



सत्यमेव जयते

# ACCOUNTS AT A GLANCE 2017 - 2018



लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest



GOVERNMENT OF KARNATAKA



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## ***PREFACE***

The Annual accounts of the State Government are prepared and examined under the directions of the Comptroller and Auditor General of India (C&AG) in accordance with the requirements of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for being laid before the Legislature of the State. The Annual Accounts consist of (a) Finance Accounts and (b) Appropriation Accounts.

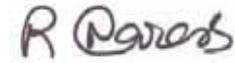
Finance Accounts are Summary Statements of Accounts under the Consolidated Fund, Contingency Fund and the Public Account. The Appropriation Accounts record the Grant-wise Gross Expenditures against provisions approved by the State Legislature and offer explanations for variations between the actual expenditure and the funds provided.

The Accountant General (Accounts and Entitlement) compiles the Finance Accounts and Appropriation Accounts of the State.

A combined reading of the Finance Accounts and Appropriation Accounts, the Report on State Finances and the Accounts at a Glance, will help the stakeholders to more effectively comprehend the various facets of the finances of the Government of Karnataka.

'Accounts at a Glance' provides a broad overview of Government activities, as reflected in the Finance Accounts and the Appropriation Accounts. The information is presented through brief explanations with the Tables and graphs.

We look forward to suggestions that would help us in improving the publication.



**(R. Naresh)**

**Accountant General (A&E)  
Karnataka**

**Place: Bengaluru  
Date: 05 July 2019**



## *Our Vision, Mission and Core Values*

**VISION:**  
*(The vision of the institution of the Comptroller and Auditor General of India represents what we aspire to become.)*

We strive to be a global leader and initiator of national and international best practices in public sector auditing and accounting and recognized for independent, credible, balanced and timely reporting on public finance and governance.

**MISSION:**  
*(Our mission enunciates our current role and describes what we are doing today.)*

Mandated by the Constitution of India, we promote accountability, transparency and good governance through high quality auditing and accounting and provide independent assurance to our stakeholders, the Legislature, the Executive and the Public, that public funds are being used efficiently and for the intended purposes.

**CORE VALUES:**  
*(Our core values are the guiding beacons for all that we do and give us the benchmarks for assessing our performance.)*

- Independence
- Objectivity
- Integrity
- Reliability
- Professional Excellence
- Transparency
- Positive Approach



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# CHAPTER - I

## OVERVIEW

### 1.1 Introduction

The Accountant General (Accounts and Entitlement) Karnataka compiles the accounts of Receipts and Disbursements of Government of Karnataka. This compilation is based on the initial accounts rendered by the District Treasuries, Public Works and Forest Divisions, Other Account Rendering Offices, advice of the Central Accounts Section (CAS) of the Reserve Bank of India (RBI), Nagpur and Orders for Book Adjustments/Inter Accounts Transfers involving no outflow of cash, issued by the Government of Karnataka, from time to time. Following such compilation, the Accountant General (Accounts and Entitlement), Karnataka, prepares annually, the Finance Accounts and Appropriation Accounts which are placed before the State Legislature, after audit by the Principal Accountant General (General and Social Sector Audit), Karnataka and certification by the Comptroller and Auditor General of India.

### 1.2 Structure of Government Accounts

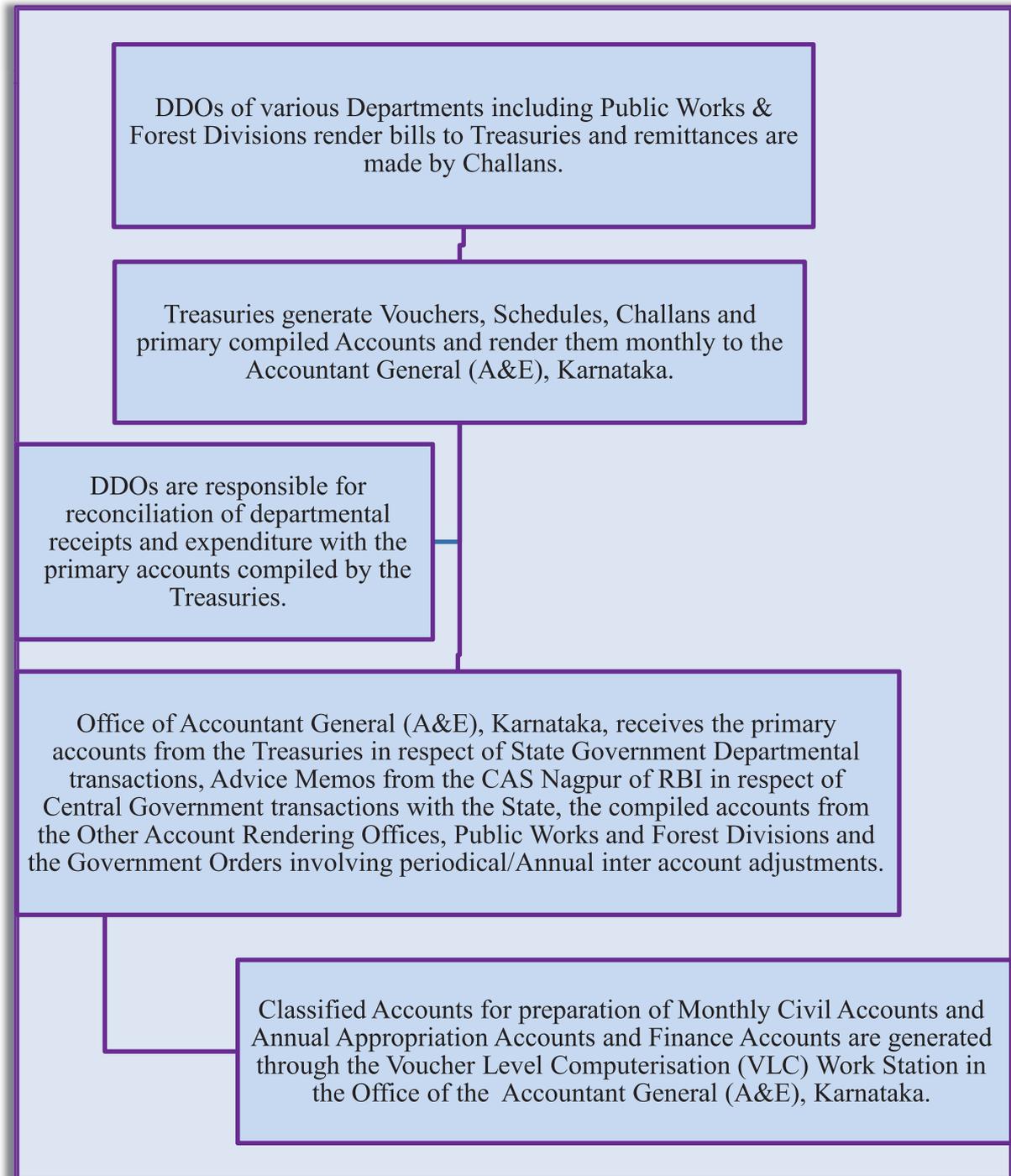
1.2.1 *The Accounts of the Government are kept in three parts:*

<b>Part I CONSOLIDATED FUND</b>	Consolidated Fund comprises Receipts and Expenditure on Revenue and Capital Account, Public Debt, Loans and Advances, Inter State Settlement and Appropriation to Contingency Fund.
<b>Part II CONTINGENCY FUND</b>	The Corpus of Contingency Fund is intended to meet unforeseen expenditure not provided for in the Budget. Expenditure from this Fund is recouped either by transferring the debit during the same financial year or by a fresh debit to the Consolidated Fund in the next financial year. The corpus of this fund for the Government of Karnataka is ₹80 crore.
<b>Part III PUBLIC ACCOUNT</b>	All public moneys received other than those credited to the Consolidated Fund are accounted under the Public Account. In respect of such receipts the Government acts as a Trustee. The transactions under Debt, Deposit and Advances in this part are such in respect of which Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid, together with repayments of the former (Debt and Deposits) and the recoveries of the latter (Advances).The transactions relating to 'Remittances' and 'Suspense' in this Part shall embrace all merely adjusting heads under which shall appear such transactions as remittances of cash

between treasuries and currency chests and transfer between different accounting circles. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments either within the same circle of account or in another account circle.

### 1.2.2 Compilation of Accounts

#### *Flow Diagram showing process of Compilation of Accounts*



### 1.3 Finance Accounts and Appropriation Accounts

#### 1.3.1 Finance Accounts

The Finance Accounts depict the Receipts and Disbursements of the Government for the year, together with the financial results disclosed by the Revenue and Capital Accounts, Public Debt and Public Account balances recorded in the accounts. The Finance Accounts are prepared in two volumes, to make it more comprehensive and informative. **Volume I** of the Finance Accounts contains the certificate of the Comptroller and Auditor General of India, Guide to Finance Accounts, summarized statements of overall Receipts and Disbursements for the year, summarized statements of financial position giving details of Assets and Liabilities, Progressive Capital Expenditure, Borrowings and other Liabilities, Loans and Advances, Guarantees & Grants-in-Aid given by the Government, Investments of the Government, Distribution of Expenditure between Voted and Charged, Sources and Application of funds for expenditure other than on Revenue Account, Summary of balances under Government Accounts and 'Notes to Accounts'. **Volume II** contains, Detailed Statements (**Part-I**) and Appendices (**Part-II**).

Receipts and Disbursements of the Government of Karnataka as depicted in the Finance Accounts 2017-18 are given below:

(₹ in crore)

Receipts and Disbursement in the year 2017-18			
<b>Receipts</b>	<b>Total Receipts</b>		<b>178,242</b>
	Revenue	Tax Revenue	118,882
		Non-Tax Revenue	6,477
		Grants-in-Aid	21,641
		Revenue Receipts	147,000
	Capital	Recoveries of Loans and Advances	137
		Borrowings and Other Liabilities <sup>(1)</sup>	31,101
		Other Receipts (Misc. Capital Receipts)	4
Capital Receipts		31,242	
<b>Disbursements</b>	<b>Total Disbursements</b>		<b>178,242</b>
	Revenue <sup>(2)</sup>		142,482
	Capital		30,667
	Loans and Advances		5,093
(1) Comprises net contribution from (i) 'E-Public Debt' {₹16,853 crore}; (ii)'Contingency Fund' {nil}; (iii) 'Public Account' {₹14,872 crore}; minus 'Net Cash Balance' {₹624 crore}			
(2) Includes ₹2,796 crore Grants-in-Aid for creation of Capital Assets released to Urban Local Bodies (ULB) (Please see Statement No.10 in Volume – 1 of Finance Accounts)			

### 1.3.2 Appropriation Accounts

The Appropriation Accounts supplement the Finance Accounts and record the Grant-wise gross expenditure against provisions approved by the State Legislature and offer explanations for variations between actual expenditure and the funds provided. There are 28 'Voted Grants' and one 'Charged Appropriation'.

Sums required to meet the expenditure charged upon the Consolidated Fund of the State and sums required to meet other expenditure proposed to be made from the Consolidated Fund for the year 2017-18, was approved by the State Legislature through the Appropriation Acts of 2017-18. For the year 2017-18 funds were provided for gross expenditure of ₹209,479 crore, including Supplementary Grants of ₹14,562 crore voted by State Legislature. An amount of ₹10,590 crore was projected as recoveries in reduction of expenditure.

Appropriation Accounts 2017-18 show disbursements of ₹192,320 crore against the aggregate Budget Provision of ₹209,479 crore, resulting in a net saving of ₹17,159 crore, which includes an excess (₹199 crore) under 4 grants. Actual Recoveries by way of reduction of expenditure amounted to ₹5,810 crore, reflecting a decrease of ₹4,780 crore vis-à-vis Budget Estimates (₹10,590 crore). The gross expenditure includes ₹28 crore drawn on Abstract Contingent (AC) Bills against which Non-payable Detailed Contingent (NDC) Bills are outstanding at the end of the year. During 2017-18, ₹4,194 crore was transferred from the Consolidated Fund to Personal Deposit (PD) Accounts under the Public Account, which are maintained by the designated Administrators for specific purposes. Normally, the Administrators are required to transfer the unspent balances under PD Accounts to the Consolidated Fund, at the end of the financial year. There was an aggregate unspent balance of ₹2,742 crore in the Personal Deposit Accounts of the Administrators at the year end.

## 1.4 Sources and Application of Funds

### 1.4.1 Ways and Means Advances

These are borrowings of a purely temporary nature. These advances are obtained to make good the deficiency in the minimum cash balance required to be maintained with the Reserve Bank of India. If, even after the maximum Ways and Means Advance is given, the balance is below the minimum cash balance, the deficit is met out of Overdrafts. During 2017-18, the Government of Karnataka did not avail, either Ways & Means Advance facility or Overdraft from the Reserve Bank of India.

### 1.4.2 Fund Flow Statement

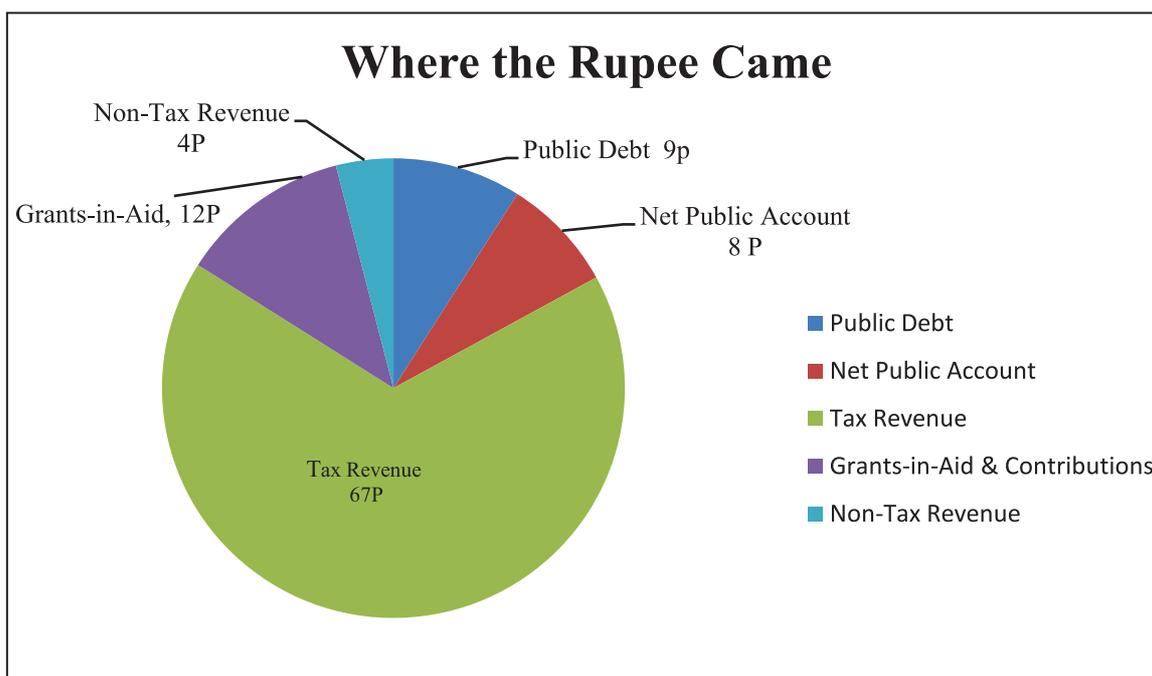
During the year 2017-18, the State had a Revenue Surplus of ₹4,517 crore and a Fiscal Deficit of ₹31,101 crore representing 0.34 per cent and 2.37 per cent of the Gross States' Domestic Product (GSDP)<sup>3</sup>. The Fiscal Deficit constituted 17.45 per cent of total expenditure. This deficit was met from net receipts under Public Debt (₹16,853 crore), increase in net accruals under Public Account (₹14,872 crore) and increase in Net Cash Balance [₹624 crore]. Around 71.56 per cent of the Revenue Receipts (₹147,000 crore) was spent on committed expenditure (₹101,508 crore) like Salaries<sup>(4)</sup> (₹10,546 crore), Subsidies<sup>(4&5)</sup> (₹14,148 crore), Grants-in-Aid<sup>(5)</sup> (₹9,553 crore), Interest Payments (₹14,973 crore) {this includes payment of interest (₹1,043 crore) on Off-budget Borrowing, accounted under various functional Major Heads, other than 'Interest Payments'}, Pension payments (₹11,684 crore), Compensation and Assignment to Local Bodies and Panchayat Raj Institutions (₹37,544 crore) and Social Security Pension (₹4,055 crore).

