: Statement 2 and 6 of Finance Accounts of respective years; for GSDP, data furnished by Directorate of Economics and Statistics.

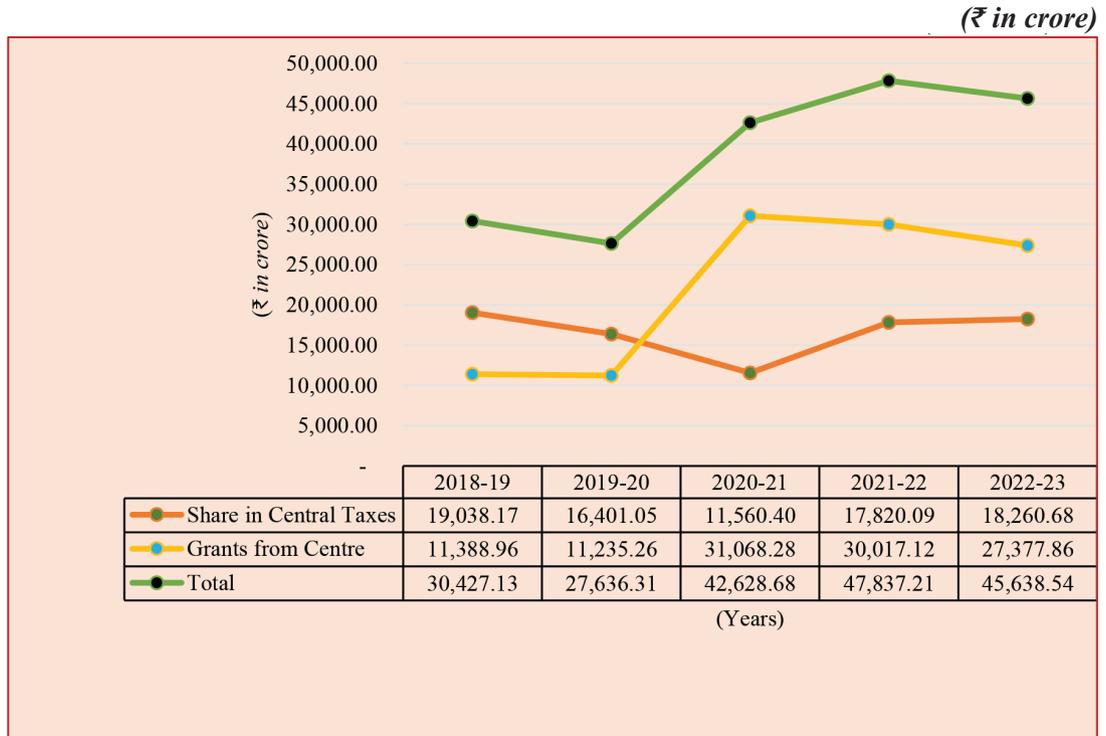
*excluding ways and means advance

Capital Receipts decreased by 9.10 *per cent* from ₹42,597.17 crore in 2021-22 to ₹38,721.39 crore in 2022-23. During 2022-23, 92.29 *per cent* of Capital Receipts came from net internal debt.

2.3.7 Transfers from the Centre

Transfers from Centre include State's share of Union taxes and Grants-in-aid from Government of India. The details of these transfers during the period from 2018-19 to 2022-23 are shown in **Chart 2.5**.

Chart 2.5: Transfers from the Centre



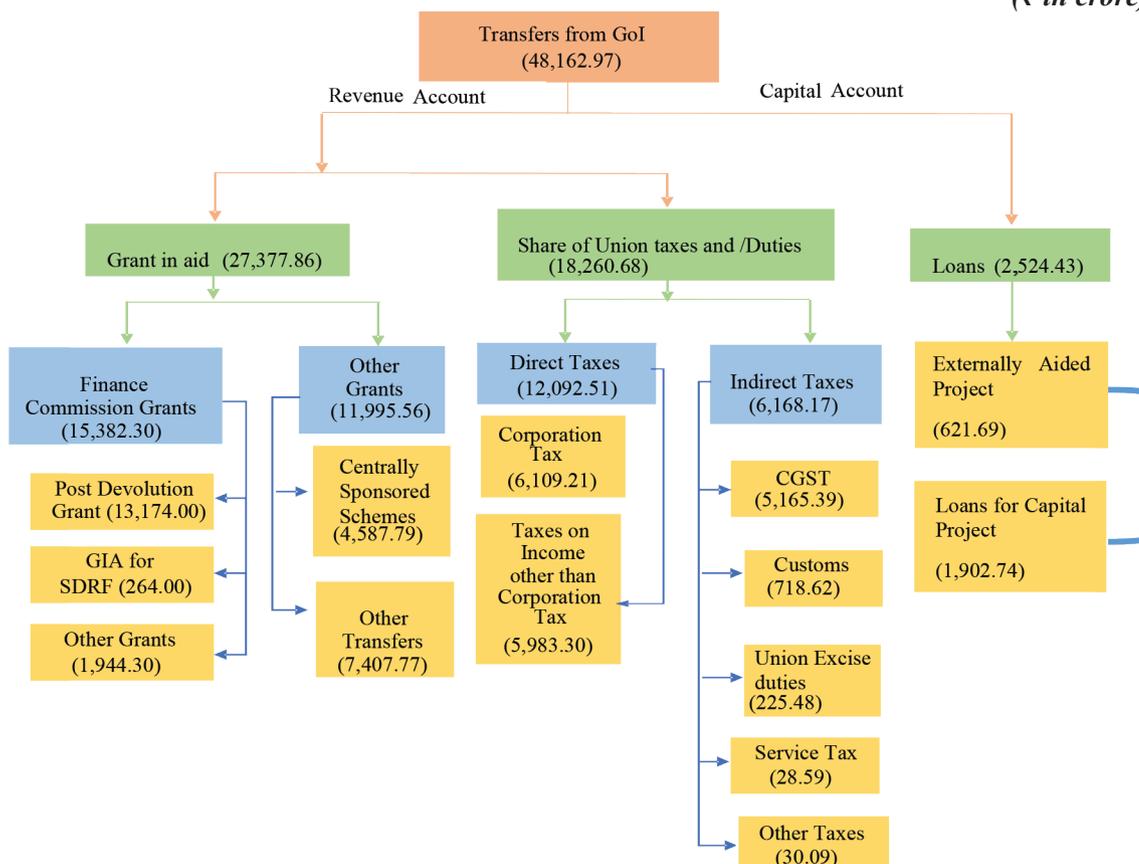
Source: Statement 2 of Finance Accounts of respective years

From the Chart above, it is evident that the grants from Centre had decreased by 8.79 *per cent* during 2022-23 over the previous year. The decline is mainly on account of reduction in the Post Devolution Revenue Deficit Grant by 33.77 *per cent* over the previous year. The Post Devolution Revenue Deficit Grants are provided to the States under Article 275 of the Constitution. The grants are released to the States as per the recommendations of the successive Finance Commissions to meet the gap in Revenue Accounts of the States post devolution.

Component wise transfers from GoI for the year 2022-23 are given in **Chart 2.6**.

Chart 2.6: Component wise transfer of funds from the Centre

(₹ in crore)



The transfers from Centre increased from ₹30,427.13 crore to ₹47,837.21 crore from 2018-19 to 2021-22, but decreased to ₹45,638.54 crore in 2022-23. The Finance Commission grants consisted of Post devolution Revenue deficit grant, SDRF & Other Grants.

Share of Central Tax

The XV Finance Commission recommended an aggregate share of 41 per cent of the net proceeds of Union taxes (divisible pool) to be devolved to States in the year 2022-23. Inter se share of Kerala in the net proceeds of the taxes (divisible pool) as recommended by the Commission is 1.925 per cent out of the 41 per cent of the net proceeds of Union taxes. The XIV Finance Commission (FC) had recommended the States' share of Central taxes as 42 per cent and Kerala's share in the net proceeds of Central tax and Service tax was fixed at 2.500 per cent and 2.526 per cent respectively for the award period 2015-20. Further details of Central tax transfers to the State during the 2018-19 to 2022-23 are given in **Table 2.15**.

Table 2.15: Details of divisible share of Central Tax to the State*(₹ in crore)*

Sl No.	Head	2018-19	2019-20	2020-21	2021-22	2022-23
1	Direct taxes					
2	Corporation Tax	6,621.02	5,592.06	3,546.02	5,238.12	6,109.21
3	Taxes on Income other than Corporation Tax	4,876.10	4,381.76	3,642.70	5,104.81	5,983.30
4	Taxes on Wealth	2.44	0.25	0	1.48	0
5	Total of Direct Taxes (A)	11,499.56	9,974.07	7,188.72	10,344.41	12,092.51
6	Indirect taxes					
7	Central Goods and Services Tax (CGST)	4,699.14	4,654.19	3,325.63	4,832.67	5,165.39
8	Integrated Goods and Services Tax (IGST)	375.00	0	0	0	0
9	Customs	1,349.57	1,039.60	591.59	1,431.33	718.62
10	Union Excise Duties	897.00	722.80	380.78	898.09	225.48
11	Service Tax	174.00	0.00	62.54	294.96	28.59
12	Other Taxes ⁵	44.31	10.39	11.14	18.63	30.09
13	Total of Indirect Taxes (B)	7,538.61	6,426.98	4,371.68	7,475.68	6,168.17
14	Central Tax transfers (A+B)	19,038.17	16,401.05	11,560.40	17,820.09	18,260.68
15	Percentage of increase over previous year	13.10	(-) 13.85	(-) 29.51	54.15	2.47
16	Percentage of Central tax transfers to Revenue Receipts	20.50	18.18	11.84	15.28	13.76

Source: Statement 3 of Finance Accounts of respective years

The Central tax transfers stood at ₹18,260.68 crore in 2022-23, registering an increase of 2.47 per cent (₹440.59 crore) over the previous year. Of the total Central tax transfers, the direct tax transfers were ₹12,092.51 crore and indirect tax transfers was ₹6,168.17 crore which included the Central Goods and Services Tax of ₹5,165.39 crore.

2.3.7.1 Grants-in-aid from GoI

Grant-in-aid (GIA) received from the Government of India contributed to 20.63 per cent of the revenue receipts of the State during 2022-23. Details of GIA received by the State Government from GoI during 2018-19 to 2022-23 is given in **Table 2.16**.

⁵ Include Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services.

Table 2.16: Grants-in-aid from Government of India

(₹ in crore)						
Sl No	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Grants for Plan Schemes	(-)0.97	-	-	(-) 0.74	0
2	Grants for Centrally Sponsored Schemes	3,771.07	3,262.65	5,141.92	3,801.74	4,587.79
3	Finance Commission Grants	1,646.22	2,343.01	18,048.80	22,171.13	15,382.30
4	Other transfers/ Grants to States/ Union Territories with Legislature	5,972.64	5,629.60	7,877.56	4,044.99	7,407.77
5	Total	11,388.96	11,235.26	31,068.28	30,017.12	27,377.86
6	Percentage of increase over the previous year	33.55	(-) 1.35	176.52	(-) 3.38	(-)8.79
7	Percentage of GIA to Revenue Receipts	12.27	12.45	31.83	25.73	20.63

Source: Statement 3 of Finance Accounts of respective years

During the year 2022-23, the Grants-in-Aid from GoI decreased by ₹2,639.26 crore (8.79 per cent) over the previous year, the reason for which was attributable to reduction in the Finance Commission grants by ₹6,788.83 crore (out of which, reduction of ₹6,717 crore pertained to Post Devolution Deficit Grants). However, the Grants for Centrally Sponsored Schemes and other transfers/ Grants to States/ Union Territories with Legislature increased by ₹786.05 crore and ₹3,362.78 crore respectively.

2.3.7.2 Transfer of funds to Single Nodal Agency (SNA)

Ministry of Finance, Government of India vide letter No. 1(13) PFMS/FCD/2020 dated 23-03-2021 had notified the procedure for release of funds under Centrally Sponsored Scheme (CSS) and monitoring utilization of the funds released through SNA. For each CSS, SNA is set up with own Bank Account in scheduled Commercial Bank authorised to conduct Government business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA's account along with the corresponding State share.

