

GOVERNMENT OF KARNATAKA

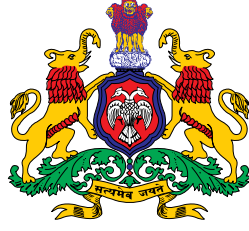


**ACCOUNTS AT A GLANCE
2010-2011**

**PRINCIPAL ACCOUNTANT GENERAL (ACCOUNTS & ENTITLEMENT)
KARNATAKA, BANGALORE**

KARNATAKA





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PREFACE

The Annual accounts of the State Government are prepared and examined under the direction of the Comptroller and Auditor General of India (C&AG) in accordance with Article 149 of Constitution of India, for being laid before the Legislature of the State. The Annual Accounts consist of (a) Finance Accounts and (b) Appropriation Accounts.

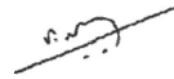
Finance Accounts are summary statements of accounts under the Consolidated Fund, Contingency Fund and the Public Account. The Appropriation Accounts record the Grant-wise gross expenditures against provisions approved by the State Legislature and offer explanations for variations between the actual expenditure and the funds provided.

The Principal Accountant General (Accounts and Entitlement) prepares the State Finance Accounts and Appropriation accounts.

A combined reading of the Finance Accounts and Appropriation Accounts, the Reports 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, statements and graphs.

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



(S.Prabhu)

Principal Accountant General (A&E)
Karnataka

Place: Bangalore
Date:

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CHAPTER I

OVERVIEW

1.1 Introduction

The Principal Accountant General (Accounts and Entitlement), Karnataka compiles the accounts of Receipts and Disbursements of the 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 and advices of the Reserve Bank of India, CAS, Nagpur and other various 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 Principal Accountant General (A&E) prepares, annually, the Finance Accounts and the Appropriation Accounts, which are placed before the State Legislature after audit by the Principal Accountant General (Civil and Commercial Audit), Karnataka and certification by the Comptroller and Auditor General of India.

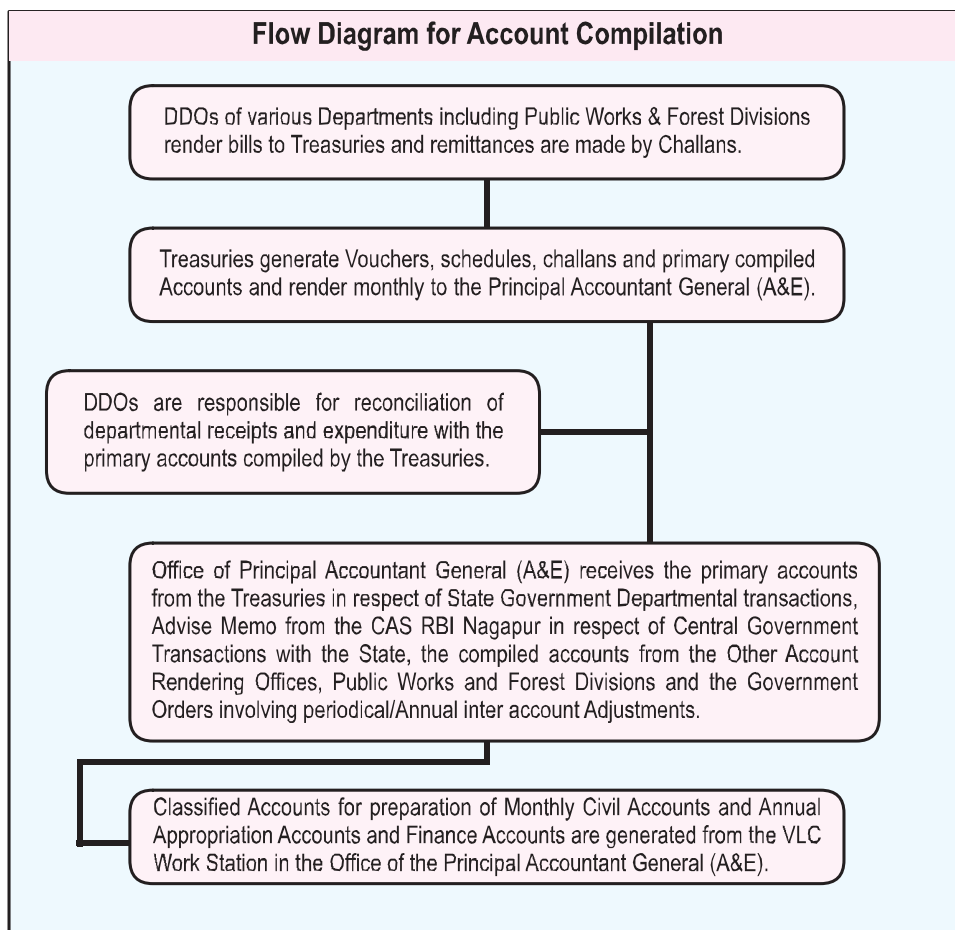
1.2 Structure of Accounts

1.2.1 Government Accounts Kept in Three Parts

Part 1 CONSOLIDATED FUND	Receipts and Expenditure on Revenue and Capital Account, Public Debt and Loans and Advances, Inter State Settlement & Appropriation to Contingency Fund.
Part 2 CONTINGENCY FUND	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.
Part 3 PUBLIC ACCOUNT	Comprises of Small Savings & Provident Funds, Reserve Funds, Deposits & Advances, Suspense and Remittances transactions. While the Small Savings & Provident Funds, Reserve Funds, and Deposits represent repayable liabilities of the Government, the Advances represent receivables of the Government. Suspense and Remittance transactions are adjusting entries that are to be cleared eventually by booking to the final head of account.

Accounts at a Glance provide a Bird's Eye View of the finances of the Government with respect to several key fiscal indicators.

1.2.2 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 new formats of Finance Accounts are issued 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, summarised statements of overall Receipts and Disbursements, Assets and Liabilities of the Government and 'Notes to Accounts' containing summary of significant accounting policies, certain types of (fund, suspense and other book adjustments) transactions bearing quality of accounts, and other items; while Volume II contains other Summarised Statements (Part-I), Detailed Statements (Part-II) and Appendices (Part-III).

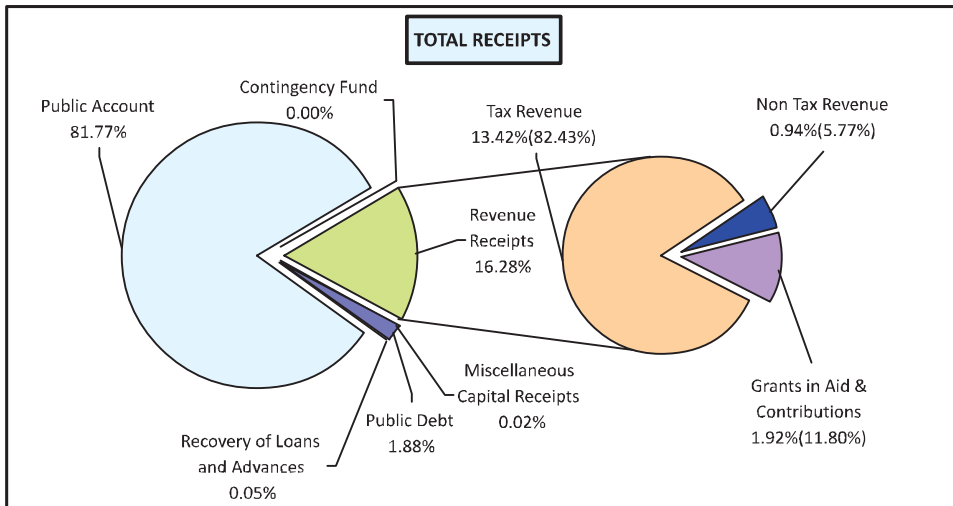
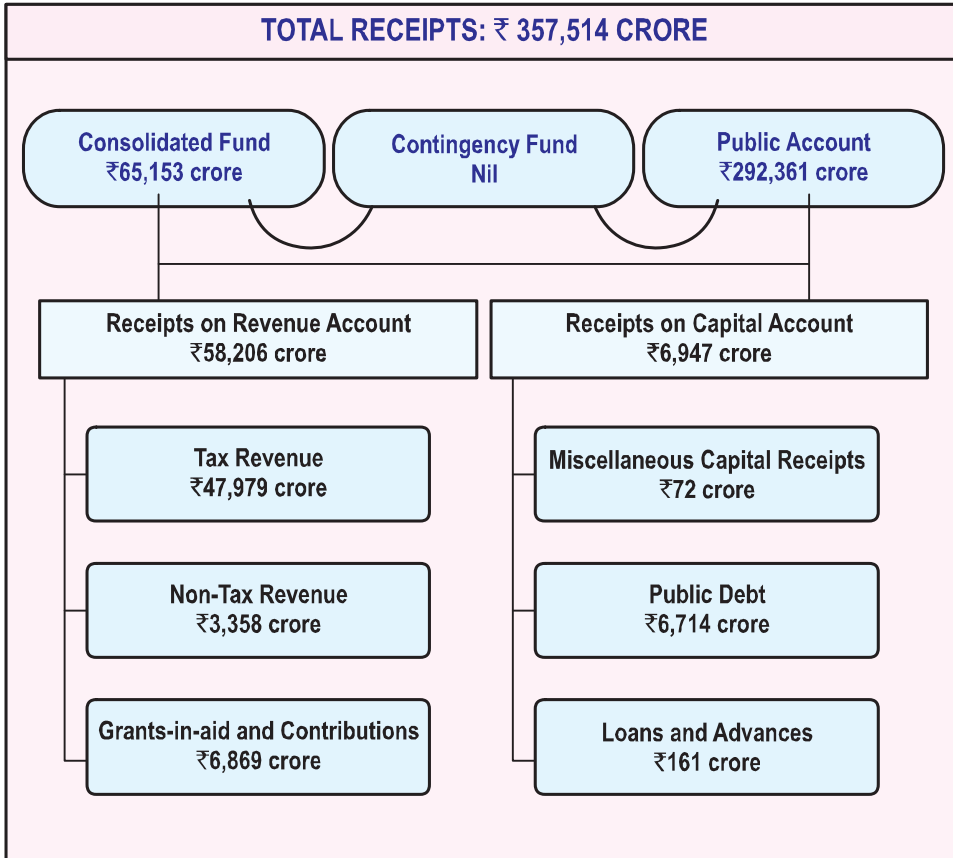
Receipts and Disbursements of the Government of Karnataka as depicted in the Finance Accounts 2010-11 are given below. (₹ In Crore)

Receipts (Total: ₹ 69,127)	Revenue (Total: ₹ 58,206)	States' own Tax Revenue	38,473
		States' Share of Union taxes & Duties	9,506
		Non-Tax Revenue	3,358
		(\$) Grants-in-Aid and Contributions	6,869
	Capital (Total: ₹10,921)	Recovery of Loans and Advances	161
		Other Receipts (Miscellaneous Capital Receipts)	72
		(*) Borrowings and Other Liabilities	10,688
Disbursements (Total: ₹ 69,127)	Revenue	54,034	
	Capital	13,355	
	Loans and Advances	1,738	

(*) Comprises net contribution from (i) 'E Public Debt' {₹3,907 crore}; (ii) 'Contingency Fund' {₹ (-)13 crore}; (iii) 'Public Account' {₹6,244 crore} and (iv) 'Cash Balance' {₹ 550 crore}.

