

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In Summary

Large Revenue and Fiscal Deficits year after year indicate continued macro imbalances in the State. In Karnataka, both Revenue and Fiscal Deficits have declined in 2002-03 (current year for the purpose of this Report). This was mainly due to curtailment of Plan revenue expenditure. In fact the Balance from Current Revenue (BCR), which was positive during 2000-01, became negative during 2001-03. A negative BCR adversely affects the plan size and reduces the availability of resources for infrastructure. The ratio of Revenue Receipts to total expenditure averaged 74.78 *per cent* in 1998-2003. Revenue of the State consists mainly of its own taxes and non-tax revenue, central tax transfers and grants-in-aid from Government of India. Overall Revenue Receipts increased from Rs.11,230 crore in 1998-99 to Rs.16,169 crore in 2002-03 at an average trend rate of 9.50 *per cent* per annum. There were, however, significant inter year variations in growth rates. During the current year, Revenue Receipts grew by 5.53 *per cent*. This was due to 5.95 *per cent* increase in tax revenue, 16.82 *per cent* increase in non-tax revenue and an increase of 6.21 *per cent* in State's share in Union Taxes and Duties. Arrears of revenue were high at Rs.3,390 crore and represented 29 *per cent* of tax and non-tax Revenue Receipts. On an average, around 72.70 *per cent* of the revenue came from the State's own resources, while the central tax transfers and grants-in-aid together contributed merely 27.30 *per cent* of the total Revenue Receipts.

Overall expenditure of the State increased from Rs.14,480 crore in 1998-99 to Rs.22,379 crore in 2002-03 at an average trend rate of 12.89 *per cent* per annum. The rate of growth peaked at 19.66 *per cent* in 1999-2000 and declined thereafter to 5.44 *per cent* in 2002-03. In fact, the major burden of a curtailment in the growth of total expenditure has been borne by a decline in the proportion of development expenditure to total expenditure. The proportion of development expenditure declined from 64.16 *per cent* in 1998-99 to 57.93 *per cent* in 2002-03. Revenue Expenditure, which constituted 86.49 *per cent* of total expenditure, grew at a trend rate of 12.21 *per cent* over the period with a growth of 1.13 *per cent* in 2002-03. Interest payment increased by 104 *per cent* from Rs.1,617 crore in 1998-99 to Rs.3,292 crore in 2002-03 primarily due to continued reliance on borrowings for financing the deficit. In fact, the ratio of fiscal liabilities to Gross State Domestic Product (GSDP) crossed 30 *per cent* during the year and would increase further once off-budget borrowings are accounted for.

The State passed 'The Karnataka Fiscal Responsibility Act, 2002', which came into being from 1 April 2003 which provides for the responsibility of the State Government to ensure fiscal stability and sustainability through limits on State Government borrowings, debt and deficits, greater transparency in fiscal operations of the State Government and use of a medium term fiscal frame work. Though, it is not uncommon for a state to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP together with a large revenue deficit could lead the State's finances into a debt trap. As generation of additional internal resources, realisation of arrears in revenue and curtailment of non-development expenditure are the best means available, 'The Karnataka Fiscal Responsibility Act, 2002', is a step in the right direction.

1.1 Introduction

The Finance Accounts of the Government of Karnataka are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital in the Consolidated Fund, Contingency Fund and the Public Account of the State Government (*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, contingency fund and public account.

Statement No.2 gives the summarised position of capital outlay outside Revenue account showing progressive expenditure to the end of 2002-03.

Statement No.3 gives financial results of 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 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 Government 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 2003.

Statement No.9 shows the revenue and expenditure under different heads for the year 2002-03 as a percentage 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 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 2002-03.

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 2002-03.

Statement No.15 depicts the capital and other expenditure to the end of 2002-03 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 Government.

Statement No.18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year, the balance as on 31 March 2003, 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 State Government during the current year compared to previous year were as under:

(Rupees in crore)

2001-02	Sl. No	Major Aggregates	2002-03
15,321	1.	Revenue Receipts (2+3+4)	16,169
9,853	2.	Tax Revenue	10,440
1,094	3.	Non-Tax Revenue	1,278
4,374	4.	Other Receipts	4,451
35	5.	Non-Debt Capital Receipts	928
35	6.	<i>Of which</i> Recovery of Loans	928
15,356	7.	Total Receipts (1+5)	17,097
14,981	8.	Non-Plan Expenditure (9+11+12)	16,010
14,662	9.	On Revenue Account	15,570
2,683	10.	Interest Payments	3,292
207	11.	On Capital Account	202
112	12.	Loans disbursed	238
6,244	13.	Plan Expenditure (14+15+16)	6,369
3,943	14.	On Revenue Account	3,245
1,899	15.	On Capital Account	2,734
402	16.	Loans disbursed	390
21,225	17.	Total Expenditure (8+13)	22,379
5,869	18.	Fiscal Deficit (17-7)	5,282
3,284	19.	Revenue Deficit (9+14-1)	2,646
3,186	20.	Primary Deficit(+)/Surplus(-) (18-10)	1,990

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Karnataka for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements, Contingency Fund transaction and public accounts receipts and disbursements as emerging from various statements of Finance Accounts.

Table 1: Summary of receipts and disbursements for the year 2002-03

(Rupees in crore)

2001-02	Receipts	2002-03	2001-02	Disbursements	2002-03		
Section-A: Revenue							
					Non-Plan	Plan	Total
15,321.25	I. Revenue receipts	16,168.76	18,605.70	I. Revenue expenditure	15,569.48	3,245.02	18,814.50
9,853.27	Tax revenue	10,439.71	6,215.31	General Services	7,097.18	14.94	7,112.12
1,093.42	Non-tax revenue	1,277.67	6,428.81	Social Services	4,495.61	1,830.64	6,326.25
2,623.38	Share of Union Taxes and Duties	2,786.20	5,397.78	Economic Services	3,402.98	1,399.44	4,802.42
1,751.18	Grants from Govt. of India	1,665.18	563.80	Grants-in-aid / Contributions	573.71	--	573.71
Section-B: Capital							
--	II Misc. Capital Receipts	--	2,105.67	II Capital Outlay	202.44	2,733.56	2,936.00
34.70	III. Recoveries of Loans and Advances	928.00	514.47	III Loans and Advances disbursed	237.43	390.15	627.58
5,146.36	IV Public debt receipts*	5,432.74	711.77	IV Repayment of Public Debt	1,695.95	--	1,695.95
53.49	V Contingency Fund (recoupment)	7.89	7.89	V Contingency Fund	--	--	--
28,501.77	VI Public account receipts	2,7879.38	27,107.24	VI Public account disbursements	--	--	26,824.79
959.88	Opening Cash Balance	964.71	964.71	Closing Cash Balance	--	--	482.66
50,017.45	Total	51,381.48	50,017.45	Total	17,705.30	6,368.73	51,381.48

* includes net ways and means advances

1.4 Audit Methodology

Audit observations on the accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2002-03, wherever necessary, show these in the light of time series data 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) Applications 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 relational interpretation of fiscal aggregates.

In addition, the 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 revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts are comprised of miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks etc. and loans and advances from Government of India as well as accruals from Public Account.

Table 2 shows that the total receipts of the State Government for the year 2002-03 were Rs.50,409 crore, of which the revenue receipts were Rs.16,169 crore only, constituting about 32 *per cent* of the total receipts. The balance of receipts came from Public Account receipts (55 *per cent*) and borrowings (11 *per cent*).

Table 2 – Resources of Karnataka

		(Rupees in crore)
I Revenue Receipts		16,168.76
II Capital Receipts		6,360.74
a	Miscellaneous Receipts	--
b	Recovery of Loans and Advances	928.00
c	Public Debt Receipts	5,432.74
III Public Account Receipts		27,879.38
a	Small Savings, Provident Fund etc.	1,398.96
b	Reserve Fund	338.39
c	Deposits and Advances	13,428.25
d	Suspense and Miscellaneous	10,605.99
e	Remittances	2,107.79
Total Receipts		50,408.88

1.5.2 Budget analysis

The actuals of Revenue/Capital receipt/expenditure compared with the estimates are given in the table below:

(Rupees in crore)				
Sl.No.	A – Revenue Account	Budget estimates	Actuals	Variation Increase (+) Decrease (-)
I	Receipts			
	Tax Revenue	11,887.05	10,439.71	(-) 1,447.34
	Non-tax Revenue	1,665.98	1,277.67	(-) 388.31
	State's share of Union Taxes and Duties	2,925.00	2,786.20	(-) 138.80
	Grants-in-aid from Central Government	2,320.42	1,665.18	(-) 655.24
	Total A-I	18,798.45	16,168.76	(-)2,629.69
II	Expenditure			
	General Services	7,774.58	7,112.12	(-) 662.46
	Social Services	6,827.16	6,326.25	(-) 500.91
	Economic Services	6,127.82	4,802.42	(-) 1,325.40
	Grants-in-aid and Contributions	674.08	573.71	(-) 100.37
	Total A-II	21,403.64	1,8814.50	(-) 2,589.14
	A – Revenue Account Deficit	2,605.19	2645.74	(+) 40.55
	B – Capital Account – Receipts and Disbursements			
	Internal Debt (Net)	3,155.70	3,601.76	(+) 446.06
	Loans and Advances from Government of India (Net)	1,843.10	135.03	(-) 1,708.07
	Recoveries of loans and advances (Net)	(-) 204.88	300.42	(+) 95.54
	Public Account (Net)	785.00	1,054.59	(+) 269.59
	Capital outlay (Net)	3,029.01	2,936.00	(-) 93.01

It can be seen from the table that there was a shortfall in revenue receipts by 14 per cent (Rs.2,629.69 crore) as compared to the estimates. The Government managed to control the growth in revenue expenditure which was 12 per cent less than that estimated (Rs.2,589.14 crore). This resulted in revenue deficit being very near to the estimated figure.