As per the SNA Report (2022-23) of PFMS portal, the State Government received ₹4,171.95 crore being the Central share during the year 2022-23 in its Treasury Accounts. As on 31 March 2023, the Government transferred ₹4,031.43 crore Central Share received in Treasury Accounts and State Share of ₹4,317.79 crore to SNAs. An amount of ₹3,407.28 crore is lying unspent in the bank accounts of SNAs as on 31 March 2023.

2.3.7.3 Fifteenth Finance Commission award amount in 2022-23

The Fifteenth Finance Commission (XV-FC, henceforth) was constituted by the President of India under Article 280 of the Constitution of India and was

mandated to make recommendations on i) the distribution of net proceeds of taxes between the Union and the States, ii) the Principles which should govern the Grants-in-aid of the revenues of the States and iii) the measures needed to augment the Consolidated Fund of the State to supplement the resources of Local Bodies.

Later, the XV-FC was mandated to submit two reports, one for the year 2020-21 and the final Report for the period 2021-22 to 2025-26. The XV-FC submitted its first Report covering the financial year 2020-21 to the President on 5th December 2019.

The Grants-in-aid for the State of Kerala recommended by the XV-FC under Article 275 of the Constitution of India for 2022-23 amounted to ₹15,922 crore.

State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections is given in **Table 2.17**.

Table 2.17: State's share in Union taxes and duties: Actual devolution *vis à-vis* Finance Commission projections

(₹ in crore)

SI No.	Year	Projections in XV FCR	Actual tax devolution	Difference	
				Amount	In per cent
1	2020-21	16,616	11,560	(-)5,056	(-)30.43
2	2021-22	12,678	17,820	5,142	40.56
3	2022-23	14,103	18,261	4,158	29.48

Source: Report of the XV-FC and Statement 2 of Finance Accounts.

From 2021-22 onwards, the amount of actual tax devolution was more than the projections made by the Finance Commission.

The Grants-in-aid recommended by XV-FC and the grants released to the State is shown in **Table 2.18**.

Table 2.18: Grants recommended by XV-FC for the State of Kerala in 2022-23

(₹ in crore)

SI No.	Particulars	Award amount for 2022-23	Amount Released
1	Revenue deficit grant	13,174.00	13,174.00
2	Grants to Local Bodies	1,859.00	1,850.00
3	Disaster Management Grants	330.00	264.00
4	Grant for Health Sector	558.98	94.30
	Total	15,921.98	15,382.30

Source: Statement 2 of Finance Accounts for 2022-23

During the award period 2022-23, the State received an amount of ₹15,382.30 crore and the shortfall in release is ₹539.68 crore (Disaster Management Grants-₹66 crore and Health Sector ₹464.68 crore) than the amount recommended by the XV-FC.

2.4 Application of Resources

The State Government is vested with the responsibility of improving the quality of life of its citizens by spending its resources on health, education, agriculture, industry, infrastructure etc. An analysis of growth and composition of expenditure is detailed in the succeeding paragraphs.

2.4.1 Trend of expenditure

State's total expenditure consists of Revenue Expenditure, Capital Outlay and disbursement of loans and advances as given in the **Table 2.19**.

The total expenditure showed a steady increase from ₹1,14,384.94 crore in 2019-20 to ₹1,63,225.53 crore in 2021-22 and decreased to ₹1,58,738.42 crore in 2022-23. The capital expenditure increased from ₹7,430.54 crore in 2018-19 to ₹14,191.73 crore in 2021-22 and decreased to ₹13,996.56 crore in 2022-23.

Table 2.19: Total Expenditure and its compositions

(₹ in crore)						
Sl No.	Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
1	Total Expenditure (TE)	1,20,069.82	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42
2	Change (in per cent)	8.92	(-)4.73	21.42	17.53	(-)2.75
3	Revenue Expenditure (RE)	1,10,316.39	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93
4	Change (in per cent)	10.37	(-)5.07	17.88	18.42	(-)2.89
5	Capital Expenditure (CE)	7,430.54	8,454.80	12,889.65	14,191.73	13,996.56
6	Change (in per cent)	(-)15.07	13.78	52.45	10.10	(-)1.38
7	Loans and Advances	2,322.89	1,210.22	2,548.51	2,854.29	2,790.93
8	Change (in per cent)	50.78	(-)47.90	110.58	12.00	(-)2.22

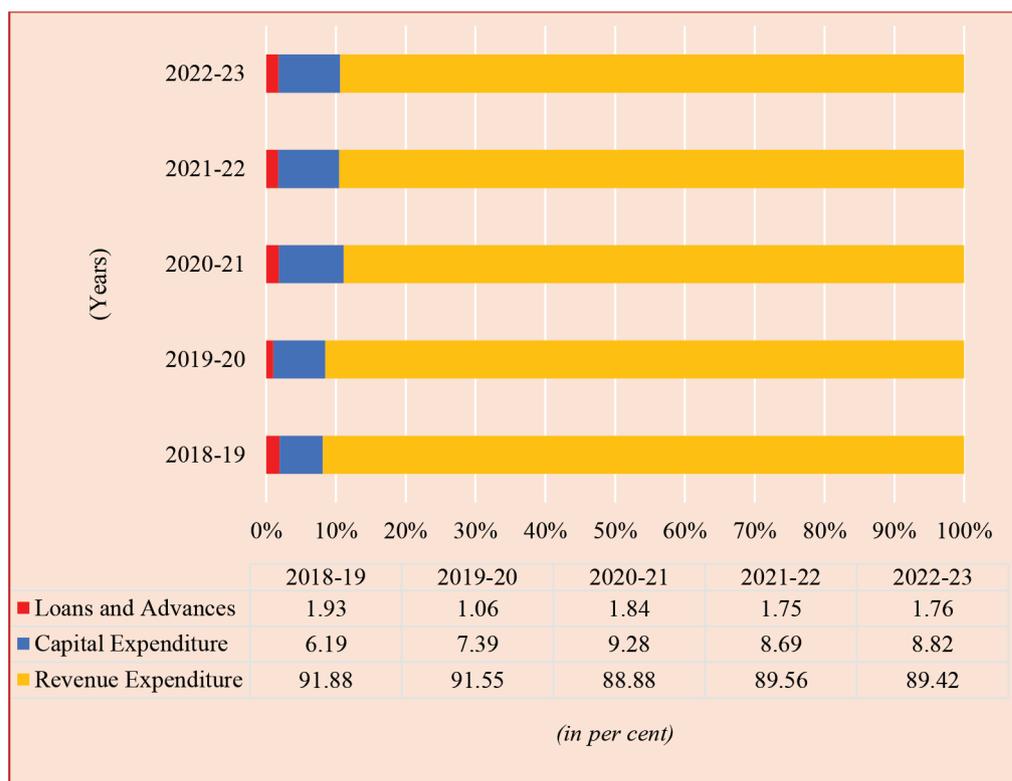
Source: Statement 2 of Finance Accounts of respective years

In 2022-23, revenue expenditure and Capital expenditure showed negative growth rate of 2.89 and 1.38 per cent respectively.

2.4.1.1 Trend of growth of Components of Expenditure

The focus of the expenditure remained on revenue expenditure rather than the development activities and disbursement of loans and advances to PSUs, ABs, other bodies etc., over the years.

The share of Revenue Expenditure, Capital Expenditure and Loans and Advances for the years 2018-19 to 2022-23 are given in **Chart 2.7**.

Chart 2.7: Total Expenditure: Trends in share of its components

Source: Statement 2 of Finance Accounts of respective years

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and Others. Relative share of these components in the Total Expenditure during 2018-19 to 2022-23 is given in **Table 2.20**.

Table 2.20: Relative share of various sectors of expenditure

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	51,025.09 (42.50)	55,661.45 (48.66)	50,620.56 (36.45)	70,380.26 (43.12)	70,138.58 (44.19)
Social Services	39,995.06 (33.31)	35,135.41 (30.72)	47,110.34 (33.92)	54,113.75 (33.15)	53,345.02 (33.61)
Economic Services	17,828.06 (14.85)	16,313.99 (14.26)	29,112.63 (20.96)	29,051.70 (17.80)	25,039.10 (15.77)
Others (Grants to Local Bodies and Loans and Advances)	11,221.61 (9.34)	7,274.09 (6.36)	12,040.96 (8.67)	9,679.82 (5.93)	10,215.72 (6.43)
Total	1,20,069.82	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42

The figures in parentheses show the percentage to total expenditure

The movement of relative share of General, Social and Economic Services exhibited a fluctuating trend during 2018-19 to 2022-23. The relative share of General Services and Social Services in total expenditure increased during 2022-23 when compared to 2021-22, whereas the relative share of Economic Services

decreased during the year. Even though, expenditure under General Services and Social Services decreased by ₹241.68 crore and ₹768.73 crore respectively during 2022-23 when compared to previous year, their share in total expenditure increased during the year mainly due to huge decrease in expenditure under Economic Services amounting to ₹4,012.60 crore. The major decrease in expenditure under Economic Service during the year occurred under 2408 Food, Storage and Warehousing (₹2,227.64 crore), 5054 Capital Outlay on Roads & Bridges (₹819.09 crore), 3054 Roads and Bridges (₹313.05 crore) and 2403 Animal Husbandry (₹152.96 crore).

Table 2.21: Expenditure in relation to GSDP

Sl No	Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
1	GSDP (₹ in crore)	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14
2	TE/GSDP	15.23	14.07	18.00	17.47	15.17
3	RE/GSDP	13.99	12.88	16.00	15.64	13.57
4	CE/GSDP	0.94	1.04	1.67	1.52	1.34
5	Loans and advances/ GSDP	0.29	0.15	0.33	0.31	0.27

Source: Compiled from Finance Accounts of respective years; for GSDP, data furnished by Directorate of Economics and Statistics

In 2022-23, the total expenditure to GSDP ratio, the revenue expenditure to GSDP ratio and the capital expenditure to GSDP ratio declined as compared to the previous year.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and to pay for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-a-vis* GSDP and Revenue Receipts are indicated in **Table 2.22** and the sectoral distribution of Revenue expenditure pertaining to 2022-23 is given in **Chart 2.8**.

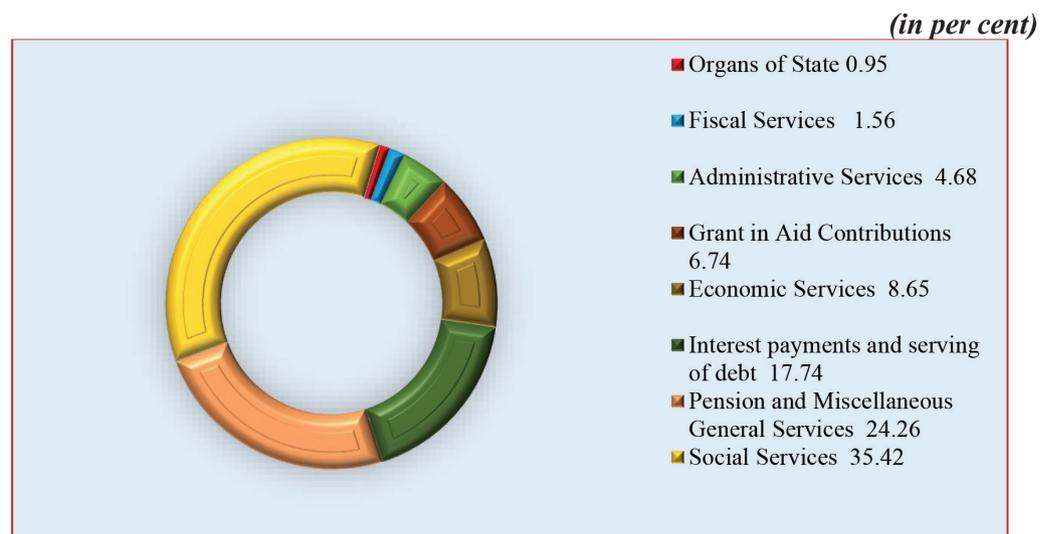
Table 2.22: Revenue expenditure – Basic parameters

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	1,20,069.82	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42
Revenue expenditure (RE)	1,10,316.39	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93
Rate of Growth of RE (<i>per cent</i>)	10.37	(-)5.07	17.88	18.42	(-)2.89
Revenue Receipts (RR)	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.65
Rate of growth of Revenue Receipts	11.85	(-)2.83	8.19	19.49	13.79
GSDP	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Rate of growth of GSDP	12.36	3.13	(-)5.07	21.10	11.95
Revenue expenditure as percentage to TE	91.88	91.55	88.88	89.56	89.42
RE as percentage of RR	118.81	116.07	126.46	125.33	106.95
RE/GSDP (<i>per cent</i>)	13.99	12.88	16.00	15.64	13.57
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.84	-	-	0.87	-
Revenue Receipts (ratio)	0.88	1.79	2.18	0.94	-