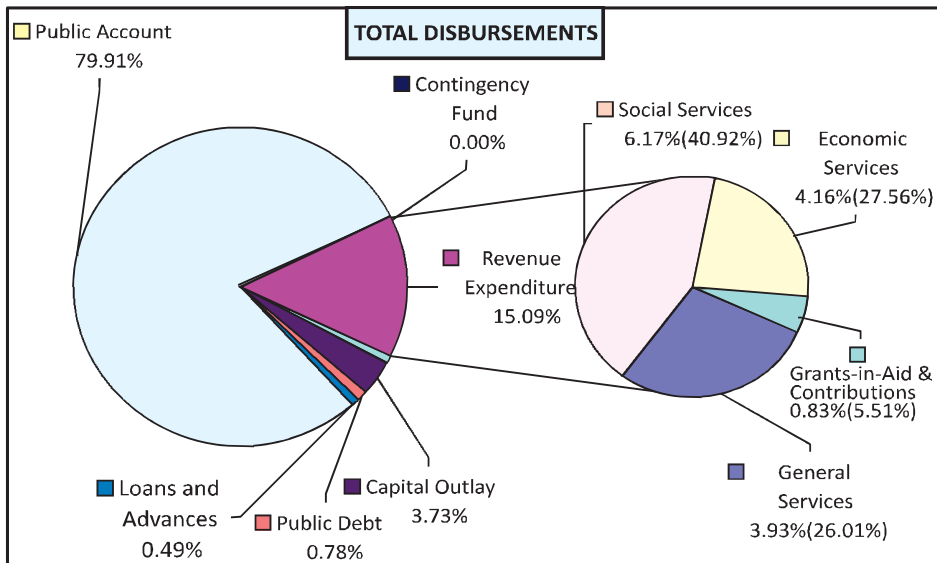
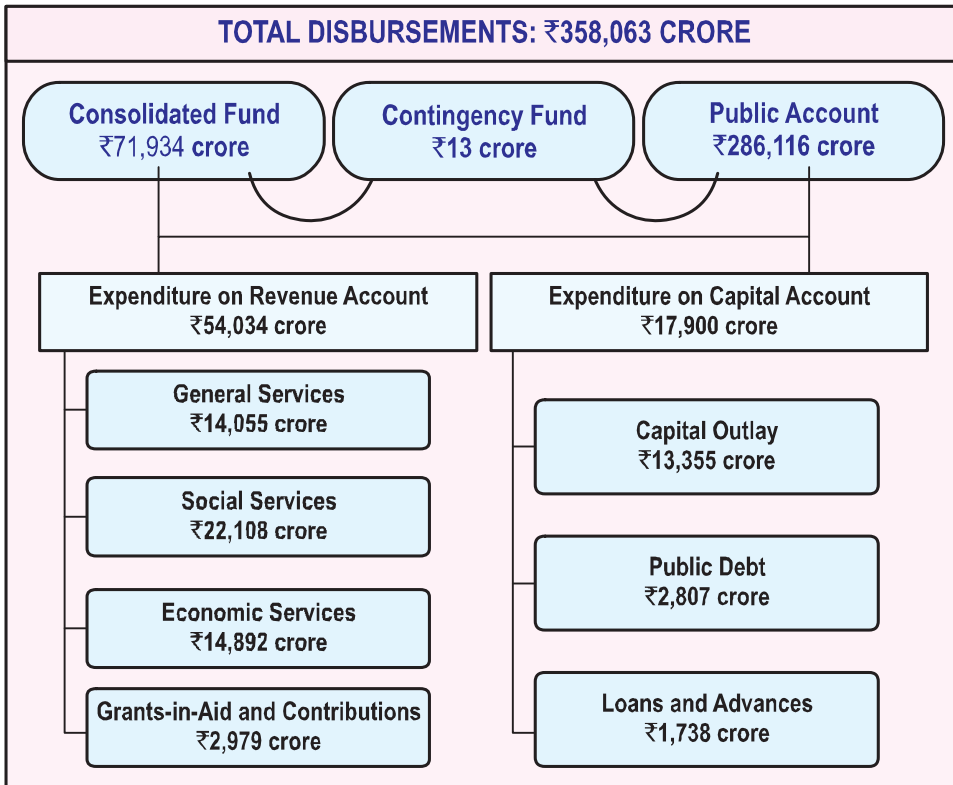
(\$) Apart from Grants-in-Aid and Contributions routed through the State Budget, the Union Government transfers substantial funds directly to State Implementing Agencies/NGOs for implementation of various Central Government Schemes and Programmes. During 2010-11, the Government of India directly released ₹5,947 crore as against ₹6,271 crore in 2009-10 and ₹2,067 crore in 2008-09. The scheme-wise details are now furnished in Appendix VII of Volume II of the Finance Accounts.

TOTAL RECEIPTS: ₹ 357,514 CRORE



[Figures within parenthesis indicate percentage to Total Revenue Receipts and those outside indicate percentage to Total Receipts]

TOTAL DISBURSEMENTS: ₹358,063 CRORE



[Figures within the parenthesis indicate parentage to Total Revenue Expenditure and those outside indicate percentage to Total Disbursements]

1.3.2. Appropriation Accounts

The Appropriation Accounts supplement the Finance Accounts and 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. There are 28 'Voted Grants' and one '*Charged Appropriation*'.

The Appropriation Acts 2010 and 2011 had projected a gross expenditure of ₹85,194 crore, including the Supplementary Grants totalling ₹13,135 crore, voted by State Legislature during the year. An amount of ₹4,014 crore was projected as recoveries in reduction of expenditure.

The projected Gross Expenditure contained Error in Budget (₹0.32 crore) under 'Grant No.04-Department of Personnel & Administrative Reforms' provided under Voted instead of Charged Appropriation; and (₹1.00 crore) provided through Supplementary Estimates under 'Grant No.06- Infrastructure Development' instead of 'Grant No.26-Planning, Statistics, Science & Technology'.

Appropriation Accounts 2010-11 show disbursements of ₹72,915 crore against the aggregate Budget Provision of ₹85,194 crore, resulting in a net saving of ₹12,279 crore. Actual Recoveries in reduction of expenditure amounted to ₹981 crore, reflecting a decrease of ₹3,033 crore vis-à-vis Budget Estimates.

The gross expenditure includes ₹103 crore drawn on Abstract Contingent (AC) Bills, of which ₹91 crore is outstanding at the end of the year, for want of supporting Non-payable Detailed Contingent (NDC) Bills.

During 2010-11, ₹532 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 amount of unspent balance ₹1,473 crore in the Personal Deposit accounts of the Administrators at the year end.

Personal Deposit Accounts are opened with special permission from the State Government in cases where the ordinary system of accounting is not feasible.

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 with the Reserve Bank of India. If even after the maximum advance is given and the balance is below the minimum, the deficit is left uncovered. Overdrafts are

balance is below the minimum, the deficit is left uncovered. Overdrafts are given by the Bank, if the State has minus balance after availing of the maximum advance. During 2010-11, 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

The State had a Revenue Surplus of ₹4,172 crore and a Fiscal Deficit of ₹10,688 crore representing 1.09% and 2.81% of the States' Gross Domestic Product (SGDP)¹. The Fiscal Deficit constituted 15.46% of total expenditure. This deficit was met from net receipts under Public Debt (₹3,907 crore), increase in net accruals under Public Account (₹6,244 crore), un-recouped contribution from the Contingency Fund (₹-13crore) and net of Opening and Closing Cash Balance (₹550 crore). Around 69.30% of the Revenue Receipts (₹58,206 crore) was spent on committed expenditure like Salaries² (₹5,281 crore), Subsidies² (₹6,303 crore), Grants-in-Aid² (₹16,065 crore), Interest Payments (₹5,641 crore), Pension payments (₹4,070 crore) Compensation and assignment to Local Bodies and PRIs (₹2,976 crore).

(1) Except where indicated otherwise, SGDP figures used in this publication are adopted from 'Medium Term Fiscal Plan 2011-15' presented to the State Legislature in February 2011 by the Government of Karnataka. (SGDP 2010-11: ₹380,872 crore)

(2) Salaries, Subsidies and Grants-in-Aid are sum of all sectors & Salaries do not include Grants given to Local Bodies etc., for the purpose of payment of salaries.

G.S.D.P: Gross State Domestic Product refers to the market value of all officially recognized final goods produced within the State in a given period.

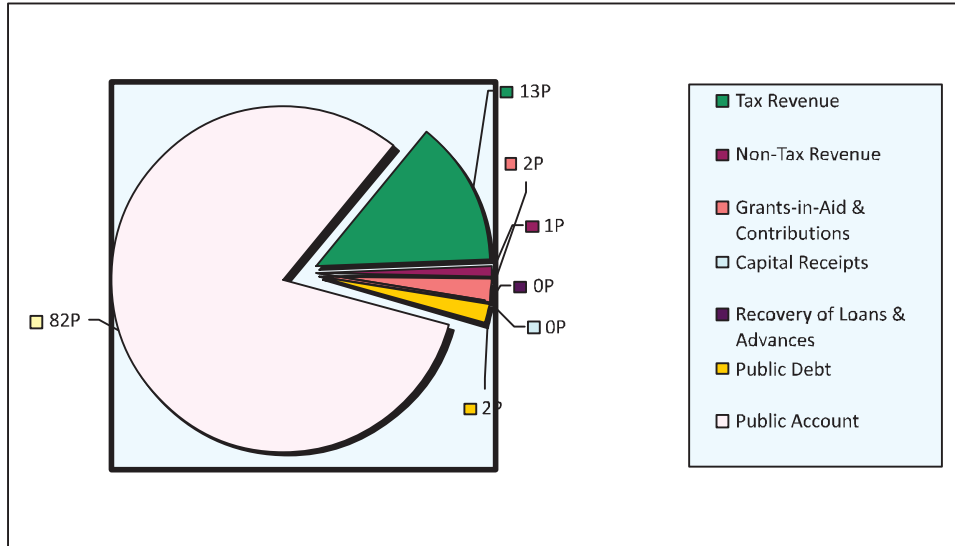
Sources and Application of Funds

(₹ In Crore)

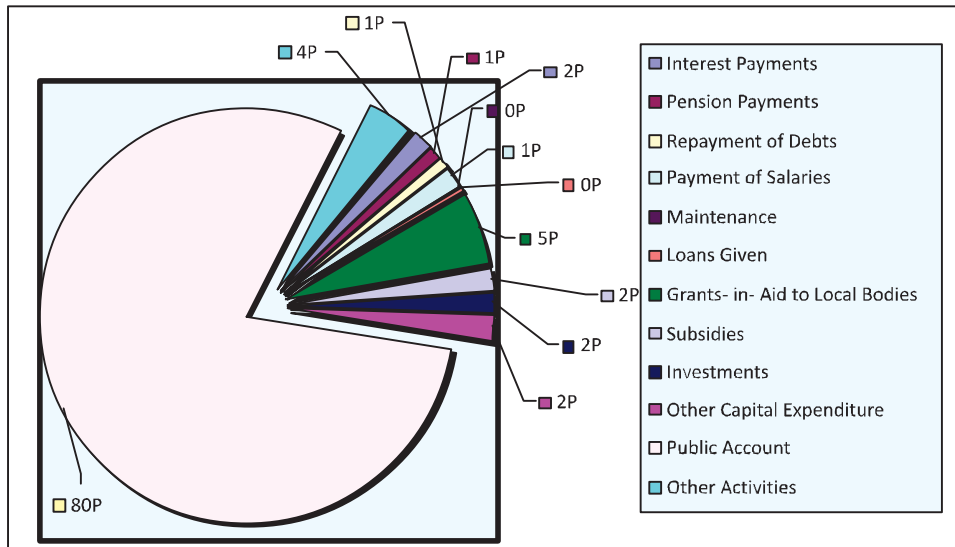
	PARTICULARS	AMOUNT
	Opening Cash Balance as on 01.04.2010	(-)107
	Revenue Receipts	58,206
	Miscellaneous Capital Receipts & Recovery of Loans & Advances	233
	Public Debt	6,714
	Small Savings Provident Funds & Others	2,997
SOURCES	Reserve & Sinking Funds	2,134
	Deposits Received	23,744
	Civil Advances Repaid	(*)
	Suspense Account	262,012
	Remittances	1,474
	Contingency Fund	(-)13
	TOTAL	357,394
	Revenue Expenditure	54,034
	Capital Expenditure	13,355
	Loans Given	1,738
	Repayment of Public Debt	2,807
	Small Savings, Provident Funds & Others	1,390
APPLICATION	Reserve & Sinking Funds	1,224
	Deposits Repaid	21,707
	Civil Advances Given	...
	Suspense Account	260,287
	Remittances	1,509
	Closing Cash Balance as on 31.03.2011	(-)657
	TOTAL	357,394