#### Sources and Application of Funds

		(₹ in crore)
SOURCES	PARTICULARS	AMOUNT
	Opening Cash Balance as on 01.04.2017	100
	Revenue Receipts	147,000
	Miscellaneous Capital Receipts and Recovery of Loans & Advances	141
	Public Debt Receipts	25,122
	Receipt under Small Savings, Provident Funds & Others	6,262
	Reserve & Sinking Funds	5,668
	Deposits Received	50,969
	Civil Advances Repaid	...
	Suspense Account	437,233
	Remittances	37
	Contingency Fund	...
<b>TOTAL</b>		<b>672,532</b>
APPLICATION	Revenue Expenditure	1,42,482
	Capital Expenditure	30,667
	Loans disbursed	5,093
	Repayment of Public Debt	8,269
	Disbursement under Small Savings, Provident Fund & Others	3,451
	Reserve & Sinking Funds	5,178
	Deposits Repaid	49,135
	Contingency Fund	...
	Suspense Account	427,421
	Remittances	112
	Closing Cash Balance as on 31.03.2018	724
<b>TOTAL</b>		<b>672,532</b>
(3) GSDP 2017-18: ₹1,310,879 crore {Source: Medium Term Fiscal Plan 2018-22}.		
(4) Salaries, Subsidies and Grants-in-Aid are sum of the expenditure of all sectors & Salaries do not include Grants given to Local Bodies etc., for the purpose of payment of salaries.		
(5) Subsidy includes Expenditure booked under Object Head '106 Subsidies' only.		

### 1.4.3 Sources of Receipt

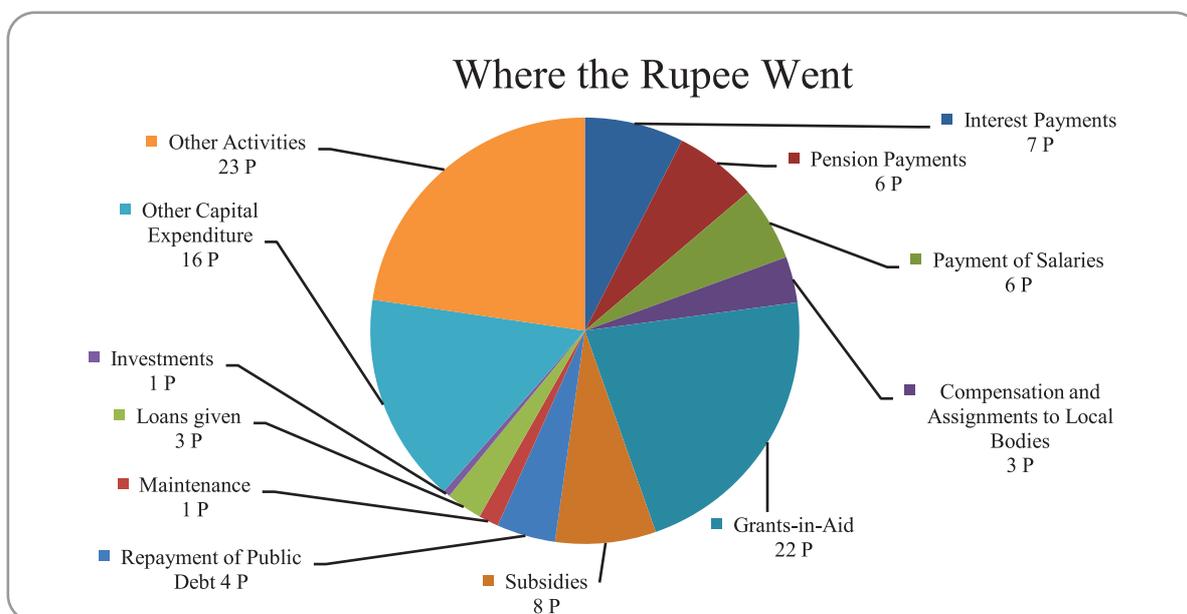
Funds for public expenditure are mainly sourced from the amounts credited as revenues of Government, Public Debt receipts, recovery of loans and advances under the Consolidated Fund of the State and from the net accretions to the Public Account minus increase in cash balance. Main segments of Government revenues, in terms of Paise (P) to each Rupee of receipts, are indicated in the below given pie diagram.



Note: Receipts under 'Miscellaneous Capital Receipts (₹4 crore) and Recovery of Loans and Advances (₹137 crore) representing less than one paise, hence not shown in the pie diagram

### 1.4.4 Destination of Expenditure

The Government expenditure on various functions, programmes, schemes and objects of expenditure is incurred from the Consolidated Fund of the State with the prior approval of the State Legislature. The areas where each rupee spent on main segments of expenditure in terms of Paise (P) are indicated in the pie diagram.



### 1.5 Financial Highlights of year 2017-18

The following table provides the details of actual financial results vis-à-vis budget estimates for the year 2017-18.

Sl. No.	Particulars	Budget Estimates 2017-18		Actual		Percentage of Actual to Budget Estimates	Percentage of Actual to GSDP (*)
		(₹ in crore)					
01	Tax Revenue	121,865 (@)		118,882 (&)		97.55	9.06
02	Non-Tax Revenue	6,945		6,477		93.26	0.49
03	Grants-in-aid & Contributions	16,082		21,641		134.57	1.65
<b>04</b>	<b>Revenue Receipts (1+2+3)</b>	<b>144,892</b>		<b>147,000</b>		<b>101.45</b>	<b>11.21</b>
05	Recovery of Loans & Advances	60		137		228.33	0.01
06	Miscellaneous Capital Receipts	75		4		5.30	0.00
07	Borrowings and Other Liabilities	33,359 (#)		31,101 (\$)		93.23	2.37
<b>08</b>	<b>Capital Receipts (5+6+7)</b>	<b>33,494</b>		<b>31,242</b>		<b>93.27</b>	<b>2.38</b>
<b>09</b>	<b>Total Receipts (4+8)</b>	<b>178,386</b>		<b>178,242</b>		<b>99.91</b>	<b>13.60</b>
10	Revenue Expenditure	144,755		142,482		98.43	10.86
11	Expenditure on Interest Payments out	14,159		13,930		98.38	1.06
12	Capital Expenditure	33,631 (a)		35,760 (b)		106.33	2.72
<b>13</b>	<b>Total Expenditure</b>	<b>178,386</b>		<b>178,242</b>		<b>99.92</b>	<b>13.60</b>
<b>14</b>	<b>Revenue Surplus</b>	<b>137</b>		<b>4,518</b>		<b>3,297.81</b>	<b>0.34</b>
<b>15</b>	<b>Fiscal Deficit {13-(4+5+6)=7}</b>	<b>33,359</b>		<b>31,101 (^)</b>		<b>93.23</b>	<b>2.37</b>
(*) GSDP at Current Prices for 2017-18: ₹1,310,879 crore {Source: Medium Term Fiscal Plan 2018-22}							
(@) Includes State Share of Union Taxes & Duties of ₹31,908 crore							
(&) Includes State Share of Union Taxes & Duties of ₹31,752 crore							
#) Comprises net contribution from (i) 'E Public Debt' {₹28,917 crore}, (ii) 'Public Account' {₹4,246 crore} minus (iii) 'Net Cash Balance' (-) ₹196 crore}							
(\$) Comprises net contribution from (i) 'E Public Debt' {₹16,853 crore}, (ii) 'Contingency Fund' {nil}							
(a) Comprises provision on 'Capital Outlay' {₹32,033 crore} and 'F Loans and Advances' {₹1,598 crore}							
(b) Comprises Expenditure incurred on 'Capital Outlay' {₹30,667 crore} and 'F Loans and Advances' {₹5,093 crore}							
(^) Excludes payment of interest (₹1,043 crore) on 'Offset budget borrowings' which spread across various functional Major Heads below the relevant Sub-Sectors under 'General Services', 'Social Services' and 'Economic Services'							

## 1.6 Definition of Deficits and Surplus

<b>Deficit</b>	Refers to the gap between Revenue and Expenditure. The kind of deficit, how the deficit is financed and application of funds are important indicators of prudence in Financial Management.
<b>Revenue Deficit/Surplus</b>	Refers to the gap between Revenue Receipts and Revenue Expenditure. Revenue Expenditure is required to maintain the existing establishment of Government. Ideally, the Revenue Expenditure should be fully met from Revenue Receipts.
<b>Fiscal Deficit/Surplus</b>	Refers to the gap between Total Receipts (excluding receipts/repayment of borrowings) and Total Expenditure. This gap, therefore, indicates the extent to which expenditure is financed by borrowings. Ideally, the Borrowings should be invested in capital projects.

Deficit Indicators, Revenue Augmentation and Expenditure Management are major yardsticks for judging the fiscal performance of the Government.

The State Government has been on the path of Fiscal Consolidation ever since the passing of Fiscal Responsibility Legislations (FRLs) like Karnataka Fiscal Responsibility Act (KFRA), 2002 and Karnataka Ceiling on Government Guarantee Act (KCGGA), 1999.

The KFRA was amended in the year 2011 to bring more transparency in the management of Government's Finances and Liabilities. The newly introduced Section 5 (2)(c) mandates the State Government to make specific disclosures. The State Government has been providing such information in the successive Medium Term Fiscal Plans (MTFPs) presented before the State Legislature. An amendment to the KFRA, 2002 was carried out in February 2014 to ensure statutory compliance in reporting the Off-budget Borrowings (OBBs) as part of the State's own liabilities for working out the Total Liabilities.

The particulars of the key fiscal and debt norms to be followed and the compliance by the State are given below, in the table.

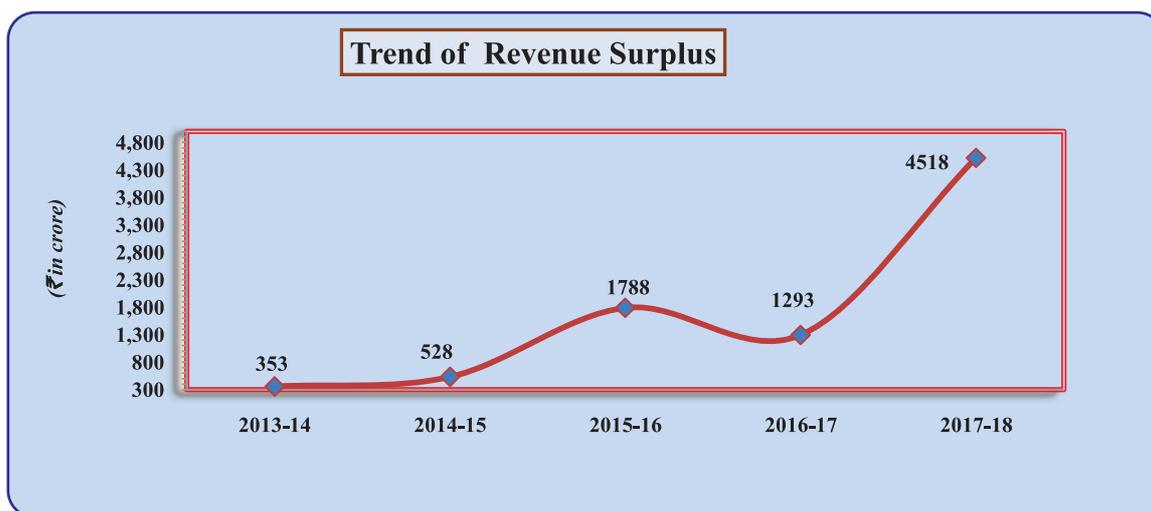
Sl. No.	Particulars	Target for 2017-18	Compliance by State
1.	<b>Revenue Surplus</b>	Revenue Surplus to be maintained.	Government of Karnataka has maintained the Revenue Surplus of ₹4,518 crore for the year 2017-18
2.	<b>Fiscal Deficit</b>	Reduce the Fiscal deficit to not more than 3 <i>per cent</i> of estimated GSDP by 31 March 2006.	Fiscal Deficit of the Government of Karnataka stood at ₹31,101.03 crore and constituted 2.37 <i>per cent</i> of GSDP.
3	<b>Outstanding Liabilities</b>	To ensure the TL/GSDP does not to exceed 25.2 <i>per cent</i> of GSDP by 31 March 2018.	Outstanding Liabilities (₹246,231.43 crore) <sup>(7)</sup> as on 31 March 2018 works out to 18.78 <i>per cent</i> of GSDP.

Sl. No.	Particulars	Target for 2017-18	Compliance by State
4	<b>Guarantees</b>	Outstanding guarantees on 1 April of any year shall not exceed 80 per cent of Total Revenue Receipts (TRR) of the second preceding year	Outstanding Guarantees stood at ₹15,820.45 crore at the beginning of 2017-18 constituted 13.31 <i>per cent</i> of the TRR (₹118,817.31) crore for the second preceding year 2015-16.
Note 6	GSDP ₹1,310,879 crore as intimated by Ministry of Finance, Government of India. {Source: MTFP 2018-22 by Government of Karnataka}		
Note 7	Outstanding Liabilities worked out with the amount of off budget borrowings (₹13,173.39 crore) furnished by the Government of Karnataka, together with those appearing (₹233,058.04 crore) under Consolidated Fund and Public Account of the State, in terms of KFR (Amendment) Act, 2014.		

### 1.6.1 Trend in Revenue Surplus

Revenue Surplus represents the excess of Revenue Receipts over Revenue Expenditure of the Government. The trend in Revenue Surplus for the period 2013-14 to 2017-18 is given in Table and graphs below:

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Surplus	353	528	1,788	1,293	4,518
GSDP (*)	816,666	912,647	1,012,804	1,132,393	1,310,879
Revenue Surplus as <i>per cent</i> to GSDP	0.04	0.06	0.18	0.11	0.34
(*) Source for GSDP: Medium Term Fiscal Plan 2018-22					



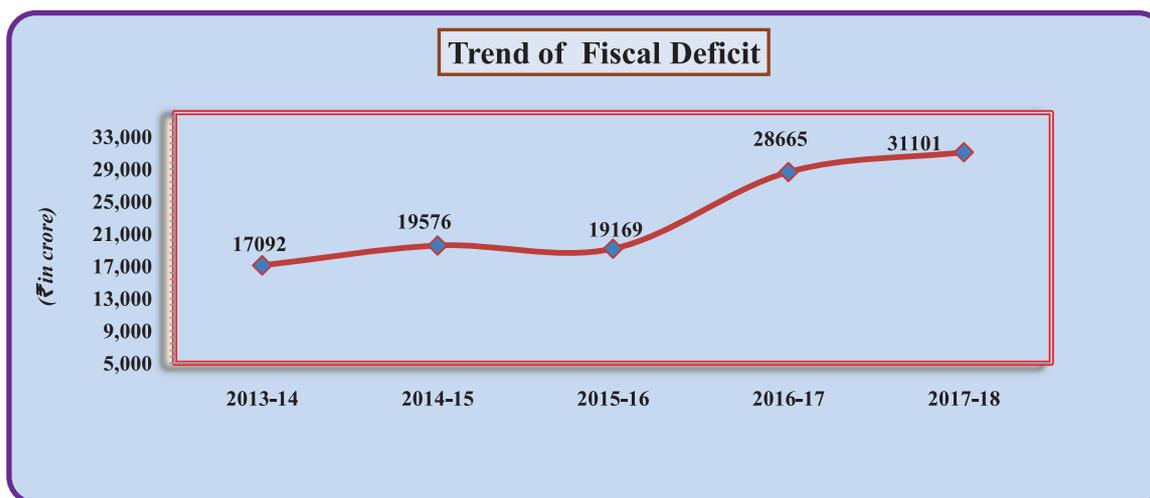
### 1.6.2 Trend in Fiscal Deficit

Fiscal Deficit is calculated as the Total Expenditure (Revenue + Capital + Net Loans and Advances) less Revenue Receipts and Miscellaneous Capital Receipts. The trend in fiscal deficit for the period 2013-14 to 2017-18 is given in Table and graphs below:

(₹ in crore)

	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Deficit	17,092	19,576	19,169	28,665	31,101
GSDP (*)	816,666	912,647	1,012,804	1,132,393	1,310,879
Fiscal Deficit as <i>per cent</i> to GSDP	2.09	2.14	1.89	2.53	2.37

(\*) Source for GSDP: Medium Term Fiscal Plan 2018-22



### 1.6.3 Government Accounts

The total expenditure (Revenue and Capital outlay) for the year is netted against total receipts (Revenue and non-debt Capital receipts) of the year and the surplus/deficit thereof is transferred to a separate ledger called 'Government Account'. In addition, net effect of prior period adjustments, Miscellaneous Government Accounts etc., is also transferred to the ledger 'Government Account'.

