

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Summary

In Karnataka, revenue and fiscal deficits declined in 2003-04 and the year 2004-05 ended with revenue surplus. The Balance from Current Revenue (BCR) became positive in 2003-04 and continued to be so in 2004-05 indicating availability of resources from current revenue for programme spending after meeting the committed expenditure. The ratio of revenue receipts to total expenditure rose from 82 *per cent* in 2003-04 to 88 *per cent* in the current year. Revenue of the State consisting of its own taxes and non-tax revenue, Central tax transfers and grants-in-aid from Government of India (GOI) increased by 77 *per cent* from Rs.14,823 crore in 2000-01 to Rs.26,163 crore in 2004-05 with significant inter year variations in growth rates. During the year, revenue receipts grew by 26 *per cent* due to increase in 25 *per cent* tax revenue, 48 *per cent* non-tax revenue, 20 *per cent* State's share of Union taxes and 8 *per cent* grant-in-aid from GOI. The increase in tax revenue (Rs.3,199 crore) was mainly due to increase in collection of taxes on sales, trade, *etc.*, (Rs.2,051 crore), state excise (Rs.472 crore), stamps and registration fees (Rs.404 crore), taxes on vehicles (Rs.183 crore), *etc.*

Overall expenditure of the State increased by 56 *per cent* from Rs.19,143 crore in 2000-2001 to Rs.29,808 crore in 2004-05. The rate of growth ranged between five and 13 *per cent* up to 2003-04 and increased to 18 *per cent* in 2004-05. This was mainly due to growth of capital expenditure, which was the highest (54 *per cent*) in 2004-05.

The Karnataka Fiscal Responsibility Act, 2002 (Act), which came into force from 1 April 2003, *inter alia*, provides for reducing revenue deficit to nil and fiscal deficit to not more than three *per cent* of the Gross State Domestic Product (GSDP) by March 2006 and limiting fiscal liabilities to not more than 25 *per cent* of the GSDP by March 2015. The State Government, however, managed to bring down the revenue deficit from Rs.2,646 crore in 2002-03 to Rs. 525 crore in 2003-04 and achieved revenue surplus of Rs.1,640 crore in 2004-05. The Revenue surplus was partly due to the transfer of balances of the Panchayat Bodies' Fund (Rs.887 crore) from Public Account to Revenue Account and Rs.13 crore transferred from Loans and Advances to Revenue Account.

The borrowings of the State were seven *per cent* higher than those of the previous year, but the availability of funds therefrom decreased from 16 to 13 *per cent*. This was due to raising of loan aggregating Rs.1,088 crore exclusively for repayment of high cost GOI loans and advances under Debt-Swap Scheme. The ratio of fiscal liabilities to GSDP was 32 *per cent* in 2004-05 and would be 36 *per cent* taking into account the off-budget borrowings. The returns on investments of Rs.10,741 crore in Public Sector Undertakings (PSUs) continued to be very low at 0.2 *per cent* against the weighted interest rate of 8.5 *per cent* of the Government.

1.1 Introduction

The Finance Accounts of the Government of Karnataka are laid out in 19 statements, presenting receipts and disbursements, revenue as well as capital in the Consolidated Fund, transactions under the Contingency Fund and the Public Account (**Appendix 1.1-Part A**). The layout of the Finance Accounts is depicted in Box 1.

Box 1

Layout of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government –receipts and disbursements, revenue and capital, public debt receipts and disbursements, *etc.*, in the consolidated fund and transactions under contingency fund and public account and also offers explanation giving comparative summary of transactions, including cases of large and important variations.

Statement No.2 gives the summarised position of capital outlay outside revenue account showing progressive expenditure to the end of 2004-05.

Statement No.3 gives financial results of irrigation works and electricity schemes.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings accounted under internal debt, Government of India loans, other obligations accounted under public account and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, *etc.*

Statement No.6 gives the summary of guarantees given by the State for repayment of loans, *etc.* raised by the statutory corporations, government companies, local bodies and other institutions.

Statement No.7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under consolidated fund, contingency fund and public account as on 31 March 2005.

Statement No.9 shows the revenue and expenditure under different heads for the year 2004-05 as a *per cent* of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure during the year.

Statement No.11 indicates the detailed account of revenue receipts and capital receipts by minor heads.

Statement No.12 gives an account of revenue expenditure by minor heads under plan and non-plan, capital expenditure by major heads under plan and non-plan.

Statement No.13 depicts the detailed account of capital expenditure incurred during and to the end of 2004-05.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies, *etc.* up to the end of 2004-05.

Statement No.15 depicts the capital and other expenditure (other than on revenue account) to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the State.

Statement No.18 presents the detailed account of loans and advances given by the State, the amount of loan repaid during the year, the balance as on 31 March 2005 and the amount of interest received during the year.

Statement No.19 gives the details of earmarked balances.

1.2 Trend of finances with reference to previous year

Finances of the State Government during the current year compared to the previous year were as under:

(Rupees in crore)

2003-04	Serial Number	Major Aggregates	2004-05
20,760	1.	Revenue Receipts (2+3+4)	26,163
12,570	2.	Tax Revenue	15,769
2,958	3.	Non-Tax Revenue	4,369
5,232	4.	Other Receipts	6,025
64	5.	Non-Debt Capital Receipts	45
64	6.	Of which Recovery of Loans	45
20,824	7.	Total Receipts (1+5)	26,208
17,945	8.	Non-Plan Expenditure (9+11+12)	19,614
17,732	9.	On Revenue Account	19,398
3,710	10.	Interest Payments	3794
99	11.	On Capital Account	88
114	12.	Loans disbursed	128
7,380	13.	Plan Expenditure (14+15+16)	10,194
3,553	14.	On Revenue Account	5,125
2,930	15.	On Capital Account	4,586
897	16.	Loans disbursed	483
25,325	17.	Total Expenditure (8+13)	29,808
4,501	18.	Fiscal Deficit (17-1-5)	3,600
(-) 525	19.	Revenue Deficit (9+14-1) (-) Revenue Surplus (1-9-14) (+)	1,640
791	20.	Primary Deficit (18-10)	

1.3 Summary of receipts and disbursements for the year

Table 1 below summarises the finances of the State Government for the year 2004-05 covering receipts and disbursements under revenue, capital, public debt, contingency fund and public account as emerging from various statements of Finance Accounts.

Table 1: Summary of receipts and disbursements for the year 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
Section-A: Revenue							
					Non-Plan	Plan	Total
20759.88	Revenue receipts	26,162.91	21,284.71	Revenue expenditure	19,398.23	5,124.62	24,522.85
12,570.21	Tax revenue	15,769.13	9,039.13	General Services	9,897.50	2.74	9,900.24
2,958.37	Non-tax revenue	4,368.78	6,965.04	Social Services	5099.54	2,623.21	7,722.75
3244.73	Share of Union Taxes and Duties	3,878.44	4,651.70	Economic Services	3,602.85	2,498.67	6,101.52
1,986.57	Grants from Govt. of India	2,146.56	628.84	Grants-in-aid/Contributions	798.34	---	798.34
Section-B: Capital							
--	Misc. Capital Receipts		3,029.39	Capital Outlay	87.80	4,585.88	4,673.68
64.29	Recoveries of Loans and Advances	44.60	1,011.20	Loans and Advances disbursed	128.08	483.35	611.43
7988.33	Public debt receipts*	8509.43	3441.43	Repayment of Public Debt*	4029.40	--	4,029.40
-	Contingency Fund (recoupment)	40.52	40.52	Contingency Fund	33.15	5.76	38.91
30,512.84	Public account receipts	36,325.19	30,665.27	Public account disbursements	--	-	35,462.75
482.66	Opening Cash Balance	335.48	335.48	Closing Cash Balance			2,079.11
59,808.00	Total	71,418.13	59,808.00	Total	23,676.66	10,199.61	71,418.13

* Excluding ways & means advances and overdraft

1.3.1 Budget analysis

Budget papers, presented by the State Government, provide description about projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Wide variation between the estimates and the actuals, which result in distortions in fiscal management, are indicative of non-attainment and non-optimisation of desired fiscal objectives. The table below summarises the position of finances of the State Government covering the budget estimates and actuals for the year 2004-05 together with actuals for the previous year.

State Government Finances 2004-05 – Budget Estimates and Actuals

(Rupees in crore)

Budget Estimates		2003-04 Actuals	2004-05		Deviation from Budget	Deviation per cent
			Budget Estimates	Actuals		
1	Total Receipts of the State Government (6+7)	59,325.34	47,178.97	71,042.13	23,863.16	50.6
2	Revenue Receipts	20,759.88	25,510.31	26,162.91	652.60	2.6
	Tax revenue	12,570.21	14,957.96	15,769.13	811.17	5.4
	Non-tax revenue	2,958.37	4,486.35	4,368.78	(-) 117.57	(-)2.6
	State's share of Union taxes and duties	3,244.73	3,760.41	3,878.44	118.03	3.1
	Grants-in-aid from the Central Government	1,986.57	2,305.59	2,146.56	(-) 159.03	(-)6.9
3	Recovery of Loans and Advances	64.29	29.91	44.60	14.69	49.1
4	Total revenue and Non Debt receipts (2+3)	20,824.17	25,540.22	26,207.51	667.29	2.6
5	Public Debt receipt (Excluding Ways & Means Advances/Over Draft)	7,988.33	6,708.95	8,509.43	1,800.48	26.8
6	Total receipts in the CFS (4+5)	28,812.50	32,249.17	34,716.94	2,467.77	7.7
7	Public Account Receipt	30,512.50	14,929.80	36,325.19	21,395.39	143.3
8	Total disbursement by the State Government (14+15)	59,432.00	46,704.88	69,300.11	22,595.23	48.4
9	Revenue Expenditure	21,284.71	25,437.48	24,522.85	(-) 914.63	(-) 3.6
	General Services	9,039.13	11,475.96	9,900.24	(-) 1,575.72	(-) 13.7
	Social Services	6,965.04	7,662.30	7,722.75	60.45	0.8
	Economic Services	4,651.70	5,500.72	6,101.52	600.80	10.9
	Grants-in-aid & contributions	628.84	798.50	798.34	(-) 0.16	-
10	Capital Expenditure	3,029.39	3,746.61	4,673.68	927.07	24.7
11	Loans and Advances	1,011.20	602.78	611.43	8.65	1.4
12	Total expenditure of the State Government (9+10+11)	25,325.30	29,786.87	29,807.96	21.09	0.1
13	Repayment of Public Debt	3,441.43	1,987.04	4,029.40	2,042.36	102.8
14	Total disbursement out of the CFS (12+13)	28,766.73	31,773.93	33,837.36	2,063.43	6.5
15	Public Account Disbursements	30,665.27	14,930.95	35,462.75	(-) 20,531.80	(-) 137.5
16	Revenue Deficit/Surplus (2-9)/(9-2)	524.83	72.83	1,640.06	1,567.23	2,151.9
17	Fiscal Deficit (12-4)	4,501.13	4,246.65	3,600.45	(-) 646.20	(-) 15.2

There were significant variations between budgeted figures and the actuals under total receipts/disbursements of the Government, public account (receipts and disbursements), recovery of loans and advances, public debt (receipts and repayments), capital expenditure, fiscal deficits and revenue surplus indicating inaccurate assessment of revenue, expenditure and borrowings.

