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## **CHAPTER II**

# **FINANCES OF THE STATE**



## CHAPTER II

### FINANCES OF THE STATE

This Chapter analyses the Finance Accounts of the State for the year 2023-24 to unravel the underlying causes of deficit and areas of fiscal concern as well as positive trends.

#### 2.1 Major Changes in Key Fiscal Aggregates *vis-a-vis* 2022-23

The major changes in key fiscal aggregates of the State during the year 2023-24, compared to the previous year are given in **Table 2.1**.

**Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23**

Revenue Receipts	<ul style="list-style-type: none"> <li>Revenue Receipts of the state decreased by 6.21 <i>per cent</i></li> <li>Own tax receipts of the State increased by 3.28 <i>per cent</i></li> <li>Own non-tax receipts increased by 8.12 <i>per cent</i></li> <li>State's share of Union taxes and duties increased by 19.07 <i>per cent</i></li> <li>Grants-in-Aid from Government of India decreased by 55.92 <i>per cent</i></li> </ul>
Revenue Expenditure	<ul style="list-style-type: none"> <li>Revenue Expenditure increased by 0.48 <i>per cent</i></li> <li>Revenue expenditure on General Services increased by 11.96 <i>per cent</i></li> <li>Revenue expenditure on Social Services decreased by 12.47 <i>per cent</i></li> <li>Revenue expenditure on Economic Services decreased by 7.05 <i>per cent</i></li> <li>Expenditure on Grants-in-Aid and Contributions decreased by 5.66 <i>per cent</i></li> </ul>
Capital receipts	<ul style="list-style-type: none"> <li>Debt Capital Receipts increased by 93.22 <i>per cent</i></li> <li>Non-debt Capital Receipts increased by 66 <i>per cent</i></li> </ul>
Capital expenditure	<ul style="list-style-type: none"> <li>Capital expenditure decreased by 2.94 <i>per cent</i></li> <li>Capital outlay on General Services decreased by 19.43 <i>per cent</i></li> <li>Capital outlay on Social Services decreased by 2.79 <i>per cent</i></li> <li>Capital outlay on Economic Services decreased by 2.51 <i>per cent</i></li> </ul>
Loans and Advances	<ul style="list-style-type: none"> <li>Recoveries of Loans and Advances increased by 74.64 <i>per cent</i></li> <li>Disbursement of Loans and Advances increased by 18.09 <i>per cent</i></li> </ul>
Public Debt	<ul style="list-style-type: none"> <li>Public Debt Receipts increased by 93.22 <i>per cent</i></li> <li>Repayment of Public Debt increased by 106.68 <i>per cent</i></li> </ul>
Public Account	<ul style="list-style-type: none"> <li>Public Account Receipts decreased by 9.60 <i>per cent</i></li> <li>Disbursement of Public Account decreased by 8.92 <i>per cent</i></li> </ul>
Cash Balance	<ul style="list-style-type: none"> <li>Cash Balance increased by 50.73 <i>per cent</i></li> </ul>

Source: Finance Accounts

## 2.2 Sources and Application of Funds

The components of the sources and application of funds of the State during the financial year compared to the previous year is given below in **Table 2.2**.

**Table 2.2: Details of Sources and Application of funds during 2022-23 and 2023-24**

(₹ in crore)

Particulars		2022-23	2023-24	Increase (+)/ Decrease (-) (in per cent)
Sources	Opening Cash Balance*	(-)293.86	182.69	162.16
	Revenue Receipts	1,32,724.65	1,24,486.15	(-)6.21
	Capital Receipts	49.94	47.51	(-)4.87
	Recoveries of Loans and Advances	409.29	714.80	74.64
	Public Debt Receipts (Net)	18,026.41	29,989.02	66.36
	Public Account Receipts (Net)	8,004.68	4,361.70	(-)45.51
	Contingency fund	0	0	0
	<b>Total</b>	<b>1,58,921.11</b>	<b>1,59,781.87</b>	
Application	Revenue Expenditure	1,41,950.93	1,42,626.34	0.48
	Capital Expenditure	13,996.56	13,584.45	(-)2.94
	Disbursement of Loans and Advances	2,790.93	3,295.72	18.09
	Closing Cash Balance*	182.69	275.36	50.73
	Contingency fund	0	0	0
	<b>Total</b>	<b>1,58,921.11</b>	<b>1,59,781.87</b>	

Source: Finance Accounts for 2022-23 and 2023-24

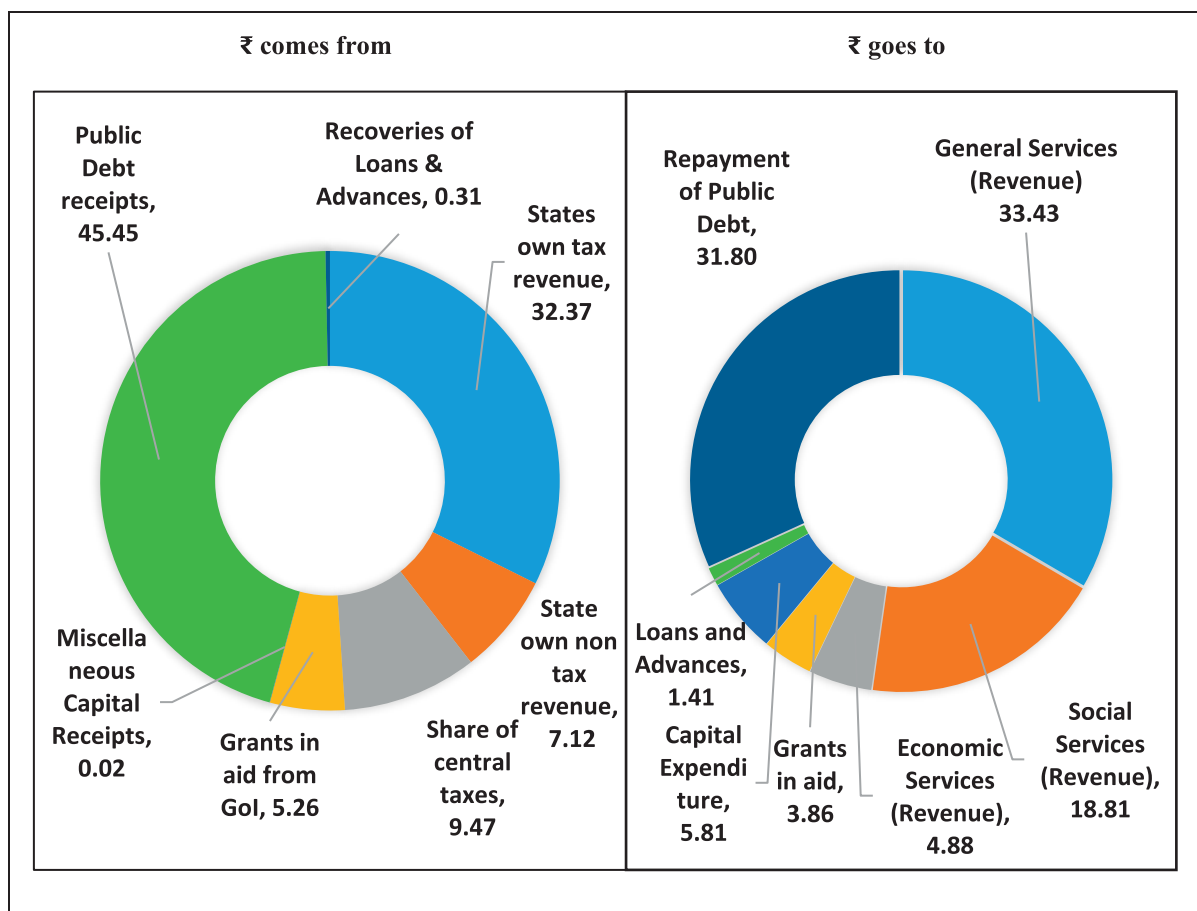
\*Does not include investment in Cash Balance investment account, Investment in earmarked funds, Cash with departmental officers and Permanent Cash Imprest for contingent expenditure with department officers.

Composition and application of resources in the Consolidated Fund of the State during 2023-24 is given in **Chart 2.1** and **Chart 2.2** respectively.



**Chart 2.1 Composition of resources**  
(in per cent)

**Chart 2.2 Application of resources**  
(in per cent)



Source: Finance Accounts

## 2.3 Resources of the State

The resources of the State are described below:

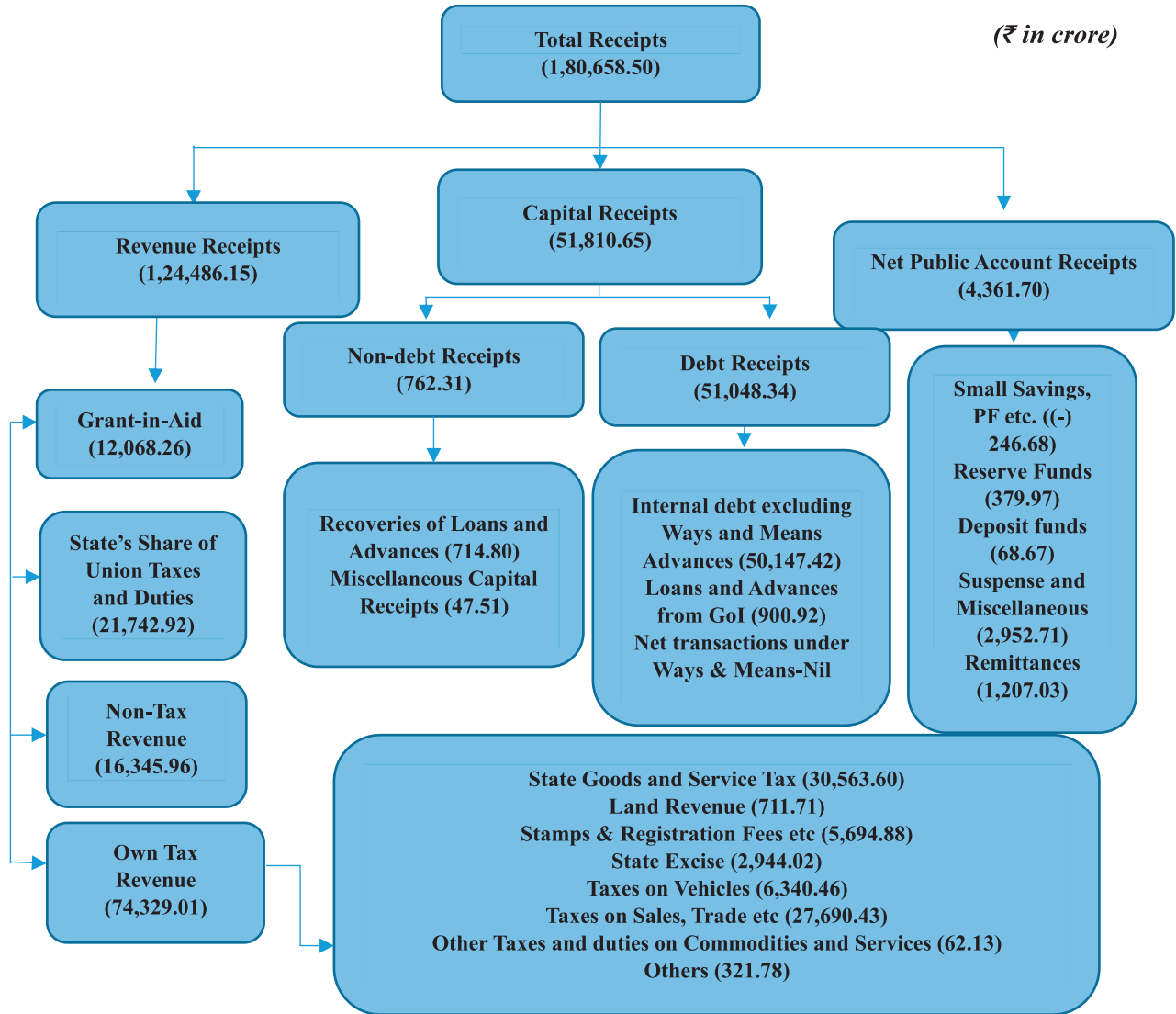
1. **Revenue receipts** consist of tax revenue (Own Tax revenue plus share of Union taxes/duties), non-tax revenue and Grants-in-aid from the Government of India
2. **Capital receipts** (debt and non-debt capital receipts) comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.  
Both Revenue and Capital receipts form part of the Consolidated Fund of the state.
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund. These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature.

Here, the Government acts as a banker. The balance after disbursement is the fund available with the Government for use.

### 2.3.1 Receipts of the State

This paragraph provides the composition of the overall receipts. Besides, the Revenue and capital Receipts, funds available in the Public Account (net of disbursement made from it) are also utilised by the Government to finance its deficit. The composition of total receipts of the State is depicted in **Chart 2.3**.

**Chart 2.3: Composition of receipts of the State during 2023-24**



Source: Finance Accounts

Out of total resources of ₹1,80,658.50 crore of State Government during 2023-24, revenue receipts (₹ 1,24,486.15 crore) constituted 68.91 *per cent*. Capital Receipts (₹ 51,810.65 crore) and net public account receipts (₹4,361.70 crore) constituted 28.68 *per cent* and 2.41 *per cent* of the total resources respectively.

### 2.3.2 State's Revenue Receipts

The paragraph gives the trend of the revenue receipts, its components and its relationship with GSDP for a period of five years (2019-2024) as shown in Table 2.3.

**Table 2.3: Trend in Revenue Receipts**

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Revenue Receipts (RR) (₹ in crore)</b>	<b>90,224.67</b>	<b>97,616.83</b>	<b>1,16,640.24</b>	<b>1,32,724.65</b>	<b>1,24,486.15</b>
Rate of growth of RR ( <i>per cent</i> )	(-) 2.83	8.19	19.49	13.79	(-)6.21
<b>Own Tax Revenue (₹ in crore)</b>	<b>50,323.14</b>	<b>47,660.84</b>	<b>58,340.52</b>	<b>71,968.16</b>	<b>74,329.01</b>
Rate of growth of Own Tax Revenue ( <i>per cent</i> )	(-) 0.63	(-) 5.29	22.41	23.36	3.28
<b>Non-Tax Revenue (₹ in crore)</b>	<b>12,265.22</b>	<b>7,327.31</b>	<b>10,462.51</b>	<b>15,117.95</b>	<b>16,345.96</b>
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) ( <i>per cent</i> )	0.26	(-) 12.14	25.12	26.57	4.12
State's share in Union taxes and duties	16,401.05	11,560.40	17,820.09	18,260.68	21,742.92
Grants-in-aid from GOI (₹ in crore)	11,235.26	31,068.28	30,017.12	27,377.86	12,068.26
Rate of growth of Grants-in-aid ( <i>per cent</i> )	(-) 1.35	176.52	(-) 3.38	(-) 8.79	(-) 55.92
Gross State Domestic Product (₹ in crore)	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
Rate of growth of GSDP ( <i>per cent</i> )	3.13	(-) 5.07	19.79	10.72	11.97
RR/GSDP ( <i>per cent</i> )	11.10	12.65	12.62	12.97	10.86
<b>Buoyancy Ratios<sup>4</sup></b>					
Own Tax Buoyancy w.r.t GSDP ( <i>per cent</i> )	*	*	1.13	2.18	0.27

Source: Finance Accounts of respective years; for GSDP, Department of Economics & Statistics

\*Figures not calculated because of negative growth rate.

**Table 2.3** shows that revenue receipts increased by 37.97 *per cent* from ₹90,224.67 crore in 2019-20 to ₹ 1,24,486.15 crore in 2023-24. However, Revenue Receipts decreased by ₹ 8,238.50 crore (6.21 *per cent*) during 2023-24 when compared to 2022-23. Own tax revenue and non-tax revenue increased by ₹ 2,360.85 crore (3.28 *per cent*) and ₹ 1,228.01 crore (8.12 *per cent*) in 2023-24 when compared to 2022-23.

States share in Union taxes and duties increased from ₹ 16,401.05 crore in 2019-20 to ₹ 21,742.92 crore (32.57 *per cent*) in 2023-24. It increased by ₹ 3,482.24 crore (19.07 *per cent*) in 2023-24 over 2022-23.

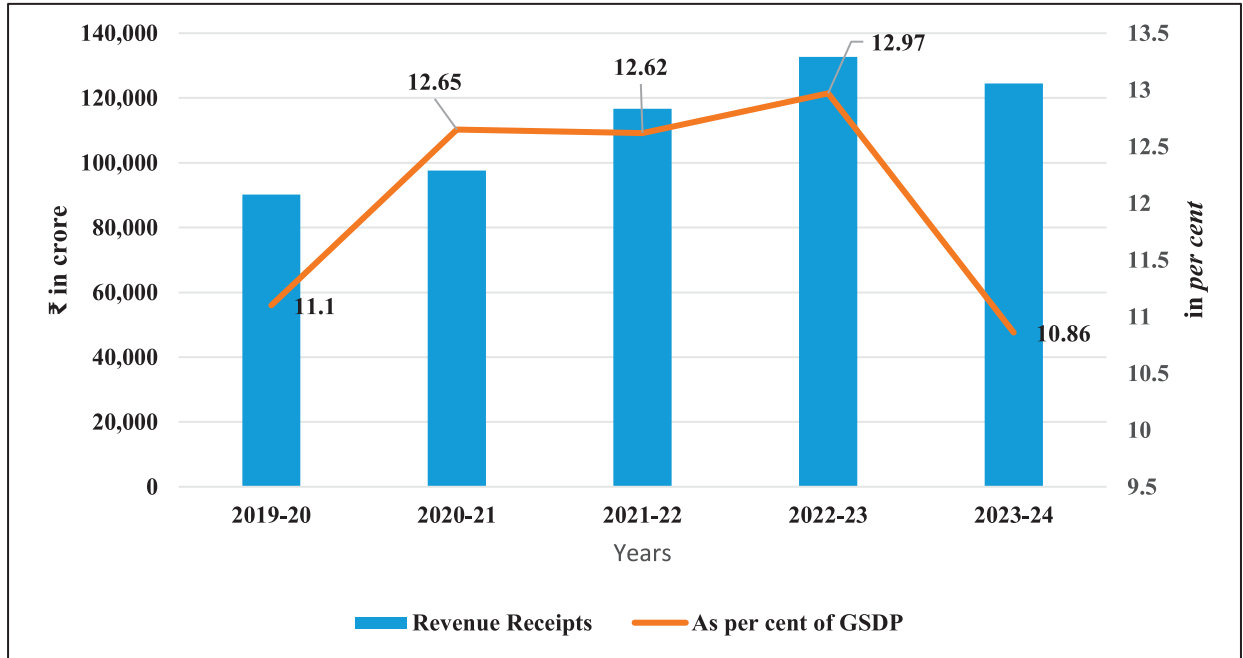
<sup>4</sup> Buoyancy indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable.

Grants-in-aid from GoI decreased by ₹ 15,309.60 crore (55.92 per cent) during 2023-24 when compared to previous year.

Revenue receipts as a percentage of GSDP decreased from 12.97 per cent in 2022-23 to 10.86 per cent in 2023-24.

Trends of revenue receipts during 2019-20 to 2023-24 are shown in **Chart 2.4**.

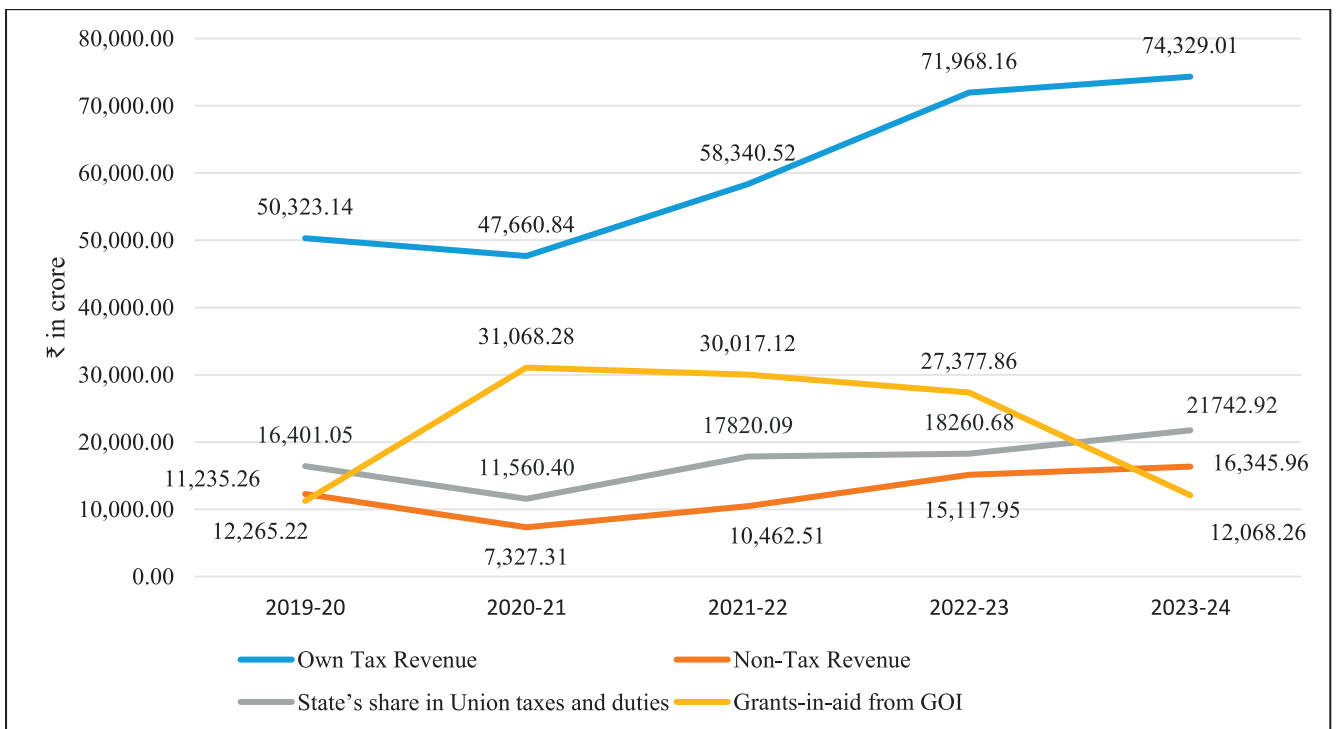
**Chart 2.4: Trends of Revenue Receipts**



Source: Finance Accounts

Trends in composition of revenue receipts during 2019-20 to 2023-24 are given in **Chart 2.5**.