Source: Finance Accounts of respective years; for GSDP, data furnished by Directorate of Economics and Statistics

Chart 2.8: Sector-wise distribution of revenue expenditure



Source: Finance Accounts

- The expenditure pattern of the State revealed that, revenue expenditure hovered around 89 to 92 *per cent* of the total expenditure during the period (2018-19 to 2022-23) leaving inadequate resources for creation of assets.
- The share of revenue expenditure in total expenditure during 2022-23 was 89.42 *per cent* compared to 89.56 *per cent* in 2021-22, indicating meagre improvement in priority assigned for capital expenditure during the year.
- The revenue receipts were not sufficient to meet its revenue expenditure during the year. The State had to resort to borrowed funds for meeting the revenue expenditure which is not a good indicator of a prudent fiscal path.
- The revenue expenditure for the year 2022-23 decreased by ₹4,228.58 crore (2.89 *per cent*) as compared to 2021-22.
- When compared to 2021-22, during 2022-23 Economic Services (Revenue Sector) decreased by ₹3,432.98 crore (21.85 *per cent*) mainly due to decrease in expenditure in the components like ‘Agriculture and Allied Activities’ (35.22 *per cent*), ‘Special Area Programmes’ (23.31 *per cent*), ‘Irrigation and Flood Control’ (23.76 *per cent*), ‘Industry and Minerals’ (8.17 *per cent*),

‘Transport’ (15.75 per cent) and ‘General Economic Services’ (17.02 per cent) which was partly offset by increase in expenditure in the components ‘Rural Development’ (26.04 per cent) and ‘Science, Technology and Environment’ (5.71 per cent).

- When compared to 2021-22, during 2022-23 there was a slight decrease (less than one per cent) in General Services and Social Services.

Table 2.23 shows the five major heads of account where there was significant variation (₹1,000 crore and above) with regard to revenue expenditure of the State during the current year and the previous year.

Table 2.23: Variations in Revenue Expenditure during 2022-23 compared to 2021-22

(₹ in crore)					
Sl No.	Major Head of Account	2021-22	2022-23	Increase (+)/ Decrease (-)	Variation (in per cent)
1	2049 - Interest Payment	23,302.82	25,176.36	1,873.54	8.04
2	2202 - General Education	23,258.38	20,543.81	(-),2,714.57	(-),11.67
3	2210 - Medical and Public Health	10,910.66	9,270.90	(-),1,639.76	(-),15.03
4	2235 - Social Security and Welfare	8,661.04	12,940.59	4,279.55	49.41
5	2408 - Food, Storage and Warehousing	3,656.16	1428.53	(-),2,227.63	(-),60.93

Source: Statement 15 of Finance Accounts

- Increase in ‘2049 Interest payment’ is mainly due to increase under ‘Interest on Market loans’ (₹725.40 crore), ‘Interest on Special securities issued to NSSF (₹377.01 crore) and ‘Interest on Other Saving Deposits’ (₹613.73 crore)
- Increase in ‘2235 - Social Security and Welfare’ is mainly due to increase under ‘Pensions under Social Security Schemes’ (₹4,162.88 crore).
- Decrease in ‘2202 - General Education’ is mainly due to decrease in ‘Assistance to Non-Government Primary Schools’ (₹945.22 crore), ‘Government Primary Schools’ (₹443.53 crore) ‘Government Secondary Schools’ (₹541.82 crore), and ‘Assistance to Non-Government Secondary Schools’ (₹955.41 crore)
- Decrease in ‘2210 - Medical and Public Health’ is mainly due to decrease under ‘Hospitals and Dispensaries’ (₹374.64 crore), ‘Primary Health Centres’ (₹114.97 crore), ‘Prevention and Control of Diseases’ (₹410.74 crore) and ‘Assistance to Public sector and Other Undertakings’ (₹513.33 crore)
- Decrease in ‘2408 - Food, Storage and Warehousing’ is mainly due to decrease under ‘Assistance to Public Sector and other undertakings’ (₹1,424.83 crore) and ‘Food subsidies’ (₹803.66 crore)

2.4.2.1 Committed expenditure

Interest payments, expenditure on salaries and wages, pension etc. have the first charge on the Government resources as committed expenditure. Higher the committed expenditure leaves the Government with lesser flexibility for development sector.

Apart from above, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis unlike for variable transactions such as capital expenditure etc. For example, the following items may be considered as inflexible expenditure:

- i. Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure).
- ii. Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/SDRF) etc.
- iii. Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs / spent by the State.
- iv. Transfer of cess to reserve fund / other body, which are statutorily required.
- v. Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - interest Payment.

Table 2.24 presents the trends in the components of committed and inflexible expenditure during 2018-19 to 2022-23. Percentage of component wise committed expenditure in Revenue Expenditure during 2018-19 to 2022-23 is given in **Chart 2.9**.

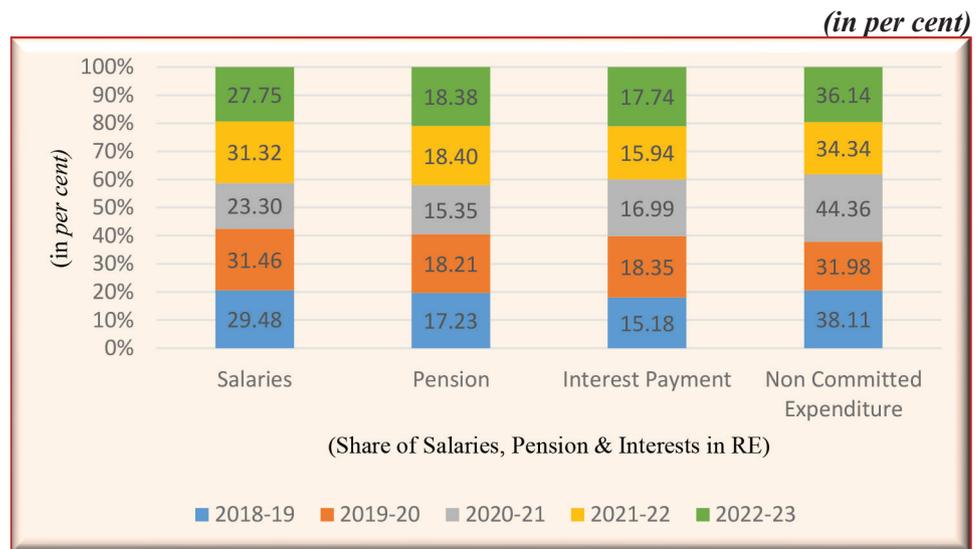
Table 2.24: Components of Committed Expenditure and Inflexible Expenditure

(₹ in crore)

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	32,520.66	32,942.28	28,767.46	45,780.08	39,389.65
Expenditure on Pensions	19,011.94	19,064.29	18,942.85	26,898.69	26,090.04
Interest Payments	16,747.92	19,214.70	20,975.36	23,302.82	25,176.36
Total Committed Expenditure	68,280.52	71,221.27	68,685.67	95,981.59	90,656.05
Components of inflexible expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Statutory devolution to local bodies	13,710.02	8,007.35	12,345.16	10,186.09	12,375.71
Contribution to Reserve Funds - SDRF	214.00	225.00	419.00	335.20	352.00

Components of Committed Expenditure	2018-19	2019-20	2020-21	2021-22	2022-23
Share contribution of CSS against the Central Fund received	3,476.22	2,091.50	4,959.78	3,859.50	2,739.00
Transfer of Motor Vehicle Tax/Cess to KIIFB	1,600.68	2,200.00	2,172.86	2,068.08	2,469.69
Payment of interest on the balances of the interest-bearing funds as if they could have been invested - SDRF	19.17	24.27	171.85	101.09	38.94
Total of inflexible expenditure	19,020.09	12,548.12	20,068.65	16,549.96	17,975.34
As a percentage of Revenue Receipts					
Committed Expenditure					
Salaries & Wages	35.02	36.51	29.47	39.25	29.68
Expenditure on Pensions	20.47	21.13	19.41	23.06	19.66
Interest Payments	18.04	21.30	21.49	19.98	18.97
Total	73.53	78.94	70.37	82.29	68.30
Inflexible Expenditure					
Total	20.48	13.91	20.56	14.19	13.54
As a percentage of Revenue Expenditure					
Salaries & Wages	29.48	31.46	23.3	31.32	27.75
Expenditure on Pensions	17.23	18.21	15.35	18.4	18.38
Interest Payments	15.18	18.35	16.99	15.94	17.74
Total	61.89	68.02	55.64	65.66	63.86
Inflexible Expenditure					
Total	17.24	11.98	16.26	11.32	12.66
Non-committed Revenue Expenditure	42,035.87	33,498.65	54,760.66	50,197.92	51,294.88
Percentage of non-committed Revenue Expenditure to total Revenue Expenditure	38.11	31.98	44.36	34.34	36.14

Source: Statement 2 and 4 of Finance Accounts of respective years.

Chart 2.9: Share of Salaries, Pension & Interests in RE

Source: compiled from Finance Accounts of respective years.

Salaries, Pension and Interests expenditure constituted over 63.86 *per cent* of the revenue expenditure of the State in 2022-23, while it accounted for over 68.30 *per cent* of the revenue receipts during the year. As a percentage of revenue expenditure, the committed expenditure showed a fluctuating trend from 2018-19 to 2022-23. The committed expenditure decreased by ₹5,325.54 crore (5.55 *per cent*) in 2022-23 as compared to the previous year.

The components of committed expenditure are discussed in the succeeding paragraphs.

Salaries and wages

Expenditure on Salaries & wages showed a fluctuating trend from 2018-19 to 2022-23. During 2021-22, the State had implemented the 11th State Pay Revision, due to which the salary and wages increased by 59.14 *per cent*. However, during the current year, it decreased by 13.96 *per cent* when compared to 2021-22. During the five year period from 2018-19 to 2022-23, the salary and wages increased by 21.12 *per cent*.

Salaries and wages contributed to 27.75 *per cent* of the total revenue expenditure during the year 2022-23. The expenditure under the head salaries and wages ranged between 23.30 and 31.46 *per cent* during the period from 2018-19 to 2022-23. Salaries and wages as a percentage of revenue receipts also decreased from 39.25 *per cent* in 2021-22 to 29.68 *per cent* in 2022-23.

Pensions

The expenditure during the year 2022-23 on pension and other retirement benefits to employees of State Government, Aided institutions, personal staff of Ministers *etc.* was ₹26,090.04 crore (19.66 *per cent* of Revenue Receipts),

showing a decrease of ₹808.65 crore when compared to ₹26,898.69 crore for the year 2021-22.

Interest Payments

Interest payments increased from ₹16,747.92 crore in 2018-19 to ₹25,176.36 crore in 2022-23. Interest payments increased by 8.04 *per cent* in 2022-23 over the previous year by ₹1,873.54 crore. The interest paid on market loan stood at 56.68 *per cent* (₹14,269.28 crore) of the total interest payment; while on Small Savings, Provident Fund etc. accounted for 32.61 *per cent* (₹8,210.73 crore) of the total interest payment.

The expenditure on interest payment as percentage of revenue receipts decreased from 19.98 *per cent* in 2021-22 to 18.97 *per cent* in 2022-23 due to increase in Revenue receipts by ₹16,084.41 crore during the year.

2.4.2.2 National Pension System

The Government of Kerala introduced the Defined Pension Scheme Contribution, (NPS) to all new entrants joining the State Government Service on or after 01 April 2013.

As per the guidelines of the Scheme, the employee contributes 10 *per cent* of his basic pay and dearness allowance every month which is matched by the State Government and the entire amount is transferred to the designated fund manager through National Securities Depositories Limited (NSDL)/ Trustee Bank. The employees' and employer's contribution are initially credited to Public Account and then transferred to designated fund manager through NSDL/Trustee Bank.

During the year 2022-23, total contribution to the NPS which is a Defined Contribution Pension Scheme was ₹1,763.66 crore (Employees contribution ₹881.36 crore and Government's contribution ₹882.30 crore) which has been transferred to the Public Account under Major Head '8342-117 Defined Contribution Pension scheme'.