There was a shortfall in realisation of revenue receipts under all the components viz. Tax revenue (12 per cent), Non-tax revenue (23 per cent), State's share of Union taxes and duties (5 per cent) and Grants-in-aid from Central Government (28 per cent). Similarly, shortfall against estimates of revenue expenditure was noticed under all the sectors, the shortfall under Economic Services (22 per cent) was maximum.

The outlay on capital expenditure was Rs.2,936 crore which was short of the estimate by Rs.93 crore.

On capital account, the borrowings, accounted for under Internal debt of the State Government, were higher by 14 *per cent* (Rs.446.06 crore) against the estimates. This was on account of the inability of the State Government to draw the third tranche of the Karnataka Economic Re-structuring Loan of about Rs.1,200 crore. Under loans and advances, the recovery of past loans was more than the disbursements. This was on account of receipts from Karnataka Power Corporation Limited (Rs.878.35 crore). Under Public Account, the variation was mainly on account of more accretions under small savings and provident fund, though the actual contribution was less by 12 *per cent* (Rs.78 crore).

It was admitted that despite constraints in revenue mobilisation, the Government have been able to contain the deficit due to containing its expenditure.

1.5.3 Revenue receipts

Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own taxes and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

Table 3: Revenue Receipts – Basic Parameters

(Values in Rupees crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Receipts	11,230	12,906	14,823	15,321	16,169	14,090
Own taxes	61.83	60.00	61.01	64.31	64.57	62.34
Non-Tax Revenue	13.09	12.48	11.20	7.14	7.90	10.36
Central Tax Transfers	17.13	16.53	17.36	17.12	17.23	17.08
Grants-in-aid	7.95	10.99	10.43	11.43	10.30	10.22
Rate of Growth	5.81	14.92	14.85	3.36	5.53	9.50
Revenue Receipts/GSDP	12.79	13.54	14.14	14.00	13.64	13.65
Revenue Buoyancy	0.259	1.747	1.489	0.758	0.667	0.970
GSDP Growth	22.43	8.54	9.97	4.43	8.29	9.79

Overall revenue receipts of the State increased from Rs.11,230 crore in 1998-99 to Rs.16,169 crore in 2002-03 at an average trend rate of 9.50 *per cent* per annum. The increase in tax revenue during the year over 2001-02 was mainly on Stamps and Registration fees (Rs.260 crore), Taxes on sales, trade etc (Rs.204 crore) and State excise (Rs.117 crore).

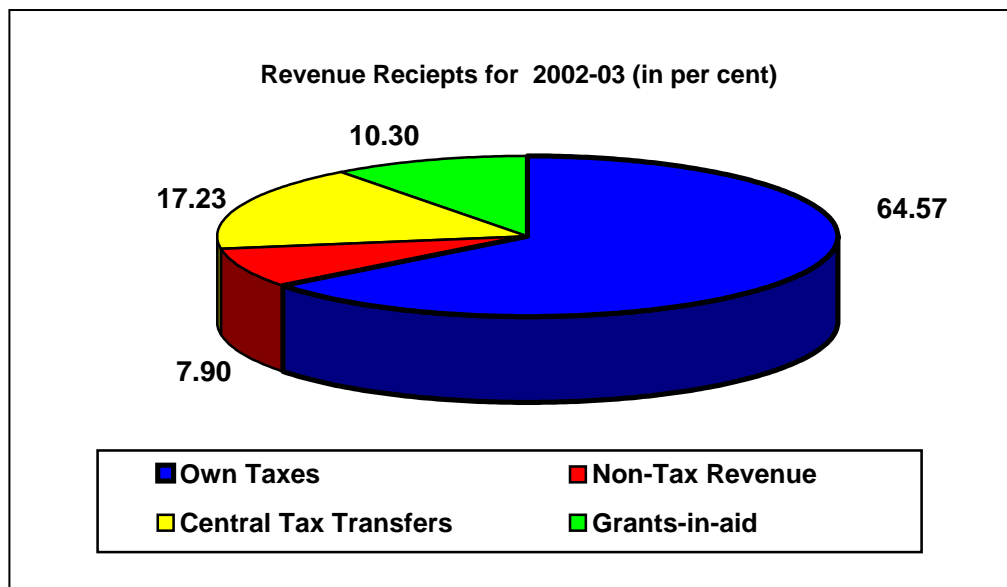
While on an average around 72.70 *per cent* of the revenue had come from the State's own resources, central tax transfers and grants-in-aid together continued to contribute merely 27.30 *per cent* of the total revenue. Taxes on sales, trade etc., were the major source of State's own tax revenue having contributed 52 *per cent* of tax revenue followed by State Excise (20 *per cent*) and Stamps and Registration Fees (11 *per cent*) etc., during the year. Of non-tax revenue, other general economic services (20 *per cent*), miscellaneous

general services (18 per cent), housing (5 per cent) and other administrative services (4 per cent) were principal contributors.

Annual growth of revenue receipts after declining to a moderate 3.36 per cent in 2001-02 increased to 5.53 per cent during the year. The revenue receipts to GSDP ratio after reaching a peak of 14.14 in 2000-01, declined to 13.64 in 2002-03 with five year average ratio being 13.65 per cent. Overall, a good average growth rate in revenue receipt and GSDP has kept the revenue buoyancy very nearly equal to one during the five year period.

Composition of the revenue receipts of the State and relative share of the four components over last five years is indicated above. The share of tax revenue to total revenue had shown an increasing trend from 2000-01 onwards and it was 64.57 per cent during 2002-03. The share of non-tax revenue in the total revenue of the State witnessed a drastic fall from 13.09 per cent in 1998-99 to 7.90 per cent during 2002-03. Though there had been an increase of revenue under State's share of Union taxes and duties up from Rs.1,924 crore in 1998-99 to Rs.2,786 crore during 2002-03, as a percentage of revenue receipts it has almost remained stagnant in all these years. Contribution of grants-in-aid declined moderately in the current year. This decline in the contribution was due to less receipts under grants for State/Union Territory plan schemes (Rs.298.14 crore), grants for central plan schemes (Rs.106.64 crore) and grants for centrally sponsored schemes (Rs.23.91 crore) while more grants were received under non-plan grants (Rs.207.81 crore).

Composition of revenue receipts during 2002-03 is indicated graphically below:



Besides, the arrears of revenues increased by 202 per cent from Rs.1,122 crore in 1998-99 to Rs.3,390 crore at the end of 2002-03. Comparing the arrears for the year 2001-02 (Rs.2,634 crore) with 2002-03 (Rs.3,390 crore), there has been an increase of 29 per cent. The arrears of revenue up to 31 March 2003 were 29 per cent of the revenue receipts (tax and non-tax) during 2002-03. Of the arrears, Rs.459 crore (14 per cent) were pending for more than five years and pertained to State excise. Mounting of arrears indicated a slackening of the revenue-realising efforts of the State Government.

The source of revenue under different heads and GSDP during 1998-2003 is indicated in Table 4.

Table 4 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1998-99	11,230	138	2,424	16,679	30,471	87,807
1999-00	12,906	145	3,173	21,662	37,886	95,310
2000-01	14,823	101	3,371	24,797	43,092	1,04,815
2001-02	15,321	35	5,146	28,502	49,004	1,09,461
2002-03	16,169	928	5,433	27,879	50,409	1,18,540

The percentage composition of revenue receipts to the total receipts went down from 37 per cent in 1998-99 to 32 per cent during the year while that under debt receipts went up from eight to 11 per cent. Public account receipts though went up from Rs.16,679 crore to Rs.27,879 crore, in terms of percentage composition they remained at 55 per cent.

1.6 Application of resources

1.6.1 Trend of growth

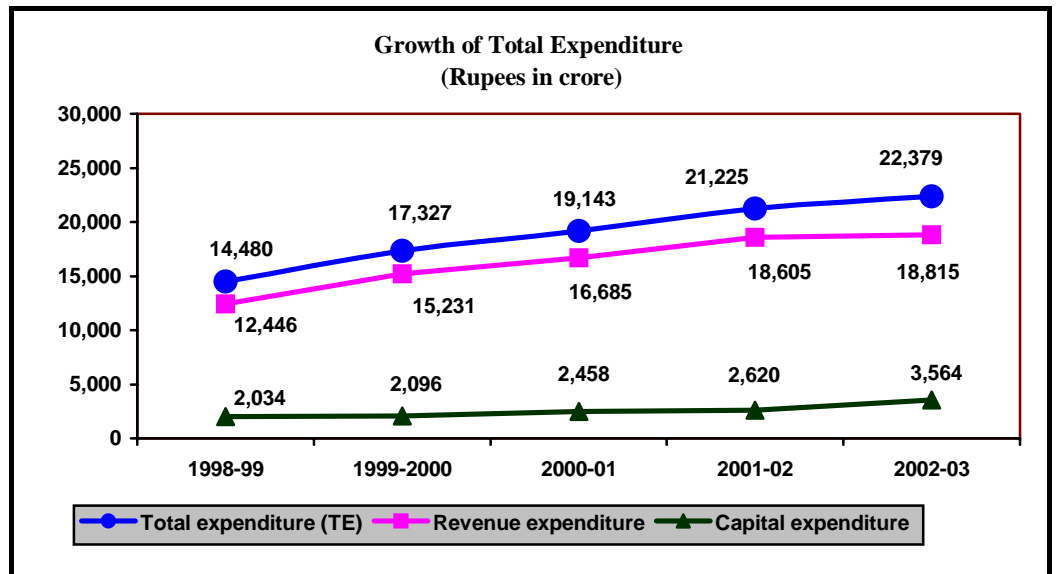
Overall expenditure of the State comprising the revenue expenditure, capital expenditure including loans and advances increased from Rs.14,480 crore in 1998-99 to Rs.22,379 crore in 2002-03, at a trend rate of 12.89 per cent per annum. The trend rate of growth of total expenditure was more than the trend rate of growth of revenue receipts during this period. There was also a decline in the rate of growth of expenditure from the peak of 19.66 per cent attained in 1999-2000 to 5.44 per cent during the current year. Total expenditure GSDP ratio continued to increase from 16.49 per cent in 1998-99 to 18.88 per cent in 2002-03 due to a relatively lower growth of the latter. There was also a decline in the percentage of revenue receipts with respect to total expenditure from 77.56 per cent in 1998-99 to 72.25 per cent in 2002-03 indicating that over two-thirds of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

Average buoyancy of the total expenditure with GSDP during 1998-2003 was 1.316 indicating that for every one percentage point increase in GSDP, expenditure increased by 1.316 per cent.