1.4 Audit methodology

Audit observations on the statements of Finance Accounts for the year 2004-05 bring out the trends in major fiscal aggregates of receipts and expenditure, wherever necessary, show these in the light of time series data (Statement IV) and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances, *etc.*, have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. For tax revenue, non-tax revenue, revenue expenditure, *etc.*, buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volumes and sources, (ii) application of resources (iii) assets and liabilities and (iv) management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the rational interpretation of fiscal aggregates.

In addition, this section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used in the Chapter are explained in **Appendix 1.1-Part B**.

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources

Resources of the State Government consist of receipts under revenue and capital. Revenue receipts consist of (i) State's own taxes such as taxes on sales, trade, *etc.*, excise duties, stamp duty, motor vehicles taxes, *etc.*, (ii) non-tax revenue, such as receipts from States' functions like judiciary, police, income from past investments, financial intermediation and user charges for the economic and social services provided by the State, (iii) State's share of Union taxes and duties (devolution of taxes collected by the Union Government and transferred to the States in terms of the award of the Finance Commission), and (iv) grants-in-aid from the Central Government. Capital receipts comprise (i) debt receipts which create future repayment obligations, (ii) miscellaneous capital receipts such as proceeds from disinvestments and recovery of loans and advances, which lead to a reduction in State's asset base and (iii) accruals from public account.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.71,042 crore of which, the revenue receipts were Rs.26,163 crore (37 *per cent*). Public Account accruals (Rs.36,325 crore) and borrowings (Rs.8,509 crore) accounted for the remaining 51 and 12 *per cent* respectively.

Table 2: Resources of Karnataka

(Rupees in crore)	
Revenue Receipts	26,162.91
Capital Receipts	8,554.03
Recovery of Loans and Advances	44.60
Public Debt Receipts	8,509.43
Public Account Receipts	36,325.19
Small Savings, Provident Fund, etc.	1,521.49
Reserve Fund	569.97
Deposits and Advances	17,211.29
Suspense and Miscellaneous	14,389.56
Remittances	2,632.88
Total Receipts	71,042.13

1.5.2 Sources of receipts-trends

The sources of revenue under different heads and GSDP during 2000-05 are indicated in Table 3.

Table 3: Sources of receipts-trends

(Rupees in crore)						
Year	Revenue Receipts	Capital Receipts			Total Receipts	GSDP
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
2000-01	14,823	101	3,371	24,797	43,092	1,04,541
2001-02	15,321	35	5,146	28,502	49,004	1,09,016
2002-03	16,169	928	5,433	27,879	50,409	1,20,062
2003-04	20,760	64	7,988	30,513	59,325	1,32,498
2004-05	26,163	45	8,509	36,325	71,042	1,47,956

The percentage composition of revenue receipts to the total receipts increased from 35 per cent in 2003-04 to 37 per cent during the year. Public debt receipts during the year were 12 per cent of the total receipts of the State against 13 per cent in the previous year. There was 19 per cent growth in public account receipts, an increase from Rs.30,513 crore in 2003-04 to Rs.36,325 crore in 2004-05 and were 51 per cent of the total resources of the State.

1.5.3 Revenue receipts

Statement-11 of the Finance Accounts details the revenue receipts of the State. Revenue receipts are linked to economic activity and GSDP is its natural base. Apart from the quantum and rate of growth of revenue receipts, it is equally important to look at these receipts relative to this base and its expansion over time. Overall revenue receipts, their annual rate of growth, ratio of these receipts to GSDP and their buoyancy are indicated in Table 4.

Table 4: Revenue Receipts – Basic Parameters(Amount- Rupees in crore, others in *per cent*)

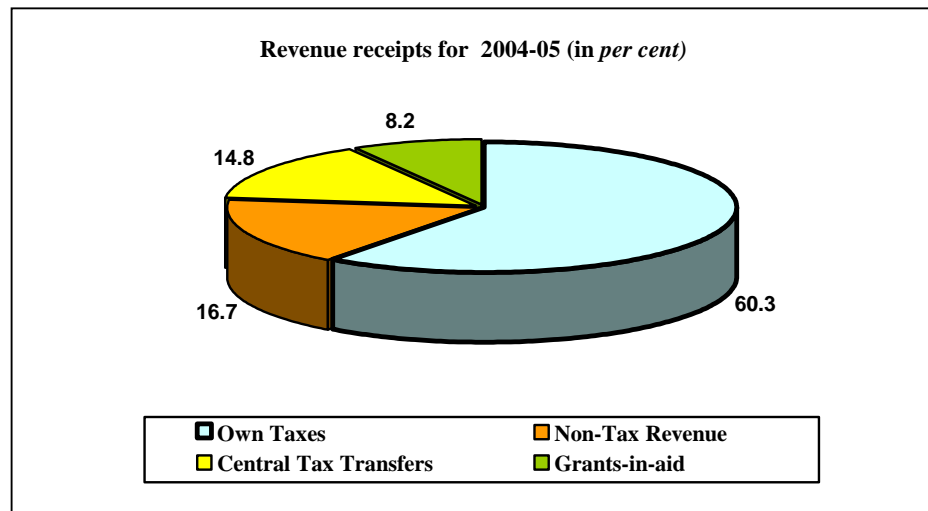
	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts	14,823	15,321	16,169	20,760	26,163
Own taxes*	61.0	64.3	64.6	60.5	60.3
Non-Tax Revenue*	11.2	7.2	7.9	14.3	16.7
Central Tax Transfers*	17.4	17.1	17.2	15.6	14.8
Grants-in-aid*	10.4	11.4	10.3	9.6	8.2
Rate of Growth- Revenue Receipts	14.8	3.4	5.5	28.4	26.0
Rate of Growth-Own Taxes	16.8	9.0	5.9	20.4	25.4
Revenue Buoyancy--- Revenue Receipts	1.5	0.8	0.5	2.7	2.2
GSDP Growth	10.1	4.3	10.1	10.4	11.7
Revenue Receipts/GSDP	14.2	14.1	13.5	15.7	17.7
Revenue Buoyancy--- Own Taxes	1.7	2.1	0.6	2.0	2.2

* As a percentage of revenue receipts

The increase in revenue receipts was mainly due to more collection of taxes on sales, trade, *etc* (Rs.2,051 crore), state excise (Rs.472 crore), stamps and registration fees (Rs.404 crore), more receipts on account of share of Union taxes and duties (Rs.633 crore) and grant-in-aid from Central Government (Rs.160 crore).

Inter-year variation in the growth rate of revenue receipts during 2000-04 ranged between 3 *per cent* and 28 *per cent* and the growth rate decelerated to 26 *per cent* in 2004-05.

Composition of revenue receipts during 2004-05 is indicated graphically below:



Tax revenue constituted 60 *per cent* of revenue receipts and was more than that of the previous year by Rs.3,199 crore (25 *per cent*) attributable to rationalisation of tax rates and withdrawal of exemption on some commodities. Buoyancy of tax revenue was around two in 2004-05.

Non-tax revenue consisting mainly of returns on past investment including loans and advances constituted 17 *per cent* of the revenue receipts of the State during the year as against 14 *per cent* in 2003-04.

While 77 *per cent* of the revenue came from the State's own resources, Central tax transfers and grants-in-aid together contributed 23 *per cent* of the total revenue during the year, indicating less dependence of the State on transfer of resources from the Central Government.

Arrears of revenue as of March 2005 were Rs.3,604.46 crore of which, Rs.489.49 crore relating to State Excise Department were outstanding for more than five years.

1.6 Application of resources

1.6.1 Growth of expenditure

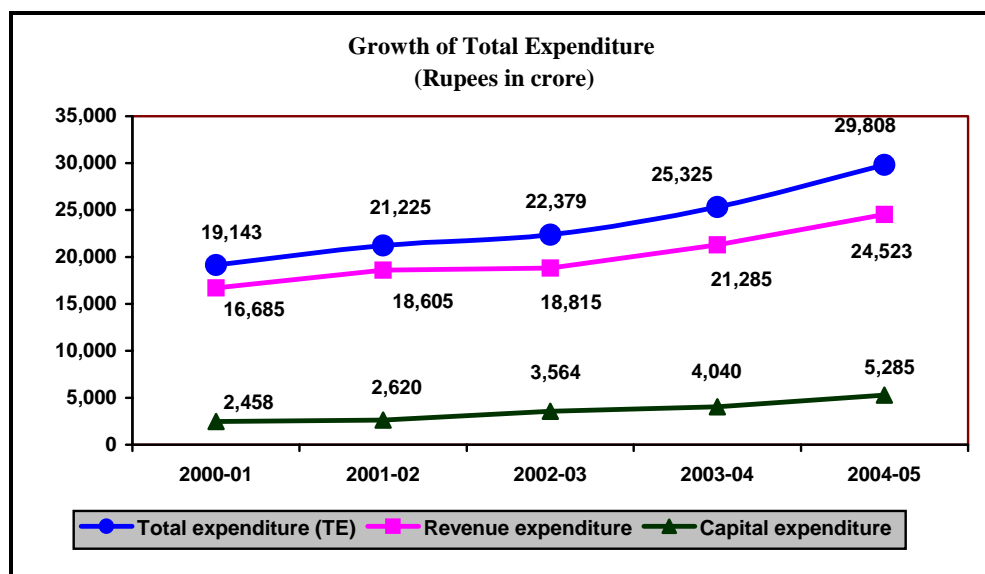
Statement 12 of the Finance Accounts gives details of expenditure by minor heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge their debt servicing obligations.