(* Amount involved is ₹22.05 lakh, less than a crore)

1.4.3 Where the Rupee came from



1.4.4 Where the Rupee went



1.5 Highlights of Accounts

Sl. No.	Particulars	B.E 2010-11	Actuals	Percentage of Actuals to B.E.	Percentage of Actuals to SGDP *
		₹ in crore)			
01.	Tax Revenue (@)	45,288	47,979	105.94	12.60
02.	Non-Tax Revenue	2,820	3,358	119.08	0.88
03.	Grants-in-aid & Contributions	5,531	6,869	124.19	1.80
04.	Revenue Receipts (1+2+3)	53,639	58,206	108.51	15.28
05.	Recovery of Loans & Advances	103	161	156.31	0.04
06.	Other Receipts - Miscellaneous Capital Receipts	2,800	72	2.57	0.02
07.	Borrowings and Other Liabilities	9,708(#)	10,688(\$)	110.09	2.81
08.	Capital Receipts (5+6+7)	12,611	10,921	86.60	2.87
09.	Total Receipts (4+8)	66,250	69,127	104.34	18.15
10.	Non-Plan Expenditure (NPE) (11+13)	39,152	39,621	101.20	10.40
11.	NPE on Revenue Account	37,998	38,846	102.23	10.20
12.	NPE on Interest Payments out of 11	6,316	5,641	89.31	1.48
13.	NPE on Capital Account	1,154	775	67.16	0.20
14.	Plan Expenditure (PE) (15+16)	27,098	29,506	108.89	7.75
15.	PE on Revenue Account	15,140	15,188	100.32	3.99
16.	PE on Capital Account	11,958	14,318	119.74	3.76
17.	Total Expenditure {(10+14) = (18+19)}	66,250	69,127	104.34	18.15
18.	Revenue Expenditure (11+15)	53,138	54,034	101.69	14.19
19.	Capital Expenditure (13+16)	13,112(a)	15,093(b)	115.11	3.96
20.	Revenue Surplus (4-18)	501	4,172	832.73	1.09
21.	Fiscal Deficit {(17) - (4+5+6) = 7}	9,708	10,688	110.09	2.81

(*) SGDP for 2010-11: ₹380,872 crore {Source: Medium Term Fiscal Plan 2011-15 presented to the State Legislature in February 2011 by the Government of Karnataka}.

(#) Comprises net contribution from (i) 'E Public Debt' {₹8,210 crore}; (ii) 'Public Account' {₹1,550 crore} and (iii) 'Cash Balance' {- ₹52 crore}.

(\$) Comprises net contribution from (i) 'E Public Debt' {₹3,907 crore}; (ii) 'Contingency Fund' {₹ (-)13 crore}; (iii) 'Public Account' {₹6,244 crore} and (iv) 'Cash Balance' {₹550 crore}.

(a) Comprises provision on 'Capital Outlay' {₹11,778 crore} and 'F Loans and Advances' {₹1,334 crore}.

(b) Comprises expenditure incurred on 'Capital Outlay' {₹13,355 crore} and 'F Loans and Advances' {₹1,738 crore}.

(@) Includes State share of Union Taxes & Duties {₹9,506 crore}.

1.6 What do the Deficits and Surplus Indicate?

Deficit	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.
Revenue Deficit/Surplus	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.
Fiscal Deficit/Surplus	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. In pursuance to the recommendations of the 11th Finance Commission, the Government of Karnataka was the first State to enact the Fiscal Responsibility (FRA) Act, 2002 committing the State Government to reduce the revenue deficit to 'NIL' within a period of four financial years beginning from initial financial year on 1st day of April 2002 to 31st March 2003. The State Government has been successful in achieving the Revenue Surplus target as early as in 2004-05 and maintaining it thereafter. The 12th Finance Commission had recommended that the States achieve revenue balance by 2008-09 and reduce Gross Fiscal Deficit to 3% of SGDP by 2009-10. In view of the economic slow-down, Government of India further relaxed the acceptable ceiling for the Fiscal Deficit – SGDP ratio to 3.5% in 2008-09 and to 4% in 2009-10. The Government of India extended Debt Consolidation and Relief Facility (DCRF) to all States adopting the above recommendations under which, successful State Governments in achieving Revenue Surplus would receive relief on repayment of principal and reduced rate of interest. Under the States' Debt Consolidation and Relief Facility, the State got the interest relief of ₹1,252 crore for the period 2005-10 along with the waiver of GOI Loans of ₹ 1,792 crore. The Debt Waiver amount of ₹358.33 crore for the year 2008-09 was recovered during 2010-11 due to re-evaluation of SGDP by the Government of India.

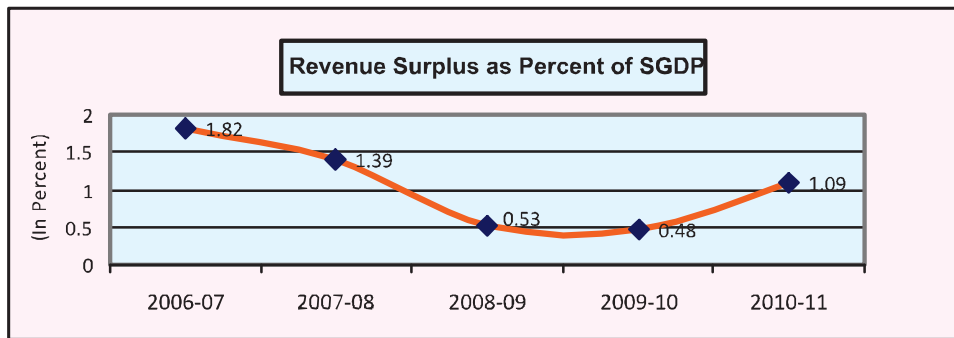
Fiscal Responsibility Act: Karnataka was the first State to enact (September 2002) the Fiscal Responsibility Act providing statutory backing to M.T.F.P. (Medium Term Fiscal Plan) to give effect to Fiscal Management Proposal.

In accordance with the recommendations of the 13th Finance Commission and with the amendment to the FRA (May-2011), the State laid down the Fiscal targets to ensure- (1) Outstanding Debt reduced at the end of 2014-15 to be at 25.20 percent of the estimated SGDP (2) Fiscal Deficit, during 2010-11, not to exceed more than 3.44 percent of the estimated SGDP. The outstanding debt stood at 24.14 percent and the Fiscal Deficit stood at 2.81 percent of the estimated SGDP to the end of 2010-11.

1.6.1 Trend in Revenue Surplus/Deficits

Revenue Surplus represents the net of Revenue Receipts and Revenue Expenditure of the Government.

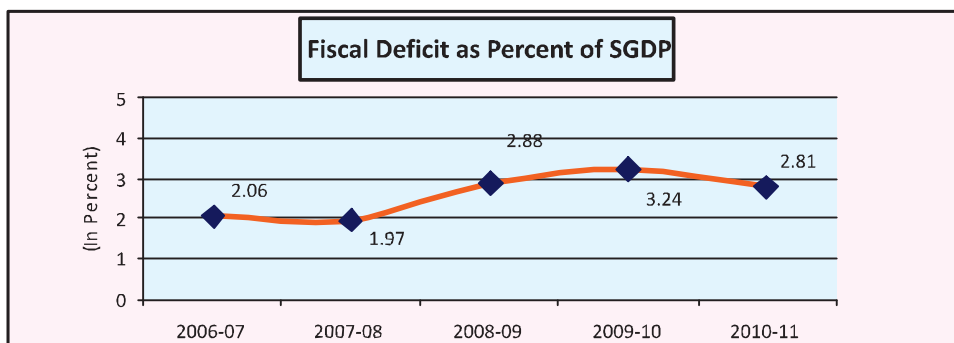
	(₹ In Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Surplus	4,152	3,776	1,631	1,619	4,172
SGDP	227,831	270,843	303,058	335,747	380,872
Revenue Surplus as % to SGDP	1.82	1.39	0.53	0.48	1.09



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.

	(₹ In Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Fiscal Deficit	4,688	5,332	8,732	10,875	10,688
SGDP	227,831	270,843	303,058	335,747	380,872
Fiscal Deficit as % to SGDP	2.06	1.97	2.88	3.24	2.81



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. 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 (-) Surplus (+)	Deficit for the year	Cumulative deficit (-) surplus (+) at the end of the year
	Receipts	Disbursements	Deficit (-) Surplus (+)	Receipts	Disbursements	Deficit (-) Surplus (+)			
2006-07	37,587	33,435	(+) 4,152	...	8,543	(-) 8,543	(+) 47	(-) 4,344	(-) 47,907
2007-08	41,151	37,375	(+) 3,776	246	8,649	(-) 8,403	(+) 100	(-) 4,527	(-) 52,434
2008-09	43,290	41,659	(+) 1,631	181	9,870	(-) 9,689	(+) 66	(-) 7,991	(-) 60,425
2009-10	49,156	47,537	(+) 1,619	70	12,137	(-) 12,067	(+) 64	(-) 10,384	(-) 70,809
2010-11	58,206	54,034	(+) 4,172	72	13,355	(-) 13,283	(+) 55	(-) 9,056	(-) 79,865

(#) 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 repayment of interest. The State Government, however, spent full amount of the borrowings of the current year (₹6,714 crore) on capital expenditure (₹15,093 crore), inclusive of disbursement of Loans and Advances.

CHAPTER II

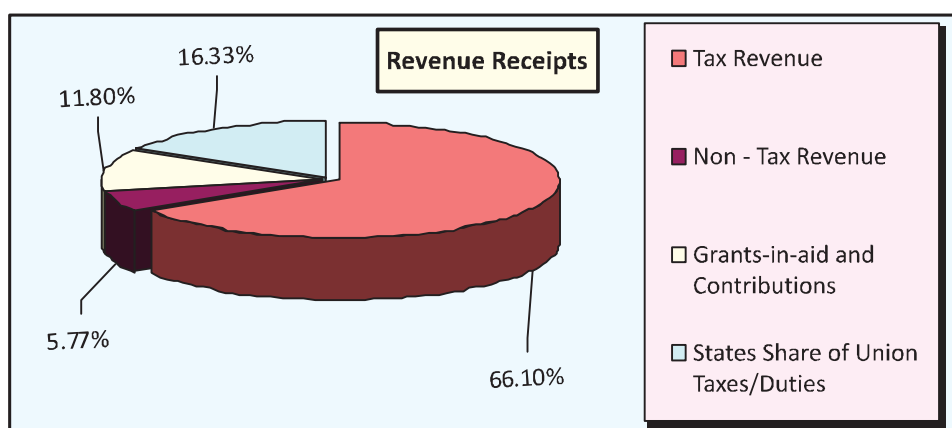
RECEIPTS

2.1 Introduction

Receipts of the Government are classified as Revenue Receipts and Capital Receipts. Total Receipts for 2010-11 were ₹69,127 crore comprising of Tax Revenue (₹47,979 crore), Non-Tax Revenue (₹3,358 crore), Grant-in-Aid & Contributions (₹6,869 crore) and Capital Receipts (₹10,921 crore), inclusive of Recovery of Loans and Advances (₹161 crore) Miscellaneous Capital Receipts (₹72 crore) and Borrowings & Other Liabilities comprising net contribution from (i) 'E Public Debt' {₹3,907 crore}; (ii) 'Contingency Fund' {₹ (-)13 crore}; (iii) 'Public Account' {₹6,244 crore} and (iv) 'Cash Balance' {₹550 crore}.