Out of the total contribution of ₹1,764.00 crore (including opening balance of ₹0.35 crore), an amount of ₹1,763.81 crore was transferred to NSDL/Trustee Bank during the year 2022-23.

2.4.2.3 Subsidies

There was a significant decrease in expenditure on subsidies by ₹2306.93 crore, from ₹4,153.97 crore in 2021-22 to ₹1,847.04 crore in 2022-23. The subsidies as a percentage of revenue receipts and revenue expenditure during the year are 1.39 and 1.30 respectively as detailed in **Table 2.25** below:

Table 2.25: Expenditure on subsidies during 2018-2023

(₹ in crore)

SI No	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Subsidies	1,663.01	1,429.01	6,547.48	4,153.97	1,847.04
2	Revenue Re-ceipts	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.65
3	Revenue Expen-diture	1,10,316.39	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93
4	Subsidies as per-centage of Reve-nue Receipts	1.79	1.58	6.71	3.56	1.39
5	Subsidies as percentage of Revenue Expen-diture	1.51	1.36	5.30	2.84	1.30

Source: Statement 2 of Finance Accounts of respective years

The main items of subsidies given during the year 2022-23 included Grant to Kerala State Civil Supplies Corporation Limited for market intervention operations (₹400 crore), Ration Subsidy (₹699.63 crore), Paddy Procurement through Kerala State Civil Supplies Corporation and Other Agencies (₹274.36 crore), Interest Subsidy to Kerala Urban and Rural Development Finance Corporation (KURDFC) towards the loan availed from HUDCO (₹259.48 crore).

2.4.2.4 Financial assistance to Local Bodies and Others

Financial assistance is provided by the State Government to Local Bodies and Other Institutions by way of Grants-in-aid to meet the pay and allowances, other Miscellaneous expenses and for creation of capital assets. The quantum of assistance provided by way of grants to Local Bodies, and other institutions during 2018-19 to 2022-23 is presented in **Table 2.26**.

Table 2.26: Financial assistance to Local Bodies, Educational Institutions etc.

(₹ in crore)

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
(A) Local Bodies					
Municipal Corporation and Municipalities	3,287.46	2,296.24	3,653.02	2,584.33	3,676.97
Panchayati Raj Institutions	10,426.56	5,711.11	8,692.14	7,601.76	8,698.74
Total (A)	13,714.02	8,007.35	12,345.16	10,186.09	12,375.71
(B) Others					

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
Public Sector Undertakings (Government Companies and Statutory Corporations)	478.80	365.92	774.92	972.19	770.45
Educational Institutions (Universities)	1,524.64	1,564.63	1,569.61	1,713.01	1,714.52
Cooperative Institutions	64.7	50.5	91.71	47.43	54.96
Other Institutions	1,277.57	933.42	3,174.94	3,339.83	928.07
Total (B)	3,345.71	2,914.47	5,611.18	6,072.46	3,468.00
Total (A +B)	17,059.73	10,921.82	17,956.34	16,258.55	15,843.71
GIA for Salary	1,843.99	1,958.11	1,915.98	1,938.79	1,871.62
GIA for creation of Capital Asset	5,957.22	4,107.55	7,170.60	7,136.33	7,024.58
GIA for non-salary	1,203.21	798.99	1,452.32	1,626.76	974.26
GIA given in kind	Information not provided by State Government				
Revenue Expenditure	1,10,316.39	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93
Assistance as percentage of Revenue Expenditure	15.46	10.43	14.55	11.12	11.16

Source: Statement 10 of Finance Accounts of respective years

The financial assistance to local bodies and other institutions decreased from ₹16,258.55 crore in 2021-22 to ₹15,843.71 crore in 2022-23. The table above shows that the percentage of assistance with reference to revenue expenditure was 11.16 *per cent* during 2022-23 as compared to 11.12 *per cent* in 2021-22. The grants-in-aid given for salary, non-salary and creation of capital assets also decreased during 2022-23 over the previous year.

2.4.2.5 Allocation of expenditure booked under Centrally Sponsored Schemes

The total expenditure booked under Centrally Sponsored Schemes (CSS) as on 31 March 2023, is ₹2,739.00 crore (Revenue expenditure ₹1,520.51 crore and Capital expenditure ₹1,218.49 crore), which includes expenditure out of Central Assistance and State share for CSS.

2.4.2.6 State Finance Commission

The State Finance Commission is constituted by Government of Kerala⁶ to study the financial position of the Panchayats and Urban Local Bodies and to make recommendations to the Governor.

6 Under clause 1 of Article 243 (I) and (Y) of the Constitution of India read with sections 186 of the Kerala Panchayat Raj Act, 1994 and Section 205 of the Kerala Municipalities Act, 1994

Starting with the first SFC formed in 1994, State is in the middle of the sixth State Finance commission (latest) which started functioning from 1 November 2019. The Finance Commission would review the financial position of the Panchayats and Municipalities and make recommendations on devolution aspects and non-devolution aspects which were to be given by December 2020 and August 2021 respectively.

Pursuant to the above, the sixth SFC made recommendations vide first report of December 2020 and second report of September 2021.

State Government approved the recommendations of the second report of sixth State Finance Commission on 22 June, 2022 with amendments.

2.4.3 Capital Expenditure

Capital Expenditure is the expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges etc. The overall capital expenditure, its growth over previous year and its percentage to GSDP during the last five years (2018-2023) are indicated in **Table 2.27**.

Table 2.27: Trend of Capital Expenditure during the last five years (2018-23)

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Capital expenditure (CE)	7,430.54	8,454.80	12,889.65	14,191.73	13,996.56
Growth in CE (in per cent)	(-)15.08	13.78	52.45	10.10	(-)1.38
Total expenditure (TE)	1,20,069.82	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42
CE/TE (in per cent)	6.19	7.39	9.28	8.69	8.82
GSDP	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14
CE/GSDP (in per cent)	0.94	1.04	1.67	1.52	1.34
Budget for Capital expenditure*	13,050.66	17,179.27	15,455.54	18,086.52	19,438.36
CE/Budget (in per cent)	56.94	49.22	83.40	78.47	72.00

*Including Supplementary budget

Source: Statement 2 of Finance Accounts of respective years

Capital expenditure increased from ₹7,430.54 crore in 2018-19 to ₹14,191.73 crore in 2021-22 but decreased to ₹13,996.56 crore in 2022-23. The decline has been mainly in Social Services where capital expenditure decreased by 9.35 per cent when compared to the previous year. Of the total capital expenditure of ₹13,996.56 crore incurred in 2022-23, ₹3,997.49 crore (28.56 per cent) was spent on 'Other General Economic Services' followed by ₹2,451.90 crore (17.52 per cent) on Roads and Bridges. The capital expenditure incurred over these five years ranged between 0.94 to 1.67 per cent of the GSDP. Utilisation of budget for capital expenditure ranged between 49 per cent and 83 per cent from 2018-19 to 2022-23.

2.4.3.1 Major changes in Capital Expenditure

Significant variations under various Heads of Account with regard to Capital Expenditure of the State during the current year and the previous year is given in **Appendix 2.1**.

Capital expenditure under the component 'Water Supply and Sanitation' under Social Services decreased by ₹397.21 crore during the year 2022-23 as compared to previous year. This was due to the decrease in the expenditure of ₹188.30 crore under the project 'Jal Jeevan Mission (NRDWP-50 per cent CSS)', ₹51.87 crore under the scheme 'Rural Water Supply Schemes', ₹127.95 crore under the scheme 'Optimisation of Production and Transmission'. Capital expenditure of ₹83.73 crore was incurred under a new scheme 'Punargaeham for Rehabilitation of fishermen' during 2022-23.

2.4.3.2 Quality of Capital Expenditure

This section presents an analysis of Investments and other Capital Expenditure undertaken by the Government.

In the post-Fiscal Responsibility and Budget Management framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/ investment (including loans and advances) requirements from its own sources of revenue. In addition, in a transition to complete dependence on market-based resources, the State Government is required to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies. This section presents the broad financial analysis of Investments and other Capital Expenditure undertaken by the Government during the current year *vis-a-vis* previous years. **Table 2.28** shows the return on investments from 2018-19 to 2022-23.

Table 2.28: Return on investments

(₹ in crore)

Investment/ return/ cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	8,246.22	8,775.35	9,354.02	9,767.48	10,602.67
Return (₹ in crore)	132.12	100.33	110.19	227.98	48.93
Return (in per cent) ⁷	1.60	1.14	1.18	2.33	0.46
Average rate of interest on Government Borrowings (in per cent)	7.34	7.58	7.31	7.00	6.78
Difference between interest rate and return (in per cent)	5.74	6.44	6.13	4.67	6.32
Difference between interest on Government borrowings and return on investment (₹ in crore) ⁸	(-)473.33	(-)565.13	(-)573.40	(-)456.14	(-)670.09

Source: Statement 8 Finance Accounts of respective years.

7 Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] *100.

8 Investment at the end of the year *Difference between interest rate and return.

During 2022-23, the Government invested ₹212.67 crore in Statutory Corporations, ₹213.97 crore in Government Companies, ₹212.16 crore in Joint Stock Companies, ₹235.78 crore in Co-operative Banks and Societies. Progressive expenditure on investments increased by ₹10.54 crore in Government Companies whereas it decreased by ₹49.94 crore in Co-operative Banks and Societies. The State Government's investment increased by ₹2,356.45 crore from ₹8,246.22 crore in 2018-19 to ₹10,602.67 crore in 2022-2023.

The average return on investments during 2018-23 in these companies/corporations/ institutions was 1.34 *per cent* while the Government paid an average interest of 7.20 *per cent* on its borrowing during the same period.

2.4.3.3 Loans and Advances by the State

In addition to investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Societies, the Government also provides loans and advances to these institutions. **Table 2.29** presents the status of loans and advances disbursed, repayments and interest received *vis-à-vis* interest paid by the State Government on its borrowings during 2018-19 to 2022-23.

Table 2.29: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Sl No.	Quantum of Loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
1	Opening Balance of loans outstanding	15,163.04 ⁹	16,557.18 ¹⁰	17,472.08	19,725.39 ¹¹	22,086.89 ¹²
2	Amount advanced during the year	2,322.89	1,210.22	2,548.51	2,854.29	2,790.93
3	Amount recovered during the year	210.54 ¹³	295.32 ¹⁴	263.82 ¹⁵	479.24 ¹⁶	409.29 ¹⁷
4	Closing Balance of the Loans Outstanding	17,275.39	17,472.08	19,756.77	22,100.44	24,468.53
5	Net addition	2,112.35	914.90	2,284.69	2,375.05	2,381.64
6	Interest received	40.81	50.59	42.83	53.36	118.98
7	Interest rate on loans and Advances given by the Government ¹⁸ (in <i>per cent</i>)	0.25	0.30	0.23	0.26	0.51

9 Difference of ₹96 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (p) of Statement no. 18 of Finance Accounts 2018-19.

10 Difference of ₹718 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (q) of Statement no. 18 of Finance Accounts 2019-20.

11 Decreased *proforma* due to reclassification of conversion of loan into equity for Kerala Electrical and Allied Engineering Company Limited (₹31.38 crore).

12 Difference of ₹13.55 crore with previous years closing balance was on account of *pro forma* adjustments vide foot note (f) of Statement no 18 of Finance Accounts 2022-23.

13 Includes ₹0.40 crore being the irrecoverable loans written off.

14 Includes ₹0.30 crore being the irrecoverable loans written off.

15 Includes ₹0.23 crore being the irrecoverable loans written off.

16 Includes ₹0.15 crore being the irrecoverable loans written off.

17 Includes ₹0.38 crore being the irrecoverable loans written off

18 Interest Received/ {(Opening balance + Closing balance of Loans and Advances)/2}*100.

SI No.	Quantum of Loans disbursed and recovered	2018-19	2019-20	2020-21	2021-22	2022-23
8	Rate of Interest paid on the outstanding borrowings of the Government (in per cent)	7.34	7.58	7.31	7.00	6.78
9	Difference between the rate of interest paid and interest received (in per cent)	7.09	7.28	7.08	6.74	6.27

Source: Statement 7 of Finance Accounts of respective years.

