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CHAPTER I
OVERVIEW OF FINANCES
OF THE STATE

Chapter-I: Overview of Finances of the State

This chapter provides a snapshot of Kerala's finances for 2024-25, covering demographics, economic indicators, and the State's fiscal structure. It analyses trends in revenue and expenditure, debt levels, and fiscal deficits, highlighting persistent imbalances and reliance on borrowings. The chapter flags issues like high committed expenditure, low returns on investments *etc.*

1.1 Profile of Kerala

Kerala, a State in southern part of India covers 38,863 sq.km and comprises 14 districts and 1,666 villages. As of 2025, its population stood at 3.60 crore (2.56 per cent of India's Total) with a density of 928 persons per sq.km. The literacy rate of Kerala (95 per cent) is high compared to the National average (81 per cent). The State has an Infant Mortality Rate of five per 1,000 live births which is significantly lower than the National average of 25 per 1,000 live births. The Maternal Mortality Rate of the State (one per lakh women) was also lower than the National average (five per lakh women).

1.1.1 Demography of the State

The State's demographic details *vis-à-vis* national average are presented in Table 1.1 below.

Table 1.1: Demographic profile of the State

	Kerala	National average
Rural Population (<i>per cent</i>) (2025)	20.58	64.30
Urban Population (<i>per cent</i>) (2025)	79.42	35.70
Population density (<i>number per sq.km</i>) (2025)	928	430
Sex Ratio per 1,000 Males (2025)	1,082	947
Infant Mortality Rate per 1,000 Live births (2023)	5.00	25.00
Maternal Mortality Rate (per lakh women in the age group of 15-49) (2021-23)	1.00	5.00
Total Fertility Rate (<i>Children per women</i>) (2019-21)	1.79	1.99
Life Expectancy at Birth (<i>Years</i>) (2019-23)	75.10	70.30
Population below Poverty Line (<i>Headcount Ratio</i>) (<i>per cent</i>) (2019-21)	0.55	14.96
Literacy Rate (<i>per cent</i>) (2023-24)	95.30	80.90

Sources

Rural/ Urban Population :	Report of the Technical Group on Population Projections on 'Population Projection for India and States 2011 – 2036', submitted by National Commission on Population
Infant Mortality Rate :	SRS Bulletin September 2025 (Ref. Year 2023)- RGI, GoI
Maternal Mortality Rate :	SRS Bulletin September 2025 (Ref. Year 2021-23), RGI, GoI
Total Fertility Rate :	NFHS-5 (2019-21), MoHFW, GoI
Life Expectancy at Birth :	SRS Based Abridged Life Table 2019-23, RGI, GoI
Population Density :	Census of India 2011 (Population Projections for India and States 2011-2036), MoHFW
Literacy Rate :	Periodic Labour Force Survey (2023-24), MoSPI
Population below poverty line: (Headcount Ratio)	Multidimensional Poverty Index, Niti Aayog 2019-21 (Headcount Ratio), NITI Aayog,
Sex Ratio :	Census of India 2011 (Population Projections for India and States 2011-2036), MoHFW, GoI

1.1.2 Economy of the State

Gross State Domestic Product (GSDP) and per capita GSDP are important indicators of the State’s economy as discussed in succeeding paragraphs.

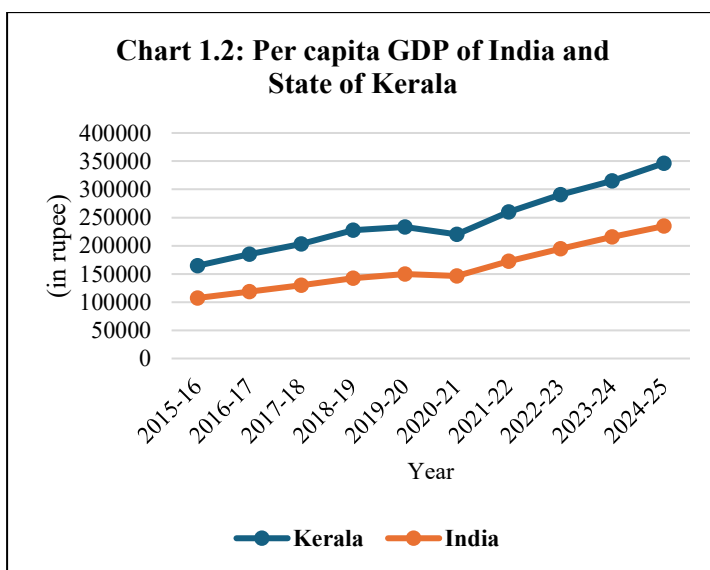
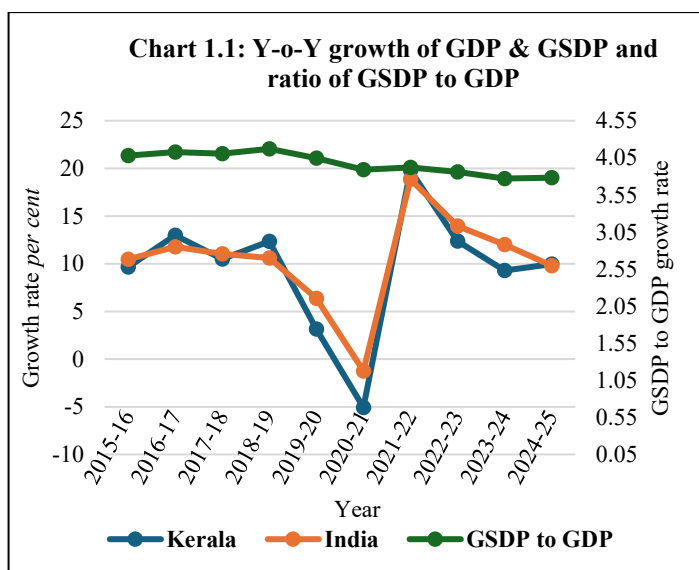
1.1.2.1 Gross State Domestic Product and Per capita GSDP

Gross Domestic Product (GDP) refers to the total value of goods and services produced within a country, while GSDP measures the same at the State level, and both reflect economic development and overall progress. Trends of GSDP and GDP is given in **Table 1.2**. Year on year growth of GSDP and GDP and GSDP contribution in GDP is given in **Chart 1.1** and per capita GDP of the country and per capita GSDP of the State is depicted in **Chart 1.2**.

Table 1.2: Trends in GSDP compared to GDP of India (at current prices)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
GDP of India (₹ in crore)	1,37,71,874	1,53,91,669	1,70,90,042	1,88,99,668	2,01,03,593	1,98,54,096	2,35,97,399	2,68,90,473	3,01,22,956	3,30,68,145
GSDP of Kerala (₹ in crore)	5,61,994	6,34,886	7,01,588	7,88,286	8,12,935	7,71,724	9,24,465	10,38,734	11,35,372	12,48,533
Per Capita GDP of India (in ₹)	1,07,341	1,18,489	1,30,061	1,42,424	1,49,915	1,46,480	1,72,422	1,94,451	2,15,935	2,34,859
Per Capita GSDP of Kerala (in ₹)	1,64,554	1,84,979	2,03,399	2,27,397	2,33,338	2,20,400	2,59,878	2,90,832	3,16,612	3,46,437

Source: Ministry of Statistics and Programme Implementation, GoI

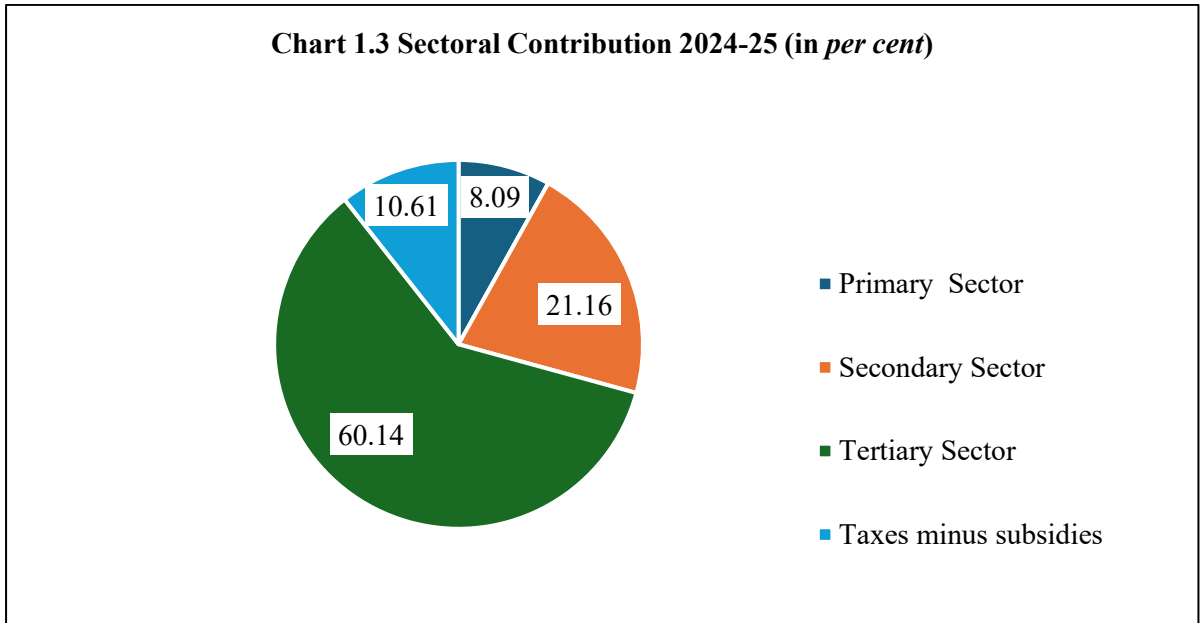


Source: Ministry of Statistics and Programme Implementation, GoI

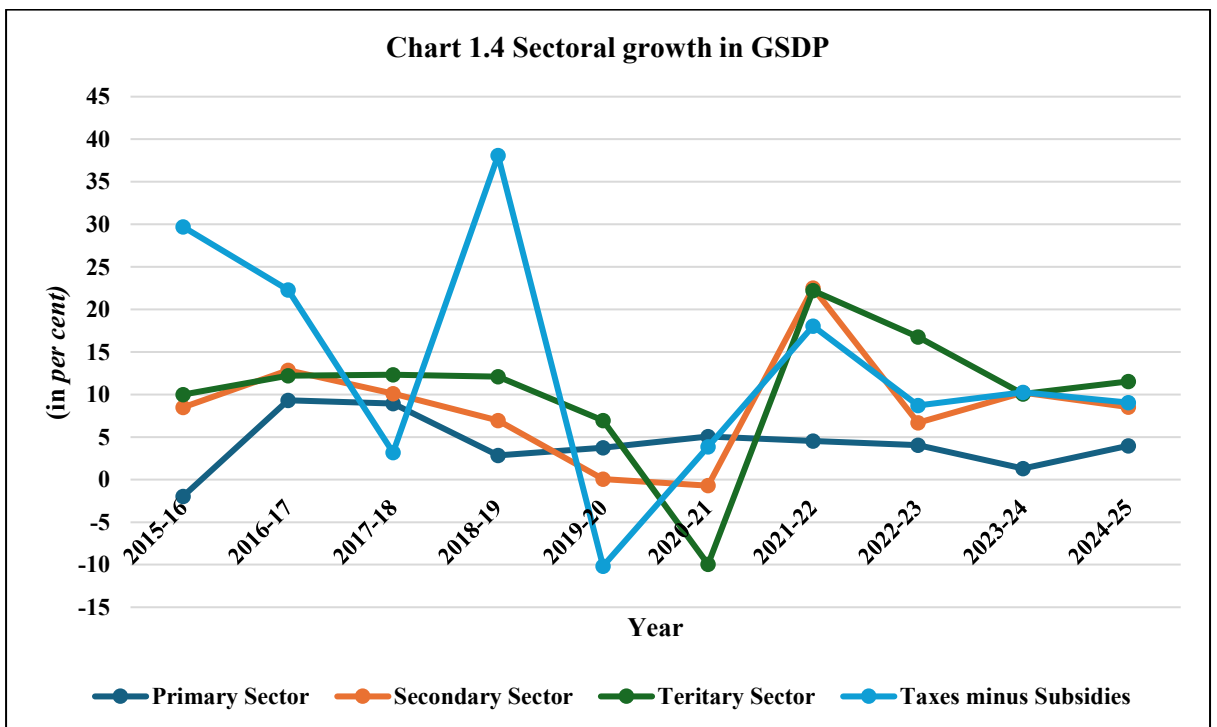
The GSDP of the State grew at a rate of 9.97 per cent during the financial year 2024-25. The State’s share in the national GDP, after reaching a 10-year high of 4.17 per cent in 2018-19, declined to four per cent in 2020-21 and remained below four per cent thereafter. The State's per capita GSDP has been consistently higher than the national average during the period 2015-16 to 2024-25.

1.1.2.2 Sectoral contribution to GSDP

The sectoral contribution by various sector during 2024-25 and sectoral growth in GSDP during the last ten years are depicted in **Chart 1.3** and **Chart 1.4** respectively.



Source: Ministry of Statistics and Programme Implementation, GoI

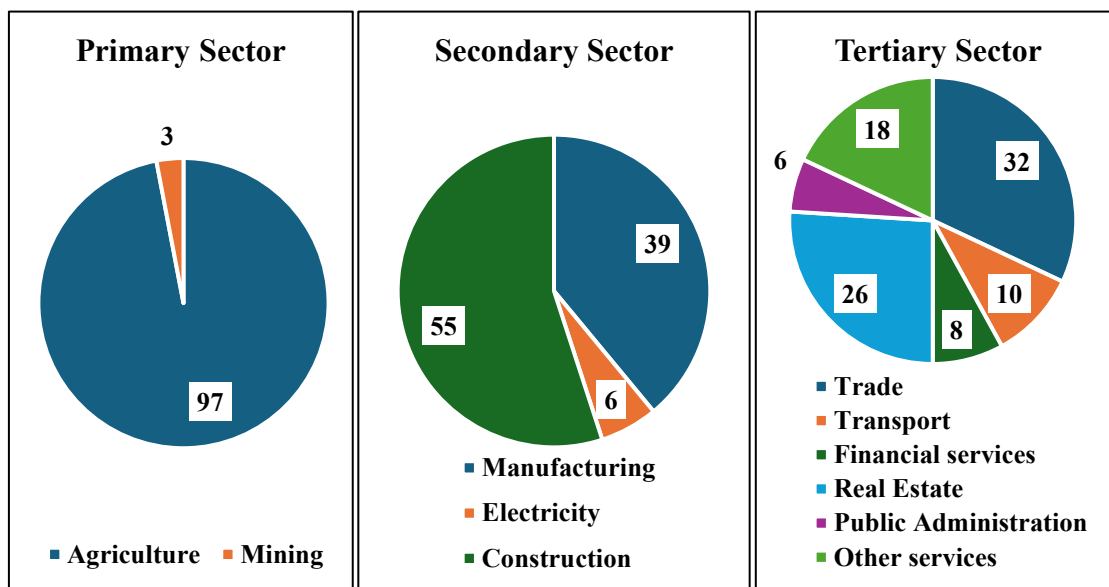


Source: Ministry of Statistics and Programme Implementation, GoI

Chart 1.5 shows the composition of each sectors during FY 2024-25, in terms of its major contributing segments.

Chart 1.5: Sector-wise distribution, FY 2024-25

(in per cent)



Source: Ministry of Statistics and Programme Implementation, GoI

The tertiary sector remained the largest contributor to the Gross State Domestic Product of the State throughout the period 2015-16 to 2024-25. Secondary sector showed post pandemic recovery while Primary sector showed positive growth rate throughout the period except for 2015-16. Sector wise growth of GSDP in 2024-25 compared to 2023-24 in Table 1.3 below:

Table 1.3: Sector wise growth of GSDP in 2024-25 compared to 2023-24

Sl No.	Sectors	Components	2023-24	2024-25	Percentage increase/decrease (-)
A	Primary	Agriculture, forestry and fishing	94329.30	98019.50	3.91
		Mining and quarrying	2815.90	2993.77	6.32
B	Secondary	Manufacturing	92427.07	102251.33	10.63
		Construction	136488.65	146617.12	7.42
		Electricity, gas, water supply & other utility services	14479.95	15262.37	5.40
C	Tertiary	Trade, repair, hotels and restaurants	204537.69	239620.36	17.15
		Transport, storage, communication & services related to broadcasting	70749.66	76304.21	7.85
		Financial services	51643.01	58134.50	12.57
		Real estate, ownership of dwelling & professional services	177611.17	196486.00	10.63
		Public Administration	45664.51	47542.69	4.11
		Other Services	123045.71	132718.39	7.86

Source: Ministry of Statistics and Programme Implementation, GoI

1.1.3 Snapshot of Finances

Table 1.4 shows the details of actual financial results of State Government for the years 2023-24 and 2024-25 *vis-a-vis* Budget Estimates (BE), Revised Estimates (RE) and GSDP for the year 2024-25.

Table 1.4: Snapshot of Finances

(₹ in crore)

Sl No.	Components	2023-24 (Actuals)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)	Percentage of Actuals to BE	Percentage of Actuals to GSDP
1.	Tax Revenue	96,071.93	1,08,765.91	1,07,177.29	1,01,414.57	93.24	8.12
(i)	Own Tax Revenue	74,329.01	84,883.51	81,627.29	76,642.19	90.29	6.14
(ii)	Share of Union taxes/duties	21,742.92	23,882.40	25,550.00	24,772.38	103.73	1.98
2.	Non-Tax Revenue	16,345.96	18,356.46	17,905.65	16,486.62	89.81	1.32
3.	Grants-in-aid and Contributions	12,068.26	11,532.80	7,846.87	6,959.87	60.35	0.56
4.	Revenue Receipts (1+2+3)	1,24,486.15	1,38,655.16	1,32,929.80	1,24,861.06	90.05	10.00
5.	Recovery of Loans and Advances	714.80	1,076.90	1,049.99	667.16	61.95	0.05
6.	Other Receipts	47.51	66.30	45.00	31.20	47.06	0
7.	Borrowings and other liabilities*	34,258.05	44,528.96	44,747.05	48,248.14	108.35	3.86
8.	Capital Receipts (5+6+7)	35,020.36	45,672.16	45,842.04	48,946.50	107.17	3.92
9.	Total Receipts (4+8)	1,59,506.51	1,84,327.32	1,78,771.84	1,73,807.56	94.29	13.92
10.	Revenue Expenditure	1,42,626.34	1,66,501.21	1,62,125.69	1,55,920.78	93.65	12.49
11.	Interest payments	26,986.22	28,694.24	29,739.32	29,138.23	101.55	2.33
12.	Capital Expenditure	13,584.45	15,663.22	14,069.86	15,082.41	96.29	1.21
13.	Loans and advances	3,295.72	2,162.90	2,576.30	2,804.37	129.66	0.22
14.	Total Expenditure (10+12+13)	1,59,506.51	1,84,327.33	1,78,771.85	1,73,807.56	94.29	13.92
15.	Revenue Surplus (+)/ Deficit (-) (4-10)	(-)18,140.19	(-)27,846.05	(-)29,195.89	(-)31,059.72	111.54	2.49
16.	Fiscal Surplus (+)/Deficit(-) {(4+5+6)-14}	(-)34,258.05	(-)44,528.97	(-)44,747.06	(-)48,248.14	108.35	3.86
17.	Primary Deficit (-)/ Surplus(+) (16+11)	(-) 7,271.83	(-)15,834.73	(-)15,007.74	(-)19,109.91	120.68	1.53

Source: Annual Financial Statement and Finance Accounts of respective years

*Borrowings and other Liabilities: Net (Receipts – Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts – Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

It was observed that there was wide variation between the budget estimates and actuals in respect of grants-in-aid and contributions received from GoI and recovery of loans and advances during 2024-25.

The State Government replied (January 2026) that decrease in releases under Centrally Sponsored Schemes and Finance Commission grants were the main reason for the variation between the Budget estimates and the actuals reflected under Grant-in-aid from GoI. It was also replied that after the implementation of SNA SPARSH, the GoI no longer releases advance funds under CSS. As

regards to Recoveries of loans and advances, State Government replied that the major item under Recoveries of loans and advances is the recoupment of advances from the MEDISEP, which constitutes about 75 per cent of the Budget Estimate. Advances are released to the Insurance Company on the assumption that the amount can be recouped within the same financial year. However, a portion of the amount could be recouped only during the next financial year.

The reply regarding the variation in estimates and actuals in respect of grant-in-aid is not tenable as the amounts recommended by Fifteenth Finance Commission is already available in the public domain. Accordingly, the budgeted amount could have been adjusted to that extent to avoid variation between budgeted and actual figures. It was also seen that there was an increase in receipts of grants under CSS by ₹248.05 crore during 2024-25 over the previous year.

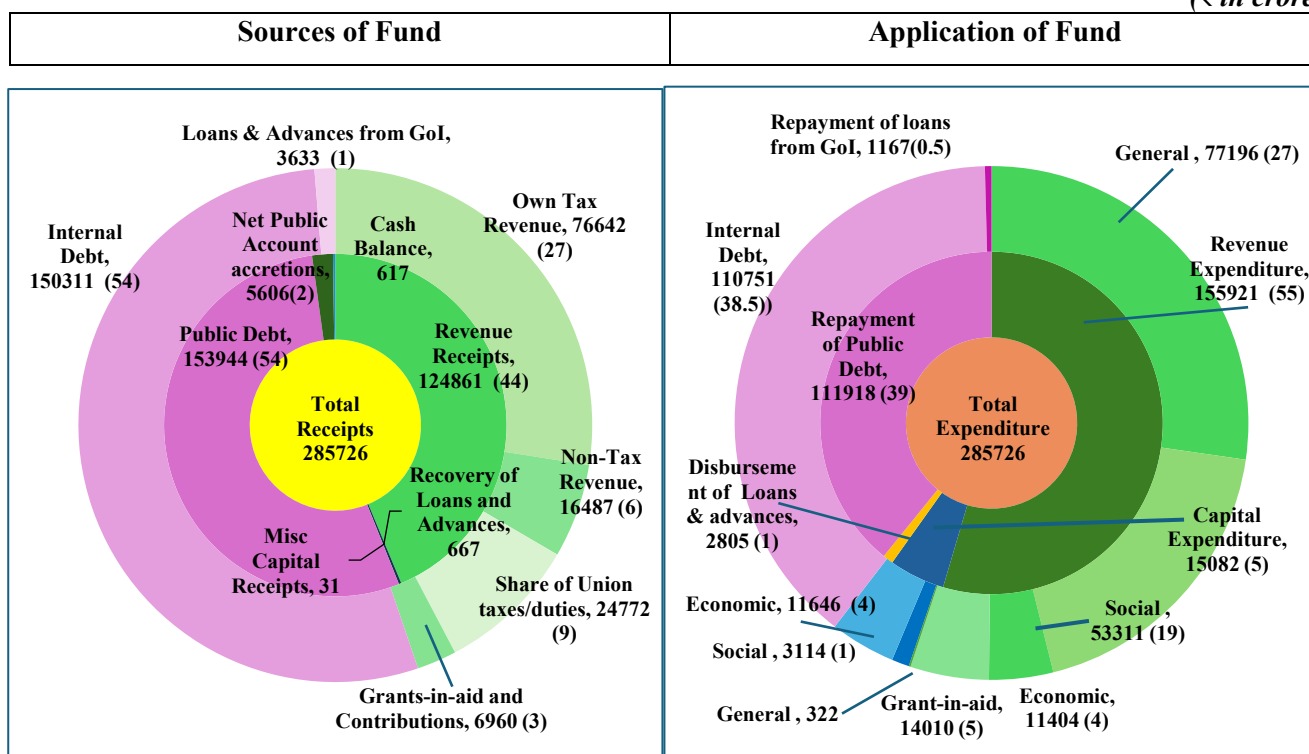
The details of State Government Finances for the FY 2020-21 to 2024-25 are given in **Appendix 1.1**.

1.1.4 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year is given in **Chart 1.6**.

Chart 1.6: Details of sources and application of funds during 2024-25

(₹ in crore)



Source: Finance Accounts for the year 2024-25

Appendix 1.2 provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

1.1.5 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and assets, as on 31 March 2025, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve Funds. Assets comprise mainly of the Capital Expenditure, and loans and advances, given by the State Government and cash balances. A summarised position of assets and liabilities, for the financial years 2023-24 and 2024-25, is given in **Table 1.5**.

Table 1.5: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2023-24	2024-25	Per cent increase (+) decrease (-)		2023-24	2024-25	Per cent increase (+) decrease (-)	
Consolidated Fund									
A	Internal Debt	2,57,157.92	2,96,717.59	15.38	A	Gross Capital Outlay	1,35,295.41	1,50,346.62	11.12
B	Loans and Advances from GOI	14,542.21	17,008.42	16.96	B	Loans and Advances	26,965.74	29,102.95	7.93
	Contingency Fund	100.00	100.00	-					
Public Account									
A	Small Savings, Provident Funds, etc.	1,23,944.24	1,25,297.78	1.09	A	Advances	59.43	59.53	0.17
B	Deposits	7,672.17	9,140.55	19.14	B	Remittance	-	-	
C	Reserve Funds	4,156.65	4,839.28	16.42	C	Suspense and Miscellaneous	-	-	
D	Suspense and Miscellaneous	143.98	705.41	389.94		Cash balance (including investment in Earmarked Fund)	7,367.38	5,119.33	(-30.51)
E	Remittance	81.91	7.07	(-91.37)		Total	1,69,687.96	1,84,628.43	8.80
						Deficit in Revenue Account	2,38,111.12	2,69,187.67	13.05
	Total	4,07,799.08	4,53,816.10	11.28		Total	4,07,799.08	4,53,816.10	11.28

Source: Finance Accounts of respective years

1.2 Consolidated Fund of the State

All revenues received by the State Government, all loans raised by the State Government, ways and means advances extended by the Reserve Bank of India and all money received by the State Government in repayment of loans forms part of the Consolidated fund of the State.

1.2.1 Revenue Receipts

Trends and growth of revenue receipts with respect to Gross State Domestic Product (GSDP) over a ten-year period (2015-16 to 2024-25) are shown in Table 1.6.

Table 1.6: Trends in Revenue Receipts

(₹ in crore)

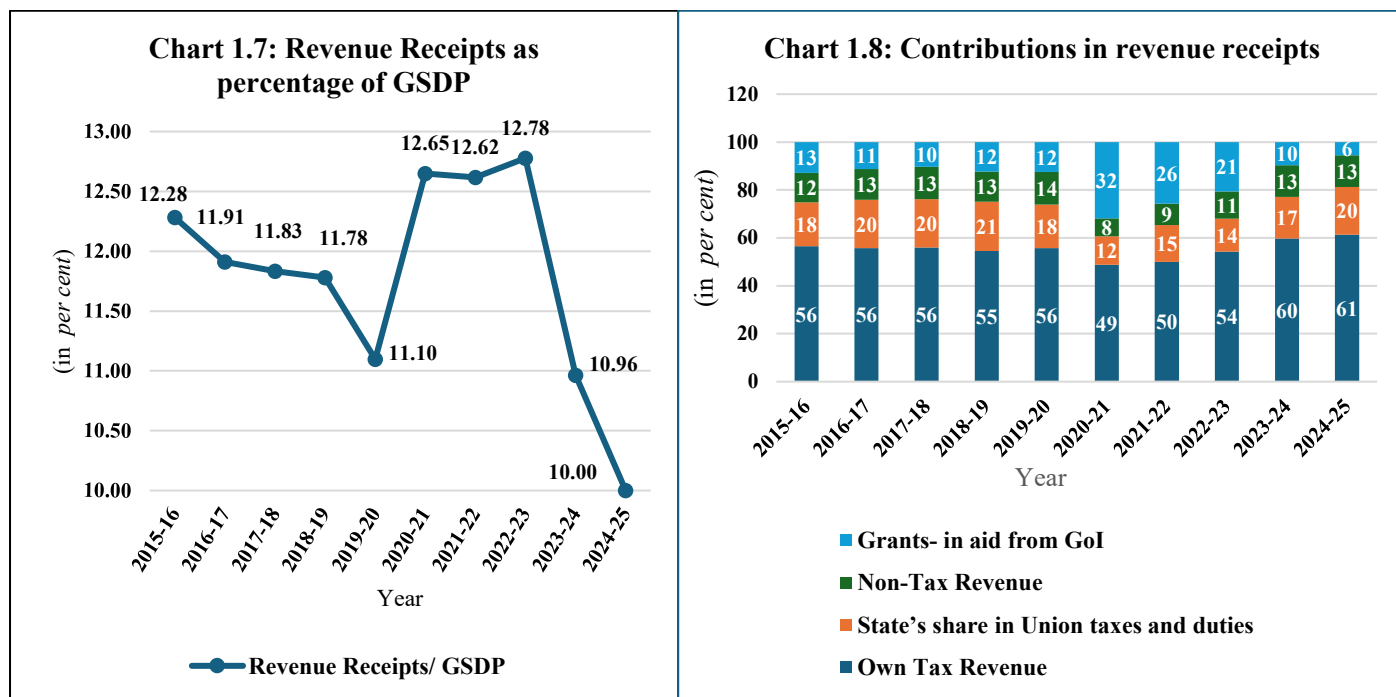
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Receipts (RR)	69,032.66	75,611.72	83,020.14	92,854.47	90,224.67	97,616.83	1,16,640.24	1,32,724.65	1,24,486.15	1,24,861.06
Tax Revenue	51,685.82	57,401.39	63,292.69	69,682.27	66,724.19	59,221.24	76,160.61	90,228.84	96,071.93	1,01,414.57
Own Tax Revenue	38,995.15	42,176.37	46,459.61	50,644.10	50,323.14	47,660.84	58,340.52	71,968.16	74,329.01	76,642.19
State's share in Union taxes and duties	12,690.67	15,225.02	16,833.08	19,038.17	16,401.05	11,560.40	17,820.09	18,260.68	21,742.92	24,772.38
Non-Tax Revenue	8,425.49	9,699.98	11,199.61	11,783.24	12,265.22	7,327.31	10,462.51	15,117.95	16,345.96	16,486.62
Grants- in aid from GoI	8,921.35	8,510.35	8,527.84	11,388.96	11,235.26	31,068.28	30,017.12	27,377.86	12,068.26	6,959.87
State's Own Revenue (Own Tax and Non-Tax Revenue)	47,420.64	51,876.35	57,659.22	62,427.34	62,588.36	54,988.15	68,803.03	87,086.11	90,674.97	93,128.81
GSDP (2011-12 series)	5,61,993.61	6,34,886.40	7,01,588.26	7,88,285.58	8,12,934.63	7,71,723.89	9,24,465.42	10,38,734.06	11,35,371.56	12,48,533.01
Year-on-year growth rates (in per cent)										
Rate of growth of RR (per cent)	19.12	9.53	9.80	11.85	(-)2.83	8.19	19.49	13.79	(-)6.21	0.30
State's Own Revenue	11.54	9.40	11.15	8.27	0.26	(-)12.14	25.12	26.57	4.12	2.71
GSDP (2011-12 series)	9.64	12.97	10.51	12.36	3.13	(-)5.07	19.79	12.36	9.30	9.97
Rate of growth of State's Own Tax Revenue (per cent)	10.68	8.16	10.16	9.01	(-)0.63	(-)5.29	22.41	23.36	3.28	3.11
Buoyancy Ratios¹										
Revenue Buoyancy w.r.t GSDP	1.98	0.73	0.93	0.96	*	*	0.98	1.12	*	0.03
State's Own Revenue Buoyancy w.r.t GSDP	1.20	0.72	1.06	0.67	0.08	*	1.27	2.15	0.44	0.27
State's Own Tax Buoyancy w.r.t GSDP	1.11	0.63	0.97	0.73	*	*	1.13	1.89	0.35	0.31

Source: Finance Accounts for Revenue Receipts and Economic and Statistical Organisation, MoSPI for GSDP figures

* Buoyancy ratio was not calculated as GSDP growth was negative.