**Chart 2.5: Trends of components of Revenue Receipts**



Source: Finance Accounts

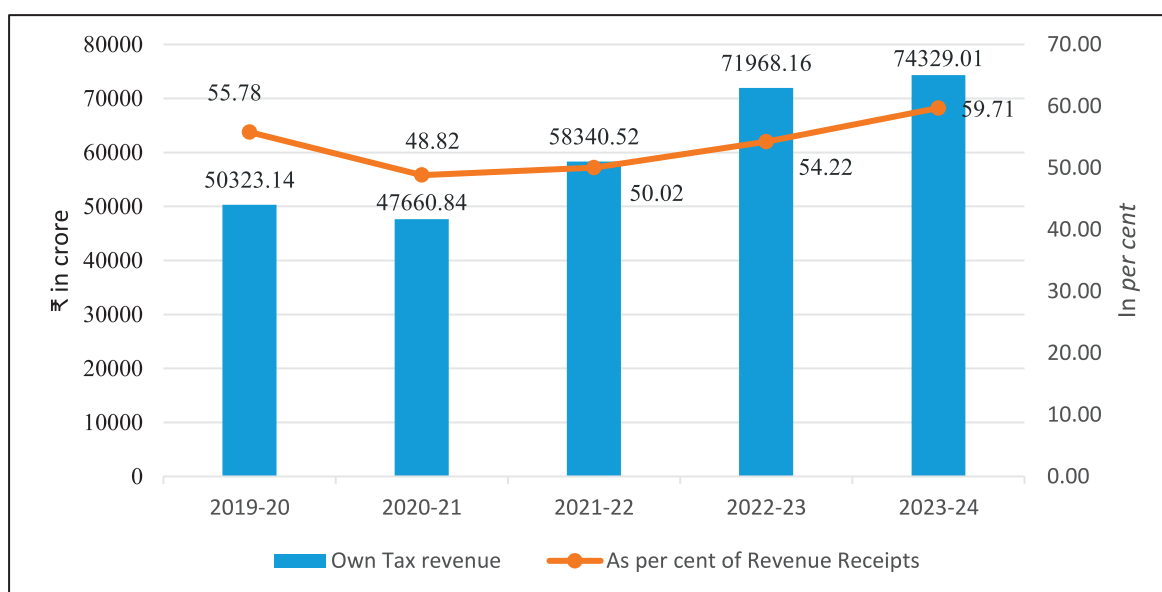
### 2.3.2.1 State's Own Resources

State's revenue consists of own tax revenue and non-tax revenue.

#### (i) Own tax revenue

Own tax revenue of the State consists of State specific taxes like State GST, Excise etc. The trend of own tax revenue and analysis of its components during the period 2019-2024 are shown in **Chart 2.6** & **Table 2.4** respectively.

**Chart 2.6: Trend of Own Tax Revenue Receipts during 2019-24**



Source: Finance Accounts

**Table 2.4: Components of States' own tax revenue**

(₹ in crore)

Sl No.	Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
1	2	3	4	5	6	7	
1	State Goods and Services tax	20,446.95	20,028.31	24,169.81	29,513.28	30,563.60	
2	Taxes on Sales, Trade etc.	19,649.64	17,689.17	22,487.42	26,875.78	27,690.43	
3	Stamps and Registration Fees	3,615.01	3,489.59	4,857.33	6,216.71	5,694.88	
4	State Excise	2,255.28	2,329.22	2,032.23	2,875.95	2,944.02	
5	Taxes on Vehicles	3,721.14	3,386.28	4,037.10	5,386.81	6,340.46	
6	Land Revenue	332.42	493.35	470.84	718.9	711.71	
7	Other Taxes and Duties on Commodities and Services	39.31	48.8	56.04	67.89	62.13	
8	Others	263.39	196.12	229.75	312.84	321.78	
9	<b>Total</b>	<b>50,323.14</b>	<b>47,660.84</b>	<b>58,340.52</b>	<b>71,968.16</b>	<b>74,329.01</b>	
10	Growth rate in (per cent)	(-)0.63	(-)5.29	22.41	23.36	3.28	

Source: Statement 3 of Finance Accounts of respective years

- State's own tax revenue increased by ₹24,005.87 crore (47.70 per cent) from ₹50,323.14 crore in 2019-20 to ₹74,329.01 crore in 2023-24. When compared to 2022-23, own tax revenue increased by ₹2,360.85 crore (3.28 per cent) during 2023-24. As percentage to Revenue Receipts, State's own tax revenue was 59.71 per cent during 2023-24.
- State Goods and Services Tax (SGST) was the single largest source of State's own tax revenue (41 to 42 per cent) followed by Taxes on Sales, Trade etc. (37 to 39 per cent) during the period 2019-20 to 2023-24.
- The major increase in own tax revenue during 2023-24 was under SGST (₹1,050.32 crore), Taxes on Sales, Trade etc. (₹814.65 crore) and Taxes on Vehicles (₹953.65 crore) when compared to 2022-23.

**(a) State Goods and Services Tax (SGST)**

Goods and Services Tax (GST) was introduced with effect from 1 July 2017. During the year 2023-24, the State GST collection was ₹30,563.60 crore compared to ₹29,513.28 crore in 2022-23, registering an increase of ₹ 1,050.32 crore (3.56 per cent). This includes adjustment of Advance Apportionment of IGST amounting to ₹ (-)332.10 crore. The negative balance is due to adjustment of advance apportionment to make up shortfall in IGST balance as on 26 December 2022. In addition, the State received ₹6,598.65 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹37,162.25 crore. The State received compensation of ₹ 737.88 crore as Grant-in-aid from GoI on account of loss of revenue arising out of implementation of GST during 2023-24.

**(b) Analysis of arrears of revenue**

The arrears of revenue indicate delayed realisation of revenue due to the Government. It deprives the State of potential revenue receipts and ultimately affects the revenue deficit.

**Arrears of revenue**

Audit noticed that there were huge arrears of revenue in 14 cases in 13 Departments pending realisation. The arrears of revenue as on 31 March 2024 amounted to ₹24,462.50 crore of which ₹6,880.85 crore was outstanding for more than five years, as detailed in **Table 2.5**.

**Table 2.5: Arrears of revenue as on 31 March 2024**

*(₹ in crore)*

Sl. No	Name of Department/Heads of Account	Amount	Outstanding for more than 5 years
1	Police Department (MH 0055)	494.20	274.94
2	Kerala State Audit Department (MH 0070)	110.66	21.30
3	Factories & Boilers (MH 0230)	1.49	0.03
4	Finance Department-Arrears in interest receipts (MH 0049)	7,604.49	Nil

Sl. No	Name of Department/Heads of Account	Amount	Outstanding for more than 5 years
5	Finance Department-Arrears in Guarantee commission (MH 0075)	395.94	Nil
6	Registration Department (MH 0030)	723.53	Nil
7	Excise Department (MH 0039)	303.50	303.50
8	Mining and Geology Department (MH 0853)	224.00	69.50
9	Printing (MH 0058)	51.41	40.49
10	Stationery (MH 0058)	30.36	25.53
11	Labour Department (MH 0230)	0.40	Nil
12	State Goods and Services Tax Department	13,559.46	5,754.74
13	Forest Department (MH 0406)	420.92	272.41
14	Land Revenue Commissionerate (MH 0029)	542.14	118.41
	<b>Total arrears</b>	<b>24,462.50</b>	<b>6,880.85</b>

Source: Information collected from various departments

**(c) Evasion of tax detected by the department**

The cases of evasion of taxes detected by the department, cases finalised and demands for additional tax raised are important indicators of revenue collection efforts of the State Government. The promptness in disposal of these cases is an important indicator of performance of the departments concerned.

The details of cases of evasion of tax detected by various departments, cases finalised and demands for additional tax raised, as reported by the departments are given in **Table 2.6** below:

**Table 2.6: Evasion of tax detected**

Sl No	Particulars		0030- Stamps & Registration fees	0029- Land Revenue	0406 - Forestry and Wildlife	0041- Motor vehicles	0040- SGST
1	Number of Cases pending as on 31 March 2023		1,41,850	2461	9	26	19,105
2	Number of Cases detected during 2023-24		14,783	50	0	0	18,667
3	<b>Total</b>		<b>1,56,633</b>	<b>2,511</b>	<b>9</b>	<b>26</b>	<b>37,772</b>
4	Cases in which assessment/ investigation completed and additional demand with penalty etc. raised	Number of cases	10,111	57	0	0	24,832
		Amount of demand (₹ in crore)	25.87	0.3	0	0	4,161.04
5	Number of cases pending for finalisation as on 31 March 2024		1,46,522	2,454	9	26	12,940

Source: Information collected from departments



**(ii) Non-tax Revenue**

Non-Tax revenue consists of State lotteries, dividends and profits, Forestry and wildlife, interest receipts, etc. as shown in **Table 2.7**.

**Table 2.7: Main components of State's Non-tax Revenue****(₹ in crore)**

Sl No	Revenue Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Sparkline
1	State Lotteries	9,973.67	4,873.01	7,134.93	11,892.87	12,530.91	
2	Dividends and Profits	100.33	110.19	227.98	48.93	242.68	
3	Forestry and Wildlife	255.85	236.61	200.57	290.61	262.43	
4	Interest Receipts	84.95	246.64	177.05	171.95	175.35	
5	Other Non-Tax Receipts	1,850.42	1,860.86	2,721.98	2,713.60	3,134.59	
6	Non Tax Revenue	12,265.22	7,327.31	10,462.51	15,117.96	16,345.96	

Source: Statement 14 of Finance Accounts of respective years

The non-tax revenue increased from ₹ 12,265.22 crore in 2019-20 to ₹16,345.96 crore in 2023-24. It increased by ₹ 1,228 crore (8.12 *per cent*) during 2023-24 over the previous year. Receipts from State Lotteries is the major source of non-tax revenue and its share in non-tax revenue ranged between 66 *per cent* and 81 *per cent* of non-tax revenue during the period from 2019-20 to 2023-24. During 2023-24, revenue from State Lotteries constituted 76.66 *per cent* of the non-tax revenue. Revenue from State Lotteries increased by 5.36 *per cent* (₹638.04 crore) during the current year when compared to the growth rate of 66.69 *per cent* (₹4,757.94 crore) during 2022-23. Directorate of State Lotteries attributed (January 2025) the huge growth rate in 2022-23 to decreased revenue collection during 2021-22 due to cancellation of several lottery tickets and reduction in sale due to Covid pandemic. The normal growth rate was subsequently maintained during 2023-24. Other major increase in non-tax revenue during 2023-24 was under dividends and profits (₹193.75 crore).

**(a) State Lotteries**

Lotteries yield GST on the sales value, as well as non-tax revenue on the sales value of tickets as shown in **Table 2.8** below:

**Table 2.8: Revenue from State Lotteries for the period 2019-2024****(₹ in crore)**

Sl No	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1	Sales Revenue	9,973.67	4,873.01	7,134.93	11,892.87	12,530.91
2	SGST	636.78	687.52	1,000.24	1,664.74	1,754.09
3	<b>Total Revenue</b>	<b>10,610.45</b>	<b>5,560.53</b>	<b>8,135.17</b>	<b>13,557.61</b>	<b>14,285.00</b>

Source: Information collected from Lotteries Department and Statement 14 of Finance Accounts of respective years

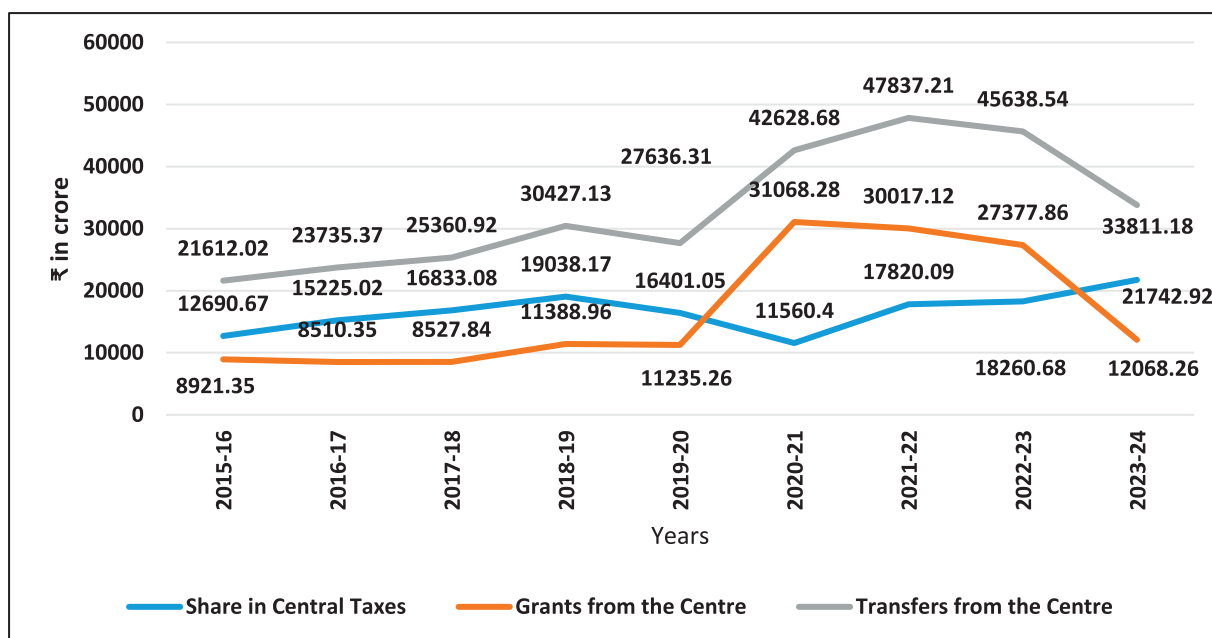
Lotteries organised by GoI or Government of a State is a Union subject but the tax on sale of such lotteries is a State subject. States are allowed to organise the lotteries subject to observance of the provisions in the 'Lotteries Regulation Act, 1998' and rules made there under. Against the actual sale proceeds of ₹12,530.91 crore during 2023-24, the SGST collected on sales value is ₹1,754.09 crore. Thus, revenue from State lotteries is a very important source of own revenue of the Government contributing ₹14,285.00 crore.



### 2.3.2.2 Transfers from the Centre

Transfers from Centre include State's share of Union taxes and Grants-in-aid from Government of India. The details of these transfers during the period from 2015-16 to 2023-24 are shown in **Chart 2.7**.

**Chart 2.7: Trends in transfers from Centre**



Source: Statement 2 of Finance Accounts of respective years

#### (i) Central Tax transfer

Actual release of State's share in Union taxes and duties vis-à-vis projection made by Fourteenth Finance Commission and Fifteenth Finance Commission during the period 2015-16 to 2023-24 are given in **Table 2.9**.

**Table 2.9: State's Share in Union Taxes and Duties: Actual devolution vis-à-vis Finance Commission projection**

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
2015-16	2.50 per cent of net proceeds of all shareable taxes excluding service tax and 2.526 per cent of net proceeds of shareable service tax (as per recommendation of Fourteenth FC)	14,511	12,691	(-),820
2016-17		16,745	15,225	(-),520
2017-18		19,348	16,833	(-),515
2018-19		22,383	19,038	(-),3,345
2019-20		25,925	16,401	(-),9,524
2020-21	1.943 per cent of the net proceeds of the taxes (divisible pool) (as per recommendation of Fifteenth FC)	16,616	11,560	(-),5,056
2021-22		12,678	17,820	5,142
2022-23		14,103	18,261	4,158
2023-24		15,869	21,743	5,874

Source: Reports of the Fourteenth FC, Fifteenth FC and Finance Accounts

From 2021-22 onwards, the amount of actual tax devolution was more than the projections made by the Finance Commission.

Trends in Components of Central Tax transfers during 2019-20 to 2023-24 are shown in **Table 2.10**.

**Table 2.10: Central Tax transfers**

(₹ in crore)

Sl No.	Head	2019-20	2020-21	2021-22	2022-23	2023-24
1	Central Goods and Services Tax (CGST)	4,654.19	3,325.63	4,832.67	5,165.39	6,598.65
2	Integrated Goods and Services Tax (IGST)	0	0	0	0	0
3	Corporation Tax	5,592.06	3,546.02	5,238.12	6,109.21	6,526.25
4	Taxes on Income other than Corporation Tax	4,381.76	3,642.70	5,104.81	5,983.30	7,537.02
5	Customs	1,039.60	591.59	1,431.33	718.62	761.95
6	Union Excise Duties	722.80	380.78	898.09	225.48	288.31
7	Service Tax	0.00	62.54	294.96	28.59	4.07
8	Taxes on Wealth	0.25	0	1.48	0	0
9	Other Taxes <sup>5</sup>	10.39	11.14	18.63	30.09	26.67
<b>10</b>	<b>Total</b>	<b>16,401.05</b>	<b>11,560.40</b>	<b>17,820.09</b>	<b>18,260.68</b>	<b>21,742.92</b>
11	Percentage of increase over previous year	(-) 13.85	(-) 29.51	54.15	2.47	19.07
12	Percentage of Central tax transfers to Revenue Receipts	18.18	11.84	15.28	13.76	17.47

Source: Statement 3 of Finance Accounts of respective years

The Central tax transfers stood at ₹ 21,742.92 crore in 2023-24, registering an increase of 19.07 per cent (₹ 3,482.24 crore) over the previous year.

**(ii) Grants-in-aid from Government of India**

Grant-in-aid (GIA) received from the Government of India contributed to 9.69 per cent of the revenue receipts of the State during 2023-24. Details of GIA received by the State Government from GoI during 2019-20 to 2023-24 are given in **Table 2.11**.

**Table 2.11 : Grants-in-aid from Government of India**

(₹ in crore)

Sl No	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1	Grants for Plan Schemes	-	-	(-) 0.74	0	(-) 17.87
2	Grants for Centrally Sponsored Schemes	3,262.65	5,141.92	3,801.74	4,587.79	3,936.74
3	Finance Commission Grants	2,343.01	18,048.80	22,171.13	15,382.30	7,245.68
4	Other transfers/ Grants to States/ Union Territories with Legislature	5,629.60	7,877.56	4,044.99	7,407.77	903.71
<b>5</b>	<b>Total</b>	<b>11,235.26</b>	<b>31,068.28</b>	<b>30,017.12</b>	<b>27,377.86</b>	<b>12,068.26</b>
<b>6</b>	<b>Percentage of increase over the previous year</b>	(-) 1.35	176.52	(-) 3.38	(-) 8.79	(-) 55.92
<b>7</b>	<b>Percentage of GIA to Revenue Receipts</b>	12.45	31.83	25.73	20.63	9.69

Source: Statement 3 of Finance Accounts of respective years

<sup>5</sup> Include Other Taxes on Income and Expenditure, Other Taxes and Duties on Commodities and Services.

During the year 2023-24, the Grants-in-Aid from GoI decreased by ₹ 15,309.60 crore (55.92 *per cent*) over the previous year, the reason for which was attributable to reduction in the Finance Commission grants by ₹ 8,136.62 crore. Decrease in Finance Commission grants during 2023-24 was mainly under Post Devolution Revenue Grant (₹ 8,425 crore). Grants under ‘Other transfers/ Grants to States/ Union Territories with Legislature’ also decreased by ₹6,504.06 crore mainly due to decrease under compensation for loss of revenue arising out of implementation of GST by ₹ 6,508.09 crore.

### 2.3.3 Transfer of funds to Single Nodal Agency (SNA)

Ministry of Finance, Government of India vide letter No. 1(13) PFMS/FCD/2020 dated 23-03-2021 had notified the procedure for release of funds under Centrally Sponsored Scheme (CSS) and monitoring utilization of the funds released through Single Nodal Agency (SNA). For each CSS, SNA is set up with own Bank Account in scheduled Commercial Bank authorised to conduct Government business by the State Government. As per the procedure, the State Government is to transfer the Central share received in its accounts to the concerned SNA’s account along with the corresponding State share within 30 days of receipt of central share.

As per Finance Accounts, ₹ 3,936.74 crore was received as Central share for CSS from GoI during 2023-24. As per the SNA Report from PFMS, the State Government received ₹3,773.63 crore being the Central share during the year 2023-24 in its Treasury Accounts. The difference of ₹163.11 crore is under reconciliation.

As per SNA Report, as on 31 March 2024, the Government transferred Central share of ₹3,069.44 crore and State share of ₹3,152.66 crore to the SNAs. An amount of ₹ 2,294.93 crore is lying unspent in the bank accounts of SNAs as on 31 March 2024 (₹ 704.19 crore remained untransferred). There is a difference of ₹334.54 crore between expenditure incurred by State under CSS as per SNA Report (₹6,222.10 crore) and Finance Accounts (₹6,556.64 crore) which is under reconciliation.

### 2.3.4 Fifteenth Finance Commission Grant

The Fifteenth Finance Commission (XV-FC, henceforth) grants were provided to the States for local bodies, disaster management, post devolution revenue deficit grant and health sector. The details of grants-in-aid recommended by XV-FC and grants provided to the States are given in **Table 2.12**.

**Table 2.12: Recommended amount, actual release and transfers of Grant-in-aid***(₹ in crore)*

Transfers			Recommendation of XV FC for 2023-24	Actual release by GoI during 2023-24
(i) Grants to Panchayati Raj Institutions (PRIs)			1,260.00	1,260.00
(a) General Basic (untied) Grants			504.00	504.00
(b) Performance (tied) Grants			756.00	756.00
(ii) Grants to Urban Local Bodies (ULBs)			649.00	400.36
(a) One million plus cities (for solid waste management and sanitation)			281.00	265.00
(b) Non- million plus cities (untied grants for local needs)			147.20	54.14
(c) Non- million plus cities (tied grants for drinking water, rain water harvesting, solid waste management and sanitation)			220.80	81.22
Total for Local Bodies (i+ii)			1,909.00	1,660.36
Grants for Health sector			587.00	458.03
SDRMF	SDRF	Central share	277.60	277.60
		State Share	92.00	92.00
		Total	369.60	369.60
	SDMF	Central share	69.40	100.70*
		State Share	23.00	33.50**
		Total	92.40	134.20
Post Devolution Revenue Deficit Grant			4,749.00	4,749.00

\*Includes ₹66 crore for the year 2022-23, \*\*Includes ₹22 crore for the year 2022-23

Source: XV FC report and Finance Accounts

- Against the XV FC recommendation for 2023-24, there was shortfall in receipt of GoI funds amounting to ₹ 248.64 crore and ₹ 128.97 crore during the year in respect of grants to ULBs and Health sector respectively.
- During the current year, the GoI released ₹7,245.69 crore which was 52.90 per cent less than the amount (₹15,382.30 crore) released during the previous year. This shortfall was recorded mainly under Grants to Local Bodies (10.25 per cent) and post devolution revenue deficit grant (63.95 per cent).
- XV FC has not recommended Post Devolution Revenue Deficit Grant from 2024-25 onwards.