The total expenditure of the State, its trend and annual growth, ratio of expenditure to State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts is indicated in Table 5 below as also the composition of total expenditure comprising revenue expenditure and capital expenditure graphically.

Table 5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Total Expenditure (TE)	14,480	17,327	19,143	21,225	22,379	18,911
Rate of Growth	17.79	19.66	10.48	10.88	5.44	12.89
TE/GSDP	16.49	18.18	18.26	19.39	18.88	18.33
Revenue Receipts/TE	77.56	74.48	77.43	72.18	72.25	74.78
Buoyancy of Total Expenditure with						
GSDP	0.793	2.301	1.051	2.454	0.656	1.316
Revenue Receipts	3.060	1.317	0.706	3.237	0.982	1.357

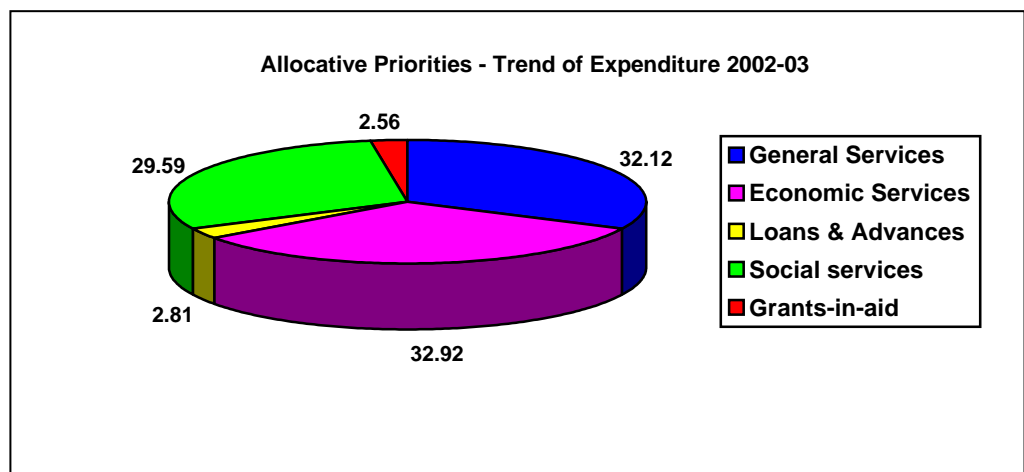


In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

Table 6: Components of expenditure – Relative Share (in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	28.74	31.07	29.69	29.53	32.12	30.23
Social Services	35.30	33.80	33.59	31.29	29.59	32.71
Economic Services	31.66	30.91	31.28	34.10	32.92	32.18
Grants-in-aid	2.30	2.39	2.77	2.66	2.56	2.53
Loans and advances	2.00	1.83	2.67	2.42	2.81	2.35

The movement of relative share of these components of expenditure indicated that while the share of social services in total expenditure declined from 35.30 per cent in 1998-99 to 29.59 per cent in 2002-03, the relative share of economic services, grants-in-aid and loans and advances increased marginally. Expenditure on general services including interest payment generalised as non-developmental, together accounted for nearly 32 per cent of total expenditure in 2002-03 as compared to about 29 per cent in 1998-99. The components of expenditure during 2002-03 is indicated graphically below:



1.6.2 Incidence of Revenue expenditure

In total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services/activities and does not represent any addition to the State's service network. Overall revenue expenditure of the State increased from Rs.12,446 crore in 1998-99 to Rs.18,815 crore in 2002-03, at an average trend rate of 12.21 *per cent* per annum. Rate of growth of revenue expenditure fluctuated sharply during the period and reached its maximum in 1999-2000 at 22.38 *per cent* and then it had declined. During 2002-03, there was a mere one *per cent* increase in expenditure due to decline in expenditure under Plan Sector as certain payments were postponed to future years. However, despite this fluctuating growth rate, revenue expenditure – GSDP ratio increased from 14.17 *per cent* in 1998-99 to 15.87 *per cent* in 2002-03. (It averaged 15.85 *per cent* during 1998-2003). However, there was a decrease in the ratio of revenue expenditure to total expenditure from 85.95 *per cent* in 1998-99 to 84.07 *per cent* in 2002-03. On an average 86.49 *per cent* of total expenditure of the State was in the nature of expenditure on current consumption. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure (RE)	12,446	15,231	16,685	18,605	18,815	16,356.40
Rate of Growth	14.29	22.38	9.55	11.51	1.13	12.21
RE/ GSDP	14.17	15.98	15.92	17.00	15.87	15.85
RE as <i>per cent</i> of TE	85.95	87.90	87.16	87.66	84.07	86.49
RE as <i>per cent</i> to Revenue Receipts	110.83	118.01	112.56	121.43	116.36	116.09
Buoyancy of Revenue Expenditure with						
GSDP	0.637	2.619	0.957	2.596	0.136	1.247
Revenue Receipts	2.458	1.499	0.643	3.425	0.204	1.285

The increase in revenue expenditure during the year was mainly due to more expenditure on interest payments (Rs.609 crore), pension and other retirement benefits (Rs.132 crore), miscellaneous general services (Rs.101 crore), relief on account of natural calamities (Rs.78 crore), general education (Rs.43 crore) and other rural development programmes (Rs.34 crore) etc.

Revenue expenditure accounted for 85.96 *per cent* of total funds available during 2002-03. This was higher than the share of revenue receipts (73.87 *per cent* in total receipts) of the State Government, which has led to revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined from peak of 121.43 *per cent* in 2001-02 to 116.36 *per cent* in 2002-03, dependence of the State on borrowings, for meeting its current expenditure continues primarily due to the fact that salaries (Rs.5,043 crore), interest payments (Rs.3,292 crore), and pensions (Rs.1,773 crore) alone consumed 63 *per cent* of total revenue receipts of the State during the year.

High salary expenditure

Salaries alone accounted for about 31 *per cent* of the revenue receipts of the State. The expenditure on salaries increased from Rs.3,907 crore in 1998-99 to Rs.5,043 crore in 2002-03 as indicated in Table 8 below:

Table 8

(Rupees in crore)

Heads	1998-99	1999-2000	2000-01	2001-02	2002-03
Salary expenditure*	3,906.51	4,575.53	4,629.97	4,974.87	5,042.64
As percentage of GSDP	4.45	4.80	4.42	4.54	4.25
As percentage of Revenue Receipts	34.79	35.45	31.24	32.47	31.19

* Includes expenditure accounted under ZP Sector also

As could be seen from the table, salaries as a percentage of GSDP had declined marginally from 4.45 in 1998-99 to 4.25 during 2002-03.

Huge expenditure on pension payments

Pension payments have increased by 82 *per cent* from Rs.972 crore in 1998-99 to Rs.1,773 crore in 2002-03.

Year-wise breakup of expenditure incurred on pension payments during the years 1998-99 to 2002-03 was as under:

Table 9

Year	Expenditure (Rupees in crore)	Percentage to total revenue receipts
1998-1999	972	8.65
1999-2000	1,539	11.92
2000-2001	1,583	10.68
2001-2002	1,641	10.71
2002-2003	1,773	10.96

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the rising pension liabilities of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

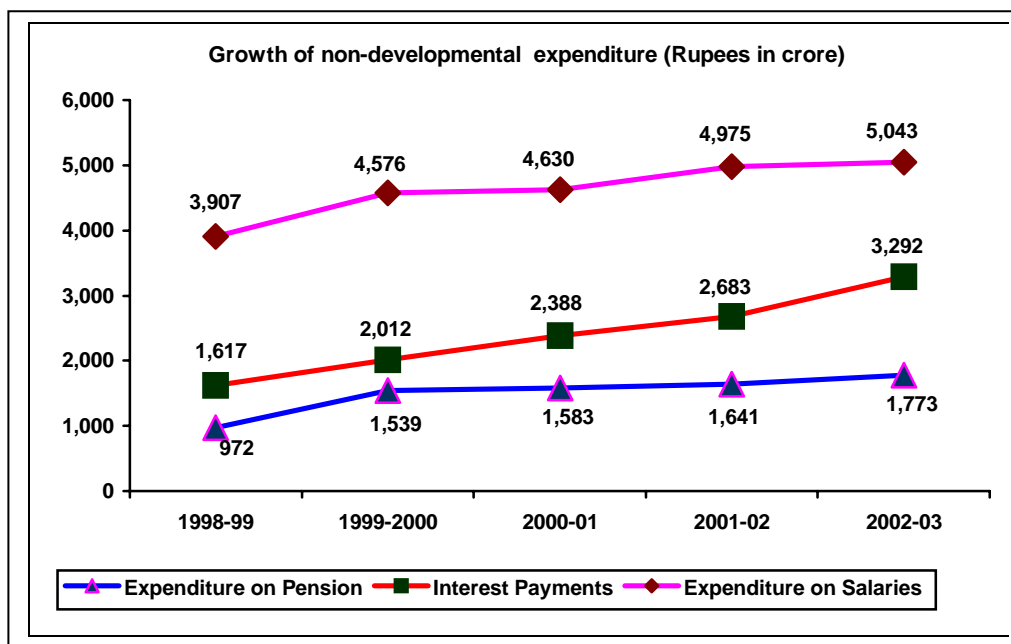
Interest payments

The Eleventh Finance Commission (August 2000) has recommended that as a medium term objective, states should endeavour to keep interest payment as a ratio to revenue receipts to 18 *per cent*. It was, however, observed that interest payments as percentage of revenue receipts ranged between 14 and 20 during the last five years, with a sharp increase of about three *per cent* during 2002-03 compared to previous year with reference to revenue receipts. In fact, interest payments now comprise more than 20 *per cent* of revenue receipts.