¹ Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Revenue Receipts as percentage of GSDP and contribution from various sources in revenue receipts is given in **Chart 1.7** and **Chart 1.8**.



Source: Finance Accounts of respective years

Revenue Receipts as percentage of GSDP has registered a decadal low in 2024-25 during the period 2015-16 to 2024-25. The growth in the State's revenue receipts has been very discouraging after 2021-22. From 19.49 per cent in 2021-22, the growth rate decelerated to 13.79 per cent in 2022-23 and thereafter declined by (-) 6.21 per cent in 2023-24. Revenue receipts recorded a negligible growth of 0.30 per cent in 2024-25 over the financial year 2023-24. The decline in Revenue receipts during 2023-24 and low growth during 2024-25 was largely attributed to the reduction in the share of Grants-in-aid received from GoI in revenue receipts. The decrease was mainly under Post Devolution Revenue deficit grant keeping in line with the recommendations of Fifteenth Finance Commission. The Revenue Receipts as a percentage of GSDP at 10 per cent during the year was below all States (excluding UTs) average of 12.49 per cent.

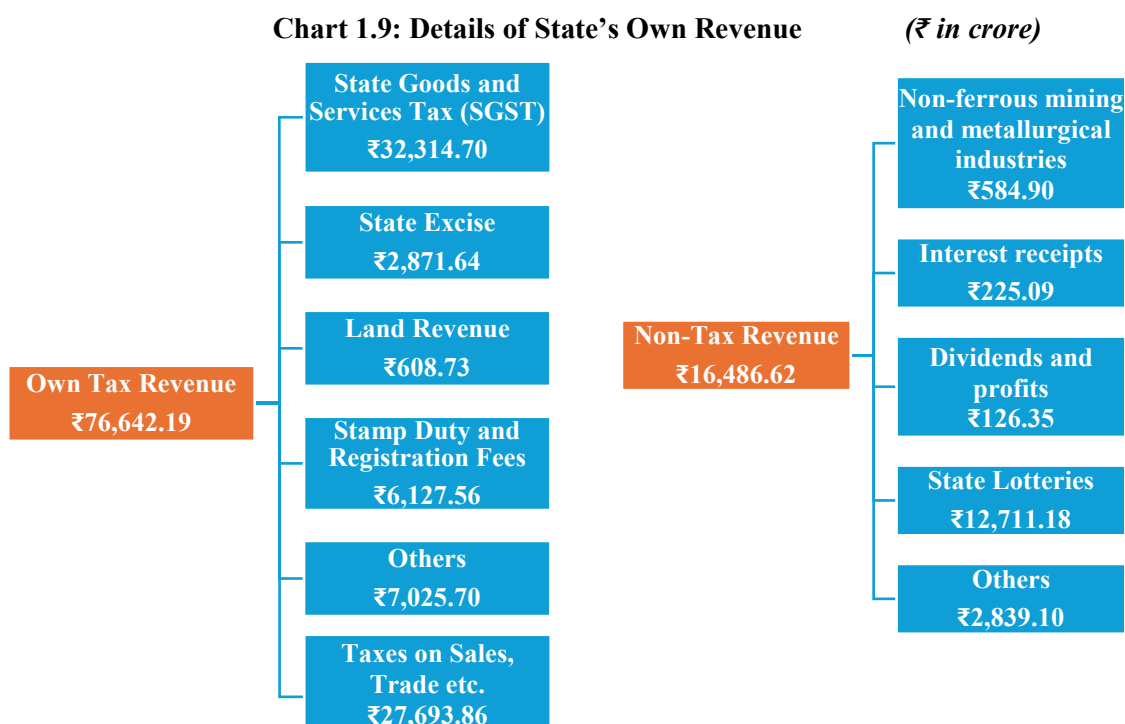
The growth rate of State's own revenue and State's own tax revenue during 2023-24 and 2024-25 were also very low resulting in overall decline in the growth rate of Revenue Receipts. Though the economy grew by 9.97 per cent in FY 2024-25, it did not result in concomitant growth in the collection of taxes as State's Own Tax Revenue (SOTR) buoyancy (0.31) remained significantly less than one. The Own Tax buoyancy fluctuated significantly during the last three years from 1.89 in 2022-23 to 0.35 and 0.31 in 2023-24 and 2024-25 respectively. The State witnessed a high growth of 23.36 per cent in own tax revenue in 2022-23 which was mainly due to increase in SGST by 22.11 per cent (₹5,343.47 crore) and taxes on sales trade etc. by 19.51 per cent (₹4,388.35 crore). This was mainly due to the significant growth in 'Tax component' and 'input tax credit cross utilisation of SGST and IGST' component under SGST by 31.78 per cent (₹3,038.22 crore) and 22.24 per cent (₹2,452.57 crore) respectively during 2022-23. The increase in taxes on sales, trade etc, during

2022-23 was mainly due increase in ‘Receipts under State Sales Tax Act’ by 20.31 per cent (₹4,466.04 crore) during 2022-23. Thereafter the growth in own tax revenue remained below 4 per cent in subsequent years including 2024-25.

State’s Revenue buoyancy (0.03) and State’s Own Tax buoyancy (0.31) during 2024-25 were very low indicating that the State’s revenue was not keeping pace with the growth in GSDP (9.97 per cent).

The State need to revamp the revenue mobilisation efforts to increase its Own Tax and Non-Tax Revenue in order to achieve sustainable fiscal growth, given the contingent nature of grants-in-aid receipts and the extremely low buoyancy ratios with regard to State’s Own Revenue.

A. State’s Own Resources



Source: Finance Accounts for the year 2024-25

(i) Own Tax Revenue

Tax Revenue is the revenue collected by the State Government through taxes it levies under the Constitution. Actuals for 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Own Tax Revenue for 2024-25 are given in Table 1.7.

Table 1.7: Own Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals) (₹ in crore)

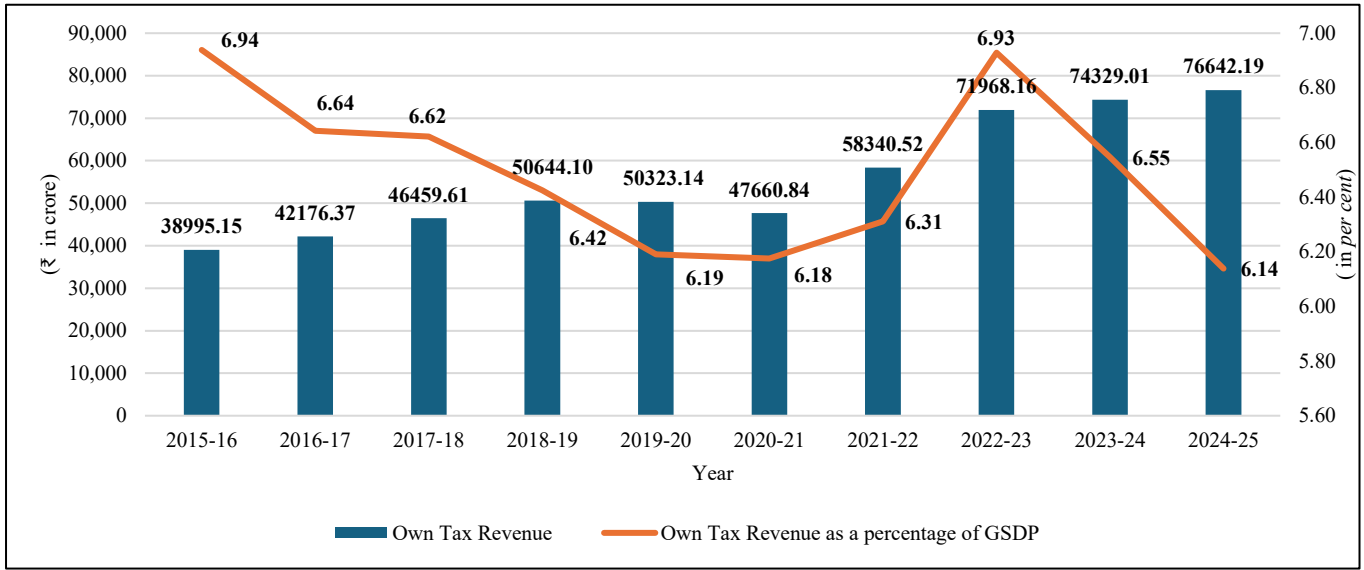
Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
State Goods and Services Tax (SGST)	30,563.60	35,874.63	33,581.61	32,314.70
Taxes on Sales, Trade etc.	27,690.43	30,267.31	30,451.00	27,693.86
State Excise	2,944.02	3,107.46	2,948.90	2,871.64
Land Revenue	711.71	841.90	761.60	608.73

Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Stamp Duty and Registration Fees	5,694.88	6,661.84	6,620.22	6,127.56
Vehicle Tax	6,340.46	6,704.22	6,846.63	6,634.98
Others	383.91	1,426.15	417.33	390.72
TOTAL	74,329.01	84,883.51	81,627.29	76,642.19

Source: Finance Accounts and Budget documents of the State

Trends of own tax revenue and its components during the period 2015-16 to 2024-25 are shown in **Chart 1.10** and **Chart 1.11** respectively.

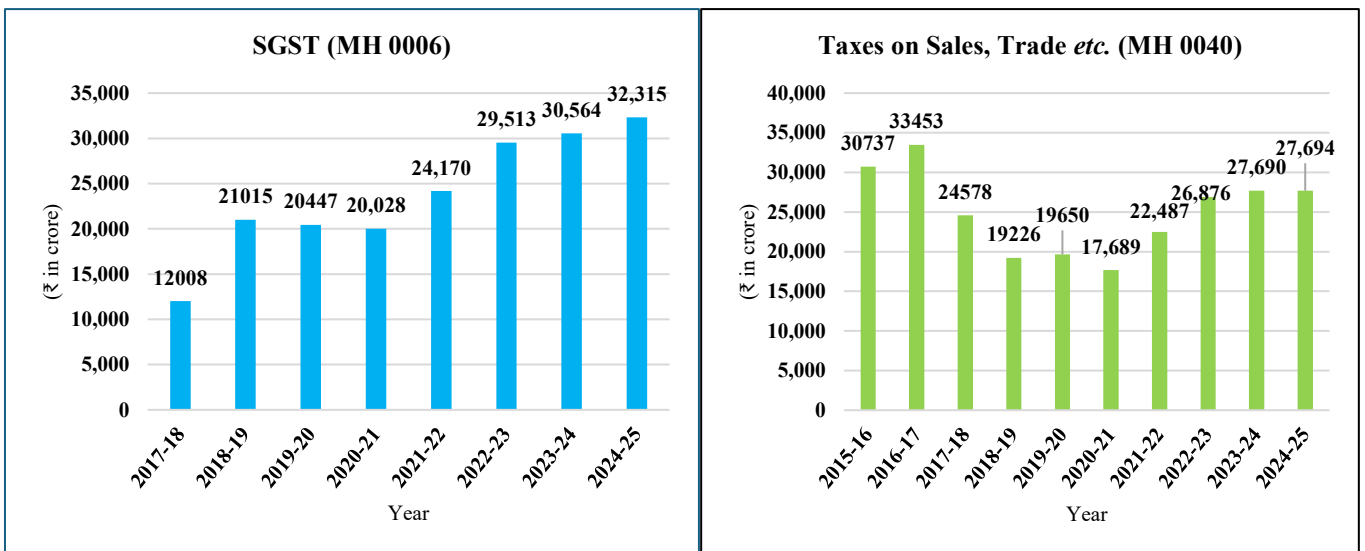
Chart 1.10: Trends of Own Tax Revenue during 2015-16 to 2024-25

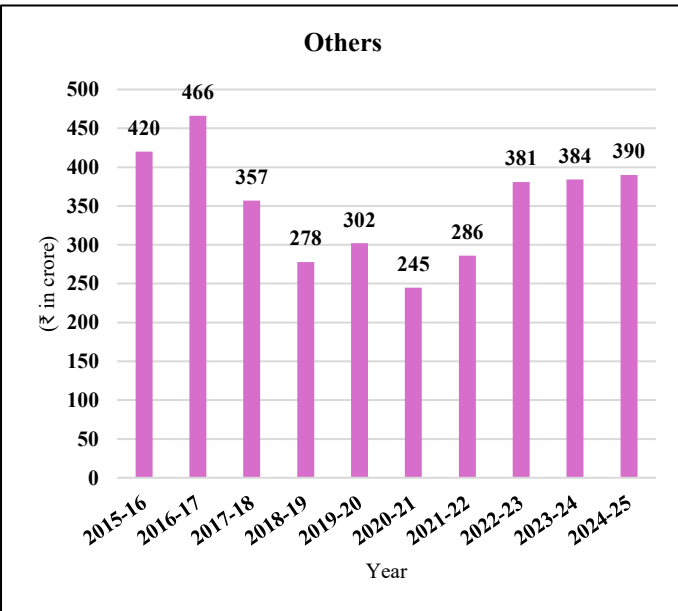
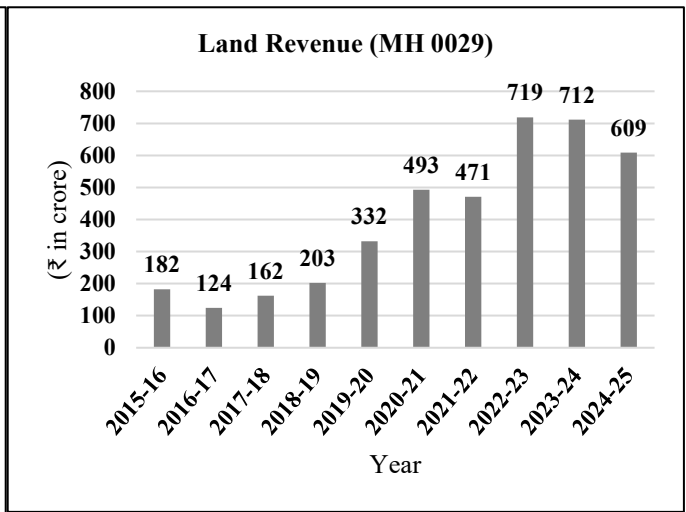
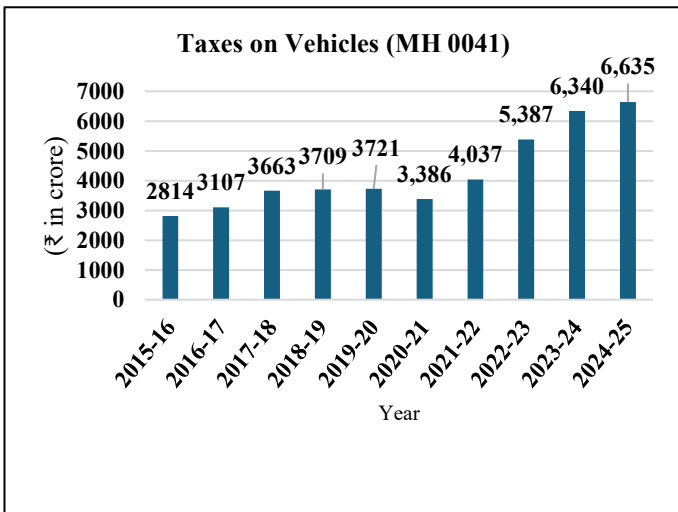
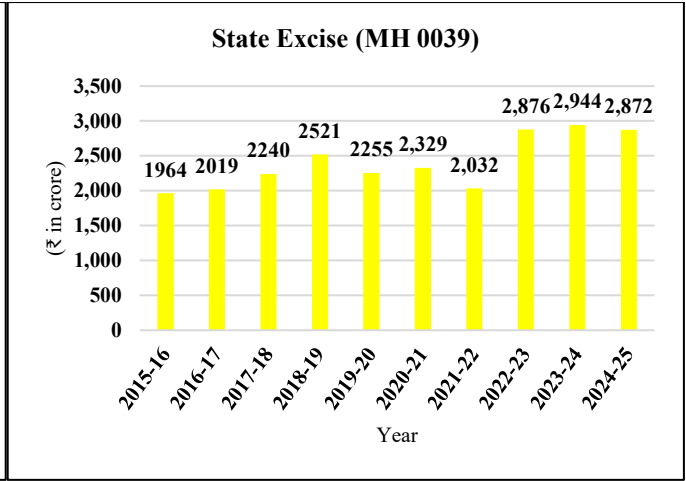
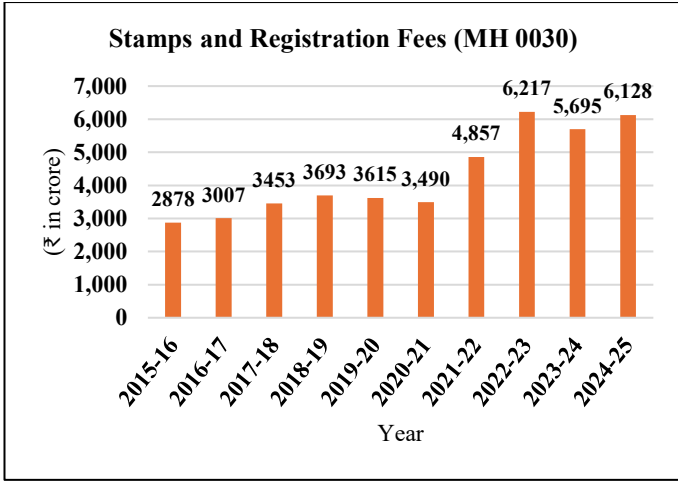


Source: Finance Accounts of respective years

Chart 1.11: Trends of major components of State’s Own Tax Revenue

(₹ in crore)





Source: Finance Accounts of respective years

The own tax revenue of the State constitutes the dominant share of total revenue. As compared to all States (excluding UTs) average on Own Tax Revenue/GSDP of 6.26 *per cent* during 2024-25, the Own Tax Revenue/GSDP of the State stood at 6.14 *per cent*.

During 2024-25, there was only a meagre increase of 3.11 *per cent* in the own tax revenue compared to the previous year. This was due to a marginal increase in tax collection under SGST, Sales tax and taxes on vehicles and decrease in tax collection under State Excise and Land Revenue.

Although the State Goods and Services Tax (42.16 *per cent*) and taxes on sales, trade, etc. (36.13 *per cent*) contributed significantly to the State Own Tax Revenue (SOTR), the growth in taxes on sales, trade, etc. was significantly low at 0.01 *per cent*, while the State Goods and Services Tax experienced a reasonable growth rate of 6 *per cent*. Stamp duty and Registration fees and taxes on vehicles with a share of about 8 *per cent* each in SOTR grew moderately at 7.60 *per cent* and 4.65 *per cent* during the year. There was a notable decline in the growth of State Excise by (-) 2.46 *per cent* and Land Revenue by (-) 14.47 *per cent*.

State Goods and Services Tax Department replied that (August 2025) low growth rate on 'Taxes on Sales, Trade, etc.' during 2024-25 was due to decrease in growth rate under 'sales of petrol and diesel' because of shift towards use of battery-operated electric vehicles.

Regarding the low buoyancy in respect of SGST during 2024-25, the department stated that the increase in GSDP was mainly due to the growth in sectors which were exempt from SGST or having lower SGST, which might not be proportionately reflected in SGST revenue.

Motor Vehicles Department attributed (August 2025) the low growth rate on 'Taxes on Vehicles' during 2024-25 to increase in the registration of electrical vehicles during 2024-25, which were registered at a lower rate of tax. The response from the State Government on decline in 'State Excise' is awaited.

State Government replied (December 2025) that the decrease in collection under Land Revenue was due to transfer credit of receipts under Kerala Conservation of Paddy and Wetland (Amendment) Act 2018 to the Treasury account created for 'Agricultural Promotion Fund' as per the judgement of Hon'ble High Court of Kerala.

During exit conference, Additional Chief Secretary (Finance) replied that revenue of the State is coming down due to IGST tax evasion and hence suggested that GoI have to bring in open protocol for all ecommerce and online transactions to ensure transparency. It was also stated that number of GST registration cases are not increasing.

In this context, we would like to highlight that in our previous Audit Reports on the Government of Kerala, we had identified weaknesses in taxes administration

in the State. These included lack of sharing of inter-departmental data² to plug revenue leakage, instances of short collection of revenue in State GST Department, Kerala Motor Vehicles Department and Registration Department *etc*³. These gaps arise predominantly from non-compliance with rules and regulations by Assessing Authorities/ Taxpayers and lack of regular revision in fair values and classifications.

On a review of Remedial Measures Taken, it was seen that the State government is yet to fix fair value of all sub-divisions under a mother survey number for all classifications of land by use leading to potential undervaluation of land and consequent revenue loss. The RMTs furnished have also not mentioned about any effort initiated by the government to comprehensively share inter-departmental data to plug revenue leakages. In the case of short assessment of tax because of non-compliance of rules by assessing authorities/Taxpayers, though the Department has initiated action by issuing revised demand notices in several objections, more concerted efforts are required to be taken by the State Government to implement the recommendations made by the Audit and Public Accounts Committee⁴.

(ii) Non-Tax Revenue

Non-Tax Revenue of a State refers to the rent, fees, royalties and other receipts, of the State Government from sources other than taxes.

Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Non-Tax Revenue for the FY 2024-25 are given in **Table 1.8**.

Table 1.8: Major Non-Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

<i>(₹ in crore)</i>				
Non-Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Interest Receipts	175.35	177.46	269.63	225.09
Dividends and Profits	242.68	165.00	248.80	126.35
User charges ⁵	658.12	955.51	843.43	741.74
Others	15,269.81	17,058.49	16,543.79	15,393.44
Total	16,345.96	18,356.46	17,905.65	16,486.62

Source: Finance Accounts and Budget documents of respective years

Trends of Non-Tax revenue and its components during the period 2015-16 to 2024-25 are shown in **Chart 1.12** and **Chart 1.13** respectively.

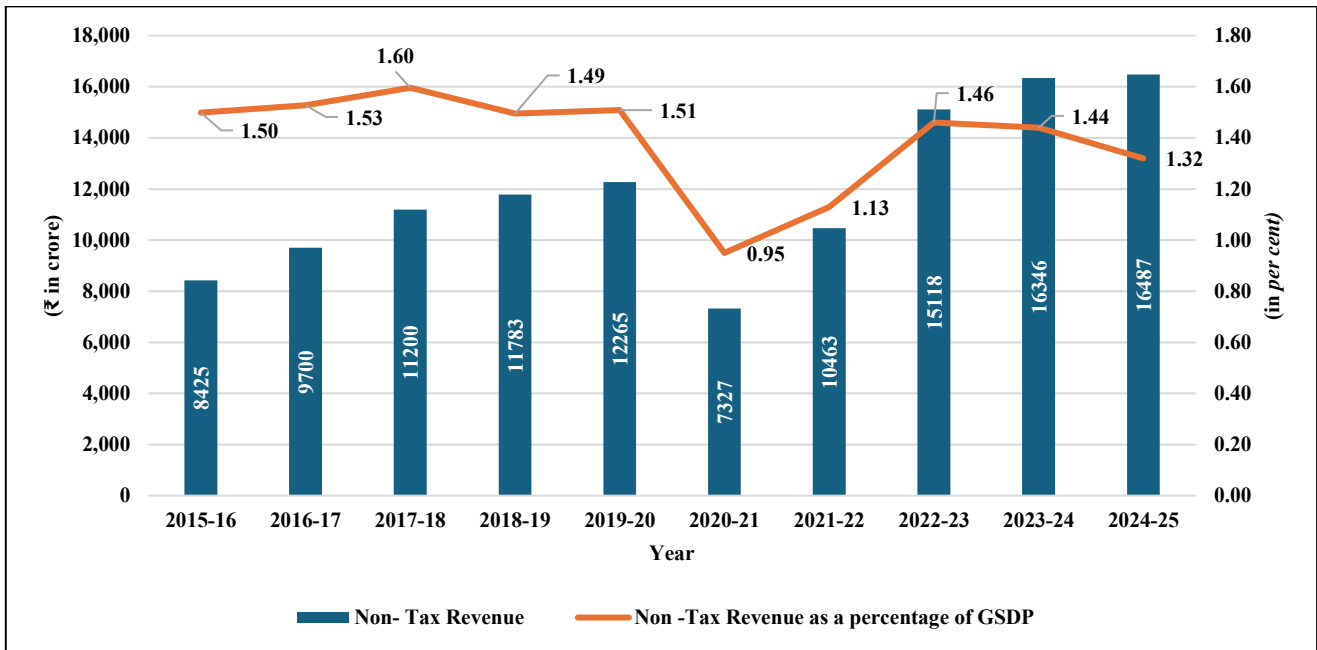
² Report No. 3 of the year 2018, Report No. 6 of the year 2022

³ Report No. 3 of the year 2018, Report No. 3 of the year 2019, Report No. 2 of the year 2023

⁴ PAC Report No. 47 of 2019-21, PAC Report No. 42 and 48 of 2023-26

⁵ User charges include Major Heads 0202 (Education, Sports, Art and Culture), 0210 (Medical and Public Health), 0215 (Water Supply and Sanitation), 0700 (Major Irrigation), 0701 (Medium Irrigation), 1054 (Roads and Bridges) and 1452 (Tourism)