2.4.3.4 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like Education, Health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.30 analyses the fiscal priority of the State Government with regard to Health, Education and Capital Expenditure during 2018-19 and 2022-23.

Table 2.30: Expenditure priority of the State with regards to Health, Education and Capital expenditure

	TE/GSDP	CE/TE	Education/TE	Health & FW/TE
General Category States (2018-19)	16.38	15.58	14.76	5.07
Kerala (2018-19)	15.23	6.19	15.86	6.05
General Category States (2022-23)	15.79	15.22	14.85	5.68
Kerala (2022-23)	15.17	8.82	14.02	6.43

TE- Total Expenditure, CE- Capital Expenditure

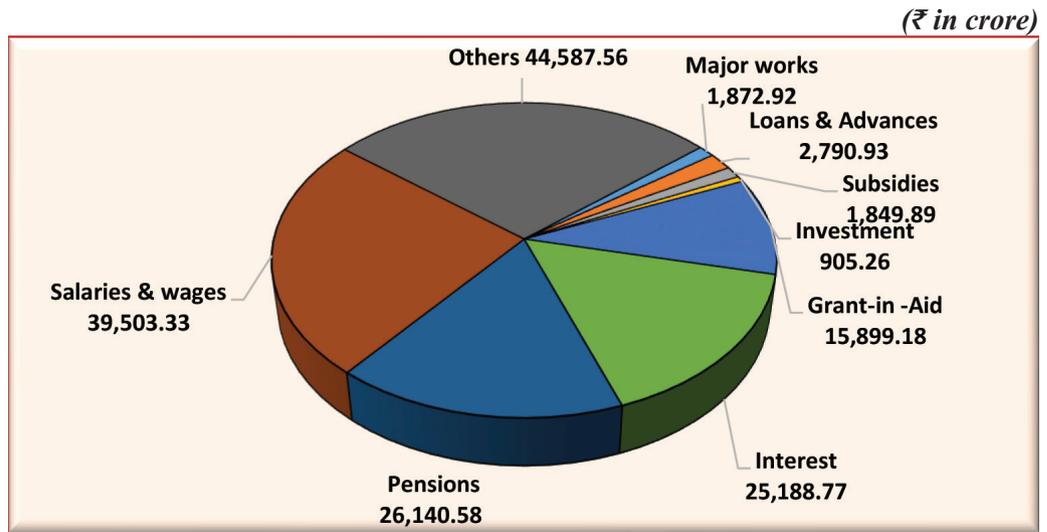
Source: Information furnished by Economic Advisor and based on Finance Accounts.

In 2022-23, the percentage of capital expenditure to total expenditure for the State was much lower than that of the General Category States whereas the percentage of health & family welfare to Total Expenditure for the State was higher.

2.4.3.5 Object head wise expenditure

The Total Expenditure for the year 2022-23 was ₹1,58,738.42 crore. The **Chart 2.10** below gives information about object/purpose of the expenditure.

Chart 2.10: Object head wise expenditure



From the above Chart, it can be seen that out of the total expenditure, the expenditure on salaries and wages were the highest followed by pension and interest payments.

2.5 Public Accounts

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as on 31 March 2023 are shown below in **Table 2.31**.

Table 2.31: Components-wise net balances

(₹ in crore)

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds etc.	Small Savings Provident Funds	9,619.21	8,274.11	11,547.96	18,447.47	8,524.31
J. Reserve Funds	(a) Reserve Funds bearing Interest	1,826.90	(-),478.41	83.97	(-),247.82	(-),77.08
	(b) Reserve Funds not bearing Interest	154.12	127.99	260.08	(-),11.49	(-),20.43

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
K. Deposits and Advances	(a) Deposits bearing Interest	(-)0.30	0.23	(-)0.15	0.17	(-)0.15
	(b) Deposits not bearing interest	392.70	584.93	497.22	1,786.29	1,184.53
	(c) Advances	(-)0.23	(-)59.42	(-)2.19	1.98	0.65
L. Suspense and Miscellaneous	(a) Suspense	(-)534.98	17.05	(-)328.46	814.09	(-)127.94
	(b) Other Accounts	(-)226.68	(-)270.19	967.49	(-)3,432.55	1,827.29
	(c) Accounts with Government of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	(-)0.57	(-)0.06	(-)20.39	(-)0.81	(-)0.14
M. Remittances	(a) Money Orders, and other Remittances	(-)90.82	35.18	86.49	(-)460.35	349.65
	(b) Inter Governmental Adjustment Account	39.30	82.36	(-)47.08	29.23	(-)1.45
Total		11,178.65	7,313.77	13,044.94	16,926.21	8,004.67

Source: Finance Accounts of respective years

The net receipts from the Public Account decreased by ₹8,921.54 crore (52.71 per cent) from ₹16,926.21 crore in 2021-22 to ₹8,004.67 crore in 2022-23, mainly due to decrease under Small Savings, PF etc. (₹9,923.16 crore).

2.5.2 Reserve Funds

Reserve funds are created for specific and defined purposes under the Public Account of the State Government. These Funds are met from contribution of grants from the Consolidated Fund of the State. The fund balances lying in the Reserve Funds as on 31 March 2023 are given in **Table 2.32**.

Table 2.32: Details of Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Balance as on 31 March 2023
1	Reserve Funds bearing interest	394.65
2	State Disaster Response Fund	165.47
3	State Disaster Mitigation Fund	182.76
4	State Compensatory Afforestation Fund	46.42
5	Reserve Funds not bearing interest	3,057.54
6	Sinking Funds	2,706.84
7	Development Funds for Agricultural purposes	10.27
8	Mines Welfare Funds	0.89
9	Consumer Welfare Fund	21.08
10	Other Development and Welfare Funds	318.46
Grand Total		3,452.19

Details of Significant Reserve funds are given below:

Reserve Funds bearing Interest:

2.5.2.1 State Disaster Risk Management Fund (SDRMF)

On the recommendation of XV Finance Commission the SDRMF was divided into State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) for addressing the full cycle of disaster management needs-response and relief, recovery and reconstruction, preparedness, capacity building and mitigation. The SDRF receives 80 *per cent* of the total SDRMF while the State Disaster Mitigation Fund (SDMF) receives 20 *per cent* of the allocation.

State Disaster Response Fund (SDRF)

The State Governments are required to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, Auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks. However, this was not done till date.

The size of the Fund for Kerala for the year 2022-23 fixed by XV Finance Commission is ₹352.00 crore, 75 *per cent* of which was to be contributed by the Central Government and 25 *per cent* by the State Government.

During the year, an amount of ₹387.63 crore was credited to the Fund, Central share of ₹264.00 crore, ₹88.00 crore of State share and ₹35.63 crore on account of interest on uninvested balances for the year (i.e. upto September 2022). In the beginning of the year 2022-23, there was a balance of ₹333.26 crore in the Fund. An amount of ₹95.71 crore which was credited under SDRF during 2020-21 was reclassified and credited to SDMF during the year 2022-23. After setting off the expenditure for disaster relief operations to the extent of ₹459.71 crore, the balance in SDRF as on 31 March 2023 is ₹165.47 crore.

State Disaster Mitigation Fund (SDMF)

State Disaster Mitigation Fund was constituted (2021-22) in the Public Account under Reserve Fund bearing interest in the Major Head 8121-General and Other Reserve Funds-130-State Disaster Mitigation Fund in the accounts of the State. As per guidelines, the State Government shall invest the SDMF as per provisions in the guidelines and pay interest to SDMF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI for the amount not invested from SDMF.

The opening balance of SDMF as on 01 April 2022 was ₹83.80 crore. ₹95.71 crore (SDMF contribution for the year 2020-21 and interest) which was credited under SDRF during 2020-21 was reclassified and credited to SDMF during the year 2022-23. During the year, ₹3.31 crore being interest for the period from April 2022 to September 2022 was credited to the Fund. An expenditure of ₹0.07

crore has been incurred from the Fund. The balance lying under SDMF as at the end of 31 March 2023 was ₹182.75 crore.

2.5.2.2 State Compensatory Afforestation Fund

The Compensatory Afforestation Fund Act, 2016, is an Act to provide for the establishment of funds under the Public Accounts of India and the Public Accounts of each State and crediting thereto the monies received from the user agencies towards compensatory afforestation, additional compensatory afforestation, penal compensatory afforestation, net present value and all other amounts recovered from such agencies under the Forest (Conservation) Act, 1980; constitution of an authority at national level and at each of the State and Union territory Administration for administration of the funds and to utilise the monies so collected for undertaking artificial regeneration (plantations), assisted natural regeneration, protection of forests, forest related infrastructure development, Green India Programme, wildlife protection and other related activities and for matters connected therewith or incidental thereto.

The monies received by the State Governments from the user agencies is credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State below the Major Head 8336-Civil Deposits. Further as per Section 3(4) of the Act, 90 *per cent* of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Funds in Public Account of the State and balance 10 *per cent* to be credited to the National Fund on yearly basis.

There was an opening balance of ₹54.66 crore in the fund. Expenditure of ₹8.24 crore was incurred from the fund. The balance in the State Compensatory Afforestation Fund as on 31st March 2023 was ₹46.42 crore. No amount was received from Central Fund during the year 2022-23. As per Finance Accounts, ₹1.83 crore was the interest due on the opening balance in the fund. Non-payment of interest resulted in understatement of Revenue and Fiscal deficit by ₹1.83 crore.

Reserve Funds not bearing Interest:

2.5.2.3 Consolidated Sinking Fund

In line with the recommendations of the XII Finance Commission, the State Government set up Consolidated Sinking Fund (CSF) with effect from the financial year 2007-08. The Fund is to be utilised as an amortisation fund for redemption of all outstanding liabilities of the Government commencing from the financial year 2012-13. The State Government may contribute to the CSF at least 0.5 *per cent* of the outstanding liabilities as at the end of the previous financial year. Against a requirement of ₹1,786.96 crore (0.50 *per cent* of their outstanding liabilities of ₹3,57,392.76 crore as on 01 April 2022) the State Government did not contribute any amount to the fund during the year. In view of the above stated non-contribution, the Revenue Deficit and the Fiscal Deficit is understated.

2.5.3 Management of Cash Balance

As per agreement with the Reserve Bank of India, State Government has to maintain a minimum daily cash balance of ₹1.66 crore with the Bank. The amount over and above the minimum cash balance on a day is invested in short term treasury bills by RBI. The interest earned from such investments are credited as receipts under the head ‘0049-Interest Receipts’. During the year 2022-23, interest of ₹15.85 crore was earned against short term investments with a closing balance of ₹7,092.74 crore in 14 days treasury bills.

If the daily cash balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Drawing Facility (SDF)/Overdrafts (OD) from time to time. The limit for ordinary WMA to the State Government during the year 2022-23 was ₹1,683.00 crore

- During the year the State Government resorted to WMA of ₹15,745.01 crore and paid an interest of ₹5.66 crore. The State Government was able to maintain a minimum cash balance of ₹1.66 crore for 313 days during 2022-23 without taking any advance. However, the State Government had to resort to Ways and Means Advance (₹14,385.13 crore) for 50 days, Special Drawing Facility (₹1,130.98 crore) for 4 days to maintain minimum cash balance. There was a shortfall from the agreed minimum cash balance amounting to ₹1.66 crore.
- Overdraft (₹227.24 crore) was taken on one day.

The State Government repaid the amount of ₹15,745.01 crore obtained under Special Drawing Facility, Ways and Means Advances etc. leaving no amount to be repaid. The cash balance and Investments of cash balances made by the State Government during the year are shown in **Table 2.33**.