Table 10

Year	Interest Payment	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1998-1999	1,617	14.40	12.99
1999-2000	2,012	15.59	13.21
2000-2001	2,388	16.11	14.31
2001-2002	2,683	17.51	14.42
2002-2003	3,292	20.36	17.50

In absolute terms, Interest payments increased steadily by 104 per cent from Rs.1,617 crore in 1998-99 to Rs.3,292 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit. The increase in interest payments was mainly due to increased interest on Internal Debt (Rs.370 crore), loans received from Central Government (Rs.205 crore) and Small Savings, Provident Funds etc. (Rs.33 crore). Large interest payments, increasing year after year, due to continued reliance on borrowing for meeting the deficits crowd out the expenditure on primary education, health and social welfare schemes. A graphic representation of the progress of selected components of non-developmental expenditure is indicated below:



Subsidies by the Government

Though the finances of the State are under strain, Government has been paying subsidies to various Corporations etc. During the last five years, Government paid the subsidies under various schemes as under. The expenditure on subsidies stand accounted below Social/Economics Services Sector under revenue expenditure.

Table 11

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
1.	Power	672	771	877	2,305	1,847
2.	Food	171	291	295	206	176
3.	Transport	36	35	48	145	64
4.	Industries	18	53	69	17	25
5.	Others	89	74	225	188	118
	Total	986	1,224	1,514	2,861	2,230
1.	Percentage increase (+)/ decrease (-) over previous year	-	24	24	89	-22
2.	Percentage of subsidy to total revenue expenditure	8	8	9	15	12

During the current year, subsidies constituted 12 per cent of the revenue expenditure. The subsidy element was equal to 84 per cent of the revenue deficit of the State Government during the current year. The decrease in

subsidy during the year was mainly on account of postponing the subsidy payable under power on account of resource constraints.

1.7 Expenditure by allocative priorities

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.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan Expenditure	28.13	26.51	27.83	28.21	27.49	27.64
Capital Expenditure	12.29	10.46	10.45	10.17	13.50	11.59
Developmental Expenditure	64.16	60.93	62.35	60.27	57.93	60.86

Plan expenditure showed a relative decline from 28.13 *per cent* of total expenditure in 1998-99 to 27.49 *per cent* in 2002-03. Capital expenditure increased from 12.29 *per cent* in 1998-99 to 13.50 *per cent* in 2002-03. There was a decline in the share of developmental expenditure.

Out of the developmental expenditure (Rs.13,989 crore), social services (Rs.6,622 crore) accounted for 47 *per cent* of expenditure during the year. Education, Sports, Art and Culture, Health and Family Welfare, Water Supply, Sanitation and Housing and Urban Development consumed about four-fifths (80 *per cent*) of the expenditure on social sector.

Table 13: Social Sector Expenditure

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Education, Sports, Art and Culture	2,671 (3.04)	3,015 (3.16)	3,489 (3.33)	3,506 (3.20)	3,571 (3.01)
Health and Family Welfare	819 (0.93)	977 (1.02)	1,005 (0.96)	1,086 (0.99)	1,004 (0.85)
Water Supply, Sanitation, Housing and Urban Development	667 (0.76)	808 (0.85)	782 (0.75)	769 (0.70)	743 (0.63)
Total	4,157	4,800	5,276	5,361	5,318

Per cent to GSDP in brackets

Similarly, the expenditure on Economic Services (Rs.7,367 crore) accounted for about 53 *per cent* of the expenditure, of which, Energy (Rs.1,907 crore), Irrigation and Flood Control (Rs.2,235 crore) and Transport (Rs.819 crore) accounted for 67 *per cent* of the expenditure on Economic sector:

Table 14 Economic Sector Expenditure

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Energy	689	788	939	2,337	1,907
Irrigation and flood control	1,577	1,807	1,986	1,716	2,235
Transport	427	522	695	778	819
Total	2,693	3,117	3,620	4,831	4,961

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 Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State and 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	1998-99	1999-2000	2000-2001	2001-2002	2002-03
Panchayat Samitis and Zilla Panchayats/Municipalities	3,813.18	4,591.43	4,867.29	4,461.63	5,160.08
Educational Institutions (including Universities)	348.37	411.08	586.31	499.85	646.99
Co-operative Societies and Co-operative Institutions	7.21	10.81	5.25	3.34	5.00
Other Institutions and bodies (including statutory bodies)	714.82	833.27	992.24	2,464.01	1,863.28
Total	4,883.58	5,846.59	6,451.09	7,428.83	7,675.35
Percentage growth over previous year	13	20	10	15	3
Revenue receipts	11,230.44	12,906.45	14,822.72	15,321.25	16,168.76
Assistance as a percentage of revenue receipts	43	45	44	48	47
Revenue expenditure	12,445.61	15,231.75	16,684.95	18,605.70	18,814.50
Percentage of assistance to revenue expenditure	39	38	39	40	41
Percentage of assistance to Panchayat Raj Institutions/ Municipalities etc. to total assistance	78	79	75	60	67

A notable feature of the revenue expenditure of the State was that 38 to 41 per cent of it comprised assistance to local bodies etc., during 1998-2003. The assistance rose from Rs.4,883.58 crore in 1998-99 to Rs.7,675.35 crore in 2002-03 and the rate of growth varied between three and 20 per cent. The increase was Rs.246.52 crore during 2002-03 over 2001-02 (three per cent). Assistance to Panchayat Raj Institutions/ Municipalities accounted for 67 per cent of the total assistance during 2002-03. The salary component constituting major portion of the assistance rose from Rs.2,156.97 crore in 1998-99 to Rs.2,574.46 crore during 2002-03. The assistance to other institutions and bodies includes 'Assistance to Electricity Board' which is in the nature of subsidy (Rs.1,847 crore), discussed in detail under para 1.6.2.

Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation are to be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General (Accounts & Entitlement) (AG) within 18 months from the date of sanction of the grant unless specified otherwise.

Of 710 utilisation certificates due in respect of grants-in-aid of Rs.316.65 crore paid during 1986-87 to 2001-02, only 73 utilisation certificates for Rs.5.94 crore were furnished to AG by 30 September 2003 and 637 certificates for Rs.310.71 crore were in arrears. Department-wise and year-wise break up is given in **Appendix 1.2**.

Submission of accounts by Autonomous Bodies

The status of submission of accounts by the autonomous bodies and submission of Audit Reports thereon to the State Legislature as of November 2003 is given in **Appendix 1.3**.

Audit arrangements

The accounts of 60 bodies/authorities, which were received for the year 2001-02, attracted audit by Comptroller and Auditor General of India. Of these, 27 bodies/authorities, audit of which was due, were audited during 2002-03.

Eight hundred and five annual accounts of 213 bodies/authorities for 2002-03 and earlier years had not been received as of November 2003 by the Accountant General (Audit). The details are given in **Appendix 1.4**. Of these bodies/authorities, 275 accounts pertaining to 49 bodies/authorities did not submit their accounts for five years or more.

1.7.2 Misappropriations, defalcations, etc.

During the year 2002-03, four cases of misappropriations, embezzlements etc., involving a sum of Rs.37 lakh reported and four cases involving a sum of Rs.2 lakh were disposed off from the pending cases, during October 2002 to September 2003. Details are given in **Appendix 1.5**.

1.7.3 Write off of losses, etc.

During 2002-03, Rs.6.79 lakh representing losses due to non-recovery of audit fee, loan & share amount, shortages in stock of grains, etc., were written off in 12 cases by competent authorities as reported to audit. The relevant details were as under:

Table 16

Sr. No.	Department	Number of cases	Amount (In Rupees)
1.	Co-operation	4	14,641
2.	Food & Civil Supplies	4	2,03,679
3.	Forest	1	1,000
4.	Transport	1	64,024
5.	Collegiate Education	1	1,974
6.	Water Resources	1	3,93,420
	Total	12	6,78,738

1.8 Assets & Liabilities

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Statement-I** presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Karnataka depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving/retired State employees, guarantees/ letters of comforts issued by the State Government and borrowing through special purpose vehicles termed as 'off-budget borrowings'. Statement-I shows that while liabilities grew by 14 *per cent*, the assets increased only by eight *per cent* which indicated that a large part of liabilities are without an asset backup. Statement - IV depicts the Time Series Data on State Government Finances for the period 1998-2003.