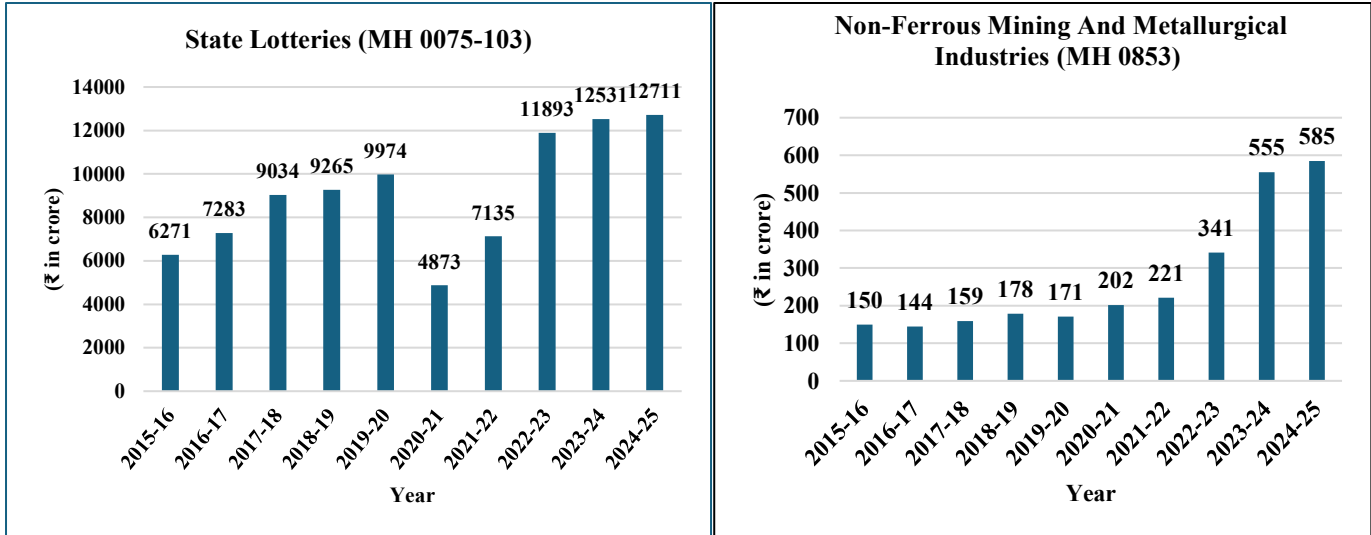
Chart 1.12: Trends in Non-Tax Revenue

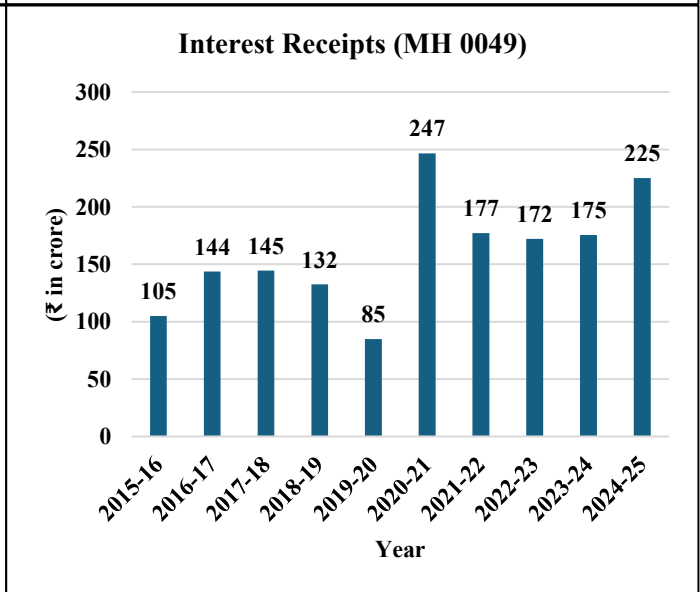
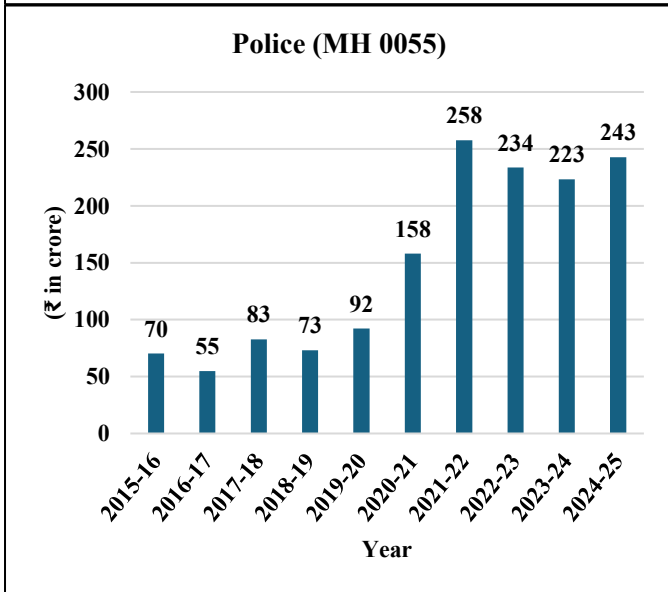
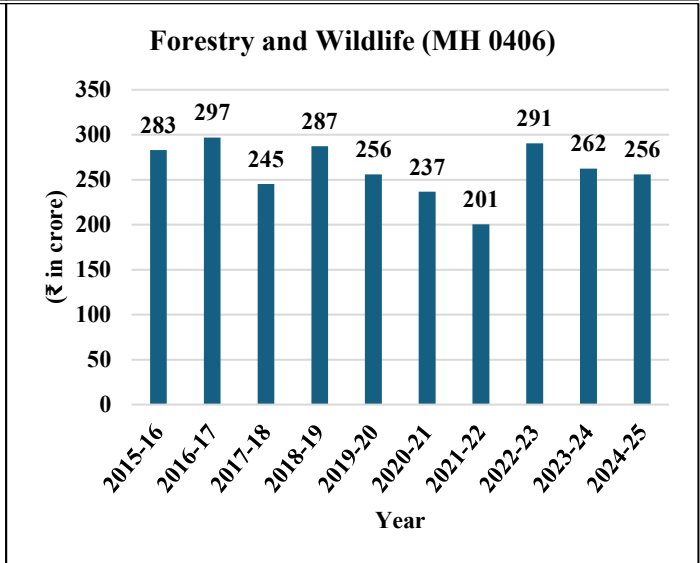
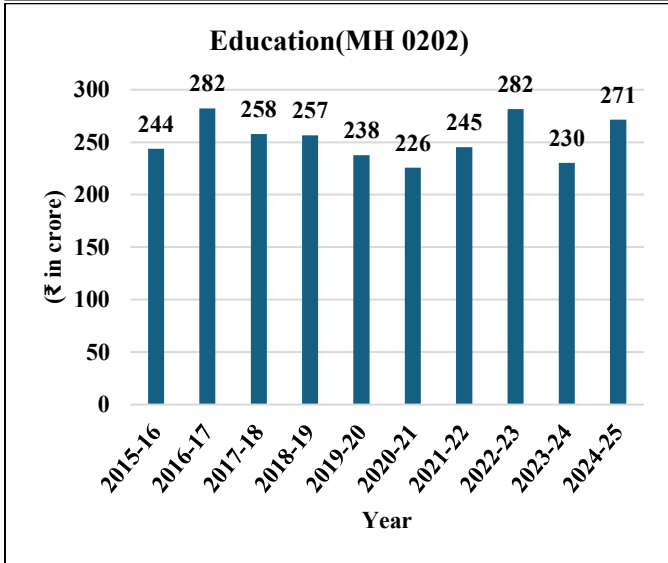
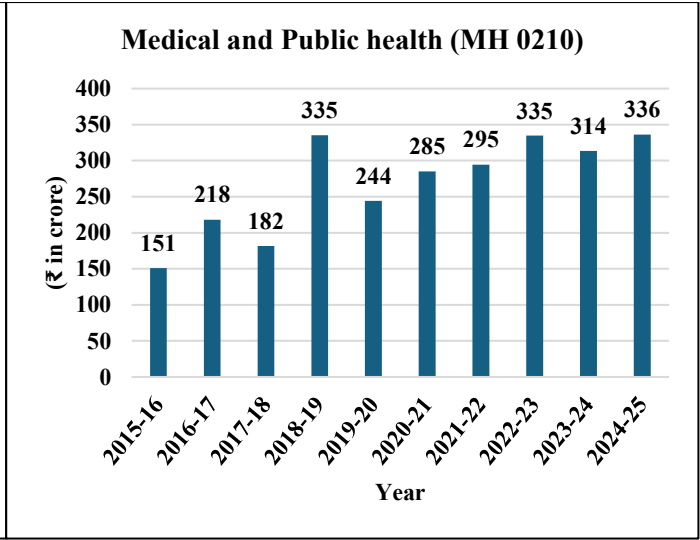
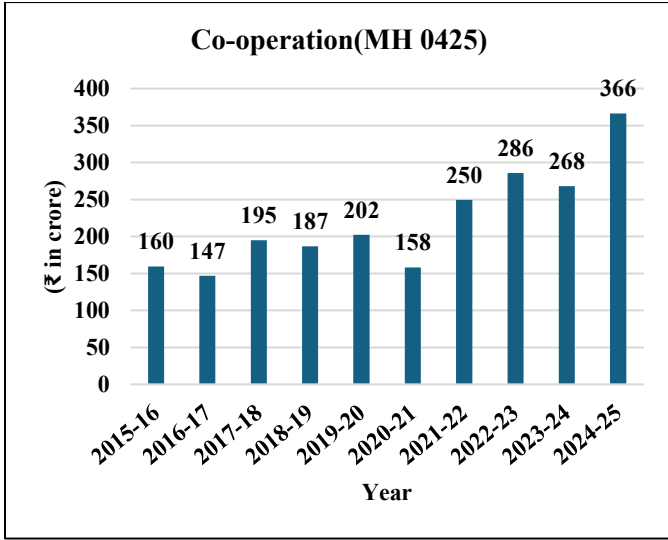


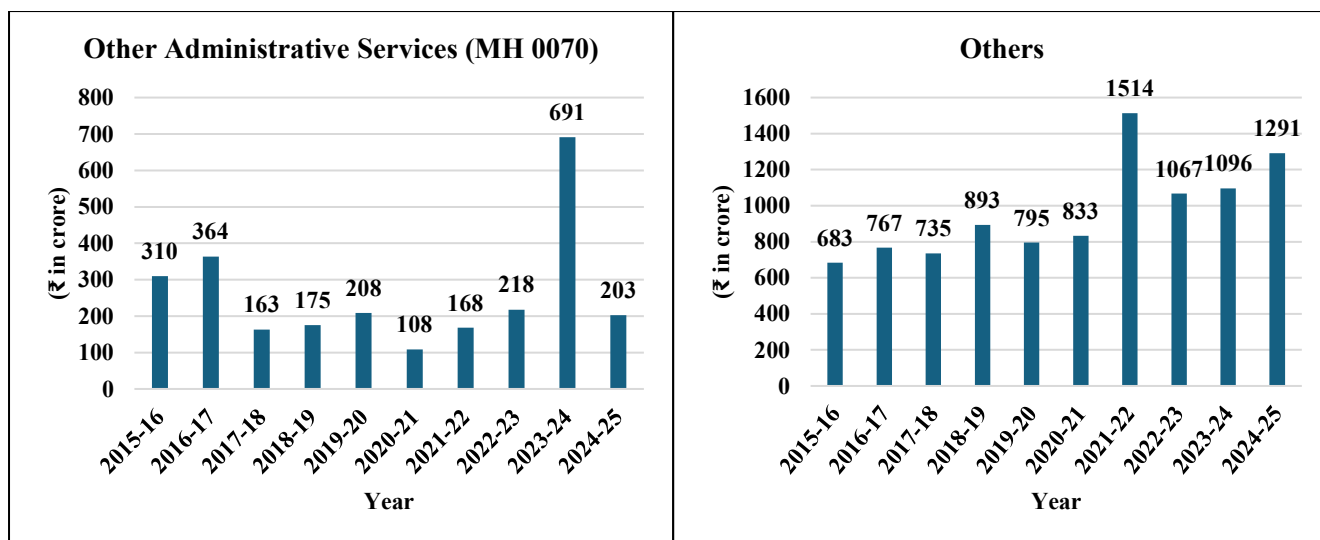
Source: Finance Accounts of respective years

Chart 1.13: Major components of State’s Non-Tax Revenue

(₹ in crore)







Source: Finance Accounts of respective years

During 2024-25, there was an increase of ₹140.66 crore (0.86 per cent) in non-tax revenue collection over the previous year. There was an increase of ₹180.27 crore (1.44 per cent) in State Lotteries, ₹49.74 crore (28.37 per cent) in interest receipts and ₹29.65 crore (5.34 per cent) in Non-ferrous Mining and Metallurgical Industries. Non-tax revenue collection decreased by ₹116.33 crore (47.94 per cent) in Dividend and Profits, and by ₹6.64 crore (2.53 per cent) in Forestry and Wildlife during 2024-25. Non-tax revenue collection under user charges increased by ₹83.62 crore (12.71 per cent) during 2024-25.

During 2024-25, State Lotteries constituted 77 per cent of the non-tax revenue and 14 per cent of own revenue. Revenue from State Lotteries grew by 1.44 per cent during 2024-25 as against a growth rate of 5.36 per cent in 2023-24. The low growth during 2024-25 was attributed by the State Lotteries Department to non-availability of drawing machines for expansion of lottery series and heavy rainfall.

Though the receipts from State Lotteries constituted a significant portion in the total non-tax revenue of the State, an equally high expenditure amounting to ₹11,721.98 crore was incurred during the period reducing the net yield to ₹989.20 crore during the year. The net yield during the period 2020-21 to 2024-25 is given in **Table 1.9**.

Table 1.9: Net yield from State Lotteries during 2020-21 to 2024-25

	(₹ in crore)				
	2020-21	2021-22	2022-23	2023-24	2024-25
Receipts	4,873.01	7,134.93	11,892.88	12,530.91	12,711.18
Expenditure	4,626.81	6,664.15	10,971.96	11,401.20	11,721.98
Net receipt	246.20	470.78	920.92	1,129.71	989.20

Source: Finance Accounts of respective years

The expenditure under State Lotteries increased steadily during the period 2020-21 to 2024-25. Due to the disproportionate high growth in expenditure under State Lotteries when compared to the revenue collection, the net yield from

State Lotteries decreased by ₹140.51 crore during the year. The increase in expenditure was mainly under ‘Distribution of prizes and Commission for agents amounting to ₹204.58 crore. In this context, it may also be noted that through the sale of lotteries, the State also generated a GST collection of ₹3,559.34 crore during the financial year 2024-25.

GST collection on the sales of States Lotteries for the last five years is shown in **Table 1.10** given below:

Table 1.10 : GST collection from sale of Lotteries during the period 2020-21 to 2024-25

(₹ in crore)

	2020-21	2021-22	2022-23	2023-24	2024-25
CGST	687.52	1,000.24	1,664.74	1,754.09	1,779.67
SGST	687.52	1,000.24	1,664.74	1,754.09	1,779.67

Source: Details furnished by Department

State Government attributed (September 2025) the increase in the non-tax revenue collection under ‘Non-ferrous Mining and Metallurgical Industries’ during 2024-25 to the enhancement of royalty and other fees of minor minerals in March 2023.

User charges are collected by the States against supply or use of different service, goods and products and facilities such as Education, Health, Water Supply and sanitation, Irrigation, Transport and Tourism etc. Major increase was under Medical and Public Health (7.26 per cent) and Education, Sports, Art and Culture (17.82 per cent).

Revenue from Dividend and profit decreased by 47.94 per cent during 2024-25 compared to previous year. State Government attributed (October 2025) the low collection under Dividend and profit to backlog in finalisation of accounts by PSUs and delay in summoning of Annual General Meeting by PSUs.

Given the large number of State PSUs and huge investments, low dividends and earnings from these entities is a cause of concern. As such, the State needs to establish a strong mechanism to review the performance of these State PSEs. Details on Dividend receipts are discussed in Paragraph 1.2.4.2 (B) of this report.

State Government replied (December 2025) that the decrease in non-tax revenue under Forest and Wildlife was due to delay in cutting plantation on account of adverse weather conditions, court cases, slow down in sale of timber products etc.

B. State’s share in Union Taxes and Duties

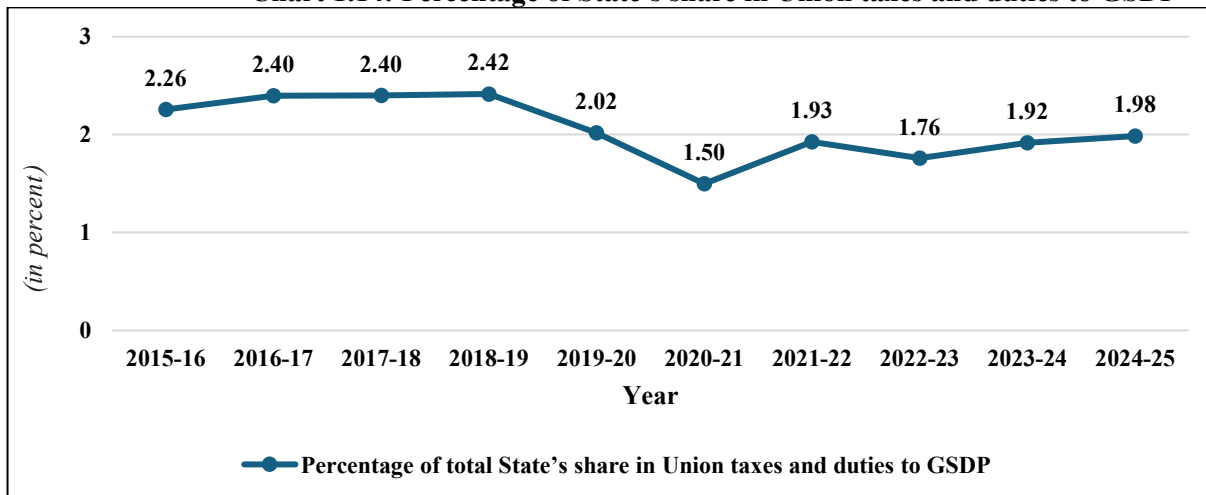
Trends in the components of State’s share in Union taxes and duties are shown in **Table 1.11**.

Table 1.11: State's share in Union Taxes and Duties(*₹ in crore*)

Components	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Central Goods and Services Tax (CGST)	0	0	239.88	4,699.14	4,654.19	3,325.63	4,832.67	5,165.39	6,598.65	7,235.09
Integrated Goods and Services Tax (IGST)	0	0	1,699.96	375.00	0	0	0	0	0	0
Corporation Tax	4,001.37	4,885.98	5,156.64	6,621.02	5,592.06	3,546.02	5,238.12	6,109.21	6,526.25	7,029.35
Taxes on Income other than Corporation Tax	2,783.33	3,395.77	4,354.40	4,876.10	4,381.76	3,642.70	5,104.81	5,983.30	7,537.02	8,964.40
Customs	2,031.61	2,101.76	1,699.40	1,349.57	1,039.60	591.59	1,431.33	718.62	761.95	1,260.31
Union Excise Duties	1,688.82	2,400.03	1,776.40	896.86	722.80	380.78	898.09	225.48	288.31	242.55
Service Tax	2,175.85	2,430.25	1,906.55	173.73	0.00	62.54	294.96	28.59	4.07	0.82
Other Taxes ⁶	9.69	11.23	(-0.15)	46.75	10.64	11.14	20.11	30.09	26.67	39.86
Total	12,690.67	15,225.02	16,833.08	19,038.17	16,401.05	11,560.40	17,820.09	18,260.68	21,742.92	24,772.38

Source: Finance Accounts of respective years

Percentage of total State's share in Union taxes and duties to GSDP is given in **Chart 1.14**

Chart 1.14: Percentage of State's share in Union taxes and duties to GSDP

Source: Finance Accounts of respective years

Share of Central Tax Transfers in Revenue Receipts increased from 18.38 per cent in 2015-16 to 19.84 per cent in 2024-25 indicating growing contribution from Central Tax transfers to State's Revenue. However, percentage of Central Tax Transfers to GSDP decreased from 2.26 per cent in 2015-16 to 1.98 per cent in 2024-25.

⁶ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

C. Grants-in-aid from Government of India

Trend of Grants-in-aid (GIA) from GoI and its components are shown in **Table 1.12**.

Table 1.12: Grants-in-aid from Government of India

(₹ in crore)

Components	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Grants for Centrally Sponsored Plan Schemes*	166.70	461.75	-0.47	-0.97	0	0	(-) 0.74	0	(-) 17.87	0
Grants for Centrally Sponsored Schemes [#]	---	---	3,213.58	3,771.07	3,262.65	5,141.92	3,801.74	4,587.79	3,936.74	4,184.79
Finance Commission Grants [#]	---	---	3,182.04	1,646.22	2,343.01	18,048.80	22,171.13	15,382.30	7,245.68	2,531.85 [§]
Other transfers/Grants to States/Union Territories with Legislature [#]	---	---	2,132.69	5,972.64	5,629.60	7,877.56	4,044.99	7,407.77	903.71	243.23
Non-plan grants*	5,177.80	5,250.37	---	---	---	---	---	---	---	---
Grants for State Plan Schemes*	3,406.37	2,726.92	---	---	---	---	---	---	---	---
Grants for Central Plan Schemes*	170.48	71.31	---	---	---	---	---	---	---	---
Total	8,921.35	8,510.35	8,527.84	11,388.96	11,235.26	31,068.28	30,017.12	27,377.86	12,068.26	6,959.87

Source: Finance Accounts of respective years

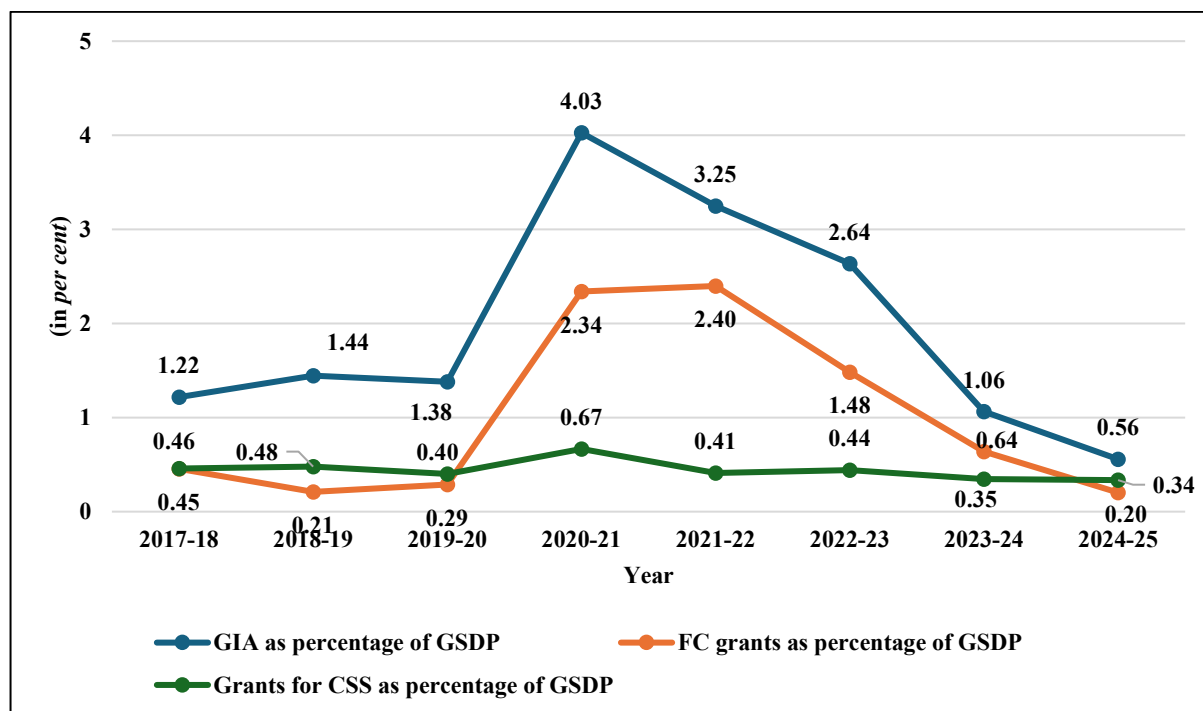
*Not operational from 01 April 2017 consequent on merger of Plan and Non-Plan classification by GoI

[#] New sub major heads opened for fresh transactions w.e.f 01 April 2017

[§] This figure differs from the Finance commission grants given in Table 1.13 which includes State's share amounting to ₹ 120.40 crore also.

Percentage of Grant-in-aid from Government of India to GSDP is given in **Chart 1.15**.

Chart 1.15: Percentage of Grant-in-aid from Government of India to GSDP



Grants-in-aid from GoI show a declining trend from 2021-22 onwards. The decrease was mainly due to the decrease in Finance Commission grants during the last three years. Percentage of grants-in-aid to GSDP is also on a declining trend from 2021-22 onwards.

The major decline in grants-in-aid received from GoI during the year was under Finance Commission Grants which decreased by ₹4,713.83 crore (65 per cent). This was mainly due to the discontinuation of Post devolution revenue deficit grant under the Finance Commission grants during the year based on recommendation of Fifteenth Finance Commission.

(i) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹4,184.79 crore for Centrally Sponsored Schemes during 2024-25, major allocations were made to the schemes shown in **Table 1.13**.

Table 1.13: Major Schemes receiving grants

Name of the Scheme	2024-25 Amount (₹ in crore)	2023-24 Amount (₹ in crore)	Percentage change over previous year
Mahatma Gandhi National Rural Employment - Programme Component -MGNREGA	685.77	578.94	18.45
Flexible Pool for RCH & Health System Strengthening, National Health Programme and Urban Health Mission	629.10	-	#
Integrated Child Development Services-Anganwadi Services	435.74	312.99	39.22
Family Welfare-Infrastructural Maintenance-Maintenance of State/District Family Welfare Bureaux	382.65	13.79	2674.84
Family Welfare - Infrastructure Maintenance-Sub Centres	316.26	86.85	264.15
National Rural Livelihood Mission- Aajeevika-NRLM	178.72	109.66	62.97
Pradhan Mantri Gram Sadak Yojana	122.27	54.25	125.38

percentage not applicable

Source: Finance Accounts of respective years

(ii) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (15th FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF), State Disaster Mitigation Fund (SDMF) and health sector grants. Details of grants provided by GoI are given in **Table 1.14**. The recommended amount and the actual release during the period 2020-21 to 2024-25 are given in **Appendix 1.4**.

Table 1.14: Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of 15 th FC for 2024-25	Actual release by GoI, during 2024-25	Release by State Government (Total percentage of the amount released by GoI)
(i) Grants to PRIs	1,334.00	1,334.00	1,712.00[^] (100)
(a) Performance/Tied Grants	800.40	800.40	1,178.40 [^] (100)
(b) Untied Grants	533.60	533.60	533.60 (100)
(ii) Grants to ULBs	687.00	455.49	377.49 (83)
(a) Million Plus Cities Tied Grant	297.00	155.40 [#]	155.40 (100)
(b) Non-Million Plus Cities (Performance/Tied Grant)	234.00	133.25 [#]	133.25 (100)
(c) Non-Million Plus Cities (General Basic/Untied Grant)	156.00	166.84 [*]	88.84 (53)
(iii) Grant for Health Sector	616.00	380.07[@]	314.08 (82.64)
Total for Local Bodies (i+ii+iii)	2,637.00	2,169.56	2,403.57 (100)
State Disaster Response Fund (SDRF)	Central Share	291.20	291.20 (100)
	State Share	96.80	96.80 (100)
State Disaster Mitigation Fund (SDMF)	Central Share	72.80	71.10 ^{&} (100)
	State Share	24.20	23.60 ^{&} (100)
Total for SDRMF	485.00	482.70	482.70 (100)
Post devolution revenue deficit grant	Nil	Nil	Nil

Source: 15th FC Report and departmental information

PRIs - Panchayati Raj Institutions and ULBs - Urban Local Bodies.

[^] ₹378 crore relates to XV-FC grants for 2023-24

[#] Entire amount relates to 2023-24

^{*} ₹78 crore relates to 2024-25 and ₹88.84 crore relates to 2023-24.

[@] ₹137.16 crore relates to 2022-23 and ₹242.91 crore relates to 2023-24

[&] ₹34.70 crore Central Share and ₹11.50 crore State Share relates to 2023-24

State Government did not release Fifteenth Finance Commission Grants amounting to ₹143.99 crore received during 2024-25 for Non-Million Plus Cities (₹78.00 crore) and Health Sector (₹65.99 crore) to Local Bodies during

the year. The State Government (November 2025) replied that Fifteenth Finance Commission Grants amounting to ₹143.99 crore⁷ were not released to Local Bodies during 2024-25, as these funds were received from GoI only during the fag end of the financial year 2024-25.

1.2.2 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Trends of capital receipts and its components during 2015-16 to 2024-25 are shown in **Table 1.15**.

Table 1.15: Trends in growth and composition of capital receipts

(₹ in crore)

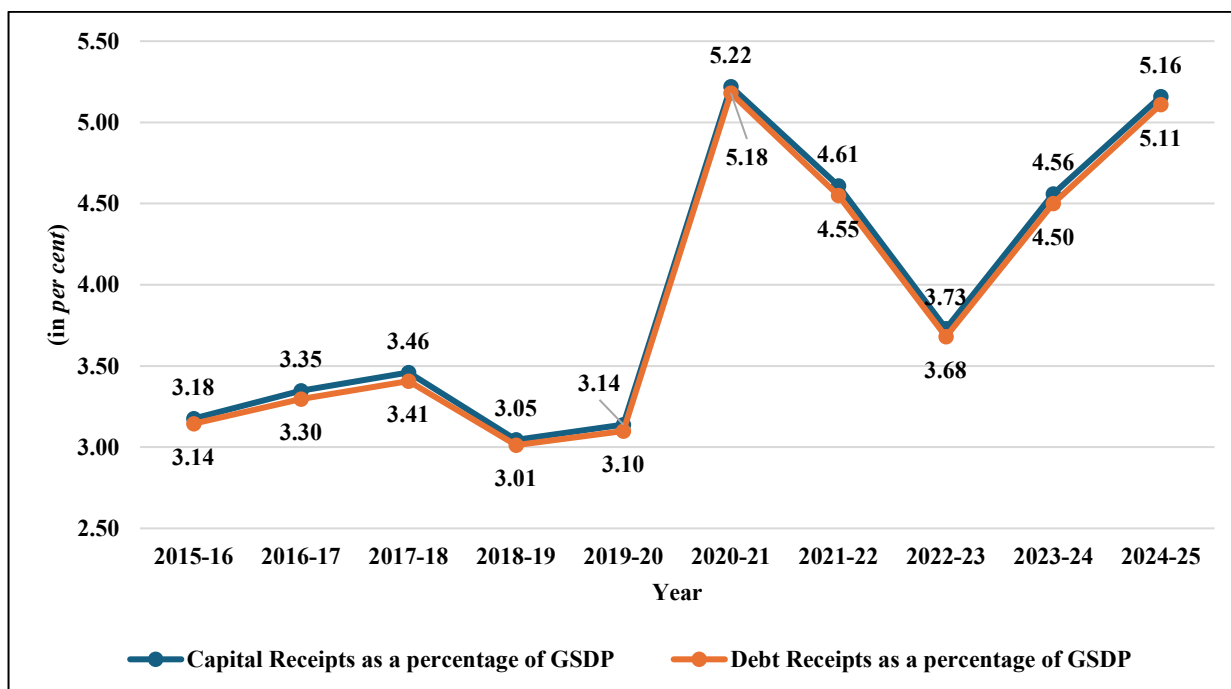
Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Capital Receipts	17,853.64	21,249.24	24,278.53	24,004.84	25,514.50	40,280.76	42,597.17	38,721.39	51,810.65	64,479.17
Miscellaneous Capital Receipts	28.08	30.24	29.28	46.50	27.48	34.15	60.27	49.94	47.51	31.20
Recovery of Loans and Advances	152.63	292.24	350.98	210.54	295.32	263.82	479.24	409.29	714.80	667.16
Public Debt Receipts	17,672.93	20,926.76	23,898.27	23,747.8	25,191.70	39,982.79	42,057.66	38,262.16	51,048.34	63,780.81
<i>Internal Debt*</i>	17,141.58	20,074.62	23,453.50	23,295.63	23,041.01	32,964.05	32,592.64	35,737.73	50,147.42	60,147.39
<i>Loans and advances from GoI</i>	531.35	852.14	444.77	452.17	2,150.69	7,018.74	9,465.02	2,524.43	900.92	3,633.42
Year-on Year growth rates (in percent)										
GSDP	9.64	12.97	10.51	12.36	3.13	(-5.07)	19.79	12.36	9.30	9.97
Capital Receipts	11.52	19.02	14.26	(-) 1.13	6.29	57.87	5.75	(-) 9.10	33.80	24.45
Public Debt Receipts	11.44	18.41	14.20	(-) 0.63	6.08	58.71	5.19	(-) 9.02	33.41	24.94
Internal Debt	13.48	17.11	16.83	(-) 0.67	(-) 1.09	43.07	(-) 1.13	9.65	40.32	19.94
Loans and advances from GoI	(-) 29.39	60.38	(-) 47.81	1.66	375.64	226.35	34.85	(-) 73.33	(-) 64.31	303.3

Source: Finance Accounts of respective years

* Including net figure under Ways and Means Advances/Overdraft/Special Drawing Facility

Capital Receipts as percentage of GSDP is depicted in **Chart 1.16**.