Thus, the ledger 'Government Account' represents the cumulative surplus/deficit of the operations of the Government of Karnataka. The details of the ledger 'Government Account' for the past five years are given below.

(₹ in crore)

Year	Revenue Heads			Capital Heads			Other Heads (#)	Deficit for the year	Cumulative deficit (-) surplus (+) at the end of the year
	Receipts	Disbursements	Deficit (-) Surplus (+)	Receipts	Disbursements	Deficit (-) Surplus (+)	Deficit (-) Surplus (+)		
2013-14	89,543	89,190	(+) 353	88	16,947	(-) 16,859	...	(-) 16,506	(-) 120,776
2014-15	104,142	103,614	(+) 528	10	19,622	(-) 19,612	...	(-) 19,084	(-) 139,860
2015-16	118,817	117,029	(+) 1,788	352	20,713	(-) 20,361	...	(-) 18,573	(-) 158,433
2016-17	133,214	131,921	(+) 1,293	27	28,151	(-) 28,124	...	(-) 26,831	(-) 185,264
2017-18	147,000	142,482	(+) 4,518	4	30,667	(-) 30,663	...	(-) 26,145	(-) 211,409

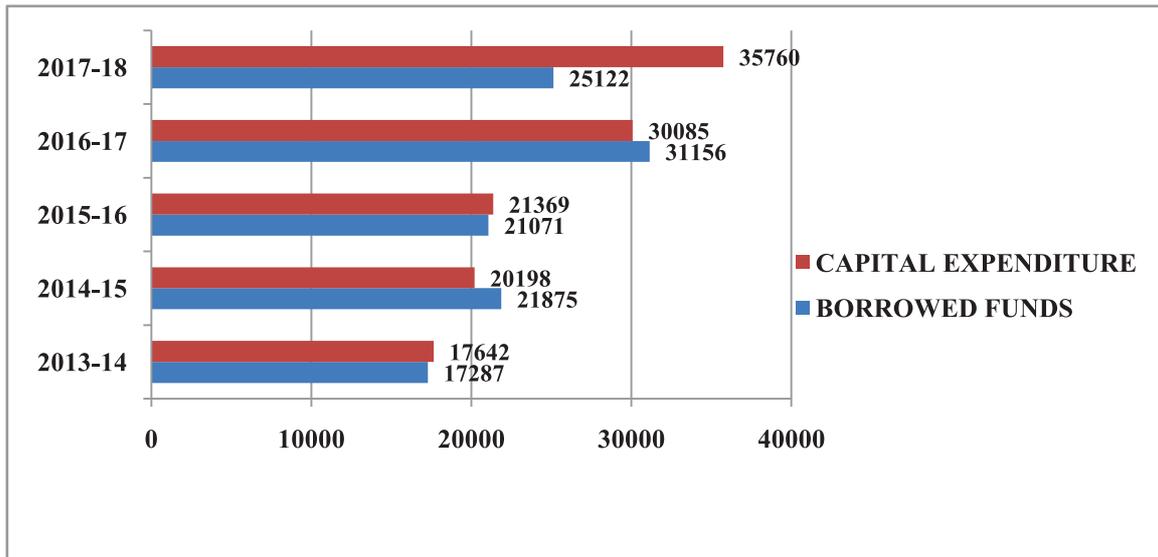
(#) Miscellaneous Government Account.

#### 1.6.4 Proportion of Borrowed Funds spent on Capital Expenditure

It is desirable to fully utilize borrowed funds for the creation of capital assets and to use revenue receipts for the payment of interest. The State Government, however, has generally spent the amount of borrowings of the current year (₹31,101 crore) on Capital Expenditure (₹35,760 crore), which is inclusive of disbursement of Loans and Advances.

#### BORROWED FUNDS AND CAPITAL EXPENDITURE

(₹ in crore)



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## CHAPTER II

### RECEIPTS

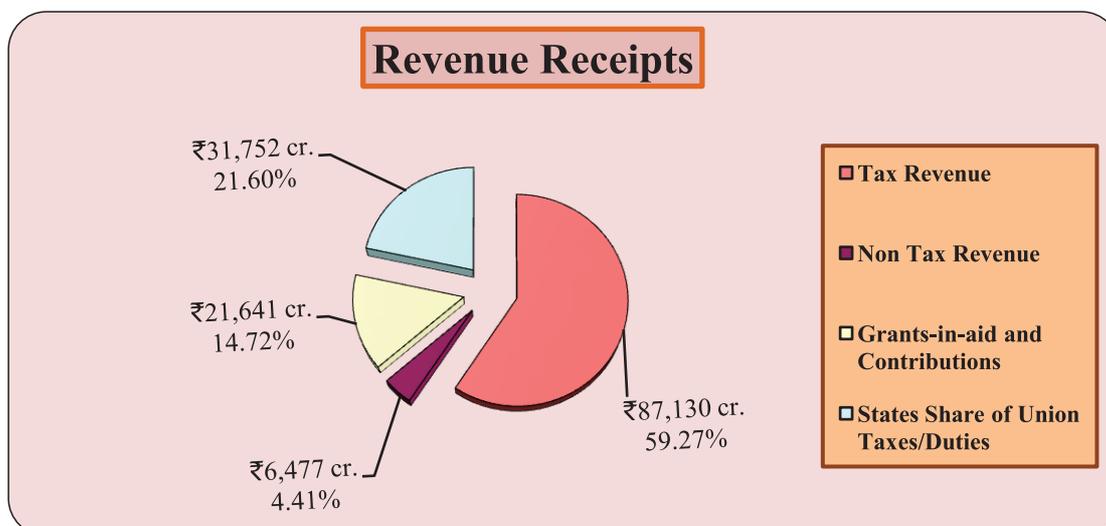
#### 2.1 Introduction

Receipts of the Government are classified as Revenue Receipts and Capital Receipts. Total Revenue receipts for 2017-18 were ₹147,000 crore comprising of Tax Revenue (₹118,882 crore) which includes ₹31,752 crore being State share of Union Taxes and Duties, Non-Tax Revenue (₹6,477 crore), Grant-in-Aid & Contributions from Government of India (₹21,641 crore). Capital Receipts (₹31,242 crore) comprising of Recovery of Loans and Advances (₹137 crore), Miscellaneous Capital Receipts (₹4 crore) and Borrowings & Other Liabilities (₹31,101 crore). Borrowings & Other Liabilities comprise net contribution from (i) 'E Public Debt' {₹16,853 crore}; (ii) 'Contingency Fund' (Nil) (iii) 'Public Account' {₹14,872 crore} minus net 'Cash Balance' {₹624 crore}.

#### 2.2 Revenue Receipts

Three main sources of the Revenue Receipts of the State Government are (i) Tax Revenue comprising of State's own taxes and share of Central Taxes and Duties, (ii) Non-tax Revenue and (iii) Grants-in-Aid and Contributions from the Central Government. Segments of revenue receipts as *per cent* to the total revenue receipts are given below in the pie chart.

<b>Tax Revenue</b>	Comprises Taxes and Duties collected and retained by the State and State's share of Union Taxes & Duties under Article 280 (3) of the Constitution.
<b>Non-Tax Revenue</b>	Includes Interest Receipts, Dividends and Profits and other Departmental Receipts.
<b>Grants-in-Aid and Contributions</b>	Essentially, a form of Central Assistance to the State Government includes 'External Grant Assistance and Aid Material & Equipments' received from foreign Governments and channelized through the Union Government.

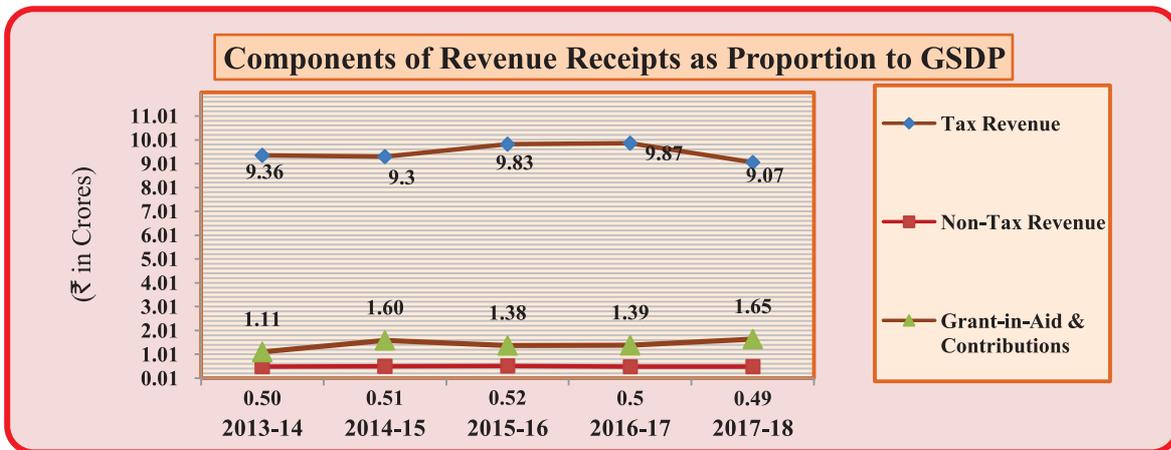


### 2.2.1 Components of Revenue Receipts

Components of Tax Revenue and Non-tax revenue as *per cent* to total revenue receipts are given in the table.

COMPONENTS	(₹ in crore)	<i>Per cent to Revenue Receipts</i>
<b>A. Tax Revenue</b> (*)	<b>118,882</b>	<b>81</b>
Taxes on Income and Expenditure	18,909	13
Taxes on Property and Capital Transactions	9,219	6
Taxes on Commodities and Services	90,754	62
<b>B. Non-Tax Revenue</b>	<b>6,477</b>	<b>4</b>
Interest Receipts, Dividends and Profits	1,257	1
General Services	910	1
Social Services	726	...
Economic Services	3,584	2
<b>C. Grants-in-aid and Contributions</b>	<b>21,641</b>	<b>15</b>
<b>TOTAL-REVENUE RECEIPTS</b>	<b>147,000</b>	<b>100</b>
(*) includes ₹31,752 crore (21.60 <i>per cent</i> of Revenue Receipts) being the State's share of allocable Taxes & Duties, received from Union Government		

Total Tax Revenue ₹118,882 crore and Non-Tax Revenue of ₹6,477 crore formed 9.07 *per cent* and 0.49 *per cent* respectively of the GSDP\*.



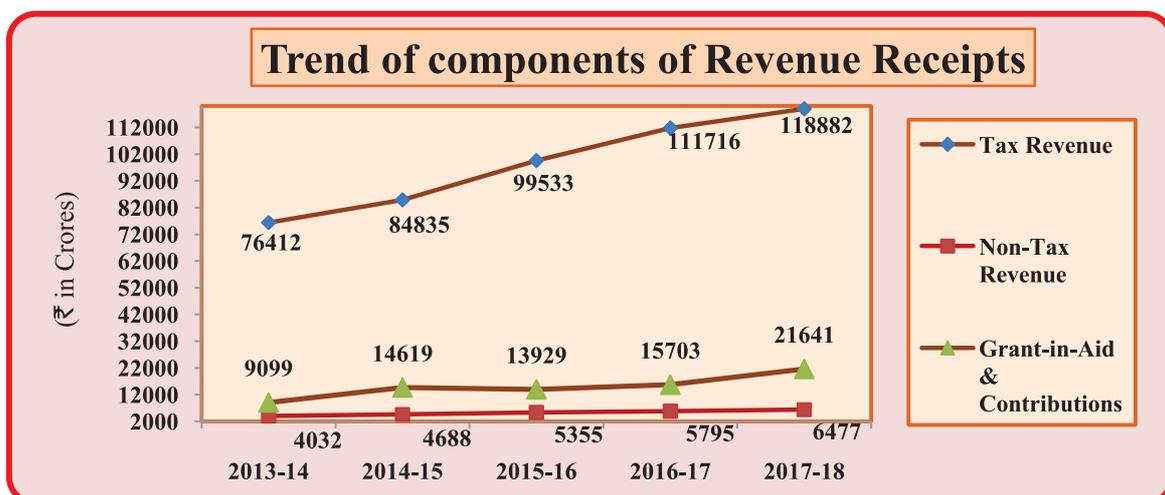
## 2.2.2 Trend of Revenue Receipts

Trend in components of Revenue Receipts for the previous five years and as a *per cent* of total receipts to GSDP are furnished in the table below along with graphical presentation.

(₹ In crore)

Year	Tax Revenue	Non-Tax Revenue	Grants-in-aid and Contributions	Total Revenue Receipts	GSDP*	Per cent of Total Revenue Receipts to GSDP
2013-14	76,412	4,032	9,099	89,543	816,666	10.96
2014-15	84,835	4,688	14,619	104,142	912,647	11.41
2015-16	99,533	5,355	13,929	118,817	1,012,804	11.73
2016-17	111,716	5,795	15,703	133,214	1,132,393	11.76
2017-18	118,882	6,477	21,641	147,000	1,310,879	11.21

\*Source for GSDP : Medium Term Fiscal Plan 2018-22

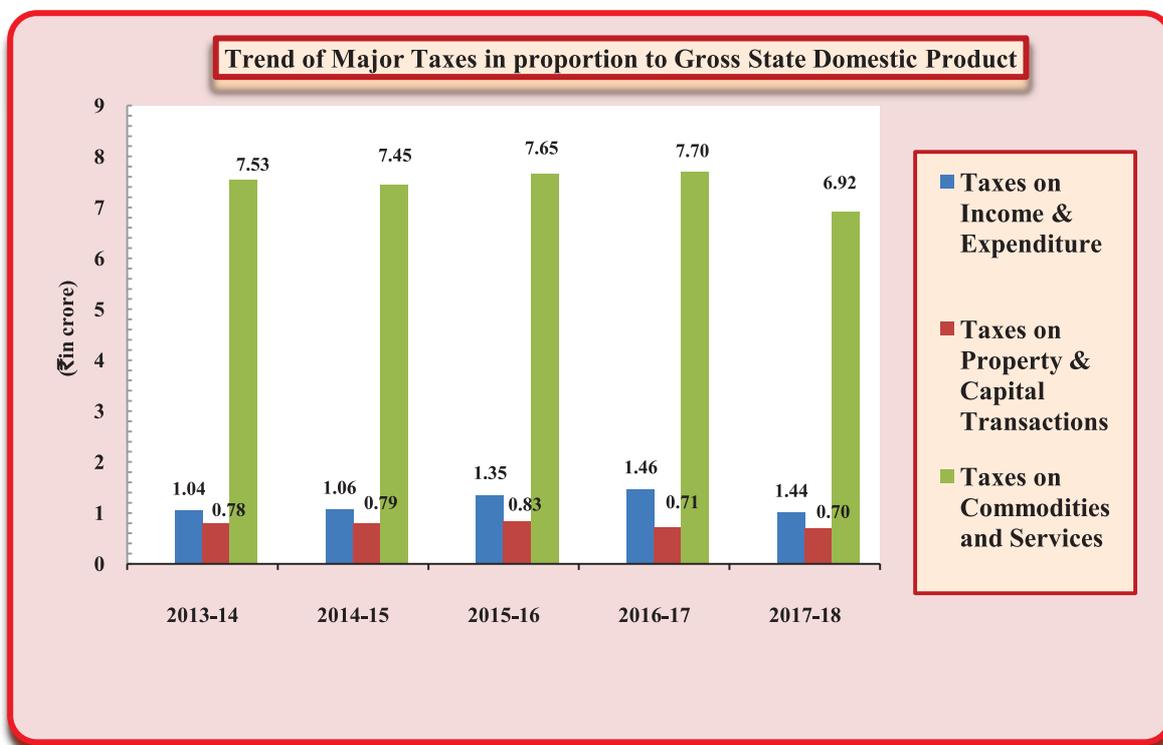


### 2.3 Trend of Collection of Tax Revenue

Trend in collection of tax revenues by sub-sector, for the last five years are given below, in the table.