1.8.1 Financial results of irrigation works

The financial results of six major irrigation and 18 medium irrigation projects with a capital outlay of Rs.1,408 crore at the end of March 2003 showed that revenue realised from these projects during 2002-03 (Rs.11.18 crore) was only 0.79 *per cent* of the capital outlay which was not sufficient to cover even the direct working expenses (Rs.17.14 crore)

1.8.2 Incomplete projects

According to the information made available by certain public works/irrigation divisions, as of 31 March 2003 there were 35 incomplete projects/works in which Rs.163.66 crore were blocked. The initial cost of these projects/works was estimated at Rs.84.01 crore and the revised cost in respect of 18 works was not available. This showed that the Government was spreading its resources thinly, which failed to yield any return. Details of incomplete works are available in additional statement to Finance Accounts for 2002-03.

1.8.3 Investments and returns

As on 31 March 2003, Government had invested Rs.6,150.37 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre and ranged between 0.21 to 0.35 *per cent* of investment as indicated in Table 17 below.

Table 17: Return on Investment (Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing (<i>per cent</i>)
1998-1999	3,107.19	7.72	0.25	12.15 & 12.50
1999-2000	3,565.73	12.04	0.34	11.08, 11.85 & 12.25
2000-2001	4,215.27	8.93	0.21	10.52, 10.82 & 11.57
2001-2002	4,840.34	10.57	0.22	7.8, 8, 8.3, 9.1 & 10.35
2002-2003	6,150.37	21.33	0.35	7.8, 7.9, 6.8, 6.95 & 6.75

During the year, the State Government invested Rs.1,310.03 crore in statutory corporations (Rs.0.15 crore), Government Companies (Rs.1,296.44 crore) and cooperative institutions (Rs.13.74 crore). The investment of Rs.1,296.44 crore made in Government companies contained amounts relating to discharge of liabilities in respect of certain companies[⊕] (Rs.484.78 crore) towards off-budget borrowings. These discharges are exhibited in the accounts (Statement No.13) as capital expenditure/investments, inflating capital expenditure to that extent.

1.8.4 Loans and advances by State Government

In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs.4,256.04 crore as on 31 March 2003 (Table 18). Overall, interest received against these advances declined to 0.47 *per cent* during 2002-03.

Table 18: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Opening Balance	3,342.04	3,494.74	3,666.62	4,076.69	4,556.46
Amount advanced during the year	290.40	316.59	511.30	514.47	627.58
Amount repaid during the year	137.70	144.71	101.23	34.70	928.00
Closing Balance	3,494.74	3,666.62	4,076.69	4,556.46	4,256.04*
Net Addition (+) / Reduction (-)	152.70	171.88	410.07	479.77	(-) 300.42
Interest Received (Rupees in crore)	219.33	271.07	129.42	112.11	19.98
Interest received as <i>per cent</i> to outstanding loans and advances	6.28	7.39	3.17	2.46	0.47
Average rate of interest paid by the State	12.33	11.73	10.97	8.71	7.24
Difference between interest paid and received	6.05	4.34	7.80	6.25	6.77

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

1.8.5 Commercial activities

Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the

[⊕] Karnataka State Police Housing Corporation (Rs.13.40 crore), Krishna Bhagya Jala Nigam Limited (Rs.443.33 crore), Karnataka Road Development Corporation (Rs.14.28 crore) and Rajiv Gandhi Rural Housing Corporation (Rs.13.77 crore)

results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit.

As of March 2004, there were nine such undertakings with the Government of Karnataka. Rs.1.15 crore had been invested by the State Government in four undertakings at the end of the financial year up to which their accounts were completed. The department-wise position of preparation of accounts in respect of these undertakings was as follows:

Table 19

Department	No. of undertakings under the department	Accounts not finalised (name of undertakings)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Finance	3	Karnataka Government Insurance Department, Motor Branch – 2002-03	2001-02	No Government investment
		Karnataka Government Insurance Department, Official Branch – 2001-02 and 2002-03	2000-01	
		HSLIF Branch (merged with above with effect from 1.4.93) – 1992-93	1991-92	
Commerce & Industries	6	Government Silk Filatures, Santhemara Hally – Nil	2002-03	0.22
		Government Silk Filatures, Mambally – 2002-03	2001-02	0.30
		Government Silk Filatures, Chamarajanagar - 2001-02 and 2002-03	2000-01	0.24
		Government Silk Filatures, Kollegal – Nil	2002-03	0.16
		Government Silk Twisting and Weaving Factory, Mudigundam – 1997-98 to 2002-03	1996-97	0.18
		Government Central Workshop, Madikeri – 2002-03	2001-02	0.05
Total				1.15

It would be seen that one undertaking relating to Commerce & Industries Department had not furnished their accounts for six years. Accounts of one undertaking of Commerce & Industries Department for two years, one undertaking of Finance Department for two years and two each undertakings of Finance Department and Commerce & Industries Department for one year were in arrears.

1.8.6 Management of cash balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Karnataka had the WMA limit of Rs.375 crore from 1 April 2002 and Rs.460 crore from 3 March 2003. During the year, the State has used this mechanism for 170 days as against 40 days only in the last year although it raised borrowings of Rs.1,610.57 crore from the market on five occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the OD facilities on one occasion for a day during

the year. In a nutshell, the State's cash management worsened this year compared to the previous year, indicating mismatches in its resource and expenditure management.

Table 20: Ways and Means Advances and Overdrafts of the State and Interest paid thereon (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Ways and Means Advances					
Availed in the Year	-	79.93	-	735.88	4,045.45
Outstanding	-	-	-	-	-
Interest Paid	-	0.02	-	0.91	5.22
Overdraft					
Availed in the Year	-	-	-	-	47.84
Outstanding	-	-	-	-	-
Interest Paid	-	-	-	-	0.01
Number of Days State was in Overdraft	-	-	-	-	1

Non-release of grants

During 2002-03, Government of India released Rs.47.24 crore for implementation of various central plan schemes and Rs.629.22 crore for centrally sponsored schemes as grants to the State Government. However, Rs.18.85 crore relating to central plan schemes and Rs.199.70 crore relating to centrally sponsored plan schemes were remaining in the Consolidated Fund of the State without being spent for the purpose for which it was received.

1.8.7 Undischarged Liabilities

Fiscal liabilities – public debt, public account and guarantees

The Constitution of India provides that 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 Legislature. An Act under Article 293 of the Constitution had been passed by the State Legislature (Act 11 of 1999) laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. As per the Act, the total outstanding Government guarantees as on first April of any year shall not exceed 80 per cent of the State's Revenue Receipts of the second preceding year as in the books of the Accountant General, Karnataka. This ceiling is however not applicable to additional borrowings for implementation of Upper Krishna Project as per Bachawat Award. Statement-IV (Pages 30-31) lists the amounts of guarantees given by the Government and the amount outstanding at the end of each year during 1998-2003. The maximum amount of guarantees given by the Government was Rs.20,973 crore and the amount outstanding at the end of 2002-03 was Rs.13,314 crore. (This includes the guarantee of Rs.5,703.00 crore given to Krishna Bhagya Jala Nigam Ltd. which is a committed liability of the Government as budgetary support was provided for discharge of loan and interest). The amount of outstanding guarantees increased by 66 per cent during 1998-2003. During 2002-03 an amount of Rs.2.60 crore was discharged by the Government towards the liability of Tungabhadra Sugar Works Limited on account of invocation of guarantee by State Bank of Mysore, Shimoga branch.

Table 21 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that the overall fiscal liabilities of the State increased from Rs.18,617 crore in 1998-99 to Rs.37,234 crore in 2002-03 at an average annual rate of 19.36 percent. These liabilities as ratio to GSDP increased from 21.20 *per cent* in 1998-99 to 31.40 *per cent* in 2002-03 and stood at 2.30 times of its revenue receipts and 3.17 times of its own resources comprising its own tax and non-tax revenue.

Table 21: Fiscal Imbalances–Basic Parameters (Rupees in crore and Ratios in *per cent*)

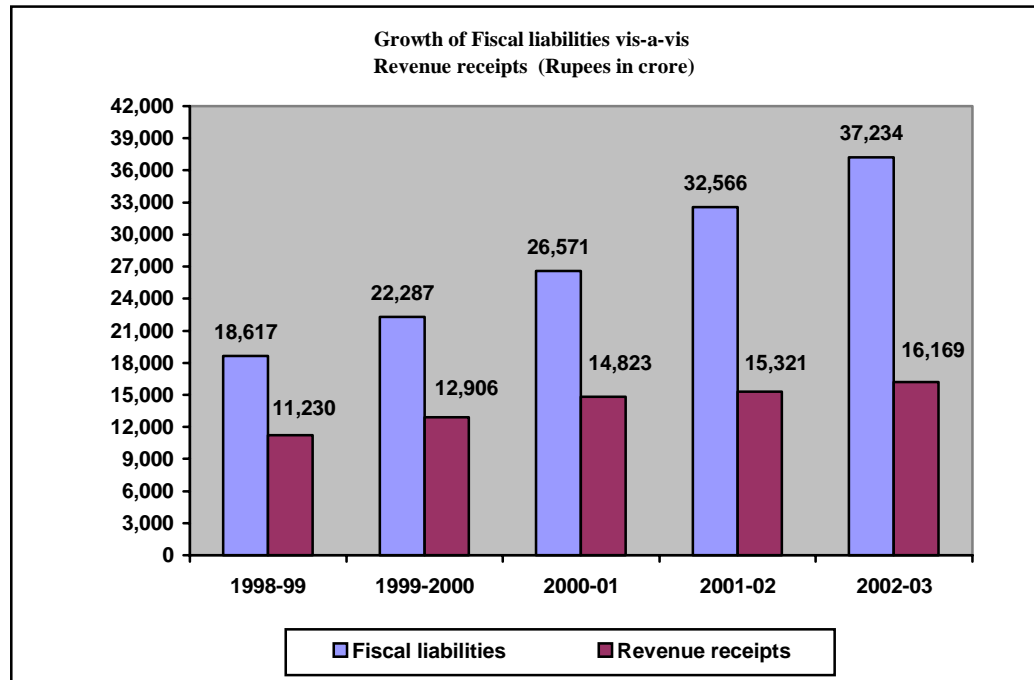
	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	18,617	22,287	26,571	32,566	37,234	27,455
Rate of growth	19.13	19.71	19.22	22.56	14.33	19.36
Ratio of Fiscal Liabilities to						
GSDP	21.20	23.40	25.40	29.80	31.40	29.60
Revenue Receipts	165.80	172.70	179.30	212.60	230.30	189.00
Own Resources	221.30	238.20	248.30	297.50	317.80	259.70
Buoyancy of Fiscal Liabilities to						
GSDP	0.853	2.307	1.927	5.090	1.728	1.978
Revenue Receipts	3.291	1.321	1.294	6.716	2.590	2.039
Own Resources	1.993	1.761	1.334	9.879	2.035	1.832