⁷ ₹78 crore received on 31 March 2025, ₹54.94 crore received on 28 March 2025 and ₹11.04 crore received on 24 March 2025

Chart: 1.16 Capital Receipts as percentage of GSDP


The State has very meagre non-debt capital receipts, as it has not carried out any asset monetisation. The Debt Receipts has increased rapidly during the last two years. The Debt Receipts to GSDP ratio is also significantly high at 5.11 *per cent* in FY 2024-25 in comparison with 3.14 *per cent* in FY 2015-16. This indicates states growing reliance on debt. The rising trend of the debt-to-GSDP ratio is a cause of concern, and if the State continues this trajectory, it could result in a greater interest burden for the State in the future.

1.2.3 Finance Commission Projections and Actuals

The projected revenue, deficits and GSDP by the 15th Finance Commission and actuals for the FY 2020-21 to FY 2024-25 are given in the **Table 1.16**.

Table 1.16: 15th FC Projection *vis-à-vis* actuals

(₹ in crore)

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
GSDP (2011-12 Series - Current Prices)	9,45,755	7,71,724	9,78,206	9,24,465	10,95,590	10,38,734	12,32,539	11,35,372	13,92,153	12,48,533
Own Revenue Receipts	77,151	54,988.15	67,762	68,803.03	78,948	87,086.11	92,523	90,674.97	1,09,006	93,128.81
State's Own Tax Revenue	72,665	47,660.84	64,233	58,340.52	74,868	71,968.16	87,780	74,329.01	1,03,465	76,642.19
State's Own Non-Tax Revenue	4,486	7,327.31	3,529	10,462.51	4,080	15,117.95	4,743	16,345.96	5,541	16,486.62
State's share in Union Taxes/Duties	16,616	11,560.40	12,678	17,820.09	14,103	18,260.68	15,869	21,742.92	18,029	24,772.38

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
Revenue Deficit (-)/ Surplus (+) as percentage of GSDP	Nil	(-) 3.35 [#]	Nil	(-) 3.20 [#]	Nil	(-) 0.89	Nil	(-) 1.60	(+) 0.46	(-) 2.51*
Fiscal Deficit as percentage of GSDP	3	5.31 [#]	3	4.98 [#]	3	2.46	3	3.02	3	3.89*

*Revenue and Fiscal deficit are post Audit figures.

[#]State Government replied (January 2026) that if the back-to-back loan received from GoI in lieu of GST compensation is taken into account as grant-in-aid, the Revenue deficit as a percentage of GSDP for 2020-21 and 2021-22 would be 2.60 per cent and 2.25 per cent respectively and the Fiscal deficit would be 4.56 per cent and 4.04 per cent respectively

1.2.4 Expenditure

Government expenditure is classified into revenue expenditure and capital expenditure (including loans and advances). Revenue expenditure includes costs for maintenance, repairs, and day-to-day functioning of departments, including administrative and establishment expenses and expenditure on the schemes falling under these departments. Capital expenditure relates to expenditure related to the initial construction of projects and sanctioned improvements or additions to assets. Loans and advances comprise funds provided by the government to Public Sector Undertakings and other entities, which are recoverable over time.

Details of expenditure, total expenditure as percentage of GSDP and share of its components are given in **Table 1.17**, **Chart 1.17** and **Chart 1.18** respectively.

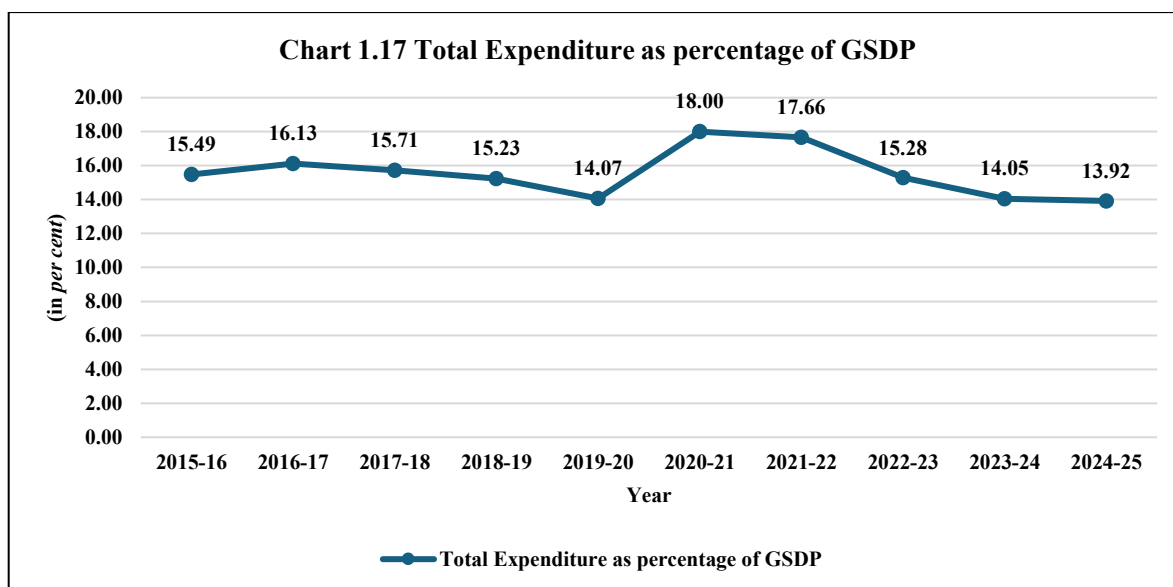
Table 1.17: Total expenditure and its composition

Parameters	(₹ in crore)									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	87,031.76	1,02,382.55	1,10,237.81	1,20,069.82	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42	1,59,506.51	1,73,807.56
Revenue Expenditure (RE)	78,689.47	91,096.31	99,948.35	1,10,316.39	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93	1,42,626.34	1,55,920.78
Capital Expenditure (including loans and advances) (CE)	8,342.29	11,286.24	10,289.46	9,753.43	9,665.02	15,438.16	17,046.02	16,787.49	16,880.17	17,886.78
Of which loans and advances	842.25	1,160.29	1,540.59	2,322.89	1,210.22	2,548.51	2,854.29	2,790.93	3,295.72	2,804.37
Appropriation to contingency fund	-	-	-	-	-	-	-	-	-	-

Source: Finance Accounts of respective years

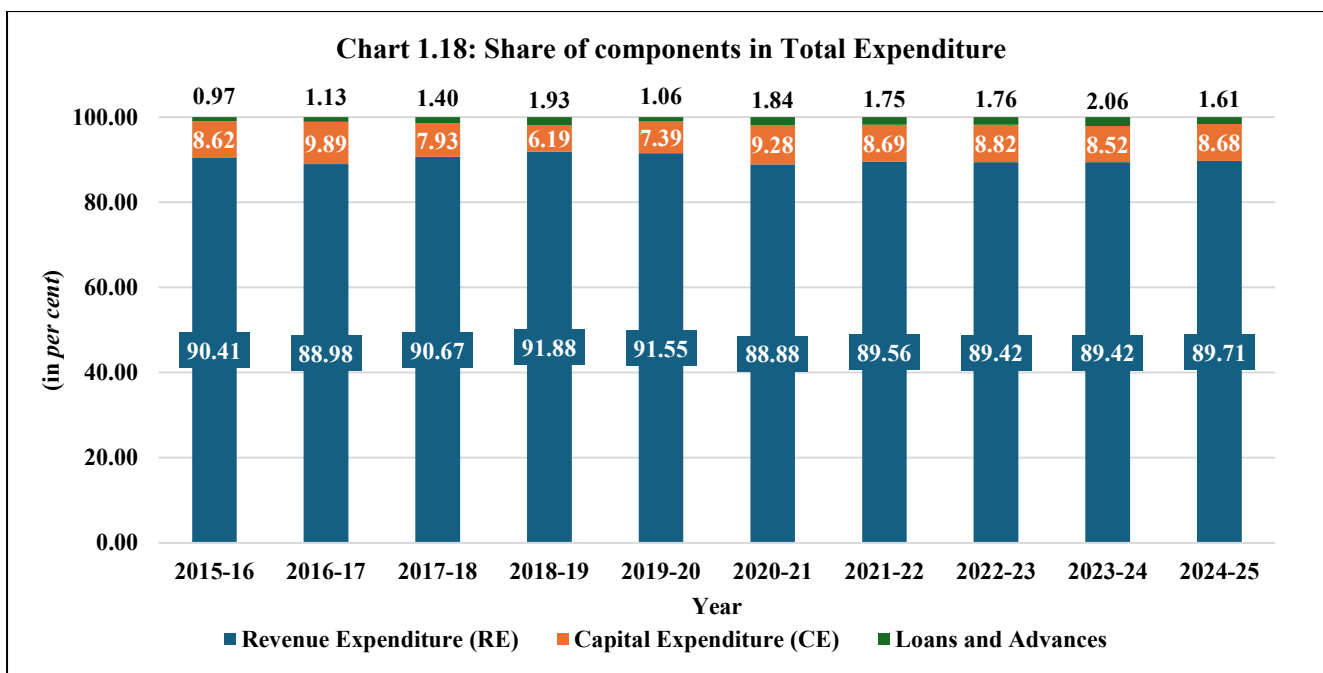
Revenue Expenditure of the State continued to increase over the years (except during 2019-20 and 2022-23) and continued its dominance over the total expenditure. On decadal parlance, the State's Revenue Expenditure has witnessed an increase of over 98 *per cent*. The ratio of Revenue Expenditure to Total Expenditure of the State remained continuously higher than that of all States (excluding UTs) during the last 10-year period 2015-16 to 2024-25. The share of Revenue Expenditure of the State in Total Expenditure was significantly higher at 89.71 *per cent* during 2024-25 compared to the share of Revenue Expenditure of all the States (excluding UTs) in Total Expenditure which was 83.41 *per cent* during the period.

Capital Expenditure (including loans and advances) have registered a decadal high during 2024-25. However, the ratio of Capital Expenditure to Total Expenditure of the State consistently remained lower than that of all States (excluding UTs) during the last 10 year period 2015-16 to 2024-25. The share of Capital Expenditure of the State in Total Expenditure was much lower at 10.29 *per cent* during 2024-25 compared to the share of Capital Expenditure of all States (excluding UTs) in Total Expenditure which was 16.59 *per cent* during the period. The State is also carrying out significant expenditure on infrastructure projects through an off-budget entity Kerala Infrastructure Investment Fund Board (KIIFB) due to substantially high revenue expenditure and limited fiscal space from the State's borrowings. During 2024-25, an expenditure of ₹6,876.01 crore⁸ was incurred by KIIFB for infrastructure projects.



Source: Finance Accounts of respective years and MoSPI, GoI

⁸ Information furnished by KIIFB (January 2026)



Source: Finance Accounts of respective years

Out of the total expenditure of ₹ 1,73,807.56 crore incurred by the State during the financial year 2024-25, a portion of ₹2,765.87 crore pertained to pass-through transactions such as Finance Commission grants.

Sector-wise Total Expenditure

Sector-wise composition of expenditure is given in **Table 1.18** and relative share of various sectors in total expenditure is depicted in **Chart 1.19**.

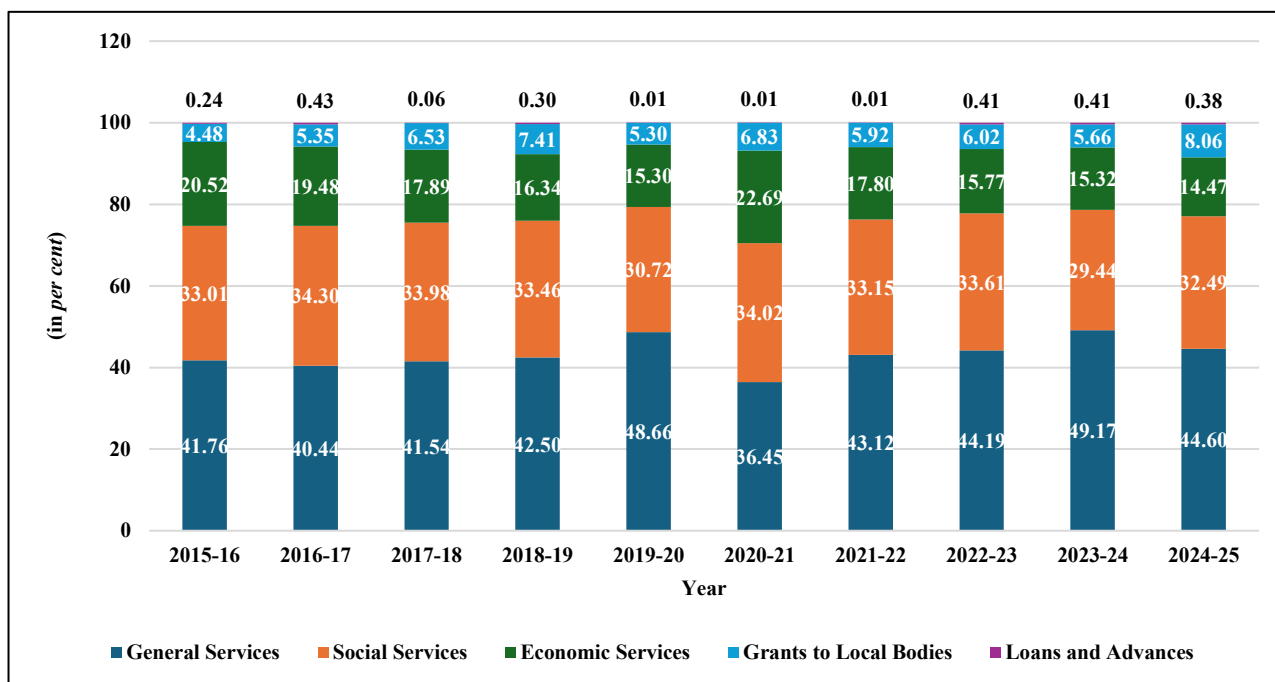
Table 1.18: Sector-wise Total expenditure

(₹ in crore)

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	36,341.28	41,406.20	45,791.78	51,025.09	55,661.45	50,620.56	70,380.26	70,138.57	78,432.42	77,517.75
Social Services	28,725.78	35,112.50	37,458.65	40,170.38	35,142.66	47,243.52	54,113.75	53,345.02	46,963.95	56,462.39
Economic Services	17,855.97	19,940.90	19,725.45	19,616.10	17,502.99	31,518.02	29,051.70	25,039.10	24,432.04	25,156.66
Grants to Local Bodies	3,903.08	5,480.91	7,197.23	8,898.72	6,063.87	9,492.45	9,660.09	9,562.52	9,021.07	14,010.05
Loans and Advances	205.65	442.04	64.70	359.53	13.97	9.94	19.73	653.21	657.03	660.71

Source: Finance Accounts of respective years

Chart 1.19: Relative share of various sectors in Total expenditure



Source: Finance Accounts of respective years

During the last ten years (2015-16 to 2024-25), expenditure on General Services constituted the largest portion of States Total Expenditure, followed by expenditure on Social Services. The expenditure share of State's General Services in total expenditure was also much higher at 44.60 per cent during 2024-25 compared to the expenditure share of general services of all States (excluding UTs) in Total Expenditure which was 29.79 per cent during the period.

The expenditure on social services which was on a decreasing trend during 2022-23 and 2023-24, increased during 2024-25. The increase was mainly due to increase in expenditure under 'Social Security and Welfare' by ₹7,001.35 crore (87.81 per cent). However, the expenditure share of State's Social Services in Total Expenditure was much lower at 32.49 per cent during 2024-25 compared to the Share of expenditure on Social Services of all States (excluding UTs) in Total Expenditure which was 39 per cent.

Share of Economic Services under Total Expenditure decreased steadily during the last ten year (except during 2020-21) indicating low financial support for development programs. The expenditure share of State's Economic Services in Total Expenditure stood significantly lower at 14.47 per cent during 2024-25 compared to the expenditure share of Economic Services of all States (excluding UTs) in Total Expenditure which was 28.68 per cent during the year.

1.2.4.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. The Revenue Expenditure of all States (excluding UTs) exceeded its total Revenue Receipts by around 5.36 per

cent during 2024-25, whereas the State's Revenue Expenditure surpassed its Revenue Receipts by 24.88 per cent during the year.

Growth in revenue expenditure, its ratio to total expenditure, GSDP and revenue receipts are shown in **Table 1.19**.

Table 1.19: Revenue Expenditure – Basic Parameters

(₹ in crore)										
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	87,031.76	1,02,382.55	1,10,237.81	1,20,069.82	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42	1,59,506.51	1,73,807.56
Revenue Expenditure (RE)	78,689.47	91,096.31	99,948.35	1,10,316.39	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93	1,42,626.34	1,55,920.78
RE as percentage of Revenue Receipts	113.99	120.48	120.39	118.81	116.07	126.46	125.33	106.95	114.57	124.88
RE as percentage of TE	90.41	88.98	90.67	91.88	91.55	88.88	89.56	89.42	89.42	89.71
RE/GSDP (per cent)	14.00	14.35	14.25	13.99	12.88	16.00	15.81	13.67	12.56	12.49
Year-on-year growth (in per cent)										
Revenue Expenditure	9.68	15.77	9.72	10.37	(-) 5.07	17.88	18.42	(-) 2.89	0.48	9.32
GSDP Growth	9.64	12.97	10.51	12.36	3.13	(-) 5.07	19.79	12.36	9.30	9.97

Source: Finance Accounts of respective years

A. Sector-wise Revenue Expenditure

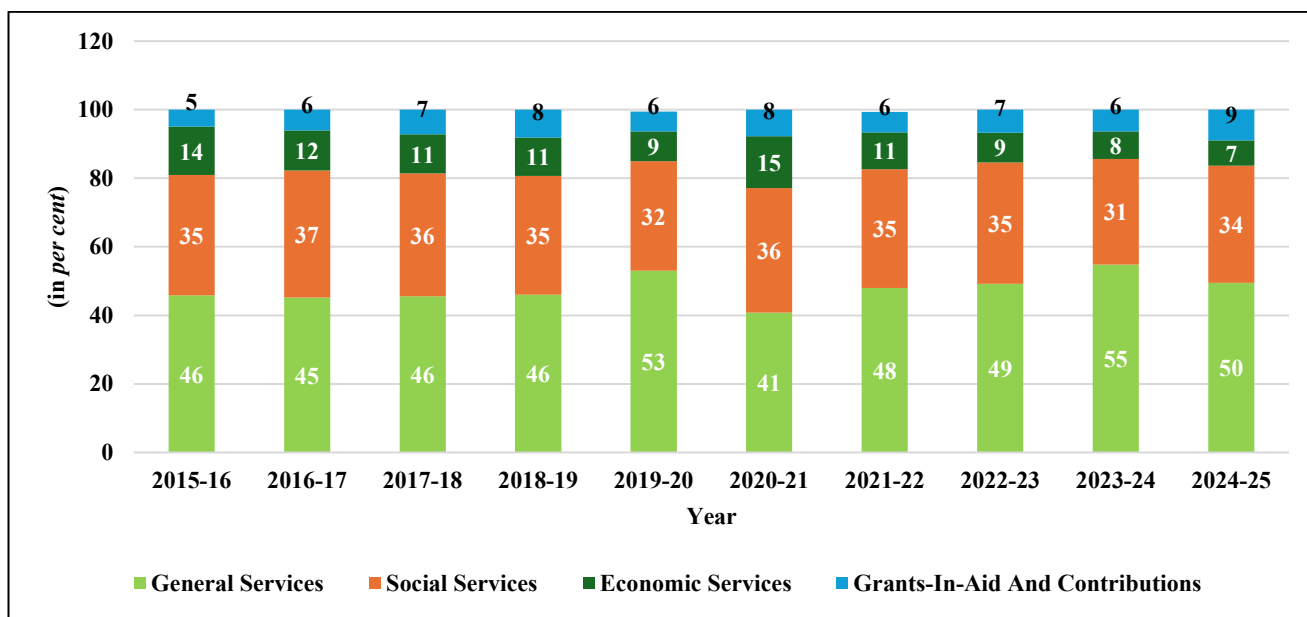
Sector-wise composition of Revenue expenditure is given in **Table 1.20** and Relative share of various sectors in Revenue expenditure is depicted in **Chart 1.20**. Detailed Sector-wise expenditure is given in **Appendix 1.2**.

Table 1.20: Sector-wise Revenue expenditure

(₹ in crore)										
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	36,084.68	41,195.33	45,523.77	50,827.13	55,504.03	50,360.72	70,110.00	69,831.68	78,185.16	77,195.59
Social Services	27,603.29	33,764.72	35,876.27	38,210.77	34,044.77	44,832.44	50,695.61	50,275.91	44,005.28	53,310.68
Economic Services	11,098.42	10,655.35	11,351.08	12,379.77	9,107.25	18,760.72	15,713.81	12,280.82	11,414.83	11,404.46
Grants-In-Aid And Contributions	3,903.08	5,480.91	7,197.23	8,898.72	6,063.87	9,492.45	9,660.09	9,562.52	9,021.07	14,010.05

Source: Finance Accounts for the respective years

Chart 1.20: Relative share of various sectors in Revenue expenditure



Source: Finance Accounts for the respective years

General Services (50 per cent) constituted the major share in revenue expenditure followed by Social Services (34 per cent) during the year. Major increase in revenue expenditure was under pensions for social security schemes amounting to ₹6,736 crore of which ₹6,641 crore was routed through a Government Company ‘Kerala Social Security Pension Limited’.

During the period 2015-16 to 2024-25, the State’s Revenue expenditure continuously exceeded its revenue receipts, indicating the stressed fiscal position of the State. The ratio of revenue expenditure to total expenditure remained very high.

B. Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. The components of committed expenditure are given in **Table 1.21** and committed expenditure as a percentage of revenue receipts and remaining fiscal space for other expenditure is given in **Chart 1.21**.

Table 1.21: Components of Committed Expenditure

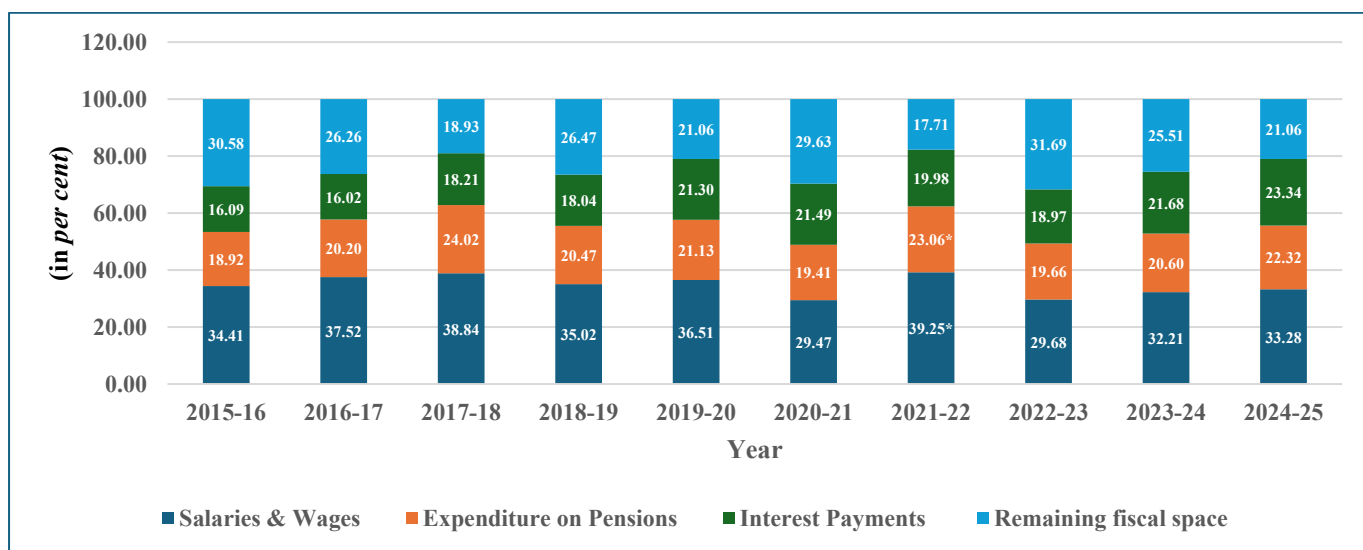
Components of Committed Expenditure	(₹ in crore)									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Salaries & Wages	23757.02	28373.10	32242.99	32520.66	32942.28	28,767.46	45,780.08*	39,389.65	40,097.69	41,550.15
Rate of growth	9.88	19.43	13.64	0.86	1.30	(-)12.67	59.14	(-)13.96	1.80	3.62
Expenditure on Pensions	13062.86	15277.03	19938.41	19011.94	19064.29	18,942.85	26,898.69*	26,090.04	25,644.24	27,875.21
Rate of growth	16.09	16.95	30.51	(-)4.65	0.28	(-)0.64	42.00	(-)3.01	(-)1.71	8.70
Interest Payments	11110.62	12116.50	15119.93	16747.92	19214.7	20,975.36	23,302.82	25,176.36	26,986.22	29,138.23

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Rate of growth	13.73	9.05	24.79	10.77	14.73	9.16	11.10	8.04	7.19	7.97
Total	47,930.5	55,766.64	67,301.33	68280.52	71221.27	68,685.67	95,981.59	90,656.05	92,728.15	98,563.59
Committed Expenditure as a percentage of Revenue Expenditure	60.91	61.22	67.34	61.90	68.01	55.64	65.66	63.86	65.01	63.21

Source: Finance Accounts of respective years

* Salaries and Wages (grew by 59.14 per cent), and Pension (grew by 42 per cent) showed a substantial increase during 2021-22 which was due to the revision of pay and allowance and pension (paid from April 2021) as per the 11th State pay revision commission recommendations.

Chart 1.21: Committed Expenditure as a percentage of Revenue receipts and remaining fiscal space



Source: Finance Accounts of respective years

* There was also a drastic increase in the share of expenditure on Salaries and Wages (39.25 per cent), and Pension (23.06 per cent) in Revenue Receipts during 2021-22. The State revises the pay and allowance of its employees once in five years.

Committed Expenditure of the State continued to increase over the years (except 2020-21 and 2022-23) and its share in Revenue Expenditure remained above 60 per cent (except 2020-21). On decadal parlance, Committed Expenditure has witnessed an increase of over 105 per cent. The share of Committed Expenditure of the State in Revenue Expenditure was also significantly higher at 63.21 per cent during 2024-25 compared to the share of Committed Expenditure of all States (excluding UTs) in Revenue Expenditure which was 48.41 per cent.

Considering the decline in fiscal space due to high percentage of committed expenditure to revenue receipts, State government need to undertake detailed review of the committed expenditure by bringing in reforms in expenditure management, employee cost realisation and debt servicing.

C. Subsidies

The expenditure on subsidies remained relatively stable during the period 2015-16 to 2024-25 except during 2020-21 and 2021-22. During 2024-25 expenditure

on subsidies increased by ₹132.95 crore compared with the previous year. The increase was mainly due to increase of ₹17.79 crore on account of Food and Civil Supplies, ₹71.91 crore for Rural Development and ₹2.14 crore for Agriculture. The reason for the increase in subsidies under the above departments is awaited from the State Government.

Department-wise major subsidies for the period 2015-16 to 2024-25 are shown in **Table 1.22**.

Table 1.22: Department-wise Subsidies during the period 2015-16 to 2024-25

(₹ in crore)

Sl. No.	Departments	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	Food and Civil Supplies	1,106.35	1,492.16	1,309.53	1,346.69	1,175.91	5,944.00*	3,654.07*	1,375.20	1,275.64	1,293.43
2	Rural Development [#]	0	0	0	0	0	175.43	184.01	185.77	183.31	255.22
3	Agriculture	32.13	34.85	34.42	37.70	34.58	56.78	28.76	62.63	50.10	52.24
4	Co-operation	62.40	54.71	53.55	74.32	21.68	75.04	35.20	21.37	36.30	45.05
5	Other Departments ⁹	171.51	148.96	186.34	204.30	196.83	296.23	251.93	202.07	178.30	210.66
Total Subsidy		1,372.39	1,730.68	1,583.84	1,663.01	1,429.00	6,547.48	4,153.97	1,847.04	1,723.65	1,856.60

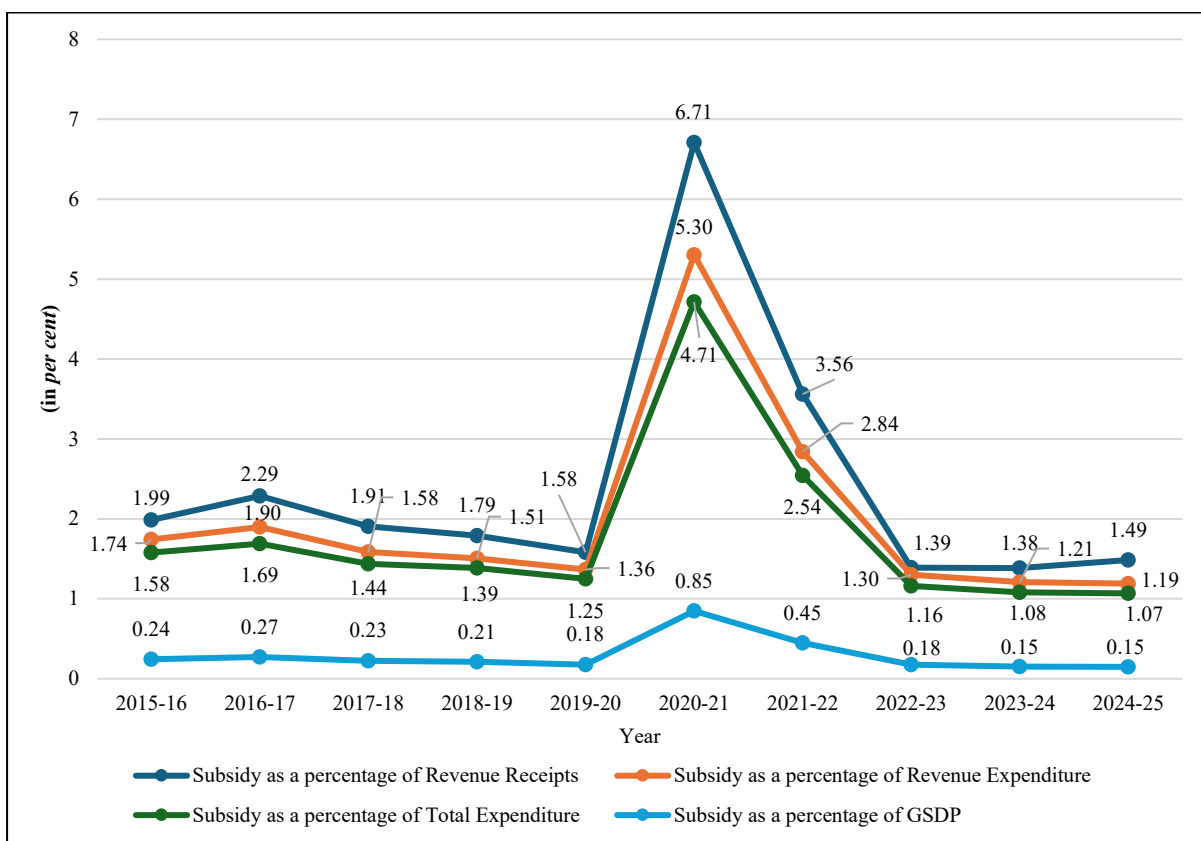
Source: Finance Accounts of respective years, Government of Kerala

*Increase in subsidies during 2020-21 and 2021-22 was due to increase in subsidies given to the Food and Civil Supplies department for ration subsidy and paddy procurement.