### 2.3.5 Capital Receipts (Debt and non-debt Capital Receipts)

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

The trends of capital receipts and its components during 2019-20 to 2023-24 are shown in **Table 2.13**.

**Table 2.13: Trends in growth and composition of capital receipts**

(₹ in crore)

Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Capital Receipts</b>	<b>25,514.50</b>	<b>40,280.76</b>	<b>42,597.17</b>	<b>38,721.39</b>	<b>51,810.65</b>
<b>Non-Debt Receipts</b>	<b>322.80</b>	<b>297.97</b>	<b>539.51</b>	<b>459.23</b>	<b>762.31</b>
i. Miscellaneous Capital Receipts	27.48	34.15	60.27	49.94	47.51
ii. Recovery of Loans and Advances	295.32	263.82	479.24	409.29	714.80
<b>Public Debt Receipts*</b>	<b>25,191.70</b>	<b>39,982.79</b>	<b>42,057.66</b>	<b>38,262.16</b>	<b>51,048.34</b>
Internal Debt	23,041.01	32,964.05	32,592.64	35,737.73	50,147.42
Loans and advances from Govt	2,150.69	7,018.74	9,465.02	2,524.43	900.92
Rate of growth of Debt Capital Receipts (in per cent)	6.08	58.71	5.19	(-)9.02	33.42
Rate of growth of Non-Debt Capital Receipts (in per cent)	25.58	(-) 7.69	81.06	(-)14.88	66.00
GSDP	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
Rate of growth of GSDP (in per cent)	3.13	(-)5.07	19.79	10.72	11.97
Debt Receipts/Capital Receipts (in per cent)	98.73	99.26	98.73	98.81	98.53
Rate of growth of Capital Receipts (in per cent)	6.29	57.87	5.75	(-)9.10	33.80

Source: Statement 2 and 6 of Finance Accounts of respective years; for GSDP, data furnished by Directorate of Economics and Statistics.

\*including net figures under Ways and Means Advance/Over Drafts/Special Drawing Facility.

Capital Receipts increased by 33.80 per cent from ₹38,721.39 crore in 2022-23 to ₹51,810.65 crore in 2023-24. The increase was mainly due to increase in internal debt receipts by ₹14,409.69 crore (40.32 per cent) over the previous year. During 2023-24, 96.79 per cent of capital receipts came from net internal debt.

### 2.3.6 State's performance in mobilisation of resources

The State's performance in mobilisation of resources is assessed in terms of its own resources comprising own tax and non-tax resources.

The State's actual tax and non-tax revenue for the year 2023-24 vis-à-vis projections made by Fifteenth Finance Commission (XV-FC) and Budget Estimates are presented in **Table 2.14** below.

**Table 2.14: Tax and Non-Tax receipts vis-a-vis projections for the year 2023-24**

(₹ in crore)

Particulars	XV-FC Projections	Budget Estimates	Actual	Percentage variation of actual over	
				XV-FC Projections	Budget Estimates
Own Tax Revenue	87,780	81,038.77	74,329.01	(-)15.32	(-)8.28
Non-Tax Revenue	4,743	17,088.62	16,345.96	244.63	(-)4.35
<b>Total</b>	<b>92,523</b>	<b>98,127.39</b>	<b>90,674.97</b>	<b>(-)2.00</b>	<b>(-)7.59</b>

Source: XV-FC report, Annual Financial Statement and Statement 2 of Finance Accounts of 2023-24

The own tax revenue of the State in 2023-24 was lower than the projections made in the XV-FC and budget estimates by 15.32 *per cent* and 8.28 *per cent* respectively. However, non-tax revenue collected during 2023-24 was higher than the projections made by XV-FC by 244.63 *per cent* but fell short of budget estimates by 4.35 *per cent*.

## 2.4 Application of Resources

The State Government is vested with the responsibility of improving the quality of life of its citizens by spending its resources on health, education, agriculture, industry, infrastructure etc. An analysis of growth and composition of expenditure is detailed in the succeeding paragraphs.

### Growth and composition of expenditure

**Revenue Expenditure:** Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organization, including establishment and administrative expenses shall be classified as revenue expenditure.

**Capital Expenditure:** All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also charges for such further additions and improvements as may be sanctioned under the rules by competent authority shall be classified as capital expenditure.

**Loans and Advances:** Loans and Advances by the Government to Public Sector Undertakings (PSU) and other parties.

Trends of overall expenditure and its components during 2019-20 to 2023-24 are shown in **Table 2.15** and **Chart 2.8**.

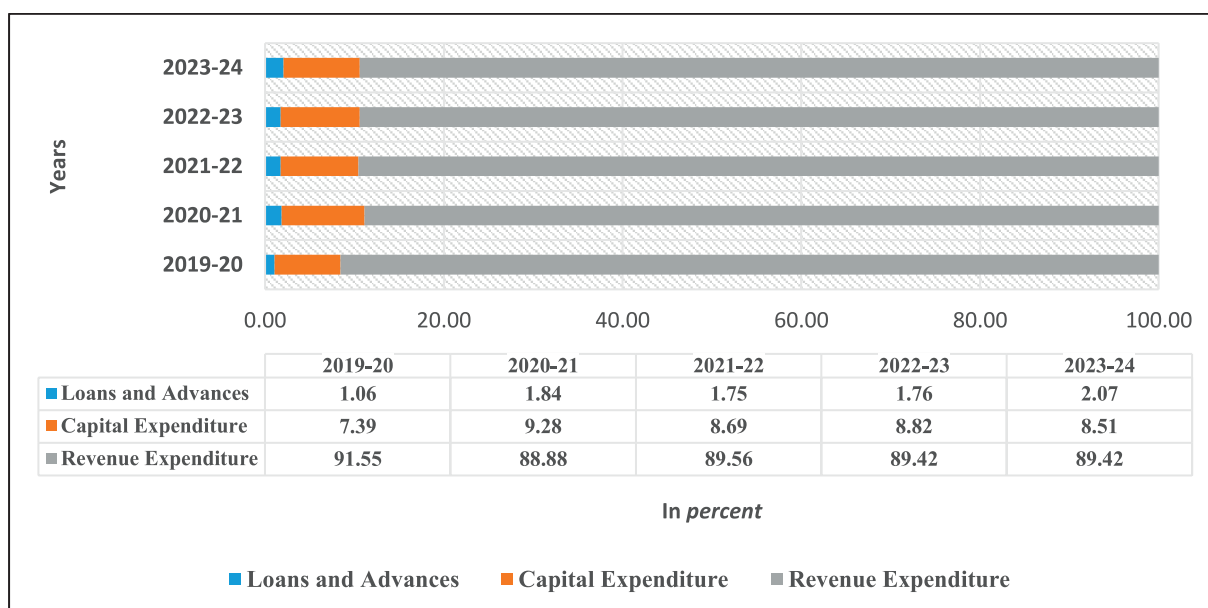
**Table 2.15: Total Expenditure and its compositions**

(₹ in crore)

Sl No.	Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
1	Total Expenditure (TE)	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42	1,59,506.51
2	Revenue Expenditure (RE)	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93	1,42,626.34
3	Capital Expenditure (CE)	8,454.80	12,889.65	14,191.73	13,996.56	13,584.45
4	Loans and Advances	1,210.22	2,548.51	2,854.29	2,790.93	3,295.72
5	GSDP (₹ in crore)	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
6	TE/GSDP	14.07	18.00	17.66	15.51	13.92
7	RE/GSDP	12.88	16.00	15.81	13.87	12.44
8	CE/GSDP	1.04	1.67	1.54	1.37	1.19
9	Loans and advances/GSDP	0.15	0.33	0.31	0.27	0.29

Source: Statement 2 of Finance Accounts of respective years



**Chart 2.8: Total Expenditure: Trends in share of its components**

Source: Statement 2 of Finance Accounts of respective years

The Total Expenditure (TE) increased from ₹ 1,14,384.94 crore in 2019-20 to ₹1,59,506.51 crore (39.45 *per cent*) in 2023-24. As a percentage of GSDP, TE increased from 14.07 *per cent* in 2019-20 to 18 *per cent* in 2020-21 and thereafter, decreased steadily to 13.92 *per cent* in 2023-24.

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and Others. The relative share of these sectors of expenditure during 2019-20 to 2023-24 are given in **Table 2.16** and **Chart 2.9**.

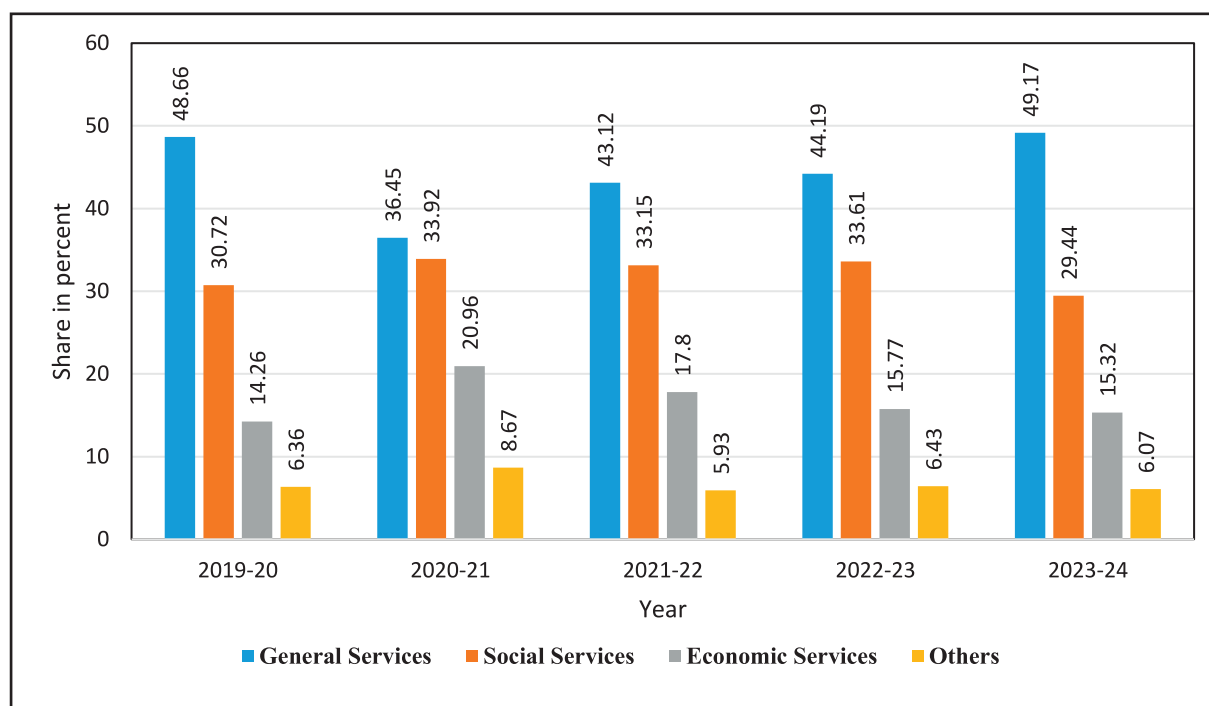
**Table 2.16 : Relative share of various sectors of expenditure**

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	55,661.45	50,620.56	70,380.26	70,138.58	78,432.42
Social Services	35,135.41	47,110.34	54,113.75	53,345.02	46,963.95
Economic Services	16,313.99	29,112.63	29,051.70	25,039.10	24,432.04
Others (Grants to Local Bodies and Loans and Advances)	7,274.09	12,040.96	9,679.82	10,215.72	9,678.10
<b>Total</b>	<b>1,14,384.94</b>	<b>1,38,884.49</b>	<b>1,63,225.53</b>	<b>1,58,738.42</b>	<b>1,59,506.51</b>

Source: Finance Accounts

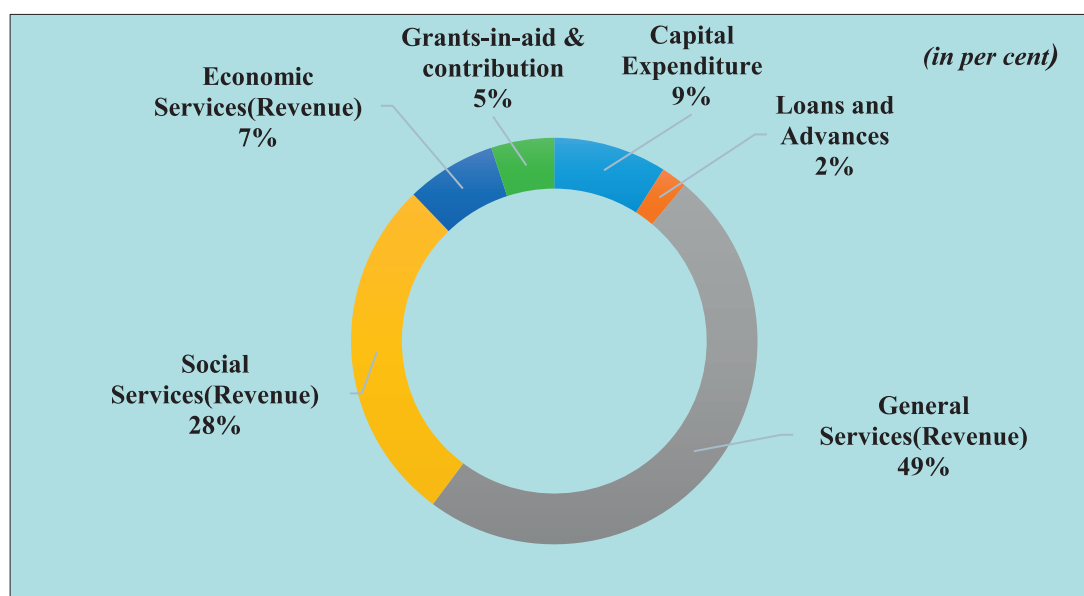
**Chart 2.9: Total Expenditure - Expenditure by activities**



Source: Finance Accounts

**Chart 2.9** shows that relative share of General, Social and Economic Services fluctuated during 2019-20 to 2023-24. While the share of General Services in Total Expenditure increased during 2023-24 when compared to the previous year, the relative share of Social Services, Economic Services and others decreased during the year 2023-24. **Chart 2.10** shows composition of expenditure by function.

**Chart 2.10: Composition of expenditure by function during 2023-24**



Source: Finance Accounts

General Services in Revenue Sector constituted the major portion of Total Expenditure (49.02 *per cent*) followed by Social Services (Revenue) (27.59 *per cent*) during 2023-24. Capital expenditure constituted only 8.52 *per cent* of TE during 2023-24.

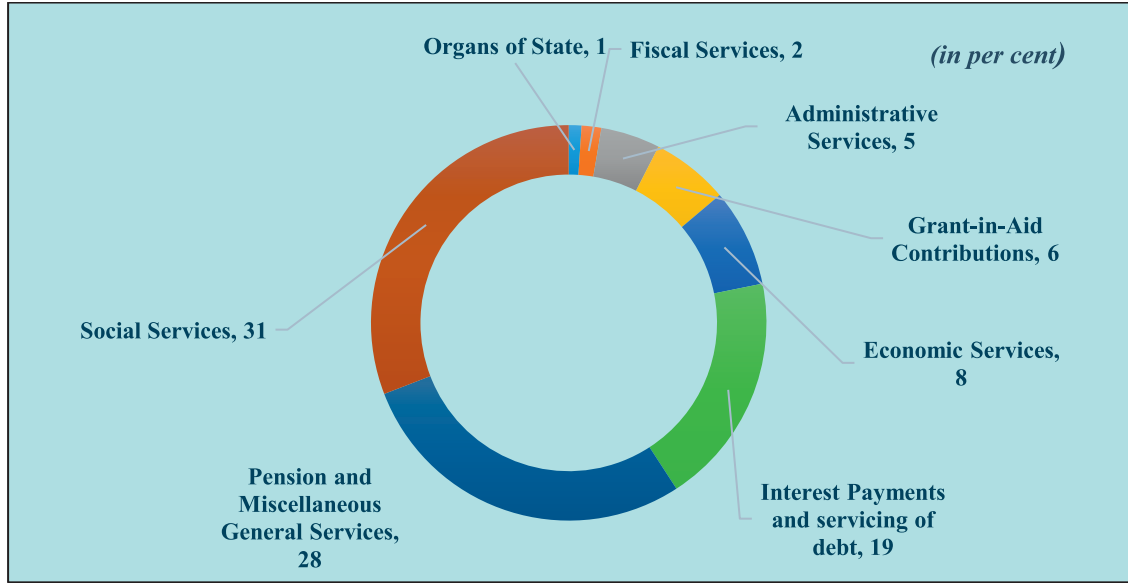


### 2.4.1 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and to pay for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

The overall Revenue Expenditure, its rate of growth and its ratio to Total Expenditure are indicated in **Table 2.17** and the sectoral distribution of Revenue expenditure pertaining to 2023-24 is given in **Chart 2.11**.

**Chart 2.11: Sector-wise distribution of revenue expenditure (in per cent)**



Source: Finance Accounts

**Table 2.17: Revenue Expenditure – Basic parameters**

(₹ in crore)					
Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Total Expenditure (TE)</b>	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42	1,59,506.51
<b>Revenue expenditure (RE)</b>	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93	1,42,626.34
Rate of Growth of RE( <i>per cent</i> )	(-)5.07	17.88	18.42	(-)2.89	0.48
Revenue Receipts (RR)	90,224.67	97,616.83	1,16,640.24	1,32,724.65	1,24,486.15
Rate of growth of Revenue Receipts	(-)2.83	8.19	19.49	13.79	(-)6.21
GSDP	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
Rate of growth of GSDP	3.13	(-)5.07	19.79	10.72	11.97
Revenue expenditure as percentage to TE	91.55	88.88	89.56	89.42	89.42
RE as percentage of RR	116.07	126.46	125.33	106.95	114.57
RE/GSDP ( <i>per cent</i> )	12.88	16.00	15.81	13.87	12.44

Source: Finance Accounts of respective years; for GSDP, data furnished by Directorate of Economics and Statistics

- The expenditure pattern of the State revealed that, revenue expenditure hovered around 89 to 92 *per cent* of the total expenditure during the period (2019-20 to 2023-24) leaving inadequate resources for creation of assets.
- The ratio of revenue expenditure to revenue receipts ranged between 107 *per cent* to 126 *per cent* during the period and it was 114.57 *per cent* during 2023-24. The State had to resort to borrowed funds for meeting the revenue expenditure which goes against the tenets of prudent fiscal management.
- Revenue expenditure increased by ₹ 37,906.42 crore (36.20 *per cent*) from ₹ 1,04,719.92 crore in 2019-20 to ₹ 1,42,626.34 crore in 2023-24 growing at an annual average growth rate of 8.03 *per cent* during the five-year period. The corresponding growth rate in GSDP was 8.97 *per cent*.
- As a percentage of GSDP, Revenue expenditure decreased from 12.88 *per cent* in 2019-20 to 12.44 *per cent* in 2023-24.

#### 2.4.1.1 Major Changes in revenue expenditure

The revenue expenditure for the year 2023-24 increased by ₹675.41 crore (0.48 *per cent*) as compared to 2022-23. The major increase in expenditure occurred under General Services, which increased by ₹ 8,353.48 crore (11.96 *per cent*) during 2023-24 when compared to 2022-23. Revenue Expenditure under Social Services and Economic Services decreased by ₹6,270.63 crore (12.47 *per cent*) and ₹865.99 crore (7.05 *per cent*) respectively during current year when compared to the previous year.

**Table 2.18** shows the eight major heads of account where there was significant variation (₹300 crore and above) with regard to revenue expenditure of the State during the current year and the previous year.

**Table 2.18: Variations in Revenue Expenditure during 2023-24 compared to 2022-23**

(₹ in crore)

Sl No.	Major Head of Account	2022-23	2023-24	Increase (+)/ Decrease (-)	Variation (in <i>per cent</i> )
1	2075-Miscellaneous General Services	8,352.24	14,741.68	6,389.44	76.50
2	2049 - Interest Payment	25,176.36	26,986.22	1,809.86	7.19
3	2801-Power	359.28	819.12	459.84	127.99
4	2408 - Food, Storage and Warehousing	1,428.53	1,796.51	367.98	25.76
5	2235 - Social Security and Welfare	12,940.59	7,940.22	(-) 5,000.37	(-)38.64
6	3054-Roads and Bridges	2,355.37	989.23	(-) 1366.14	(-)58.00
7	2210 - Medical and Public Health	9,270.90	8,657.54	(-)613.36	(-)6.62
8	3604-Compensation & Assignment to Local Bodies and Panchayati Raj Institutions	9,562.52	9,021.07	(-)541.45	(-)5.66

Source: Statement 15 of Finance Accounts

- Increase in interest payments on market loans (₹1,423.71 crore) accounted for 78.66 *per cent* of the increase in total interest payments of ₹ 1,809.86 crore. The expenditure under ‘Interest on other savings deposits’ and

‘Interest on Insurance and Pension Fund’ also increased by ₹146.23 crore and ₹85.49 crore respectively.