The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans there may be an obligation of the State to fulfill these commitments. Currently the fiscal liabilities including the contingent liabilities exceed more than three times the revenue receipt of the State. The direct fiscal liabilities of the State have grown much faster compared to its rate of growth of GSDP, revenue receipts and own resources. On an average, for each *per cent* increase in GSDP, Revenue Receipts and own resources the direct fiscal liabilities of the State had gone up by 1.978, 2.039 and 1.832 *per cent* respectively.

Increasing liabilities had raised the issue of sustainability of the fiscal liabilities. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. In case of Karnataka, average interest on fiscal liabilities was at 9.51 *per cent* during 1998-2003 while the rate of growth of GSDP was 9.79 *per cent* as indicated in Table 22 and also in the graphic representation of the fiscal liabilities and revenue receipts.

Table 22: Debt sustainability – Interest rate and GSDP Growth (in percent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weight Interest Rate	9.44	9.84	9.78	9.07	9.43	9.51
GSDP Growth	22.43	8.54	9.97	4.43	8.29	9.79
Interest spread	12.99	(-) 1.30	0.19	(-) 4.64	(-) 1.14	0.28



Another important indicator of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 23 below gives the position of the receipt and repayment of internal debt and loans and advances from Government of India after providing for the interest and repayments which varied from 16 per cent to 42 per cent during 1998-2003. The net funds available declined to the lowest level of 16 per cent of total fresh loans during 2002-03.

Table 23: Net Availability of Borrowed Funds (Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Internal Debt*						
Receipts	871.96	2,244.92	2,295.58	2,969.48	3,888.52	2,454.10
Repayment (Principal + interest)	442.93	648.08 ^o	859.35	1,193.45 ^o	1,618.53 ^o	952.47
Net Fund Available	429.03	1,596.84	1,436.23	1,776.03	2,269.99	1,501.62
Net Fund Available (Percent)	49	69	63	60	58	61
Loans and Advances from Government of India excluding ways & means advance						
Receipt	1,551.99	927.72	1,075.65	2,176.88	1,544.22	1,455.29
Repayment (Principal + Interest)	1,276.71	1,498.62	1,652.09	1,799.41	2,932.84	1,831.93
Net Fund Available	275.28	(-) 570.90	(-) 576.44	377.47	(-) 1,388.62	(-) 376.64
Net Fund Available (Percent)	18	-	-	17	-	7
Total Public Debt						
Receipt	2,423.95	3,172.64	3,371.23	5,146.36	5,432.74	3,909.38
Repayment (Principal + Interest)	1,719.64	2,146.70	2,511.44	2,992.86	4,551.37	2,784.40
Net Fund Available	704.31	1,025.94	859.79	2,153.50	881.37	1,124.98
Net Fund Available (Percent)	29	32	26	42	16	29

* excluding Ways and Means Advances

^o includes interest paid on Ways and Means Advances/Overdrafts availed from RBI amounting to Rs.2 lakh, Rs.18 lakh and Rs.4.14 crore during 1999-2000, 2001-02 and 2002-03 respectively.

The State Government raised market loans of Rs.1,610.57 crore during the year. The weighted average rate of interest during the year was 9.43 *per cent* whereas the State Government borrowed Rs.1,977.84 crore from National Small Savings Fund at the rate of 10.50 *per cent* per annum and Rs.1,544.22 crore at the rate of 11.50 *per cent* per annum from Government of India. As on 31 March 2003, 67 *per cent* of the existing market loans of the State Government carried interest rate exceeding 10 *per cent*. Thus, the effective cost of borrowings on past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that about 30 *per cent* of the total market loans are repayable within next five years while the remaining 70 *per cent* are required to be repaid within six to 10 years.

Off-budget borrowings

The Constitution of India provides for State Governments to borrow from Open Market, Financial Institutions and Government of India, upon the security of the Consolidated Fund, within such limits, if any, as may from time to time be fixed by an Act of Legislature of the State. Apart from the borrowings under the constitutional provision, Government of Karnataka had borrowed funds through few companies/corporations from the market and certain financial institutions. These companies/corporations borrowed funds from the market/financial institutions for implementation of various State Plan Programmes projected outside the state budget. The discharge of these liabilities was covered by guarantee given by the State Government. Although, the estimates of the plan programmes of the State Government projected that funds for these programmes would be met out of the own resources of the corporations/companies concerned outside the state budget, in reality the borrowings of most of these concerns were ultimately the committed liabilities of the State Government (termed 'off-budget borrowings') as they had no resources of their own.

During 2002-03, the projected size of the State Plan Schemes was Rs.8,611 crore, of which Rs.5,908 crore were supported by resources from the state budget and the balance of Rs.2,703 crore was to be met from the resources of certain companies/corporations. However only Rs.1,621 crore was raised during the current year. In fact, the volume of off-budget borrowings have declined from Rs.1,805 crore in 1998-99 to Rs.1,621 crore in 2002-03.

The details of total off-budget borrowings of the companies/corporations for the years 1996-2003 and the repayments of principal during the same period are indicated below:

(Rupees in crore)

Company/Corporation	Borrowings up to 2001-02	Borrowings during 2002-03	Total	Repayment of principal
Krishna Bhagya Jala Nigam	4,900	803	5,703	763
Karnataka Neeravari Nigam	936	221	1,157	85
Karnataka Road Development Corporation	150	150	300	21
Karnataka State Industrial and Investment Development Corporation	37	-	37	-
Slum Clearance Board	47	62	109	-
Rajiv Gandhi Rural Housing Corporation	231	191	422	29
KEONICS (Mahithi Bonds)	60	-	60	-
Karnataka Residential Education Institution Society	40	36	76	-
Karnataka Police Housing Corporation	114	78	192	55
Karnataka Land Army Corporation	60	80	140	-
Karnataka Renewable Energy Development Limited	194	-	194	39
Total	6,769	1,621	8,390	992

Taking into account these off-budget borrowings of the State excluding repayment of Rs.992 crore, the internal debt of State would increase to Rs.21,480 crore, public debt to Rs.33,567 crore, and total liabilities to Rs.44,632 crore as against Rs.14,082 crore, Rs.26,169 crore and Rs.37,234 crore respectively. In view of this the ratio of fiscal liabilities to GSDP would increase to 37.65 from 31.40 during the year. Thus, the fiscal situation of the State Government is not correctly exhibited in the accounts.

1.9 Management of deficits

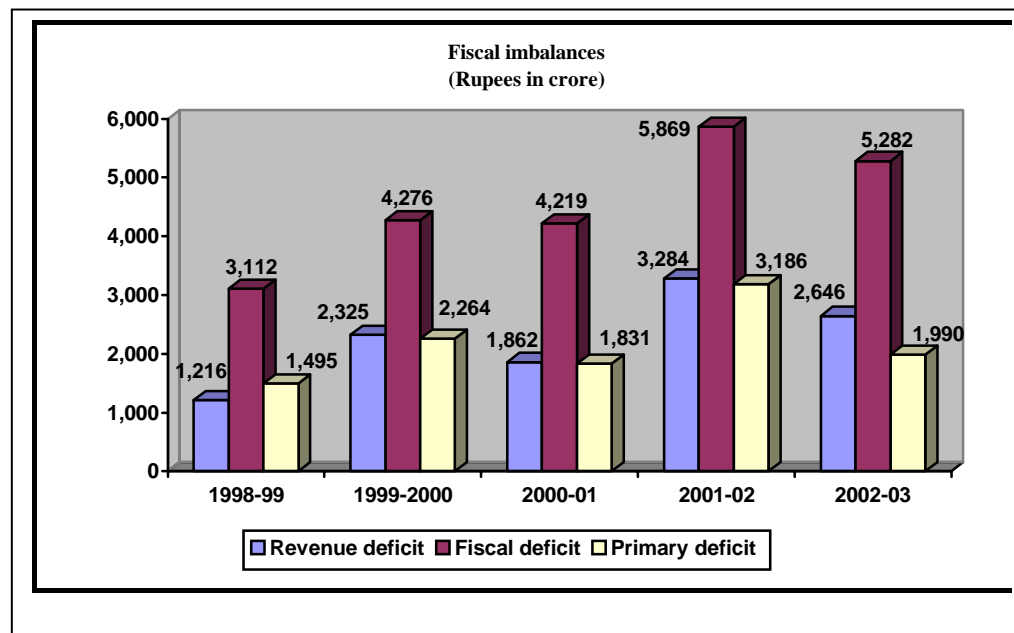
Fiscal imbalances

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

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, increased from Rs.1,216 crore in 1998-99 to Rs.2,646 crore in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also increased from Rs.3,112 crore in 1998-1999 to Rs.5,282 crore in 2002-03. State also had a primary deficit which increased from Rs.1,495 crore in 1998-99 to Rs.1,990 crore in 2002-03 as indicated in Table 24 and also through graphic representation.