The total expenditure of the State, its annual growth, ratio of expenditure to GSDP and revenue receipts and its buoyancy in relation to GSDP and revenue receipts are indicated in Table 5 below followed by its graphic representation.

Table 5: Total Expenditure – Basic Parameters

(Amount-Rupees in crore, others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Total Expenditure (TE)	19,143	21,225	22,379	25,325	29,808
Rate of Growth	10.5	10.9	5.4	13.2	17.7
TE/GSDP	18.3	19.5	18.6	19.1	20.1
Revenue Receipts/TE	77.4	72.2	72.2	82.0	87.8
Buoyancy of Total Expenditure in relation to					
GSDP	1.0	2.5	0.5	1.3	1.5
Revenue Receipts	0.7	3.2	1.0	0.5	0.7



Capital expenditure includes disbursement of loans and advances

Overall expenditure of the State comprising the revenue expenditure, capital expenditure including loans and advances increased from Rs.19,143 crore in 2000-01 to Rs.29,808 crore in 2004-05. In 2004-05, the capital expenditure constituted 18 per cent of the total expenditure and non-asset forming revenue expenditure accounted for 82 per cent. The share of revenue expenditure in the total expenditure of the State ranged between 82 and 88 per cent during 2000-05 indicating the low priority accorded to capital formation, which may over a period of time affect the income generating capacity of the economy.

1.6.2 Components of expenditure

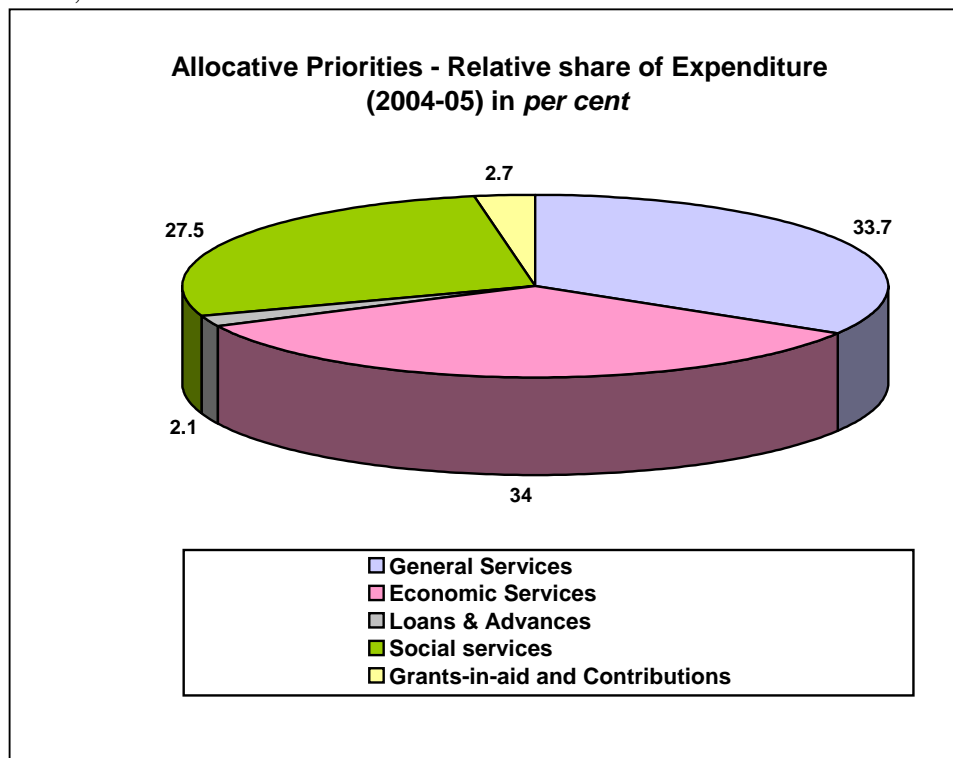
In terms of the activities, total expenditure is composed of expenditure on general services, social and economic services and loans and advances. The relative share of these components in total expenditure (including disbursements of loans and advances) is indicated in Table 6.

Table 6: Components of expenditure – relative share

(in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services	29.7	29.5	32.1	36.2	33.7
Social Services	33.6	31.3	29.6	29.2	27.5
Economic Services	31.3	34.1	32.9	28.1	34.0
Grants-in-aid and Contributions	2.8	2.7	2.6	2.5	2.7
Loans and advances	2.6	2.4	2.8	4.0	2.1

The components of expenditure during 2004-05 are indicated graphically below;



Expenditure on general services including interest payments (Rs.3,794 crore) generalised as non-developmental expenditure accounted for nearly 34 per cent of the total expenditure in 2004-05. The share of expenditure on economic services increased from 28 per cent in 2003-04 to 34 per cent in the current year but that of social services declined from 29 per cent to 28 per cent. With in general services, interest payments accounted for 38 per cent of the expenditure and in absolute terms, interest payments increased year after year due to excessive reliance on borrowings.

1.6.3 Incidence of revenue expenditure

Revenue expenditure is incurred to maintain the current level of services/activities and does not represent any addition to the State's service network. Interest payments, pensions and salary fall under this category. Expenditure on maintenance of existing network of services and other overheads are its other components. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP, revenue receipts and its buoyancy in relation to GSDP and revenue receipts are indicated in Table 7 below.

Table 7: Revenue expenditure – Basic parameters(Amount-Rupees in crore, others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure (RE)	16,685	18,605	18,815	21,285	24,523
Rate of Growth	9.6	11.5	1.1	13.1	15.2
RE/ GSDP	16.0	17.1	15.7	16.1	16.6
RE as <i>per cent</i> of TE	87.2	87.7	84.1	84.0	82.3
RE as <i>per cent</i> to Revenue Receipts	112.6	121.4	116.4	102.5	93.7
Buoyancy of Revenue Expenditure in relation to					
GSDP	0.9	2.7	0.1	1.3	1.3
Revenue Receipts	0.6	3.4	0.2	0.5	0.6

The rate of growth of revenue expenditure, which was between one and 13 *per cent* during 2000-04 was the highest at 15 *per cent* in 2004-05. Its share in total expenditure declined from 87 *per cent* in 2001-02 to 82 *per cent* in 2004-05.

1.6.4 High salary expenditure

Salaries accounted for about 21 *per cent* of the revenue receipts of the State. The expenditure on salaries increased from Rs.4,630 crore in 2000-01 to Rs.5,530 crore in 2004-05 as indicated in Table 8 below:

Table 8: Salary expenditure

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05 (RE)
Salary expenditure*	4,629.97	4,974.87	4,940.70	5,322.76	5,529.84
As percentage of GSDP	4.4	4.6	4.1	4.0	3.7
As percentage of Revenue Receipts	31.2	32.5	30.6	25.6	21.1

* Includes expenditure incurred under ZP Sector also

1.6.5 Huge expenditure on pension payments

Year-wise break-up of expenditure incurred on pension payments during the years 2000-01 to 2004-05 was as under:

Table 9: Pension payments

Year	Expenditure* (Rupees in crore)	Percentage to total revenue receipts	Rate of Growth
2000-01	1,583	10.7	2.9
2001-02	1,641	10.7	3.7
2002-03	1,773	11.0	8.0
2003-04	1,901	9.1	7.2
2004-05	2,157	8.2	13.5

*Excludes payment of pension accounted under various social sector schemes, *etc.*

The growth rate of expenditure on pension payments during 2000-05 ranged between three and 13 *per cent*. Considering this rate of growth, pension reforms mooted (July 2004) in Budget speech assumed significance. The State

Government was, however, yet to initiate pension reforms like constituting a Pension Fund to meet its pension liabilities.

1.6.6 Interest payments

The Eleventh Finance Commission (EFC) recommended (August 2000) as a medium term objective, that the States should endeavour to keep interest payments as a ratio to revenue receipts at 18 *per cent*. Table 10 below gives the details of interest payments of the State Government.

Table 10: Interest payments

Year	Interest Payment (Rupees in crore)	Percentage with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	2,388	16.1	14.3
2001-02	2,683	17.5	14.4
2002-03	3,292	20.4	17.5
2003-04	3,710	17.9	17.4
2004-05	3,794	14.5	15.5

Interest payments which ranged between 16 and 20 *per cent* of revenue receipts during 2000-04, were 15 *per cent* in 2004-05.

Interest payments, however, were steadily increasing year- after year (interest on internal debt increased by Rs.301.47 crore). It was mainly due to payment of high rate of interest on loans from 'National Small Savings Fund', which constituted 36 *per cent* of the total public debt of the State Government as on 31st March 2005. Large interest payments, increasing year after year, had the effect of crowding out the expenditure on primary education, health and social welfare schemes.

1.6.7 Subsidies by the Government

Though the finances of the State were under strain, Government continued to pay subsidies to various Corporations, Boards *etc.* The expenditure on subsidies stood accounted for below social and economic services sector under revenue expenditure. During the last five years, State paid the following subsidies under various sectors.

Table 11: Subsidies by the Government

(Rupees in crore)

Sl. No.	Sector	2000-01	2001-02	2002-03	2003-04	2004-05
1.	Power	877	2,305	1,847	1,677	1,331
2.	Food	295	206	176	186	597
3.	Transport	48	145	64	29	115
4.	Industries	69	17	25	---	86
5.	Others	225	188	118	174	194
	Total	1,514	2,861	2,230	2,066	2,323
	Percentage increase (+)/ decrease (-) over previous year	24	89	-22	-7	12
	Percentage of subsidy to total revenue expenditure	9	15	12	10	9

During the current year, subsidies constituted 9 *per cent* of the revenue expenditure. One of the key elements of the fiscal policy of the Budget 2004-05 was the enforcement of efficient subsidy management such as linking of release of subsidy to achievement of agreed performance-parameters. State Government, however, failed to reduce food and transport subsidies as envisaged in the State's Medium Term Fiscal Plan.