- Increase of ₹6,389.44 crore under ‘Miscellaneous General Services’ was mainly under ‘Refund of amounts resumed from the idling STSB Accounts’ (₹2,835.73 crore) and ‘State Lotteries’ (₹429.24 crore).
- Increase of ₹459.84 crore under ‘Power’ was due to increase in expenditure under ‘Assistance to Public Sector and Other Undertakings’ (₹768.72 crore) partly off-set by decrease of expenditure under ‘Assistance to Electricity Boards’ (₹307.77 crore).
- Increase in expenditure of ₹367.98 crore under ‘Food, Storage and Warehousing’ was mainly due to increase in expenditure under ‘Food Subsidies’ (₹152.48 crore) and net increase under ‘Procurement & Supply’ (₹134.49 crore)<sup>6</sup>.
- Decrease in expenditure of ₹5,000.37 crore under ‘Social Security and Welfare’ was due to decrease in expenditure under ‘Pension under Social Security Schemes’ (₹4,944.37 crore) and ‘Welfare of Aged, Infirm and Destitute’ (₹202.74 crore).
- Decrease in expenditure of ₹1,366.14 crore under ‘Roads & Bridges’ was mainly due to decrease of expenditure under ‘Assistance to Gram panchayat’ (₹722.66 crore) and ‘Assistance to Zilla Parishads/District level Panchayats’ (₹276.84 crore).
- Decrease in expenditure of ₹613.35 crore under ‘Medical and Public Health’ was mainly due to decrease in expenditure under ‘Prevention and Control of diseases’ (₹611.19 crore).
- Decrease in expenditure of ₹541.45 crore under ‘Compensation & Assignments to Local Bodies and Panchayati Raj Institutions’ was mainly due to decrease in expenditure under ‘Other Miscellaneous Compensations and Assignments’ (₹567.86 crore).

#### **2.4.1.2 Committed expenditure**

Interest payments, expenditure on salaries and wages, pension etc. have the first charge on the Government resources as committed expenditure. Higher the committed expenditure leaves the Government with lesser flexibility for development sector.

Apart from above, there are certain items of inflexible expenditure which cannot be ordinarily altered or varied or are statutorily required on an annual basis

<sup>6</sup> The net increase in expenditure under the Minor Head ‘Procurement and Supply’ amounting to ₹134.49 crore during 2023-24 was mainly due to increase in expenditure under ‘Paddy procurement through Kerala State Civil Supplies Corporation and Other Agencies’ (₹303.14 crore), ‘Assistance to State agencies for intra State movement of Food grains’ (₹138.52 crore), ‘Assistance to State Agencies for FPS Dealers’ Margin under NFSA’ (₹248.38 crore) partly offset by decrease in expenditure under ‘Ration Subsidy’ (₹555.55 crore).

unlike for variable transactions such as capital expenditure *etc.* For example, the following items may be considered as inflexible expenditure:

- (i) Devolution to local bodies - statutory devolutions to local bodies for pay and allowances (devolution / transfer for capital expenditure).
- (ii) Statutory requirements of contribution to Reserve Funds - Contribution to Consolidated Sinking Fund(CSF), Guarantee Redemption Fund(GRF), State Disaster Mitigation / Response Fund(SDMF/SDRF) *etc.*
- (iii) Share contribution of CSS against the Central Fund received - Amount of State share to be transferred to SNAs / spent by the State.
- (iv) Transfer of cess to reserve fund / other body, which are statutorily required.
- (v) Payment of interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - interest payment.

**Table 2.19** presents the trends in the components of committed and inflexible expenditure during 2019-20 to 2023-24.

**Table 2.19: Components of Committed Expenditure and Inflexible Expenditure**

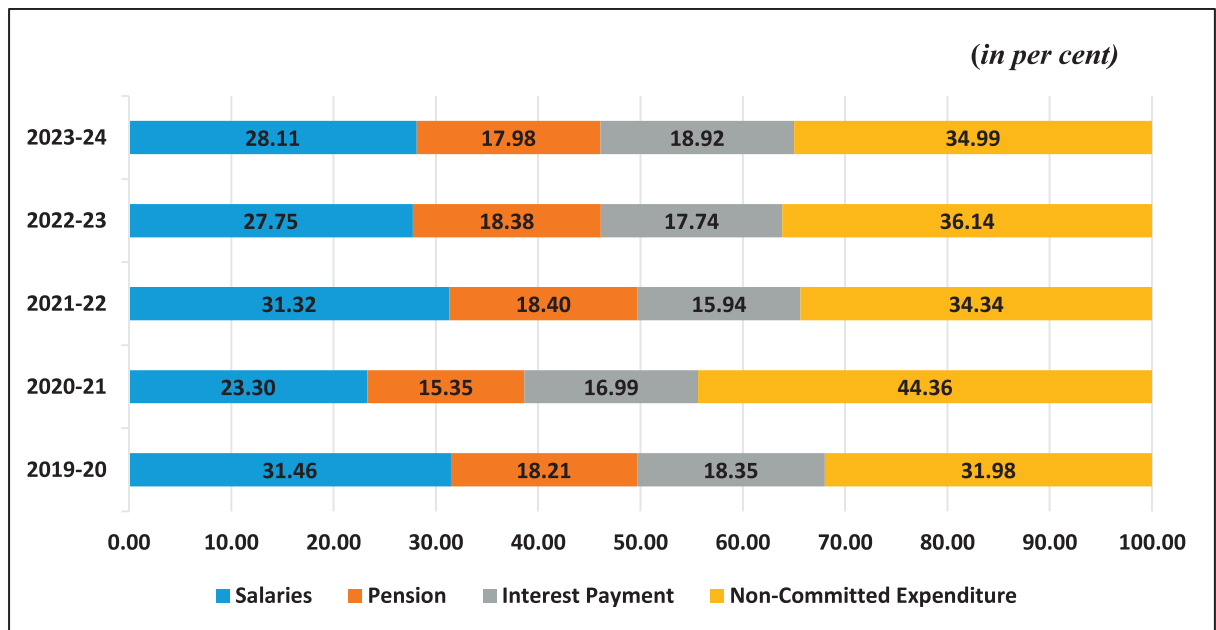
<i>(₹ in crore)</i>					
Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries & Wages	32,942.28	28,767.46	45,780.08	39,389.65	40,097.69
Expenditure on Pensions	19,064.29	18,942.85	26,898.69	26,090.04	25,644.24
Interest Payments	19,214.70	20,975.36	23,302.82	25,176.36	26,986.22
<b>Total Committed Expenditure</b>	<b>71,221.27</b>	<b>68,685.67</b>	<b>95,981.59</b>	<b>90,656.05</b>	<b>92,728.15</b>
Components of inflexible expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Statutory devolution to local bodies	8,007.35	12,345.16	10,186.09	12,375.71	10,120.34
Contribution to Reserve Funds – SDRF, SDMF	225.00	419.00	335.20	352.00	503.80
Transfer of Motor Vehicle Tax/Cess to KIIFB	2,200.00	2,172.86	2,068.08	2,469.69	3230.25
Payment of interest on the balances of the interest-bearing funds as if they could have been invested – SDRF, SDMF	24.27	171.85	101.09	38.94	37.28
Contribution to Consolidated Sinking Fund					120.00
<b>Total of inflexible expenditure</b>	<b>10,456.62</b>	<b>15,108.87</b>	<b>12,690.46</b>	<b>15,236.34</b>	<b>14,011.67</b>
As a percentage of Revenue Receipts					
Committed Expenditure					
Salaries & Wages	36.51	29.47	39.25	29.68	32.21
Expenditure on Pensions	21.13	19.41	23.06	19.66	20.60
Interest Payments	21.30	21.49	19.98	18.97	21.68
<b>Total</b>	<b>78.94</b>	<b>70.37</b>	<b>82.29</b>	<b>68.30</b>	<b>74.49</b>
Inflexible Expenditure					
<b>Total</b>	<b>11.59</b>	<b>15.48</b>	<b>10.88</b>	<b>11.48</b>	<b>11.26</b>

Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
<b>As a percentage of Revenue Expenditure</b>					
Salaries & Wages	31.46	23.30	31.32	27.75	28.11
Expenditure on Pensions	18.21	15.35	18.40	18.38	17.98
Interest Payments	18.35	16.99	15.94	17.74	18.92
<b>Total</b>	<b>68.02</b>	<b>55.64</b>	<b>65.66</b>	<b>63.86</b>	<b>65.01</b>
<b>Inflexible Expenditure</b>					
<b>Total</b>	<b>9.99</b>	<b>12.24</b>	<b>8.68</b>	<b>10.73</b>	<b>9.83</b>
Non-committed Revenue Expenditure	33,498.65	54,760.66	50,197.92	51,294.88	49,898.19
Percentage of non-committed Revenue Expenditure to total Revenue Expenditure	31.98	44.36	34.34	36.14	34.99

Source: Statement 2 and 4 of Finance Accounts of respective years.

The quantum of committed expenditure on salaries and wages, pension and interest payments constituted 55 to 68 *per cent* of revenue expenditure during 2019-20 to 2023-24. It increased at an annual average rate of 6.82 *per cent* from ₹71,221.27 crore in 2019-20 to ₹92,728.15 crore in 2023-24. Committed expenditure increased by ₹ 2,072.10 crore (2.29 *per cent*) during 2023-24 over the previous year. The inflexible expenditure increased by ₹3,555.05 crore from ₹ 10,456.62 crore in 2019-20 to ₹14,011.67 crore in 2023-24. During 2023-24, it however decreased by ₹ 1,224.67 crore (8.04 *per cent*) when compared to the previous year. Taken together, the committed and inflexible expenditure in 2023-24 was ₹1,06,739.82 crore, which was 74.84 *per cent* of the revenue expenditure. The huge share of committed and inflexible expenditure in revenue expenditure leaves Government with a reduced flexibility for priority sectors and Capital creation. The percentage of component wise committed expenditure in Revenue Expenditure during 2019-20 to 2023-24 is given in **Chart 2.12**.

**Chart 2.12: Share of Salaries, Pension & Interest in RE**



Source: compiled from Finance Accounts of respective years.

Committed expenditure of Salaries and Wages, pension and interest payments constituted 65.01 *per cent* of the revenue expenditure of the State during 2023-24. The components of committed expenditure are discussed in the succeeding paragraphs.

### **Salaries and Wages**

Expenditure on Salaries & wages increased from ₹ 32,942.28 crore in 2019-20 to ₹ 40,097.69 crore in 2023-24. During 2023-24, expenditure on Salaries and wages (₹40,097.69 crore) increased by 1.80 *per cent* over the previous year (₹39,389.65 crore). Share of salaries and wages in revenue expenditure increased marginally from 27.75 *per cent* in 2022-23 to 28.11 *per cent* in 2023-24.

### **Pensions**

Expenditure on pension and other retirement benefits increased from ₹19,064.29 crore in 2019-20 to ₹25,644.24 crore in 2023-24. However, pension expenditure (₹25,644.24 crore) decreased by 1.71 *per cent* (₹445.80 crore) when compared to previous year (₹26,090.04 crore)

### **Interest Payments**

Interest payments increased from ₹ 19,214.70 crore in 2019-20 to ₹26,986.22 crore in 2023-24. Interest payments increased by 7.19 *per cent* (₹ 1,809.86 crore) in 2023-24 (₹ 26,986.22 crore) over the previous year (₹ 25,176.36 crore). The interest paid on internal debt constituted 67.03 *per cent* (₹ 18,088.60 crore) of the total interest payment; while Small Savings, Provident Fund *etc.* accounted for 31.38 *per cent* (₹8,467.94 crore) of the total interest payment.

### **National Pension System**

The Government of Kerala introduced the Defined Contribution Pension Scheme, (NPS) to all new entrants joining the State Government Service on or after 01 April 2013.

As per the guidelines of the Scheme, the employee has to contribute 10 *per cent* of his basic pay and dearness allowance every month which is matched by the State Government and the entire amount is transferred to the designated fund manager through National Securities Depositories Limited (NSDL)/ Trustee Bank.

During the year 2023-24, total contribution to the NPS was ₹1,970.42 crore (Employees contribution ₹986.68 crore and Government's contribution ₹983.74 crore).

Out of total contribution of ₹ 1,974.62 crore (including opening balance of ₹0.19 crore), an amount of ₹1,974.48 crore was transferred to NSDL/Trustee Bank during 2023-24, leaving a balance of ₹0.14 crore under the Head of Account '8342-117 Defined Contribution Pension Scheme'.



### 2.4.1.3 Subsidies

The expenditure on subsidies decreased by ₹123.21 crore, from ₹1,847.04 crore in 2022-23 to ₹ 1,723.83 crore in 2023-24. The subsidies as a percentage of revenue receipts and revenue expenditure during the year are 1.38 and 1.21 per cent respectively as detailed in **Table 2.20** below:

**Table 2.20: Expenditure on subsidies during 2019-2024**

(₹ in crore)						
Sl No	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1	Subsidies	1,429.01	6,547.48	4,153.97	1,847.04	1,723.83
2	Revenue Receipts	90,224.67	97,616.83	1,16,640.24	1,32,724.65	1,24,486.15
3	Revenue Expenditure	1,04,719.92	1,23,446.33	1,46,179.51	1,41,950.93	1,42,626.34
4	Subsidies as percentage of Revenue Receipts	1.58	6.71	3.56	1.39	1.38
5	Subsidies as percentage of Revenue Expenditure	1.36	5.30	2.84	1.30	1.21

Source: Statement 2 of Finance Accounts of respective years

The main items of subsidies given during the year 2023-24 included Grant to Kerala State Civil Supplies Corporation Limited for market intervention operations (₹390.80 crore), Ration Subsidy (₹144.45 crore), Paddy Procurement through Kerala State Civil Supplies Corporation and Other Agencies (₹577.50 crore), Interest Subsidy to Kerala Urban and Rural Development Finance Corporation (KURDFC) towards the loan availed from HUDCO (₹245.79 crore) and re-imbursement of price difference to FCI (₹160.86 crore).

### 2.4.1.4 Financial assistance to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local Bodies and Other Institutions by way of Grants-in-aid to meet the pay and allowances, other Miscellaneous expenses and for creation of capital assets. The quantum of assistance provided by way of grants to Local Bodies, and other institutions during 2019-20 to 2023-24 is presented in **Table 2.21**.

**Table 2.21: Financial assistance to Local Bodies, Educational Institutions etc.**

(₹ in crore)					
Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
(A) Local Bodies					
Municipal Corporation and Municipalities	2,296.24	3,653.02	2,584.33	3,676.97	2,806.69
Panchayati Raj Institutions	5,711.11	8,692.14	7,601.76	8,698.74	7,313.65
Total (A)	8,007.35	12,345.16	10,186.09	12,375.71	10,120.34
(B) Others					
Public Sector Undertakings (Government Companies and Statutory Corporations)	365.92	774.92	972.19	770.45	1,153.60

Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
Educational Institutions (Universities)	1,564.63	1,569.61	1,713.01	1,714.52	1,758.30
Co-operative Institutions	50.5	91.71	47.43	54.96	51.42
Other Institutions	933.42	3,174.94	3,339.83	928.07	734.30
<b>Total (B)</b>	<b>2,914.47</b>	<b>5,611.18</b>	<b>6,072.46</b>	<b>3,468.00</b>	<b>3,697.62</b>
<b>Total (A +B)</b>	<b>10,921.82</b>	<b>17,956.34</b>	<b>16,258.55</b>	<b>15,843.71</b>	<b>13,817.96</b>
GIA for Salary	1,958.11	1,915.98	1,938.79	1,871.62	1,928.54
GIA for creation of Capital Asset	4,107.55	7,170.60	7,136.33	7,024.58	6,146.13
GIA for non-salary	798.99	1,452.32	1,626.76	974.26	781.36
GIA given in kind	Information not provided by State Government				
<b>Revenue Expenditure</b>	<b>1,04,719.92</b>	<b>1,23,446.33</b>	<b>1,46,179.51</b>	<b>1,41,950.93</b>	<b>1,42,626.34</b>
<b>Assistance as percentage of Revenue Expenditure</b>	<b>10.43</b>	<b>14.55</b>	<b>11.12</b>	<b>11.16</b>	<b>9.69</b>

Source: Statement 10 of Finance Accounts of respective years

The financial assistance to Local Bodies decreased by ₹2,255.37 crore from ₹12,375.71 crore in 2022-23 to ₹10,120.34 crore in 2023-24. Against the budget allocation of ₹16,299.83 crore for Local Bodies during 2023-24 the expenditure incurred was only ₹10,120.34 crore.

It is significant to note that the sanction for allotment of final instalment of Development Fund and Maintenance Fund (Road assets and Non-road assets) for 2023-24 amounting to ₹1,850.68 crore and ₹1,215.66 crore were issued only on 22 March 2024 and 30 March 2024 respectively. Similarly, the sanction for allotment of last three instalments of General Purpose Fund for 2023-24 amounting to ₹557.04 crore were issued only on 30 March 2024.

#### 2.4.1.5 Allocation of expenditure booked under Centrally Sponsored Schemes

The total expenditure booked under Centrally Sponsored Schemes (CSS) as on 31 March 2024, is ₹ 6,556.64 crore (Revenue expenditure ₹ 5,379.93 crore and Capital expenditure ₹ 1,176.71 crore), which includes expenditure out of Central share (₹3,912.71 crore) and State share (₹2,643.93 crore).

#### 2.4.2 Capital Expenditure

Capital Expenditure is primarily the expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges etc. It also includes investments made by State Government in Companies/Corporations. The overall capital expenditure, its growth over previous year and its percentage to GSDP during the last five years (2019-2024) are indicated in **Table 2.22**.



**Table 2.22: Trend of Capital Expenditure during the last five years (2019-24)**  
(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Capital expenditure (CE)	8,454.80	12,889.65	14,191.73	13,996.56	13,584.45
Growth in CE (in <i>per cent</i> )	13.78	52.45	10.10	(-)1.38	(-)2.94
Total expenditure (TE)	1,14,384.94	1,38,884.49	1,63,225.53	1,58,738.42	1,59,506.51
CE/TE (in <i>per cent</i> )	7.39	9.28	8.69	8.82	8.52
GSDP	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
CE/GSDP (in <i>per cent</i> )	1.04	1.67	1.54	1.37	1.19
Budget for Capital expenditure*	17,179.27	15,455.54	18,086.52	19,438.36	18,216.83
CE/Budget (in <i>per cent</i> )	49.22	83.40	78.47	72.00	74.57

\*Including Supplementary budget

Source: Statement 2 of Finance Accounts of respective years

Capital expenditure during 2019-20 to 2023-24 constituted only 7.39 to 9.28 *per cent* of the Total expenditure. Capital expenditure increased from ₹8,454.80 crore in 2019-20 to ₹14,191.73 crore in 2021-22 but decreased thereafter to ₹13,996.56 crore in 2022-23 and ₹13,584.45 crore in 2023-24.

The Capital Expenditure as a percentage of Total Expenditure declined during 2023-24 (8.52 *per cent*) as compared to the previous year (8.82 *per cent*) while the GSDP of the State grew by 11.97 *per cent* during 2023-24.

The Capital expenditure incurred over the last five years ranged between 1.04 *per cent* and 1.67 *per cent* of the GSDP. Utilisation of budget for Capital expenditure ranged between 49.22 *per cent* and 83.40 *per cent* from 2019-20 to 2023-24 and it was 74.57 *per cent* during 2023-24.

The decline in Capital expenditure during 2023-24 has been under Economic Services (₹267.97 crore; 2.51 *per cent*), Social Services (₹84.51 crore; 2.79 *per cent*) and General Services (₹ 59.63 crore; 19.43 *per cent*).

Significant amount of Capital expenditure incurred during 2023-24 includes ₹4,667.70 crore incurred under 'Other General Economic Services'. The major share of Capital Expenditure under 'Other General Economic Services' was under 'Share of KIIFB from cess on petrol and diesel and Motor Vehicle Tax' (₹3,230.25 crore) and 'Rebuild Kerala Initiative- Post Flood Projects' (₹1,367.95 crore).

#### 2.4.2.1 Major changes in Capital Expenditure

Significant variations under various Heads of Account with regard to Capital Expenditure of the State during 2023-24 and 2022-23 is given in **Table 2.23**.

**Table 2.23 : Capital Expenditure during 2023-24 compared to 2022-23**

(₹ in crore)

Major head of Account	2022-23	2023-24	Increase (+)/ Decrease (-)
4059-Capital Outlay on Public Works	260.35	144.65	(-)115.70
4215- Capital Outlay on Water Supply & Sanitation	1,751.79	1,350.78	(-)401.01
4217- Capital Outlay on Urban Development	41.43	146.33	104.90
4225- Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	174.93	300.54	125.61
4425- Capital Outlay on Co-operation	225.49	7.35	(-)218.14
4859- Capital Outlay on Telecommunication and Electronic Industries	228.24	108.64	(-)119.60
5051- Capital Outlay on Ports and Light Houses	41.61	268.19	226.58
5053- Capital Outlay on Civil Aviation	212.16	59.57	(-)152.59
5054- Capital Outlay on Road and Bridges	2,451.90	2,123.78	(-)328.12
5475- Capital Outlay on Other General Economic Services	3,997.49	4,667.70	670.21

Source: Statement 16 of Finance Accounts

Major decrease in Capital Expenditure occurred under ‘4215- Capital outlay on Water Supply and Sanitation’ (₹401.01 crore), ‘5054- Capital outlay on Roads and Bridges (₹328.12 crore)’ even though sufficient budget allocation was available under both these heads. It is significant to note that ₹878.75 crore and ₹538.22 crore respectively were surrendered under these heads during 2023-24.

#### 2.4.2.2 Quality of Capital Expenditure

This section presents an analysis of Investments and other Capital Expenditure undertaken by the Government.

In the post-Fiscal Responsibility and Budget Management framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/ investment (including loans and advances) requirements from its own sources of revenue. In addition, in a transition to complete dependence on market-based resources, the State Government is required to initiate measures to earn adequate returns on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies. This section presents the broad financial analysis of Investments and other Capital Expenditure undertaken by the Government during the current year *vis-a-vis* previous years. **Table 2.24** shows the return on investments from 2019-20 to 2023-24.

**Table 2.24: Return on investments****(₹ in crore)**

<b>Investment/ return/ cost of borrowings</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Investment at the end of the year (₹ in crore)	8,775.35	9,354.02	9,767.48	10,709.18	10,920.97
Return (₹ in crore)	100.33	110.19	227.98	48.93	242.68
Return (in per cent)	1.14	1.18	2.33	0.46	2.22
Average rate of interest on Government Borrowings (in per cent) <sup>7</sup>	7.58	7.31	7.00	6.78	6.74
Difference between interest rate and return (in per cent)	(-) 6.44	(-) 6.13	(-) 4.67	(-) 6.32	(-) 4.52
Difference between interest on Government borrowings and return on investment (₹ in crore) <sup>8</sup>	(-)565.13	(-)573.40	(-)456.14	(-)676.82	(-)493.63

Source: Statement 8 Finance Accounts of respective years

As on 31 March 2024, the State Government had invested ₹ 10,920.97 crore in three Statutory Corporations (₹ 1,639.75 crore), 126 Government Companies (₹ 5,530.59 crore), 41 Joint Stock Companies (₹ 1,960.72 crore) and Co-operative Banks and Societies (₹ 1,789.91 crore).