2.2 Revenue Receipts

Tax Revenue	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.
Non-Tax Revenue	Includes Interest Receipts, Dividends and Profits and other Departmental Receipts.
Grants-in-Aid and Contributions	Essentially, a form of Central Assistance to the State Government, Includes 'External Grant Assistance and Aid Material & Equipments' received from foreign Governments and channelised through the Union Government.



2.2.1 Revenue Receipt Components 2010-11

(₹ In Crore)

Components	Actuals	Percentage to Revenue Receipts
A. Tax Revenue *	47,979	82
Taxes on Income and Expenditure	6,238	11
Taxes on Property and Capital Transactions	3,716	6
Taxes on Commodities and Services	38,025	65
B. Non-Tax Revenue	3,358	6
Interest Receipts, Dividends and Profits	618	1
General Services	98	—
Social Services	330	1
Economic Services	2,312	4
C. Grants-in-aid and Contributions	6,869	12
TOTAL-REVENUE RECEIPTS	58,206	100
*includes ₹9,506 crore being the State's share of allocable Taxes & Duties, received from Union Government		

➤ Total Tax Revenue ₹47,979 crore and Non-Tax Revenue of ₹3,358 crore formed 12.60 percent and 0.88 percent respectively of the SGDP (SGDP for 2010-11: ₹380,872 crore).

2.2.2 Major Contributors to Revenue

Head of Account	₹in crore	
Taxes on Sales, Trade etc	20,235	(5.31)
State Excise	8,285	(2.17)
Stamps and Registration Fees	3,531	(0.93)
Corporation Tax	3,716	(0.98)
Taxes on Vehicles	2,550	(0.67)
Taxes on Income Other than Corporation Tax	1,963	(0.52)
Taxes on Goods and Passengers	1,526	(0.40)
Customs	1,662	(0.44)
Union Excise Duties	1,209	(0.32)
(Amount of revenue as a percent of SGDP is indicated in parentheses. SGDP for 2010-11: ₹380,872 crore)		

Net Tax Receipts during the year were more than Budget Estimates by ₹2,691 crore. Major variations were under:

(₹ In Crore)

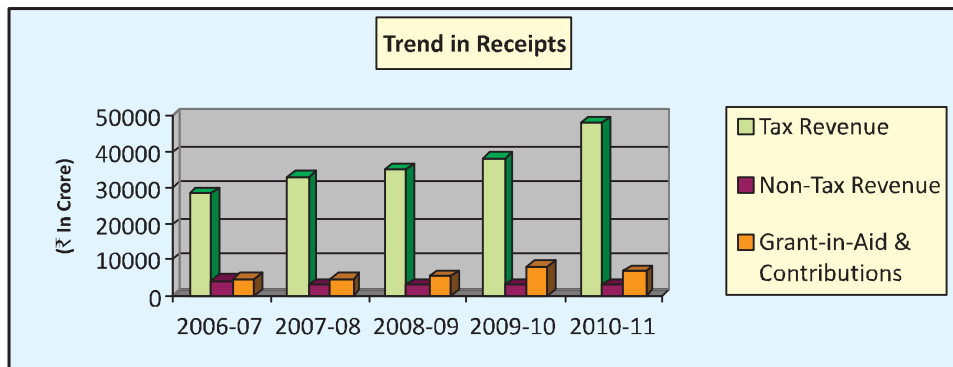
Actuals Less Than Budget Estimates		Actuals More Than Budget Estimates	
Corporation Tax	62	State Excise	860
		Taxes on Vehicles	500
		Other Taxes and Duties on Commodities & Services	405
		Taxes on Income other than Corporation Tax	284
		Customs	198
		Taxes on Goods and Passengers	166
		Taxes and Duties on Electricity	155

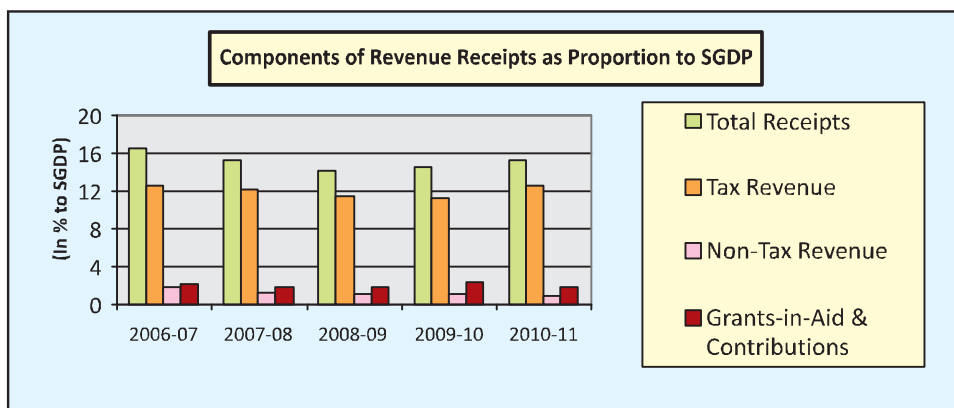
2.3 Trend in Receipts

(₹ In Crore)

Year	Tax Revenue	Non-Tax Revenue	Grants-in-aid and Contributions	Total Revenue Receipts	SGDP*	Percentage of Total Revenue Receipts to SGDP
2006-07	28,675	4,099	4,813	37,587	227,831	16.50
2007-08	32,766	3,358	5,027	41,151	270,843	15.19
2008-09	34,799	3,159	5,332	43,290	303,058	14.28
2009-10	37,939	3,334	7,883	49,156	335,747	14.64
2010-11	47,979	3,358	6,869	58,206	380,872	15.28

* (Source: Medium Term Fiscal Plan 2011-15 presented to the State Legislature in February 2011– by the Government of Karnataka)

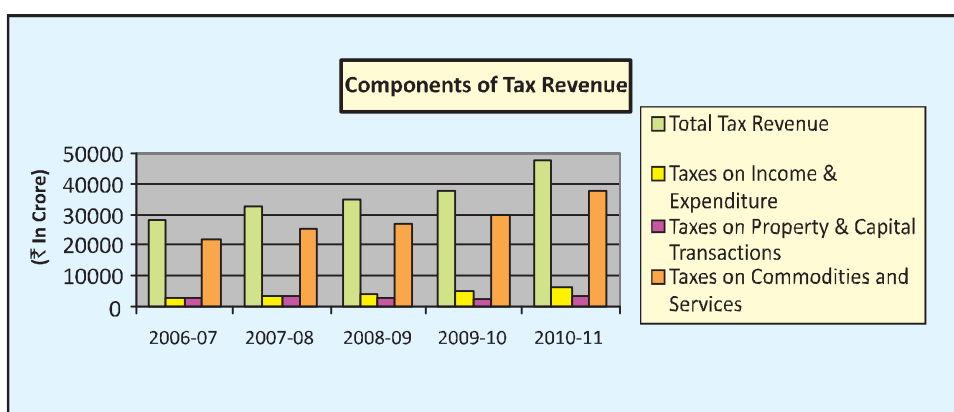




2.3.1 Components of Tax Revenue

(₹ In Crore)

Tax Revenue	2006-07	2007-08	2008-09	2009-10	2010-11
Taxes on Income and Expenditure	3,089	4,050	4,367	5,252	6,238
Taxes on Property and Capital Transactions	3,317	3,556	3,184	2,763	3,716
Taxes on Commodities and Services	22,269	25,160	27,248	29,924	38,025
Total Tax Revenues	28,675	32,766	34,799	37,939	47,979



2.4 Performance of State's Own Tax Revenue Collection

(₹ In Crore)

Year	Tax Revenue	State Share of Union Taxes & Duties	SGDP*	State's Own Tax Revenue	
				Amount	Percentage to SGDP
2006-07	28,675	5,374	227,831	23,301	10.23
2007-08	32,766	6,779	270,843	25,987	9.59
2008-09	34,799	7,154	303,058	27,645	9.12
2009-10	37,939	7,360	335,747	30,579	9.11
2010-11	47,979	9,506	380,872	38,473	10.10

*(Source: Medium Term Fiscal Plan 2011-15 presented to the State Legislature in February 2011– by the Government of Karnataka)

2.5 Efficiency of Tax Collection

A. Taxes on Property and Capital Transactions*

(₹ In Crore)

Description	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Collection	3,315	3,554	3,182	2,756	3,708
Expenditure on Collection	138	172	165	196	215
Efficiency of Tax Collection	4.16%	4.84%	5.19%	7.11%	5.80%

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

B. Taxes on Commodities and Services

(₹ In Crore)

Description	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Collection	22,269	25,160	27,248	29,924	38,025
Expenditure on Collection	141	157	182	190	211
Efficiency of Tax Collection	0.63%	0.62%	0.67%	0.63%	0.55%

2.6 Trend in State's Share of Union Taxes & Duties

(₹ In Crore)

Major Head Description	2006-07	2007-08	2008-09	2009-10	2010-11
Corporation Tax	1,677	2,152	2,346	3,029	3,716
Taxes on Income other than Corporation Tax	1,018	1,444	1,473	1,687	1,963
Taxes on Wealth	2	2	2	7	8
Customs	1,048	1,281	1,367	1,030	1,662
Union Excise Duties	1,113	1,223	1,193	830	1,209
Service Tax	516	677	773	777	948
Other Taxes and Duties on Commodities and Services	*	*	*	*	*
State Share of Union Taxes & Duties	5,374	6,779	7,154	7,360	9,506
Total Tax Revenue	28,675	32,766	34,799	37,939	47,979
% of Union Taxes & Duties to Total Tax Revenue	18.74	20.69	20.56	19.40	19.81

*Involved amounts less than one crore and negative figures which indicate cost of collection is more than the receipts under the head, as per the sanction orders advised by the Ministry of Finance, Government of India