[#]State Government started providing interest subsidy to Kerala Urban and Rural Development Finance Corporation (KURDFC) towards the loan availed from HUDCO for the implementation of welfare scheme LIFE Parappida Mission Scheme (Housing Scheme) from 2020-21 onwards.

⁹ Other Departments includes Urban Development, Secretariat General Services, Pensions and Other retirement benefits, Other Transport Services, Welfare of SC, ST, other backward classes and Minorities, New and Renewable Energy,

Chart 1.22: Trend analysis of subsidies



Source: Finance Accounts of respective years

During 2024-25, subsidies in respect of all States' (excluding Uts) accounted for 10.08 per cent of its Revenue Expenditure, while State subsidies accounted for only 1.19 per cent of its Revenue Expenditure.

Committed expenditure in the form of salaries and wages (₹41,550.15 crore), interest payment (₹29,138.23 crore) and pension (₹27,875.21 crore) together with subsidies (₹1,856.60 crore) accounted for 64.40 per cent of revenue expenditure and consumed about 80 per cent of the revenue receipts. Committed expenditure and subsidies increased by ₹5,968.39 crore during 2024-25. The share of Committed Expenditure together with subsidies of the State in Revenue Expenditure was also significantly higher at 64.40 per cent during 2024-25 compared to the share of Committed Expenditure including subsidies of all States (excluding UTs) in Revenue Expenditure which was 58.49 per cent. In addition, the State is also committed to its share in Centrally sponsored schemes amounting to ₹2,720.74 crore under Revenue Expenditure.

D. Financial assistance by the State Government to Local Bodies and Other Institutions

Assistance provided by way of grants to the local bodies and other institutions during the period 2020-21 to 2024-25 is presented in Table 1.23.

Table 1.23: Financial assistance to Local Bodies and other institutions

Institutions	2020-21	2021-22	2022-23	2023-24	2024-25
<i>(₹ in crore)</i>					
(A) Local Bodies					
Municipal Corporations and Municipalities	3,653.02	2,584.33	3,676.97	2,806.69	4,338.11
GIA for creation of Capital assets to Municipal Corporations and Municipalities	1,645.37	1,140.67	1,616.52	1,384.56	2,350.98
Zilla parishads and other Panchayati Raj Institutions	8,692.14	7,601.76	8,698.74	7,313.65	11,009.93
GIA for creation of Capital assets to PRIs	4,825.04	4,156.06	5,245.37	4,647.36	6,061.91
Total (A)	12,345.16	10,186.09	12,375.71	10,120.34	15,348.04
(B) Others					
Educational Institutions (Aided Schools, Colleges, Universities, etc.)	1,569.61	1,713.01	1,714.52	1,758.30	1,769.22
Development Authorities	0	0	0	0	0
Hospitals and Other Charitable Institutions	0	0	0	0	0
Other Institutions	4,041.57	4,359.45	1,753.48	1,939.32	2,164.47
Total (B)	5,611.18	6,072.46	3,468.00	3,697.62	3,933.69
Total (A+B)	17,956.34	16,258.55	15,843.71	13,817.96	19,281.73
Total GIA for creation of Capital assets	7,170.60	7,136.33	7,024.58	6,146.13	8,546.97
Revenue Expenditure	1,23,446.33	1,46,179.51	1,41,950.93	1,42,626.34	1,55,920.78
Assistance as percentage of Revenue Expenditure	14.55	11.12	11.16	9.69	12.37

Source: Finance Accounts of respective years

The devolution to LSGIs increased by ₹5,227.70 crore to ₹15,348.04 crore during 2024-25 which constituted about 10 per cent of the revenue expenditure. During the current year, financial assistance to the local bodies and other institutions increased by ₹ 5,463.77 crore (39.54 per cent) to ₹19,281.73 crore over the previous year which constituted about 12.37 per cent of the revenue expenditure. The increase was mainly due to increase in assistance to Zilla parishads and other Panchayati Raj Institutions (₹3,696.28 crore: 50.54 per cent) and Municipal Corporations and Municipalities (₹1,531.42 crore: 54.56 per cent). The overall quantum of financial assistance to the local bodies and other institutions as percentage of revenue expenditure increased to 12.37 per cent during the current year from 9.69 per cent of the previous year.

The State Finance Commissions are constituted by Government of Kerala 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. The State Finance Commission shall review the financial position of the Panchayats and the Municipalities and make recommendations to improve the financial management and achieving economy and efficiency in expenditure and achieving fiscal responsibility.

Starting with the first SFC constituted in 1994, State is in the penultimate year (2024-25) of the sixth State Finance Commission for the award period 2021-22

to 2025-26. Sixth SFC has submitted their recommendations by way of two reports.

The status of 6th State Finance Commission Recommendation for the award period 2021-22 to 2025-26 are given in **Table 1.24**.

Table 1.24 : Status of Sixth State Finance Commission Recommendations

SFC Period	Total No. of Recommendations	Accepted by Government of Kerala	Deferred	Not Accepted
2021-22 to 2025-26	136	109 ¹⁰	3	20

The Major share of financial resources of LSGIs comprised grants recommended by SFC. The SFC recommended Development funds, Maintenance funds and General Purpose funds for LSGIs. SFC allocation accepted by State Government and funds released to LSGIs during the first four years of the Sixth Finance Commission award period 2021-22 to 2024-25 are given in **Table 1.25**.

Table 1.25: Details of grants due and released to LSGIs during the first four years of the Sixth Finance Commission award period 2021-22 to 2024-25

(₹ in crore)

Year	Funds recommended by Sixth SFC and as accepted by State for LSGIs			Actual release by State Government			Short release (-) / Excess (+)
	RLB	ULB	Total	RLB	ULB	Total	
1	2	3	4	5	6	7	8=7-4
2021-22	7,922.05	1,964.19	9,886.24	8,103.43	2,184.48	10,287.91	(+) 401.67
2022-23	8,332.48	2,152.85	10,485.33	8,303.39	2,194.45	10,497.84	(+) 12.51
2023-24	9,121.94	2,321.41	11,443.35	9,135.94	2,318.94	11,454.88	(+) 11.53
2024-25	9,879.00	2,509.18	12,388.18	9,891.00	2,514.18	12,405.18	(+) 17.00

Source: Data furnished by SFC Cell, Finance Department

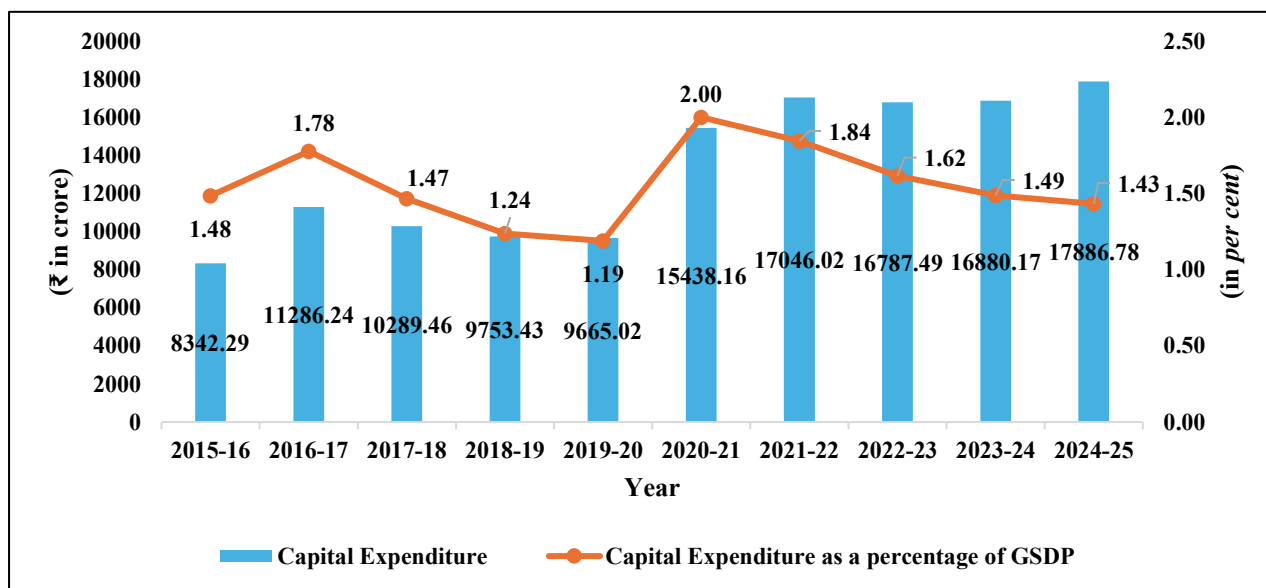
1.2.4.2 Capital Expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets, such as roads, buildings, etc. Capital expenditure, in the State, is being met from budgetary support and extra budgetary resources/ off-budget borrowings. It also includes investments made by the State Government in Companies/Corporations.

Trend of Capital Expenditure including loans and advances in the State over the last ten years *i.e.* 2015-16 to 2024-25 is given in **Chart 1.23**.

¹⁰ Out of 109 accepted recommendations of Sixth SFC, only 44 recommendations have been implemented.

Chart 1.23: Capital Expenditure in the State



Source: Finance Accounts and Annual Financial Statements of respective years

The Capital Expenditure (including Loans and Advances) registered a growth rate of about 114 per cent during the period 2015-16 to 2024-25 and was highest in 2024-25 during the last ten year period. The share of Capital Expenditure in Total Expenditure increased from 9.59 per cent in 2015-16 to 10.58 per cent in 2023-24, however, it decreased to 10.29 per cent in 2024-25. However, the ratio of Capital Expenditure to GSDP has continuously declined from 2020-21 to 2024-25.

The State received 50 years interest free loan of ₹2,715.67 crore during 2024-25 from GoI as special assistance for Capital Expenditure which constituted 15.18 per cent of the Capital Expenditure (including loans and advances disbursed) during the year.

The Capital expenditure incurred during 2024-25 includes development expenditure of ₹14,539.45 crore, loans and advances of ₹2804.37 crore and investments of ₹542.96 crore. Economic Services (65 per cent) constituted the major share of Capital Expenditure of which major expenditure was incurred towards 'Share of KIIFB from Cess on Petrol and Diesel' and 'Share of KIIFB from Motor Vehicle Tax' (₹3,695.18 crore), 'Capital Outlay on Road and Bridges (₹1,859.35 crore)' and 'Rebuild Kerala Initiative-Post Flood Projects'(₹996.47 crore). During 2024-25, the ratio of Capital Expenditure to Total Expenditure of all States (excluding UTs) was 16.59 per cent, whereas the percentage of State Capital Expenditure to Total Expenditure was significantly lower at 10.29 per cent.

Apart from Capital expenditure of ₹17,886.78 crore, State government also transferred ₹8,546.97 crore as Grant-in-Aid for creation of capital assets to the local bodies and other institutions. Grants-in aid given for creation of Capital Assets during 2024-25 has increased compared to the previous year and was highest during the last five years period.

Further, percentage of Capital Expenditure (including loans and advances) as compared to overall Debt receipts was 5.54 *per cent* and as compared to net Debt receipts¹¹ stood at 39.59 *per cent* which indicates that the borrowings were not proportionately converted to infrastructural development.

A. Sector-wise Capital Expenditure

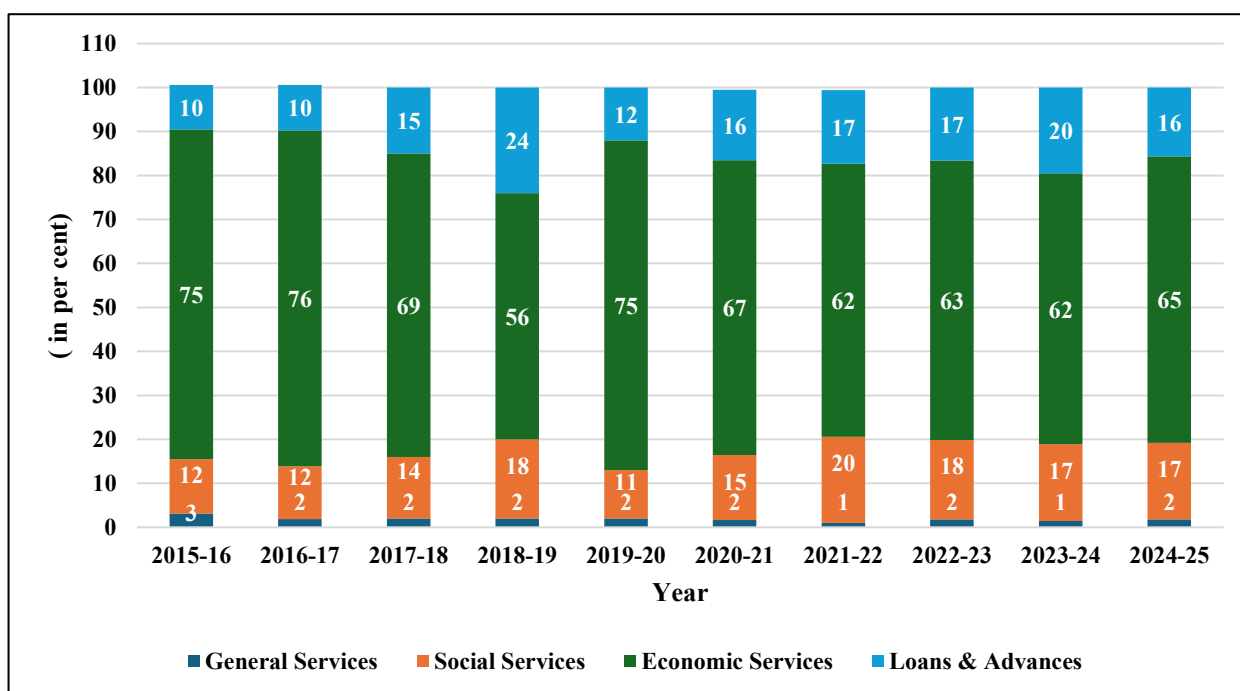
Sector-wise composition of Capital expenditure is given in **Table 1.26**. Detailed Sector-wise expenditure is given in **Appendix 1.2**.

Table 1.26: Sector-wise Capital expenditure

Parameters	(₹ in crore)									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	256.60	210.87	268.01	197.96	157.42	259.84	268.26	306.89	247.26	322.16
Social Services	1,035.03	1,292.67	1,405.89	1,784.29	1,090.64	2,277.90	3,342.63	3,030.08	2,945.57	3,113.78
Economic Services	6,208.41	8,622.41	7,074.97	5,448.29	7,206.74	10,351.91	10,580.84	10,659.59	10,391.62	11,646.47
Loans & Advances	842.25	1,160.29	1,540.59	2,322.89	1,210.22	2,548.51	2,854.29	2,790.93	3,295.72	2,804.37

Source: Finance Accounts of respective years

Chart 1.24: Relative share of various sectors in Capital expenditure



Source: Finance Accounts of respective years

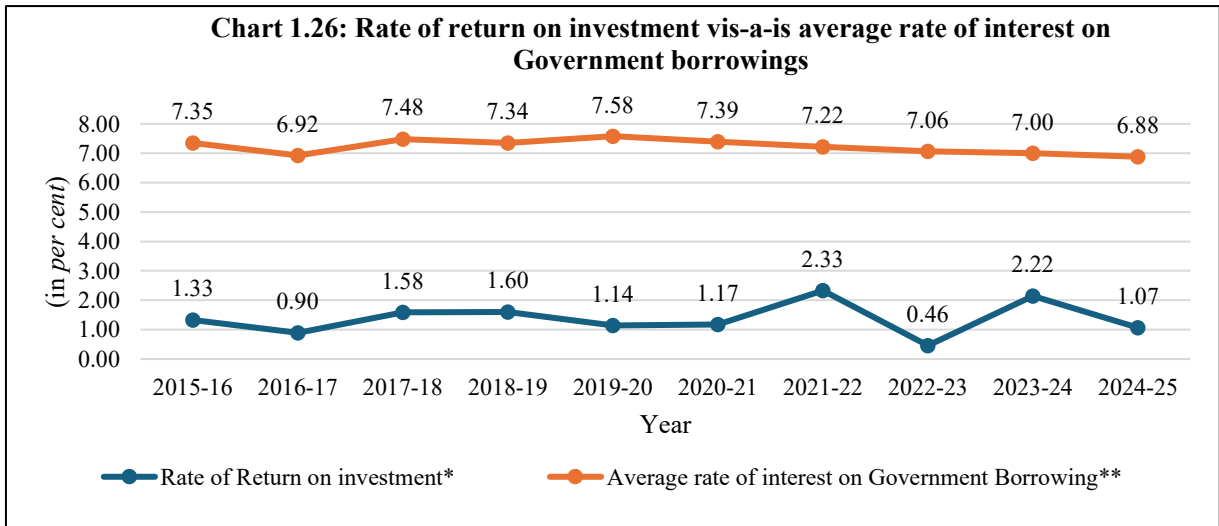
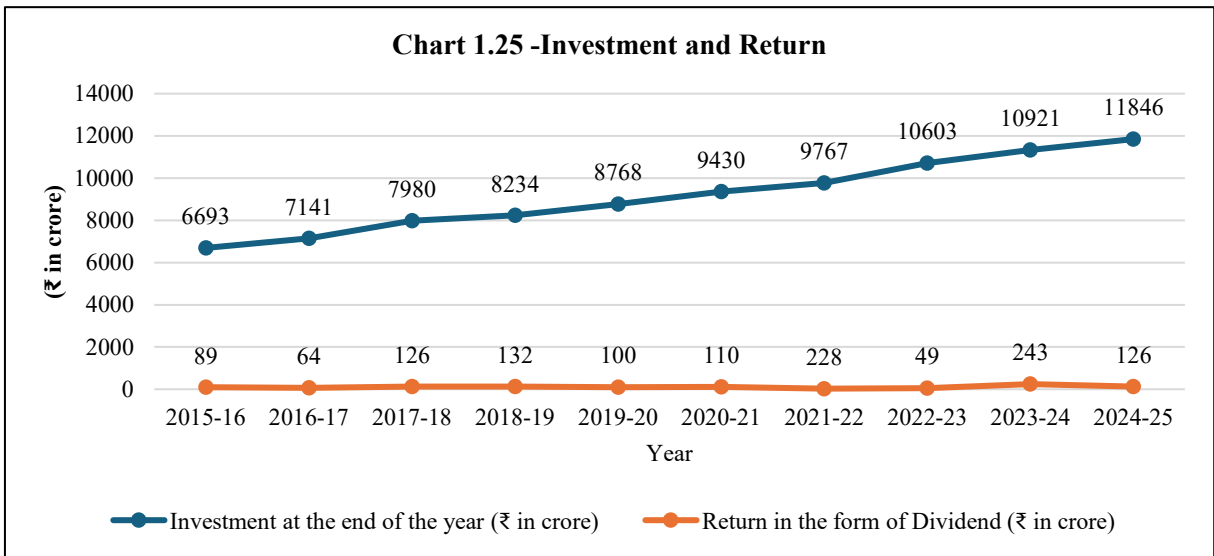
The economic services constituted major share of Capital Expenditure throughout the ten year period 2015-16 to 2024-25, followed by expenditure on Social Services and General Services.

¹¹ Net debt receipts are debt receipts after deducting repayment of the principal amount of earlier borrowings.

B. Quality of investments in companies, corporations and other bodies

As of 31 March 2025, the State Government’s investment in companies, corporations and other bodies stood at ₹11,846.25 crore, comprising Government Companies (₹ 5,849.80 crore), Co-operative Societies (₹ 1,779.96 crore), Statutory Corporations (₹ 1,855.77 crore) and Other Joint Stock Companies and Partnerships (₹ 2,360.72 crore).

Trends of investment at the end of the year in companies, corporations, and co-operative banks and societies, and return on investment is depicted in **Chart 1.25**. Rate of return on investment made vis-à-vis average rate of interest on government borrowing is depicted in **Chart 1.26**.



Sources: Finance Accounts of respective years

*Rate of return on investment = Return/ Investment at the year end

**Average rate of interest on Government borrowing = Interest payment/((Opening balance + Closing balance of Outstanding liabilities)/2)*100

During 2024-25, the return on investment was ₹ 126.35 crore¹² (1.07 per cent) (based on historical cost and not on net present value basis). The return was only between 0.46 per cent and 2.33 per cent during the period 2015-16 to 2024-25 while the average rate of interest paid by the State Government on its borrowings was between 6.88 per cent and 7.58 per cent during the same period. Over the past ten years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹ 5,315.13 crore¹³.

As on 31 March 2025, the State Government had invested ₹11,846.25 crore in three Statutory Corporations (₹1,855.77 crore), 127 Government Companies (₹5,849.80 crore), 42 Joint Stock Companies (₹2,360.72 crore) and Cooperative Banks and Societies (1,779.96 crore). The return on investments in these Companies/ Corporations/ Institutions during 2024-25 was 1.07 per cent (₹126.35 crore) while State Government paid an average interest of 6.88 per cent on its borrowings during the same period.

The persistently lower returns far below the cost of Government borrowings shows inefficient use of public funds.

Dividend Policy of the State Government

A well-defined dividend policy mandating a minimum return from profit making enterprises, enables the State Government to optimise its returns from investments in SPSEs and enhance monitoring of the SPSE's financial performance. As per the dividend policy formulated by State Government (June 2023) all SPSEs with profit after tax above ₹50 crore have to pay a minimum dividend of 20 per cent of profit after tax and SPSEs with profit less than ₹50 crore have to pay 15 per cent dividend to State Government.

Forgone Revenue from Non-realisation of Dividends

According to the latest accounts submitted by SPSEs¹⁴, 25 SPSEs earned profit for the accounts relating to 2022-23, while 11 SPSEs earned profit for the accounts relating to 2023-24.

However, it was observed that the State Government did not ensure timely and full collection of dividends from these entities as on 31 March 2025. Against the total eligible dividend of ₹42.78 crore from 25 profit making SPSEs for the year 2022-23, only one¹⁵ SPSE had paid dividend of ₹0.41 crore (out of ₹2.04 crore of dividend only ₹0.41 crore was paid) as on 31 March 2025, leaving a balance of uncollected dividend of ₹42.37 crore from 25 profit making SPSEs. Further, for the year 2023-24, against a total eligible dividend of ₹194.82 crore from 11 profit making SPSEs only two¹⁶ SPSEs paid dividend of ₹41.18 crore

¹² Government Companies (₹77.35 crore); Statutory Corporations (₹35.83 crore), Joint Stock Companies (₹8.46 crore); and Co-operative Banks and Societies (₹4.71 crore).

¹³ Difference between cost of Government borrowings and return of investment = Investment at the end of the year * Difference between average rate of interest rate and rate of return on investment.

¹⁴ 151 SPSEs falling under the Audit jurisdiction of C&AG

¹⁵ Oil Palm India Limited (₹0.41 crore)

¹⁶ The Kerala State Financial Enterprises Limited (₹35.00 crore); The Kerala Minerals and Metals Limited (₹6.18 crore)

as on 31 March 2025, leaving a balance of uncollected dividend of ₹153.64 crore from 11 SPSEs. The details are given in **Appendix 1.5**.

Out of 151 SPSEs in the State, 16 SPSEs were defunct, and investment of ₹145.01 crore therein had remained un-recouped.

State Government replied (January 2026) that steps are being taken to improve the functioning of SPSEs by appointing more professionals, taking various steps to make the SPSEs more profitable. State Government replied that there was laxity on the part of SPSEs in complying with the directions of Dividend policy framed in 2023. It has also been replied that steps would be taken in future to ensure that Government would collect its due share of profit.

C. Loans and advances by State Government

In addition to the investments, the State Government also provides loan assistance to Statutory Corporations, Government Companies, Autonomous Bodies and Authorities etc., and the same was treated as assets in the Government accounts. **Table 1.27** presents the position of outstanding loans and advances as on 31 March 2025 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last ten years.

Table 1.27: Quantum of loans disbursed and recovered during the period 2015-16 to 2024-25

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance of loans outstanding	12320.27	13009.89	13877.23	15163.04	16557.18	17,472.08	19,725.39	22,086.89	24,357.02	26,965.74
Amount advanced during the year	842.25	1160.29	1540.59	2322.89	1210.22	2,548.51	2,854.29	2,790.93	3,295.72	2,804.37
Amount recovered during the year	152.63	292.24	350.98	210.54	295.32	263.82	479.24	409.29	714.80	667.16
Closing Balance of the loans outstanding	13009.89	13877.94	15066.84	17275.39	17472.08	19,756.77	22,100.44	24,468.53	26,937.94	29,102.95
Net addition	689.62	868.05	1189.61	2112.35	914.90	2,284.69	2,375.05	2,381.64	2,580.92	2,137.21
Interest received	32.31	30.53	37.53	40.81	50.59	42.83	53.36	118.98	116.70	187.90
Interest rate on Loans and Advances given by the Government	0.26	0.23	0.26	0.25	0.30	0.23	0.26	0.51	0.46	0.67
Average rate of interest on Government Borrowings (per cent)	7.35	6.92	7.48	7.34	7.58	7.39	7.22	7.06	7.00	6.88

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Difference between the rate of interest received and interest paid(per cent)	(-7.09)	(-) 6.69	(-) 7.22	(-) 7.09	(-) 7.28	(-) 7.16	(-) 6.96	(-) 6.55	(-) 6.54	(-) 6.21

Source: Finance Accounts of respective years

As per Finance Accounts, an amount of ₹29,102.95 crore was outstanding as loan at the end of March 2025. Also, at the end of March 2025, repayment of loans advanced to 63 institutions were in arrears amounting to ₹25,179.66 crore (Principal: ₹16,699.41 crore and Interest: ₹8,480.25 crore). About 83 per cent of the above arrears pertained to six institutions viz., Kerala State Road Transport Corporation (₹11,678.64 crore), Kerala Water Authority (₹3,929.82 crore), Kerala State Electricity Board Limited (₹1,837.04 crore), Kerala State Housing Board (₹1,761.54 crore), Kerala State Cashew Development Corporation Ltd (₹861.51 crore) and Kerala State Co-operative Textile Federation Limited (₹780.24 crore).

During the year, State Government also released loans to 28 institutions amounting to ₹192.65 crore whose previous loan repayments amounting to ₹3,993.48 crore were in arrears.

1.3 Public Account

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 balance after disbursements during the year is the fund available with the Government for use for various purposes.

1.3.1 Net Public Account balances

The component-wise net balances in Public Account of the State during the period 2020-21 to 2024-25 is given in **Table 1.28** below. The details of the net balances of the Public Account from financial year 2015-16 to 2024-25 are given at **Appendix 1.6**.

Table 1.28: Component-wise net balances in Public Account

(₹ in crore)

Sector	Sub-Sector	2020-21	2021-22	2022-23	2023-24	2024-25
Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	(-) 97,219.13	(-) 1,15,666.60	(-) 1,24,190.92	(-) 1,23,944.24	(-)1,25,297.78
Reserve Funds	(a) Reserve Funds bearing Interest	(-)719.55	(-)471.73	(-)394.65	(-)770.89	(-)1,110.43
	(b) Reserve Funds not bearing Interest	(-)366.72	(-)355.23	(-)334.81	(-)338.55	(-)336.86
Deposits and Advances	(a) Deposits bearing Interest	(-)0.34	(-)0.51	(-)0.36	(-)0.30	(-)1.24
	(b) Deposits not bearing Interest	(-) 4,632.53	(-) 6,418.82	(-)7,603.36	(-)7,671.87	(-)9,139.31

Sector	Sub-Sector	2020-21	2021-22	2022-23	2023-24	2024-25
	(c) Advances	62.27	60.29	59.64	59.43	59.53
Suspense and Miscellaneous	(a) Suspense	1,057.03	242.94	370.88	240.24	(-)118.55
	(b) Other Accounts	1,226.28	4,658.84	6,486.12	3,660.59	1,482.22
	(c) Accounts with Governments of Foreign Countries	0	0	0	0	-
	(d) Miscellaneous	0	0	0	0	-
Remittances	(a) Money Orders, and other Remittances	952.43	1,412.78	1,063.13	(-)148.25	(-)74.28
	(b) Inter- Governmental Adjustment Account	89.76	60.54	61.98	66.33	67.21
Total		(-) 99,550.50	(-) 1,16,477.50	(-) 1,24,482.35	(-) 1,28,847.51	(-)1,34,469.49

Source: Finance Accounts of respective years

Note: +ve figures denote debit balance and -ve figures denote credit balances.

1.3.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund or from outside agencies. It comprises interest bearing reserve funds and reserve funds not bearing interest.

There were three interest bearing funds and five Reserve Funds not bearing interest as on 31 March 2025. The fund balances lying in these Reserve Funds as on 31 March 2025 are given in **Table 1.29**.