During 2023-24, Government invested ₹ 259.29<sup>9</sup> crore in various PSUs/ Co-operative Banks/ Societies. Progressive expenditure on investments was increased by ₹ 106.51 crore under Government Companies and was reduced by ₹ 47.51 crore under Co-operative Banks and Societies.

The return on investment increased from ₹ 100.33 crore in 2019-20 to ₹ 242.68 crore in 2023-24. The return registered a significant increase from 0.46 per cent in the preceding year to 2.22 per cent in the current year. However, it fell far short of the interest rate ranging from 6.74 per cent to 7.58 per cent paid by Government on borrowings.

During 2023-24, the State Government made an investment of ₹ 26.61 crore in five PSUs, which are loss making and whose net worth has been completely eroded as shown in **Table 2.25** below.

**Table 2.25: Investments made during 2023-24 in PSUs whose net worth has been completely eroded****(₹ in crore)**

<b>Name of PSU</b>	<b>Latest Year of Accounts</b>	<b>Net worth</b>	<b>Loss during the year of Accounts</b>	<b>Investment during 2023-24</b>	<b>Total investment as on 31-03-2024</b>
Kerala State Road Transport Corporation	2019-20	(-)11,791.22	(-)1,519.93	13.29	815.36
Kerala Tourism Development Corporation Limited	2021-22	(-)63.11	(-)51.43	10.50	197.94
Kerala State Handloom Development Corporation	2022-23	(-)70.14	(-)5.34	1.72	57.80

<sup>7</sup> Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] \*100.

<sup>8</sup> Investment at the end of the year \*Difference between interest rate and return.

<sup>9</sup> ₹ 113.34 crore in Statutory Corporations, ₹ 110.87 crore in Government Companies, ₹ 19.59 crore in Joint Stock Companies, ₹ 15.49 crore in Co-operative Banks and Societies.

Name of PSU	Latest Year of Accounts	Net worth	Loss during the year of Accounts	Investment during 2023-24	Total investment as on 31-03-2024
The Kerala State Cashew Development Corporation Limited	2021-22	(-)1,221.59	(-)77.62	0.45	535.29
Kerala State Horticultural Products Development Corporation Limited	2020-21	(-) 18.56	(-)7.59	0.65	9.43
<b>Total</b>				<b>26.61</b>	<b>1,615.82</b>

Source: Data collected from Finance Accounts and latest finalised accounts of PSUs

Investments made in Companies which are loss making and whose net worth is completely eroded affect the quality of capital expenditure.

### 2.4.2.3 Loans and Advances by the State

In addition to investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Societies, the Government also provides loans and advances to these institutions. **Table 2.26** presents the status of loans and advances disbursed, repayments and interest received *vis-à-vis* interest paid by the State Government on its borrowings during 2019-20 to 2023-24.

**Table 2.26: Quantum of loans disbursed and recovered during last five years**

(₹ in crore)

Sl No.	Quantum of Loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
1	Opening Balance of loans outstanding	16,557.18 <sup>10</sup>	17,472.08	19,725.39 <sup>11</sup>	22,086.89 <sup>12</sup>	24,357.02 <sup>13</sup>
2	Amount advanced during the year	1,210.22	2,548.51	2,854.29	2,790.93	3,295.72
3	Amount recovered during the year	295.32 <sup>14</sup>	263.82 <sup>15</sup>	479.24 <sup>16</sup>	409.29 <sup>17</sup>	714.80 <sup>18</sup>
4	Closing Balance of the Loans Outstanding	17,472.08	19,756.77	22,100.44	24,468.53	26,937.94
5	Net addition	914.90	2,284.69	2,375.05	2,381.64	2,580.92
6	Interest received	50.59	42.83	53.36	118.98	116.70
7	Interest rate on loans and	0.30	0.23	0.26	0.51	0.46

<sup>10</sup> Difference of ₹718 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (q) of Statement no. 18 of Finance Accounts 2019-20.

<sup>11</sup> Decreased *proforma* due to reclassification of conversion of loan into equity for Kerala Electrical and Allied Engineering Company Limited (₹31.38 crore).

<sup>12</sup> Difference of ₹13.55 crore with previous years closing balance was on account of *proforma* adjustments vide foot note (f) of Statement no 18 of Finance Accounts 2022-23.

<sup>13</sup> Difference of ₹111.51 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide footnote (f) of Statement no. 18 of Finance Accounts 2023-24.

<sup>14</sup> Includes ₹0.30 crore being the irrecoverable loans written off.

<sup>15</sup> Includes ₹0.23 crore being the irrecoverable loans written off.

<sup>16</sup> Includes ₹0.15 crore being the irrecoverable loans written off.

<sup>17</sup> Includes ₹0.38 lakh being the irrecoverable loans written off

<sup>18</sup> Includes ₹0.37 crore being irrecoverable loans written off

Sl No.	Quantum of Loans disbursed and recovered	2019-20	2020-21	2021-22	2022-23	2023-24
	Advances given by the Government <sup>19</sup> (in per cent)					
8	Rate of Interest paid on the outstanding borrowings of the Government (in per cent)	7.58	7.31	7.00	6.78	6.74
9	Difference between the rate of interest paid and interest received (in per cent)	7.28	7.08	6.74	6.27	6.28

Source: Statement 7 of Finance Accounts of respective years.

Total outstanding loans and advances increased from ₹ 17,472.08 crore in 2019-20 to ₹26,937.94 crore in 2023-24. Of the total of ₹ 3,295.72 crore advanced during the year, ₹2,625.59 crore was advanced to Economic Services, ₹ 657.03 crore advanced to Government Servants and Miscellaneous Purposes and ₹13.10 crore to Social Services. The increase in recovery of loans during 2023-24 was mainly under Loans to Government Servants etc. towards implementation of MEDISEP amounting to ₹316.08 crore.

Interest received against these loans remained less than one *per cent* during the period 2019-20 to 2023-24 and was 0.46 *per cent* as against average cost of borrowings of 6.74 *per cent* during the year. This indicates that State's borrowings were more expensive than the loans advanced by Government.

### 2.4.3 Expenditure Priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like Education, Health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

**Table 2.27** analyses the fiscal priority of the State Government with regard to Health, Education and Capital Expenditure during 2019-20 and 2023-24.

**Table 2.27: Expenditure priority of the State with regards to Health, Education and Capital expenditure**

	(in per cent)			
	TE/GSDP	CE*/TE	Education/TE	Health & FW/ TE
General Category States(2019-20)	15.88	14.02	15.79	5.25
Kerala (2019-20)	14.07	8.45	16.08	6.59
General Category States(2023-24)	15.66	16.50	14.36	5.71
Kerala (2023-24)	13.92	10.58	13.78	6.00
<b>TE- Total Expenditure, CE- Capital Expenditure</b>				

Source: State PAG/AG.

\*CE includes Loans and Advances also

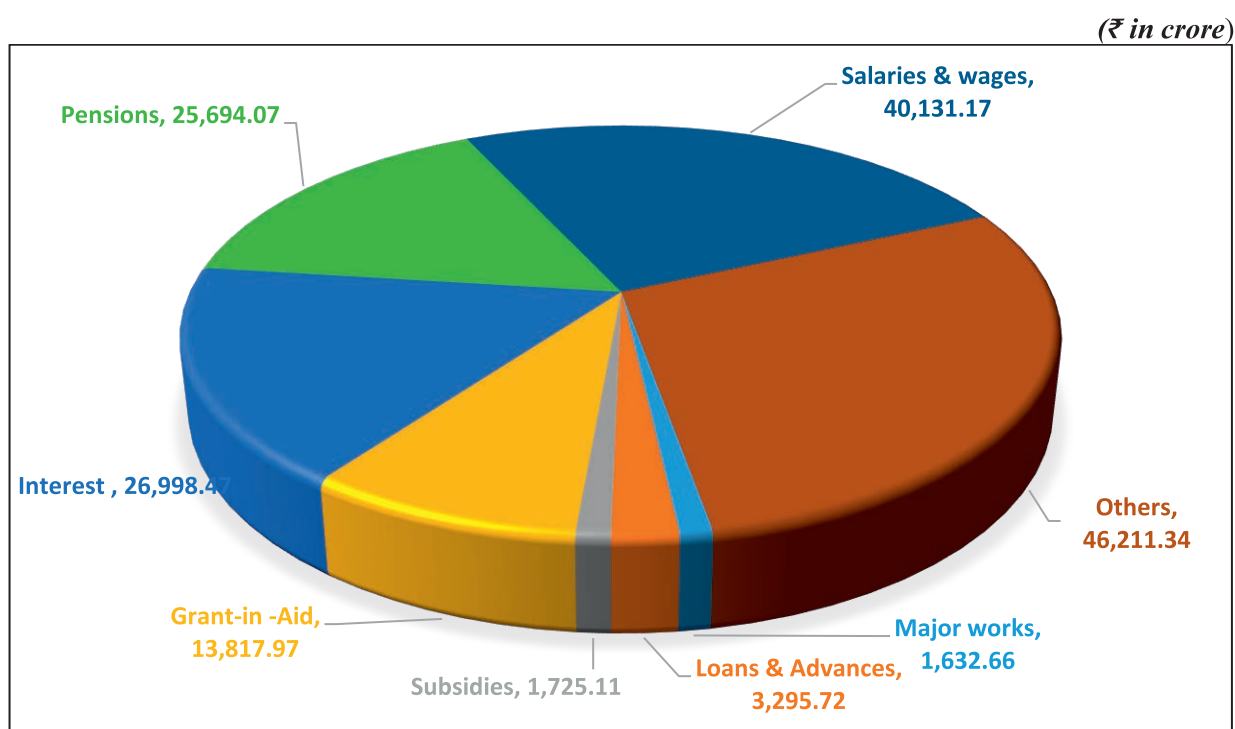
<sup>19</sup> Interest Received/ {(Opening balance + Closing balance of Loans and Advances)/2} \*100.

In 2019-20 and 2023-24, the percentage of Capital Expenditure to Total Expenditure for the State was much lower than that of the General Category States indicating low priority given by the State to Capital Expenditure. During 2023-24, the percentage of expenditure on Education to Total Expenditure was lower than that of General Category States whereas the percentage of expenditure on Health and Family Welfare to Total Expenditure was higher than that of General Category States.

#### 2.4.4 Object head wise expenditure

Object head-wise expenditure gives information about the object/purpose of the expenditure. **Chart 2.13** below gives object head-wise expenditure.

**Chart 2.13: Object head wise expenditure**



Source: Finance Accounts 2023-24

From the above Chart, it can be seen that out of the total expenditure, the expenditure on salaries and wages were the highest followed by interest and pension payments.

## 2.5 Public Accounts

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.



### 2.5.1 Net Public Account Balances

Component-wise net balances in Public Account of the State as on 31 March 2024 are shown below in **Table 2.28** and yearly changes in composition of public account balances are depicted in **Chart 2.14**.

**Table 2.28: Components-wise net Balances**

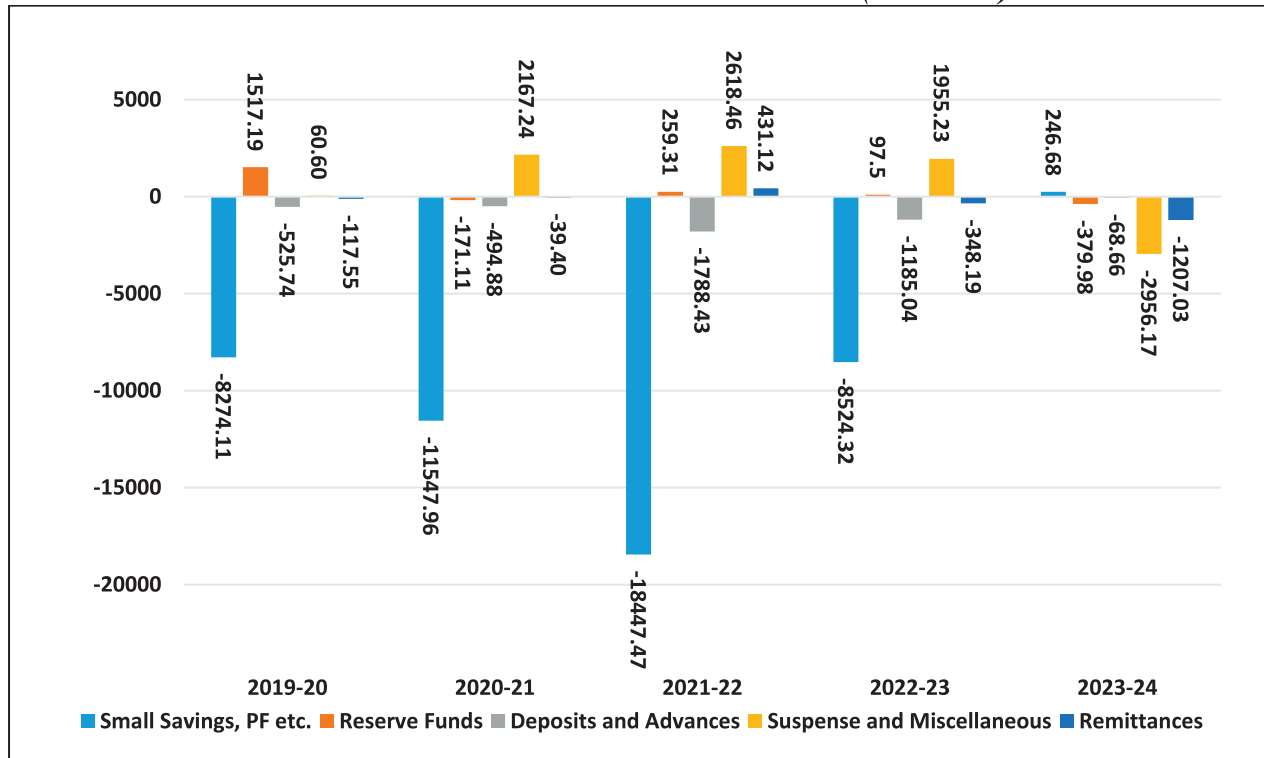
(₹ in crore)

Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small Savings, Provident Funds etc.	Small Savings Provident Funds	(-) 85,671.17	(-) 97,219.13	(-) 1,15,666.60	(-) 1,24,190.92	(-) 1,23,944.24
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)635.57	(-)719.55	(-)471.73	(-)394.65	(-)770.89
	(b) Reserve Funds not bearing Interest	(-)279.59	(-)366.72	(-)355.23	(-)334.81	(-)338.55
K. Deposits and Advances	(a) Deposits bearing Interest	(-)0.49	(-)0.34	(-)0.51	(-)0.36	(-)0.30
	(b) Deposits not bearing interest	(-) 4,135.32	(-) 4,632.53	(-) 6,418.82	(-) 7,603.36	(-) 7,671.87
	(c) Advances	60.08	62.27	60.29	59.64	59.43
L. Suspense and Miscellaneous	(a) Suspense	728.57	1,057.03	242.94	370.88	240.24
	(b) Other Accounts	(-)612.50	1,226.28	4,658.84	6,486.12	3,660.59
	(c) Accounts with Government of Foreign Countries	0	0	0	0	0
	(d) Miscellaneous	0	0	0	0	0
M. Remittances	(a) Money Orders and Other Remittances	1,038.91	952.43	1,412.78	1,063.13	(-)148.25
	(b) Inter Government Adjustment Accounts	42.68	89.76	60.54	61.98	66.33
<b>Total</b>		(-) 89,464.40	(-) 99,550.50	(-) 12,377.50	(-) 1,24,482.35	(-) 1,28,847.51

Source: Finance Accounts of respective years

+ve figures denote debit balance and negative figures denote credit balances.

**Chart 2.14 Yearly changes in composition of Public Account Balances**  
(₹ in crore)



Source: Finance Accounts

Significant changes in net balance under public account during 2023-24 occurred under ‘Suspense and Miscellaneous’ ((-)₹2,956.17 crore) and ‘Remittances’ ((-)₹1,207.03 crore).

The major change under ‘Suspense and Miscellaneous’ was under Cash Balance Investment Account which decreased by ₹3,041.48 crore. Inter-State Suspense Accounts increased by ₹4.35 crore. There was a net change of ₹1,884.33 crore under ‘Public Works Remittances’ due to increase in receipts as compared to disbursements.

### 2.5.2 Reserve Funds

Reserve funds are created for specific and defined purposes under the Public Account of the State Government. These Funds are met from contribution of grants from the Consolidated Fund of the State. The fund balances lying in the Reserve Funds as on 31 March 2024 are given in **Table 2.29**.

**Table 2.29: Details of Reserve Funds**

(₹ in crore)		
Sl. No.	Name of Reserve Fund	Balance as on 31 March 2024
1	<b>Reserve Funds bearing interest</b>	<b>770.89</b>
2	State Disaster Response Fund	394.99
3	State Disaster Mitigation Fund	319.74
4	State Compensatory Afforestation Fund	56.16



Sl. No.	Name of Reserve Fund	Balance as on 31 March 2024
5	<b>Reserve Funds not bearing interest</b>	<b>3,385.76</b>
6	Sinking Funds	3,031.32
7	Development Funds for Agricultural purposes	10.37
8	Mines Welfare Funds	1.32
9	Consumer Welfare Fund	21.66
10	Other Development and Welfare Funds	321.09
	<b>Grand Total</b>	<b>4,156.65</b>

Source: Finance Accounts

Details of Significant Reserve funds are given below:

### **Reserve Funds bearing Interest:**

#### ***2.5.2.1 State Disaster Risk Management Fund (SDRMF)***

On the recommendation of XV Finance Commission the SDRMF was divided into State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF) for addressing the full cycle of disaster management needs-response and relief, recovery and reconstruction, preparedness, capacity building and mitigation. The SDRF receives 80 *per cent* of the total SDRMF while the State Disaster Mitigation Fund (SDMF) receives 20 *per cent* of the allocation.

#### ***State Disaster Response Fund (SDRF)***

As per the guidelines on Constitution and Administration of State Disaster Response Fund issued by Ministry of Home Affairs, GoI, the accretions to the SDRF together with the income earned on the investment of SDRF is to be invested in Central Government dated Securities, Auctioned Treasury Bills and other interest earning deposits with Scheduled Commercial Banks. However, this was not done till date. As per the guidelines, the State Governments shall be liable to recoup in SDRF an amount equal to loss accrued due to non-investment of SDRF, from its own resources. An amount of ₹ 26.19 crore was credited to the fund on account of interest on uninvested balances of the fund during 2023-24.

The size of the Fund for Kerala for the year 2023-24 fixed by XV Finance Commission is ₹369.60 crore, 75 *per cent* of which was to be contributed by the Central Government and 25 *per cent* by the State Government.

During the year, an amount of ₹395.79 crore was credited to the Fund which includes Central share of ₹277.60 crore, State share of ₹92.00 crore and interest on uninvested balances amounting to ₹26.19 crore for the year. In the beginning of the year 2023-24, there was a balance of ₹ 165.47 crore in the Fund. After setting off the expenditure for disaster relief operations to the extent of ₹ 166.28 crore, the balance in SDRF as on 31 March 2024 is ₹ 394.98 crore.

### ***State Disaster Mitigation Fund (SDMF)***

State Disaster Mitigation Fund was constituted in the Public Account under Reserve Fund bearing interest in the Major Head 8121-General and Other Reserve Funds-130-State Disaster Mitigation Fund in the accounts of the State. As per guidelines, the State Government shall invest the SDMF as per provisions in the guidelines and pay interest to SDMF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI for the amount not invested from SDMF.

The opening balance of SDMF as on 01 April 2023 was ₹ 182.75 crore. During the year, State Government received ₹ 100.70 crore as Central Government share (₹ 66 crore for the year 2022-23 and ₹ 34.70 crore for 1<sup>st</sup> instalment of 2023-24). The State Government share during the year is ₹ 33.50 crore (₹ 22 crore for the year 2022-23 and ₹ 11.50 crore for the first instalment of 2023-24). State Government transferred ₹ 145.29 crore (Central share of ₹ 100.70 crore, State share of ₹ 33.50 crore and ₹ 11.09 crore for interest on uninvested balances for the year). An expenditure of ₹ 8.30 crore has been incurred from the Fund. The balance lying under SDMF as at the end of 31 March 2024 was ₹319.74 crore.

#### ***2.5.2.2 State Compensatory Afforestation Fund***

The Compensatory Afforestation Fund Act, 2016, is an Act to provide for the establishment of funds under the Public Accounts of India and the Public Accounts of each State and crediting thereto the monies received from the user agencies towards compensatory afforestation, additional compensatory afforestation, penal compensatory afforestation, net present value and all other amounts recovered from such agencies under the Forest (Conservation) Act, 1980; constitution of an authority at national level and at each of the State and Union territory Administration for administration of the funds and to utilise the monies so collected for undertaking artificial regeneration (plantations), assisted natural regeneration, protection of forests, forest related infrastructure development, Green India Programme, wildlife protection and other related activities and for matters connected therewith or incidental thereto.

The State Compensatory Fund has been established as per section 4 of the Act.

There was an opening balance of ₹ 46.42 crore in the fund. Expenditure of ₹4.73 crore was incurred from the fund. During 2023-24, ₹ 14.47 crore received from user agencies was transferred to the fund. The total balance in the State Compensatory Afforestation Fund as on 31 March 2024 was ₹ 56.16 crore.

As per Section 4(5) of the Act, the monies received in the State Fund shall be an interest-bearing fund under Public Accounts. Section 4(6) of the Act provides for payment of interest to the balance in the State Fund as per the rate declared by the Central Government on year to year basis. As per Finance Accounts, ₹1.59 crore was the interest due on the opening balance in the fund. However, the State Government did not provide for the interest on the Fund. Non-payment of interest resulted in understatement of revenue and fiscal deficit by ₹1.59 crore.