1.7 Expenditure by allocative priorities

Development expenditure

The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure better is deemed to be the quality of expenditure. Table 12 below gives the percentage share of these components of expenditure in State's total expenditure (excluding disbursements of loans and advances).

Table 12: Quality of expenditure (*per cent* to total expenditure)

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	27.8	28.2	27.5	26.7	33.3
Capital Expenditure	10.5	10.2	13.5	12.5	16.0
Developmental Expenditure	66.7	67.0	64.3	59.7	62.9

Capital expenditure constituted 16 *per cent* of the total expenditure of the State, the highest in the last five years. The share of plan expenditure in the total expenditure increased to 33 *per cent* and that of developmental expenditure increased from 60 *per cent* in 2003-04 to 63 *per cent* in 2004-05. This was in tune with the fiscal policy underlying the budget for 2004-05 aiming at enhanced allocations on developmental expenditure in key social sectors particularly Primary Education, Primary Health, Agriculture and Rural Development, Drinking Water and Welfare of the Under privileged.

Out of the developmental expenditure (Rs18,363 crore) during the year, social services (Rs.8,209 crore) accounted for 45 *per cent*, of which, Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation and Housing and Urban Development accounted for 81 *per cent* of the expenditure.

Table 13: Social services sector expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Education, Sports, Art and Culture	3,489 (3.3)	3,506 (3.2)	3,571 (3.0)	3,771 (2.8)	4,363 (2.9)
Health and Family Welfare	1,005 (1.0)	1,086 (1.0)	1,004 (0.8)	996 (0.8)	1,044 (0.7)
Water Supply, Sanitation, Housing and Urban Development	782 (0.7)	769 (0.7)	743 (0.6)	1,083 (0.8)	1,269 (0.8)
Total	5,276	5,361	5,318	5,850	6,676

(per cent to GSDP in brackets)

Improvement of the productivity of public expenditure by monitoring measurable outcome of all programmes is necessary in view of the increase in expenditure. Concurrent social audit of public expenditure to bring about accountability of delivery system in social sectors as mooted (July 2004) in the Budget speech of 2004-05 was yet (December 2005) to be implemented.

Economic services (Rs.10,154 crore) accounted for 55 per cent of developmental expenditure. Energy (Rs.1,488 crore), Irrigation and Flood Control (Rs.3,224 crore) and Transport (Rs.1,513 crore) accounted for 61 per cent of the expenditure on economic services sector.

Table 14: Economic services sector expenditure

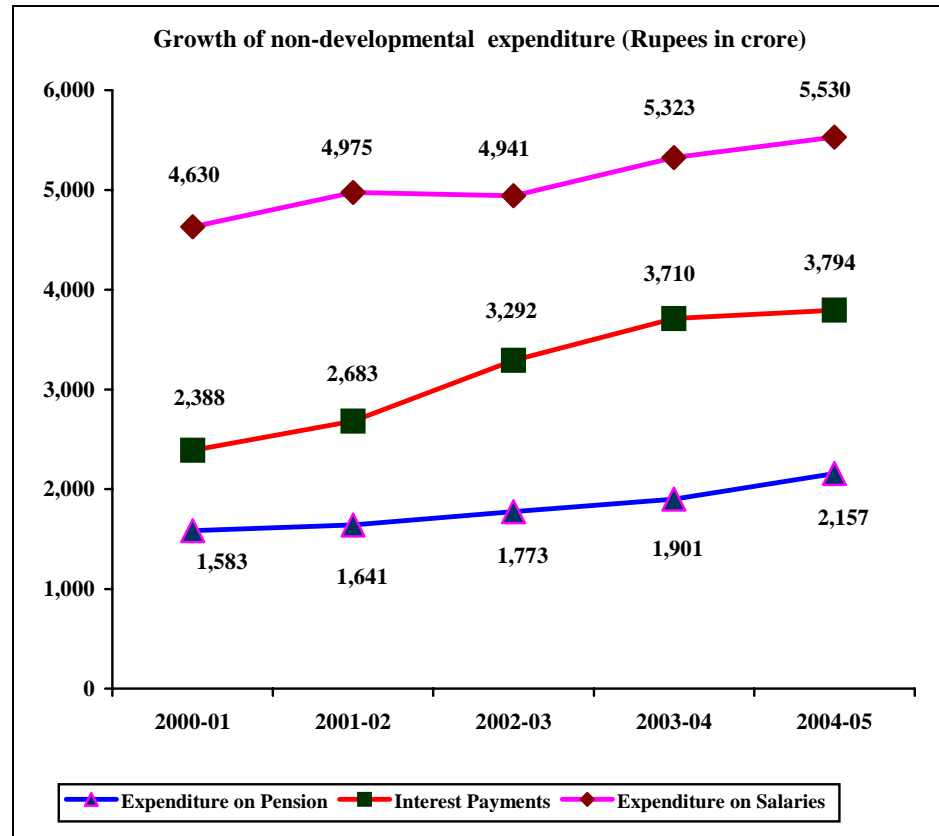
(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Energy	939	2,337	1,907	1,733	1,488
Irrigation and flood control	1,986	1,716	2,235	2,061	3,224
Transport	695	778	819	822	1,513
Total	3,620	4,831	4,961	4,616	6,225

Non-developmental expenditure

Committed expenditure on salaries, pension and interest payments, termed as non-developmental expenditure, accounted for 44 per cent of the revenue receipts and constituted 47 per cent of the revenue expenditure in 2004-05.

A graphic representation of the progress of selected components of non-developmental expenditure is indicated below:



1.7.1 Financial assistance to local bodies and other institutions

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/ authorities by and large receive substantial financial assistance from State. State also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956, *etc.*, to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance (Grant-in-aid) provided to various bodies in the last five years was as under:

Table 15: Financial assistance to local bodies and other institutions

(Rupees in crore)

Description	2000-01	2001-02	2002-03	2003-04	2004-05
Panchayat Samitis and Zilla Panchayats/Municipalities	4,867.29	4,461.63	5,160.08	5,207.76	5,704.08
Educational Institutions (including Universities)	586.31	499.85	646.99	603.16	688.93
Co-operative Societies and Co-operative Institutions	5.25	3.34	5.00	57.62	167.65
Other Institutions and bodies (including statutory bodies)	992.24	2,464.01	1,863.28	1,911.84	1,336.28
Total	6,451.09	7,428.83	7,675.35	7,780.38	7,896.94
Percentage growth over previous year	10	15	3	1	2
Revenue receipts	14,822.72	15,321.25	16,168.76	20,759.88	26,162.91
Assistance as a percentage of revenue receipts	44	48	47	37	30
Revenue expenditure	16,684.95	18,605.70	18,814.50	21,284.71	24,522.85
Percentage of assistance to revenue expenditure	39	40	41	37	32
Percentage of assistance to Panchayat Raj Institutions/ Municipalities, etc., to total assistance	75	60	67	67	72

Financial assistance to local bodies increased by two *per cent* during the year compared to the previous year. Assistance to Panchayat Raj Institutions/ Municipalities accounted for 72 *per cent* of the total assistance during 2004-05 but only a half of the assistance was available for implementation of developmental schemes, as 50 *per cent* of this constituted salary component (Rs.2,857.52 crore). Assistance to other institutions and bodies included subsidy to State Electricity Board (Rs.1,331 crore) towards rural electrification and co-generation/captive generation of electricity.

Submission of accounts by Autonomous Bodies

The status of submission of accounts by the autonomous bodies and presentation of Audit Reports thereon to the State Legislature as of November 2005 is given in **Appendix 1.2**.

Audit arrangements

Accounts of 95 bodies/authorities for the year 2003-04 attracted audit by Comptroller and Auditor General of India. Of these, 29 bodies/authorities were audited during 2004-05 (September 2005). Annual accounts (573 numbers) of 237 bodies/authorities of 17 departments for 2003-04 and earlier years had not been received as of November 2005 by the Principal Accountant General (C&CA). The details are given in **Appendix 1.3**.

1.7.2 Misappropriations, defalcations, etc.

The position of cases of misappropriations, embezzlement, *etc.*, reported to audit, disposed of during 2004-05 and outstanding as of March 2005 was as under:

Table 16: Cases of Misappropriations and Defalcations

	Number of cases	Amount (Rupees in lakh)
Cases reported between 1960-61 and 2003-04 and outstanding as on 1 April 2004	220	973.89
Cases reported during 2004-05	01	4.90
Total	221	978.79
Cases disposed of during 2004-05	01	0.15
Cases outstanding as on 31 March 2005	220	978.64

Department-wise details are given in **Appendix 1.4**.

1.8 Assets and liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings, *etc.*, owned by the State. However, the Government accounts do capture the financial liabilities of the State and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts shows the year-end balances under Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Statement-I presents an abstract of such liabilities and assets as on 31 March 2005 compared with the corresponding position as on 31 March 2004. While the liabilities as shown in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from GOI, receipts in the Public Account and Reserve Fund, the assets comprise mainly of capital expenditure and loans and advances given by the State Government. The liabilities of the State depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to retiring/retired State employees, guarantees/ letters of comforts issued by the State Government and the borrowings through special purpose vehicles (termed 'off-budget borrowings'). Statement-I shows that while liabilities grew by 12 *per cent*, the assets increased by 22 *per cent*. However, a part of liabilities were without any asset backup. Statement-IV depicts the time series data on State Government finances for the period 2000-05.

1.8.1 Incomplete projects

Incomplete projects/works reflect failure on part of the State to prioritise expenditure and to spread its resources adequately over these projects. There were 238 incomplete projects/works as of March 2005 in which Rs.9,496 crore was locked up which meant that 32 *per cent* of the total capital outlay of the State during 2000-05 (Rs.30,137.90 crore) was blocked in these projects. The details of these works are available in the additional statement of Finance Accounts for 2004-05.

1.8.2 Investments and returns

As on 31 March 2005, State had invested Rs.10,741.40 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Statement 14-Finance Accounts). As indicated in Table 17 below, the dividend earned was 0.2 *per cent* of the investment which was very meagre compared to five *per cent* return on equity recommended by the EFC. Investments included non-recoverable loans converted into equity, which often failed to yield returns. Four Statutory Corporations and 43 Government companies with an aggregate investment of Rs.1,526.17 crore (Rs.488.88 crore and Rs.1,037.29 crore respectively) as of March 2005 were under loss and the dividend earned was Rs.0.05 crore in 2004-05, while the accumulated loss of these units was Rs.3,672.36 crore.