Table 1.29: Detail of Major Reserve Funds

(₹ in crore)

Sl. No.	Name of Reserve Fund	Opening Balance	Receipts during the year	Interest receipts	Repayments during the year	Balance as on 31 March 2025
A	Reserve Funds bearing Interest	770.89	491.45	59.51	211.42	1,110.43
1.	SDRF	394.99	388.00	19.79	190.94	611.84
2.	State Compensatory Afforestation Fund	56.16	8.75	9.96	7.19	67.68
3.	SDMF	319.74	94.70	29.76	13.29	430.91
B	Reserve Funds not bearing Interest	3,385.77	133.26	225.71	15.89	3,728.85
1.	Sinking Fund	3,031.33	120	224.77	-	3,376.10
2.	Development fund for Agricultural Purposes	10.37	0.25	-	0.14	10.48
3	Mines Welfare Funds	1.32	0.47	-	0.50	1.29
4	Consumer Welfare Funds	21.66		0.94	0.32	22.28
5	Other Development Welfare Fund	321.09	12.54	-	14.93	318.70
	Grand Total	4,156.66	624.71	285.22	227.31	4,839.28

Source: Finance Accounts of respective years

1.3.3 Cash Balances

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. If the

balance falls below this minimum, the shortfall is met through instruments like Ways and Means Advances (WMA)/Special Ways and Means Advances (SWMA)/ Special Drawing Facility (SDF)/ Overdrafts (OD), with the WMA limit revised periodically by RBI.

During the year the State Government resorted to WMA/SDF/OD amounting to ₹90,163.50 crore and paid an interest of ₹133.43 crore, the highest during the last ten-year period 2015-16 to 2024-25, indicating the State's stressed financial position. The State Government was able to maintain a minimum cash balance of ₹1.66 crore for 40 days during 2024-25 without taking any advance. However, the State Government had to resort to Ways and Means Advance (₹53,251.92 crore) for 207 days, Special Drawing Facility (₹11,910.01 crore) for 34 days to maintain minimum cash balance. Overdraft (₹24,966.71 crore) was taken on 84 days.

The State Government repaid the amount of ₹90,163.50 crore obtained under Special Drawing Facility, Ways and Means Advances *etc.* leaving no amount to be repaid. The State Government raised market loan amounting to ₹53,666.00 crore during the year 2024-25.

The State Government invests surplus cash balances, including those from earmarked reserve funds in GoI securities and Treasury Bills. Earnings from these investments are credited under '0049-Interest Receipts'. During the year 2024-25, interest of ₹0.55 crore was earned against short term investments with a closing balance of ₹2,075.23 crore in 14 days treasury bills.

Cash balance and investment details for 2023-24 and 2024-25 are provided in **Table 1.30**.

Table 1.30: Cash Balances and their investment

	(₹ in crore)	
	Opening balance as on 1 April 2024	Closing balance as on 31 March 2025
A. General Cash Balances		
Deposits with Reserve Bank of India	238.68	(-) 378.42
Investments held in Cash Balance Investment Account	4,051.26	2,075.23
Cash in Treasury & Local Remittances	36.68	36.68
Total (A)	4,326.62	1,733.49
Cash with departmental officers <i>viz.</i> Forest and Public Works	(-) 7.63	(-) 7.63
Permanent advances with departmental officers for contingent expenditure	1.18	1.48
Investment of earmarked funds	3,047.21	3,391.99
Total (B)	3,040.76	3,385.84
Total (A + B)	7,367.38	5,119.33
Interest realised	4.96	0.55

Source: Finance Accounts of respective years

Details of Cash Balance Investment Account during the last five years is given in **Table 1.31**.

Table 1.31: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

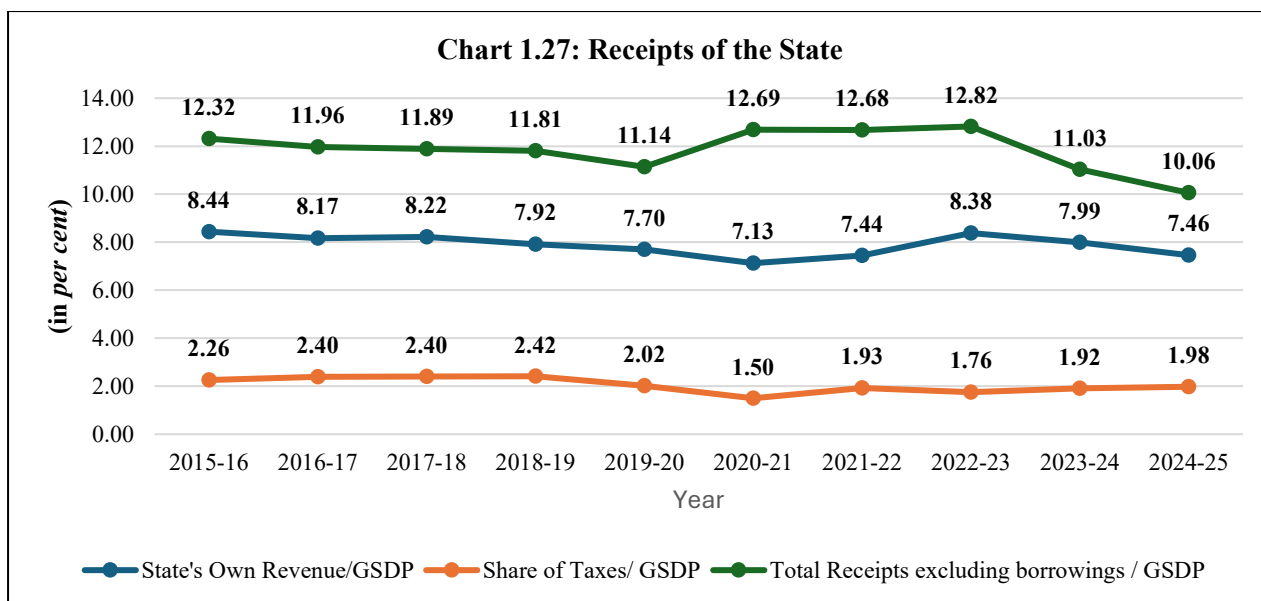
Year	Opening Balance	Closing Balance	Increase (+) / Decrease (-)	Interest earned
2020-21	1.67	2,809.86	2,808.19	4.05
2021-22	2,809.86	5,230.30	2,420.44	14.80
2022-23	5,230.30	7,092.74	1,862.44	15.85
2023-24	7,092.74	4,051.26	(-) 3,041.48	4.96
2024-25	4,051.26	2,075.23	(-)1,976.03	0.55

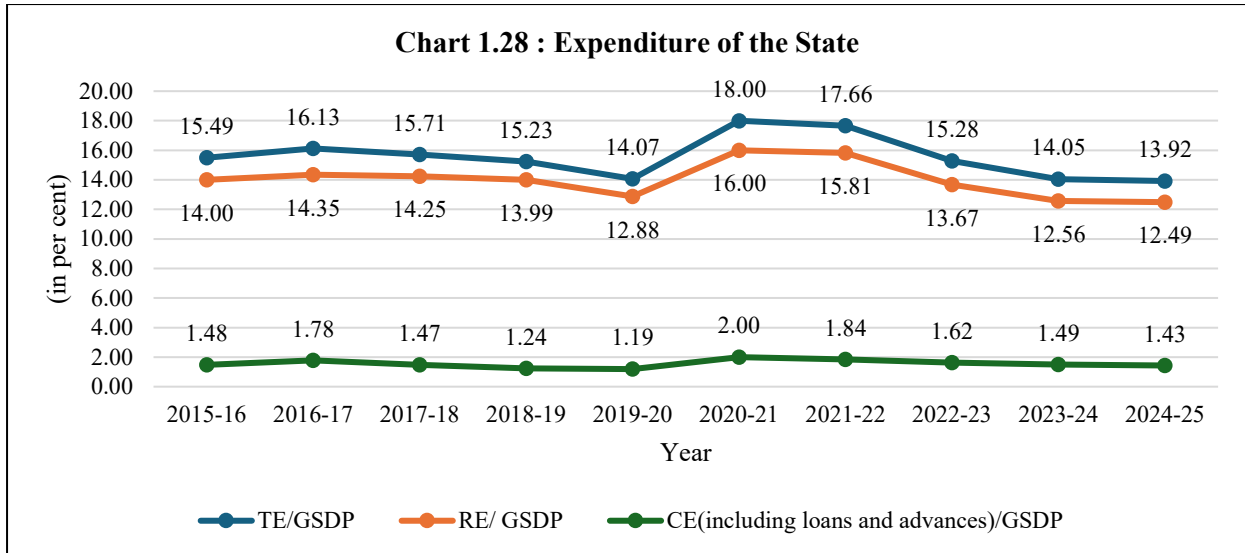
Source: Finance Accounts of respective years

At the end of March 2025, general cash balance was ₹1,733.49 crore.

1.4 Fiscal Sustainability

Fiscal Sustainability is the ability of a government to manage its revenue and expenditure in a manner that ensures it can meet its current and future obligations such as public services, infrastructure, and debt repayments without excessive borrowing or accumulating unsustainable debt. It implies maintaining a stable balance between revenue generation and expenditure over the long term. **Chart 1.27** and **Chart 1.28** shows receipts and expenditure of the State as a percentage of GSDP, during 2015-16 to 2024-25 respectively.



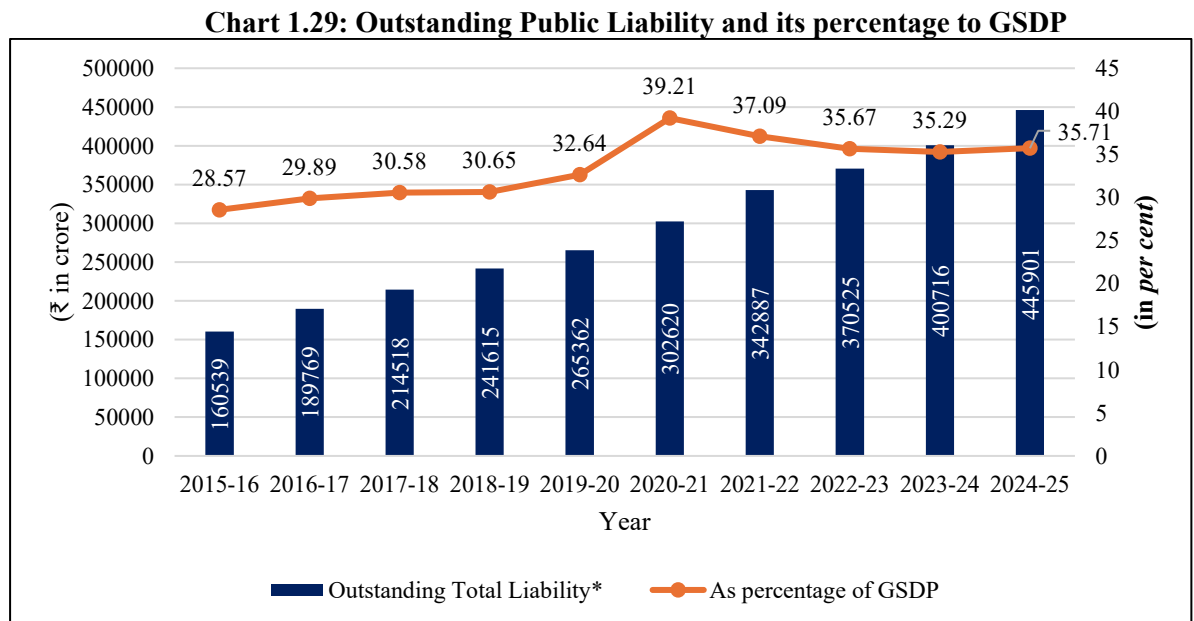


TE- Total Expenditure, RE – Revenue Expenditure, CE – Capital Expenditure

During 2024-25, Total Own Revenue as a percentage of GSDP of all States (excluding UTs) was 7.28 per cent while State Own Revenue as a percentage of GSDP stood higher at 7.46 per cent. Revenue Expenditure of all States (excluding UTs) as a percentage of its GSDP was 13.16 per cent during 2024-25 while State's Revenue Expenditure as a percentage of its GSDP was lower at 12.49 per cent during the period. During 2024-25, Capital Expenditure of all States (excluding UTs) as a percentage of its GSDP was 2.62 per cent while State Capital Expenditure as a percentage of its GSDP was significantly lower at 1.43 per cent.

1.4.1 Public Liability Management

Outstanding liability of the State along with its percentage to GSDP for the years 2015-16 to 2024-25 is depicted in **Chart 1.29**.



Source: Finance Accounts of respective years

*Overall liabilities excludes ₹5,766 crore during 2020-21, ₹14,505.31 crore during 2021-22 to 2023-24 and ₹3,710.14 crore during 2024-25 as back-to-back loans from GoI in lieu of GST Compensation shortfall received during 2020-21 and 2021-22 are not to be repaid by the State from its sources

During 2024-25, aggregate Outstanding Public Liability of all States (excluding Uts) compared to aggregate GSDP was 27.94 per cent whereas Outstanding Public Liability of the State relative to GSDP remained much higher at 35.71 per cent. In absolute terms, on decadal parlance, the outstanding liability of the State has registered an increase of 177.75 per cent.

1.4.1.1 Liability profile: Components

Total liabilities of the State Government typically constitute 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. The component-wise liability trends of the State for the period of five years beginning from 2020-21 to 2024-25 are presented in **Table 1.32**. The last ten years data on the liability components are detailed in **Appendix 1.7**.

Table 1.32: Component-wise liability trends

(₹ in crore)					
Components of fiscal liability	2020-21	2021-22	2022-23	2023-24	2024-25
Outstanding Total Liability	3,02,620.01	3,42,887.45	3,70,525.07	4,00,715.84	4,45,901.49[#]
Public Debt	1,99,681.73	2,19,974.55	2,38,000.97	2,67,989.99	3,10,015.87
<i>Internal Debt</i>	<i>1,90,474.09</i>	<i>2,10,791.59</i>	<i>2,27,137.07</i>	<i>2,57,157.92</i>	<i>2,96,717.59</i>
<i>Loans from GoI*</i>	<i>9,207.64</i>	<i>9,182.96</i>	<i>10,863.90</i>	<i>10,832.07</i>	<i>13,298.28</i>
Public Account Liabilities	1,02,938.28	1,22,912.90	1,32,524.10	1,32,725.85	1,35,885.62
<i>Small Savings, Provident Funds, etc.</i>	<i>97,219.13</i>	<i>1,15,666.60</i>	<i>1,24,190.92</i>	<i>1,23,944.24</i>	<i>1,25,297.78</i>
<i>Reserve Funds bearing Interest</i>	<i>719.55</i>	<i>471.73</i>	<i>394.65</i>	<i>770.89</i>	<i>1,110.43</i>
<i>Reserve Funds not bearing Interest</i>	<i>366.72</i>	<i>355.23</i>	<i>334.81</i>	<i>338.55</i>	<i>336.86</i>
<i>Deposits bearing Interest</i>	<i>0.34</i>	<i>0.52</i>	<i>0.36</i>	<i>0.30</i>	<i>1.24</i>
<i>Deposits not bearing Interest</i>	<i>4,632.54</i>	<i>6,418.82</i>	<i>7,603.36</i>	<i>7,671.87</i>	<i>9,139.31</i>
Rate of growth of outstanding total liability (per cent)	14.04	13.31	8.06	8.15	11.28
Gross State Domestic Product (GSDP)	7,71,723.89	9,24,465.42	10,38,734.06	11,35,371.56	12,48,533.01
Outstanding Total Liability/GSDP (per cent)	39.21	37.09	35.67	35.29	35.71
Borrowings and Other Liabilities					
<i>Total Receipts</i>	<i>2,40,014.87</i>	<i>2,31,582.08</i>	<i>2,16,432.89</i>	<i>2,61,358.70</i>	<i>3,22,577.19</i>
<i>Total Repayments</i>	<i>2,02,757.22</i>	<i>1,91,314.63</i>	<i>1,88,795.28</i>	<i>2,31,167.92</i>	<i>2,77,391.54</i>
<i>Net funds available</i>	<i>37,257.65</i>	<i>40,267.45</i>	<i>27,637.61</i>	<i>30,190.78</i>	<i>45,185.65</i>
<i>Repayments/ Receipts (per cent)</i>	<i>84.48</i>	<i>82.61</i>	<i>87.23</i>	<i>88.45</i>	<i>85.99</i>

Source: Finance Accounts of respective years

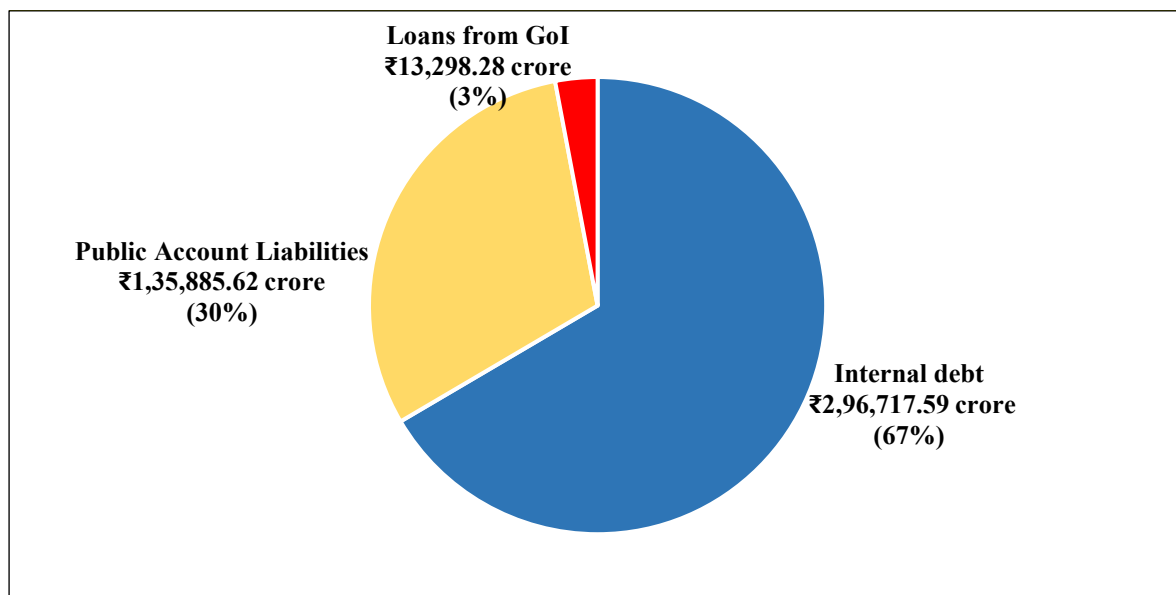
Post Audit figures are given in Table 1.35

* Loans from GoI excludes ₹5,766 crore during 2020-21, ₹14,505.31 crore during 2021-22 to 2023-24 and ₹3,710.14 crore during 2024-25 as back to back loans from GoI in lieu of GST compensation shortfall, which are not to be repaid by the State from its sources.

§ This did not include the outstanding off-budget borrowings (₹39,230.33 crore) which if included would constitute 38.86 per cent of GSDP.

Break-up of outstanding total liabilities at the end of 2024-25 is shown in **Chart 1.30**.

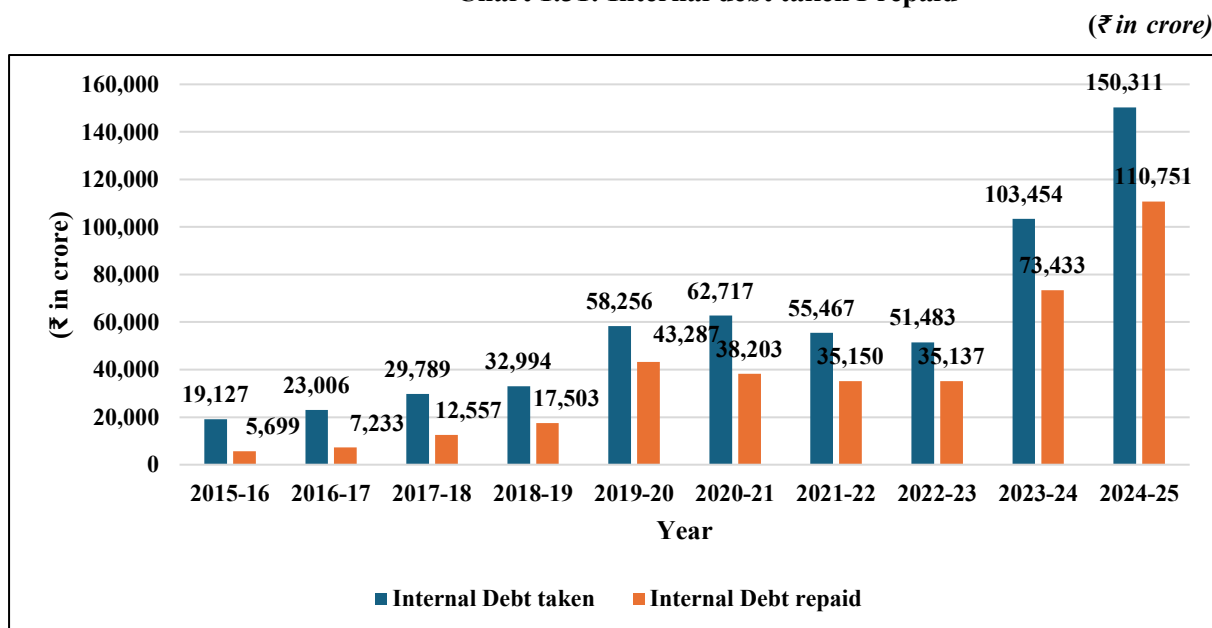
Chart 1.30: Break-up of outstanding total liabilities at the end of 2024-25



Source: Finance Accounts of respective years

The quantum of internal debt taken *vis-à-vis* repaid during the period of ten years *i.e.* 2015-16 to 2024-25 is depicted in **Chart 1.31**.

Chart 1.31: Internal debt taken / repaid



Source: Finance Accounts of respective years

Internal debt constituted major share of outstanding liabilities during the ten year period. Internal debt increased by ₹1,94,221.33 crore (189.49 per cent) from ₹ 1,02,496.26 crore in 2015-16 to ₹ 2,96,717.59 crore in 2024-25. An amount of ₹20,260 crore was paid towards interest on internal debt during 2024-25.

1.4.1.2 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and infrastructure development. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not a healthy trend. **Table 1.33 and Chart 1.32** depict the utilisation and trends of borrowed funds during the period 2015-16 to 2024-25 respectively.

Table 1.33: Utilisation of borrowed funds

(₹ in crore)

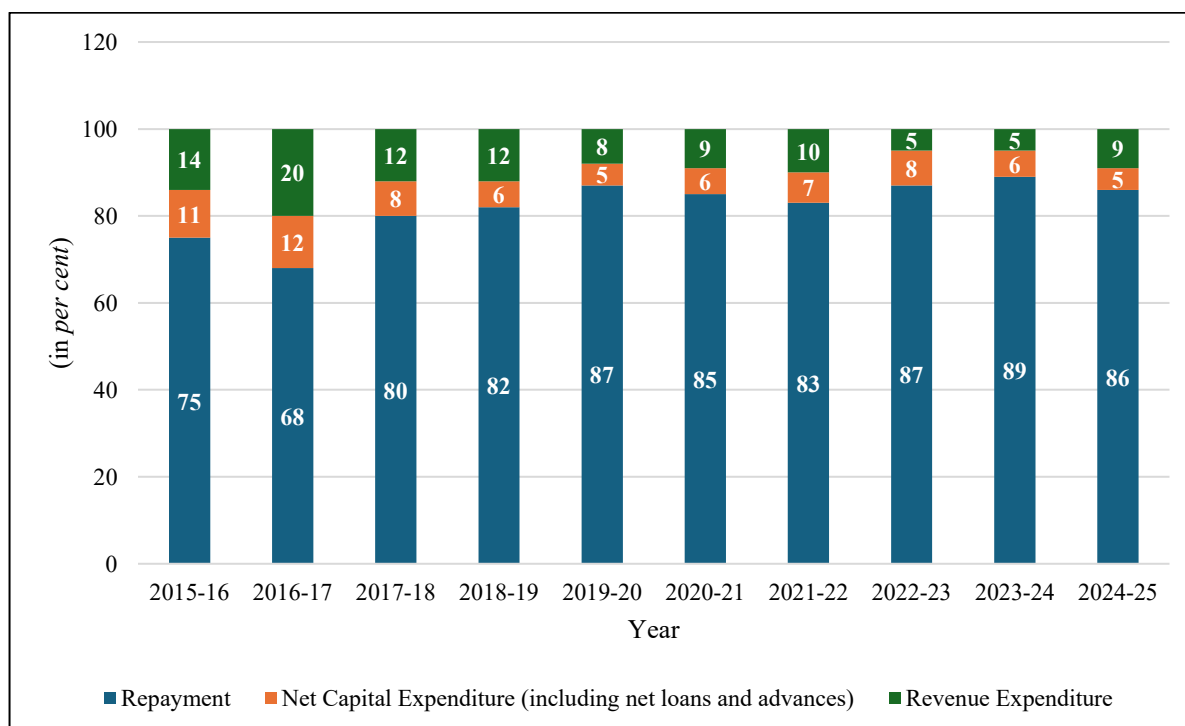
Sl. No.	Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1.	Total borrowings*	75,062.62	89,787.12	1,20,227.77	1,46,499.36	1,83,509.22	2,40,014.87	2,31,582.08	2,16,432.89	2,61,358.70	3,22,577.19
2.	Repayment of earlier borrowings (Principal)	56,470.83 (75)	60,557.25 (68)	95,478.10 (80)	1,19,403.07 (82)	1,59,761.36 (87)	2,02,757.22 (85)	1,91,314.63 (83)	1,88,795.28 (87)	2,31,167.92 (89)	2,77,391.54 (86)
3.	Net capital expenditure (including net loans and advances)	8,161.58 (11)	10,963.76 (12)	9,909.20 (8)	9,496.39 (6)	9,342.22 (5)	15,140.19 (6)	16,506.51 (7)	16,328.26 (8)	16,117.86 (6)	17,188.42 (5)
	Of which net loans and advances	689.62	868.05	1,189.61	2,112.35	914.90	2,284.69	2,375.05	2,381.64	2,580.92	2,137.21
4.	Portion of Revenue expenditure met out of net available borrowings	10,430.21 (14)	18,266.11 (20)	14,840.47 (12)	17,599.90 (12)	14,405.64 (8)	22,117.46 (9)	23,760.94 (10)	11,309.35 (5)	14,072.92 (5)	27,997.23 (9)

Source: Finance Accounts of respective years

Figures in parenthesis indicate percentage to total borrowings

*Includes borrowings under Public Debt and Public Accounts. Borrowings under Public Debt excludes ₹5,766.00 crore and ₹8,739.31 crore received as back-to-back loans from GoI during 2020-21 and 2021-22 respectively, in lieu of GST compensation shortfall, which are not to be repaid by the State from its sources.

Chart 1.32: Trends of utilisation of borrowed funds



Source: Finance Accounts of respective years

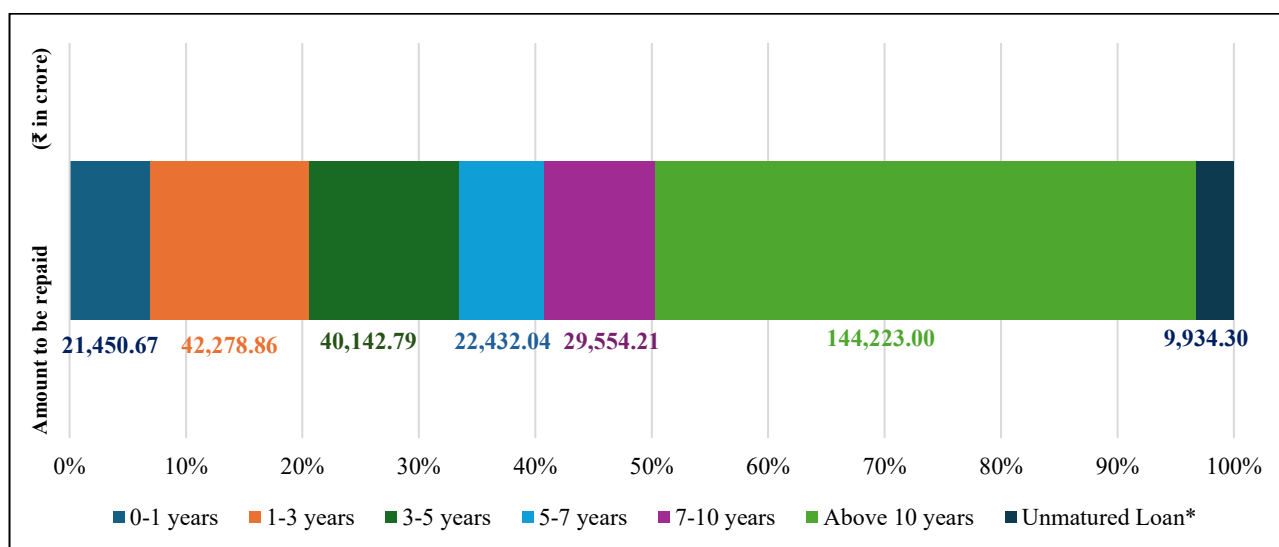
From the chart above, it is evident that major portion of borrowed funds are being utilised by the State towards debt repayment and revenue spending which continues to limit the State's ability to channel borrowed funds for Capital Expenditure and increases dependence on debt for routine needs.

The State needs to adopt a disciplined borrowing strategy focused on asset creation, strengthen revenue mobilisation, control committed expenditure, and strictly adhere to FRBM norms.

1.4.1.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. As on 31 March 2025, the outstanding Public Debt of the State is ₹3,10,015.87 crore¹⁷. The Debt maturity profile of the State is depicted in **Chart 1.33**.

Chart 1.33: Maturity Profile of Public Debt



Source: Finance Accounts of respective years

* Excluding ₹ 3,710.14 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall received during 2020-22, which are not to be repaid by the State from its sources.

A high concentration of liabilities maturing within short to medium term (0-7 years) (40.74 per cent of the total Public Debt) indicates potential debt bunching, increasing refinancing and liquidity pressure on the State.

¹⁷ This amount excludes ₹ 3,710.14 crore received as back-to-back loans from GoI in lieu of GST Compensation shortfall received during 2020-22.

1.4.1.4 Financing pattern of fiscal deficit

Financing pattern of the fiscal deficit during 2015-25 is depicted in Table 1.34.