**Reserve Funds not bearing Interest:****2.5.2.3 Consolidated Sinking Fund**

In line with the recommendations of the XII Finance Commission, the State Government set up Consolidated Sinking Fund (CSF) with effect from the financial year 2007-08. The Fund is to be utilised as an amortisation fund for redemption of all outstanding liabilities of the Government commencing from the financial year 2012-13. As per the revised model scheme for constitution and administration of the CSF, the State Government may contribute to the CSF at least 0.5 *per cent* of the outstanding liabilities as at the end of the previous financial year. Against a requirement of ₹ 1,925.15 crore (0.50 *per cent* of their outstanding liabilities of ₹3,85,030.37 crore as on 01 April 2023) the State Government contributed an amount of ₹ 120 crore to the fund during the year.

**2.5.2.4 Guarantee Redemption Fund**

As per the recommendations of the Twelfth Finance Commission (2005-2010), State Governments are required to constitute a Guarantee Redemption Fund (GRF) to be utilised for meeting the payment of obligations arising out of the guarantees issued by the Government. The Fund is operated outside the State Government account and administered by the Reserve Bank of India. State Government has not constituted GRF so far.

As the State Government has not constituted GRF, Guarantee Commission of ₹2,308.30 crore collected from 2003-04 to 2023-24 including ₹311.93 crore collected during 2023-24 was credited under the revenue receipts head '0075-108-Guarantee Fee' and utilised for meeting the revenue expenditure of the State.

Failure to constitute GRF would increase the risk on State Government to repay the loan obligations raised by various institutions against the guarantee given by the State Government in the event of default by these institutions.

Under the guidelines, the State Government is required to make minimum annual contribution of 0.50 *per cent* of outstanding guarantee at the beginning of the year to GRF. The amount to be contributed by the State Government in the Fund during the year is ₹ 251.87 crore. Since the GRF was not constituted, Government has not made any contribution to the fund during the year.

In terms of the Kerala Ceiling on Government Guarantees Act 2003, the guarantee commission received annually are to be transferred to the Public Account and these contributions shall form the corpus of the Guarantee Redemption Fund under Public Account of the State.

In view of non-contribution to GRF, the revenue deficit and the fiscal deficit is understated by ₹ 311.93 crore.

**2.5.2.5 Central Road and Infrastructure Fund (CRIF)**

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette notification dated 31 March

2018. The CRIF will be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure *etc.*

In terms of the extant accounting procedure, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8449-103-Subventions from Central Road and Infrastructure Fund through functional Major Head.

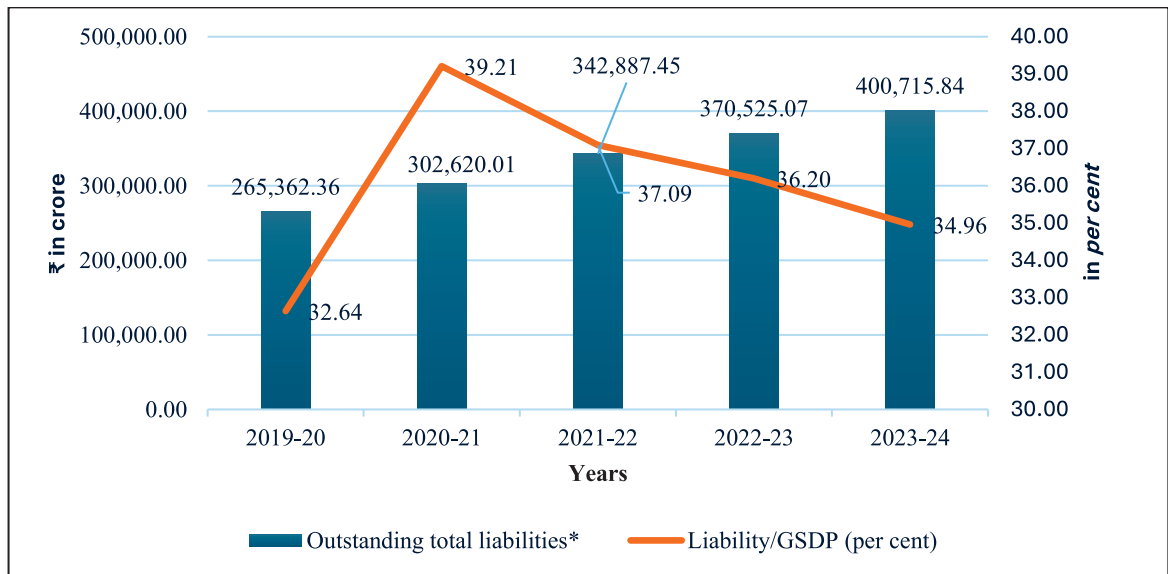
During the year 2023-24, the State Government received grants of ₹144.61 crore toward CRIF. The State Government transferred ₹144.61 crore to the fund in the Public Account as on 31 March 2024.

## 2.6 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liabilities in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

Outstanding liability of the State along with its percentage to GSDP is shown in **Chart 2.15**.

**Chart 2.15: Outstanding liability of the State along with its percentage to GSDP**



Source: Finance Accounts

\* During the year 2020-21, it excludes ₹5,766 crore and during the years 2021-22, 2022-23 and 2023-24, it excludes ₹14,505.31 crore, as back-to-back loans from GOI in lieu of GST compensation shortfall, would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

### 2.6.1 Liability Profile: Components

Total liability of the State Government typically comprises Internal Debt of the State (market loans, ways and means advances from RBI, special securities

issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government and Public Account Liabilities. In addition, Government also resorts to Off Budget borrowings which add up to the total liability of the State Government. The component-wise liability trends of the State for the period from 2019-20 to 2023-24 are shown in **Table 2.30**.

**Table 2.30: Components of Total liability***(₹ in crore)*

Components of Fiscal liabilities	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Outstanding total liabilities</b>	<b>2,65,362.36</b>	<b>3,02,620.01</b>	<b>3,42,887.45</b>	<b>3,70,525.07</b>	<b>4,00,715.84</b>
<b>Public Debt</b>	<b>1,74,640.22</b>	<b>1,99,681.73</b>	<b>2,19,974.55</b>	<b>2,38,000.97</b>	<b>2,67,989.99</b>
Internal Debt	1,65,960.03	1,90,474.09	2,10,791.59	2,27,137.07	2,57,157.92
Loans from GOI*	8,680.19	9,207.64	9,182.96	10,863.90	10,832.07
<b>Public Account liabilities</b>	<b>90,722.14</b>	<b>1,02,938.28</b>	<b>1,22,912.90</b>	<b>1,32,524.10</b>	<b>1,32,725.85</b>
Small Savings, Provident Fund etc.	85,671.17	97,219.13	1,15,666.60	1,24,190.92	1,23,944.24
Reserve Funds bearing interest	635.57	719.55	471.73	394.65	770.89
Reserve Funds not bearing interest	279.59	366.72	355.23	334.81	338.55
Deposits bearing interest	0.49	0.34	0.52	0.36	0.30
Deposits not bearing interest	4,135.32	4,632.54	6,418.82	7,603.36	7,671.87
Rate of growth of outstanding total liability (per cent)	9.83	14.04	13.31	8.06	8.15
Gross State Domestic Product (GSDP)	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
Liability/GSDP (per cent)	32.64	39.21	37.09	36.20	34.96
<b>Borrowings and other liabilities (as per Statement 6 of Finance Accounts)</b>					
Total receipts#	1,83,509.21	2,40,014.87	2,31,582.07	2,16,432.90	2,61,358.70
Total repayments	1,59,761.36	2,02,757.22	1,91,314.63	1,88,795.28	2,31,167.92
Net funds available	23,747.85	37,257.65	40,267.44	27,637.62	30,190.78
Repayments/receipts (per cent)	87.06	84.48	82.61	87.23	88.45
Off Budget borrowings (OBB)	14,142.20	16,469.05	24,272.67	29,475.97	32,942.14
Outstanding liabilities including OBB	2,79,504.56	3,19,089.06	3,67,160.12	4,00,001.04	4,33,657.98
Liabilities including OBB/GSDP	34.38	41.35	39.72	39.08	37.84

Source: Finance Accounts

\* During the year 2020-21, it excludes ₹5,766 crore and during the years 2021-22, 2022-23 and 2023-24, it excludes ₹14,505.31 crore, as back-to-back loans from GOI in lieu of GST compensation shortfall, would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

# During the year 2020-21 and 2021-22, these have been calculated after excluding ₹5,766.00 crore and ₹8,739.31 crore respectively, as back-to-back loans from GOI in lieu of GST compensation shortfall, would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.

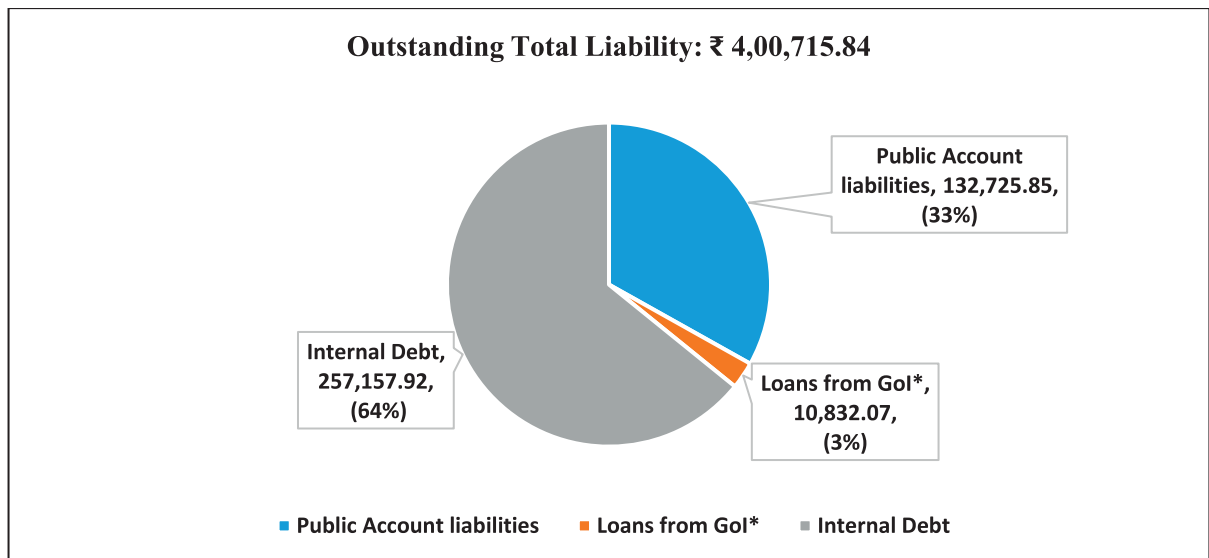


The total liabilities of the State Government increased from ₹2,65,362.36 crore in 2019-20 to ₹ 4,00,715.84 crore in 2023-24 recording a growth of 51.01 *per cent* during the last five years. Taking into account the off budget borrowings of the State, the total liabilities of the State increased from ₹ 2,79,504.56<sup>20</sup> crore in 2019-20 to ₹ 4,33,657.98<sup>21</sup> crore in 2023-24 recording a growth of 55.15 *per cent* during the same period. Public debt increased by ₹ 93,349.77 crore (53.45 *per cent*) during the period from 2019-20 to 2023-24, wherein Internal debt increased by ₹ 91,197.89 crore (54.95 *per cent*) and Loans from GOI increased by ₹ 2,151.88 crore (24.79 *per cent*). Public Account liabilities increased by ₹42,003.71 crore (46.30 *per cent*) during the same period. Major increase was under Small Savings, Provident Fund *etc.* (₹ 38,273.07 crore: 44.67 *per cent*).

Break-up of outstanding total liabilities as on 31 March 2024 is shown in **Chart 2.16**.

**Chart 2.16: Break-up of outstanding total liabilities as on 31 March 2024**

(₹ in crore)



Source: Finance Accounts

\*Excludes back-to-back loan of ₹14,505.31 crore received from Gol in lieu of GST compensation short-fall received during 2020-22.

Internal debt constituted 64.17 *per cent* of the total liabilities whereas Public Account liabilities constituted 33.12 *per cent* of liabilities as on 31 March 2024.

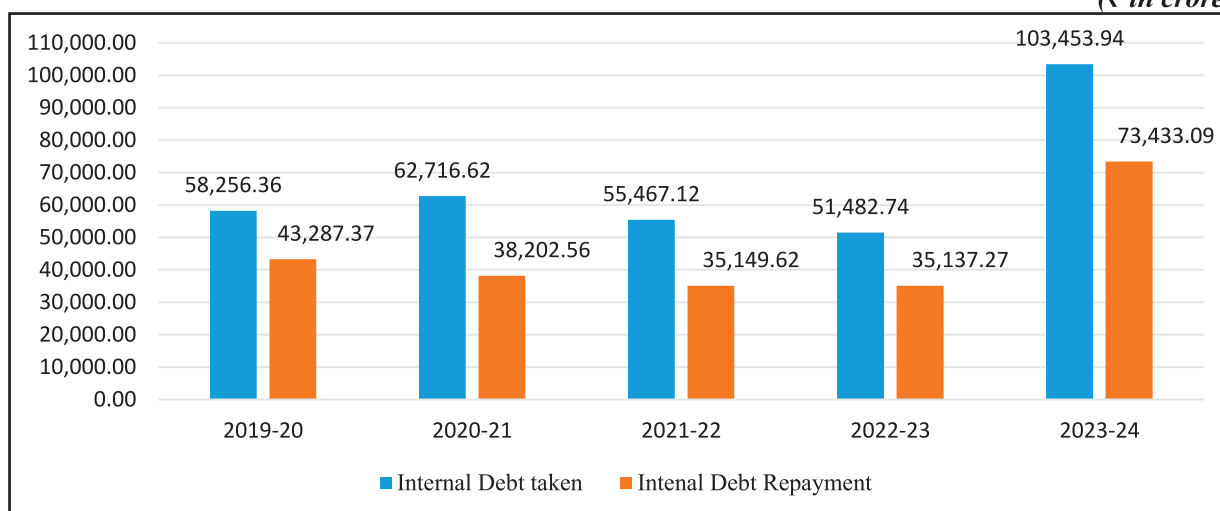
**Chart 2.17** depicts the quantum of internal debt taken *vis-à-vis* repayment during the period from 2019-20 to 2023-24.

<sup>20</sup> Including OBB of ₹14,142.20 crore

<sup>21</sup> Including OBB of ₹32,942.14 crore

Chart 2.17: Internal debt taken *vis-a-vis* repayment

(₹ in crore)



Source: Finance Accounts

Internal debt comprises market loans, special securities issued to national small savings fund of the Central Government, Loans from NABARD, NCDC and other financial institutions and Ways and Means Advances from the Reserve Bank of India.

While loans taken from GoI decreased marginally, the State's market loans increased by 13.38 *per cent* from 2022-23.

**Table 2.31** depicts components of fiscal deficit and its financing pattern during 2019-20 to 2023-24.

Table 2.31: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
<b>Components of fiscal deficit</b>	<b>23,837.47</b>	<b>40,969.69</b>	<b>46,045.78</b>	<b>25,554.54</b>	<b>34,258.05</b>
Revenue Deficit	14,495.25	25,829.50	29,539.27	9,226.28	18,140.19
Net Capital Expenditure	8,427.32	12,855.50	14,131.46	13,946.62	13,536.94
Net Loans and Advances	914.90	2,284.69	2,375.05	2,381.64	2,580.92
<b>Financing Pattern of Fiscal Deficit</b>					
Market Borrowings	12,617.00	23,066.00	18,120.00	15,620.00	26,638.00
Loans from GoI	1,436.78	6,293.45	8,714.63	1,680.94	(-)31.83
Special Securities issued to NSSF	1,787.91	2,438.18	2,732.83	1,033.45	3,818.01
Loans from Financial Institutions	564.08	(-)990.12	(-) 535.33	(-)307.98	(-)435.16
Small Savings, PF etc.	8,274.11	11,547.96	18,447.47	8,524.32	(-)246.68
Reserve Funds	(-)1,517.19	171.10	(-)259.30	(-)97.50	379.97
Deposits and Advances	525.74	494.88	1,788.44	1,185.04	68.67
Suspense and Miscellaneous	(-)60.66	(-)2,187.62	(-)2,619.28	(-)1,955.37	2,952.71
Remittances	117.54	39.41	(-)431.12	348.19	1,207.03
Contingency Fund	(-)75.00	75.00	0	0	0
<b>Overall Deficit</b>	<b>23,670.31</b>	<b>40,948.24</b>	<b>45,958.34</b>	<b>26,031.09</b>	<b>34,350.72</b>
Increase(-)/Decrease(+) in Cash Balance	167.16	21.45	87.44	(-)476.55	(-)92.67
<b>Gross Fiscal Deficit</b>	<b>23,837.47</b>	<b>40,969.69</b>	<b>46,045.78</b>	<b>25,554.54</b>	<b>34,258.05</b>

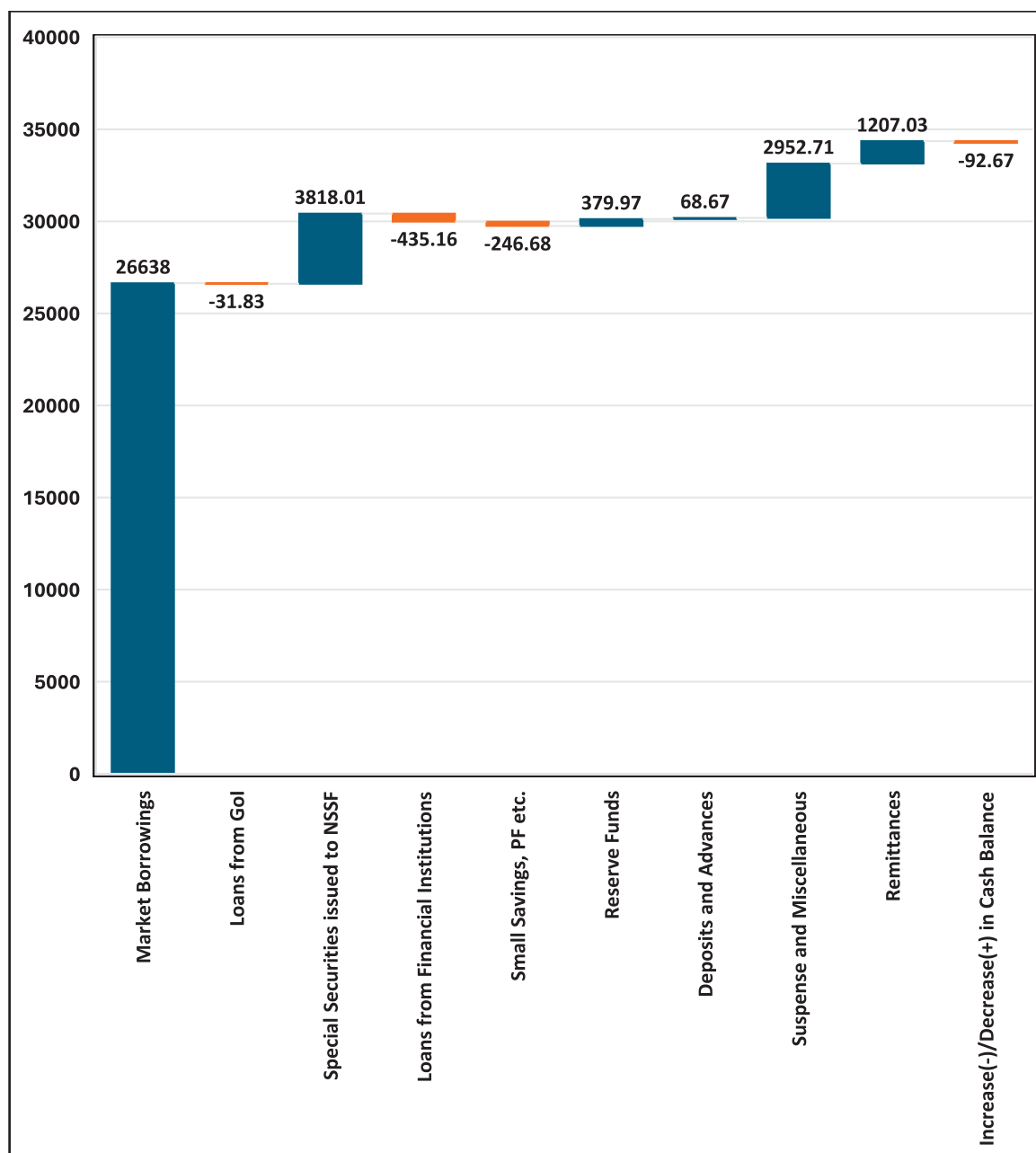
Source: Finance Accounts



The financing of fiscal deficit during 2023-24 is expressed through a water flow Chart 2.18.

**Chart 2.18: Financing of fiscal deficit during 2023-24**

(₹ in crore)



Source: Finance Accounts

The components of receipts and disbursements financing fiscal deficit during 2023-24 are depicted in **Table 2.32**.