(₹ in crore)					
Sector-wise Tax Revenue	2013-14	2014-15	2015-16	2016-17	2017-18
Taxes on Income and Expenditure	8,516	9,660	13,653	16,515	18,909
Taxes on Property and Capital Transactions	6,401	7,225	8,397	8,036	9,219
Taxes on Commodities and Services	61,495	67,950	77,483	87,165	90,754
<b>Total Tax Revenue</b>	<b>76,412</b>	<b>84,835</b>	<b>99,533</b>	<b>111,716</b>	<b>118,882</b>

Trend of Major Taxes in proportion to Gross State Domestic Product



### 2.3.1 Performance of Tax Revenue Collection

Year	Tax Revenue	State Share of Union Taxes & Duties	State's Own Tax Revenue	GSDP*	State Share of Union Taxes & Duties	State's Own Tax Revenue
	(₹ in crore)				Per cent to GSDP	
2013-14	76,412	13,808	62,604	816,666	1.69	7.67
2014-15	84,835	14,654	70,181	912,647	1.61	7.69
2015-16	99,533	23,983	75,550	1,012,804	2.37	7.46
2016-17	111,716	28,760	82,956	1,132,393	2.54	7.33
2017-18	118,882	31,752	87,130	1,310,879	2.42	6.65

\*Source for GSDP : Medium Term Fiscal Plan 2018-22

### 2.4 Efficiency of Tax Collection

#### A. Taxes on Property and Capital Transactions <sup>(\*)</sup>

The efficiency of tax collection as indicated by percentage of Cost of Collection is shown below:

Description	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Gross Revenue Collection	6,441	7,221	8,423	8,093	8,947
Cost of Collection <sup>(A)</sup>	362	360	420	440	353
Percentage of Cost of Tax Collection	5.62	4.99	4.99	5.44	3.95

(\*) Taxes on Property and Capital Transactions excluding 'Taxes on Wealth' which is not a part of States' Own Tax Revenue.

<sup>(A)</sup> Comprising Expenditure booked under the minor heads '001-Direction and Administration and 101-Collection Charges'

#### B. Taxes on Commodities and Services <sup>(\*)</sup>

Description	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Collection	56,787	63,497	67,753	75,983	55,086
Cost of Collection <sup>(A)</sup>	1,457	1,697	488	411	204
Percentage of Cost of Tax Collection	2.57	2.67	0.72	0.54	0.37

(\*) Taxes on Commodities and Services excluding 'Customs, Union Excise Duties, Service Tax'

<sup>(A)</sup> Comprising Expenditure booked under the minor heads '001-Direction and Administration & 101-Collection Charges'

2.4.1 Trend in State's own Tax collection over the past five years

(₹ in crore)

Head of Account	2013-14	2014-15	2015-16	2016-17	2017-18
Taxes on Sales, Trade etc	33,719	38,286	40,449	46,105	25,093
State Goods and Service Tax	...	...	...	...	24,182
State Excise	12,828	13,801	15,333	16,484	17,949
Stamps and Registration Fees	6,189	7,026	8,215	7,806	9,024
Corporation Tax	4,644	5,117	7,548	9,211	9,721
Taxes on Vehicles	3,912	4,542	5,002	5,594	6,209
Taxes on Income Other than Corporation Tax	3,058	3,654	5,252	6,402	8,209
Taxes on Goods and Passengers	2,626	3,038	3,125	3,306	1,279
Customs	2,253	2,370	3,830	3,962	3,204
Union Excise Duties	1,591	1,338	3,182	4,525	3,349
Service Tax	2,250	2,161	4,154	4,639	3,617
Other Taxes and Duties on Commodities and Services	1,420	1,373	1,224	1,099	736
Taxes on Duties on Electricity	897	1,041	1,170	1,452	1,485
Integrated Goods Sales Tax	...	...	...	...	3,205
Central Goods and Sales Tax	...	...	...	...	448

Net Tax Receipts during the year was more than Budget Estimates by ₹468 crore. Major variations in actual realization of Tax Revenues vis-à-vis Budget Estimates were as under.

(₹ in crore)

Tax Receipts where actual was less than Budget Estimates	Amount	Tax Receipts where actual was more than Budget Estimates	Amount
Taxes on Sales, Trade, etc.,	27,507	Corporation Tax	324
Service Tax	1,504	Taxes on Vehicles	203
Union Excise Duties	1,339	Taxes and Duties on Electricity	162
Customs	1,281	Other Taxes and Duties on Commodities and Services	97
State Excise	101	Taxes on Goods and Passengers	92
Land Revenue	58	Other Taxes on Income and Expenditure	66
Taxes on Income other than Corporation tax	7	Stamps and Registration Fees	24

## 2.4.2 Trend of State's Share of Union Taxes & Duties

(₹ in crore)

Major Head Description	2013-14	2014-15	2015-16	2016-17	2017-18
Corporation Tax	4,644	5,117	7,548	9,211	9,721
Taxes on Income other than Corporation Tax	3,058	3,654	5,252	6,402	8,209
Taxes on Wealth	13	14	2	21	(-) 0.30
Customs	2,253	2,370	3,830	3,962	3,204
Union Excise Duties	1,591	1,338	3,182	4,525	3,349
Service Tax	2,250	2,161	4,153	4,639	3,617
Central Goods and Service Tax	...	...	...	...	448
Integrated Goods and Service Tax	...	...	...	...	3,205
<b>State Share of Union Taxes &amp; Duties</b>	<b>13,808</b>	<b>14,654</b>	<b>23,983</b>	<b>28,760</b>	<b>31,752</b>
<b>Total Tax Revenue</b>	<b>76,412</b>	<b>84,835</b>	<b>99,533</b>	<b>111,716</b>	<b>118,882</b>
<b>Percentage of Union Taxes &amp; Duties to Total Tax Revenue</b>	<b>18.07</b>	<b>17.27</b>	<b>24.10</b>	<b>25.74</b>	<b>26.71</b>

## 2.5 Public Debt

Trend of receipts under Public Debt over the past five years are indicated below:

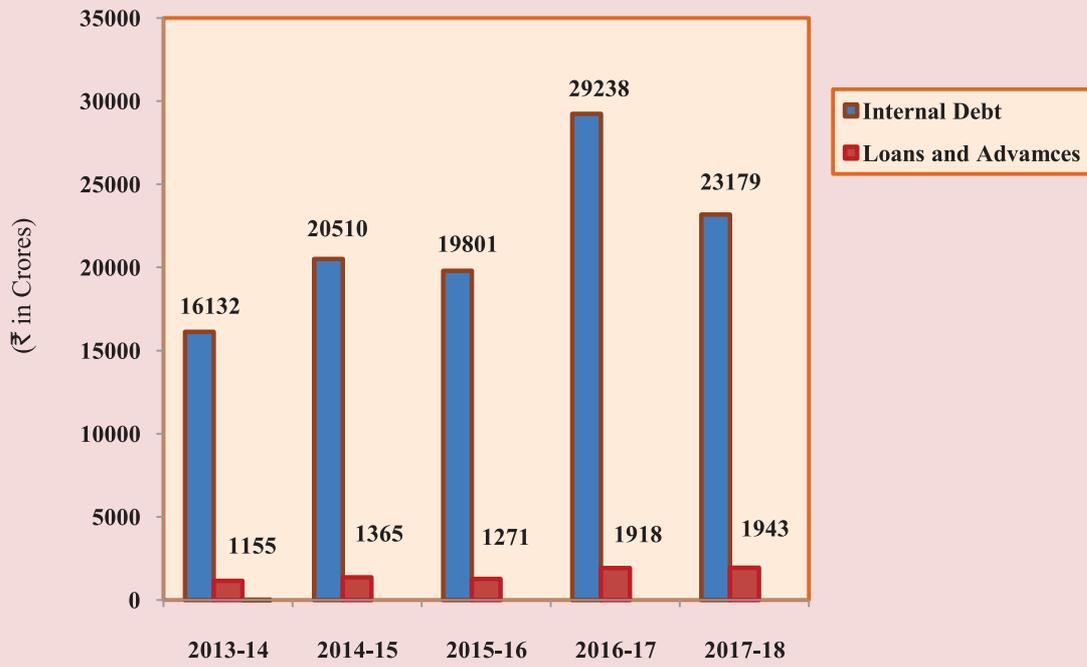
(₹ in crore)

Description	2013-14	2014-15	2015-16	2016-17	2017-18
Internal Debt of the State Government	16,132	20,510	19,801	29,238	23,179
Loans and Advances from the Central Government	1,155	1,365	1,271	1,918	1,943
<b>Total Public Debt</b>	<b>17,287</b>	<b>21,875</b>	<b>21,072</b>	<b>31,156</b>	<b>25,122</b>

During the year 2017-18, the State Government has obtained 'Market Loans' amounting to ₹22,098 crore, comprising of 15 loans redeemable in the year 2027-28.

Against the total receipts of ₹25,122 crore received during 2017-18, under 'Public Debt' comprising of 'Internal Debt of the State Government' ₹23,179 crore) and 'Loans and Advances from the Central Government (₹1,943 crore), the expenditure on Capital Account was ₹35,760 crore excluding repayment of Public Debt of ₹8,269 crore.

### Trend of receipts under Public Debt



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## CHAPTER III

### EXPENDITURE

#### 3.1 Introduction

(a) Expenditure is classified as Revenue Expenditure and Capital Expenditure. Revenue Expenditure is used to meet the day-to-day running of the Departments of the Government. Capital expenditure is used to create permanent assets or to enhance the utility of such assets or to reduce permanent liabilities.

In Government accounts, the expenditure is classified at top level into three sectors: General Services, Social Services and Economic Services. The significant areas of expenditure covered under these sectors are mentioned in the table given below:

<b>General Services</b>	Includes Justice, Police, Jails, Public Works, Pensions etc.
<b>Social Services</b>	Includes Education, Health & Family Welfare, Water Supply and Sanitation, Welfare of Scheduled Caste, Scheduled Tribes and other Backward Classes Minorities
<b>Economic Services</b>	Includes Agriculture, Rural Development, Irrigation, Co-operation, Energy, Industries, Transport etc.

#### (b) Merger of Plan and Non-Plan

Consequent on merger of Plan and Non-Plan classification based on the recommendations of the High Level Expert Committee (Sri C. Rangarajan Committee) and Administrative Reforms Committee and Guidance Note issued by the Ministry of Finance, Department of Economic Affairs, (Budget Division), vide O.M. No F.1 (16)-B (AC)/2011 dated 23 August 2016 the Government of Karnataka (Finance Department) in G.O dated 1 February 2017 has accorded approval for the removal of distinction between Plan and Non-Plan classification in the Budget from the financial year 2017-18. Accordingly, this classification has been dispensed with and consequently Finance Statements and Appendices for 2017-18 depict only the Charged and Voted expenditure.

#### 3.2 Revenue Expenditure

Revenue Expenditure of ₹142,482 crore for 2017-18 is less than Budget Estimates (₹144,755 crore) by ₹2,273 crore. The trend of Revenue Expenditure against Budget Estimates during the past five years is given below.

(₹ in crore)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Budget Estimates	97,391	110,757	115,449	130,236	144,755
Actuals	89,190	103,614	117,029	131,921	142,482
Gap	(-) 8,201	(-) 7,143	1,580	1,685	(-) 2273
Gap over BE in <i>per cent</i>	(-) 8	(-) 6	1	1	(-) 2

The position of committed and uncommitted revenue expenditure over the last five years is given below:

(₹ in crore)					
COMPONENT	2013-14	2014-15	2015-16	2016-17	2017-18
Total revenue expenditure	89,190	103,614	117,029	131,921	142,482
Committed revenue expenditure <sup>#</sup>	73,413	81,045	87,178	95,326	101,508
Percentage of committed revenue expenditure to total revenue expenditure	82	78	74	72	71
Uncommitted revenue expenditure	15,777	22,569	29,851	36,595	40,974

<sup>#</sup> Committed revenue expenditure includes expenditure on Salaries and Wages, Interest payments, Pensions and Subsidies.

It may be seen that the uncommitted revenue expenditure available for implementation of various schemes has increased by 160% from ₹15,777 crore in 2013-14 to ₹40,974 crore in 2017-18. The total revenue expenditure increased by 60% from ₹89,190 crore in 2013-14 to ₹142,482 crore in 2017-18 and committed revenue expenditure increased by 38% over the same period.

### 3.2.1 Sectoral Distribution of Revenue Expenditure

Distribution of Revenue Expenditure, between the Sectors are given in the table below.

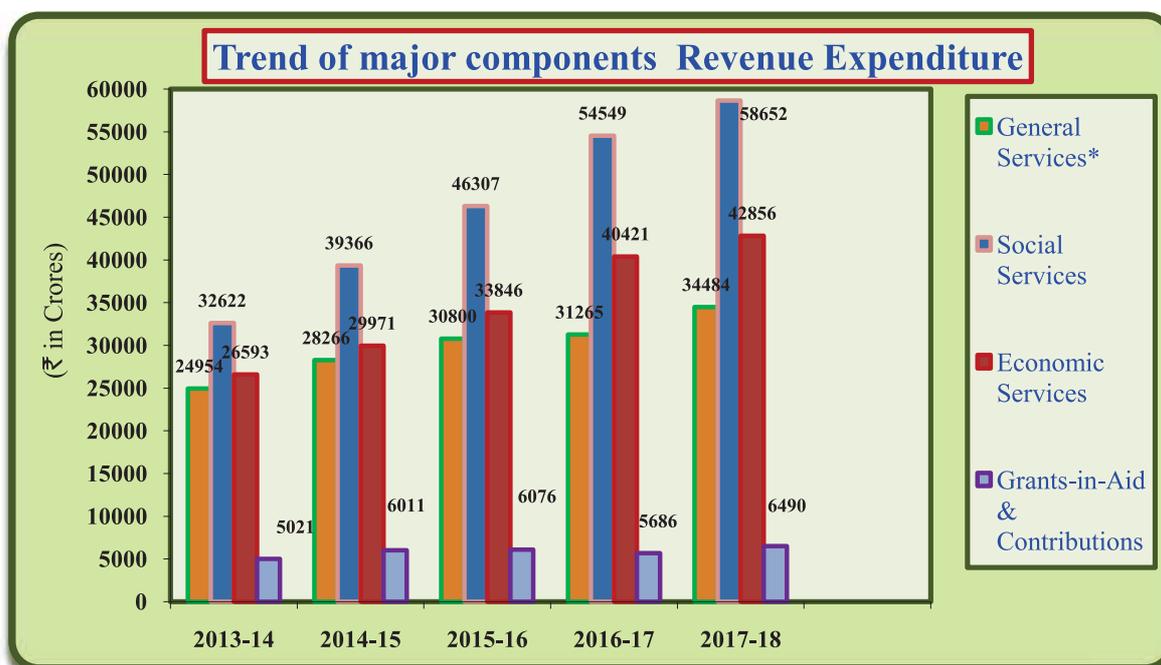
(₹ in crore)			
Components of Revenue Expenditure		Amount	Per cent <sup>(*)</sup>
<b>A</b>	<b>General Services</b>	<b>34,484</b>	<b>24.20</b>
<b>B</b>	<b>Social Services</b>	<b>58,652</b>	<b>41.16</b>
<b>C</b>	<b>Economic Services</b>	<b>42,856</b>	<b>30.08</b>
<b>D</b>	<b>Grants-in-Aid and Contributions</b>	<b>6,490</b>	<b>4.56</b>
<b>Total Expenditure (A+B+C+D)</b>		<b>142,482</b>	<b>100.00</b>
*Indicates percentage of Expenditure by Sector to Total Revenue Expenditure			

### 3.2.2 Trend in major components of Revenue Expenditure

(₹ in crore)

Year	General Services	Social Services	Economic Services	Grants-in-aid and Contributions	Total Revenue Expenditure	GSDP*	Per cent of Total Revenue Expenditure to GSDP
2013-14	24,954	32,622	26,593	5,021	89,190	816,666	10.92
2014-15	28,266	39,366	29,971	6,011	103,614	912,647	11.35
2015-16	30,800	46,307	33,846	6,076	117,029	1,012,804	11.55
2016-17	31,265	54,549	40,421	5,686	131,921	1,132,393	11.65
2017-18	34,484	58,652	42,856	6,490	142,482	1,310,879	10.87

\*Source for GSDP: Medium Term Fiscal Plan 2018-22



(\*) General Services including Major Head 2049-Interest Payments)

### 3.2.3. Expenditure in Major Sub-Sectors

The trend in Revenue expenditure under Major Sub Sectors, are indicated in the table below.