Table 1.34: Components of fiscal deficit and its financing pattern

		(₹ in crore)									
Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
Fiscal Deficit	17,818.39	26,448.35	26,837.41	26,958.31	23,837.47	40,969.69	46,045.78	25,554.54	34,258.05	48,248.14[#]	
1 Revenue Deficit	9,656.81	15,484.59	16,928.21	17,461.92	14,495.25	25,829.50	29,539.27	9,226.28	18,140.19	31,059.72	
2 Net Capital Expenditure	8,161.58	10,963.76	9,909.2	9,496.39	9,342.22	15,140.19	16,506.51	16,328.26	16,117.86	17188.42	
<i>Of which net loans and advances</i>	<i>689.62</i>	<i>868.05</i>	<i>1,189.61</i>	<i>2,112.35</i>	<i>914.90</i>	<i>2,284.69</i>	<i>2,375.05</i>	<i>2,381.64</i>	<i>2,580.92</i>	<i>2,137.21</i>	
Financing Pattern of Fiscal Deficit											
1 Market Borrowings	12,885.61	14,685.97	16,203.24	13,984.07	12,617.00	23,066.00	18,120.00	15,620.00	26,638.00	37,965.98	
2 Loans from GoI	169.66	379.43	(-)130.15	(-)240.58	1436.77	6,293.45	8,714.63	1,680.94	(-)31.83	2,466.21	
3 Special Securities issued to NSSF	730.96	971.99	1,047.73	1,051.08	1,787.92	2,438.18	2,732.83	1,033.46	3,818.00	1,885.44	
4 Loans from Financial Institutions	(-)188.23	114.50	(-)19.16	455.35	564.08	(-)990.11	(-) 535.33	(-)307.98	(-)435.16	(-)291.75	
5 Small Savings, PF, etc.	8,332.07	12,931.66	7,206.83	9,619.21	8,274.11	11,547.96	18,447.47	8,524.31	(-)246.68	1,353.54	
6 Reserve Funds	64.90	162.22	308.98	1981.02	(-)1350.42	344.05	(-)85.44	77.21	704.46	682.63	
7 Deposits and Advances	(-) 3,280.29	105.65	265.90	392.17	525.74	494.88	1,788.44	1,185.03	68.67	1,468.28	
8 Suspense and Miscellaneous	774.29	-2169.12	1,202.56	(-)762.22	(-) 253.20.	618.64	(-)198.23	(-)92.91	(-)88.74	544.60	
9 Remittances	(-)92.19	(-)313.01	(-)165.97	(-)51.52	117.54	39.41	(-)431.12	348.19	1207.03	(-)74.84	
10 Contingency Fund	-	-	-	-	(-)75	75.00	-	-	-	-	
11 Overall Deficit	19,396.78	26,869.29	25,919.96	26,428.58	23,644.54	43,927.46	48,553.26	28,068.26	31,633.75	46,000.09	
12 Increase/Decrease in cash balance	(-) 1,578.39	(-)420.94	917.45	529.73	192.93	(-)2,957.77	2,507.48	(-)2,513.72	2,624.30	2,248.05	
13 Gross Fiscal Deficit	17,818.39	26,448.35	26,837.41	26,958.31	23,837.47	40,969.69	46,045.78	25,554.54	34,258.05	48,248.14	

Source: Finance Accounts of respective years

Post Audit figures are given in Table 1.35

1.4.2 Post Audit Deficit Indicators

As per Finance Accounts of the State for the FY 2024-25 the Revenue Deficit of the State was ₹31,059.72 crore (2.49 per cent of GSDP), Fiscal Deficit was ₹48,248.14 (3.86 per cent of GSDP) whereas primary deficit was ₹19,109.91 crore (1.53 per cent of GSDP) and overall liabilities as on 31 March 2025 was ₹4,45,901.49 crore (35.71 per cent of GSDP). However, Audit found that, during 2024-25, the State Government misclassified, ₹5.85 crore towards reduction of Capital Expenditure as reduction of Revenue expenditure. State Government also resumed non-government funds amounting to ₹262.06 crore lying in the STSB account into the Consolidated Fund of the State (Details discussed in paragraph no 3.7 (A)&(D) of Chapter III).

This resulted in understatement of Revenue Deficit by ₹267.91 crore. Fiscal Deficit, Primary Deficit and overall liabilities were understated by ₹262.06 crore. The post audit Revenue Deficit works out to ₹31,327.63 crore (2.51 per cent of GSDP). The post audit Fiscal Deficit and Primary Deficit works out to ₹48,510.20 crore (3.89 per cent of GSDP) and ₹19,371.97 crore (1.55 per cent

of GSDP) respectively. The post audit overall liabilities comes out to ₹4,46,163.55 crore (35.74 per cent of GSDP).

1.4.3 Fiscal Balance: Achievement of deficit and total debt targets

As per the Kerala Fiscal Responsibility Act of 2003 and its amendments aligned with the 15th Finance Commission, State aims to:

- eliminate revenue deficit and make revenue surplus in the order of 0.5 per cent, 0.8 per cent, 1.2 per cent, 1.7 per cent and 2.5 per cent of the Gross State Domestic Product in the years of 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026 respectively.
- To reduce fiscal deficit to 3.0 per cent of GSDP within a period of five years commencing from 1st April, 2021 and ending on 31st March, 2026 by maintaining the fiscal deficit at a level not exceeding 4.5 per cent, 4 per cent, 3.5 per cent, 3.5 per cent of the GSDP in the years 2021-2022, 2022-2023, 2023-2024 and 2024-2025 respectively and reducing it to 3 per cent in 2025-2026;
- Reduce the total debt liabilities of the State in the order of 34.7 per cent, 34.5 per cent, 33.7 per cent, 32.8 per cent and 32 per cent of the GSDP in the years of 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026 respectively

Achievements, *vis-à-vis* the fiscal targets, prescribed in the Kerala Fiscal Responsibility Act for the year 2015-16 to 2024-25, post audit are detailed in **Table 1.35**.

Table 1.35: Compliance with provisions of KFR Act

(in per cent)

Fiscal Parameters		Achievement (A) / targets (T) set in the KFR									
		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25*
Revenue Deficit (-) / Surplus (+)	T	0 ^{&}	0 ^{&}	Revenue Surplus [@]	Revenue Surplus [@]	Revenue Surplus [@]	Revenue Surplus [@]	Revenue Surplus 0.5	Revenue Surplus 0.8	Revenue Surplus 1.2	Revenue Surplus 1.7
	A	(-)1.72	(-)2.44	(-)2.41	(-)2.22	(-)1.78	(-)3.35	(-)3.20	(-)0.89	(-)1.60	(-)2.51
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	T	(-)3 ^{&}	(-)3 ^{&}	(-)3	(-)3	(-)3	(-)5	(-)4	(-)4	(-)3.5	(-)3.5
	A	(-)3.17	(-)4.17	(-)3.83	(-)3.42	(-)2.93	(-)5.31	(-)4.98	(-)2.46	(-)3.02	(-)3.89
Ratio of total outstanding liability to GSDP	T	29.80 ^{&}	29.80 ^{&}	30.40	30.01	29.67	29.67	34.70	34.50	33.70	32.80
	A	28.57	29.89	30.58	30.65	32.64	39.21	37.09	35.67	35.29	35.74
Interest payment as percentage of Revenue Receipts [#]	T	-	-	-	-	-	-	-	-	-	-
	A	16.09	16.02	18.21	18.04	21.30	21.49	19.98	18.97	21.68	23.34

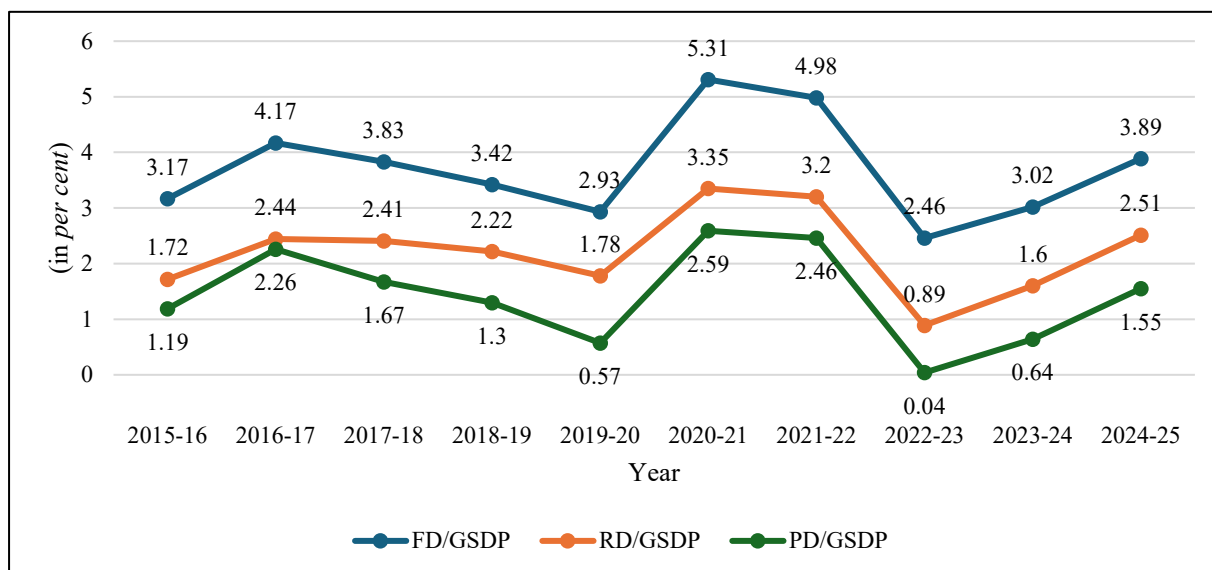
*Post audit figures. Revenue deficit, fiscal deficit and outstanding liabilities as percentage of GSDP during 2024-25 without considering the post audit figures are 2.49 per cent, 3.86 per cent and 35.71 per cent respectively

[@] No specific target of revenue surplus as percentage of GSDP prescribed

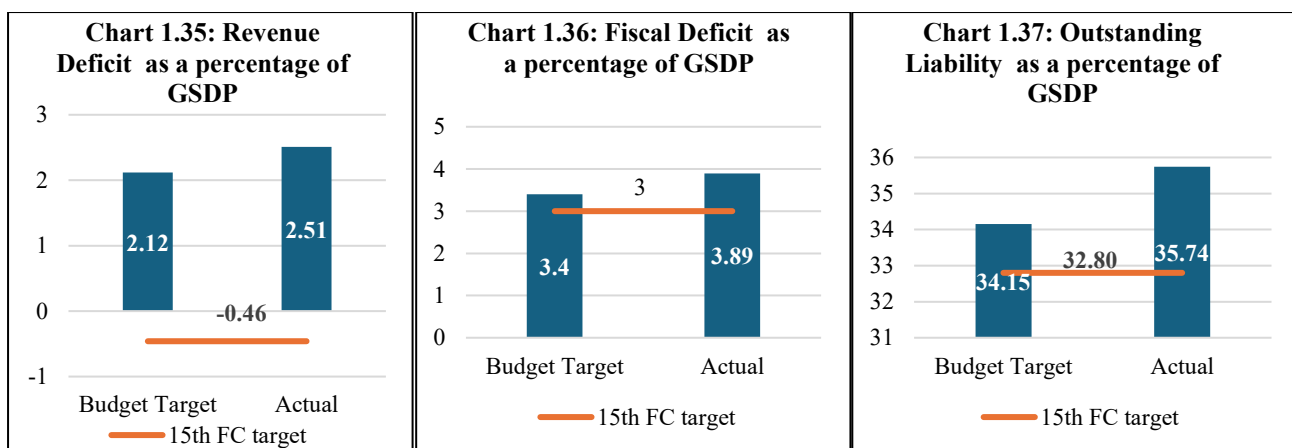
[#] No specific target prescribed in Kerala Fiscal Responsibility Act

[&]No targets for fiscal indicators were set in KFR Act, 2011 for the years 2015-16 and 2016-17 as the Act was not amended for the period 2015-16 and 2016-17. As such, the targets for the year 2014-15 in respect of Revenue deficit and outstanding liabilities in the KFR Act, 2011 have been considered as targets for the years 2015-16 and 2016-17. The target of fiscal deficit for 2014-15 was also not prescribed in the KFR Act, 2011 and hence the target for the year 2013-14 as given in the Act has been considered as targets for fiscal deficit for the years 2015-16 and 2016-17.

Chart 1.34: Trend analysis of deficits post audit



The targets set by 15th FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2024-25 are given in **Chart 1.35**, **Chart 1.36** and **Chart 1.37**.

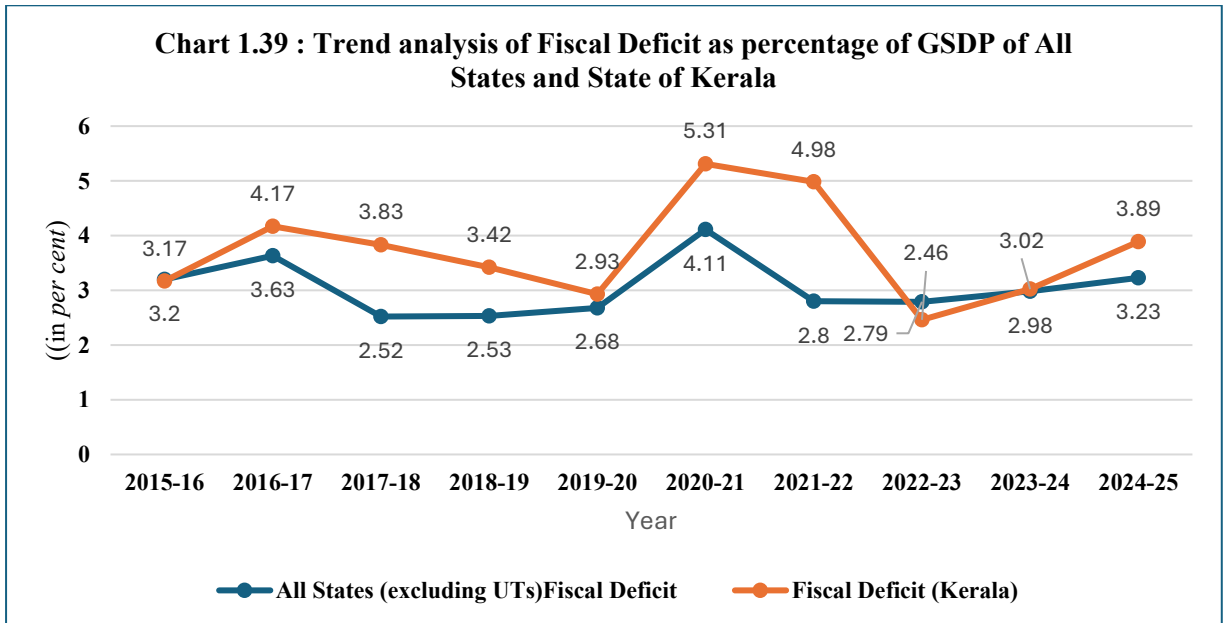
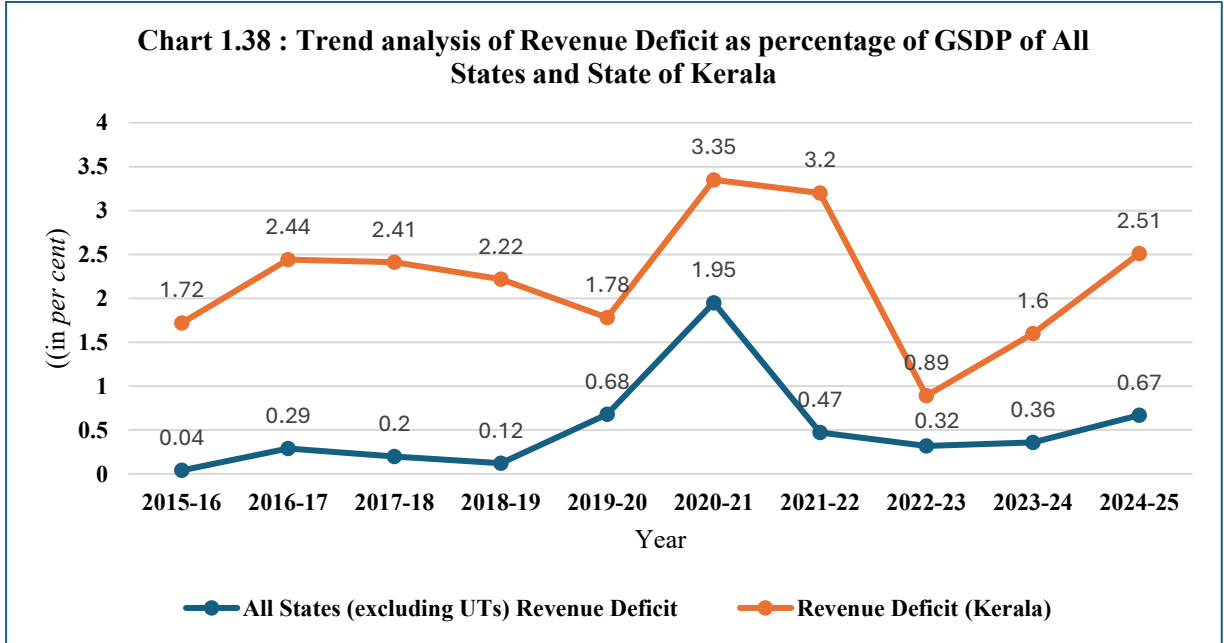


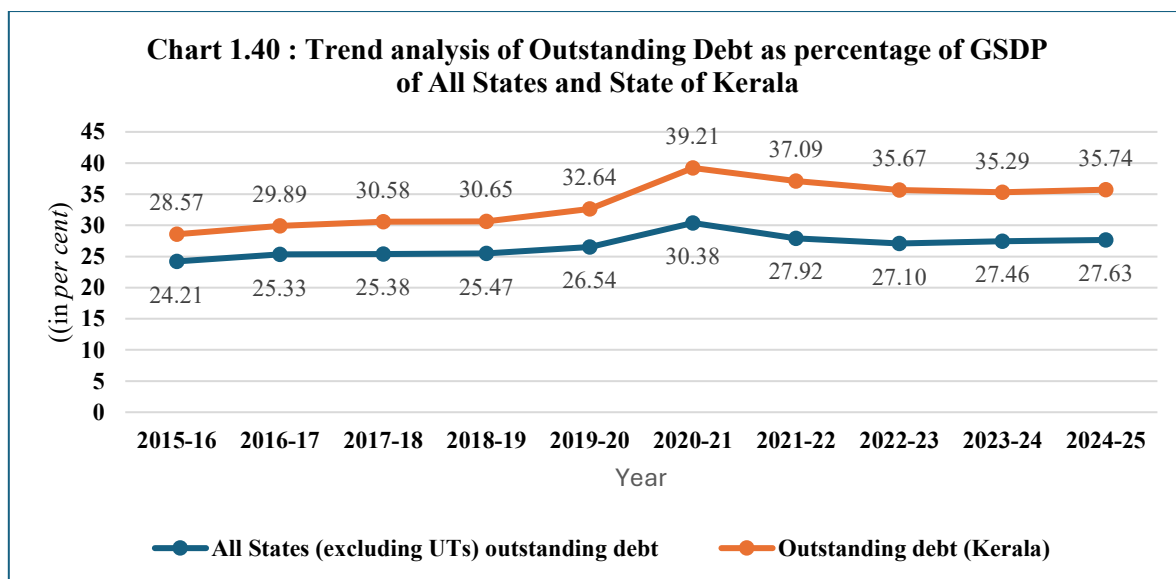
Source: Finance Accounts and budget documents

None of the targets in the KFR Act could be achieved over the years except for fiscal deficit targets of 2019-20, 2022-23 and 2023-24 and outstanding liability to GSDP ratio of 2015-16. Non-achievement of KFR targets was due to the inability of the State to enhance Own Revenue (Tax and Non-tax revenue) and contain Revenue Expenditure during the years. The ability of the State to convert GSDP growth to proportionate growth in revenue also remained a challenge to the State Government. Low growth rate of Own tax revenue and Non-tax revenue during 2024-25 resulted in large deviations from the KFR targets for the current year.

1.4.4 Comparison of State’s key fiscal indicators with aggregate of all States

The comparison of key fiscal indicators of the State relative to GSDP viz. Revenue Deficit, Fiscal Deficit and debt with aggregate of all States(excluding UTs) for the period 2015-16 to 2024-25 are given in **Charts 1.38, 1.39 and 1.40.**





During the period 2015-16 to 2024-25 (except for fiscal deficit during 2022-23), all key fiscal indicators of the State, such as Revenue Deficit, Fiscal Deficit and Outstanding liabilities as percentages to GSDP remained well above the aggregate of all States (excluding UTs) indicating weak fiscal position of the State compared to other States.

1.4.5 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators for the period from 2020-21 to 2024-25 is given in **Table 1.36**. The last ten year data is given at **Appendix 1.8**.

Table 1.36: Trends in Debt Sustainability Indicators

(₹ in crore)

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
1	Overall Liabilities or Overall Debt*	3,02,620.01	3,42,887.45	3,70,525.07	4,00,715.84	4,46,163.55 [#]
2	Rate of Growth of Overall Debt (<i>per cent</i>)	14.04	13.31	8.06	8.15	11.34
3	GSDP (in nominal terms)	7,71,723.89	9,24,465.42	10,38,734.06	11,35,371.56	12,48,533.01
4	Nominal GSDP growth (<i>per cent</i>)	(-).5.07	19.79	12.36	9.30	9.97
5	Overall Debt/GSDP (<i>per cent</i>)	39.21	37.09	35.67	35.29	35.74
6	Repayment (including interest paid) to Gross Borrowings (<i>per cent</i>)	93.22	92.67	98.86	98.77	95.03
7	Net borrowings available as a percentage of Gross Borrowings	6.78	7.33	1.14	1.23	4.97
8	Interest payments on Overall Debt	20,975.36	23,302.82	25,176.36	26,986.22	29,138.23

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
9	Effective rate of interest on Overall Debt ¹⁸ (per cent)	7.51	7.36	7.23	7.19	7.09
10	Interest payment to Revenue Receipts (<i>per cent</i>)	21.49	19.98	18.97	21.68	23.34
11	Revenue Deficit/Surplus	(-)25,829.50	(-)29,539.27	(-)9,226.28	(-)18,140.19	(-)31,327.63 [#]
12	Primary Revenue Balance (PRB)	(-)4854.14	(-)6236.44	15950.08	8846.03	(-)2,189.40
13	Primary Balance (PB)	(-)19,994.33	(-)22,742.96	(-)378.18	(-)7,271.83	(-)19,371.97 [#]
14	PB/GSDP (<i>per cent</i>)	(-)2.59	(-)2.46	(-)0.04	(-)0.64	(-)1.55
15	Outstanding Loan & Advances Disbursed	19725.39	22086.89	24357.02	26965.74	29102.95
16	Average of outstanding loan and advances disbursed	18598.74	20906.14	23221.96	25661.38	28034.35
17	Interest Receipts on Outstanding Loan & Advances Disbursed	42.83	53.36	118.98	116.70	187.90
18	Return on Investment (RoI) ¹⁹	0.23	0.26	0.51	0.45	0.67
19	Difference between RoI and effective rate of interest on Overall Debt	(-) 7.28	(-) 7.10	(-) 6.72	(-) 6.74	(-) 6.42
20	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	29,222.75 (230)	22,874.48 (124)	15,745.01 (55)	53,306.52 (192)	90,163.50 (325)
21	Debt Stabilisation (Quantum spread + Primary balance) ²⁰	-57,424.77	18,996.16	18,108.50	967.35	-6,937.60
22	Domar gap					
a	GSDP (in constant terms)	5,11,702.92	5,71,982.96	6,04,632.74	6,45,310.02	6,85,283.16
b	Real Growth (in constant terms)	(-)8.49	11.78	5.71	6.73	6.19
c	Inflation based on CPI (<i>per cent</i>)	5.35	4.17	5.79	4.96	5.89
d	Effective Rate of interest	7.51	7.36	7.23	7.19	7.09
e	Real effective rate of interest (Effective rate of interest-Inflation)	2.16	3.19	1.44	2.23	1.20
f	Growth Interest Differential (Real growth-Real effective rate of interest)	(-)10.65	8.59	4.27	4.50	4.99
g	Primary Balance (PB)	(-)19,994.33	(-)22,742.96	(-)378.18	(-)7,271.83	(-)19,371.97 [#]

Source: Finance Accounts of respective years

* Figures relating to off-budget borrowings have not been included in overall liabilities. Overall liabilities excludes ₹5,766 crore during 2020-21, ₹14,505.31 crore during 2021-22 to 2023-24 and ₹ 3,710.14 crore during 2024-25 as back-to-back loans from GoI in lieu of GST Compensation shortfall received during 2020-21 and 2021-22 are not to be repaid by the State from its sources.

[#] Post Audit figures

¹⁸ Effective rate of interest on Overall Debt has been calculated adjusting the Reserve Funds, Deposits not bearing interest and 50 years' interest free Central assistance to State for Capital Expenditure.
Effective Rate of Interest = Interest Payment/Average of Opening and Closing Stock of Debt (excluding non- interest-bearing liabilities) * 100

¹⁹ Return on Investment (RoI) as measured by effective rate of interest receipts. RoI = Interest Receipts/Average of Opening & Closing Stock of Loans and Advances Disbursed * 100

²⁰ Quantum Spread = Interest Spread x Debt (excluding non- interest bearing liabilities)

From the analysis of the data in **Table 1.36** and **Appendix 1.8**, it can be seen that:

The growth rate of overall debt was more than the growth rate of GSDP except during 2021-22 to 2023-24. However, the growth rate of overall debt exceeded the GSDP growth during 2024-25. Debt as percentage of GSDP targets in KFR Act was also not achieved during the last 10 year period except for 2015-16.

The share of repayments in gross borrowings during the period was consistently on a very high side during the ten year period, indicating that borrowings are used largely to service past debt. The low net borrowing availability indicates constrained fiscal space throughout the period.

The interest payment to revenue receipts ratio has increased during the last two years indicating lesser availability of resources for meeting other productive purposes during the period.

Primary balances and debt-stabilization metric was negative during the 10 year period except on 2018-19 and during 2021-22 to 2023-24. However, it again turned negative during 2024-25 indicating that the State is deviating from a debt stabilisation path.

The frequency of utilizing RBI's liquidity facilities was very high during the period 2019-20 to 2024-25 except for 2022-23 and was the highest during the year 2024-25. Frequent use of RBI's liquidity facilities reflects weak cash management.

Debt maturity profile shows that 40.74 *per cent* of total public debt amounting to ₹ 1,26,304.36 crore has to be repaid within next seven years which indicates potential debt bunching and liquidity pressure on State in future.

The above trends indicate the need for the State Government to address fiscal imbalances and work towards adopting a sustainable debt management strategy.

1.4.6 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund in case of borrower defaults. The State extends guarantees for loans raised by entities like statutory corporations, boards, local bodies, and co-operative institutions. As per Government Guarantees Act, 2003 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 GSDP, whichever is lower.

Details of the guarantees and status of outstanding guarantees to total receipts for the last five years is given in **Table 1.37**.

Table 1.37: Guarantees given by the State Government

	(₹ in crore)				
Guarantees	2020-21	2021-22	2022-23	2023-24	2024-25
Ceiling applicable to the outstanding amount of guarantees (5 per cent of GSDP upto 2021-22 & 10 per cent of GSDP from 2022-23)	38,586.20	46,223.27	1,03,873.40	1,13,537.16	1,24,853.30
Outstanding amount of guarantees at the beginning of the year	27,757.01	36,600.99	44,369.85	50,374.49	62,868.15
Outstanding guarantees at the end of the year*	36,600.99	44,369.85	50,374.49	62,868.15	74,297.58

Source: Finance Accounts of respective years
*including interest

The outstanding guarantees for ₹74,297.58 crore as on 31 March 2025 was in respect of Co-operatives (₹6,323.39 crore); Roads and Transport (₹ 2,837.58 crore); and Other Institutions (₹65,136.61 crore).

The Government gave guarantees within the limits prescribed in the Kerala ceiling on Government Guarantees Act, 2003 during the period 2020-21 to 2024-25.

Out of the outstanding guarantees for ₹74,297.58 crore during the current year, the State Government had given guarantees amounting to ₹6,388.14 crore to 16 PSUs as on 31 March 2025 whose net worth had become negative.

A study conducted by Audit on the guarantees given by the State to assess the system of management of Government Guarantees in the State is discussed in the succeeding paragraphs.

1.4.6.1 Review on guarantees given by State Government

Introduction

As per article 293(1) of the Constitution of India, a State Government can give guarantee within the limits fixed by the legislature of the State. Guarantees are liabilities contingent on the consolidated fund of the State in cases of default by the borrower for whom the guarantee was extended. State Government provides guarantees for repayment of loans raised by Statutory Corporations, Government Companies, Co-operative Societies etc. Government of Kerala enacted the Kerala Ceiling on Government Guarantees Act, 2003 prescribing ceiling on outstanding Government guarantees. Further Finance Department has issued broad guidelines²¹ prescribing the rates of calculation of guarantee commission, conditions for extension of guarantee, penal interest for default of guarantee commission etc.

Audit conducted a study on the guarantees given by the State to assess the system of management of Government Guarantees and to examine the scope for strengthening the underlying processes/mechanisms for managing Government Guarantees. As per the Finance Accounts of Kerala for the year 2024-25, Government stood guarantee for 55²² institutions as on 31 March 2025.

²¹ GO(MS) No.487/04/Fin dated 16.10.2004

²² Source : Finance Accounts 2024-2025, Statement No.20

Audit issued several requisitions to Finance department asking for files/registers/documents maintained by them for the management of Government Guarantees. However, the Finance Department has not furnished any records/files called for by audit in a timely manner Hence, Audit could not draw assurance on the controls embedded by the Finance Department in monitoring the management of Govt. Guarantees.

Audit test checked records relating to 20 institutions²³ that have availed loans against guarantee from State Government covering the period from 2020-21 to 2024-25. Audit scrutiny revealed the following.

A. Discrepancies in the Statement of Guarantees in Annual Budget

As per rule 7 of the Kerala Fiscal Responsibility Rules, 2005 the details of guarantees given by the Government are to be included in the Annual Budget in Form B-3.