Table 17: Return on investment

(Rupees in crore)

Year	Investment at the end of the year	Amount of Return	Percentage of return	Weighted interest rate on Government borrowings – Market Loans (<i>per cent</i>)
2000-01	4,215.27	8.9	0.2	9.8
2001-02	4,840.34	10.6	0.2	9.1
2002-03	6,150.37	21.3	0.4	9.4
2003-04	7,984.19	18.0	0.2	9.4
2004-05	1,0741.40	16.7	0.2	8.5

The Government investment of Rs.2,702.61 crore in Government companies during the year includes Rs.2,048.66 crore paid to discharge the liabilities (principal as well as interest) of eight companies towards off-budget borrowings (Finance Accounts- Statement No.13).

1.8.3 Loans and advances by State Government

In addition to investment, Government has also been providing loans and advances to Government Companies/Corporations, *etc.* Total outstanding balance of the loans advanced was Rs.5,769.78 crore as on 31 March 2005. The details are in Table 18:

Table 18: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	3,666.62	4,076.69	4,556.46	4,256.04	5,202.95
Amount advanced during the year	511.30	514.47	627.58	1,011.20	611.43
Amount repaid during the year	101.23	34.70	928.00	64.29	44.60
Closing Balance	4,076.69	4,556.46	4,256.04	5,202.95	5,769.78*
Net Addition (+) / Reduction (-)	410.07	479.77	(-) 300.42	946.91	566.83
Interest Received (Rupees in crore)	129.42	112.11	19.98	96.27	24.26
Interest received as <i>per cent</i> to outstanding loans and advances	3.2	2.5	0.5	1.9	0.4
Weighted interest	9.8	9.1	9.4	9.4	8.5
Difference between weighted interest and interest received	6.6	6.6	8.9	7.5	8.1

* Differs from the closing balance as shown in Statement 1 by Rs.0.01 crore due to rounding.

Outstanding loans increased by Rs.1,693 crore over the five years period ending March 2005 indicating that these agencies were relying more on borrowing from the Government rather than raising their own resources for meeting their financial requirements. Interest received in 2004-05 was 0.4 *per cent* of the advances/ loans as against the nine *per cent* recommended by the EFC. Apart from the low returns on the loans and advances, there is also the issue of arrears in recovery of loans and advances. As of March 2005, recovery of Rs.1,594.23 crore (principal Rs.734.30 crore; interest Rs.859.93 crore) was over-due and in some cases the arrears were as old as 25 years and in some cases recovery of loans appears to be bleak considering the fact that some Government companies have been liquidated/are under liquidation.

1.8.4 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three-year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by the RBI from time to time depending on the holding of Government Securities. During the year, the limit of Normal Ways and Means Advances was fixed at Rs.505 crore and that of Special Ways and Means Advances was Rs.22.62 crore in the beginning of the year and varied between Rs.1,146.74 crore and Rs. 21.05 crore during the year depending on the Securities held by the State. Ways and Means Advances and Overdraft availed and interest paid by the State is detailed in Table 19:

Table 19: Ways and Means Advances and Overdrafts of the State and Interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Ways & Means Advances					
Availed in the Year	-	735.88	4,045.45	4,623.92	1,462.79
Interest Paid	-	0.91	5.22	7.94	1.20
No. of days availed	-	40	170	163	61
Overdraft					
Availed in the Year	-	-	47.84	757.72	-
Interest Paid	-	-	0.01	0.90	-
Number of days	-	-	1	33	-

During the year, the State used the mechanism of Ways and Means Advances for 61 days as against 163 days in the previous year although it borrowed Rs.2,298.68 crore from the market on six occasions. The State did not use over draft facilities during the year.

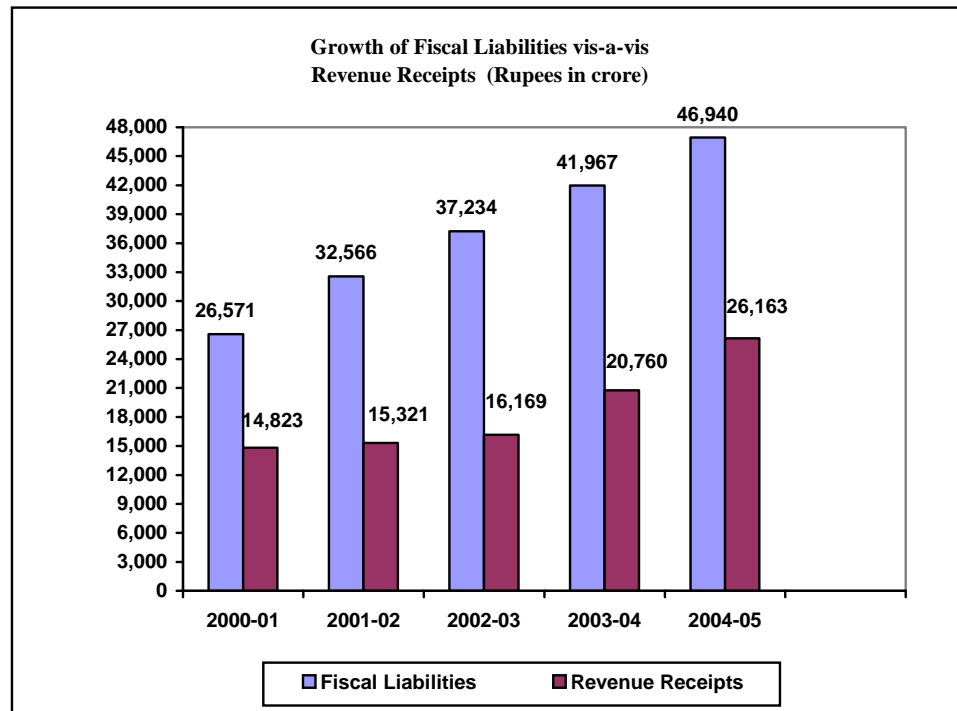
1.8.5 Fiscal liabilities

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the annual financial statements under the Consolidated Fund – Capital Account. It includes market loans, special securities issued to RBI and loans and advances from Central Government. The Constitution of India provides that the State may borrow within the territory of India upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of the Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account include deposits under small savings scheme, provident funds, and other deposits.

Table 20 and the graph below show the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources.

Table 20: Fiscal liabilities – Basic parameters(Amount-Rupees in crore, Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities	26,571	32,566	37,234	41,967	46,940
Rate of growth	19.2	22.6	14.3	12.7	11.8
Ratio of Fiscal Liabilities to					
GSDP	25.4	29.9	31.0	31.7	31.7
Revenue Receipts	179.3	212.6	230.3	202.1	179.4
Own Resources	248.3	297.5	317.7	270.3	233.1
Buoyancy of Fiscal Liabilities to					
GSDP	1.9	5.3	1.4	1.2	1.0
Revenue Receipts	1.3	6.6	2.6	0.4	0.4
Own Resources	1.3	9.9	2.0	0.4	0.4



The fiscal liabilities of the State had been steadily increasing in the last five years and were Rs.46,940 crore in 2004-05. The ratio of fiscal liabilities to GSDP was 32 *per cent* in 2004-05. The Karnataka Fiscal Responsibility Act, 2002, which came into force from 1 April 2003, *inter-alia*, aimed to reduce it to 25 *per cent* by March 2015.

Increasing liabilities raise the issue of their sustainability. Fiscal liabilities are considered sustainable if the average rate of interest paid on these is lower than the rate of growth of GSDP. The position of fiscal liabilities in relation to weighted interest rate and GSDP growth is as detailed in Table 21.

Table 21: Debt sustainability – Interest rate and GSDP growth

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted interest rate	9.8	9.1	9.4	9.4	8.5
GSDP growth (in <i>per cent</i>)	10.1	4.3	10.1	10.4	11.7
Interest spread	0.3	(-) 4.8	0.7	1.0	3.2

GSDP growth-interest rate differential which turned positive in 2002-03, continued to be so thereafter.

1.8.6 Net availability of borrowed funds

Another important indicator of debt sustainability is the net availability of funds after payment of the principal on account of earlier contracted liabilities and interest. Table 22 below gives the position of the receipt and repayment of internal debt and loans and advances from GOI after providing for the interest and repayments.

Table 22: Net availability of borrowed funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt (excluding Ways & Means Advances and Overdraft)					
Receipts	2,295.58	2,969.48	3,888.52	6,531.33	6,953.68
Repayment (Principal + interest)	859.35	1,193.45 ^o	1,618.53 ^o	2,523.27 ^o	2,666.13 ^o
Net Fund Available	1,436.23	1,776.03	2,269.99	4,008.06	4,287.55
Net Fund Available (<i>per cent</i>)	63	60	58	61	62
Loans and Advances from Government of India (excluding Ways & Means Advance)					
Receipt	1,075.65	2,176.88	1,544.22	1,457.00	1,555.75
Repayment (Principal + Interest)	1,652.09	1,799.41	2,932.84	4,196.92 ^x	4,703.74
Net Fund Available	(-) 576.44	377.47	(-) 1,388.62	(-) 2,739.92	(-) 3,147.99
Net Fund Available (<i>Per cent</i>)	-	17	-	-	-
Total Public Debt					
Receipt	3,371.23	5,146.36	5,432.74	7,988.33	8,509.43
Repayment (Principal + Interest)	2,511.44	2,992.86	4,551.37	6,720.19	7,369.87
Net Fund Available	859.79	2,153.50	881.37	1,268.14	1,139.56
Net Fund Available (<i>per cent</i>)	26	42	16	16	13

^o Includes interest paid on Ways and Means Advances/Overdrafts availed from RBI amounting to Rs.18 lakh, Rs.4.14 crore, Rs.8.85 crore and Rs.1.20 crore during, 2001-02, 2002-03, 2003-04 and 2004-05 respectively.

^x Includes Rs.24.14 crore of interest paid on Ways & Means Advances availed of from GOI.