(₹ in crore)

Expenditure by Major Sub-sectors	2013-14	2014-15	2015-16	2016-17	2017-18
1 Education, Sports, Art and Culture	16,166	18,063	18,724	20,084	21,307
2 Agriculture and Allied Activities	12,590	10,563	11,149	11,976	14,521
3 Pensions and Miscellaneous General Services	9,217	10,144	11,366	11,394	11,817
4 Interest Payments and Servicing of Debt	7,837	9,804	12,413	12,850	13,930
5 Energy	5,996	6,746	9,170	9,237	9,403
6 Social Welfare and Nutrition	5,388	6,597	8,793	10,209	8,789
7 Administrative Services	5,030	5,506	5,711	5,816	6,417

(₹ in crore)

Expenditure by Major Sub-Sectors		2013-14	2014-15	2015-16	2016-17	2017-18
8	Health and Family Welfare	4,093	5,058	5,010	6,139	6,985
9	Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	3,720	5,038	5,562	6,780	8,546
10	Rural Development	2,283	4,988	5,222	5,547	5,209
11	Water Supply, Sanitation, Housing and Urban Development	2,670	3,944	7,374	10,489	11,712
12	Transport	2,560	3,232	3,552	4,844	4,970
13	General Economic Services	1,337	2,258	1,630	5,379	5,051

### 3.3 Capital Expenditure

For the year 2017-18, the Expenditure on Capital Account was ₹35,760 crore, which includes disbursement of Loans and Advances (₹5,093 crore) worked out to 2.73 per cent of GSDP and was more than Budget Estimates (₹33,630 crore) by ₹2,130 crore.

(₹ in crore)

Sl. No.		2013-14	2014-15	2015-16	2016-17	2017-18
1.	Budget (B.E.)	17,627	20,014	20,564	25,716	32,033
2.	Actual Expenditure (#)	16,947	19,622	20,713	28,151	30,667
3.	Percentage of Actual Expenditure to B.E.	96%	98%	101%	109%	96%
4.	Yearly growth in Capital Expenditure	9%	16%	6%	36%	9%
5.	GSDP	816,666	912,647	1,012,804	1,132,393	131,0879
6.	Yearly growth in GSDP	17%	12%	11%	12%	16%

# Does not include expenditure on Loans and Advances

#### 3.3.1 Sectoral Distribution of Capital Expenditure

During 2017-18, the Government spent ₹35,760 crore on various projects under the following sectors. The percentage of sector-wise expenditure to the Total Capital Expenditure indicated in the table.

(₹ in crore)

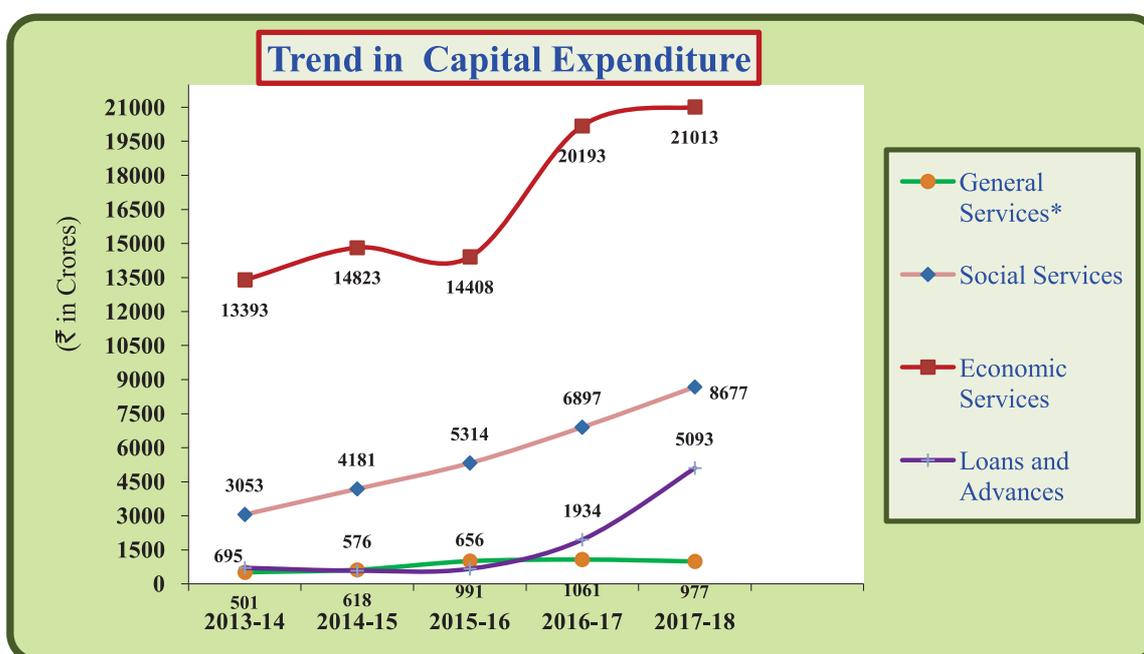
Sl. No.	Sector	Capital	Loan	Total	Per cent
1.	General Services – Police, Land Revenue etc.,	977	...	977	2.73
2.	Social Services – Education, Health & Family Welfare, Water Supply, Welfare of SC/ST etc.,	8,677	1,178	9,855	27.56
3.	Economic Services – Agriculture, Rural Development, Irrigation, Co-operation, Energy, Industries, Transport etc.,	21,013	3,910	24,923	69.70
4.	Miscellaneous	...	5	5	0.01
<b>Total Capital Expenditure (Outside the Revenue Account)</b>		<b>30,667</b>	<b>5,093</b>	<b>35,760</b>	<b>100.00</b>

### 3.3.2 Trend in Capital Expenditure

The trends in expenditure on Capital Account for the past five years are indicated in the table below along with graphical presentation.

(₹ in crore)

Sl. No.	Sector	2013-14	2014-15	2015-16	2016-17	2017-18
1	General Services	501	618	991	1,061	977
2	Social Services	3,053	4,181	5,314	6,897	8,677
3	Economic Services	13,393	14,823	14,408	20,193	21,013
4	Loans and Advances	695	576	656	1,934	5,093
<b>Total</b>		<b>17,642</b>	<b>20,198</b>	<b>21,369</b>	<b>30,085</b>	<b>35,760</b>



### 3.3.3 Sectoral Distribution of Capital and Revenue Expenditure

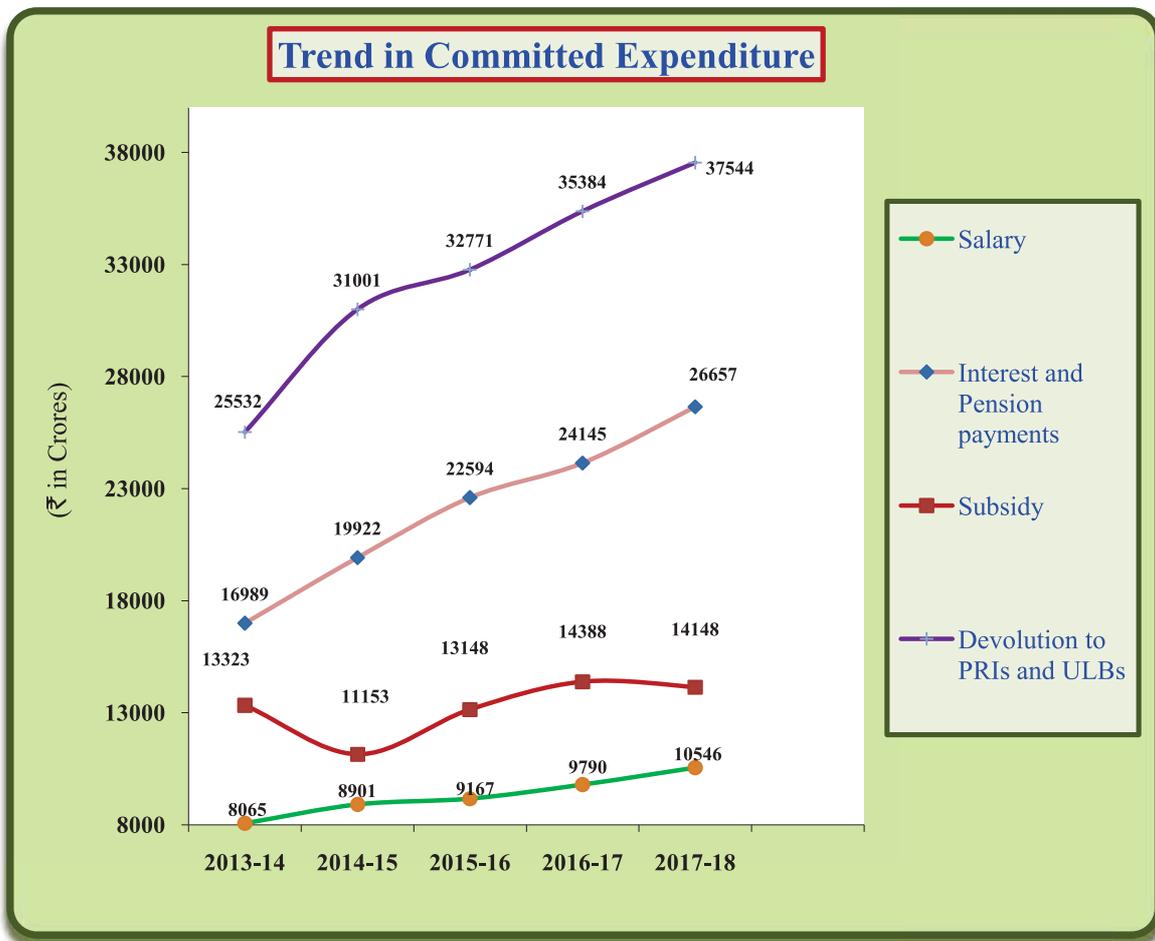
The Comparative Sectoral Distribution of Capital & Revenue Expenditure over the past 5 years is given below

(₹ in crore)

Sl. No.	Sector		2013-14	2014-15	2015-16	2016-17	2017-18
1	General Services	Capital	501	618	991	1,061	977
		Revenue	24,954	28,266	30,800	31,265	34,484
2	Social Services	Capital	3,053	4,181	5,314	6,897	8,677
		Revenue	32,622	39,366	46,307	54,549	58,652
3	Economic Services	Capital	13,393	14,823	14,408	20,193	21,013
		Revenue	26,593	29,971	33,846	40,421	42,856

### 3.4 Committed Expenditure

In addition to the seven components of Committed Expenditure furnished below in the table, Government of Karnataka has considered Salaries paid under District Sector Schemes, Implicit Subsidies and other Administrative Expenses as components of Committed Expenditure, in their Medium Term Fiscal Plan 2018-22. The Trend in growth of components of Committed Expenditure which are identified with specific object head codes in the accounts, over the Revenue Receipts and Revenue Expenditure for the five years is given below.



The Trend of Committed Expenditure in comparison to Revenue Expenditure and Revenue Receipts over the past five years is given below:

(₹ in crore)					
Components	2013-14	2014-15	2015-16	2016-17	2017-18
Total Committed Expenditure of which-	73,413	81,045	87,178	95,326	102,503
1) Salary <sup>(A)</sup>	8,065	8,901	9,167	9,790	10,546
2) Interest Payments	7,837	9,804 <sup>(B)</sup>	11,343 <sup>(E)</sup>	12,850 <sup>(F)</sup>	14,973 <sup>(G)</sup>
3) Pension Payments	9,152	10,118	11,251	11,295	11,684
4) Subsidy <sup>(C)</sup>	13,323	11,153	13,149	14,388	14,148
5) Grants-in-Aid <sup>(D)</sup>	7,079	7,746	7,250	9,115	9,553
6) Devolution to PRIs and ULBs	25,532	31,001	32,771	35,384	37,544
7) Social Security Pensions	2,425	2,322	2,247	2,503	4,055
Revenue Receipts	89,543	104,142	118,817	133,214	147,000
Revenue Expenditure	89,190	103,614	117,029	131,921	142,482
Percentage of Committed Expenditure to Revenue Receipts	82	78	73	72	70
Percentage of Committed Expenditure to Revenue Expenditure	82	78	74	72	72
(A) Indicates Salary booked under the State Sector and excluding the salary paid to staff employed under Panchayat Raj Institutions.					
(B) Includes payment of interest (₹399.53 crore) on 'Off budget borrowings' which spread across various functional Major Heads below the relevant sub-sectors under 'Social Services' and 'Economic Services'.					
(C) Subsidy representing only the amount booked under the object head '106-Subsidy', excluding subsidy releases to PRIs & ULBs					
(D) Excluding devolutions to PRIs and ULBs which is shown as a separate line item below.					
(E) Includes payment of interest (₹597 crore) on 'Off budget borrowings' which spread across various functional Major Heads below the relevant sub-sectors under 'Social Services' and 'Economic Services'.					
(F) Includes payment of interest (₹817 crore) on 'Off budget borrowings' which spread across various functional Major Heads below the relevant sub-sectors under 'Social Services' and 'Economic Services'.					
(G) Includes payment of interest (₹1,043 crore) on 'Off budget borrowings' which spread across various functional Major Heads below the relevant sub-sectors under 'Social Services' and 'Economic Services'.					

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## CHAPTER IV

### APPROPRIATION ACCOUNTS

#### 4.1 Summary of Appropriation Accounts

Appropriation Accounts of the Government of Karnataka for the year 2017-18 presents the accounts of sums expended compared with the sums specified in the schedules appended to the Appropriation Acts passed under Article 204 & 205 of the Constitution of India. Summary of the Appropriation Accounts by major sections under the Consolidated Fund of the State for the year 2017-18 are given below.

(₹ in crore)

| Sl. No. | Nature of expenditure    | Original Grant | Supplementary Grant | Reappropriation /Surrenders | Total          | Actual Expenditure | Savings (-) Excess (+) |
|---------|--------------------------|----------------|---------------------|-----------------------------|----------------|--------------------|------------------------|
| 1       | Revenue Voted            | 134,250        | 7,619               | (-) 4,487                   | 137,382        | 129,684            | (-) 7,698              |
|         | Charged                  | 16,108         | 220                 | (-) 26                      | 16,302         | 15,632             | (-) 670                |
| 2       | Capital Voted            | 32,880         | 3,215               | (-) 643                     | 35,452         | 31,745             | (-) 3,707              |
|         | Charged                  | 582            | ...                 | (-) 1                       | 581            | 574                | (-) 7                  |
| 3       | Public Debt Charged      | 8,176          | ...                 | ...                         | 8,176          | 8,269              | (+) 93                 |
| 4       | Loans and Advances Voted | 2,921          | 3,508               | (+) 73                      | 6,502          | 6,416              | (-) 86                 |
|         | <b>Total</b>             | <b>194,917</b> | <b>14,562</b>       | <b>(-) 5,084</b>            | <b>204,395</b> | <b>192,320</b>     | <b>(-) 12,075</b>      |

##### 4.1.1 Grant wise Details of Saving/Excess

The Appropriation Accounts of Government of Karnataka for 2017-18 indicate Grant-wise saving and excess as given below:

(₹ in crore)

| Saving under the following grants |                                                    | Revenue  |         | Capital |         |
|-----------------------------------|----------------------------------------------------|----------|---------|---------|---------|
| Grant No. and Name                |                                                    | Voted    | Charged | Voted   | Charged |
| 01                                | Agriculture and Horticulture                       | 455.50   | 0.04    | 58.31   | ...     |
| 02                                | Animal Husbandry and Fisheries                     | 95.71    | 0.01    | 1.81    | ...     |
| 03                                | Finance                                            | 3,303.03 | ...     | 38.54   | ...     |
| 04                                | Department of Personnel and Administrative Reforms | 107.10   | 24.34   | 0.24    | ...     |
| 05                                | Home and Transport                                 | 36.39    | 0.36    | 12.54   | 0.01    |
| 06                                | Infrastructure Development                         | 6.56     | ...     | 21.26   | ...     |
| 07                                | Rural Development and Panchayat Raj                | 1,578.25 | ...     | 705.94  | ...     |
| 08                                | Forest, Ecology and Environment                    | 83.80    | ...     | 10.01   | ...     |