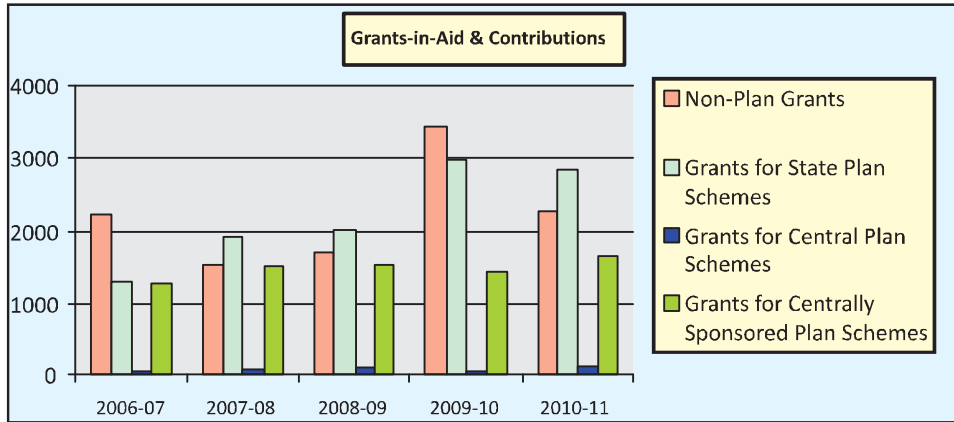
2.7 Grants-in-Aid and Contributions

Grants-in-Aid and Contributions represent assistance from the Government of India and comprise Grants for State Plan Schemes, Central Plan Schemes and Centrally Sponsored Schemes approved by the Planning Commission and State Non-Plan Grants recommended by the Finance Commission. Total receipts during the last five years under Grants-in-Aid and Contributions are as shown below:

(₹ In Crore)

Components of Grants-in-Aid & Contributions	2006-07	2007-08	2008-09	2009-10	2010-11
Non-Plan Grants	2,224	1,531	1,694	3,429	2,257
Grants for State Plan Schemes	1,284	1,916	2,020	2,973	2,839
Grants for Central Plan Schemes	43	71	94	61	145
Grants for Centrally Sponsored Schemes	1,262	1,509	1,524	1,420	1,628
TOTAL	4,813	5,027	5,332	7,883	6,869

(₹ In Crore)



The share of Non-Plan Grants in total Grants-in-Aid and Contributions decreased from 43% during 2009-10 to 33% in 2010-11, while, the share of Grants for State Plan Schemes increased from 38% in 2009-10 to 41% in 2010-11. As against a Budget Estimate of ₹4,267 crore of Union Share in Plan Schemes, the State Government has actually received ₹4,612 crore of Grants-in-Aid (108% of BE).

2.8 Public Debt

Trend of receipts under Public Debt over the past 5 years are indicated below:

(₹ In Crore)

DESCRIPTION	2006-07	2007-08	2008-09	2009-10	2010-11
Internal Debt of the State Government	2,891	1,551	7,996	7,310	5,210
Loans and Advances from the Central Government	655	806	596	681	1,504
Total Public Debt	3,546	2,357	8,592	7,991	6,714

During 2010-11, two Market Loans totalling to ₹2,000 crore at the interest rates of 8.42% and 8.43% redeemable in the year 2020 were raised at par.

Against the total internal debt of ₹5,210 crore of the State Government in 2010-11 plus the central loan component of ₹1,504 crore received during this period, Capital expenditure was ₹15,093 crore (excluding repayment of Public debt of ₹2,807 crore).

Public Debt: Comprises of internal debt of the State Government raised on the Guarantee of the Consolidated Fund of the State and Loans and Advances from the Central Government.

CHAPTER III

EXPENDITURE

3.1 Introduction

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. Expenditure is further classified under Plan and Non-Plan.

General Services	Includes Justice, Police, Jail, PWD, Pension etc.
Social Services	Includes Education, Health & Family Welfare, Water Supply, Welfare of SC-ST etc.
Economic Services	Includes Agriculture, Rural Development, Irrigation, Co-operation, Energy, Industries, Transport etc.

3.2 Revenue Expenditure

Revenue Expenditure of ₹54,034 crore for 2010-11 is in excess of budget estimates by ₹896 crore. The excess is due to disbursement of ₹48 crore under Plan and ₹848 crore under Non-Plan Expenditure over the Budget Estimate. The trend of Revenue Expenditure against Budget Estimates during the past five years is given below:

DESCRIPTION	(₹ In Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Budget Estimates	34,341	39,135	45,713	47,238	53,138
Actuals	33,435	37,375	41,659	47,537	54,034
Gap	906	1,760	4,054	(-) 299	(-) 896
Gap over BE	3%	4%	9%	(-) 1%	(-) 2%

3.2.1 Sectoral Distribution of Revenue Expenditure 2010-11

(₹ In Crore)

COMPONENTS	Amount	Percentage
A. General Services (*)	14,055	26.01*
a. Organs of State	588	1.09
b. Fiscal Services	545	1.00
(i) Collection of Taxes on Income and Expenditure	5	...
(ii) Collection of Taxes on Property and Capital Transactions	228	...
(iii) Collection of Taxes on Commodities and Services	307	...
(iv) Other Fiscal Services	5	...
c. Interest Payment and Servicing of Debt	5,641	10.44
d. Administrative Services	3,186	5.90
e. Pension and Miscellaneous General Services	4,095	7.58
B. Social Services	22,108	40.92
C. Economic Services	14,892	27.56
D. Grants-in-Aid and Contributions	2,979	5.51
Total Expenditure (Revenue Account)	54,034	100.00

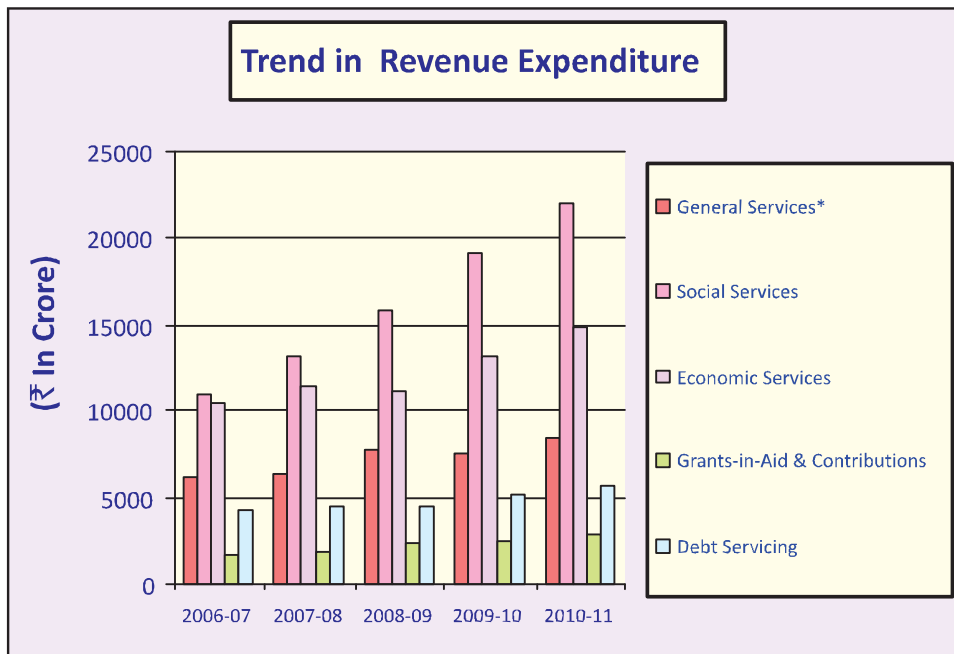
(*) The percentage of Revenue Expenditure against the Sub-sectors against the total revenue expenditure.

3.2.2 Trend in Revenue Expenditure

(₹ In Crore)

Year	General Services	Social Services	Economic Services	Grants-in-aid and Contributions	Total Revenue Expenditure	SGDP*	Percentage of Total Revenue Expenditure to SGDP
2006-07	10,419	10,937	10,440	1,639	33,435	227,831	14.68
2007-08	10,872	13,124	11,453	1,926	37,375	270,843	13.80
2008-09	12,275	15,873	11,137	2,374	41,659	303,058	13.75
2009-10	12,762	19,119	13,182	2,474	47,537	335,747	14.16
2010-11	14,055	22,108	14,892	2,979	54,034	380,872	14.19

* {Source: Medium Term Fiscal Plan 2011-15 presented to the State Legislature in February 2011- by the Government of Karnataka}



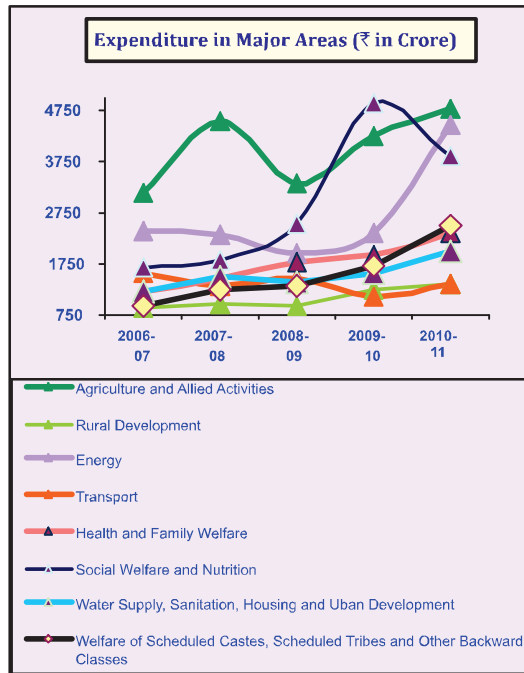
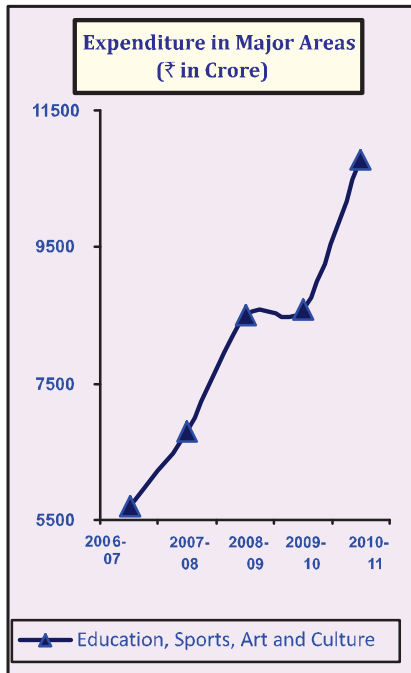
(*General Services excluding Major Head 2049 - Interest Payment)

3.2.3 Expenditure in Major Areas

The trend of expenditure on thrust areas like Education, Health, Welfare of SC/ST, Agriculture Energy are indicated in the graphical presentation.

(₹ In Crore)

AREAS ON EXPENDITURE	2006-07	2007-08	2008-09	2009-10	2010-11
Interest Payments and Servicing of Debt	4,236	4,506	4,532	5,213	5,641
Pensions and Miscellaneous General Services	3,611	3,272	4,139	3,435	4,095
Administrative Services	1,929	2,316	2,705	3,079	3,186
Education, Sports, Art and Culture	5,703	6,811	8,492	8,576	10,790
Health and Family Welfare	1,207	1,478	1,773	1,927	2,360
Water Supply, Sanitation, Housing and Urban Development	1,206	1,493	1,384	1,558	2,002
Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	926	1,234	1,319	1,703	2,504
Social Welfare and Nutrition	1,685	1,834	2,540	4,908	3,866
Agriculture and Allied Activities	3,141	4,518	3,338	4,258	4,777
Rural Development	907	959	941	1,233	1,371
Energy	2,402	2,308	1,952	2,353	4,460
Transport	1,564	1,326	1,462	1,108	1,365
General Economic Services	1,401	1,038	2,471	2,946	1,672



3.3 Capital Expenditure

Capital Disbursements for 2010-11 at 3.96% of SGDP were more than Budget Estimates by ₹1,981 crore (more disbursement of ₹2,360 crore under Plan Expenditure and less disbursement of ₹379 crore under Non-Plan Expenditure).