During the year, the State raised loan of Rs.8,509.43 crore which was around seven *per cent* more than the loan raised in the previous year but the net availability of funds was reduced from 16 to 13 *per cent*, as market loans aggregating Rs.1,088 crore were raised exclusively for repayment of high cost loans under Debt-Swap Scheme.

1.8.7 Off-budget borrowings

In addition to the liabilities shown in Table 20 (Paragraph 1.8.5), the State guaranteed loans availed of by Government companies/corporations, which at the end of 2004-05 stood at Rs.8,661 crore. These companies/ corporations borrowed funds from the market/financial institutions for implementation of

various State plan programmes projected outside the State budget. Although the estimates of the plan programmes of the State Government project that funds for these programmes would be met out of resources of the companies/corporations outside the State budget, in reality the borrowings of many of these concerns were ultimately the committed liabilities of the State Government termed 'off-budget borrowings'.

During 2004-05, the projected size of the State plan was Rs.12,322.92 crore, of which Rs.8,215.44 crore was met by resources from the State budget and the balance of Rs.4,107.48 crore was to be met from the resources of certain companies/corporations. In fact the volume of off-budget borrowings during the year was Rs.1,171.70 crore as detailed in the Table 23.

Table 23: Off-budget borrowings

(Rupees in crore)

Company/Corporation	Borrowings up to 2003-04	Borrowings during 2004-05	Total	Repayment of principal
Krishna Bhagya Jala Nigam	4,555.46	118.95	4,674.41	1,208.69
Karnataka Neeravari Nigam	1,259.56	308.00	1,567.56	377.83
Karnataka Road Development Corporation	385.49	168.27	553.76	28.32
Slum Clearance Board	155.93	30.12	186.05	22.24
Rajiv Gandhi Rural Housing Corporation	546.97	350.40	897.37	161.34
KEONICS (Mahithi Bonds)	-	-	-	-
Karnataka Police Housing Corporation	247.49	30.03	277.52	21.97
Karnataka Land Army Corporation	15.21	-	15.21	-
Karnataka Renewable Energy Development Limited	5.14	-	5.14	-
KEONICS	60.00	-	60.00	-
Cauvery Neeravari Nigam	257.92	165.93	423.85	-
Total	7,489.17	1,171.70	8,660.87	1,820.39

Taking into account these off-budget borrowings of the State the total liabilities as of March 2005 were Rs.53,780 crore as against Rs.46,940 crore reflected in Table 20. In view of this, their ratio to GSDP would increase to 36 per cent.

1.8.8 Guarantees given by the State Government

Guarantees are liabilities contingent on default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State was Rs.19,910 crore and outstanding guarantees at the end of 2004-05 amounted to Rs.11,574 crore. The Karnataka Ceiling on Government Guarantees Act, 1999, provides for a cap on outstanding guarantees at the end of any year to 80 per cent of the State's revenue receipts of the previous year excluding guarantees given to Krishna Bhagya Jala Nigam Limited (KBJNL). The outstanding guarantees to the end of 2004-05 excluding those given to KBJNL (Rs.3,465 crore) constituted 39 per cent of the revenue receipts for the year 2003-04.

1.9 Management of deficits

1.9.1 Fiscal imbalances

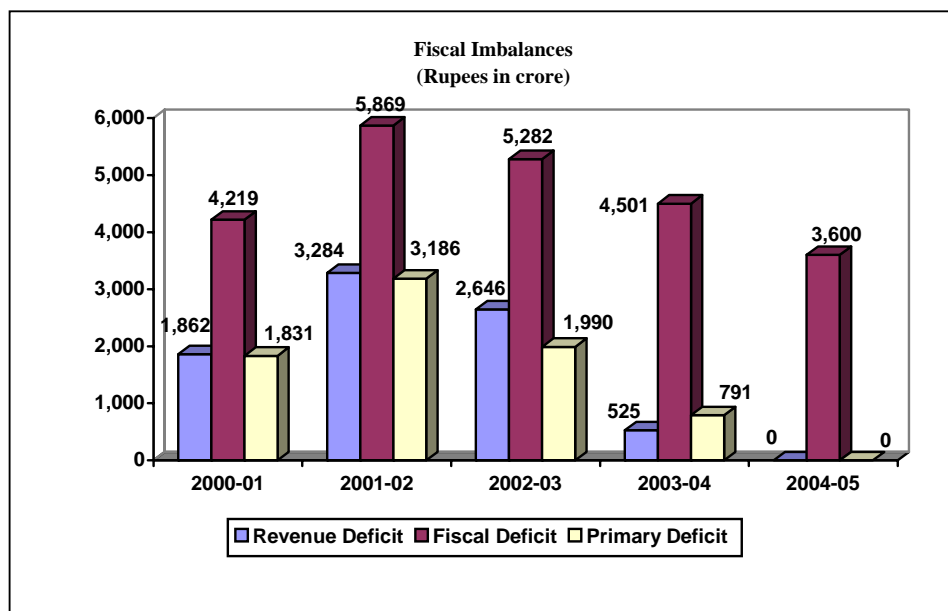
The deficits in the State Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of prudence in fiscal management by the State. Further, the ways in which deficit is financed and resources so raised are applied, are important pointers to fiscal health.

The revenue deficit (Statement 1 of Finance Accounts) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs.3,284 crore in 2001-02 to Rs.525 crore in 2003-04 and the year 2004-05 ended with revenue surplus of Rs.1,640 crore. Fiscal deficit, which represents the total borrowing of the State and its total resource gap, decreased from Rs.4,501 crore in 2003-04 to Rs.3,600 crore in 2004-05. The primary deficit of the State was wiped out during 2004-05 as indicated in Table 24 and graphic representation below.

Table 24: Fiscal imbalances – Basic parameters

(Amount-Rupees in crore, Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit (RD)	1,862	3,284	2,646	525	--
Revenue Surplus	--	--	--	--	1,640
Fiscal deficit (FD)	4,219	5,869	5,282	4,501	3,600
Primary Deficit (PD)	1,831	3,186	1,990	791	--
RD/ GSDP	1.8	3.0	2.2	0.4	--
FD/ GSDP	4.0	5.3	4.4	3.4	2.4
PD/ GSDP	1.8	2.9	1.7	0.6	--
RD/FD	44.1	56.0	50.1	11.7	--



The Revenue surplus, however, was overstated by Rs.900.38 crore due to transfer of unspent balance (Rs.887.38 crore) in Panchayat Bodies Fund under Public Account and interest (Rs.13 crore) on House Building Advances misclassified under Loans and Advances, both relating to earlier years to the Revenue Account of the current year.

1.9.2 Medium term fiscal reforms programme (MTFRP)

Incentive Grants

The EFC in its report (August 2000) laid down broad parameters of fiscal correction in the State Sector. Each State was required to draw up the Medium Term Fiscal Reforms Programme (MTFRP) to achieve the objective of zero revenue deficit. The MTFRP should form the basis of a Memorandum of Understanding (MOU) entered into between the State and the Ministry of Finance. Further, the EFC recommended an incentive fund from which grants were to be released to States based on their fiscal performance. On the basis of the recommendations of the EFC, the Government of India (GOI) created Fiscal Reforms Facility (2000-01 to 2004-05) to motivate the States to undertake MTFRP. Releases from the incentive fund will be based on a single monitorable fiscal objective. Each State would be expected to achieve a minimum improvement of five *per cent* in the revenue deficit (surplus) as a proportion of its revenue receipts each year till 2004-05, the base-year being the financial year 1999-2000.

The State Government formulated its Medium Term Fiscal Term Plan and entered into MOU with GOI in October 2001. The performance of the State with regard to the achievement of the fiscal objective is given in Table 25.

Table 25: MTFRP – Performance of the State

(Ratio in *per cent*)

Revenue Deficit (Surplus) as ratio of Revenue Receipts	1999-2000 (base-year)	2000-01	2001-02	2002-03	2003-04	2004-05
Expected	(-)18.0	(-)13.0	(-)8.0	(-)3.0	2.0	7.0
Achieved	--	(-)12.6	(-)21.4	(-)16.4	(-)2.5	6.3

The State achieved the expected improvement for the year 2000-01 and received (November 2001) incentive grant of Rs.32.29 crore. Though the State failed to achieve the targeted improvement thereafter, it got entitled to incentive grant by adhering to the agreed reforms programme and received (September 2004) Rs.184.94 crore for 2001-02 (Rs.56.17 crore), 2002-03 (Rs.60.80 crore) and 2003-04 (Rs.67.97 crore). The final instalment for 2004-05 was yet (December 2005) to be received.

Grants for upgradation of standards of administration and tackling special problems

EFC also recommended grants aggregating Rs.311.53 crore for up-gradation of standards of administration in 12 identified sectors and tackling special problems in one sector. As of March 2005, the State Government received grants aggregating Rs.256.48 crore. The balance (Rs.55.05 crore) pertaining to 11 sectors was not received due to failure of the departments to furnish the

utilisation certificates for the grants already released and certificates of completion of the works undertaken. Further, Rs.38.45 crore out of the grants released (Rs.256.48 crore) remained unutilised (March 2005), which required to be refunded to the credit of GOI. Considering the non-receipt of recommended grants (Rs.55.05 crore) together with grants unutilised (Rs.38.45 crore), the State was deprived of the benefit of 30 per cent (Rs.93.50 crore) of the recommended grants. The sector-wise details of grants recommended, released and utilised are in **Appendix 1.5**.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 26 presents a summarised position of Government finances for the period 2000-2005, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their application, highlight areas of concern and capture its important facets. The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of its resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resources mobilisation.

The ratio of developmental expenditure to total expenditure increased from 60 per cent in 2003-04 to 63 per cent in 2004-05. The ratio of capital expenditure to total expenditure was the highest at 16 per cent in 2004-05, while Revenue buoyancy decreased from 2.7 per cent in 2003-04 to 2.2 per cent in 2004-05 and the ratio of own tax to GSDP increased over the previous year.