(₹ in crore)

| Saving under the following grants        |                                              | Revenue |         | Capital  |         |
|------------------------------------------|----------------------------------------------|---------|---------|----------|---------|
| Grant No. and Name                       |                                              | Voted   | Charged | Voted    | Charged |
| 09                                       | Co-operation                                 | 44.26   |         | ...      | ...     |
| 10                                       | Social Welfare                               | 223.95  |         | 100.22   | ...     |
| 11                                       | Women and Child Development                  | 389.80  | ...     | 21.56    | ...     |
| 12                                       | Information, Tourism and Youth Services      | 94.01   | ...     | 169.34   | ...     |
| 13                                       | Food and Civil Supplies                      | 952.51  | 0.05    | ...      | ...     |
| 14                                       | Revenue                                      | 923.75  | ...     | 2.75     | 7.97    |
| 15                                       | Information Technology                       | 0.60    | ...     | ...      | ...     |
| 16                                       | Housing                                      | 492.58  | ...     | ...      | 0.74    |
| 17                                       | Education                                    | 789.61  | ...     | 25.27    | ...     |
| 18                                       | Commerce and Industries                      | 133.47  | ...     | 41.15    | ...     |
| 19                                       | Urban Development                            | 767.74  | ...     | 268.73   | ...     |
| 20                                       | Public Works                                 | 202.42  | ...     | 45.44    | ...     |
| 21                                       | Water Resources                              | 169.89  | 19.50   | 2,638.20 | ...     |
| 22                                       | Health and Family Welfare Services           | 403.91  | ...     | 29.51    | ...     |
| 23                                       | Labour and Skill Development                 | 606.35  | ...     | 16.99    | ...     |
| 24                                       | Energy                                       | 27.07   | ...     | ...      | ...     |
| 25                                       | Kannada and Culture                          | 38.89   | ...     | 2.26     | ...     |
| 26                                       | Planning, Statistics, Science and Technology | 116.15  | ...     | 142.85   | ...     |
| 27                                       | Law                                          | 79.63   | ...     | 0.50     | ...     |
| 28                                       | Parliamentary Affairs and Legislation        | 59.21   | 0.43    | 22.00    |         |
| 29                                       | Debt Servicing                               | 3.05    | 744.63  | ...      | ...     |
| <b>Excess under the following grants</b> |                                              |         |         |          |         |
| 03                                       | Finance                                      | ...     | 11.99   | ...      |         |
| 08                                       | Forest, Ecology and Environment              | ...     | 80.98   | ...      | ...     |
| 24                                       | Energy                                       | ...     | ...     | 12.95    | ...     |
| 29                                       | Debt Servicing                               | ...     | ...     | ...      | 93.51   |

## 4.2 Trend in Savings

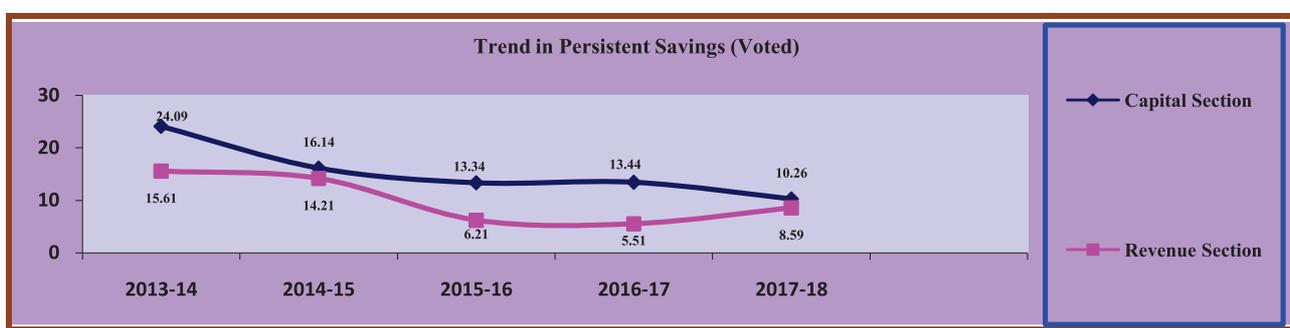
Saving in the Appropriation Accounts represent the amount of non-utilization of the funds provided for the various objects of expenditure through the Appropriation Acts passed by the State Legislature. Saving worked out with reference to the amounts authorized by the Legislature excluding the amount surrendered which is also considered as saving.

Trend in saving under voted and *charged* category of Revenue and Capital Section for the preceding five years are given below in the Table 4.2.1 and Table 4.2.2 respectively. Graphical presentation of saving as a *per cent* to Total Provision furnished below the respective tables.

### Persistent Savings (Voted)

(₹ in crore)

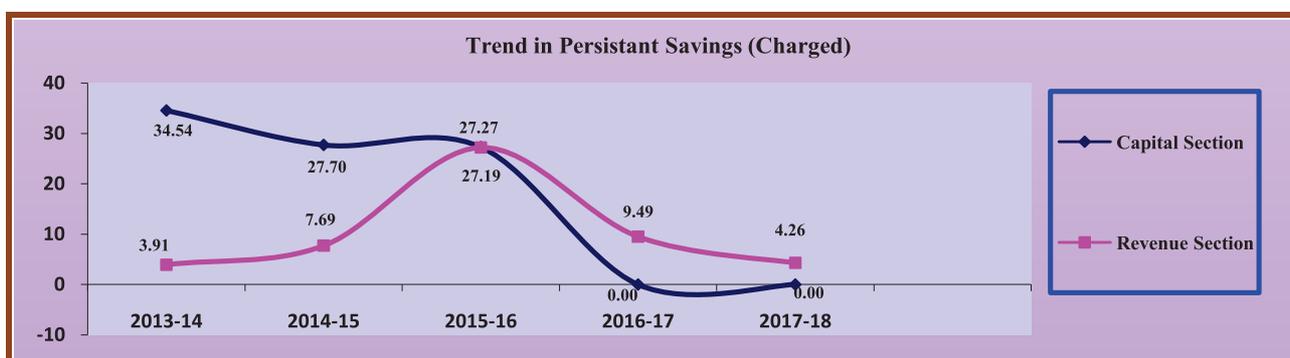
| Year    | REVENUE SECTION |             |        |                                 | CAPITAL SECTION |             |        |                                 |
|---------|-----------------|-------------|--------|---------------------------------|-----------------|-------------|--------|---------------------------------|
|         | Provision       | Expenditure | Saving | Per cent of saving to provision | Provision       | Expenditure | Saving | Per cent of saving to provision |
| 2013-14 | 97,254          | 82,071      | 15,183 | 15.61                           | 25,071          | 19,031      | 6,040  | 24.09                           |
| 2014-15 | 109,864         | 94,250      | 15,614 | 14.21                           | 25,531          | 21,408      | 4,123  | 16.14                           |
| 2015-16 | 114,291         | 107,199     | 7,092  | 6.21                            | 28,281          | 24,509      | 3,772  | 13.34                           |
| 2016-17 | 129,147         | 122,027     | 7,120  | 5.51                            | 34,451          | 29,821      | 4,630  | 13.44                           |
| 2017-18 | 141,869         | 129,684     | 12,185 | 8.59                            | 42,523          | 38,161      | 4,362  | 10.26                           |



### Persistent Savings (Charged)

(₹ in crore)

| Year    | REVENUE SECTION |             |        |                                 | CAPITAL SECTION |             |        |                                 |
|---------|-----------------|-------------|--------|---------------------------------|-----------------|-------------|--------|---------------------------------|
|         | Provision       | Expenditure | Saving | Per cent of saving to provision | Provision       | Expenditure | Saving | Per cent of saving to provision |
| 2013-14 | 9,149           | 8,791       | 358    | 3.91                            | 5,840           | 3,823       | 2,017  | 34.54                           |
| 2014-15 | 11,502          | 10,618      | 884    | 7.69                            | 7,040           | 5,090       | 1,950  | 27.70                           |
| 2015-16 | 17,898          | 13,031      | 4,867  | 27.19                           | 6,202           | 4,511       | 1,691  | 27.27                           |
| 2016-17 | 14,724          | 13,327      | 1,397  | 9.49                            | ...             | ...         | ...    | ...                             |
| 2017-18 | 16,328          | 15,632      | 696    | 4.26                            | ...             | ...         | ...    | ...                             |



### 4.3 Significant Savings

Substantial savings under a Grant indicates either non-implementation or slow implementation of certain schemes/programmes. Grants with Persistent and Significant savings for the past five years, over and above 10 *per cent* of the provision of funds, under Revenue and Capital Section are given below:

(in per cent)

| Grant No.              | Revenue Section                                  | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|------------------------|--------------------------------------------------|---------|---------|---------|---------|---------|
| 04                     | Department of Personnel & Administrative Reforms | 28      | 35      | 16      | 22      | 14      |
| 21                     | Water Resources                                  | 29      | 51      | 20      | 12      | 16      |
| 23                     | Labour and Skill Development                     | 28      | 33      | 13      | 12      | 36      |
| 26                     | Planning, Statistics, Science and Technology     | 40      | 13      | 21      | 21      | 17      |
| <b>Capital Section</b> |                                                  |         |         |         |         |         |
| 03                     | Finance                                          | 17      | 13      | 46      | 33      | 30      |
| 07                     | Rural Development & Panchayat Raj                | 51      | 12      | 27      | 40      | 52      |
| 11                     | Women and Child Welfare                          | 19      | 41      | 13      | 26      | 11      |
| 12                     | Information, Tourism and Youth Services          | 18      | 21      | 21      | 24      | 35      |

### 4.4 Supplementary Provision of funds

Under Article 205 of the Constitution of India, during 2017-18 additional funds aggregating to ₹14,561 crore have been provided through Supplementary Demand for Grants. Few instances, where the Supplementary found unnecessary or excessive are indicated in the table given below.

#### Unnecessary Supplementary Provision

(₹ in crore)

| Gr. No. | Head of account | Original | Supplementary | Actuals | Saving |
|---------|-----------------|----------|---------------|---------|--------|
| 01      | 2401-00-800-1   | 644.51   | 38.78         | 465.96  | 217.33 |
| 01      | 2401-00-102-08  | 205.40   | 22.03         | 197.78  | 29.65  |
| 01      | 4860-01-190-02  | 0.00     | 48.95         | 0.00    | 48.95  |
| 02      | 2403-00-101-21  | 43.45    | 1.88          | 35.07   | 10.26  |
| 08      | 2406-01-797-01  | 0.00     | 85.00         | 0.00    | 85.00  |
| 14      | 2053-00-093-1   | 85.27    | 2.68          | 75.61   | 12.34  |
| 14      | 2235-60-102-2   | 1,027.20 | 96.60         | 988.99  | 134.81 |
| 14      | 2235-60-102-1   | 612.39   | 83.18         | 591.34  | 104.23 |
| 14      | 2245-80-102-03  | 21.25    | 8.90          | 16.59   | 13.56  |

## Unnecessary Supplementary Provision

(₹ in crore)

| Gr. No.                                  | Head of account   | Original | Supplementary | Actuals | Saving |
|------------------------------------------|-------------------|----------|---------------|---------|--------|
| 17                                       | 2203-00-107-1     | 12.93    | 25.86         | 12.93   | 25.86  |
| 18                                       | 4852-01-004-01    | 550.00   | 2.00          | 451.78  | 100.22 |
| 21                                       | 4702-00-101-1     | 353.60   | 1.17          | 269.50  | 85.27  |
| 23                                       | 3604-00-191-5     | 50.00    | 4.72          | 27.32   | 27.40  |
| 25                                       | 2250-00-800-2     | 10.95    | 10.50         | 10.18   | 11.27  |
| 28                                       | 2011-02-103-1     | 49.88    | 4.41          | 34.65   | 19.64  |
| <b>Excessive Supplementary Provision</b> |                   |          |               |         |        |
| 03                                       | 2043-00-001-01    | 0.00     | 83.96         | 71.79   | 12.17  |
| 03                                       | 2043-00-101-0     | 0.00     | 40.83         | 34.64   | 6.19   |
| 04                                       | 2012-03-090-0     | 3.82     | 1.25          | 4.03    | 1.04   |
| 04                                       | 2014-00-102-01(C) | 12.23    | 8.46          | 15.93   | 4.76   |
| 04                                       | 2251-00-090-03    | 4.75     | 3.66          | 6.02    | 2.39   |
| 04                                       | 3451-00-091-01    | 2.15     | 18.50         | 15.63   | 5.02   |
| 08                                       | 2406-01-003-01    | 15.78    | 19.96         | 24.64   | 11.10  |
| 08                                       | 2406-01-102-2     | 4.23     | 9.49          | 11.06   | 2.66   |
| 14                                       | 2029-00-103-1     | 2.39     | 121.04        | 92.82   | 30.61  |
| 18                                       | 2852-08-202-7     | 92.75    | 40.00         | 118.45  | 14.30  |
| 18                                       | 4851-00-102-19    | 0.00     | 10.00         | 8.19    | 1.81   |
| 20                                       | 2059-80-053-1     | 15.84    | 21.86         | 16.48   | 21.22  |
| 22                                       | 4210-03-105-1     | 428.43   | 210.76        | 554.27  | 84.92  |
| 22                                       | 4210-04-200-1     | 19.01    | 22.85         | 28.36   | 13.50  |
| 23                                       | 2230-02-101-08    | 0.00     | 3.36          | 0.33    | 3.03   |
| 27                                       | 2014-00-114-01    | 28.22    | 18.49         | 30.20   | 16.51  |
| 29                                       | 2049-01-305-01    | 3.00     | 1.52          | 3.15    | 1.37   |

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#### 5.1 Assets

The existing form of accounts do not depict valuation of Government assets like land, buildings etc., except in the year of acquisition/purchase. The Government assets, mainly comprising of cash balance and investments of cash balance stood at ₹26,184 crore, progressive Capital Expenditure ₹235,614 crore), balance of Loans and Advances ₹20,533 crore, Civil Advances ₹7 crore and balance outstanding under Remittances ₹651 crore at the end of 31 March 2018. The details of Assets and Liabilities of Government of Karnataka are exhibited in the Statement No.1 of the Finance Accounts **Volume-I**.

Government investments in share capital of different classes of entities stood at ₹65,146 crore at the end of 2017-18, mainly comprising of Statutory Corporations, which is inclusive of Regional Rural Banks (₹2,617 crore), Government Companies/Public Sector Undertakings (₹59,355 crore), Joint Stock Companies (₹2,733 crore) and Co-operative Institutions and Local bodies (₹441 crore). Dividend received during the year was ₹79 crore (0.12 *per cent*) on the Total Government Investments. During the year 2017-18, the Government Investments was increased by ₹2,031 crore, while dividend income decreased by ₹4 crore.

Cash Balance with RBI, which stood at ₹100 crore on 1 April 2017 increased to ₹724 crore at the end of March 2018.

#### 5.2 Debt and Liabilities

Article 293(1) of the Constitution of India empowers the State Government to borrow on the security of the Consolidated Fund of the State within such limits, if any, as may be fixed by the State Legislature, from time to time.

In pursuant with the recommendations of the XI Finance Commission, the Government of Karnataka was the first State to enact the Fiscal Responsibility (FRA) Act, 2002. In Accordance with the recommendations of the XIII Finance Commission and with the amendment to the FRA (May 2011), the State laid down the Fiscal targets to ensure – Outstanding debt to the end of 2017-18 to be at 25 *per cent* of the estimated GSDP. Further, the Government has amended the Karnataka Fiscal Responsibility (Amendment) Act, 2014 on 28 February 2014, to enlarge the scope of ‘Total Liabilities’ to include the borrowings by the Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments, where the Principal and/or interest are to be serviced out

of the budget of the Government of Karnataka, for evaluation of the performance of the prescribed fiscal indicators.

Outstanding balance of Public debt and Outstanding Liabilities under Public Account of the State Government, in comparison with the per cent to GSDP are as under:

(₹ in crore)

| Year    | GSDP*     | Public Debt | Per cent to GSDP | Public Account <sup>^</sup> | Per cent to GSDP | Total Liabilities <sup>^</sup> | Per cent to GSDP |
|---------|-----------|-------------|------------------|-----------------------------|------------------|--------------------------------|------------------|
| 2013-14 | 816,666   | 88,522      | 10.84            | 46,796                      | 5.73             | 135,318                        | 16.57            |
| 2014-15 | 912,647   | 105,585     | 11.57            | 52,968                      | 5.80             | 158,553                        | 17.37            |
| 2015-16 | 1,012,804 | 122,547     | 12.10            | 53,076                      | 5.24             | 175,623                        | 17.34            |
| 2016-17 | 1,132,393 | 146,283     | 12.92            | 64,788                      | 5.72             | 211,071                        | 18.64            |
| 2017-18 | 1,310,879 | 163,135     | 12.44            | 69,923                      | 5.33             | 233,058 <sup>#</sup>           | 17.78            |

(\*) Source for GSDP 2017-18 Medium Term Fiscal Plan 2018-22.

(<sup>^</sup>) Exhibits net of small savings and other liabilities as depicted in Statement No.6 (i) of Finance Accounts.