3.3.1 Sectoral Distribution of Capital Expenditure

During 2010-11 the Government spent ₹15,093 crore on various projects under the following sectors. The percentage of sector-wise expenditure to the total capital expenditure indicated below the table

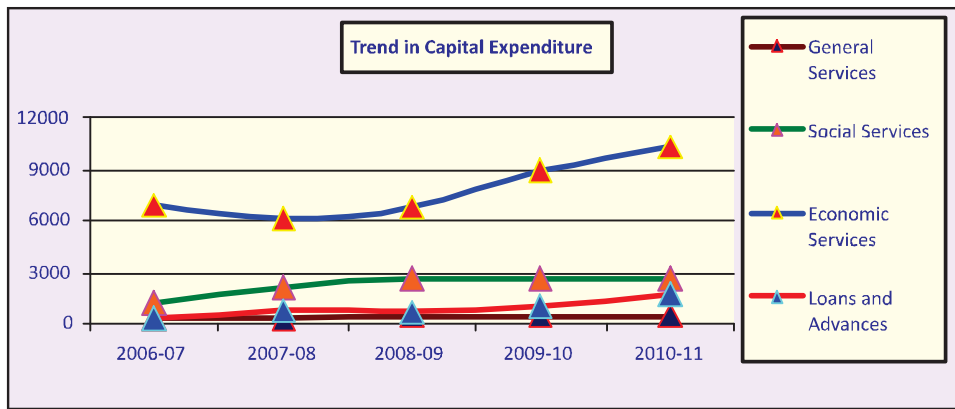
(₹ In Crore)			
Sl. No.	SECTOR	AMOUNT	PERCENTAGE
1.	General Services – Police, Land Revenue etc.,	465	3.08
2.	Social Services – Education, Health & Family Welfare, Water Supply, Welfare of SC/ST etc.,	2,617	17.34
3.	Economic Services – Agriculture, Rural Development, Irrigation, Co-operation, Energy, Industries, Transport etc.,	10,273	68.06
4.	Loans and Advances Disbursed	1,738	11.52
Total Capital Expenditure (Outside the Revenue Account)		15,093	100.00

3.3.2 Trend in Capital Expenditure

(₹ In Crore)

Sl. No.	SECTOR	2006-07	2007-08	2008-09	2009-10	2010-11
1.	General Services	321	339	475	490	465
2.	Social Services	1,293	2,148	2,555	2,651	2,617
3.	Economic Services	6,929	6,162	6,840	8,996	10,273
4.	Loans and Advances	357	757	731	982	1,738
Total		8,900	9,406	10,601	13,119	15,093

(₹ In Crore)

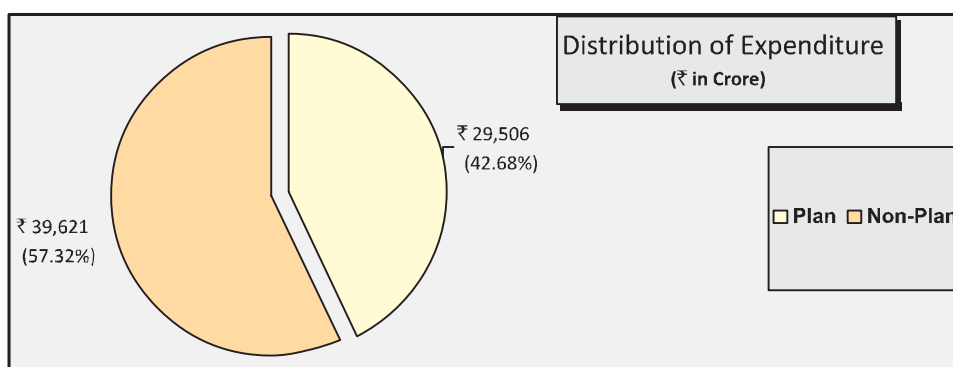


CHAPTER IV

PLAN & NON PLAN EXPENDITURE

4.1 Distribution of Expenditure - 2010-11

During 2010-11, an amount of ₹69,127 crore incurred towards Plan and Non-Plan expenditure which works out to 18.15% of the SGDP. The following pie diagram represents the percentage of distribution of expenditure to the Total Expenditure.

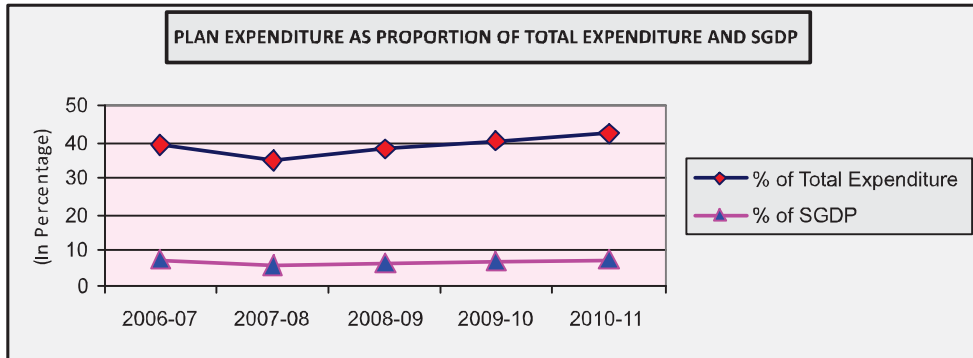


4.2 Plan Expenditure

During 2010-11 the Government has incurred an expenditure on Plan schemes ₹29,506 crore, represents 42.68 percent of total disbursements. This Expenditure comprising of State Plan Schemes ₹28,029 crore inclusive of State share of Centrally Sponsored Plan Schemes ₹296 crore and ₹1,477 crore under Central Share of Centrally Sponsored Plan Schemes and Central Plan Schemes. The Graphical presentation of the Percentage of Plan Expenditure to the Total Expenditure and to the SGDP is also furnished below the Table.

Description	(₹ In Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Total Expenditure	42,335	46,781	52,260	60,656	69,127
Plan Expenditure	16,569	16,263	19,889	24,337	29,506
Plan Expenditure as a % to Total Expenditure	39.14	34.76	38.06	40.12	42.68
SGDP	227,831	270,843	303,058	335,747	380,872
Plan Expenditure as a % to SGDP	7.27	6.00	6.56	7.25	7.75

The allocation for different Plan Schemes for each year is determined in consultation with the Planning Commission.



4.2.1 Plan Expenditure under Capital Account

The trend of capital expenditure (Plan), as a percentage to the total capital expenditure, over a period of five years furnished in the table below.

(₹ In Crore)

Description	2006-07	2007-08	2008-09	2009-10	2010-11
Total Capital Expenditure*	8,900	9,406	10,601	13,119	15,093
Capital Expenditure* (Plan)	8,717	7,950	9,359	12,034	14,318
% of Capital Expenditure* (Plan) to Total Capital Expenditure	97.94	84.53	88.28	91.73	94.87

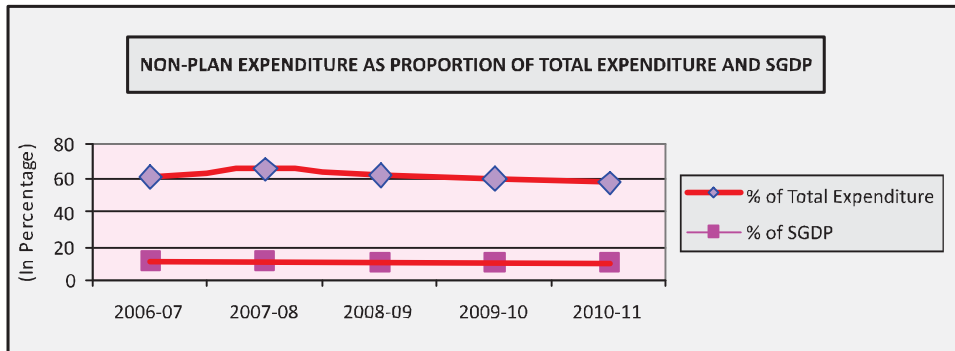
*Capital Expenditure includes expenditure on capital outlays and disbursements of Loans and advances

4.3 Non-Plan Expenditure

Non-Plan Expenditure during 2010-11, representing 57 per cent of total disbursements, was ₹39,621 crore, (₹38,846 crore under Revenue and ₹775 crore under Capital). The Graphical presentation of the Percentage of Non-Plan Expenditure to the Total Expenditure and to the SGDP is also furnished below the Table.

(₹ In Crore)

Description	2006-07	2007-08	2008-09	2009-10	2010-11
Total Expenditure	42,335	46,781	52,260	60,656	69,127
Non-Plan Expenditure	25,766	30,518	32,371	36,318	39,621
% to Total Expenditure	60.86	65.24	61.94	59.88	57.32
SGDP	227,831	270,843	303,058	335,747	380,872
% to SGDP	11.31	11.27	10.68	10.82	10.40



4.4 Committed Expenditure

The government has tabled the Medium Term Fiscal Plan 2011-15 before the State Legislature in compliance with Section 3 of the Karnataka Fiscal Responsibility Act 2002. Para 92 of Chapter 5 has listed out certain components of Committed Expenditure. The following are the further details.

(₹ In Crore)

Components	2006-07	2007-08	2008-09	2009-10	2010-11
Total Committed Expenditure of which-	25,184	29,975	31,379	33,615	40,336
1) Salary*	2,811	3,495	4,073	4,456	5,281
2) Interest Payments	4,237	4,506	4,532	5,213	5,641
3) Pension Payments	2,496	3,241	4,113	3,408	4,070
4) Subsidies	4,355	5,420	3,399	4,118	6,303
5) Grants-in-Aid	9,646	11,387	12,890	13,948	16,065
6) Devolution to PRIs and ULBs	1,639	1,926	2,372	2,472	2,976
Revenue Receipts	37,587	41,151	43,291	49,156	58,206
Revenue Expenditure	33,435	37,375	41,659	47,537	54,034
% of Committed Expenditure to Revenue Receipts	67.00	72.84	72.48	68.38	69.30
% of Committed Expenditure to Revenue Expenditure	75.32	80.20	75.32	70.71	74.65

*Salary - excluding the salary paid to State Government staff deployed to Panchayat Raj Institutions.

Committed Expenditure of the State Government on Revenue Account mainly consists of interest payments and servicing of debts, expenditure on salary and wages and pensions.

CHAPTER V

APPROPRIATION ACCOUNTS

5.1 Summary of Appropriation Accounts for 2010-11

(₹ In Crore)

Sl. No.	Nature of expenditure	Original Grant	Supplementary Grant	Re-appropriations /Surrenders	Total	Actual Expenditure	Savings(-) Excess(+)
1	Revenue Voted	47,654	7,603	(-) 4,109	51,148	48,074	(-) 3,074
	Charged	6,505	426	(-) 676	6,255	6,298	(+) 43
2	Capital Voted	12,752	3,893	(-) 494	16,151	13,973	(-) 2,178
	Charged	...	...	...	...	...	...
3	Public Debt Charged	3,813	...	(-) 1,006	2,807	2,807	...
4	Loans & Advances Voted	1,335	1,213	(-) 79	2,469	1,763	(-) 706
Total		72,059	13,135	(-) 6,364	78,830	72,915	(-) 5,915

5.1.1 Grant wise Details of Savings/Excess

The Appropriation Accounts 2010-11 indicate Grant-wise details of Savings and Excess as given below:

(₹ In Crore)

	Grant No. and Name	Revenue		Capital	
		Voted	Charged	Voted	Charged
	Savings under the following grants				
01	Agriculture and Horticulture	7,41.82	0.20	43.06	...
02	Animal Husbandry and Fisheries	1,68.25	...	47.64	...
03	Finance	29,25.80	0.13	17.21	...
04	Department of Personnel and Administrative Reforms	64.15	3.92	...	...
05	Home and Transport	1,78.49	...	1,05.67	...
06	Infrastructure Development	6.47	...	1,66.29	...
07	Rural Development and Panchayat Raj	5,29.94	...	2,62.26	...
08	Forest, Ecology and Environment	27.32	...	...	...