Table 2.33: Cash balances and Investment of cash balance

(₹ in crore)

Sl No.	Particulars	Opening balance on 01 April 2022	Closing Balance on 31 March 2023
	A. General Cash Balance		
1	Cash in treasuries	35.92	35.99
2	Deposits with Reserve Bank of India	(-)330.31	146.16 ¹⁹
3	Deposits with other Banks ²⁰		
4	Remittance in transit-Local	0.54	0.54
	Total	(-)293.85	182.69
	Investment held in Cash Balance investment account (14 days Treasury bills)	5,230.30	7,092.74
	Total (A)	4,936.45	7,275.43

19 There was a difference of ₹145.44 crore (credit) between the figures reflected in accounts ₹146.16 crore (debit) and that communicated by Reserve Bank of India (credit item ₹0.72 crore) as on 31 March 2023. Out of the difference, an amount of ₹0.04 crore (net credit) has been cleared in 2022-23. The balance difference of ₹145.40 crore (net debit) is under reconciliation

20 Represents cash held with State Bank of India (amount negligible)

Sl No.	Particulars	Opening balance on 01 April 2022	Closing Balance on 31 March 2023
	B. Other Cash Balances and Investments		
1	Cash with departmental officers viz., Public Works, Forest Officers	(-)7.63	(-)7.63
2	Permanent advances for contingent expenditure with department officers	1.13	1.15
3	Investment in earmarked funds	2,548.01	2,722.73
	Total (B)	2,541.51	2,716.25
	Total (A+B)	7,477.96	9,991.68
	Interest realised	14.80	15.85

Source: Statement 2 of Finance Accounts

No investments were made in Long term GoI Securities by the State Government for the past several years being a Revenue Deficit State.

2.6 Public Liability Management

Total liability of the State Government typically comprises Internal Debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. In addition, Government also resorts to Off Budget borrowings which add up to the total liability of the State Government.

The component-wise debt liability trends of the State for the period from 2018-19 to 2022-23 are shown in **Table 2.34**.

Table 2.34: Components of Total liability

Components of Fiscal liabilities	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding total liabilities	2,41,614.50	2,65,362.36	3,02,620.01	3,42,887.45	3,70,525.07
Public Debt	1,58,234.44	1,74,640.22	1,99,681.73	2,19,974.55	2,38,000.97
Internal Debt	1,50,991.03	1,65,960.03	1,90,474.09	2,10,791.59	2,27,137.07
Loans from GOI*	7,243.41	8,680.19	9,207.64	9,182.96	10,863.90
Public Account liabilities	83,380.06	90,722.14	1,02,938.28	1,22,912.90	1,32,524.10
Small Savings, Provident Fund etc.	77,397.06	85,671.17	97,219.13	1,15,666.60	1,24,190.92
Reserve Funds bearing interest	2,113.98	635.57	719.55	471.73	394.65
Reserve Funds not bearing interest	318.37	279.59	366.72	355.23	334.81
Deposits bearing interest	0.27	0.49	0.34	0.52	0.36
Deposits not bearing interest	3,550.38	4,135.32	4,632.54	6,418.82	7,603.36
Rate of growth of outstanding total liability (<i>per cent</i>)	12.63	9.83	14.04	13.31	8.06
Gross State Domestic Product (GSDP)	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14

Components of Fiscal liabilities	2018-19	2019-20	2020-21	2021-22	2022-23
Liability/GSDP (<i>per cent</i>)	30.65	32.64	39.21	36.69	35.42
Borrowings and other liabilities (as per Statement 6 of Finance Accounts)					
Total receipts#	1,46,499.36	1,83,509.21	2,45,780.87	2,40,321.38	2,16,432.9
Total repayments	1,19,403.07	1,59,761.36	2,02,757.22	1,91,314.63	1,88,795.28
Net funds available	27,096.29	23,747.85	43,023.65	49,006.75	27,637.62
Repayments/receipts (<i>per cent</i>)	81.50	87.06	87.06	82.50	87.23
Off Budget borrowings (OBB)	9,925.39	14,142.20	16,469.05	24,272.67	29,475.97
Outstanding liabilities including OBB	2,51,539.89	2,79,504.56	3,19,089.06	3,67,160.12	4,00,001.04
Liabilities including OBB/GSDP	31.91	34.38	41.35	39.29	38.23

* During the year 2020-21, 2021-22 and 2022-23, it excludes ₹5,766 crore, ₹14,505.31 crore (5,766.00 + 8,739.31) and ₹14,505.31 crore respectively, as back-to-back loans from GOI in lieu of GST compensation shortfall, would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

During the year 2020-21 and 2021-22, these have been calculated after excluding ₹5,766.00 crore and ₹8,739.31 crore respectively, as back-to-back loans from GOI in lieu of GST compensation shortfall, would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The total liabilities of the State Government increased from ₹2,41,614.50 crore in 2018-19 to ₹3,70,525.07 crore in 2022-23 recording a growth of 53.35 *per cent* during the last five years. Taking into account the off budget borrowings of the State, the total liabilities of the State increased from ₹2,51,539.89 crore in 2018-19 to ₹4,00,001.04 crore in 2022-23 recording a growth of 59.02 *per cent* during the same period. Public debt increased by ₹79,766.53 crore (50.41 *per cent*) during the period from 2018-19 to 2022-23, wherein Internal debt increased by ₹76,146.04 crore (50.43 *per cent*) and Loans from GOI increased by ₹3,620.49 crore (49.98 *per cent*). Public Account liabilities increased by ₹49,144.04 crore (58.94 *per cent*) during the same period. Major increase was under Small Savings, Provident Fund etc. (₹46,793.86 crore: 60.46 *per cent*).

2.7 Liabilities Upon Consolidated Fund

The Public Debt consists of Internal debt and Loans and Advances from the Central Government. The internal debt comprises of Market loans, Loans from *Special Securities issued to National Small Savings Fund of the Central Government*, loans from banks/ financial institutions and Ways & Means advances from RBI. The amount outstanding under various components of Public Debt as well as receipts and payments during the year 2022-23 are given in **Table 2.35**.

Table 2.35: Outstanding loans under various components of Public Debt*(₹ in crore)*

SI No	Particulars	2022-23				
		OB	Receipt	Repayment	Net	CB
1	A. Internal Debt					
2	Market Loans	1,83,522.03	30,839.00	15,219.00	15,620.00	1,99,142.03
3	Special Securities issued to National Small Savings Fund of the Central Government	22,566.54	4,108.54	3,075.08	1,033.46	23,600.00
4	Loans from National Co-operative Development Corporation	495.97	307.04	106.43	200.61	696.58
5	Loans from NABARD	2,973.46	483.15	659.03	(-)175.88	2,797.58
6	Loans from Bank - Securitisation of House Building Advance	587.85	0	123.35	(-)123.35	464.50
7	Loans from Banks/Financial Institutions	645.74	0	209.36	(-)209.36	436.38
8	Ways and Means Advances from the RBI	0	15,745.01	15,745.01	0	0
9	Total (A)	2,10,791.59	51,482.74	35,137.26	16,345.48	2,27,137.07
10	B. Loans and Advances from Central Government					
11	Loans for Externally Aided Projects	8,134.56	621.69	841.72	(-)220.03	7,914.53
12	Loans for Capital Projects	321.53	1,902.74	0	1,902.74	2,224.27
13	Loans for shortfall in GST Compensation	14,505.31	0	0	0	14,505.31
14	Others	726.87	0	1.77	(-)1.77	725.10
15	Total (B)	23,688.27	2,524.43	843.49	1,680.94	25,369.21
16	Total (A+B)	2,34,479.86	54,007.17	35,980.75	29,032.14	2,52,506.28*

* Effective outstanding Public Debt as on 31 March 2023 would be ₹2,38,000.97 crore (₹1,99,681.73 crore as on March 2021, ₹2,19,974.55 crore as on March 2022) as the Department of Expenditure, GOI had decided that GST compensation of ₹14,505.31 crore (₹8,739.31 crore for 2021-22 and ₹5,766 crore for 2020-21) given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

2.7.1 Trend of Public Debt

The details relating to total outstanding Debt, repayment of debt and the actual quantum of debt available to the State during the five-year period 2018-19 to 2022-23 are given in the **Table 2.36**.

Table 2.36: Trend of Public Debt

(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1	Outstanding Public Debt	1,58,234.45	1,74,640.22	2,05,447.73	2,34,479.86	2,52,506.28 ²¹
2	Rate of growth of outstanding debt (<i>per cent</i>)	10.67	10.37	17.64	14.13	7.69
3	Total Public Debt Receipts	33,445.92	60,407.05	69,735.36	64,932.13	54,007.17
4	Total Public Debt Repayments	18,196.00	44,001.28	38,927.85	35,900.00	35,980.75
5	Interest on Public Debt	12,086.29	13,273.79	14,409.57	15,774.79	16,882.59
6	Net Public Debt Available	3,163.63	3,131.98	16,397.94	13,257.34	1,143.83
7	Debt Repayments (including interest) /Debt Receipts (<i>per cent</i>)	90.54	94.82	76.49	79.58	97.88

Total outstanding Public Debt of the State grew from ₹1,58,234.45 crore to ₹2,52,506.28 crore during the five-year period 2018-2023. The outstanding debt as on 31 March 2023 grew by 7.69 *per cent* when compared to the previous year. The total public debt raised during the year decreased by ₹10,924.96 crore (16.83 *per cent*) which is a positive indicator of the Government. However, from the **Table 2.36**, it is obvious that 76.49 *per cent* to 97.88 *per cent* of the debt receipts were utilised for repayment of outstanding Debt. This indicates a poor debt management by the State Government.

2.8 Other Liabilities of the State

The State Government also has liabilities such as, off budget borrowings, guarantees given by the Government on repayment of principal and interest on loans raised by Statutory Corporations/ Government Companies, Local Bodies, Joint Stock Companies, Cooperative Institutions etc. Details of other liabilities for 2021-22 and 2022-23 are shown in **Table 2.37**.

Table 2.37: Details of Other liabilities

(₹ in crore)

Sl. No	Particulars	As of March 2022	As of March 2023
1	Off-budget borrowings	24,272.67	29,475.97
2	Guarantees	44,369.85	50,374.49
	Total	68,642.52	79,850.46

²¹ Effective outstanding Public Debt as on 31 March 2023 would be ₹2,38,000.97 crore (₹1,99,681.73 crore as on March 2021, ₹2,19,974.55 crore as on March 2022) as the Department of Expenditure, GOI had decided that GST compensation of ₹14,505.31 crore (₹8,739.31 crore for 2021-22 and ₹5,766 crore for 2020-21) given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

As of March 2023, the other liabilities of the State increased by ₹11,207.94 crore (16.33 per cent) from ₹68,642.52 crore in 2021-22 to ₹79,850.46 crore in 2022-23.

2.8.1 Off-budget borrowing

Off-Budget Borrowings by State Public Sector companies/corporations, Special purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be serviced out of the State Budgets and/or by assignment of taxes/cess or any other State's revenue, shall be considered as Borrowings made by the State itself for the purpose of issuing the consent under Article 293(3) of the Constitution of India.

As per the recommendations of the XV Finance Commission, all committed expenditures and developmental expenditures should be met from the augmented borrowing space recommended for the State Governments, without resorting to off-budget or any non-transparent means of financing for any expenditures.

State Government resorted to off budget borrowings for infrastructural projects through KIIFB and for social security and welfare pensions through KSSPL. The outstanding balance of loans as on 31 March 2023 borrowed by KIIFB was ₹17,742.68 crore (**Appendix 2.2 - Part A**) and KSSPL ₹11,733.29 crore (**Appendix 2.3 - Part A**). Total off-budget borrowing of the above two institutions comes to ₹29,475.97 crore. The entity wise details of off budget borrowings is shown in **Table 2.38**.

Table 2.38: Entity-wise details of off-budget borrowings

(₹ in crore)

Name of the Entity	Outstanding Off Budget Borrowings as on 31 March 2022	Off Budget Borrowings during 2022-23	Repayment during 2022-23		Closing Balance
			Principal	Interest	
Kerala Infrastructure Investment Fund Board	13,066.18	5,109.24	432.74	1,254.56	17,742.68
Kerala Social Security Pension Limited	11,206.49	2,949.67	2,422.87	833.17	11,733.29
Total	24,272.67	8,058.91	2,855.61	2,087.73	29,475.97

Source: Information furnished by KIIFB and KSSPL

Off-budget borrowing through KIIFB and KSSPL are explained in the succeeding paras:

2.8.1.1 Kerala Infrastructure Investment Fund Board (KIIFB)

The Kerala Infrastructure Investment Fund Board (KIIFB) is a statutory body constituted (November 1999) and controlled by the State Government under the Kerala Infrastructure Investment Fund Act to manage the Kerala Infrastructure Investment fund with the objective of providing investment for critical and large infrastructure projects in Kerala. The State Government undertakes for the

payment of principal and interest of the loans raised by Kerala Infrastructure Investment Fund Board as per section 9(1) of the Kerala Infrastructure Investment Fund (Amendment) Act, 2016. Thus, the loan taken by KIIFB are the direct liabilities of the State Government, and are therefore, off-budget borrowings for the State. The State Government has allotted the petroleum cess and 50 *per cent* of the Motor Vehicle Tax for servicing the loans of KIIFB.