**Table 2.32: Receipts and Disbursements under various components financing the fiscal deficit during 2023-24** (*₹ in crore*)

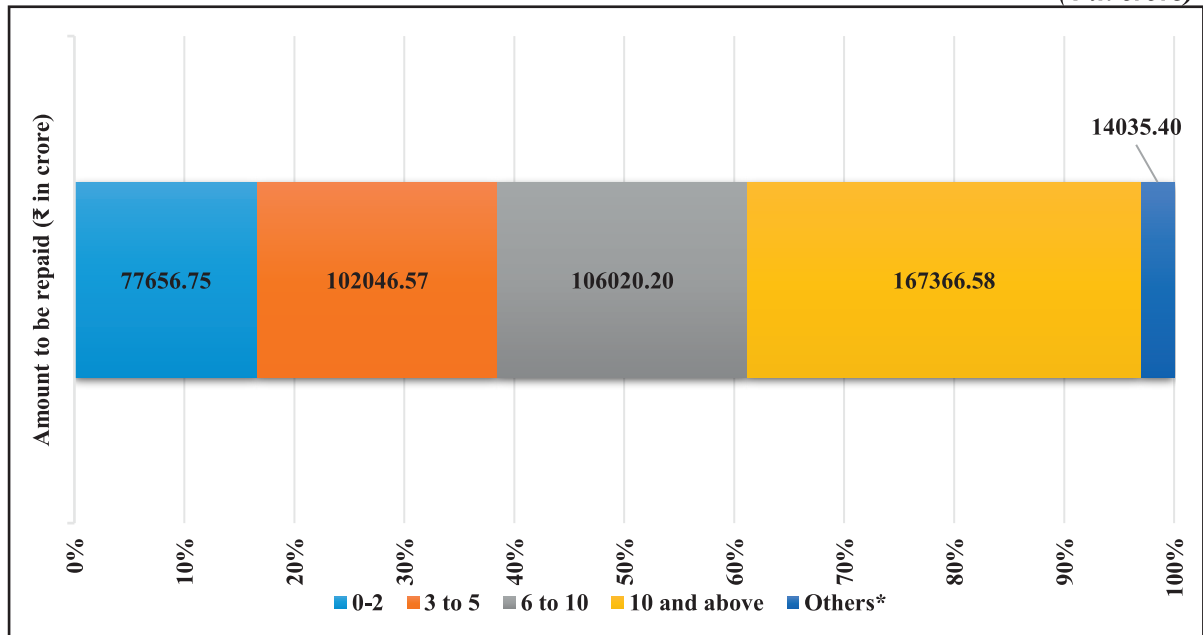
Particulars	Receipt	Disbursement	Net
Market Borrowings	42,438.00	15,800.00	26,638.00
Loans from GOI	900.92	932.75	(-)31.83
Special Securities issued to NSSF	7,069.73	3,251.72	3,818.01
Loans from Financial Institutions	53,946.21	54,381.37	(-)435.16
Small Savings, PF etc.	1,48,966.14	1,49,212.82	(-)246.68
Reserve Funds	1,333.65	953.68	379.97
Deposits and Advances	6,704.50	6,635.83	68.67
Suspense and Miscellaneous	2,23,528.26	2,20,575.55	2,952.71
Remittances	4,668.57	3,461.54	1,207.03
<b>Overall Deficit</b>			<b>34350.72</b>
Increase (-)/Decrease (+) in cash balance	182.69	275.36	(-)92.67
<b>Gross Fiscal Deficit</b>			<b>34,258.05</b>

Source: Finance Accounts

The above table indicates that during the year 2023-24, Market Borrowings, Special Securities issued to NSSF and Net accretions in Public Account are the main source of the State Government to finance the fiscal deficit. Net market borrowings contributed to financing 77.76 per cent of the fiscal deficit during the year.

### 2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Chart 2.19**.

**Chart 2.19: Maturity Profile of Public Debt (including interest)**(*₹ in crore*)

Source: Finance Accounts

\*Excluding ₹14,505.31 crore received as back-to-back loans from GoI in lieu of GST compensation shortfall received during 2020-22.

Approximate interest calculated at average interest rate of 7.57 per cent (average of interest rates for the last five years)

**Table 2.33** shows the year-wise repayment schedule during next 10 years of the Public debt outstanding as on 31 March 2024.

**Table 2.33: Repayment schedule of Public Debt (including interest) during next 10 years**

(₹ in crore)

Year	Repayment of		
	Principal	Interest#	Total
Upto 2023-24	(-)3.46	0	(-)3.46
2024-25	19,743.34	19,224.36	38,967.71
2025-26	20,962.45	17,730.05	38,692.51
2026-27	21,764.47	16,143.20	37,907.67
2027-28	19,391.97	14,495.63	33,887.60
2028-29	17,223.64	13,027.65	30,251.30
2029-30	20,777.50	11,723.82	32,501.32
2030-31	10,212.02	10,150.97	20,362.98
2031-32	9,080.99	9,377.92	18,458.90
2032-33	9,940.76	8,690.49	18,631.24
2033-34	8,127.78	7,937.97	16,065.76
<b>Total</b>	<b>1,57,221.46</b>	<b>1,28,502.06</b>	<b>2,85,723.52</b>

Source: Finance Accounts

# Approximate interest calculated at average interest rate of 7.57 per cent (average of interest rates for the last five years)

**Table 2.33** shows that on an average, the State will have to repay public debt of ₹ 28,572 crore (including approximate interest in respect of debt outstanding at the end of 2023-24) annually till 2033-34. In addition to the debt outstanding at the end 2023-24, the State would have to resort to further borrowings every year to cover the resource gap, which would result in increase in debt and more funds being utilised for repayment of borrowings.

## 2.7 Other Liabilities of the State

The State Government also has liabilities such as, off budget borrowings, guarantees given by the Government on repayment of principal and interest on loans raised by Statutory Corporations/ Government Companies, Local Bodies, Joint Stock Companies, Cooperative Institutions *etc.* Details of other liabilities for 2022-23 and 2023-24 are shown in **Table 2.34**.

**Table 2.34: Details of Other liabilities**

(₹ in crore)

Sl. No	Particulars	As of March 2023	As of March 2024
1	Off-budget borrowings	29,475.97	32,942.14
2	Guarantees	50,374.49	62,868.15
	<b>Total</b>	<b>79,850.46</b>	<b>95,810.29</b>

Source: Details collected from KIIFB, KSSPL and Finance Accounts

As of March 2024, the other liabilities of the State increased by ₹ 15,959.83 crore (19.99 *per cent*) from ₹79,850.46 crore in 2022-23 to ₹ 95,810.29 crore in 2023-24.

### 2.7.1 Off-budget borrowing

Off-Budget Borrowings by State Public Sector companies/corporations, Special purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be serviced out of the State Budgets and/or by assignment of taxes/cess or any other State's revenue, shall be considered as Borrowings made by the State itself for the purpose of issuing the consent under Article 293(3) of the Constitution of India.

As per the recommendations of the XV Finance Commission, all committed expenditures and developmental expenditures should be met from the augmented borrowing space recommended for the State Governments, without resorting to off-budget or any non-transparent means of financing for any expenditures.

State Government resorted to off budget borrowings for infrastructural projects through KIIFB and for social security and welfare pensions through KSSPL. The outstanding balance of loans as on 31 March 2024 borrowed by KIIFB was ₹ 20,041.52 crore and KSSPL was ₹ 12,900.62 crore. Total outstanding off-budget borrowing of the above two institutions as on 31 March 2024 comes to ₹ 32,942.14 crore. The entity wise details of off budget borrowings is shown in **Table 2.35**.

**Table 2.35: Entity-wise details of off-budget borrowings**

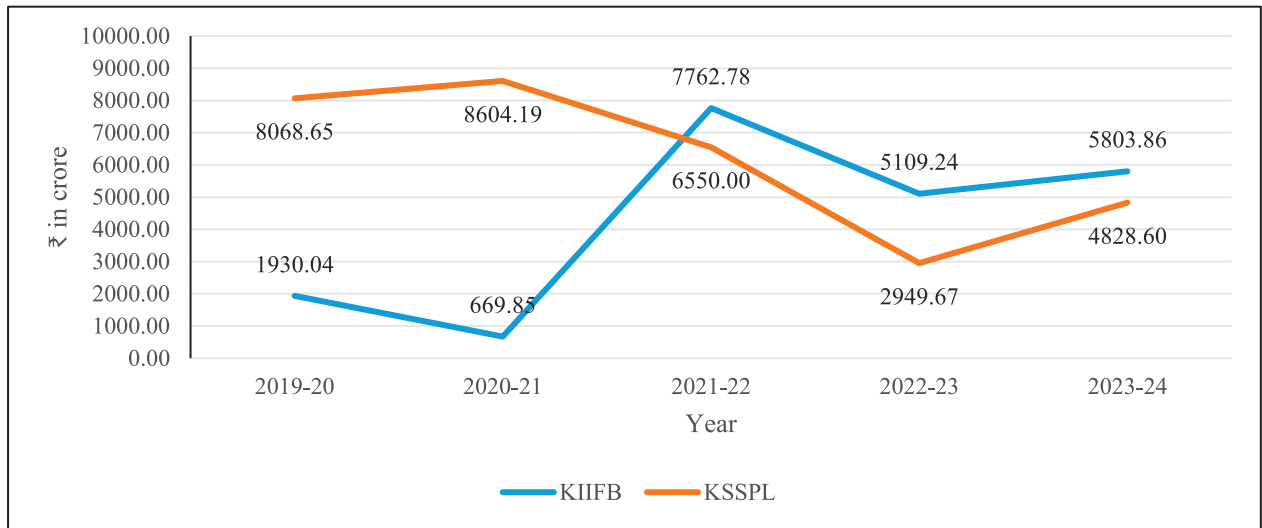
(₹ in crore)

Name of the Entity	Outstanding Off Budget Borrowings as on 31 March 2023	Off Budget Borrowings during 2023-24	Repayment during 2023-24		Closing Balance
			Principal	Interest	
Kerala Infrastructure Investment Fund Board	17,742.68	5,803.86	3,505.02	1,639.64	20,041.52
Kerala Social Security Pension Limited	11,733.29	4,828.60	3,661.27	970.18	12,900.62
<b>Total</b>	<b>29,475.97</b>	<b>10,632.46</b>	<b>7,166.29</b>	<b>2,609.82</b>	<b>32,942.14</b>

Source: Information furnished by KIIFB and KSSPL

The trends in off budget borrowings over the period 2019-20 to 2023-24 are shown in **Chart 2.20** below:

**Chart 2.20: Trends in off budget borrowings over the period 2019-20 to 2023-24**



Source: Information collected from KIIFB and KSSPL

Off-budget borrowing through KIIFB and KSSPL are explained in the succeeding paragraphs:

#### 2.7.1.1 Kerala Infrastructure Investment Fund Board (KIIFB)

The Kerala Infrastructure Investment Fund Board (KIIFB) is a statutory body constituted (November 1999) and controlled by the State Government under the Kerala Infrastructure Investment Fund Act to manage the Kerala Infrastructure Investment fund with the objective of providing investment for critical and large infrastructure projects in Kerala. The State Government undertakes for the payment of principal and interest of the loans raised by Kerala Infrastructure Investment Fund Board as per section 9(1) of the Kerala Infrastructure Investment Fund (Amendment) Act, 2016. Thus, the loan taken by KIIFB are the direct liabilities of the State Government, and are therefore, off-budget borrowings for the State. The State Government has allotted the petroleum cess and 50 per cent of the Motor Vehicle Tax for servicing the loans of KIIFB. During the year 2023-24, KIIFB raised off-budget loans amounting to ₹5,803.86 crore from various sources. An amount of ₹ 20,041.52 crore was outstanding as on 31 March 2024.

Government replied (October 2024) that the borrowings undertaken by KIIFB are not off-budget borrowings, but are the liabilities of KIIFB. It was also stated that the budgetary support to KIIFB has already been accounted for as an expenditure item in the State Budget and was taken for the computation of Fiscal Deficit. The borrowings of KIIFB would become the liability of the Government, only when it fails to repay the borrowed funds.

The contention of the Government is not acceptable, as KIIFB has no revenue of its own and the State Government has to defray the debt obligations of KIIFB by transferring its own revenue through budget every year which otherwise could have been used for financing the deficits of the State.

### 2.7.1.2 Kerala Social Security Pension Limited (KSSPL)

Kerala Social Security Pension Limited was incorporated in August 2018 under the Companies Act 2013. The Company is wholly owned by the Government of Kerala under Finance Department and the Company was formed with the objective of improving the disbursement of various Social Security and welfare pensions to the beneficiaries in Kerala.

As per the Government Order G.O (Ms) No 232/2018/FIN dated 26 June 2018 of Finance (SS) Department, anticipated expenditure for Social Security Pension would be provided through Budget every year and amount from Government of India under National Social Assistance Programme (NSAP) would also be infused into the Company. The Government would bear the repayment liabilities of the Company arising on account of pension disbursement. The Company is also authorised to raise funds from the Public, Public Sector Undertakings and other institutions through suitable financial instruments including deposits and loans which would be serviced / redeemed with the funds provided by the Government through its budget. The funds required for repayment of loans are mobilised through short term financial instruments and financial assistance from the Government.

As the loans raised by KSSPL were for meeting the liability of the State Government and the repayment of loan and interest are from the Consolidated Fund of the State, the loan raised by KSSPL is an off-budget borrowing of the State Government. During 2023-24, KSSPL raised off-budget loans amounting to ₹ 4,828.60 crore.

As per the information received from KSSPL, a loan amount of ₹ 12,900.62 crore was outstanding as on 31 March 2024. Since KSSPL is a Government Company having no revenue of its own, the outstanding loan of ₹ 12,900.62 crore is also an additional liability of the Government.

State Government replied (December 2024) that KSSPL is a separate entity incorporated as a company and hence loans taken by KSSPL cannot be taken as the liabilities of the State Government. The reply is not acceptable as KSSPL has no revenue of its own and the loans raised by KSSPL are being repaid using the assistance given by the State Government.

Thus, resorting to the off-budget borrowing by the State Government during 2023-24 through the above two entities, had led to an additional burden on the State exchequer, which had an impact on the Liability-GSDP ratio as well. The liability-GSDP ratio for the State stands at 34.96 *per cent* during 2023-24 (**Table 1.8**). But if the liabilities on account of off-budget borrowings are taken into account, the actual outstanding liability-GSDP ratio stands at 37.84 *per cent*, which is way above the Fiscal target of 33.70 *per cent*.

## 2.8 Debt Sustainability Analysis (DSA)

Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt.

(A) Debt Sustainability Analysis (DSA) considers the feasibility of meeting debt related financial obligations during a period beginning with the present,



and is a crucial aspect for assessing financial health of an economy. The cornerstone of DSA is the Debt-GSDP ratio. A sustainable fiscal policy is one where the debt to GSDP ratio is stable or declining over the long term.

### 2.8.1 Debt Stabilisation – Debt Sustainability Indicators

This section assesses the sustainability of the debt of the Government in terms of rate of growth of public debt, ratio of total outstanding debt to GSDP, ratio of interest payment to revenue receipt, debt repayment to debt receipt, net debt available to the State etc. Trends in fiscal variables determining the debt stabilisation are shown in **Table 2.36**.

**Table 2.36: Trends in Debt Sustainability Indicators**

(₹ in crore)

SL. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
1	Public Debt*	1,74,640.22	1,99,681.73	2,19,974.55	2,38,000.97	2,67,989.99
2	Public Account Liabilities	90,722.14	1,02,938.28	1,22,912.90	1,32,524.10	1,32,725.85
3	Off Budget Borrowings (OBB)	14,142.20	16,469.05	24,272.67	29,475.97	32,942.14
4	<b>Overall Liabilities (including Public Account Liabilities and Off Budget Borrowings) (1+2+3)</b>	<b>2,79,504.56</b>	<b>3,19,089.06</b>	<b>3,67,160.12</b>	<b>4,00,001.04</b>	<b>4,33,657.98</b>
5	Rate of growth of Overall Liabilities ( <i>per cent</i> )	11.12	14.16	15.07	8.94	8.41
6	GSDP (in nominal terms)	8,12,934.63	7,71,723.89	9,24,465.42	10,23,602.46	11,46,108.67
7	Nominal GSDP growth ( <i>per cent</i> )	3.13	(-)5.07	19.79	10.72	11.97
8	Overall Liabilities /GSDP ( <i>per cent</i> )	34.38	41.35	39.72	39.08	37.84
9	<b>Maturity profile of Public debt</b>					
9a	0-2 years	17,206.19	29,409.83	36,636.11	38,670.26	40,702.33
9b	2-5 years	41,399.79	55,938.50	59,604.90	60,840.13	58,380.09
9c	5-10 years	79,524.39	81,602.59	71,512.16	64,854.33	58,139.04
9d	Over 10 years	26,340.03	21,626.42	40,671.85	62,141.63	96,733.13
9e	Others <sup>#</sup>	10,169.82	11,104.39	11,549.53	11,494.62	14,035.40
10	Repayment to Gross Borrowings ( <i>per cent</i> )	95.70	93.02	90.52	97.50	98.49
11	Net borrowings available as a percentage of Gross Borrowings ( <i>per cent</i> )	4.30	6.98	9.48	2.50	1.51
12	Interest paid on Overall Liabilities	20,200.11	22,182.13	24,756.20	27,219.84	29,540.21
13	Effective rate of interest on Overall Liabilities ( <i>per cent</i> )	7.73	7.53	7.35	7.26	7.26
14	Interest paid on Overall Liabilities to Revenue Receipts ( <i>per cent</i> )	22.39	22.72	21.22	20.51	23.73
15	Revenue Deficit/Surplus	(-) 14,495.25	(-) 25,829.50	(-) 29,539.27	(-) 9,226.28	(-) 18,140.19
16	Primary Revenue Balance (PRB)	4,719.45	(-)4,854.14	(-)6,236.45	15,950.08	8,846.03



SL. No.	Debt Sustainability Indicators	2019-20	2020-21	2021-22	2022-23	2023-24
17	Primary Balance (PB)	(-) 4,622.77	(-) 19,994.33	(-) 22,742.96	(-) 378.18	(-) 7,271.83
18	PB/GSDP ( <i>per cent</i> )	(-) 0.57	(-) 2.59	(-) 2.46	(-) 0.04	(-) 0.63
19	Outstanding Loan & Advances Disbursed	17,472.08	19,725.39	22,086.89	24,357.02	26,937.94
20	Interest Receipts on Outstanding Loan & Advances Disbursed	50.59	42.83	53.36	118.98	116.70
21	Return on Investment (RoI)	0.30	0.23	0.26	0.51	0.46
22	Difference between effective rate of interest on Overall Liabilities and RoI (13-21)	7.43	7.30	7.09	6.75	6.80
23	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	35,745.17 (291)	29,222.75 (230)	22,874.48 (124)	15,745.01 (55)	53,306.52 (192)
24	Interest/ Rate Spread (7-13)	(-) 4.60	(-)12.60	12.44	3.46	4.71
25	Quantum Spread (4 x 24)/100	(-) 12,857.21	(-) 40,205.22	45,674.72	13,840.04	20,425.29
26	Debt Stabilisation (Quantum spread + Primary balance) (25+17)	(-) 17,479.98	(-) 60,199.55	22,931.76	13,461.86	13,153.46
<b>27</b>	<b>Domar Criteria</b>					
a	GSDP (in constant terms)	5,59,194.18	5,11,702.92	5,71,982.96	5,96,236.86	6,35,136.53
b	Real Growth (in constant terms)	0.90	(-) 8.49	11.78	4.24	6.52
c	Inflation based on CPI ( <i>per cent</i> )	6.14	5.35	4.17	5.79	4.96
d	Effective rate of interest on Overall Debt ( <i>per cent</i> )	7.73	7.53	7.35	7.26	7.26
e	Real effective rate of interest (Effective rate of interest-Inflation) (d-c)	1.59	2.18	3.18	1.47	2.30
f	Growth Interest Differential (Real growth-Real effective rate of interest) (b-e)	(-)0.69	(-)10.67	8.60	2.77	4.22

Source: Finance Accounts and data collected from State Government.

\*During 2020-21, it excludes ₹ 5,766 crore received as back-to-back loan from GoI in lieu of GST compensation shortfall. During 2021-22 to 2023-24, it excludes ₹ 14,505.31 crore received as back-to-back loan from GoI in lieu of GST compensation shortfall.

#Maturity profile not available

PRB: Revenue Receipts-Revenue Expenditure (net of interest payments), where (-) PRB implies Primary Revenue Deficit and vice-versa.

PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

Effective Rate of Interest:  $\text{Interest Payments} / \{\text{Average Outstanding Debt of Previous and Current Financial Year (Excluding Non-Interest Bearing Liabilities)}\} * 100$

Liquidity Management: Amount availed against SDF, WMA & OD

Interest Spread: GSDP nominal growth - effective rate of interest

Quantum Spread:  $\text{Interest Spread} * \text{Debt}$

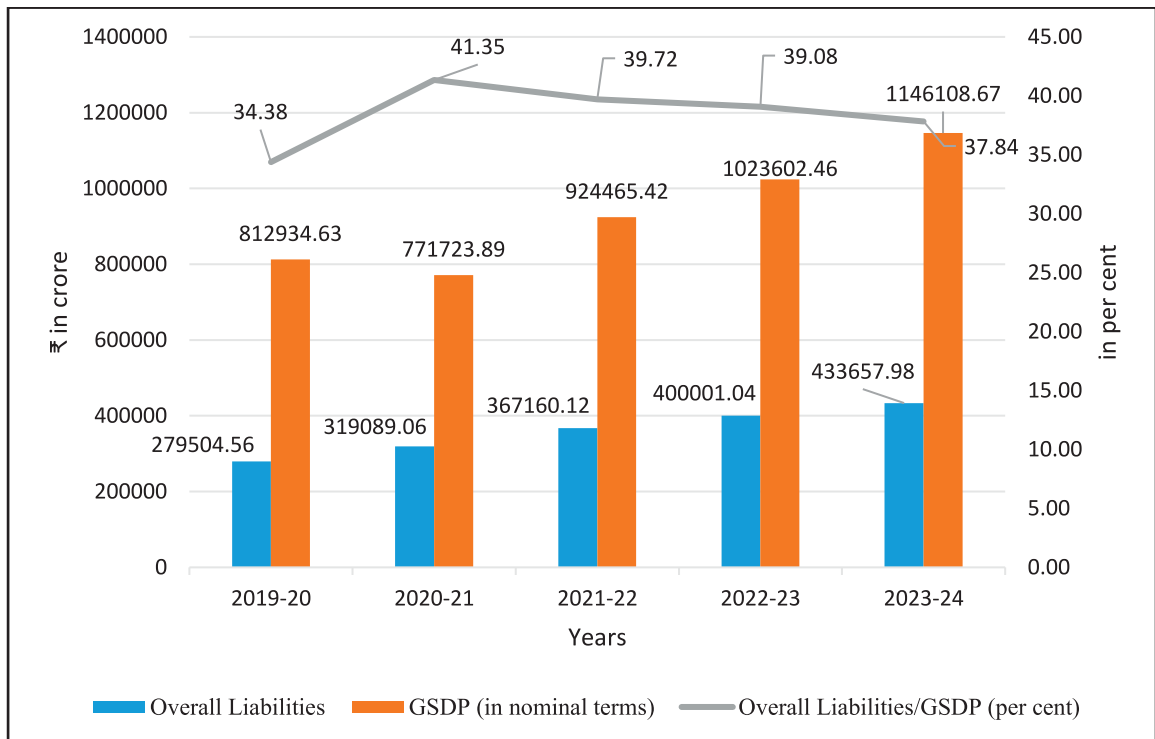
Return on investment as measured by effective rate of interest receipts,  $\text{RoI} = \text{Interest Receipts} / \text{Average of Outstanding Loans and Advances Disbursed of Previous and Current Financial Year} * 100$

### 2.8.1.1 Ratio of Overall Liabilities to GSDP

The debt-to-GSDP ratio is the metric comparing a State's debt to its Gross State Domestic Product (GSDP). By comparing what a State owes with what it produces, the debt-to-GSDP ratio reliably indicates the State's ability to pay back its debts. A low debt-to-GDP ratio indicates that an economy produces goods and services sufficient to pay back debts without incurring further debt. A falling debt-to-GSDP ratio can be considered as leading towards stability. If debt-to-GSDP ratio increases rapidly and goes above a threshold, it can be considered that State's debt burden is substantial compared to its economic output indicating financial vulnerability and reduced fiscal flexibility.