(<sup>#</sup>) Excluding the amount of off-budget borrowings ₹13,173 crore which is not forming part of Consolidated Fund of the State but to be included under Total Liabilities, for calculation of fiscal indicators. For more details, please refer paragraph 1.6 of Chapter I

There is net increase of ₹21,987 crore (10.42 per cent) in Public Debt and Other Liabilities as compared to 2016-17.

For the year 2017-18, the Interest payments on Debt and Other Liabilities stood at ₹14,943 crore which includes payment of interest on off-budget borrowings (₹1,043 crore), Interest on Internal Debt (₹11,170 crore excluding Interest on Management of State Debt), Interest on Small Savings, Provident Funds (₹2,078 crore), Interest on Loans and Advances from Central Government (₹652 crore) and Interest on Reserve Funds & Other Obligations (₹0.08 crore) and the total interest payments works out to 10.48 per cent of the Revenue Expenditure and 10.16 per cent of the Revenue Receipts of the year 2017-18.

The Expenditure on account of interest payments (inclusive of interest on off-budget borrowings) increased by ₹2,057 crore during 2017-18 over 2016-17.

### 5.2.1 State Provident Funds

The following table shows the details of State Provident Fund for the last five years:

(₹ in crore)

| Year    | Opening Balance | Receipts (*) | Payments | Net accretion for the year | Closing Balance | Interest on balance of P.F |
|---------|-----------------|--------------|----------|----------------------------|-----------------|----------------------------|
| 2013-14 | 8797            | 2,558        | 1,371    | 1,187                      | 9,984           | 784                        |
| 2014-15 | 9,984           | 2,847        | 1,744    | 1,103                      | 11,087          | 866                        |
| 2015-16 | 11,087          | 3,098        | 2,073    | 1,025                      | 12,112          | 952                        |
| 2016-17 | 12,112          | 3,275        | 1,852    | 1,423                      | 13,535          | 988                        |
| 2017-18 | 13,535          | 3,507        | 2,006    | 1,501                      | 15,036          | 1,055                      |

(\*) Includes interest indicated in the last column of the table.

### 5.2.2 Trend in Government Liabilities

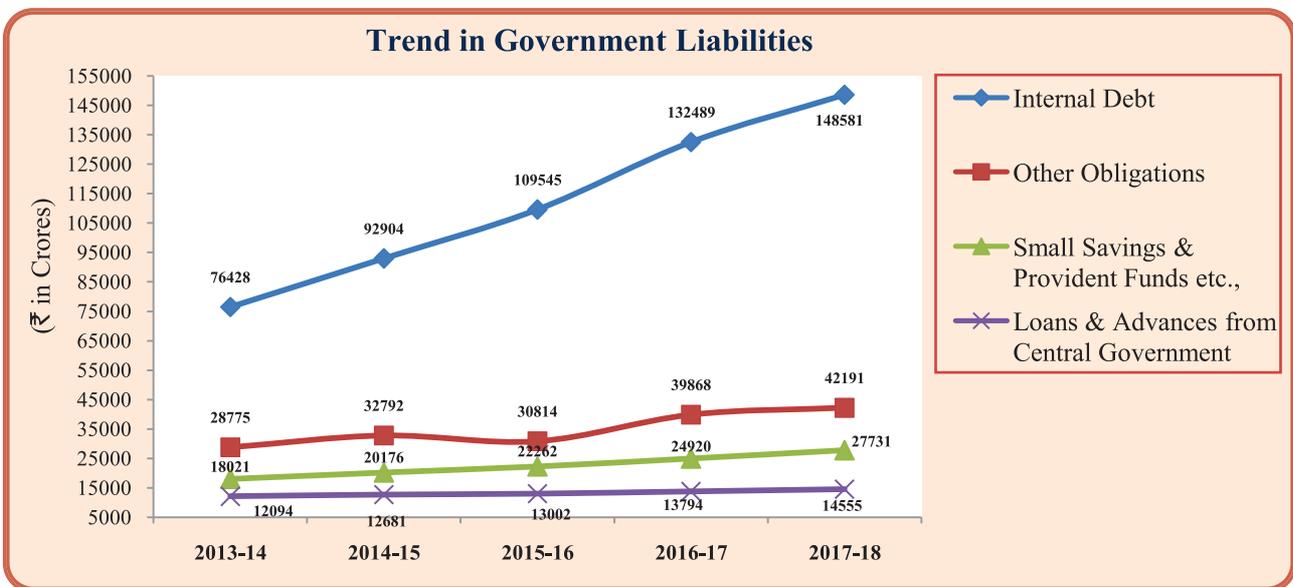
The following table indicates the trends in liabilities of State Government during the past five years. The graphical representation of trends in Government liabilities is also furnished.

(₹ in crore)

| Year    | Internal debt of the State | Loans & Advances from Central Government | Small Savings and Provident Funds | Other Obligations | Total Liabilities       |
|---------|----------------------------|------------------------------------------|-----------------------------------|-------------------|-------------------------|
| 2013-14 | 76,428                     | 12,094                                   | 18,021                            | 28,775            | 135,318                 |
| 2014-15 | 92,904                     | 12,681                                   | 20,176                            | 32,792            | 158,553                 |
| 2015-16 | 109,545                    | 13,002                                   | 22,262                            | 30,814            | 175,623                 |
| 2016-17 | 132,489                    | 13,794                                   | 24,920                            | 39,868            | 211,071 <sup>(#)</sup>  |
| 2017-18 | 148,581                    | 14,555                                   | 27,731                            | 42,191            | 233,058 <sup>(\$)</sup> |

(#) Excluding the amount of off-budget borrowings ₹10,248 crore which is not forming part of Consolidated Fund but to be included as part of Total Liabilities for calculations of fiscal indicators. For details please refer paragraph 1.6 of Chapter I

(\$)



Government of Karnataka has further amended the Karnataka Fiscal Responsibility Act, 2011, on 28<sup>th</sup> February 2014, to re-define the scope of 'Total Liabilities' to include the borrowings by the Public Sector Undertakings and Special Purpose Vehicles and other equivalent instruments, where the Principal and/or interest are to be serviced out of the budget of the Government of Karnataka.

Details of Off-budget borrowings furnished by the Finance Department are given below in the table.

(₹ in crore)

| Opening Balance | Borrowings during the year | Principal repayment during the year | Interest repayment during the year | Closing Balance |
|-----------------|----------------------------|-------------------------------------|------------------------------------|-----------------|
| (1)             | (2)                        | (3)                                 | (4)                                | (5)             |
| 10,249.08       | 3500.23                    | 575.92                              | 977.43                             | 13,173.39       |

Note: Closing Balance (column 5) worked out by amount in column (1) plus column (2) minus column (3).

The indebtedness of the Government, including the off-budget borrowings (₹13,173 crore), has increased by ₹38,085 crore for the year 2017-18. Thus, the Total Outstanding Liability (TOL) as on 31 March, 2018 stood at ₹246,231 crore.

After taking into account the outstanding liabilities on off-budget borrowings ₹13,173 crore, for the purpose of calculation of Fiscal Indicator, the proportion of TOL to GSDP, works out to 18.78 *per cent*, to the end of 2017-18.

### 5.2.3 Contingency Fund

Contingency Fund of the State is set-up to meet expenditure on unforeseen contingencies, pending authorization from the State Legislature. The extent of usage of Contingency Fund for the past 5 years is as under.

| Particulars                                                                     | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------------------------------------------------------------|---------|---------|---------|---------|---------|
| Number of withdrawals from Contingency Fund                                     | 9       | 2       | 5       | 2       | 0       |
| Total withdrawals from Contingency Fund (₹ in crore)                            | 56.89   | 16.95   | 36.25   | 7.64    | 0       |
| Withdrawals from the Contingency Fund as a percentage to Total Budget Provision | 0.04    | 0.01    | 0.02    | 0.01    | 0       |

### 5.3 Guarantees

The limit as prescribed in the Karnataka Ceiling on Government Guarantees Act, 1999 is that the total Outstanding Government Guarantees as on the first of April of any year shall not exceed 80 *per cent* of the States' Revenue Receipts of the second preceding year as in the books of the Accountant General (A&E), Karnataka. The maximum amount of outstanding guarantee as depicted in Finance Accounts is within the limits prescribed in the Act. The information on outstanding guarantees for the repayment of Loans and payment of interest thereon raised by Statutory Corporations, Government Companies, Local Bodies, Co-operative Societies, etc., as on 31 March 2018 was furnished by the State Government and depicted in the Statement No.20 of the Finance Accounts **Volume-II**.

The maximum amount guaranteed and the outstanding principal and interest at the end of each year over the past five years are given in the table below.

(₹ in crore)

| At the end of the year | Maximum Amount Guaranteed (Principal only) | Amount outstanding as on 31 March 2018 |          |
|------------------------|--------------------------------------------|----------------------------------------|----------|
|                        |                                            | Principal                              | Interest |
| 2013-14                | 16,145                                     | 7,671                                  | 112      |
| 2014-15                | 16,869                                     | 10,890                                 | 143      |
| 2015-16                | 18,358                                     | 13,155                                 | 170      |
| 2016-17                | 21,115                                     | 15,227                                 | 165      |
| 2017-18                | 24,025                                     | 18,266                                 | 149      |

#### 5.4 Externally Aided Projects

The liability of the State Government for repayment of loans from Externally Aided Projects is given below. Individual Scheme wise details are furnished in the Appendix-IV of the Finance Accounts - Volume-II.

(₹ in crore)

| Period  | Opening Balance | Amount Received | Amount Repaid | Closing Balance |
|---------|-----------------|-----------------|---------------|-----------------|
| 2013-14 | 8,613           | 1,159           | 410           | 9,362           |
| 2014-15 | 9,362           | 1,365           | 493           | 10,234          |
| 2015-16 | 10,234          | 1,271           | 664           | 10,841          |
| 2016-17 | 10,841          | 1,917           | 839           | 11,919          |
| 2017-18 | 11,919          | 1,968           | 895           | 12,992          |

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## CHAPTER VI

### OTHER ITEMS

#### 6.1 Adverse Balances under Public Debt

Borrowings of State Governments are governed by Article 293(1) of the Constitution of India. The balance under 'Internal Debt of the State Government' stood at ₹148,581 crore, which comprises an adverse balance amounting to ₹128.50 crore under 'Loans from National Co-operative Development Corporation'. The balance under 'Loans and Advances from the Central Government' stood at ₹14,555 crore, which comprises an adverse balance amounting to ₹5.17 crore being unadjusted amount of repayment of Central Government Loans outstanding as on 31-03-2010 was later written-off in terms of the recommendations of the XIII Finance Commission. Reconciliation of adverse balances is under examination.

#### 6.2 Loans and Advances by the State Government

Total Loans and Advances made by the State Government at the end of 2017-18 was ₹20,533 crore. The Loans and Advances are disbursed to various Loanee Groups consisting of Panchayat Raj Institutions, Urban Development Authorities & Municipalities, Housing Boards and Corporations, Government Companies & Corporations, Co-operative Institutions and others. Recovery of Principal aggregating to ₹4,402 crore and interest amounting to ₹3,370 crore, is in arrears as at the end of 31 March 2018 in respect of loans, the detailed accounts of which are maintained by the Accountant General (A&E) Karnataka.

#### 6.3 Financial Assistance to Local Bodies and Others

Grants-in-Aid to Local Bodies etc., has increased by ₹2,597 crore from ₹44,499 crore in 2016-17 to ₹47,096 crore in 2017-18 representing an increase of 6 per cent over the previous year. Grants to Zilla Panchayats, Taluk Panchayats, Grama Panchayats and Municipalities & Urban Local Bodies (₹37,539 crore) represented 80 per cent of total grants given during the year. Details of Grants-in-aid for the past five years are as under.

| (₹ in crore) |                  |                  |                 |                       |                       |        |
|--------------|------------------|------------------|-----------------|-----------------------|-----------------------|--------|
| Year         | Zilla Panchayats | Taluk Panchayats | Gram Panchayats | ULBs & Municipalities | Others <sup>(*)</sup> | Total  |
| 2013-14      | 7,488            | 11,403           | 1,619           | 5,019                 | 7,082                 | 32,611 |
| 2014-15      | 9,601            | 12,709           | 2,678           | 6,010                 | 7,749                 | 38,747 |
| 2015-16      | 9,476            | 13,596           | 3,620           | 6,076                 | 7,254                 | 40,022 |
| 2016-17      | 10,387           | 15,032           | 4,274           | 5,686                 | 9,120                 | 44,499 |
| 2017-18      | 9,811            | 15,705           | 5,533           | 6,490                 | 9,557                 | 47,096 |

(\*) Others include Public Sector Undertakings, Autonomous Bodies, and Co-operative Institutions & Non Government Organisations.

### 6.3.1 Status of Outstanding Utilization Certificates

The Government while sanctioning Grants-in-aid (GIA) to various beneficiaries may stipulate that the UCs for the amount of Grants-in-Aid have to be forwarded to the Accountant General (A&E). The Accountant General (A&E) will keep a watch over the submission of UCs in respect of such releases only. At the end of 31 March 2018 about 303 Grants-in-Aid bills amounting to ₹2,585 crore were outstanding for submission of Utilisation Certificates. The pendency was mainly under 'Medical and Public Health' and 'Urban Development' constituting (₹2,546 crore) constituting 98.48 percent.

### 6.4 Cash Balance and Investment of Cash Balance

| (₹ in crore)                                                       |                          |                           |                                  |
|--------------------------------------------------------------------|--------------------------|---------------------------|----------------------------------|
| Component                                                          | As on<br>1 April<br>2017 | As on<br>31 March<br>2018 | Net Increase (+)<br>Decrease (-) |
| Cash Balance <sup>(1)</sup>                                        | 100                      | 724                       | (+) 624                          |
| Investments from Cash Balance<br>(GOI Securities & Treasury Bills) | 23,977                   | 12,655                    | (-) 11,322                       |
| Other Cash Balances & Investments                                  | 10,276                   | 12,805                    | (+) 2,529                        |
| (a) Cash with Departmental Officers<br>& Permanent Advances        | 4                        | 4                         | ...                              |
| (b) Investments of Earmarked Funds                                 | 10,272                   | 12,801                    | (+) 2,529                        |
| <b>Total</b>                                                       | <b>34,353</b>            | <b>26,184</b>             | <b>(-) 8,169</b>                 |
| Interest realised                                                  | 1,054                    | 1,078                     | (+) 24                           |
| (1) Cash Balance include Local Remittances & Deposits with RBI.    |                          |                           |                                  |

During 2017-18 interest receipt on Cash Balance Investments increased by 2.28 *per cent* in comparison with the previous year.

### 6.5 Reconciliation of Accounts

Accuracy and reliability of accounts depend, among other things, on timely reconciliation of the figures available with the Departments and the figures appearing in the accounts compiled by the Accountant General (Accounts and Entitlements) Karnataka. This exercise is to be conducted by respective Heads of Departments. During 2017-18, only 80 *per cent* (₹138,610 crore) of the total expenditure of ₹173,149 of the State Government was reconciled. Similarly, out of total receipts of ₹147,003 crore, 98.87 *per cent* (₹145,345 crore) was reconciled. Loans and advances, both repayment of Loans and Disbursements, were not reconciled by any of the CCOs concerned.

## 6.6 Submission of Accounts by Treasuries

There are 34 District Treasury Offices (DTO) in the State. During the year 2017-18, out of 181 occasions of delayed submission of monthly accounts, delay of up to 15 days was noticed in on 179 occasions and delay over 15 days and less than one month on 2 occasions.

## 6.7 Abstract Contingent (AC) Bills and Non-payable Detailed Contingent (NDC) Bills

The 'Contingent Charges' or 'Contingencies' means and include all incidental and other expenses which are incurred for the management of an office or for the technical working of a department other than those which under prescribed rules of classification of expenditure fall under some other head of expenditure. The Drawing and Disbursing Officers (DDOs) are authorized to draw money without supporting documents through AC bills, under Rule 36 of Manual of Contingent Expenditure 1958. Such AC bills are required to be finally settled through submission of Non-payment Detailed Contingent (NDC) bills through treasury to the Accountant General (A&E) before the 15<sup>th</sup> of the month following the month to which the bill relates. As per the Government Order September 2004, the NDC bills are to be routed through treasuries and shall be enforced by the treasury by non honouring further AC bills till the unadjusted AC Bills are cleared by submission of NDC Bills. Prolonged non-submission of NDC bills renders the expenditure under AC bills opaque. At the end of 31 March 2018 about 3,276 AC bills amounting to ₹84.00 crore were outstanding for submission of NDC bills. The pendency was mainly under 'Police' (₹38.47 crore), 'Other Rural Development Programmes' (₹4.78 crore), 'Elections' (₹5.04 crore) and 'Social Security and Welfare' (₹4.07 crore).