During the year 2022-23, KIIFB raised off-budget loans amounting to ₹5,109.24 crore from various sources as detailed in **Appendix 2.2 (Part B)**.

Government (November 2023) replied that KIIFB's borrowings are neither on budget or in the nature of off budget borrowings of Government of Kerala but are done by KIIFB as part of its agency function to build infrastructure projects for Government of Kerala. It was also stated that there was no liability/contingency associated with KIIFB's borrowing liabilities on the State Government.

The contention of the Government is not acceptable, as KIIFB has no revenue of its own and the State Government has to defray the debt obligations of KIIFB by transferring its own revenue through budget every year which otherwise could have been used for financing the deficits of the State.

2.8.1.2 Kerala Social Security Pension Limited (KSSPL)

Kerala Social Security Pension Limited was incorporated in August 2018 under the Companies Act 2013. The Company is wholly owned by the Government of Kerala under Finance Department and the Company was formed with the objective of improving the disbursement of various Social Security and welfare pensions to the beneficiaries in Kerala.

As per the Government Order G.O (Ms) No 232/2018/FIN dated 26 June 2018 of Finance(SS) Department, anticipated expenditure for Social Security Pension would be provided through Budget every year and amount from Government of India under National Social Assistance Programme (NSAP) would also be infused into the Company. The Government would bear the repayment liabilities of the Company arising on account of pension disbursement. The Company is also authorised to raise funds from the Public, Public Sector Undertakings and other institutions through suitable financial instruments including deposits and loans which would be serviced / redeemed with the funds provided by the Government through its budget. The funds required for repayment of loans are mobilised through short term financial instruments and financial assistance from the Government.

As the loans raised by KSSPL were for meeting the liability of the State Government and the repayment of loan and interest are from the Consolidated Fund of the State, the loan raised by KSSPL is an off-budget borrowing of the State Government. During 2022-23 KSSPL raised off-budget loans amounting to ₹2,949.67 crore as detailed in **Appendix 2.3 (Part B)**.

As per the information received from KSSPL, a loan amount of ₹11,733.29 crore was outstanding as on 31 March 2023 as detailed in **Appendix 2.3 (Part A)**. Since KSSPL is a Government company having no revenue of its own, the outstanding loan of ₹11,733.29 crore is also an additional liability of the Government.

Thus, resorting to the off-budget borrowing by the State Government during 2022-23 through the above two entities, had led to an additional burden on the State exchequer, which had an impact on the Liability-GSDP ratio as well. The liability-GSDP ratio for the State stands at 35.42 *per cent* during 2022-23 (**Table 1.8**). But if the liabilities on account of off-budget borrowings are taken into account, the actual outstanding liability-GSDP ratio stands at 38.23 *per cent*, which is way above the Fiscal target of 34.50 *per cent*.

2.8.2 Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended.

The Government provides guarantees for repayment of loans, etc. raised by Statutory Corporations, Government Companies, Co-operative Banks, and Societies etc. In terms of the Section 3 of Government Guarantees Act, 2003, amended vide 'Kerala Finance (No.2) Act, 2022', the total outstanding Government Guarantees as on the first day of April of any year shall be 100 per cent of the total revenue receipts as per the annual financial statement of the State in the preceding year or at 10 *per cent* of the Gross State Domestic Product (GSDP), whichever is lower. During the year 2022-23, the amount guaranteed by the State Government was ₹6,184.94 crore. The outstanding guarantees of ₹50,374.49 crore (Principal plus interest) as on 31 March 2023 works out to 4.82 *per cent* of the GSDP of the year 2022-23 (₹10,46,188.14 crore) which was within the limit of 10 *per cent* of the GSDP for the year.

As per the Act, 0.75 *per cent* of outstanding guarantee at the beginning of the year should be collected as guarantee commission every year. While ₹268.45 crore was received as guarantee commission during the year, ₹323.68 crore of guarantee commission was pending collection from various institutions as on 31 March 2023. Major defaulters are shown in **Appendix 2.4**.

2.8.2.1 Non-Constitution of Guarantee Redemption Fund

As per the recommendations of the Twelfth Finance Commission (2005-2010), State Governments are required to constitute a Guarantee Redemption Fund (GRF) to be utilised for meeting the payment of obligations arising out of the guarantees issued by the Government. The Fund is operated outside the State Government account and administered by the Reserve Bank of India.

Under the guidelines, the State Government is required to make minimum annual contribution of 0.50 *per cent* of outstanding guarantee at the beginning of the year. The amount to be contributed by the State Government in the Fund during the year is ₹221.85 crore.

In terms of the Kerala Ceiling on Government Guarantees Act, 2003, the guarantee commission received annually are to be transferred to the Public Account and these contributions shall form the corpus of the Guarantee Redemption Fund under Public Account of the State. As the State Government has not constituted GRF, Guarantee commission of ₹1,966.37 crore collected from 2003-04 to 2022-23 was credited under the revenue receipts head '0075-108 Guarantee Fee'.

2.9 Cost of Public Debt and other liabilities

The cost of debt is the effective interest rate that the Government is required to pay on its long-term debt obligations. Interest paid on Public Debt and other liabilities during the last five years' period are shown in **Table 2.39**.

Table 2.39: Cost of debt and other liabilities

Item	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt	1,58,234.35	1,74,640.22	2,05,447.73	2,34,479.86	2,52,506.28*
Interest on Market loans	9,996.20	11,159.82	12,203.37	13,543.89	14,269.28
Interest on other debt	2,090.09	2,113.97	2,206.20	2,230.90	2,613.31
Total Interest on Public Debt	12,086.29	13,273.79	14,409.57	15,774.79	16,882.59
Average interest rate on Public Debt**	8.02	7.98	7.58	7.17	6.93
Outstanding Public Account	83,380	90,722	1,02,938	1,22,913	1,32,524.10
Interest paid on Public Account	4,812.35	5,911.47	6,531.40	7,510.29	8,249.70
Average interest rate on public Accounts**	6.21	6.79	6.75	6.48	6.46
Total Interest Paid #	16,898.64	19,185.26	20,940.97	23,285.08	25,132.29
Revenue Receipts	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.65
Interest paid on total debt as percentage of revenue receipts	18.20	21.26	21.45	19.96	18.94

* Effective outstanding Public Debt as on 31 March 2023 would be ₹ 2,38,000.97 crore (₹1,99,681.73 crore as on March 2021, ₹2,19,974.55 crore as on March 2022) as the Department of Expenditure, GOI had decided that GST compensation of ₹14,505.31 crore (₹8,739.31 crore for 2021-22 and ₹5,766 crore for 2020-21) given to the State as back to back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission

**Average interest rate = Interest payment/ (Average of opening and closing balance of debt)*100
Interest payment is not inclusive of charges for management of debt. The amount for the year 2022-23 is ₹44.25 crore.

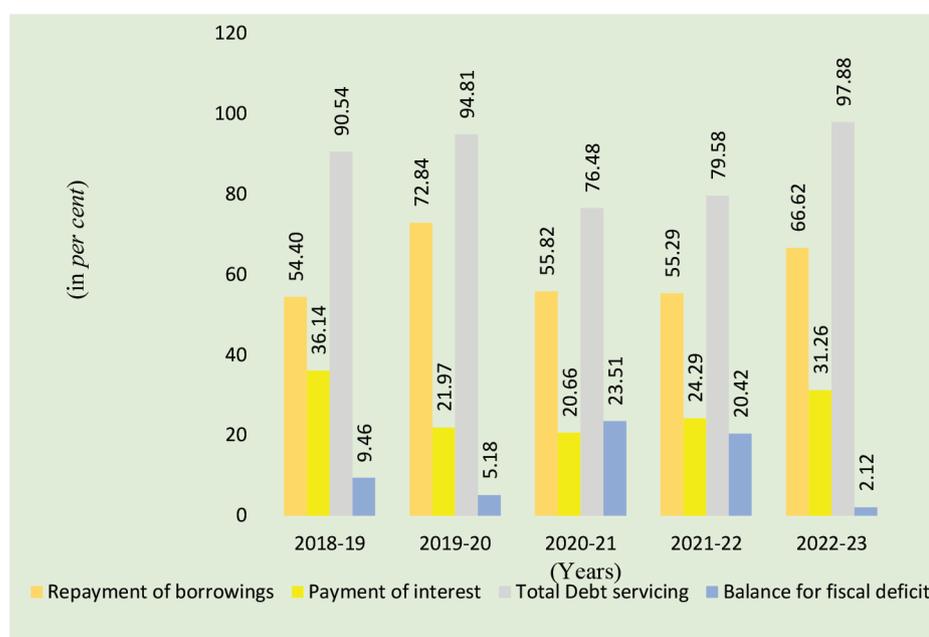
Although, the average interest rate on Debt showed a declining trend, the actual interest paid on debt consistently increased across the five-year period. The interest paid in 2018-19 was ₹12,086.29 crore which increased to ₹16,882.59 crore in 2022-23, an increase of 39.68 per cent over the five-year period, due

to increase in Public Debt. The interest on Public Account also increased from ₹4,812.35 crore in 2018-19 to ₹8,249.70 crore in 2022-23. Out of ₹8,249.70 crore, interest paid on Treasury Savings Bank Deposits was ₹4,818.76 crore, State Provident Fund ₹2,607.25 crore, Insurance and Pension Fund ₹784.71 crore and SDRF ₹38.94 crore. On an average, about 19 *per cent* of the revenue receipts are utilised for payment of interest on overall debt of the State alone.

2.10 Utilisation of borrowed funds

During 2022-23, Government had borrowed ₹54,007.17 crore. Details of utilisation of borrowed funds are given in **Chart 2.11** below.

Chart 2.11: Trends of Utilisation of borrowed funds



In all the five years, major portion of the borrowed funds is utilized for repayment of borrowings. Borrowed funds should ideally be used to fund capital creation and development activities. During 2022-23, 97.88 *per cent* of the borrowed funds was utilised for debt servicing leaving only 2.12 *per cent* of borrowed funds for capital expenditure.

2.11 Debt Sustainability Analysis (DSA)

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Debt Sustainability Analysis (DSA) considers the feasibility of meeting debt related financial obligations during a period beginning with the present, and is a crucial aspect for assessing financial health of an economy. The cornerstone of DSA is the Debt-GSDP ratio. A sustainable fiscal policy is one where the debt to GSDP ratio is stable or declining over the long term.

2.11.1 Debt Stabilisation – Debt Sustainability Indicators

This section assesses the sustainability of the debt of the Government in terms of rate of growth of public debt, ratio of total outstanding debt to GSDP, ratio of interest payment to revenue receipt, debt repayment to debt receipt, net debt available to the State etc. Trends in fiscal variables determining the debt stabilisation are shown in **Table 2.40**.