Table 26: Ratios of fiscal efficiency (in per cent)

Fiscal Ratios	2000-01	2001-02	2002-03	2003-04	2004-05
Resource Mobilisation					
Revenue Receipts (RR)/GSDP	14.2	14.1	13.5	15.7	17.7
Revenue Buoyancy	1.5	0.8	0.5	2.7	2.2
Own Tax/GSDP	8.6	9.0	8.7	9.5	10.7
Expenditure Management					
Total Expenditure/GSDP	18.3	19.5	18.6	19.1	20.1
Revenue Receipts/ Total Expenditure	77.4	72.2	72.2	82.0	87.8
RE/Total Expenditure	87.2	87.7	84.1	84.0	82.3
Capital Expenditure (CE)	10.5	10.2	13.5	12.5	16.0
Developmental Expenditure/Total Expenditure (RE+CE)	66.7	67.0	64.3	59.7	63.0
Buoyancy of TE with RR	0.7	3.2	1.0	0.5	0.7
Buoyancy of RE with RR	0.6	3.4	0.2	0.5	0.6

Management of Fiscal Imbalances					
Revenue deficit (-)/surplus (+) (Rs. in crore)	(-) 1,862	(-) 3,284	(-) 2,646	(-) 525	1,640
Fiscal deficit (Rs. in crore)	4,219	5,869	5,282	4,501	3,600
Primary Deficit (Rs. in crore)	1,831	3,186	1,990	791	-
Revenue Deficit/Fiscal Deficit	44.1	56.0	50.1	11.7	-
Management of Fiscal Liabilities					
Fiscal Liabilities (FL)/GSDP	25.4	29.9	31.0	31.7	31.7
Fiscal Liabilities/RR	179.3	212.6	230.3	202.1	179.4
Buoyancy of FL with RR	1.3	6.6	2.6	0.4	0.4
Buoyancy of FL with Own Resources	1.3	9.9	2.0	0.4	0.4
Interest Spread	0.3	(-) 4.8	0.7	1.0	3.2
Net Fund Available (%)	26	42	16	16	13
Other Fiscal Health Indicators					
Return on Investment (Rs. in crore)	8.9	10.6	21.3	18.0	16.7
BCR (Rs. in crore)	319	(-) 879	(-) 645	1,571	4,881
Financial Assets/Liabilities	0.8	0.7	0.7	0.7	0.8

1.11 Conclusion

The BCR was positive during 2004-05 indicating availability of resources from current revenue for meeting plan expenditure. Fiscal deficit declined during the year and there was a revenue surplus of Rs.1,640 crore which was, however, partly due to transfer of unspent balances of earlier years lying in Public Account to Revenue Account. The State's return from investments continued to be low and this is indicative of implicit subsidy and use of high cost borrowings for investments, which yield very little. Though the loans raised by the State was seven *per cent* more than the borrowings in the previous year, the availability of borrowed funds was as low as 13 *per cent* as part of the borrowings was used for repayment of high cost loans under Debt-Swap Scheme. The State Government tried to circumvent its budget constraints by borrowings through special purpose vehicles. The ratio of fiscal liabilities to GSDP was 32 *per cent* during the year, which would increase to 36 *per cent* taking into account the off-budget borrowings. Measures like generation of additional internal resources through tax and non-tax revenue, realisation of arrears of revenue and curtailment of non-developmental expenditure through abolition of subsidies, pension reforms, *etc.*, are the best means available for the State to ensure fiscal stability and sustainability.

STATEMENT-I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF
KARNATAKA AS ON 31 MARCH 2005

(Rupees in crore)

As on 31.3.2004	Liabilities		As on 31.3.2005
19,833.32		Internal Debt	26,165.18
	9,644.88	Market Loans bearing interest	11,762.00
	8.48	Market Loans not bearing interest	7.49
	782.45	Loans from Life Insurance Corporation of India	747.67
	1,228.16	Loans from other Institutions	1,092.41
	8,169.35	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	12,555.61
10,882.90		Loans and Advances from Central Government -	9,031.06
	87.10	Pre 1984-85 Loans	50.19
	1,134.05	Non-Plan Loans	482.62
	9,465.57	Loans for State Plan Schemes	8,290.62
	47.69	Loans for Central Plan Schemes	43.94
	148.49	Loans for Centrally Sponsored Plan Schemes	163.69
39.48		Contingency Fund	41.09
5,884.29		Small Savings, Provident Funds, etc.	6,469.68
3,384.12		Deposits	2,826.94
2,003.47		Reserve Funds	2,468.54
829.23		Suspense and Miscellaneous balances	1,020.11
--		Shortfall with Reserve Bank Deposit	--
1.72		Remittances in transit [◇]	0.69
42,858.53		Total	48,023.29*
		Assets	
25,464.22		Gross Capital Outlay on Fixed Assets -	30,137.91
	7,982.83	Investments in shares of Companies, Corporations, etc.	10,740.04
	17,481.39	Other Capital Outlay	19,397.87
5,202.95		Loans and Advances -	5,769.77
	1,091.41	Loans for Power Projects	1,239.18
	4,015.13	Other Development Loans	4,408.26
	96.41	Loans to Government servants and Miscellaneous Loans	122.33
9.62		Other Advances	14.25
144.24		Remittance balances	35.51
337.20		Cash -	2,079.79
	1.40	Cash in treasuries	0.85
	5.04	Departmental Cash Balance including permanent Advances	5.28
	13.22	Deposits with Reserve Bank of India	22.40
	296.11	Cash Balance Investments	2,029.83
	21.43	Investment from earmarked funds	21.43
11,700.30		Deficit on Government Accounts -	9,986.06
	11,792.33	Accumulated Deficit up to March 2004	11,700.30
	--	Deduct Revenue Surplus of 2004-05	1,640.06
	92.03	Deduct Other adjustments	74.18
42,858.53		Total	48,023.29

◇ This reflects an adjusting entry on account of remittances between Treasuries and Currency chest remaining unadjusted as on 31 March 2005

* The liabilities shown above do not include off budget borrowings and guarantees extended by the Government which are discussed separately in Paragraphs 1.8.7 and 1.8.8

STATEMENT-II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-2005

(Rupees in crore)

2003-04	Receipts		2004-05	2003-04	Disbursements			2004-05	
						Non-plan	Plan	Total	
	Section-A: Revenue								
20759.88	I	Revenue receipts	26162.91	21284.71	I	Revenue expenditure		24522.85	
12570.21	(i)	-Tax revenue 15769.13		9039.13		General services	9897.50	2.74	9900.24
						Social Services-			
2958.37	(ii)	-Non-tax revenue 4368.78		3766.02		-Education, Sports, Art and Culture	3443.94	913.97	4357.91
				958.93		-Health and Family Welfare	704.02	331.59	1035.61
3244.73	(iii)	-State's share of Union Taxes & Duties 3878.44		794.22		-Water Supply, Sanitation, Housing and Urban Development	50.33	807.56	857.89
				22.74		-Information and Broadcasting	24.94	1.51	26.45
529.85	(iv)	-Non-Plan grants 262.73		407.60		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	245.10	289.82	534.92
				64.10		-Labour and Labour Welfare	41.04	27.20	68.24
795.58	(v)	-Grants for State Plan Schemes 1088.79		926.58		-Social Welfare and Nutrition	544.20	241.46	785.66
				24.85		-Others	45.97	10.10	56.07
661.14	(vi)	-Grants for Central and Centrally Sponsored Schemes 795.04		6965.04		Total	5099.54	2623.21	7722.75
						Economic Services-			
				1348.92		-Agriculture and Allied Activities	1340.39	724.52	2064.91
				455.07		-Rural Development	131.94	564.92	696.86
				19.52		-Special Areas Programmes	0.10	46.63	46.73
				179.06		-Irrigation and Flood Control	182.87	31.04	213.91
				1733.05		-Energy	1316.76	170.95	1487.71
				230.56		-Industry and Minerals	228.87	86.39	315.26
				311.43		-Transport	328.78	288.82	617.60
				12.31		-Science, Technology and Environment	--	8.86	8.86
				361.78		-General Economic Services	73.14	576.54	649.68
				4651.70		Total	3602.85	2498.67	6101.52
				628.84		-Grants-in-aid and Contributions	798.34	-	798.34
					II	Revenue surplus carried over to Section-B	--		1640.06
524.83	II	Revenue deficit carried over to Section B	--						
21284.71		Total	26162.91	21284.71	Total	19398.23	5124.62		26162.91
		Section-B - Others		--					
482.66	III	Opening Cash balance including Permanent Advances and Cash Balance Investments & investments from earmarked funds.	335.48						
Nil	IV	Miscellaneous Capital receipts	Nil	3029.39	III	Capital Outlay-	87.80	4585.88	4673.68 [●]
				128.43		General Services-	--	136.21	136.21
				5.31		Social Services-			
				36.77		-Education, Sports, Art and Culture	0.20	4.72	4.92
						-Health and Family Welfare	-	8.30	8.30
				288.81		-Water Supply, Sanitation, Housing and Urban Development	-	411.38	411.38
				1.11		-Information and Broadcasting	-	0.66	0.66
						-Welfare of Scheduled Castes,	---	55.29	55.29