## 6.8 Commitments on account of Incomplete Works

A total expenditure of ₹155,792 crore was incurred up to the year 2017-18 by the State Government under various construction projects taken up by the Public Works Department, Water Resources Department, and Public Health & Engineering Department. However, the Departments engaged in construction projects have reported commitment of ₹120 crore on incomplete works (748 Works) costing over ₹333 crore to the end of the financial year 2017-18. The details are as follows.

| Period       | Number of Works | Cost of Works | Progressive Expenditure |
|--------------|-----------------|---------------|-------------------------|
|              |                 | (₹ in crore)  |                         |
| 2005-2010    | 02              | 07            | 06                      |
| 2010-2015    | 123             | 209           | 146                     |
| 2015-2018    | 1,332           | 2,167         | 784                     |
| <b>TOTAL</b> | <b>1,457</b>    | <b>2,383</b>  | <b>936</b>              |

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#### 7.1 Efficiency on Budget Preparation

Article 202 of the Constitution of India empowers the State Government for preparation of statement of estimated receipts and expenditure of the State, for each financial year, which has to be laid before both the houses of Legislature.

This Statement also known as Annual Financial Statement or Budget, provide descriptions about projections or estimation of Revenue and Expenditure for a particular fiscal year, followed by detailed estimate of Receipts and Statement of Demand for Grants followed by detailed estimate of Expenditure. Budget papers of a given year provide information normally for three years. viz., Budget Estimate for the ensuing year, budget estimate and revised estimate of previous year and accounts or actual (figures) of second preceding year.

A comparative and critical analysis of proposed budgeted Receipts and Expenditure of a particular year's budget with their final outcome facilitates a meaningful understanding of performance of government. Variations do occur owing to overestimation or underestimation of revenue and expenditure. The extent of variation between the budget estimates of Revenue and Expenditure and actual Revenue and Expenditure are influenced by several factors like political decisions, economic & social conditions, system of budgetary control.

Huge variation between the budget estimates and actuals is not desirable, as such variation would result in distortions of fiscal indicators. Accuracy in revenue estimates is desired for facilitating a realistic choice of expenditure policy for smooth implementation of expenditure schemes. Accuracy of budget estimation helps in formulation of economic policy and attainment of efficient fiscal indicators. Thus, without sound budgetary forecasts, a satisfactory integration between formulation and execution of economic goals cannot be easily achieved.

A comparison of budget estimates for the year 2017-18 with the Actual Accounts has revealed variations as detailed below:

The budget estimates envisaged revenue receipts of ₹144,892 crore against which the actual realisation was ₹147,000 crore, an increase of ₹2,108 crore (about 1.57% of the estimated Revenue Receipts).

1) Details of variation between the Estimated Revenue Receipts and Actuals are furnished in the Explanatory Notes to Statement No.14 of Finance Accounts Vol-II.

Revenue expenditure was estimated at ₹144,755 crore against which the actual expenditure was ₹142,482 crore, a decrease of ₹2,273 crore (about 1.57% of the Estimated Revenue Expenditure).

2. Details of variation between the Estimated Revenue Receipts and Actuals are furnished in the Explanatory Notes top Statement No.15 of Finance Accounts Volume II.

## 7.2 Grants-in-Aid

According to Indian Government Accounting Standards (IGAS)-2, Grants-in-aid are payments, transfer of funds, in cash or in kind in the nature of assistance, donations or contributions made by one government to another government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

Grants-in-aid are given by the Union Government to State Governments and by the State Governments to the Local Bodies discharging functions of State government under the Constitution. This is based on the system of governance in India, which follows three-tier pattern with the Union Government at the apex, the States in the middle and the Local Bodies (LBs) consisting of Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs) at the grass root level. Grants-in-aid released by the Union Government to the State Governments are paid out of the Consolidated Fund of India as per Articles 275 and 282 of the Constitution.

The State Government, while sanctioning Grants-in-aid (GIA) to various bodies, may stipulate that the Utilisation Certificates (UCs) for the grants released are to be forwarded to Accountant General (A&E), who will watch submission of UC's against such grants. Utilisation Certificates outstanding beyond the specified period (18 months) indicates absence of assurance on utilisation of grants for intended purposes. The status of outstanding UCs is shown in the table below:

| Year          | Number of UCs awaited | Amount<br>(₹ in crore) |
|---------------|-----------------------|------------------------|
| Up to 2015-16 | 96                    | 315.61                 |
| 2016-17       | 61                    | 358.90                 |
| 2017-18*      | 146                   | 1,910.75               |
| <b>Total</b>  | <b>303</b>            | <b>2,585.26</b>        |

\* The year mentioned above relates to "Due Year", i.e., after 18 months of actual drawal.

Major defaulting departments, which have not submitted UCs are Medical & Public Health and Urban Development Department, constituting 98.48 per cent of the balance (₹2,545.59 crore).

### 7.3 Status of Suspense Balance

Transactions of receipts and payments which cannot be booked to a final head of account due to lack of information as to their nature or for other reasons are classified under suspense. These heads of accounts are finally cleared by minus debit or minus credit when the amounts under them are booked to their respective final heads of accounts.

The Finance Accounts reflect the net balances under different Suspense and Remittance Heads of Account. The outstanding balances under the Major Head of account '8658 – Suspense Accounts' and '8782 – Cash Remittances and adjustment between officers rendering accounts to the same Accounts Officer' are worked out by aggregating the outstanding debit and credit balances separately.

The position of net balances under some of the significant Suspense and Remittance items to the end of last three years is indicated below.

#### Details of Suspense and Remittance balances

(₹ in crore)

| Details of Minor Head |                                                                                  | 2015-16          |       | 2016-17           |        | 2017-18           |        |
|-----------------------|----------------------------------------------------------------------------------|------------------|-------|-------------------|--------|-------------------|--------|
|                       |                                                                                  | Dr               | Cr    | Dr                | Cr     | Dr                | Cr     |
| 1                     | 8658-00-101<br>Pay and Accounts<br>Office Suspense                               | 86.90            | 0.68  | 118.86            | 0.45   | 189.66            | 0.25   |
|                       | <b>Net</b>                                                                       | <b>Dr. 86.22</b> |       | <b>Dr. 118.41</b> |        | <b>Dr. 189.41</b> |        |
| 2                     | 8658-00-102-<br>Suspense Account<br>(Civil)                                      | 24.29            | 34.42 | 17.22             | 60.78  | 17.37             | 175.77 |
|                       | <b>Net</b>                                                                       | <b>Cr. 10.13</b> |       | <b>Cr. 43.56</b>  |        | <b>Cr. 158.40</b> |        |
| 3                     | 8658-00-110-<br>Reserve Bank of<br>India Suspense-<br>Central Accounts<br>Office | 20.20            | 57.56 | 41.02             | 148.41 | 44.53             | 151.18 |
|                       | <b>Net</b>                                                                       | <b>Cr. 37.36</b> |       | <b>Cr. 107.39</b> |        | <b>Cr. 106.65</b> |        |
| 4                     | 8782-00-102-1<br>Public Works<br>Remittances into<br>treasury                    | 81.56            | ...   | 81.40             | ...    | 81.72             | ...    |
|                       | <b>Net</b>                                                                       | <b>Dr. 81.56</b> |       | <b>Dr. 81.40</b>  |        | <b>Dr. 81.72</b>  |        |
| 5                     | 8782-00-102-2<br>Public Works<br>Cheques                                         | 2.52             | 21.40 | 2.52              | 18.42  | 2.53              | 30.52  |
|                       | <b>Net</b>                                                                       | <b>Cr. 18.88</b> |       | <b>Cr. 15.90</b>  |        | <b>Cr. 27.99</b>  |        |

### Details of Suspense and Remittance balances

(₹ in crore)

| Details of Minor Head |                                                      | 2015-16          |     | 2016-17          |     | 2017-18          |     |
|-----------------------|------------------------------------------------------|------------------|-----|------------------|-----|------------------|-----|
|                       |                                                      | Dr               | Cr  | Dr               | Cr  | Dr               | Cr  |
| 6                     | 8782-00-103-1<br>Forest Remittances<br>into treasury | 12.04            | ... | 12.12            | ... | 12.13            | ... |
|                       | <b>Net</b>                                           | <b>Dr. 12.04</b> |     | <b>Dr. 12.12</b> |     | <b>Dr. 12.13</b> |     |
| 7                     | 8782-00-103-2<br>Forest Cheques                      | 0.83             | ... | 0.83             | ... | 0.83             | ... |
|                       | <b>Net</b>                                           | <b>Dr. 0.83</b>  |     | <b>Dr. 0.83</b>  |     | <b>Dr. 0.83</b>  |     |

#### 7.4 New Pension Scheme

State Government employees recruited on or after 1 April 2006 are covered under the New Pension System (NPS), a defined contribution pension system, the recovery for which commenced from 1 April 2010. Under this Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by an equivalent amount paid by the State Government. The contributions under this scheme are transferred to the designated Fund manager for investment through the National Securities Depository Limited (NSDL)/ Trustee Bank.

As per the records of Accountant General (A&E), State Government had contributed ₹581.70 crore (Major Head 2071-01-117) towards NPS during the year 2017-18. An amount of ₹1,173.30 crore has been transferred from the Fund to NSDL/Trustee bank (Employees' and Employer's contribution) leaving net balance of ₹6.23 crore under the head of account 8342-00-117 as at the end of March 2018. The un-transferred amounts with accrued interest represent outstanding liabilities of the Government.

The employees' contribution, as intimated by the NPS Cell of the State Government is to the tune of ₹462.18 crore (Regular + Backlog Contribution). The figures received from NPS Cell represent the amount actually matched and booked by NSDL whereas the figures as per records of Accountant General (A&E) represent the actual contribution/transfers made during 2017-18.

In terms of instructions contained at Para F(iii) of the G.O dated 19 May 2017, NPS Cell has to carry out reconciliation of the schedules and challans received from the treasuries for the month and match the totals with the figures booked by AG (A&E) on a monthly basis and differences, if any, have to be reconciled. However, till date the NPS Cell has not carried out the reconciliation of the balances reflected under NPS account.

During 2017-18, ₹5.20 crore has been paid from Consolidated Fund as 'New Contributory Pension Schemes – Extension of Benefit to the cases of Persons/Families who retired/died while in Service (2071-01-104-2-07) and are covered under New defined Pension Scheme.

## 7.5 Personal Deposit Accounts

As per Article 286A of Karnataka Financial Code (KFC), 1958, Personal Deposit (PD) accounts are created in favour of Drawing and Disbursing Officers to make payments through cheques instead of presenting bills at the treasury. Amounts are transferred to PD accounts by debiting functional heads under the Consolidated Fund of the State with a contra credit to the Public Account against the respective Deposit head classifications.

Unspent balances under these PD accounts created by debit to the Consolidated Fund should be closed at the end of the financial year by minus debit of the balance to the relevant service head under the Consolidated Fund through book adjustment as reduction of expenditure. However, such adjustments had not been carried out at the end of the financial year.

Details of the PD accounts are indicated below:

**(₹ in crore)**

| PD accounts existing at the beginning of the year |             | PD accounts opened during the year |        | Transactions during the year (Amount) |          | PD accounts existing at the close of the year |             |
|---------------------------------------------------|-------------|------------------------------------|--------|---------------------------------------|----------|-----------------------------------------------|-------------|
| Number                                            | Amount      | Number                             | Amount | Credit                                | Debit    | Number                                        | Amount      |
| 66*                                               | Cr.2,942.12 | 04**                               | 0.00   | 4,194.46                              | 4,395.06 | 70                                            | Cr.2,741.52 |

\* Read with Note below the table at page 56 of Finance Accounts-Volume I for 2016-17.

\*\* Only one new PD account opened during the year 2017-18. Another 3 PD accounts opened during 2010-11, which had been inadvertently been left out has now been reconciled and accounted for.

The Administrators of PD accounts are required under Article 286 of the KFC to reconcile the cash book balances with reference to the monthly extract of their account as appearing in the treasury records on the fifth of the succeeding month. Information on reconciliation of figures by the Administrators of the Accounts with the treasuries are available at the treasuries.

As per Article 286A of Karnataka Financial Code, if a PD account is not operated upon for a considerable period, the same should be closed in consultation with the officer, on whose favour the PD account had been opened. Out of 70 PD accounts, 22 are inoperative (11 PD accounts with a credit balance of ₹4.75 crore and 9 PD accounts with a debit balance of ₹1.27 crore and 2 PD accounts with NIL balance).

Further, 48 PD accounts are operative (30 PD accounts with a credit balance of ₹6,789.17 crore and 11 PD accounts with a debit balance of ₹4,051.13 crore, 7 PD accounts with Nil balance).

Analysis of the transactions showed that a net amount of ₹200.60 crore was spent in excess of the total amount transferred to 32 PD accounts during 2017-18. The closing balance included an amount of ₹206.50 crore, which was lying unspent in PD accounts for more than one year and similarly ₹2,735.61 crore was lying unspent for a period of three years or more.

## **7.6 Investments**

Information on Government investments appearing in **Statement 8** of the Finance Accounts Vol-I is based on the accounts and sanctions received by the Accountant General (A&E), Karnataka. Government has invested ₹65,145.88 crore to the end of 2017-18 in 143 entities. Against ₹65,145.88 crore invested in these entities as on 31 March 2018, only ₹78.83 crore was received towards dividend (0.12 *per cent* of invested amount) from 34 entities and 109 entities did not pay any dividend to the State Government. The investment figures have not been reconciled with the records of the concerned entities. These figures require confirmation by the concerned Department of the Government of Karnataka and the entity in which investments was made.

## **7.7 Rush of expenditure**

As per paragraph (6) of the instructions issued by the Department of Finance, Government of Karnataka, dated 09 September 2004, regarding releases, drawal and accounting of funds, the Administrative Department and the Heads of Department required to plan the expenditure for the remaining part of the financial year with due diligence and within the available grants. Bunching of bills and rush of expenditure in the month of the march was to be avoided. Administrative Orders were to be issued well in advance after obtaining necessary approvals for expenditure likely to be incurred in February and March.

During 2017-18, instances of rush of expenditure during March 2018 occurred under Grant No.17 & 20 ranging from 53% to 100%, the details of which are given below.

**Grant No. 17 Education**

(₹ in crore)

| Sl. No | Head of Account      | Total Expenditure during the year | Expenditure upto Feb. 18 Amount | Percentage | Expenditure for Mar. 18 Amount | Percentage |
|--------|----------------------|-----------------------------------|---------------------------------|------------|--------------------------------|------------|
| 1      | 2202-03-103-2-01-059 | 205.78                            | 2.94                            | 1.43       | 202.84                         | 98.57      |
| 2      | 4202-01-203-1-01-133 | 100.00                            | 38.81                           | 38.81      | 61.19                          | 61.19      |
| 3      | 2202-01-102-0-05-059 | 287.05                            | 113.65                          | 39.59      | 173.40                         | 60.41      |
| 4      | 3054-80-196-1-03-300 | 362.24                            | 146.92                          | 40.56      | 215.32                         | 59.44      |
| 5      | 2202-01-053-0-01-200 | 34.23                             | 16.03                           | 46.83      | 18.20                          | 53.17      |

**Grant No. 20 Public Works**

(₹ in crore)

| Sl. No | Head of Account      | Total Expenditure During the year | Expenditure upto Feb. 18 Amount | Percentage | Expenditure for Mar. 18 Amount | Percentage |
|--------|----------------------|-----------------------------------|---------------------------------|------------|--------------------------------|------------|
| 1      | 2059-80-001-0-13-051 | 0.55                              | 0                               | 0          | 0.55                           | 100.00     |
| 2      | 3054-03-337-0-07-200 | 295.41                            | 8.18                            | 2.77       | 287.23                         | 97.23      |
| 3      | 4711-02-103-2-00-139 | 56.72                             | 11.84                           | 20.87      | 44.88                          | 79.13      |
| 4      | 3054-04-105-0-01-200 | 38.67                             | 10.08                           | 26.07      | 28.59                          | 73.93      |
| 5      | 2216-01-700-3-01-200 | 127.93                            | 39.53                           | 30.90      | 88.40                          | 69.10      |
| 6      | 3054-03-102-0-01-200 | 33.32                             | 11.01                           | 33.04      | 22.31                          | 66.96      |

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