Appropriation Accounts presents the accounts of sums expended in a year compared with sums specified in the Schedules appended to the Appropriation Acts passed under Article 204 and 205 of the Constitution.

(₹ In Crore)

Grant No. and Name		Revenue		Capital	
Savings under the following grants		Voted	Charged	Voted	Charged
09	Co-operation	26.78	...	27.49	...
10	Social Welfare	1,17.00	...	67.68	...
11	Women and Child Development	2,61.91	...	50.88	...
12	Information, Tourism and Youth Services	13.45	...	19.79	...
13	Food and Civil Supplies	46.31	0.03	1.98	...
14	Revenue	3,96.31	9.85	38.31	...
15	Information Technology	16.02	...	11.17	...
16	Housing	85.94	...	1,00.00	...
17	Education	4,39.88	...	22.95	...
18	Commerce and Industries	35.83	...	1,49.63	...
19	Urban Development	5,22.86	...	5,16.83	...
20	Public Works	1,94.60	...	5,03.26	...
21	Water Resources	48.57	...	8,63.05	...
22	Health and Family Welfare Services	1,13.15	...	4.94	...
23	Labour	1,49.42	...	2.58	...
24	Energy	28.85	...	3,91.11	...
25	Kannada and Culture	25.66	...	8.78	...
26	Planning, Statistics, Science & Technology	25.26	...	27.56	...
27	Law	...	...	6.75	...
28	Parliamentary Affairs and Legislation	21.82	0.46	...	...
29	Debt Servicing	...	6,74.99	...	10,05.76
Grant No. and Name		Revenue		Capital	
Excess under the following grants		Voted	Charged	Voted	Charged
08	Forest, Ecology and Environment	...	57.18	0.05	...
27	Law	28.17	...	...	...

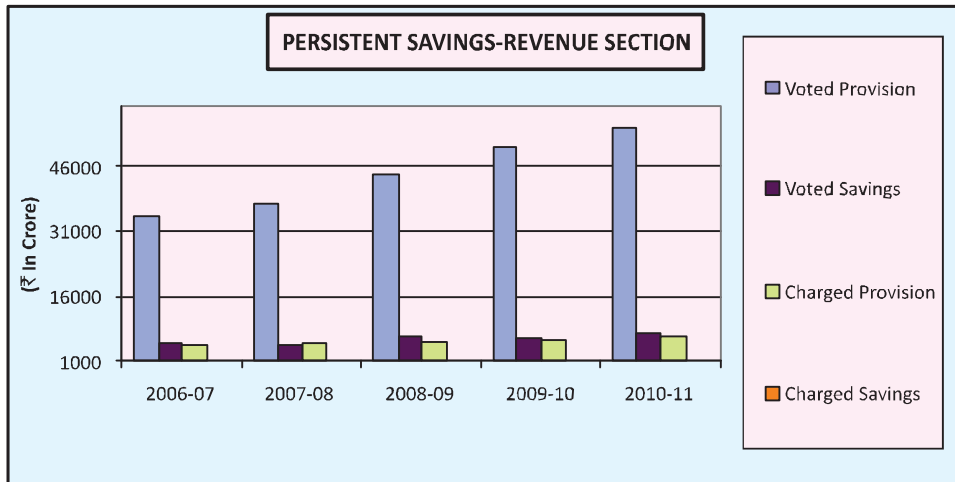
5.2 Trend in Savings

PERSISTENT SAVINGS (REVENUE SECTION)

(₹ In Crore)

Year	VOTED			Percent of Savings to Provision	CHARGED			Percent of Savings to Provision
	Provision	Expenditure	Savings*		Provision	Expenditure	Savings*	
		(₹ in crore)			(₹ in crore)			
2006-07	34,732	29,576	5,156	14.85	4,465	4,307	158	3.54
2007-08	37,611	33,014	4,597	12.22	4,897	4,582	315	6.43
2008-09	44,436	37,436	7,000	15.75	5,388	4,631	757	14.05
2009-10	50,354	43,840	6,514	12.94	5,765	5,630	135	2.34
2010-11	55,257	48,074	7,183	13.00	6,931	6,298	633	9.13

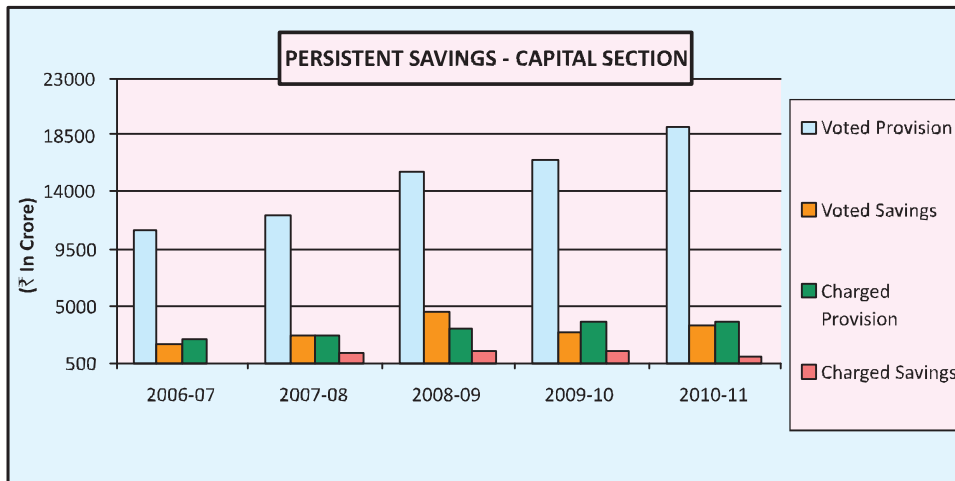
* is net of final savings and excess



PERSISTENT SAVINGS (CAPITAL SECTION)

(₹ In Crore)

Year	VOTED			Percent of Savings to Provision	CHARGED			Percent of Savings to Provision
	Provision	Expenditure	Savings		Provision	Expenditure	Savings	
	(₹ in crore)				(₹ in crore)			
2006-07	10,990	9,036	1,954	17.78	2,305	1,749	556	24.12
2007-08	12,282	9,563	2,719	22.14	2,649	1,329	1,320	49.83
2008-09	15,554	11,095	4,459	28.67	3,157	1,778	1,379	43.68
2009-10	16,597	13,659	2,938	17.70	3,683	2,308	1,375	37.33
2010-11	19,193	15,736	3,457	18.01	3,813	2,807	1,006	26.38



5.3 Significant Savings

Substantial savings under a Grant indicates either non-implementation or slow implementation of certain schemes /programmes.

Some Grants with persistent and significant savings for the past five years, over and above 10% of the net provision of funds, under Revenue and Capital Section are given below:

(₹ In Crore)

Grant	Revenue Section	2006-07	2007-08	2008-09	2009-10	2010-11
01	Agriculture and Horticulture	31	25	39	32	34
04	Department of Personnel & Administrative Affairs	29	21	12	17	17
19	Urban Development	31	29	34	27	11
20	Public Works	24	22	19	18	12
23	Labour	10	13	23	20	32
25	Kannada and Culture	14	25	27	24	11
26	Planning, Statistics, Science and Technology	13	30	46	21	28
28	Parliamentary Affairs and Legislation	24	30	35	19	25

(₹ In Crore)

Grant	Capital Section	2006-07	2007-08	2008-09	2009-10	2010-11
01	Agriculture and Horticulture	54	20	80	54	55
02	Animal Husbandry & Veterinary Science	34	17	64	38	44
07	Rural Development & Panchayat Raj	34	35	20	26	13
10	Social Welfare	11	10	23	10	24
11	Women and Child Welfare	77	16	25	35	34
19	Urban Development	16	21	47	16	21
20	Public Works	10	11	31	16	17
21	Water Resources	15	25	34	20	15
23	Labour	99	51	34	23	17
25	Kannada and Culture	15	65	40	62	42
29	Debt Servicing	24	50	44	37	26

During 2010-11, out of Supplementary Grants totalling ₹13,135 crore an amount of ₹1,366 crore proved to be Excessive or unnecessary. Few instances, where the savings in excess of ₹10 crore, found unnecessary or excessive are indicated in the table given below.

Gr. No	MJH-MIH	SBH	DTLH	OBJH	P/NP	ORIGINAL	SUPPLEMENTARY	ACTUALS	SAVING (-)
05	2055-00-109	1	01	011	NP	230.22	40.27	251.58	-18.91
07	4215-01-102	9	01	059	P	206.00	34.35	215.35	-25.00
09	6425-00-108	3	57	106	P	0.00	20.00	0.00	-20.00
10	2225-01-197	6	03	300	P	0.00	90.56	0.00	-90.56
11	2235-02-102	0	25	422	P	70.00	40.00	87.89	-22.11
14	2235-60-102	1	01	251	NP	200.00	100.00	265.09	-34.91
17	2202-01-196	1	01	401	P	8.39	14.93	8.46	-14.86
17	2202-01-196	1	01	403	P	4.50	11.48	4.50	-11.48
17	2202-01-196	1	01	405	P	5.04	10.53	5.04	-10.53
17	2202-01-196	1	01	406	P	10.63	16.57	10.67	-16.52
17	2202-01-196	1	01	407	P	6.05	12.99	6.05	-12.99
17	2202-01-196	1	01	410	P	3.62	10.66	3.62	-10.66
17	2202-01-196	1	01	413	P	10.21	25.98	10.25	-25.93
17	2202-01-196	1	01	414	P	6.30	15.15	6.30	-15.15
17	2202-01-196	1	01	417	P	5.65	14.98	5.65	-14.98
17	2202-01-196	1	01	420	P	5.88	11.47	5.88	-11.47
17	2202-01-196	1	01	461	P	10.28	11.90	10.28	-11.90
17	2202-01-196	1	01	463	P	3.44	11.15	3.44	-11.15
17	2202-02-800	1	12	059	P	40.00	149.89	56.73	-77.99
17	2202-03-103	2	01	011	P	28.91	9.96	35.90	-34.04
18	6852-02-800	0	01	394	P	0.00	50.00	17.98	-32.02
19	4217-60-800	5	00	211	P	400.00	126.04	476.04	-50.00
19	6217-60-800	0	04	394	P	200.00	750.00	700.00	-250.00
20	4059-80-051	0	32	386	P	10.00	30.00	23.54	-16.46
21	4701-80-190	3	00	132	P	761.74	500.00	1111.74	-14.00
24	6801-00-800	1	02	394	P	0.00	126.44	0.00	-126.44
26	4575-60-800	0	01	132	P	125.00	199.20	306.80	-17.41

Supplementary Grants means a Grant voted by the Legislature showing the estimated amount of further expenditure in respect of financial year over and above that already authorized for that year.

CHAPTER VI

ASSETS AND LIABILITIES

6.1 Assets

The details of Assets and Liabilities are exhibited in the Statement No.1 of the Finance Accounts Volume-I. The existing form of accounts do not easily depict valuation of Government assets like land, buildings etc., except in the year of acquisition/purchase. The government assets stood, mainly comprising of cash balance and investments of cash balance (₹7,667 crore), progressive Capital Expenditure (₹88,525 crore) & Loans and Advances (₹9,623 crore) at the end of 31st March 2011.