**Table 24: Fiscal Imbalances – Basic Parameters
(Value: Rupees in crore and Ratios in per cent)**

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit (RD)	1,216	2,325	1,862	3,284	2,646	2,267
Fiscal deficit (FD)	3,112	4,276	4,219	5,869	5,282	4,552
Primary Deficit (PD)	1,495	2,264	1,831	3,186	1,990	2,153
RD/ GSDP	1.38	2.44	1.78	3.00	2.23	2.20
FD/ GSDP	3.54	4.49	4.03	5.36	4.46	4.41
PD/ GSDP	1.70	2.38	1.75	2.91	1.68	2.09
RD/ FD	39.07	54.37	44.13	55.96	50.09	49.80



Persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit has increased from 39.07 per cent in 1998-99 to 50.09 per cent in 2002-03. As proportion to GSDP, revenue deficit had increased to 2.23 per cent in 2002-03 and fiscal deficit to 4.46 per cent.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 25 below presents a summarised position of Government Finances over a period 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, 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. Revenue receipts comprises not only the tax and non-tax resources of the State but also the transfers from Union Government. It indicates sum total of the resources which the State has access to, for which there is no direct service-providing obligations while others are related to its activity to recover user charges for the social and economic services provided by it and its entitlement from the central pool of resources.

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 revenue expenditure and development expenditure to total expenditure declined in 2002-03 as compared to 1998-2000 while its capital expenditure as percentage to total expenditure has increased to 13.50 per cent in 2002-03. Increase in capital expenditure was mainly under Irrigation and Flood Control (Rs.503 crore) and Transport (Rs.160 crore).

However, capital expenditure was overstated to the extent of discharge of liabilities towards off-budget borrowings included in investment. Revenue buoyancy has been low and own tax to GSDP ratio has declined during 2002-03 over the previous year indicating a tendency to meet deficits by borrowing instead of improving tax compliance and coverage.

Table 25: Ratios of Fiscal Efficiency (in per cent)

Fiscal Ratios	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Resources Mobilisation						
Revenue Receipts (RR)/GSDP	12.79	13.54	14.14	14.00	13.64	13.65
Revenue Buoyancy	0.259	1.747	1.489	0.758	0.667	0.970
Own Tax/GSDP	7.91	8.13	8.63	9.00	8.81	8.53
Expenditure Management						
Total Expenditure/GSDP	16.49	18.18	18.26	19.39	18.88	18.33
Revenue Receipts/ Total Expenditure	77.56	74.48	77.43	72.18	72.25	74.78
RE/Total Expenditure	85.95	87.90	87.16	87.66	84.07	86.49
Capital Expenditure (CE)	12.29	10.46	10.45	10.17	13.50	11.39
Development Expenditure/Total Expenditure (RE+CE)	64.16	60.95	62.35	60.27	57.93	60.86
Buoyancy of TE with RR	3.060	1.317	0.706	3.237	0.982	1.357
Buoyancy of RE with RR	2.458	1.499	0.643	3.425	0.204	1.285
Management of Fiscal Imbalances						
Revenue deficit (Rs. in crore)	1,216	2,325	1,862	3,284	2,646	2,267
Fiscal deficit (Rs. in crore)	3,112	4,276	4,219	5,869	5,282	4,552
Primary Deficit (Rs. in crore)	1,495	2,264	1,831	3,186	1,990	2,153
Revenue Deficit/Fiscal Deficit	39.07	54.37	44.13	55.96	50.09	49.80
Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	21.20	23.40	25.40	29.80	31.40	29.60
Fiscal Liabilities/RR	165.80	172.70	179.30	212.60	230.30	189.00
Buoyancy of FL with RR	3.291	1.321	1.294	6.716	2.590	2.039
Buoyancy of FL with Other Receipts	1.993	1.761	1.334	9.897	2.035	1.832
Interest Spread	12.99	(-) 1.30	0.19	(-) 4.64	(-) 1.14	0.28
Net Fund Available	29	32	26	42	16	29
Other Fiscal Health Indicators						
Return on Investment	7.72	12.04	8.93	10.57	21.33	
BCR (Rs. in crore)	705	(-) 601	319	(-) 879	(-) 645	
Financial Assets/Liabilities	0.93	0.85	0.80	0.74	0.71	

The BCR, which was positive during 2000-01 declined and became negative during the years 2001-02 and 2002-03. A negative BCR adversely affects the plan size and reduces the availability of resources for additional infrastructure. Though both revenue and fiscal deficits declined during the year, this was mainly done by deferring plan expenditure to future years. Interest payments increased by Rs.609 crore during the year and the increase was higher than the increase in revenue expenditure during the year. However, large revenue and fiscal deficits year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. The State's continuous low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. The State Government has tried to soften its budget constraint through borrowings from special purpose vehicles like Krishna Bhagya Jala Nigam Limited (KBJNL) and Karnataka Neeravari Nigam Limited (KNNL) etc. The ratio of fiscal liabilities to GSDP crossed 30 per cent during 2002-03 which would increase further once off-budget borrowings are taken into account.

STATEMENT-I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF
KARNATAKA AS ON 31 MARCH 2003

(Rupees in Crore)

As on 31.3.2002	Liabilities		As on 31.3.2003
10,480.64		Internal Debt	14,082.40
	5,538.12	Market Loans bearing interest	7,047.32
	2.67	Market Loans not bearing interest	3.19
	690.01	Loans from Life Insurance Corporation of India	660.39
	791.38	Loans from other Institutions	935.20
	3,458.46	Loans from RBI – Spl. Securities issued to National Small Savings fund of the Central Government.	5,436.30
11,951.88		Loans and Advances from Central Government -	12,086.91
	161.83	Pre 1984-85 Loans	124.34
	4,335.78	Non-Plan Loans	3,349.69
	7,256.50	Loans for State Plan Schemes	8,417.27
	55.55	Loans for Central Plan Schemes	51.50
	142.22	Loans for Centrally Sponsored Plan Schemes	144.11
72.11		Contingency Fund	80.00
4,698.53		Small Savings, Provident Funds, etc.	5,325.27
3,888.09		Deposits	4,031.29
1,568.06		Reserve Funds	1,729.19
1,110.39		Suspense and Miscellaneous balances	1,144.70
3.60		<i>Shortfall with Reserve Bank Deposit</i>	
5.45		Remittances in transit [⊗]	8.20
33,778.75		Total	38,487.96*
	Assets		
19,498.83		Gross Capital Outlay on Fixed Assets -	22,434.83
	4,838.98	Investments in shares of Companies, Corporations, etc.	6,149.01
	14,659.85	Other Capital Outlay	16,285.82
4,556.46		Loans and Advances -	4,256.03
	1,335.73	Loans for Power Projects	504.61
	3,170.90	Other Development Loans	3,661.51
	49.83	Loans to Government servants and Miscellaneous Loans	89.91 [⊗]
15.80		Other Advances	8.81
36.75		Remittance balances	29.93
973.75		Cash -	490.86
	5.71	Cash in treasuries	3.76
	5.11	Departmental Cash Balance including permanent Advances	3.06
	-	Deposits with Reserve Bank of India	74.99
	941.28	Cash Balance Investments	387.62
	21.65	Investment from earmarked funds	21.43
8,697.16		Deficit on Government Accounts	11,267.50
	5,483.18	Accumulated Deficit up to March 2002	8,697.16
	3,284.45	Add Revenue Deficit of the current year	2,645.74
	70.47	Deduct Other adjustments	75.40
33,778.75		Total	38,487.96

* - The liabilities shown above does not include contingent liabilities like guarantees extended by the Government and off budget borrowings which are discussed separately in Para 1.8.7

⊗ - The adverse balance under the Major Head 7610-Loans to Government Servants etc., has increased from Rs.1.46 crore in 2001-02 to Rs.7.99 crore during 2002-03.

⊗ This reflects an adjusting entry on account of remittances between Treasuries and Currency chest remaining unadjusted as on 31 March 2003

STATEMENT-II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR
2002-2003

(Rupees in Crore)