The Overall Liabilities to GSDP ratio for the period from 2019-20 to 2023-2024 is given in **Chart 2.21**.

**Chart 2.21: Ratio of Overall Liabilities to GSDP**



Source: Finance Accounts and data collected from State Government

The Overall Liabilities including OBB to GSDP ratio ranged between 34.38 per cent and 41.35 per cent during the last five-year period. It can be seen that Overall Liabilities including OBB to GSDP ratio after reaching a high of 41.35 per cent in 2020-21 decreased steadily to 37.84 per cent in 2023-24 indicating higher rate of growth of GSDP when compared to the growth rate of Liabilities during the last three years.

### ***2.8.1.2 Interest payment on Overall Liabilities (including OBB) as percentage of revenue receipts***

If ratio of interest payment to revenue receipts is declining, it would enable Government to utilise more resources for other productive purposes. Though interest payment on Overall Liabilities to revenue receipt ratio decreased from 22.72 *per cent* in 2020-21 to 20.51 *per cent* in 2022-23, it again increased to 23.73 *per cent* in 2023-24 indicating lesser availability of resources for meeting other productive purposes during the year.

### ***2.8.1.3 Maturity and repayment of Public debt***

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Maturity profile captures redemption pressure on the States' debt; higher maturity means lower redemption pressure in future. Maturity profile of public debt shows that ₹99,082.42 crore (36.97 *per cent*) of total public debt (principal alone) is repayable within next five years and ₹ 58,139.04 crore (21.69 *per cent*) has to be repaid within five to 10 years. It signifies that the State has to repay ₹1,57,221.46 crore (58.66 *per cent*) of public debt in the next 10 years.

### ***2.8.1.4 Net Borrowings available***

Higher the percentage of debt repayment to debt receipts, the greater the proportion of debt utilised for debt servicing rather than for development activities. Ratio of debt repayment including interest to gross borrowings ranged from 90 *per cent* to 98 *per cent* during 2019-20 to 2023-24 and it was 98.49 *per cent* during 2023-24. This indicates that net borrowings available to the State for development activities during 2023-24 after debt servicing including payment of interest was only 1.51 *per cent* of the gross borrowings.

### ***2.8.1.5 Liquidity position of the State***

The number of occasions State resorted to Ways and Means Advances (WMA), Special Drawing Facility (SDF) and Overdraft (OD) facility to manage short-term funding gaps reflects the liquidity position of the State. Sustainable use of WMA and OD facility in large amounts indicates poor liquidity management, poor fiscal management and hinders short term debt sustainability. Analysis of WMA, SDF and OD facility availed by the State during 2019-20 to 2023-24 revealed that though the number of occasions and the amount availed by the State using these facilities had decreased from ₹ 35,745.17 crore (291 days) in 2019-20 to ₹15,745.01 crore (55 days) in 2022-23, it increased considerably to ₹ 53,306.52 crore (192 days) in 2023-24 indicating deterioration in liquidity position during 2023-24.

### ***(B) Domar's approach towards debt stability***

Fiscal liabilities are considered sustainable if the Government is able to service the stock of these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. The Domar model is one of the models for analysis of public debts, which lays down that the debt-GDP ratio is likely to be stable if the rate of growth of the economy exceeds the rate of interest on the debt.

It can be seen from **Table 2.36**, that during pre-Covid year of 2019-20, the real growth rate of GSDP was 0.90 *per cent* and Domar gap (Real growth-real rate of interest, expressed as  $g-r$ ) was negative. In 2020-21, economy of the State was adversely affected due to Covid induced lockdown leading to a decline of (-) 8.49 *per cent in real growth rate* compared to growth of 0.90 *per cent* in 2019-20. This resulted in sharp decline in 'Domar Gap' and the continuance of its negative value in 2020-21. However, Domar gap turned positive during the period 2021-22 to 2023-24 due to increase in real growth compared to the real effective rate of interest. This, along with primary deficit reflects that Overall Debt as a percentage of GSDP tends towards stable value and is therefore sustainable. Depending on the stock of debt, it will either increase or decrease in time to reach a stable level greater than zero.

The sustainability of Overall Debt will depend on whether the State economy maintains the real growth rate in the long run keeping the real interest rate under control.

(C) Details of achievement vis-a-vis targets set in Kerala Fiscal Responsibility Act are shown in **Table 2.37**.

**Table 2.37: Achievement vis-à-vis targets set in KFR Act**

Fiscal Parameters		Achievements vis-à-vis targets set in KFR Act.				
		2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Deficit(-)/Surplus (+) (as <i>per cent</i> of GSDP)	T	Revenue Surplus		0.5	0.8	1.2
	A	(-)1.78	(-)3.35	(-)3.20	(-)0.90	(-)1.58
Fiscal deficit (as <i>per cent</i> of GSDP)	T	3	5	4	4	3.5*
	A	2.93	5.31	4.98	2.50	2.99
Ratio of total outstanding liability including OBB to GSDP	T	29.67	29.67	34.70	34.50	33.70
	A	32.64	39.21	37.09	36.20	34.96
	A**	34.38	41.35	39.72	39.08	37.84

Source: KFR Act and Finance Accounts

T-Target; A-Actual

\* Includes additional borrowing of 0.50 *per cent* of GSDP allowed for reforms undertaken in Power Sector of which consent for additional borrowing of 0.45 *per cent* of GSDP alone was received from GoI during 2023-24.

\*\* including off-budget borrowings

It can be seen that none of the targets in the KFR Act could be achieved over the years except for fiscal deficit targets of 2019-20, 2022-23 and 2023-24. Although fiscal deficit/GSDP ratio remained within targets, Government failed to meet targets for Revenue Surplus and outstanding liability/GSDP ratio. These trends highlight the need for Government to address fiscal imbalances and works towards sustainable financial management.

Going by the analysis, and results discussed above, finances of State of Kerala is marked by increasing trend of liabilities (debt, off-budget borrowings *etc.*) which pose risk to the target of debt stabilisation and debt sustainability.

## 2.8.2 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current

consumption and repayment of interest on outstanding loans is not a healthy trend. **Table 2.38** depicts the utilisation of borrowed funds during 2019-24.

**Table 2.38: Utilisation of borrowed funds**

(₹ in crore)

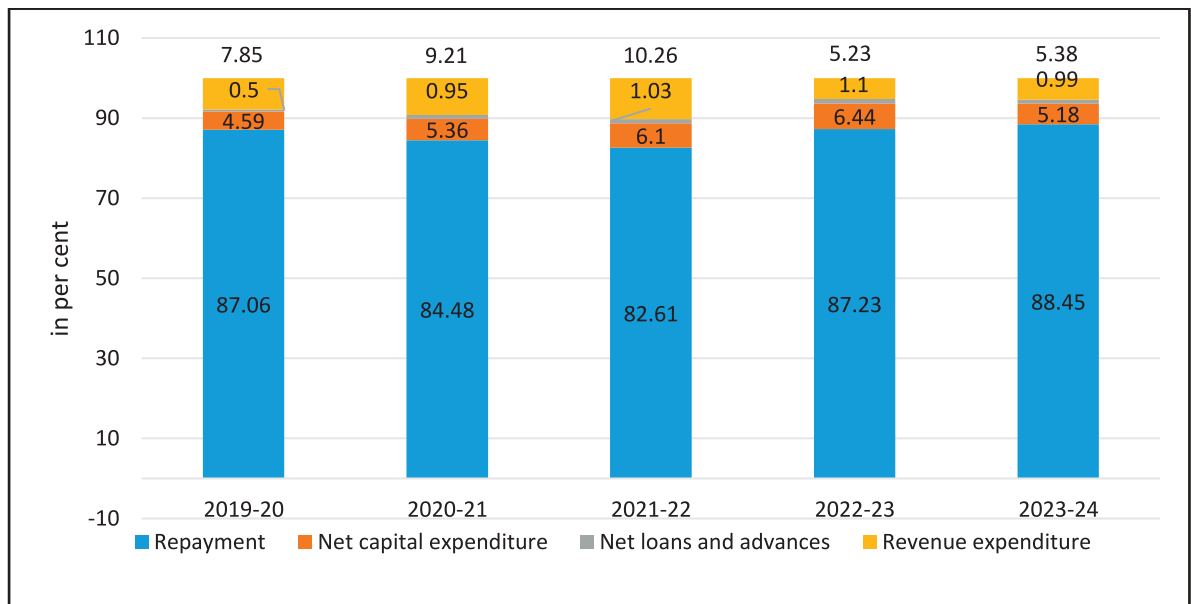
Sl. No	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1	Total borrowings*	1,83,509.21	2,40,014.87	2,31,582.08	2,16,432.89	2,61,358.70
2	Repayment of earlier borrowings (Principal) (percentage)	1,59,761.36 (87.06)	2,02,757.22 (84.48)	1,91,314.63 (82.61)	1,88,795.28 (87.23)	2,31,167.92 (88.45)
3	Net capital expenditure (percentage)	8,427.32 (4.59)	12,855.50 (5.36)	14,131.46 (6.10)	13,946.62 (6.44)	13,536.94 (5.18)
4	Net loans and advances (percentage)	914.90 (0.50)	2,284.69 (0.95)	2,375.05 (1.03)	2,381.64 (1.10)	2,580.92 (0.99)
5	Portion of revenue expenditure met out of net available borrowings (percentage) (1-2-3-4)	14,405.63 (7.85)	22,117.46 (9.21)	23,760.94 (10.26)	11,309.35 (5.23)	14,072.92 (5.38)

Source: Finance Accounts

\*Includes borrowings under Public Debt and Public Accounts. Borrowings under Public Debt excludes ₹5,766 crore and ₹8,739.31 crore received as back-to-back loans from GoI during 2020-21 and 2021-22 respectively, in lieu of GST compensation shortfall, which are not to be repaid by the State from its sources.

Trends of utilisation of borrowed funds during the period 2019-24 are depicted in **Chart 2.22**.

**Chart 2.22 : Trends of utilisation of borrowed funds**



Source: Finance Accounts



During the period 2019-20 to 2023-24, State Government utilised 83 to 88 *per cent* of its current borrowings for repayment of earlier borrowings. Revenue expenditure met out of borrowings ranged between five to nine *per cent* of total borrowings. Net Capital expenditure met from borrowings ranged from five to six *per cent* of total borrowings only during the period. It can be seen that borrowed funds were being used mainly for meeting current consumption and repayment of earlier borrowings instead of capital creation/development activities.

As per the Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. In 2023-24, which is the third year of the Finance Commission period, the State continued to be in revenue deficit and has borrowed to meet its revenue deficit.

### **2.8.3 Status of Guarantees-Contingent Liabilities**

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended.

The Government provides guarantees for repayment of loans, *etc.* raised by Statutory Corporations, Government Companies, Co-operative Banks, and Societies *etc.* In terms of the Section 3 of Government Guarantees Act, 2003, amended vide 'Kerala Finance (No.2) Act, 2022', the total outstanding Government Guarantees as on the first day of April of any year shall be 100 *per cent* of the total revenue receipts as per the annual financial statement of the State in the preceding year or at 10 *per cent* of the Gross State Domestic Product (GSDP), whichever is lower. During the year 2023-24, the amount guaranteed by the State Government was ₹ 13,088.62 crore. The outstanding guarantees of ₹ 62,868.15 crore as on 31 March 2024 works out to 5.49 *per cent* of the GSDP of the year 2023-24 (₹11,46,108.67 crore) which was within the limit of ten *per cent* of the GSDP for the year.

As per Government Guarantees Act, 0.75 *per cent* of outstanding guarantee at the beginning of the year have to be collected as guarantee commission every year. While ₹ 311.93 crore was received as guarantee commission during the year, ₹ 395.94 crore of guarantee commission was pending collection from various institutions as on 31 March 2024. Major defaulters are shown in **Appendix 2.1**.

### **2.8.4 Management of Cash Balance**

As per agreement with the Reserve Bank of India, State Government has to maintain a minimum daily cash balance of ₹1.66 crore with the Bank. The amount over and above the minimum cash balance on a day is invested in short term treasury bills by RBI. The interest earned from such investments are credited as receipts under the head '0049-Interest Receipts'. During the year 2023-24, interest of ₹ 4.96 crore was earned against short term investments with a closing balance of ₹ 4,051.26 crore in 14 days treasury bills.

If the daily cash balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/Special Drawing Facility (SDF)/Overdrafts (OD) from time to time.

The limit for ordinary WMA to the State Government during the year 2023-24 was ₹1,683.00 crore.

- During the year the State Government resorted to WMA/SDF/OD amounting to ₹ 53,306.52 crore and paid an interest of ₹ 55.91 crore. The State Government was able to maintain a minimum cash balance of ₹1.66 crore for 174 days during 2023-24 without taking any advance. However, the State Government had to resort to Ways and Means Advance (₹ 30,774.40 crore) for 107 days, Special Drawing Facility (₹ 5,012.61 crore) for 18 days to maintain minimum cash balance.
- Overdraft (₹ 17,499.59 crore) was taken on 67 days. The State Government repaid the amount of ₹ 53,306.52 crore obtained under Special Drawing Facility, Ways and Means Advances *etc.* leaving no amount to be repaid. The cash balance and Investments of cash balances made by the State Government during the year are shown in **Table 2.39**.

**Table 2.39: Cash balances and Investment of cash balance**

(₹ in crore)

SI No.	Particulars	Opening balance on 01 April 2023	Closing Balance on 31 March 2024
	<b>A. General Cash Balance</b>		
1	Cash in treasuries	35.99	35.99
2	Deposits with Reserve Bank of India	146.16	238.68 <sup>22</sup>
3	Deposits with other Banks <sup>23</sup>		
4	Remittance in transit-Local	0.54	0.69
	<b>Total</b>	<b>182.69</b>	<b>275.36</b>
	Investment held in Cash Balance investment account (14 days Treasury bills)	7,092.74	4,051.26
	<b>Total (A)</b>	<b>7,275.43</b>	<b>4,326.62</b>
	<b>B. Other Cash Balances and Investments</b>		
1	Cash with departmental officers viz., Public Works, Forest Officers	(-)7.63	(-)7.63
2	Permanent advances for contingent expenditure with department officers	1.15	1.18
3	Investment in earmarked funds	2,722.73	3,047.21
	<b>Total (B)</b>	<b>2,716.25</b>	<b>3,040.76</b>
	<b>Total (A+B)</b>	<b>9,991.68</b>	<b>7,367.38</b>
	<b>Interest realised</b>	<b>15.85</b>	<b>4.96</b>

Source: Statement 2 of Finance Accounts

<sup>22</sup> There was a difference of ₹239.93 crore (credit) between the figures reflected in accounts (₹238.68 crore debit) and that communicated by Reserve Bank of India (debit item ₹1.25 crore) as on 31 March 2024. Out of the difference, an amount of ₹152.01 crore (net debit) has been cleared in 2024-25. The balance difference of ₹391.94 crore (net credit) is under reconciliation

<sup>23</sup> Represents cash held with State Bank of India (amount negligible)



No investments were made in Long term GoI Securities by the State Government for the past several years being a revenue deficit State. Details of cash balance investment account during the last five years are depicted in **Table 2.40**.

**Table 2.40: Cash Balance Investment Account (major Head 8673)**

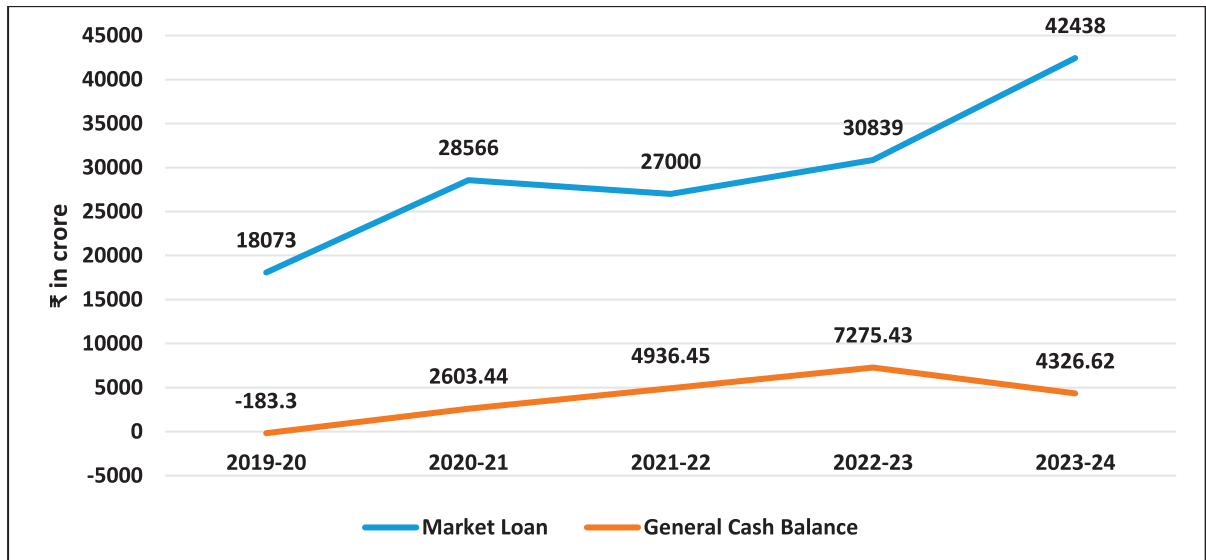
(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/ Decrease (-)	Interest earned
2019-20	189.53	1.67	(-)187.86	7.85
2020-21	1.67	2,809.86	2,809.19	4.05
2021-22	2,809.86	5,230.30	2,420.44	14.80
2022-23	5,230.30	7,092.74	1,862.44	15.85
2023-24	7,092.74	4,051.26	(-)3,041.48	4.96

Source: Finance Accounts

Details of market loans raised vis-à-vis General Cash Balances during the last five years are shown in **Chart 2.23**.

**Chart 2.23: Details of market loans raised vis-à-vis General Cash Balances during the last five years**



Source: Finance Accounts

At the end of March 2024, general cash balance was ₹4,326.62 crore. The State Government raised market loan amount to ₹42,438 crore during 2023-24.

## 2.9 Conclusions

### 1. Revenue resources

Revenue receipts of the State increased from ₹ 90,224.67 crore in 2019-20 to ₹1,24,486.15 crore in 2023-24, recording a growth of 37.97 *per cent* during the last five years. However, Revenue receipts decreased by ₹ 8,238.50 crore (6.21 *per cent*) in 2023-24 (₹ 1,24,486.15 crore) when compared to the previous year (₹ 1,32,724.65 crore). The State's own tax revenue, being the main source of revenue in revenue receipts increased by 47.70 *per cent* during the period 2019-24 and as compared to previous year, it grew by 3.28 *per cent* (₹ 2,360.85 crore). Non-tax revenue grew by 8.12 *per cent* (₹1,228.01 crore) in 2023-24 over the

previous year. There was huge arrears of revenue amounting to ₹24,462.50 crore as on 31 March 2024 pending collection of which ₹6,880.85 crore was outstanding for more than five years.

## 2. Revenue Expenditure

Revenue Expenditure of the State increased from ₹1,04,719.92 crore in 2019-20 to ₹1,42,626.34 crore in 2023-24 recording a growth of 36.20 *per cent* during the five-year period. During 2023-24, Revenue expenditure increased by ₹675.41 crore (0.48 *per cent*) over 2022-23. Revenue expenditure as a percentage of total expenditure ranged between 89 and 92 *per cent* during 2019-20 to 2023-24, showing predominance of revenue expenditure in total expenditure. Share of committed expenditure in revenue expenditure was 65.01 *per cent* during 2023-24.

## 3. Quality of Expenditure

Capital expenditure during the current year showed a negative growth of 2.94 *per cent* (₹412.11 crore) over the previous year. Share of capital expenditure in total expenditure ranged between seven to nine *per cent* during 2019-20 to 2023-24 indicating lesser priority assigned to Capital expenditure. Though the State Government invested ₹10,920.97 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives, average return on these investments was only 2.22 *per cent* during the year while the Government paid an average interest rate of 6.74 *per cent* on its borrowings during 2023-24.

## 4. Borrowed Funds

During 2023-24, 98.49 *per cent* of the gross borrowings were utilised for repayment of Overall Liabilities including interest. The maturity profile of Public Debt of the State indicates that the Government will have to repay 37 *per cent* of its debt within the next five years.

## 5. Compliance with Kerala Fiscal Responsibility (KFR) Act

The targets fixed in KFR Act was to eliminate revenue deficit completely and to achieve revenue surplus during 2019-20 to 2023-24. However, the State continued to be in revenue deficit during the period. The ratio of total outstanding liability including OBB to GSDP during 2023-24 (37.84 *per cent*) also remained beyond the target fixed in the KFR Act for the year (33.70 *per cent*). However, the State was able to contain fiscal deficit to GSDP ratio (2.99 *per cent*) within the target of 3.5 *per cent* fixed for the year.

### 2.10 Recommendations

1. *The Government should adopt a fiscal consolidation path so that the targets fixed in the Kerala Fiscal Responsibility Act could be achieved.*
2. *The Government should make all efforts to ensure that the revenue that are falling in arrears are realised.*

3. *The Government should take measures to improve its capital expenditure to augment its growth and development.*
4. *The State Government needs to mobilise additional revenue resources to fund its various socio-economic developmental schemes to avoid financing of revenue expenditure through debt.*