Table 2.40: Trends in Debt Sustainability Indicators

(₹ in crore)

Sl No.	Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
1	Outstanding Public Debt* (₹ in crore)	1,58,234.45	1,74,640.22	1,99,681.73	2,19,974.55	2,38,000.97
2	Rate of Growth of outstanding Public Debt	10.67	10.37	14.34	10.16	8.19
3	Outstanding Public Debt including OBB (₹ in crore)	1,68,159.83	1,88,782.42	2,16,150.78	2,45,848.94	2,67,476.94
4	Rate of Growth of outstanding Public Debt including OBB	17.61	12.26	14.50	13.74	8.80
5	GSDP (₹ in crore)	7,88,285.58	8,12,934.63	7,71,723.89	9,34,541.75	10,46,188.14
6	Rate of Growth of GSDP	12.36	3.13	(-5.07)	21.10	11.95
7	Public Debt/GSDP	20.07	21.48	25.87	23.54	22.75
8	Public Debt including OBB/GSDP	21.33	23.22	28.01	26.31	25.57
9	Interest paid on Public Debt (₹ in crore)	12,086.29	13,273.79	14,409.57	15,774.79	16,882.59
10	Interest paid on OBB (₹ in crore)	156.79	1,018.06	1,241.43	1,483.60	2,087.73
11	Interest paid on Public Debt including OBB (₹ in crore)	12,243.08	14,291.85	15,651.00	17,258.39	18,970.32
12	Average interest rate of outstanding Public Debt[1] ²²	8.02	7.98	7.70	7.52	7.37
13	Average interest rate of outstanding Public Debt including OBB	7.87	8.01	7.73	7.47	7.39
14	Percentage of Interest payment to Revenue Receipt	13.02	14.71	14.76	13.52	12.72
15	Net debt available to State ²³ (₹ in crore)	3,163.64	3,131.98	16,397.94	13,257.35	1,143.83
16	Debt repayment to Debt receipt	54.4	72.84	55.82	55.29	66.62
17	Interest Spread ²⁴	4.34	(-4.85)	(-12.77)	13.58	5.58
18	Quantum Spread ²⁵	6,867.38	(-8,470.05)	(-25,499.36)	29,872.54	10,900.44
19	Fiscal deficit (₹ in crore)	(-26,958.31)	(-23,837.47)	(-40,969.69)	(-46,045.78)	(-25,554.54)
20	Primary deficit (₹ in crore)	(-10,210.39)	(-4,622.78)	(-19,994.33)	(-22,742.96)	(-378.18)
21	Debt Stabilisation (Quantum spread + Primary Deficit) (₹ in crore)	(-3,343.01)	(-13,092.83)	(-45,493.69)	7,129.58	10,522.26

22 Average interest rate = Interest paid / (OB of Public Debt + CB of Public Debt)/2 x 100

23 Net Debt available = Public debt receipt during the year-repayment of principal amount -Interest paid on public debt

24 Interest Spread =Rate of Growth of GSDP – Average interest rate of outstanding Public Debt

25 Quantum Spread = Outstanding Public Debt X Interest Spread/100

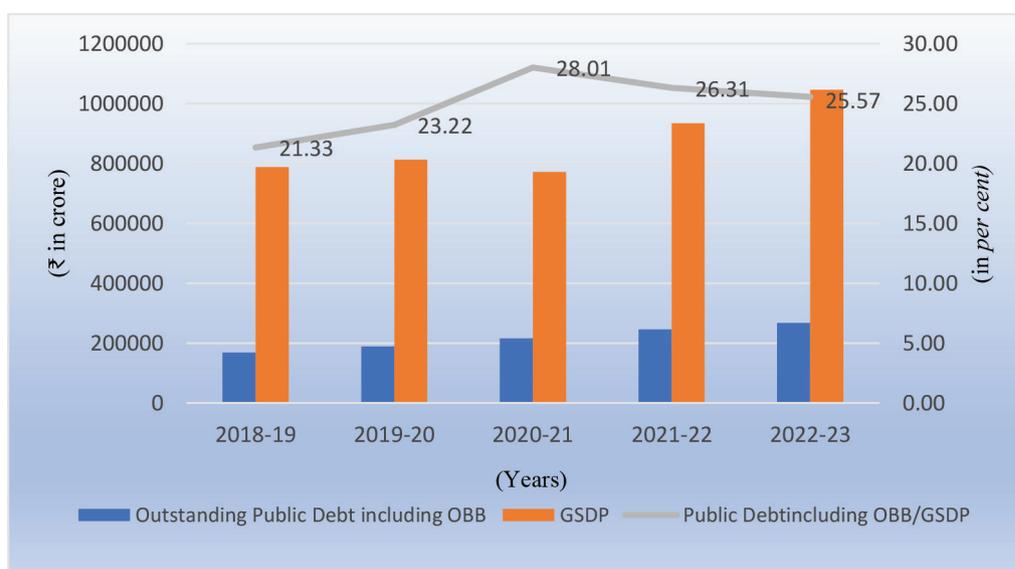
* During the year 2020-21, 2021-22 and 2022-23, it excludes ₹5,766 crore, ₹14,505.31 crore (5,766.00 + 8,739.31) and ₹14,505.31 crore respectively, as back-to-back loans from GOI in lieu of GST compensation shortfall, would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

The sustainability of the debt of the State is analysed through the following Debt Sustainability Indicators.

2.11.1.1 Ratio of outstanding debt to GSDP

The debt-to-GSDP ratio is the metric comparing a State's public debt to its Gross State Domestic Product (GSDP). By comparing what a State owes with what it produces, the debt-to-GSDP ratio reliably indicates the State's ability to pay back its debts. A low debt-to-GDP ratio indicates that an economy produces goods and services sufficient to pay back debts without incurring further debt. A falling debt-to-GSDP ratio can be considered as leading towards stability. If debt-to-GSDP ratio increases rapidly and goes above a threshold, then the current level of the primary balance is not sufficient to stabilize the debt-to-GSDP ratio. The debt to GSDP ratio for the period from 2018-19 to 2022-2023 is given in **Chart 2.12**.

Chart 2.12: Ratio of total outstanding public debt to GSDP



The debt- GSDP ratio ranged between 20.07 per cent and 25.87 per cent during the last five-year period.

The debt including off budget borrowing (OBB)- GSDP ratio increased from 21.33 per cent in 2018-19 to 28.01 per cent in 2020-21 and it has declined thereafter to 26.31 per cent in 2021-22 and further to 25.57 per cent in 2022-23.

2.11.1.2 Ratio of Revenue receipts to total outstanding debt including OBB

If ratio of revenue receipts to total outstanding debt is increasing, it would be easier for the Government to repay its debt using its own resources. Though

revenue receipts increased from ₹92,854.47 crore in 2018-19 to ₹1,32,724.65 crore in 2022-23, the percentage of revenue receipts to total outstanding debt including off budget borrowing decreased from 55.22 *per cent* in 2018-19 to 49.62 *per cent* in 2022-23. This will put more stress on the State Government for meeting the debt obligations.

2.11.1.3 Cost of Public borrowings to Growth of GSDP and primary balance

The rate of interest payable on the outstanding debt should be lower than the rate of growth of GSDP and there should be a primary surplus. If the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. It can be seen from **Table 2.40** that during the last five years, except in 2019-20 and 2020-21, the rate of growth of economy (rate of growth of GSDP) exceeded the interest rate or cost of public borrowings. Though primary balances (primary deficit) remained highly negative for the period from 2018-19 to 2021-22, during 2022-23 the primary deficit was only (-) ₹378.18 crore.

2.11.1.4 Domar's approach towards debt stability

Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of public debts, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt. **Table 2.41** provides the Domar sustainability condition, while **Table 2.42** provides Public Debt Sustainability *vis-à-vis* real growth and real interest.

Table 2.41: The dynamics of public debt depending on the interest rate, the growth rate of GDP and the primary budget balance

$g-r$ (g: real economic growth rate; r: real interest rate), called Domar gap	$s < 0$ (primary deficit)	$s > 0$ (primary surplus)
$g-r > 0$ (strong economic growth)	Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.	Public debt as a percentage of GSDP should converge to a stable level less than zero leading to public savings
$g-r < 0$ (slow economic growth)	Public debt as a percentage of GSDP will increase indefinitely, without converging to a stable level	Undefined situation

Table 2.42: Public Debt Sustainability-real growth and real interest

Year	Real economic growth (g)	Real Interest rate (r)	Domar gap (g-r)	Primary deficit (-)/ Surplus (+)
	(in per cent)			(₹ in crore)
2018-19	7.37	2.44	4.93	(-)10,210.39
2019-20	2.22	1.48	0.74	(-)4,622.77
2020-21	(-)9.20	1.31	(-)10.51	(-)19,994.33
2021-22	7.10	3.00	4.10	(-)22,742.96
2022-23	6.60	0.51	6.09	(-)378.18

• Real economic growth rate has been calculated for real GSDP (i.e., at constant prices*).

• Real interest rate is calculated as average interest rate on fiscal liabilities minus inflation. Average inflation** has been obtained from RBI

* Information furnished by Directorate of Economics and Statistics

** As published by Ministry of Statistics & Programme Implementation on March 13, 2023

Applying the DOMAR analysis to Kerala showed that the Domar gap (g-r) was positive during the period from 2018-19 to 2022-23, except in 2020-21. During the pre-Covid period of 2018-19 and 2019-20, the real growth rate of the GSDP was 4.80 *per cent* and Domar gap (expressed as g-r) remained positive but there was primary deficit in the State. Covid -19 affected the real growth rate of GSDP during 2020-21 and the Domar gap turned negative during the year. In the subsequent years (2021-22 and 2022-23), the Domar gap became positive along with the primary deficit, which reflect that Public debt as a percentage of GSDP tends towards a stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.

It may be mentioned that the sustainability of Public Debt will depend on whether the State economy maintains the real growth rate in the long run keeping the real interest rate under control.

Going by the analysis and results as discussed above, the finances of the State of Kerala is marked by increasing trend of liabilities (debt, guarantees, implicit subsidies, off-budget borrowings, etc.,) which pose risk to target of debt stabilisation and debt sustainability.

2.12 Maturity and Repayment of Public Debt

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. As per Finance Accounts for the year 2022-23, the maturity profile of the public debt is as shown in **Table 2.43**.

Table 2.43: Debt Maturity profile

Sl. No.	Year of Maturity	Maturity Profile	Amount (₹ in crore)			Per cent of total Public Debt
			Internal Debt	Loans & Advances from GoI	Total	
1	By 2023-24	0-1 year	18,655.65	722.18	19,377.83	7.67
2	Between 2024-25 & 2025-26	1-3 years	38,566.16	1,248.29	39,814.45	15.77
3	Between 2026-27 & 2027-28	3-5 years	39,176.28	1,141.79	40,318.07	15.97
4	Between 2028-29 & 2029-30	5-7 years	36,093.02	964.42	37,057.44	14.68
5	2029-2030 onwards	Above 7 years	86,242.53	3,696.03	89,938.56	35.62
6	Amount for which Maturity profile details not yet reconciled.		8,403.43	17,596.50	25,999.93	10.30
Total			2,27,137.07	25,369.21	2,52,506.28	100.00

Source: Finance Accounts

The debt maturity profile showed that ₹1,36,567.79 crore (54.08 per cent) of the debt is repayable within the next seven years and ₹89,938.56 crore (35.62 per cent) repayable beyond seven years.

2.13 Conclusions

1. Revenue resources

Revenue receipts of the State increased from ₹92,854.47 crore in 2018-19 to ₹1,32,724.65 crore in 2022-23, recording a growth of 42.94 per cent during the last five years. The State's own tax revenue, being the main source of revenue in revenue receipts increased by 42.11 per cent during the period 2018-23 and as compared to previous year, it grew by 23.36 per cent. There was a further scope to increase the revenue collection in view of the fact that ₹27,902.45 crore pertaining to 15 Departments are falling in arrears.

2. Revenue Expenditure

Revenue Expenditure of the State increased from ₹1,10,316.39 crore in 2018-19 to ₹1,41,950.93 crore in 2022-23 recording a growth of 28.68 per cent during the five-year period. Revenue expenditure as a percentage of total expenditure ranged between 88.88 and 91.88 per cent during the period showing predominance of revenue expenditure in total expenditure. Share of committed expenditure in revenue expenditure was 63.86 per cent during 2022-23 and it consumed 68.30 per cent of the revenue receipts during the year. Interest payments consumed 18.97 per cent of revenue receipts during 2022-23.

3. Quality of Expenditure

Capital expenditure during the current year showed a negative growth of 1.38 per cent over the previous year. Though the State Government invested ₹10,602.67 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives, average return on these investments was only 0.46 per cent

during the year while the Government paid an average interest rate of 6.78 *per cent* on its borrowings during 2022-23.

4. Borrowed Funds

Generally, borrowed funds are to be utilized for creation of capital assets as the revenue generated from these assets are to be utilized for servicing of the debt. During the year 98 *per cent* of the borrowed funds were utilised for repayment of debt including interest. The maturity profile of State debt indicates that the Government will have to repay 54 *per cent* of its debt within the next seven years.

2.14 Recommendations

- 1. The Government should adopt a fiscal consolidation path so that the targets fixed in the Kerala Fiscal Responsibility Act could be achieved especially with regard to the Debt-GSDP ratio.*
- 2. The Government should make all efforts to ensure that the revenue that are falling in arrears are realised.*
- 3. The Government should ensure that Capital expenditure in the Social Services Sector are increased and take measures to improve its capital expenditure to augment its growth and development.*
- 4. The State Government needs to mobilise additional revenue resources to fund its various socio-economic developmental schemes to avoid financing of revenue expenditure through debt.*