Receipts			Disbursements						
2001-2002		2002-2003	2001-2002		Non-plan	Plan	Total	2002-2003	
Section-A: Revenue									
15321.25	I. Revenue receipts	16168.76	18605.70	I. Revenue expenditure-				18814.50	
9853.27	(i) -Tax revenue	10439.71	6215.31	General services	7097.18	14.94	7112.12		
1093.42	(ii) -Non-tax revenue	1277.67	3501.41	Social Services-					
				-Education, Sports, Art and Culture	3055.98	508.03	3564.01		
			986.32	-Health and Family Welfare	655.88	297.77	953.65		
2623.38	(iii) -State's share of Union Taxes & Duties	2786.20		-Water Supply, Sanitation, Housing and Urban Development	31.23	544.81	576.04		
			713.41	-Information and Broadcasting	15.98	3.28	19.26		
			19.07	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	213.72	277.33	491.05		
212.74	(iv) -Non-Plan grants	420.55	545.95	-Labour and Labour Welfare	35.55	28.67	64.22		
			70.09	-Social Welfare and Nutrition	454.26	170.75	625.01		
733.43	(v) -Grants for State Plan Schemes	570.17	563.32	-Others	33.01	-	33.01		
			29.24	TOTAL	4495.61	1830.64	6326.25		
805.01	(vi) -Grants for Central and Centrally sponsored Plan Schemes	674.46	6428.81	Economic Services-					
			1088.11	-Agriculture and Allied Activities	739.90	337.20	1077.10		
			478.71	-Rural Development	97.86	424.69	522.55		
			88.75	-Special Areas Programmes	31.72	15.12	46.84		
			190.76	-Irrigation and Flood Control	137.84	68.89	206.73		
			2336.69	-Energy	1844.73	62.19	1906.92		
			345.88	-Industry and Minerals	152.38	162.60	314.98		
			513.62	-Transport	328.92	66.87	395.79		
			3.07	-Science, Technology and Environment	-	7.80	7.80		
			352.19	-General Economic Services	69.63	254.08	323.71		
			5397.78	Total	3402.98	1399.44	4802.42		
			563.80	-Grants-in-aid and Contributions	573.71	-	573.71		
3284.45	II. Revenue deficit carried over to Section B	2645.74							
18605.70	Total	18814.50	18605.70	TOTAL	15569.48	3245.02		18814.50	
	Section-B – Others								
959.88	III Opening Cash balance including Permanent Advances and Cash Balance Investments & investments from earmarked funds.	964.71	-						
Nil	IV Miscellaneous Capital receipts	Nil	2105.67	II Capital Outlay-				2936.00	
			51.54	General Services-	-	75.85	75.85		
			4.47	Social Services-					
			99.52	-Education, Sports, Art and Culture	0.31	6.40	6.71		
			55.93	-Health and Family Welfare	-	50.47	50.47		
				-Water Supply, Sanitation, Housing and Urban Development	2.00	165.32	167.32		

STATEMENT III
SOURCES AND APPLICATIONS OF FUNDS

(Rupees in crore)

		Sources		
2001-2002				2002-2003
15,321.25		1. Revenue receipts		16,168.76
34.70		2. Recoveries of Loans and Advances		928.00
4,434.59		3. Increase in Public debt		3,736.79
1,394.53		4. Net receipts from Public account		1,054.59
	572.72	Increase in Small Savings, PF etc	626.74	
	847.41	Increase in Deposits and Advances	150.17	
	136.78	Increase in Reserve funds	161.14	
	(-) 81.49	Net effect of Suspense and Miscellaneous transactions	109.71	
	(-) 80.89	Net effect of Remittance transaction	6.83	
45.60	-	5. Net effect of Contingency fund transaction		-
		6. Closing cash balance (Decrease)		482.05
21,230.67		Total		22,370.19
		Applications		
18,605.70		1. Revenue expenditure		18,814.50
514.47		2. Lending for development and other purposes		627.58
2,105.67		3. Capital expenditure (Net)		2,936.00
-		4. Net effect of Contingency fund transaction		(-) 7.89
4.83		5. Increase in closing cash balance		-
21,230.67		Total		22,370.19

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.474.48 lakh (debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". A net difference of Rs.42.10 lakh (debit) had since been reconciled and adjusted. The remaining difference of Rs.432.38 lakh (credit) is under reconciliation.
5. The balance shown under Deposits included a sum of Rs.26.31 crore being the amount outstanding under 106 inoperative accounts below the Major Head 8443-Civil Deposits -106-Personal Deposits.

STATEMENT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1998-99	1999-2000	2000-2001	2001-2002	2002-03
Part.A – Receipts	11,230	12,906	14,823	15,321	16,169
1. Revenue Receipts					
(i) Tax Revenue	6,943 (62)	7,744 (60)	9,043 (61)	9,853 (64)	10,440(65)
Taxes on Agricultural Income	49 (1)	35(-)	24 (-)	3 (-)	1 (-)
Taxes on Sales, Trade etc.	4,265 (61)	4,683(60)	5,386 (60)	5,269 (53)	5,474 (52)
State Excise	1,005 (14)	1,215 (16)	1,523 (17)	1,977 (20)	2,094 (20)
Taxes on vehicles	387 (6)	449 (6)	502 (6)	712 (7)	676 (6)
Stamps and Registration fees	548 (8)	566 (7)	638 (7)	855 (9)	1,115 (11)
Land Revenue	38 (1)	39 (1)	43 (-)	50 (1)	60 (1)
Other Taxes	651 (9)	757 (10)	927 (10)	987 (10)	1,020 (10)
(ii) Non Tax Revenue	1,470 (13)	1,611 (12)	1,660 (11)	1,094 (7)	1,278 (8)
(iii) State's share in Union taxes and duties	1,924 (17)	2,133 (17)	2,574 (17)	2,623 (17)	2,786 (17)
(iv) Grants in aid from Government of India	893 (8)	1,418 (11)	1,546 (11)	1,751 (12)	1,665 (10)
II. Capital Receipts					
2. Miscellaneous Capital Receipts (non debt)	Nil	Nil	Nil	Nil	Nil
3. Total revenue & Non debt capital receipts (1+2)	11,230	12,906	14,823	15,321	16,169
4. Recoveries of Loans and Advances	138	145	101	35	928
5. Public Debt Receipts	2,424	3,173	3,371	5,146	5,433
Internal Debt (excluding Ways & Means Advances and Overdrafts)	872 (36)	2,245 (71)	2,295 (68)	2,969 (58)	3,889 (72)
Loans & Advances from Government of India	1,552 (64)	928 (29)	1,076 (32)	2,177 (42)	1,544 (28)
6. Total receipts in the Consolidated Fund (3+4+5)	13,792	16,224	18,295	20,502	22,530
7. Contingency Fund Receipts	15	27	15	54	8
8. Public Account Receipts	16,679	21,662	24,797	28,502	27,879
9. Total receipts of the State (6+7+8)	30,486	37,913	43,107	49,058	50,417
PART B. EXPENDITURE/DISBURSEMENT					
10. Revenue expenditure	12,446	15,231	16,685	18,605	18,815
Plan	2,541 (20)	2,992 (20)	3,481 (21)	3,943 (21)	3,245 (17)
Non Plan	9,905 (80)	12,239 (80)	13,204 (79)	14,662 (79)	15,570 (83)
General Services (incl. Interest Payments)	4,126 (33)	5,333 (35)	5,634 (34)	6,215 (33)	7,112 (38)
Social Services	4,657 (37)	5,479 (36)	6,132 (37)	6,429 (35)	6,326 (34)
Economic Services	3,331 (27)	4,004 (26)	4,388 (26)	5,397 (29)	4,803 (25)
Grants in aid and Contributions	332 (3)	415 (3)	531 (3)	564 (3)	574 (3)
11. Capital Expenditure	1,744	1,779	1,947	2,106	2,936
Plan	1,451 (83)	1,517 (85)	1,705 (88)	1,899 (90)	2,734 (93)
Non Plan	293 (17)	262 (15)	242 (12)	207 (10)	202 (7)
General Services	35 (2)	50 (3)	48 (3)	52 (2)	76 (3)
Social Services	455 (26)	377 (76)	299 (15)	212 (10)	295 (10)
Economic Services	1,254 (72)	1,352 (21)	1,600 (82)	1,842 (88)	2,565 (87)
12. Disbursement of Loans and Advances	290	317	511	514	628
13. Total (10+11+12)	14,480	17,327	19,143	21,225	22,379
14. Repayments of Public Debt	405	491	521	712	1,696
Internal Debt (excluding Ways & Means Advances and Overdrafts)	107 (26)	147 (30)	101 (19)	231 (32)	287 (17)
Net transactions under Ways & Means Advances and Overdraft	-	-	-	-	-
Loans and Advances from Government of India *	298 (74)	344 (70)	420 (81)	481 (68)	1,409 (83)
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	14,885	17,818	19,664	21,937	24,075
17. Contingency Fund disbursements	27	15	53	8	-
18. Public Account disbursements	15,553	20,044	23,260	27,107	26,825
19. Total disbursement by the State (16+17+18)	30,465	37,877	42,977	49,052	50,900
PART C. DEFICITS					
20. Revenue Deficit (1-10)	1,216	2,325	1,862	3,284	2,646
21. Fiscal Deficit (3+4-13)	3,112	4,276	4,219	5,869	5,282
22. Primary Deficit (21-23)	1,495	2,264	1,831	3,186	1,990
PART D. OTHER DATA					
23. Interest Payments (included in revenue expenditure)	1,617	2,012	2,388	2,683	3,292
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	1,122 (13)	1,826 (20)	1,894 (18)	2,634 (24)	3,390 (29)
25. Financial Assistance to local bodies etc.	4,884	5,847	6,451	7,429	7,635
26. Ways and Means Advances/Overdraft availed (days)	-	4	-	40	170
27. Interest on WMA/Overdraft	-	0.02	-	0.91	5.23

28. Gross State Domestic Product (GSDP)	87,807	95,310	1,04,815 [@]	1,09,461 ^Φ	1,18,540 [@]
29. Outstanding Debt (year end)	18,617	22,287	26,571	32,566	37,234
30. Outstanding Guarantees (year end)	8,023	9,829	13,004	12,279	13,314
31. Maximum amount Guaranteed (year end)	13,368	13,334	16,425	20,823	20,973
32. Number of incomplete projects (as per material in Finance Accounts)	77	112	97	103	35
33. Capital blocked in incomplete projects	2,811	3,894	3,295	4,814	6,141 [◆]

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

* - Includes Ways and Means Advances from Government of India

@ - Provisional

Φ - Quick estimates

⊕ - GSDP figures for 2002-2003 have been adopted as in medium term fiscal plan.

◆ - This includes Rs.5,978 crore invested in Upper Krishna Project now executed by Krishna Bhagya Jala Nigam Ltd, a Government Undertaking.