Total investments as share capital in the Public Sector Undertakings (PSUs) stood at ₹38,421 crore at the end of 2010-11. However, dividends received during the year were ₹43 crore (i.e., 0.11%) on investment. During 2010-11, investments increased by ₹5,938 crore, while dividend income increased by ₹14 crore.

Cash Balance with RBI stood at (-) ₹107 crore on 31st March 2010 has increased to (-) ₹657 crore at the end of March 2011.

6.2 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 from time to time fixed by the State Legislature.

Details of the Public Debt and Total Liabilities of the State Government are as under:

(₹ In Crore)							
Year	SGDP*	Public Debt	% to SGDP	Public Account	% to SGDP	Total Liabilities	% to SGDP
2006-07	227,831	41,845	18.37	15,837	6.95	57,682	25.32
2007-08	270,843	42,873	15.83	17,269	6.38	60,142	22.21
2008-09	303,058	49,688	16.40	21,862	7.21	71,550	23.61
2009-10	335,747	55,370	16.49	28,112	8.37	83,482	24.86
2010-11	380,872	59,277	15.56	32,666	8.58	91,943	24.14

* {Source: Medium Term Fiscal Plan 2011-15 presented to the State Legislature in February 2011– by the Government of Karnataka}

There is net increase of ₹8,461 crore (10%) in Public Debt and Other Liabilities as compared to 2009-10.

- ❖ Interest payments on debt and other liabilities: ₹5,641 crore (about 10.44 % of the revenue expenditure.
- On Public Debt: ₹4,679 crore (Internal Debt: ₹3,928 crore + Loans & Advances from GOI: ₹751 crore)
- On Other Liabilities: ₹962 crore.
- ❖ Expenditure on account of interest payments increased by ₹428 crore during 2010-11 over 2009-10.

6.2.1 State Provident Funds

(₹ In Crore)

Year	Opening Balance	Receipts (*)	Payments	Net accretion for the year	Closing Balance	Interest on balance of P.F
2006-07	3,625	917	567	350	3,975	291
2007-08	3,975	1,032	627	405	4,380	315
2008-09	4,380	1,214	575	639	5,019	356
2009-10	5,019	1,418	452	966	5,985	420
2010-11	5,985	1,664	667	997	6,982	490

(*) Includes Interest indicated in the last column of the table

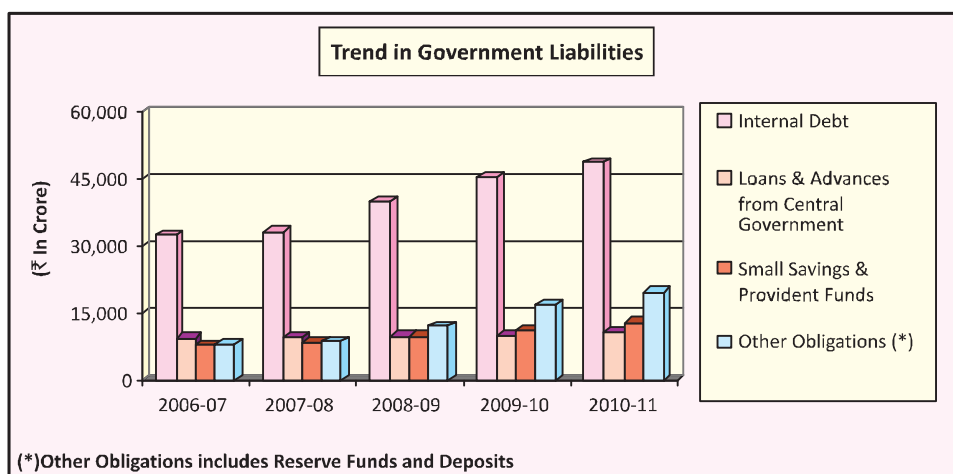
6.2.2 Trend in Government Liabilities

The following table indicates the trends in government liabilities 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
2006-07	32,646	9,199	7,785	8,052	57,682
2007-08	33,316	9,557	8,533	8,736	60,142
2008-09	39,996	9,692	9,709	12,153	71,550
2009-10	45,468	9,902	11,177	16,935	83,482
2010-11	48,762	10,515	12,784	19,882	91,943

The Cash System of Account in which the Government Accounts are kept does not depict valuation of Government Assets like Land and Buildings etc. except in the year of purchase.



The Karnataka Fiscal Responsibility Act, 2002, allows ensuring that the Total Outstanding Liabilities (TOL) at the end of the financial year 2010-11 shall be at 26.20% of the SGDP. The outstanding debt stood at 24.14 percent of the estimated SGDP to the end of 2010-11.

6.2.3 Contingency Fund

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

Particulars	(₹ In Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Number of withdrawals from Contingency Fund	22	20	33	9	24
Total withdrawals from Contingency Fund (₹ in crore)	73.39	37.85	77.88	38.18	57.28
Withdrawals from the Contingency Fund as a percentage to Total Budget provision	0.14	0.0	0.11	0.05	0.06

6.3 Guarantees

The position of guarantees by the State Government for the repayment of Loans and payment of interest thereon raised by Statutory Corporations, Government Companies, Local Bodies, Co-operative Societies, etc., are furnished in the Statement No.9 of the Finance Accounts Volume-2. The maximum amount guaranteed and the outstanding principal and interest at the end of each year over the past five years are given below:

(₹ In Crore)

At the end of the year	Maximum Amount Guaranteed (Principal only)	Amount outstanding as on 31st March	
		Principal	Interest
2006-07	19,793	9,729	151
2007-08	23,109	10,390	396
2008-09	18,732	8,178	515
2009-10	18,420	6,954	249
2010-11	19,150	6,448	169

6.4 Externally Aided Projects

The liability of the State Government for repayment of Externally Aided Projects is given below. Individual Scheme wise details are furnished in the Appendix-V of the Finance Accounts Volume-2.

(₹ In Crore)

Period	Opening Balance	Amount Received	Amount Repaid	Closing Balance
2009-10	6,689	681	1,562	5,808
2010-11	5,808	1,146	230	6,724

CHAPTER VII

OTHER ITEMS

7.1 Adverse Balances under Internal 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 ₹48,762 crore, which comprises an adverse balance amounting to ₹85 crore under 'Loans from National Co-operative Development Corporation', remain under reconciliation.

7.2 Loans and Advances by the State Government

Total Loans and Advances made by the State Government at the end of 2010-11 was ₹9,623 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 ₹969 crore and Interest amounting to ₹891 crore; is in arrears at the end of 31st March 2011, in respect of detailed loan accounts are maintained by the Accountant General.

7.3 Financial Assistance to Local Bodies and Others

During the past three years, Grants-in-Aid to Local Bodies etc., increased from ₹15,262 crore in 2008-09 to ₹19,041 crore in 2010-11. Grants to Zilla Panchayats, Taluk Panchayats, Gram Panchayats and Municipalities & Urban Local Bodies (₹15,448 crore) represented 81 per cent of total Grants given during the year. Details of Grants-in-aid for the past 3 years are as under.

(₹ In Crore)

Year	Zilla Panchayats	Taluk Panchayats	Gram Panchayats	ULBs & Municipalities	Others *	Total
2008-09	3,969	5,705	1,128	2,339	2,121	15,262
2009-10	4,288	6,196	890	2,472	2,574	16,420
2010-11	4,760	6,919	793	2,976	3,593	19,041

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

7.3.1 Submission of Utilization Certificates (UCs)

The government while sanctioning grant-in-aid to various beneficiaries may stipulate that the UCs for the amount of Grant-in-Aid have to be forwarded to the Accountant General. The Principal Accountant General (A&E) will keep a watch over the submission of UCs in respect of such releases only. To the end of 31st March 2011, about 2,818 GIA bills amounting to ₹1,646 crore were outstanding for submission of Utilization Certificates.

7.4 Cash Balance and Investment of Cash Balance

(₹ In Crore)

Component	As on 1st April 2010	As on 31st March 2011	Net Increase (+)/ Decrease(-)
Cash Balances*	(-) 107	(-) 657	(+) 550
Investments from Cash Balance (GOI Securities & Treasury Bills)	8,890	6,871	(-) 2,019
Other Cash Balances & Investments	991	1,453	(+) 462
(a) Cash with Departmental Officers & Permanent Advances	11	9	(-) 2
(b) Investments of Earmarked Funds	980	1,444	(+) 464
Total	9,774	7,667	(-) 2,107
Interest realised	309	400	(+) 91

* Cash Balance include- Local Remittances & Deposit with RBI

During 2010-11, the Interest receipt on Cash Balance Investments was increased by 29% in comparison with the previous year.

7.5 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 Principal Accountant General (Accounts and Entitlement). This exercise is to be conducted by respective Heads of Departments. During 2010-11, only 67% (₹45,202 crore) of the total expenditure of ₹67,389 crore of the State Government was reconciled. Similarly, out of total receipts of ₹58,278 crore, only 98% (₹57,229 crore) was reconciled. The status of reconciliation of accounts in respect of the Chief Controlling Officers (CCO) of different departments is given below:

Accurate and timely reconciliation of accounts by the various State Government Departments results in presentation of perfect and accurate accounts.

(₹ In Crore)

Particulars	Total No. of CCOs	Fully Reconciled	Partially Reconciled	Not Reconciled
Expenditure	194	165	03	26
Receipts	79	67	01	11
TOTAL	273	232	04	37

7.6 Submission of Accounts by Treasuries

There are 33 District Treasuries in the State. During the year 2010-11, Treasury Accounts received were 396. Delay noticed in rendering the accounts by the treasuries up to 15 days in 258 occasions, over 15 days and less than one month on 19 occasions and over one month and less than two months on 3 occasions.

7.6.1 Classification of Departmental Receipts and Disbursements under omnibus Minor Head '800-Other Receipts/Other Expenditure'

Substantial amount of Departmental Receipts ₹3,480 crore under 58 Revenue, Capital and Loan Major Heads of Accounts on Receipts side, being 5.95% of the total receipts recorded under the respective Major Heads of Accounts under '800-Other Receipt's. Similarly, Departmental Expenditure of ₹9,768 crore under 82 Revenue, Capital and Loan Major Heads of Accounts on Expenditure side, being 14.13% of the total Expenditure booked under '800-Other Expenditure' – more details are furnished in the Annexure-A to Notes to Accounts in Finance Accounts Volume-2.

7.7 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 as 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 settled, within a maximum of 90 days, through submission of NDC bills. To the end of 31st March 2011, about 18,485 AC bills amounting to ₹171 crore were outstanding for submission of NDC bills.

AC Bills: Controlling and Disbursing Officers are authorized to draw sums of money in lump on Abstract Contingent Bills for which they are required to present Detailed Contingent Bill (vouchers in support of final expenditure through treasuries).

7.8 Commitments on Account of Incomplete Works

A total expenditure of ₹61,097 crore was incurred up to the year 2010-11 by the State Government under various construction projects taken up by the Public Works Department, Water Resource Department, and Public Health & Engineering Department. However, the Departments engaged in construction projects have reported the State Government commitment of ₹943 crore on incomplete works (636 Works) costing over ₹1,987 crore to the end of the financial year 2010-11.

(₹ In Crore)

Period	Number of Works	Cost of Works	Progressive Expenditure
1995-2000	3	3	2
2000-2005	7	17	27
2005-2008	89	530	374
2008-2011	537	1,437	641
TOTAL	636	1,987	1,044





**PRINCIPAL ACCOUNTANT GENERAL
(ACCOUNTS & ENTITLEMENT)
KARNATAKA, BANGALORE**

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