During the period 2019-20, the opening balance of outstanding guarantees as on 01 April 2019 was shown as ₹31,585.89 crore. There was an addition of guarantee amounting to rupees six crore and deletion of guarantee amounting to ₹81.62 core during the year. After accounting for the additions and deletions during the year, the guarantees outstanding as on 31 March 2020 worked out to ₹31,510.27 crore. However, the closing balance of guarantees as on 31 March 2020 had been recorded as ₹27,756.39 crore in the budget documents. Similar discrepancies were observed in 2020-21 and 2021-22 also. Further, scrutiny of Form B-3 in budget documents revealed that there is wide discrepancy between outstanding guarantees at the end of a financial year and opening balance of the next financial year. The closing balance of outstanding guarantees as on 31st March 2020 was ₹27,756.39 crore whereas the opening balance as on 01 April 2020 was recorded as ₹29,529.72 crore. Discrepancies observed in above financial years (2019-20 to 2021-22) are detailed in **Appendix 1.9**.

There is also wide variation between guarantee commission receipts reported in the budget documents and Finance Accounts figures from 2019-20 to 2021-22 to the tune of ₹10.71 crore (**Appendix 1.10**). These discrepancies indicate inaccurate disclosure of information relating to guarantees in the budget documents.

Finance Department replied (October 2025) that they are not calculating the guarantee commission payable or the interest due on default and the guarantee commission is being calculated by the PSUs themselves. It was also replied that an application software 'GIMS' developed in Finance Department is being revamped for monitoring payment and calculation of Guarantee Commission. The reply is not acceptable as non-calculation of guarantee commission payable and interest due thereof on default by Finance Department may lead to short payment of guarantee commission by various institutions. Considering the significant contingent liabilities the State is carrying and also factoring in the

²³ Consumerfed, Greater Cochin Development Authority, Keltron, Kerala Automobile Ltd, Kerala State Backward Classes Development Corporation Ltd, Kerala State Financial Enterprises Ltd, Kerala State Women's Development Corporation Ltd, Kerala Water Authority, Kochi Metro Rail Ltd, Kerala State Road Transport Corporation/, Kerala Transport Development Corporation, , Kerala Urban and Rural Development Finance Corporation, Malappuram Cooperative Spinning Mills Ltd, Marketfed, Matsyafed, National University of Advanced legal Studies, Kollam Co-operative Spinning Mills Ltd, Kerala Financial Corporation, Supplyco, Vizhinjam International Seaport Ltd

financial status of the state PSUs for which the government guarantees have been given, relying solely on the State PSUs for calculating the guarantee commission will be fraught with the risks of accuracy and timely payment. Therefore, Audit is of the opinion that stricter monitoring of timely payment of guarantee commissions should be put in place by the finance department.

B. Non-disclosure of Guarantees invoked in Budget documents

As per the budget documents no guarantees were invoked during 2020-21 to 2024-25. However, audit found that, government granted financial assistance to three institutions amounting to Rs.439.82 crore as grant-in-aid for repayment of loans, taken by them on government guarantees, as detailed below:

National University of Advanced Legal Studies (NUALS): NUALS had availed two term loans on Govt. Guarantee, amounting to Rs.10 crore each during 2010 and 2012 from Kerala State Cooperative Bank for the development of basic infrastructure facilities. As NUALS did not make prompt repayment of the loan, Government in August 2022 released financial assistance amounting to ₹ 14.39 crore towards settlement of the principal amount of loan availed by NUALS from Kerala State Cooperative Bank, Ernakulam as one-time settlement.

Kerala Automobiles Ltd (KAL): KAL had availed cash credit loan of ₹4.93 crore from SBI for working capital support and an additional loan on adhoc basis amounting to ₹50 lakh. However, KAL did not make prompt repayment of the loan and the account became NPA in 2013. Government granted financial assistance amounting to ₹1.36 crore (March 2024) and ₹4.07 crore (March 2025) to KAL for settling principal amount of loans dues with SBI as a one-time settlement.

Kerala State Road Transport Corporation (KSRTC): KSRTC had availed a term loan of ₹3100 crore for 10 years on Govt. Guarantee (March 2018) from a consortium of banks towards restructuring of its previous loans. KSRTC also availed an overdraft loan from SBI for an amount of ₹50 crore to meet its operational expenses. Government granted financial assistance amounting to ₹420 crore to KSRTC in seven instalments from 2020 to 2022 towards the repayment of these loans.

Thus, the loans availed by these three institutions on government guarantees were, in effect, repaid by the State Government. Finance Department replied (October 2025) that no guarantees have been invoked as per available records.

State Government replied that (January 2026) that Government have sanctioned loans for the repayment of loans from the budget allocation and as such do not come under the purview of invocation of Government guarantees.

The reply of the Government is not tenable since Government extended financial assistance to the institutions for repayment of loans which, essentially, was for prevention of invocation guarantees. The extension of financial assistance by the Government without invocation of guarantees and non-disclosure of such financial assistance explicitly in the budget documents defeats the very purpose of such disclosure provision under the related acts and rules.

In this context attention is invited to Rule 283 (3) of General Financial Rules (GFR), 2017 which stipulates that in the event of invocation of guarantee, the obligation may be discharged by sanctioning loan to the borrowing entity equal to the amount of guarantee outstanding. Since there are no rules/guidelines in the State that stipulates how to manage invocation of guarantee, specific rules may be framed on the lines of relevant provisions of GFR, 2017.

C Absence of criteria for assessment of ‘Default Risk’

As per section 5(1) of the Kerala Ceiling on Government Guarantee Act, 2003, the Government should charge a minimum of 0.75 per cent of outstanding loan²⁴ amount per annum as guarantee commission. Section 5(2) of the Act stipulates that depending on the default risk of the project, Government may specify the commission at an enhanced rate. The term ‘default risk’ has been explained as the probability of default by the borrower depending on the amount borrowed, type of industry and the economic situations.

However, it is seen that the state government is yet to prescribe any methodology through policy, rules or guidelines for assessing the default risk and the enhanced rate of guarantee commission. Audit noticed that, in the absence of such instructions for collecting guarantee commission at enhanced rate, guarantee commission is being charged at the minimum rate of 0.75 per cent of outstanding loan amount without considering the default risk factor of the project in all the test checked cases.

Finance Department replied (October 2025) that they could not invoke enhanced rate of Guarantee Commission as majority of the PSUs to which Government have provided guarantees are operating at loss continuously and are unable to pay guarantee commission promptly. It was also replied that most of these PSUs are functioning to discharge social responsibilities and not to make profits. The reply is not tenable as the act stipulates that enhanced rate may be levied from institutions whose default risk is higher and affirms the audit contention that guarantees are being extended without factoring the default risk and thereby hampering the ability of government to mitigate such risks.

D. Non-Constitution of Guarantee Redemption Fund

The guarantee redemption funds are an important safeguard in public financial management to ensure that the governments are able to ensure that contingent liabilities arising from guarantees are discharged in timely manner without destabilizing the budget on its invocation.

As per section 6 of the Kerala Ceiling on Government Guarantee Act, 2003, the Government should constitute a Guarantee Redemption Fund for meeting the obligations arising out of the guarantees issued to various institutions. The Guarantee Commission charged under section 5 should form the corpus of the Guarantee Redemption Fund and have to be remitted in the Public Accounts of the State. However, State Government had not constituted Guarantee Redemption Fund till 2024-25. As Guarantee Redemption Fund was not constituted till 2024-25, Guarantee Commission of ₹2,695.08 crore collected

²⁴ As per the guidelines 4 (1) of levy and accounting of guarantee commission issued (October 2004) by State Government, the guarantee commission payable will be 0.75 per cent of the actual balance outstanding, including interest, penal interest, etc. as on 31 March of the preceding year.

from 2003-04 to 2024-25 including ₹386.78 crore collected during 2024-25 was credited under the revenue receipt head '0075-108 Guarantee Fees' and utilised for meeting the revenue expenditure of the State. Non-constitution of Guarantee Redemption Fund and non-transfer of amount collected as guarantee commission to the fund would increase the financial risk on the State Government in the event of default by the loanee institutions. Audit has issued several requisitions to Finance department asking for files/registers/documents maintained by them to verify the details of guarantees extended to various institutions by the State Government. However, Finance Department did not produce any files/registers for scrutiny in a timely manner. As such, audit could not ensure the correctness of total outstanding guarantees given by the State Government to various institutions and consequently could not ascertain the accurate guarantee commission fee receivable from various institutions by the government.

Government replied (January 2026) that notification regarding the establishment of Guarantee Redemption Fund has been published in Kerala Gazette on 06 August 2025. It was also stated that an amount of ₹1,250 crore has been invested into GRF during 2025-26 as Government contribution. In the exit conference (17 January 2026) Finance Department stated that as per the notification State Government has to make contribution of five *per cent* of outstanding guarantees to the GRF corpus within a span of five years from the date of constitution of GRF.

E. Non-remittance of Guarantee Commission and interest

As per the section 5 (1) of the Kerala Ceiling on Government Guarantee Act, 2003, Government shall charge a minimum 0.75 *per cent* as Guarantee Commission, which shall not be waived under any circumstances. Further, as per guidelines²⁵ issued by State Government vide GO dated 16.10.2004 for the assessment, levy and collection of Guarantee Commission, simple Interest @ 12 *per cent* per annum, would be charged for the defaulted remittance of Guarantee Commission. Test check of records of 20 institutions revealed that there is pendency in remittance of Guarantee Commission by 14 institutions amounting to ₹ 422.68 crore as on 31 March 2025. The interest payment in respect of the defaulted payment of Guarantee Commission by these institutions worked out to ₹186.39 crore. The details are given in **Appendix 1.11**. Finance department had not demanded interest for defaulted payment of Guarantee Commission.

State Government replied (January 2026) that major defaulters have been directed to remit guarantee commission dues timely. It was also replied that fresh or renewed guarantees would not be given without clearing existing dues of Guarantee Commission. Application software GIMS is being revamped for monitoring the calculation and payment of Guarantee Commission.

²⁵ GO (MS) No.487/2004/Fin dated 16.10.2004

F. Non-payment of interest for delayed remittance of Guarantee Commission

As per section 5 of the Kerala Ceiling on Govt. Guarantees Act, 2003 Government should charge a minimum of 0.75 *per cent* per annum as guarantee commission. Govt. issued GO(MS)No.487/04/Fin dated 16.10.2004 as a guideline for the levy, mode of calculation, etc. of guarantee commission. Para 5 of the guideline state that the amount of guarantee commission due in a year has to be paid in two equal instalments, one on 1st April and the other on 1st October of every financial year. A grace period of 15 days will be allowed for making these payments. If payment is not made in the grace period, simple interest at 12 *per cent* will be charged for the defaulted payment with effect from 1st April and 1st October respectively.

Audit observed that there was delay in payment of guarantee commission by five institutions ranging from 15 to 229 days. Interest payable by these institutions for the delayed payment of guarantee commission worked out to ₹19.82 lakh. However, no interest was paid by these institutions so far. The details are given in **Appendix 1.12**.

G Ambiguity in the Act

As per Kerala Ceiling on Government Guarantee Amendment Act, 2022, the total outstanding Government Guarantee on 1st day of April of every year shall be 100 *per cent* of total revenue receipts of the previous year or 10 *per cent* of GSDP whichever is lesser. Instead of prescribing a maximum limit for outstanding guarantees, the Act implies that the total guarantee should be equal to 100 *per cent* of the revenue receipts or 10 *per cent* of GSDP whichever is lower.

Such an interpretation may result in misuse of the statutory provision to allow excessive guarantees. The intention of ceiling is to set an upper limit and not to mandate a quantum for guarantees.

Government replied (October 2025) that decision has been taken to amend the Act suitably.

The abovementioned instances of non-verification of calculation of guarantee commissions, extension of guarantees without factoring the default risk and the enhanced rate of guarantee commission, non-constitution of guarantee redemption fund, and prevalence of non-remittance of guarantee commission and non-payment of interest for delayed payment of guarantee commission etc, points to the significant systemic weakness in the guarantee management by the state government.

1.4.7 Pathways to Fiscal Stability

Deficits can be improved by enhancing revenues and rationalizing expenditures. This includes strengthening tax compliance, widening the tax base, revising user charges, and monetizing idle government assets. On the spending side, better targeting of subsidies, controlling salary and pension growth, and ensuring proper classification of expenditure are key factors. Prioritizing productive capital investment and improving debt management through transparent and

efficient borrowing can further ease fiscal pressure. These measures collectively create fiscal space and help reduce revenue, fiscal, and primary deficits in a sustainable manner. These have been discussed in succeeding paragraphs.

1.4.7.1 Improving revenues of the State

Untapped revenue potential that, if harnessed effectively, could significantly enhance fiscal space and reduce dependence on debt. Inefficiencies in assessment, undervaluation, and limited enforcement mechanisms of key tax streams such as State GST, Stamp Duty, and Excise will lead to subdued revenue growth. Under-realized non-tax revenues, with low user charges, poor cost recovery, and suboptimal returns on public assets and investments also impede the fiscal space. Timely realization of pending arrears is (tax and non-tax) another step towards enhancing the fiscal space.

A. Arrears of revenue

As on 31 March 2025, the arrears of revenue in respect of principal heads of revenue were ₹41,188.44 crore, of which ₹12,951.77 crore were outstanding for more than five years, as depicted in **Table 1.38**.

Table 1.38: Arrears of revenue

(₹ in crore)			
Sl No.	Head of revenue	Amount outstanding as on 31 March 2025	Amount outstanding for more than five years as on 31 March 2025
1.	Police	599.78	274.84
2.	Forestry and Wildlife	457.31	272.32
3.	State Excise	307.99	307.99
4.	Stamps and Registration Fee	718.52	459.27
5.	Stationery	31.21	26.08
6.	Printing	54.19	40.39
7.	Kerala State Audit Department	134.07	16.60
8.	Factories and Boilers	1.32	0.03
9.	Mining and Geology	648.41	34.40
10.	Arrears in Guarantee Commission	570.94	0
11.	Arrears of interest receipts	8,480.25	0
12.	State Goods and Services Tax	18,907.56	7,830.53
13.	Labour and Employment	1.07	0.01
14.	Taxes on Vehicles	2,876.07	2,023.22
15.	Land Revenue	567.82	110.36
16.	Taxes and Duties on Electricity	6,831.93	1,555.73
Total		41,188.44	12,951.77

Source: Information collected from various State Government Departments

Arrears of revenue of the State accounted for 44.23 per cent of the State's Own Revenue (₹93,128.81 crore) for 2024-25. Besides, there also exist an arrear in recovery of principal of loans amounting to ₹16,699.41 crore from the State PSEs. As such cumulative arrears in receipts is ₹57,887.85 crore. Given the persistent revenue deficits and fiscal deficits being experienced by the state government over the years, Government should put substantive efforts to realise these revenue and loan recovery arrears. State Government replied (December 2025) that a comprehensive amnesty scheme has been introduced in 2025 for collection of arrears under SGST and Excise.

B. Arrears in assessment

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the SGST Department and Land Revenue Department is depicted in **Table 1.39**.

Table 1.39: Arrears of assessment

Sl. No.	Head of Revenue	Cases pending at the beginning of 2024-25	New cases due for assessment during 2024-25	Total cases due for assessment	Cases disposed of during 2024-25	Balance at the end of the year	Percentage of disposal
1.	State Goods and Services Tax	11,924	4,661	16,585	14,185	2,400	85.53
2.	Taxes on Sales, Trade etc.	1,378	1,517	2,895	1,322	1,573	45.66
3.	Taxes on Agricultural Income	92	0	92	82	10	89.13
4.	Building Tax	26,175	1,59,766	1,85,941	1,58,962	26,979	85.49
	Total	39,569	1,65,944	2,05,513	1,74,551	30,962	84.93

Source: Departmental information

The number of pending cases at the end of 2024-25 was 30,962 as against 39,569 cases at the beginning of the year 2024-25. During the year 1,74,551 pending cases were disposed. It should be noted that the State Government have reduced substantial number of arrears in assessment. However, state may strengthen the system of assessment of the Building tax, given the large closing balance and additions in the number of cases for its assessment.

C. Details of evasion of tax detected by the Department, refund cases, etc.

The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government.

The details of cases of evasion of tax detected by the SGST department and Stamps and Registration department, cases finalised and the demand for additional tax raised during the year 2024-25, as reported by the departments concerned, are depicted in **Table 1.40**.

Table 1.40: Evasion of tax detected

Sl. No.	Head of revenue	Cases pending as on 31 March 2024	Cases detected during 2024-25	Total	No. of cases in which assessment / investigation completed and additional demand with penalty, etc. raised		No. of cases pending for finalisation as on 31 March 2025
					No. of cases	Amount of demand (₹ in crore)	
1.	State Goods and Services Tax	11,997	7,527	19,524	15,534	2,827.58	3,990
2.	Taxes on Sales, Trade etc.	919	1,231	2,150	1,185	133.93	965
3.	Taxes on Agricultural Income	24	2	26	2	0.08	24
4.	Stamps and Registration	1,46,621	17,066	1,63,687	25,719	50.01	1,37,968
	Total	1,59,561	25,826.00	1,85,387	42,440	3,011.60	1,42,947.00

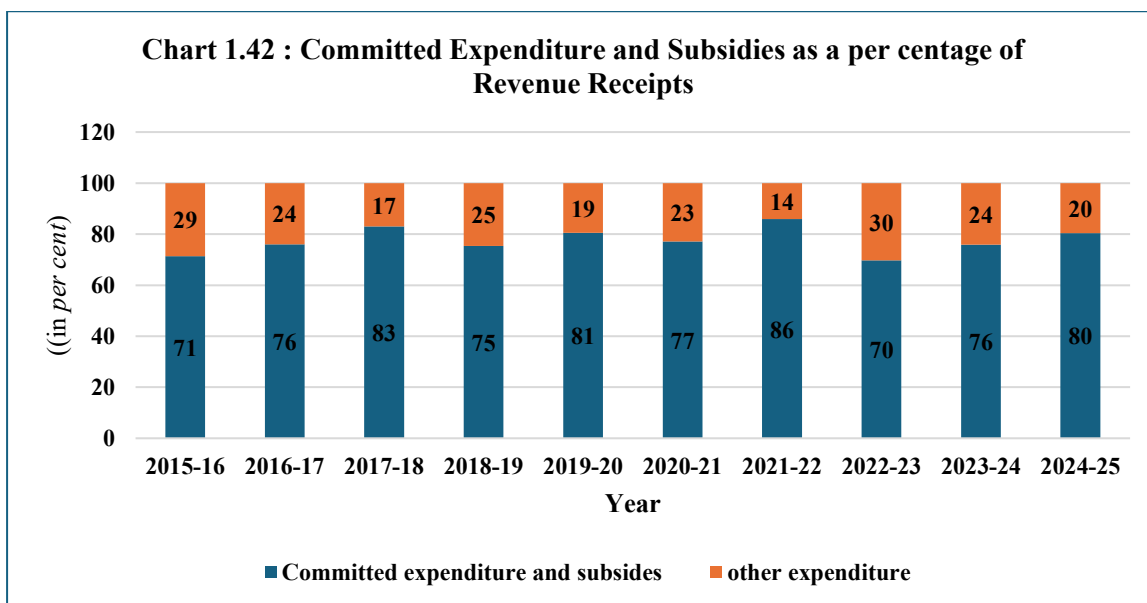
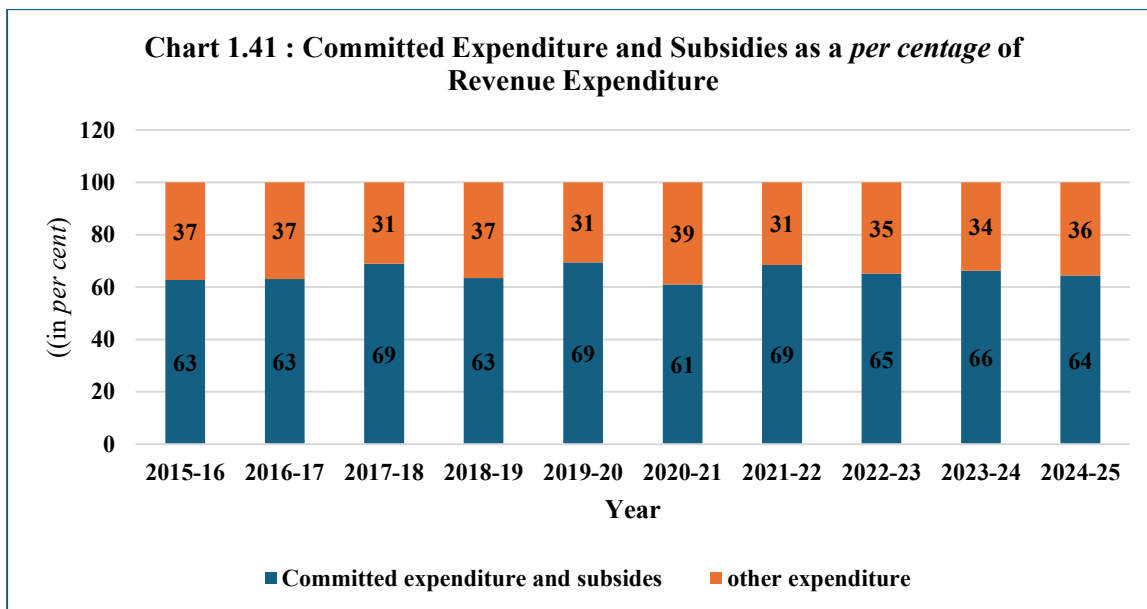
Source: Departmental information

Considering the substantial number of cases and the amounts involved in the above categories of tax evasion cases, the state may adopt a time bound approach to ensure completion of assessments and investigations and realising the revenues involved.

1.4.7.2 Issues on expenditure side

A. Fiscal stress from committed expenditure and subsidies

Chart 1.41 and **Chart 1.42** depicts Committed expenditure and subsidies together as a percentage of Revenue Receipts and Revenue Expenditure during the period 2015-16 to 2024-25 respectively.



Source: Finance Accounts of respective years

In 2024-25, the State's committed expenditure of ₹ 98,563.59 crore comprising salaries (₹41,550.15 crore), pensions (₹ 27,875.21 crore), and interest payments (₹29,138.23 crore), accounted for approximately 79 *per cent* of the Revenue Receipts. In addition, subsidies amounted to ₹1,856.60 crore, bringing the total rigid expenditure to ₹1,00,420.19 crore, which was nearly 80 *per cent* of the State's revenue receipts.

The ratio of State's Committed expenditure including subsidies to Revenue Receipts (ranging from 70 to 86 *per cent*) and Revenue Expenditure (ranging

from 61 to 69 per cent) was consistently above that of all States (excluding Uts) during the last 10 years.

The high and inflexible nature of such expenditure significantly compresses fiscal space, limiting the State's ability to allocate resources towards capital investment and developmental priorities. This structural imbalance increases the risk of persistent revenue and primary deficits, constrains long-term fiscal sustainability, and reduces the government's capacity to respond to emergent socio-economic challenges.

There is an urgent need for expenditure reform through rationalization of subsidies, improved targeting, and prudent management of salary and pension commitments, to enhance fiscal flexibility and ensure a sustainable fiscal path.

B. Capital blocked in incomplete projects

An assessment of capital blocked in incomplete capital projects would also indicate the quality of Capital Expenditure. Blocking of funds in incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits of the projects for prolonged periods. Further, funds borrowed for implementation of these projects during the respective years would lead to an extra burden, in terms of servicing of debt and interest liabilities. Details of the incomplete projects are shown in **Table 1.41** (based on information provided by the State Government for *Appendix-IX* of the Finance Accounts for the year 2024-25).

Table 1.41: Capital blocked in incomplete projects

(₹ in lakh)

Age profile of incomplete projects as on				Department-wise profile of incomplete projects		
31 March 2025				till 31 March 2025		
Year	No. of incomplete projects	Estimated cost	Expenditure incurred	Department	No. of incomplete projects	Estimated Cost (Expenditure incurred)
1991	1	130	155.78	Canals	11	5,906.69 (3,358.10)
2006	1	162	68.65	Anti Sea Erosion works	8	26,916.61 (14,673.08)
2010	2	615	0	Irrigation projects	16	14,683.87 (2,403.42)
2011	2	2,174	0	Buildings	52	28,053.38 (15,007.88)
2014	1	25,533.5	14,216.19	Bridges	40	49,820.18 (24,412.86)
2015	3	3,684	570.15	Roads	109	78,929.75 (30,768.34)
2016	7	13,877.78	7,497.05			
2017	13	27,918.6	7,174.16			
2018	31	29,558.93	15,279.34			
2019	40	26,350.4	1,3279.07			
2020	33	19,340.76	10,544.68			
2021	62	29,945.3	13,760.06			
2022	30	18,856.59	6,306.598			
2023	10	6,163.62	1,771.95			
Total	236	2,04,310.48	90,623.68			

Source: Finance Accounts for the year 2024-25

Out of the estimated cost of ₹2,043.10 crore on these 236 ongoing projects, ₹906.24 crore was spent till 2024-25. This indicates that due to non-completion of these 236 projects, Capital Expenditure of ₹ 906.24 crore remained blocked.

Due to incomplete information in *Appendix-IX* (Commitments of the Government-List of Incomplete Capital Works) of the Finance Accounts for the year 2024-25 (provided by the State Government), Audit could not ascertain the actual progressive expenditure, physical progress of work, position of pending payment (future liability) and revised cost, if any, as on 31 March 2025.

Our previous Audit Reports have also covered instances of incomplete projects. The main reasons for the projects remaining incomplete as identified in the various audit reports include idling of three bridges due to non-acquisition of land for approach/access roads, lack of synchronisation between road and bridge constructions, idling of completed buildings pending power supply, purchase of furniture, installation of electrical and electronic equipment, delay in taking over of completed buildings by user departments due to lack of intended facilities/ non-issue of completion certificate. These instances besides affecting the quality of infrastructure expenditure, points to systemic deficiencies in project planning, implementation and monitoring.

The State Government has issued Remedial Measures Taken ((RMT) on the idling of bridges only, it was stated that out of three bridges, two bridges have been opened to Public after a delay of 6 to 8 years. One bridge completed in 2017 is yet to be opened for public use. The RMTs in respect of other audit findings are yet to be submitted by State Government.

Un-discharged liabilities/Off Budget Borrowings

Undischarged/deferred liabilities, if not addressed timely, will reduce the fiscal space for future developmental and infrastructure spending. Besides creating lack of transparency and credibility, this impairs the state's ability to raise resources in a sustainable manner, thereby impacting overall fiscal health and long-term sustainability.

Audit observed that the State Government had accumulated several un-discharged liabilities over the years, which have significant implications for fiscal sustainability. These include:

- Non-transfer of Guarantee Commission to Guarantee Redemption Fund (GRF) amounting to ₹2,695.08 crore. (Para 1.4.6.1 D)
- Short transfer of compounding fee to Kerala Road Safety Fund amounting to ₹565.78 crore. (Para 3.2.3)
- Un-discharged interest liabilities totalling ₹1.92 crore. (Para 3.2.1)

- Off-budget borrowings and other liabilities not captured in the debt stock amounting to ₹39,230.33 crore²⁶. (Para 3.1)
- Short/non-transfer of State Government's contribution to the National Pension System (NPS) amounting to ₹1.07 crore. (Para 3.2.2)
- Non-transfer of State and Central Finance Commission (SFC/CFC) grants to local bodies, aggregating ₹143.99 crore. (Para 1.2.1 C (ii))
- Pending refund cases amounting to ₹95.80 crore. (Para 3.2.5)
- Non remittance of interest accrued due to delay in transfer of CSS funds to SNA amounting to 7.98 crore.(Para 2.6.4 C, 2.7 (ii))

The cumulative value of these un-discharged liabilities and off-Budget Borrowings amounted to ₹42,741.95 crore, which is equivalent to 3.42 *per cent* of the GSDP and 88.59 *per cent* of the Fiscal Deficit for the year 2024-25.

Audit recommends that the State Government disclose and address all un-discharged liabilities transparently and make provisions for timely discharge of these obligations to avoid future fiscal stress.

1.5 Conclusions

During the financial year 2024-25, the State revenues grew meagrely in comparison with the growth in the revenue expenditure. State's own revenue buoyancy during 2023-24 and 2024-25 was very low indicating that the State's revenue was not keeping pace with the growth in economy. The ability of the State to convert growth in GSDP to proportionate growth in revenue remained a challenge to the State Government. As a result, the State could not achieve any of the targets prescribed in KFR Act 2003 during the financial year 2024-25.

During the last 10 years also, except for fiscal deficit target of 2019-20, 2022-23 and 2023-24, and outstanding debt to GSDP target of 2015-16, the State Government could not adhere to the fiscal limits imposed through the KFR, Act 2003. This consistent non-achievement of KFR 2003 targets, indicated need for systemic improvements in ensuring accuracy in the processes and methodologies in formulation, implementation and monitoring of budget by the state government.

Declining ability of Government to utilise the overall borrowings to undertake capital expenditure and revenue expenditure, presence of significant off budget liabilities, substantive committed liabilities, and systemic weaknesses in the managing the contingent liabilities pose significant fiscal risks to the State Government. Besides, the existence of large amounts of arrears in revenue and recovery of loans and locking of capital in incomplete projects etc., points to the need for systemic improvements in revenue and expenditure administration of the state government.

²⁶ The State government replied (January 2026) that 25 *per cent* of borrowings of KIIFB are for revenue-generating projects, with ₹8,749.49 crore disbursed towards revenue-generating projects as on 31 March 2025. The State Government requested that, as the burden of repayment of borrowings of ₹8,749.49 crore disbursed for revenue-generating projects do not fall on the State Government, the amount may not be considered as off-budget borrowings of the State.

1.6 Good practices

We commend the efforts taken by the State Government in reducing substantial number of arrears in assessment in respect of SGST department.

1.7 Recommendations

- 1. The Government should adopt a fiscal consolidation path by achieving targets fixed in the Kerala Fiscal Responsibility Act 2003 through rationalizing the committed expenditure and increasing the own tax revenue buoyancy of the State.*
- 2. The Government should immediately take steps to strengthen its processes in the guarantee management by streamlining the procedures for calculation of default risks and enhanced guarantee commission, monitoring of timely payment of guarantee commission and constitution and earmarking the guarantee commission to the Guarantee Redemption Fund.*