2003-04	Receipts	2004-05	2003- 04	Disbursements	Non-plan	Plan	Total	2004-05
			88.35	Scheduled Tribes and Other Backward Classes				
			6.82	-Social Welfare and Nutrition	--	5.46	5.46	
			0.04	-Other Social Services	--	0.03	0.03	
			427.21	Total	0.20	485.84	486.04	
				Economic Services-				
			7.45	-Agriculture and Allied Activities	(-)0.97	19.77	18.80	
			0.18	-Rural Development	0.93	--	0.93	
			1881.46	-Irrigation and Flood Control	7.83	3001.90	3009.73	
			3.52	-Industry and Minerals	--	8.87	8.87	
			510.21	-Transport	79.96	815.86	895.82	
			70.93	-General Economic Services	(-) 0.15	117.43	117.28	
			2473.75	TOTAL	87.60	3963.83	4051.43	
64.29	V Recoveries of Loans and Advances	44.60	1011.20	IV Loans and Advances disbursed-	128.08	483.35	--	611.43
--	-From Power Projects	--	586.80	-For Power Projects	--	147.78	147.78	
8.41	-From Government Servants	(-)6.75 ⁹	1.52	-To Government Servants	6.64	0.11	6.75	
55.88	-From others	37.85	422.88	-To Others	121.44	335.46	456.90	
			524.83	V Revenue deficit brought down				
7988.33	VI Public debt receipts-	8509.43⁹	3441.43	VI Repayment of Public Debt-				4029.40
6531.33	-Internal debt other than Ways and Means Advances and Overdraft	6953.68	780.42	-Internal debt other than Ways and Means Advances & Overdraft			621.81	
1457.00	-Loans and Advances from the Central Government	1555.75	2661.01	-Repayment of Loans and Advances to Central Government			3407.59	
--	VII Contingency Fund (recoupment)	40.52	40.52	VII Expenditure from Contingency Fund	33.15	5.76		38.91
30512.84	VIII Public Account Receipts-	36325.19	30665.27	VIII Public Account Disbursements-				35462.75
1421.73	-Small Savings and Provident funds, etc.	1521.49	862.71	-Small Savings and Provident Funds etc			936.10	
395.65	-Reserve funds	569.97	121.37	-Reserve Funds			104.91	
11308.39	-Suspense and Miscellaneous	14389.56	11531.83	-Suspense and Miscellaneous			14124.50	
2700.70	-Remittances	2632.88	2815.01	-Remittances			2524.15	
14686.37	-Deposits and Advances	17211.29	15334.35	-Deposits and Advances			17773.09	
	IX Revenue Surplus carried over from Section-A	1640.06	335.48	IX Cash Balance at end-				2079.11⁸
			(-) 0.32	-Cash in Treasuries and Local Remittances			0.17	
			13.22	-Deposits with Reserve Bank			22.40	
			5.04	-Departmental Cash Balance including Permanent Advances			5.28	
			296.11	Cash Balance Investment			2029.83	
			21.43	Investment from earmarked funds			21.43	
39048.12	Total	46895.28	39048.12	Total				46895.28

⊙ Includes expenditure of Rs.2,048.66 crore towards debt servicing obligations in respect of off-budget borrowings

⊕ During the year, the State Government availed of Rs.1,462.79 crore of ways and means advances from Reserve Bank of India and the entire amount was repaid during the year

⁸ The receipt during the year is Rs.1.21 crore and the minus figure is due to clearance of adverse balance under 'House Building Advance'

⁹ Includes remittances in transit (Rs.0.69 crore)

STATEMENT - III
SOURCES AND APPLICATIONS OF FUNDS

(Rupees in crore)

2003-04	Sources	2004-05
20,759.88	1. Revenue receipts	26,162.91
64.29	2. Recoveries of Loans and Advances	44.60
4,546.90	3. Increase in Public debt	4,480.03
(-)152.43	4. Net receipts from Public account	862.44
559.02	Increase in Small Savings, PF, etc	585.39
(-)647.98	Net effect of Deposits and Advances	(-)561.80
274.28	Increase in Reserve funds	465.06
(-)223.44	Net effect of Suspense and Miscellaneous transactions	265.06
(-)114.31	Net effect of Remittance transaction	108.73
147.18	5. Closing Cash Balance (Decrease)	--
	6. Net effect of Contingency Fund Transaction	1.61
25,365.82	Total	31,551.59
Applications		
21,284.71	1. Revenue expenditure	24,522.85
1,011.20	2. Lending for development and other purposes	611.43
3,029.39	3. Capital expenditure (Net)	4,673.68
40.52	4. Increase in cash Balance	1,743.63
25,365.82	Total	31,551.59

Explanatory Notes for Statement I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Statement I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs.1,182.66 lakh (credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". A net difference of Rs.353.25 lakh (credit) had since been reconciled and adjusted. The remaining difference of Rs.829.41 lakh (credit) is under reconciliation.

**STATEMENT - IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES**

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
PART A – RECEIPTS					
1. Revenue Receipts	14,823	15,321	16,169	20,760	26,163
(i) Tax Revenue	9,043 (61)	9,853 (64)	10,440(65)	12,570 (61)	15,769(60)
Taxes on Agricultural Income	24 (-)	3 (-)	1 (-)	1 (-)	2
Taxes on Sales, Trade, etc.	5,386 (60)	5,269 (53)	5,474 (52)	6,649 (53)	8,700(55)
State Excise	1,523 (17)	1,977 (20)	2,094 (20)	2,334 (19)	2,806(18)
Taxes on vehicles	502 (6)	712 (7)	676 (6)	800 (6)	983(6)
Stamps and Registration fees	638 (7)	855 (9)	1,115 (11)	1,356 (11)	1,760(11)
Land Revenue	43 (-)	50 (1)	60 (1)	68 (-)	118(1)
Other Taxes	927 (10)	987 (10)	1,020 (10)	1,362 (11)	1,400(9)
(ii) Non Tax Revenue	1,660 (11)	1,094 (7)	1,278 (8)	2,958 (14)	4,369(17)
(iii) State's share in Union taxes and duties	2,574 (17)	2,623 (17)	2,786 (17)	3,245 (15)	3,878(15)
(iv) Grants in aid from Government of India	1,546 (11)	1,751 (12)	1,665 (10)	1,987 (10)	2,147(8)
2. Miscellaneous Capital Receipts (non debt)	Nil	Nil	Nil	Nil	Nil
3. Total revenue & Non debt capital receipts (1+2)	14,823	15,321	16,169	20,760	26,163
4. Recoveries of Loans and Advances	101	35	928	64	45
5. Public Debt Receipts	3,371	5,146	5,433	7,988	8,509
Internal Debt (excluding Ways & Means Advances and Overdrafts)	2,295 (68)	2,969 (58)	3,889 (72)	6,531 (82)	6,953(82)
Loans & Advances from Government of India *	1,076 (32)	2,177 (42)	1,544 (28)	1,457 (18)	1,556(18)
6. Total receipts in the Consolidated Fund (3+4+5)	18,295	20,502	22,530	28,812	34,717
7. Contingency Fund Receipts	15	54	8	--	41
8. Public Account Receipts	24,797	28,502	27,879	30,513	36,325
9. Total receipts of the State (6+7+8)	43,107	49,058	50,417	59,325	71,083
PART B - EXPENDITURE/DISBURSEMENT					
10. Revenue expenditure	16,685	18,605	18,815	21,285	24,523
Plan	3,481 (21)	3,943 (21)	3,245 (17)	3,553 (17)	5,125(21)
Non Plan	13,204 (79)	14,662 (79)	15,570 (83)	17,732 (83)	19,398(79)
General Services (incl. Interest Payments)	5,634 (34)	6,215 (33)	7,112 (38)	9,039 (42)	9,900(40)
Social Services	6,132 (37)	6,429 (35)	6,326 (34)	6,965 (33)	7,723(32)
Economic Services	4,388 (26)	5,397 (29)	4,803 (25)	4,652 (22)	6,102(25)
Grants in aid and Contributions	531 (3)	564 (3)	574 (3)	629 (3)	798(3)
11. Capital Expenditure	1,947	2,106	2,936	3,029	4,674
Plan	1,705 (88)	1,899 (90)	2,734 (93)	2,930 (97)	4,586(98)
Non Plan	242 (12)	207 (10)	202 (7)	99 (3)	88(2)
General Services	48 (3)	52 (2)	76 (3)	128 (4)	136(3)
Social Services	299 (15)	212 (10)	295 (10)	427 (14)	486(10)
Economic Services	1,600 (82)	1,842 (88)	2,565 (87)	2,474 (82)	4,052(87)
12. Disbursement of Loans and Advances	511	514	628	1,011	611
13. Total (10+11+12)	19,143	21,225	22,379	25,325	29,808
14. Repayments of Public Debt	521	712	1,696	3,441	4,029
Internal Debt (excluding Ways & Means Advances and Overdrafts)	101 (19)	231 (32)	287 (17)	780 (23)	622(15)
Net transactions under Ways & Means Advances and Overdraft	-	-	-	--	--
Loans and Advances from Government of India *	420 (81)	481 (68)	1,409 (83)	2,661 (77)	3,407(85)
15. Appropriation to Contingency Fund	-	-	-	--	--
16. Total disbursement out of Consolidated Fund (13+14+15)	19,664	21,937	24,075	28,766	33,837
17. Contingency Fund disbursements	53	8	-	41	39
18. Public Account disbursements	23,260	27,107	26,825	30,665	35,463
19. Total disbursement by the State (16+17+18)	42,977	49,052	50,900	59,472	69,339
PART C - DEFICIT/SURPLUS					
20. Revenue Deficit (1-10)	1,862	3,284	2,646	525	
Revenue Surplus (10-1)	--				1640
21. Fiscal Deficit (3+4-13)	4,219	5,869	5,282	4,501	3,600
22. Primary Deficit (21-23)	1,831	3,186	1,990	791	
Primary Surplus (23-21)					194
PART D - OTHER DATA					
23. Interest Payments (included in revenue expenditure)	2,388	2,683	3,292	3,710	3,794
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	1,894 (18)	2,634 (24)	3,390 (29)	3,104 (20)	3604(14)
25. Financial Assistance to local bodies, etc.	6,451	7,429	7,635	7,780	7,897
26. Ways and Means Advances/Overdraft availed (days)	-	40	171	196	61
27. Interest on WMA/Overdraft	-	0.91	5.23	8.85	1.20

	2000-01	2001-02	2002-03	2003-04	2004-05
28. Gross State Domestic Product (GSDP)	♣1,04,541	♣1,09,016	@1,20,062	Φ1,32,498	⊕1,47,956
29. Outstanding Debt (year end)	26,571	32,566	37,234	41,967	46,940
30. Outstanding Guarantees (year end)	13,004	12,279	13,314	14,179	11,574
31. Maximum amount Guaranteed (year end)	16,425	20,823	20,973	21,225	19,910
32. Number of incomplete projects (as per material in Finance Accounts)	97	103	35	70	238
33. Capital blocked in incomplete projects	3,295	4,814	6,141	8813	♦9,496

Note: Figures in brackets represent percentages (rounded) to total of each sub heading

* - Excludes Ways and Means Advances from GOI

♣ - Figures revised by Government

@ - Provisional

Φ - Quick estimates

⊕ - GSDP figures for 2004-05 have been adopted as in overview of budget for 2005-06.

♦ - This includes Rs.9,435 crore invested in Upper Krishna Project now executed by KBJNL, a Government Undertaking

