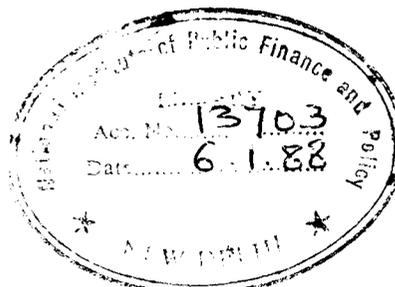
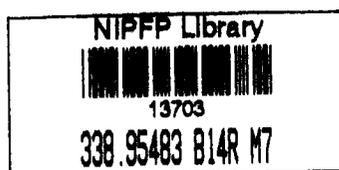


# REVIEW OF PLAN FINANCING IN KERALA DURING THE SIXTH PLAN

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## P R E F A C E

The National Institute of Public Finance and Policy is an autonomous non-profit organisation whose primary functions are to undertake research, consultancy and training in the field of public economics and related areas.

The present study was taken up at the instance of the Planning Commission. The aim of the study was to identify the factors responsible for the shortfall in plan outlay in Kerala in the Sixth Plan. The study was initiated in the month of April, 1986 and an interim report was submitted in the month of December, 1986.

The Governing Body of the Institute does not bear any responsibility for the views expressed in this report. That responsibility belongs to the Director and more particularly the authors.

December, 1987

Amaresh Bagchi  
Director

## ACKNOWLEDGMENTS

The review of the Plan Financing in Kerala during the Sixth Plan presented in this study was undertaken by the Institute at the instance of the Planning Commission. The review is intended to bring out the difficulties faced by Kerala in financing its Sixth Plan, and the underlying factors, in the light of the experience of the neighbouring States. The study was initiated in the month of April 1986. While it was not possible within the time available for the study to go into the causes of the financing problems faced by Kerala in recent years in sufficient detail, an attempt has been made to identify the main factors which impeded resource mobilisation and accelerated the growth of revenue expenditures in the State during the Sixth Plan. It is hoped that the findings of the study will be of help in formulating measures for raising resources for the Seventh Plan.

In carrying out this study, we have been assisted by Dr. K.B.L. Mathur and Mr. R.K. Juneja of the Planning Commission. Dr. Mathur and Juneja, have assisted us not only in our discussions with the officials of the State government, but also by providing us valuable information on the pattern of plan financing in Kerala. Besides, Dr. Mathur provided the basic material which formed a valuable input for first chapter of this study.

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## TRENDS IN GROWTH AND PLAN ACTIVITY

**1.1. Introduction**

1.1.1 In terms of several indicators of welfare Kerala ranks high among the States in India. It has the highest literacy rate (70 per cent) as against an all-India average of 36 per cent (vide Table I.1). Life expectancy at birth is 62 years in Kerala (as of 1981) compared with 49.7 years for the country as a whole. Infant mortality rate is the lowest - 37 per thousand - contrasting with the all-India average of 110. The poverty ratio - the proportion of people living below the poverty line - is also lower in Kerala than for the country as a whole (47 per cent against 48 per cent) although the urban poverty ratio is higher.

1.1.2 In terms of per capita income, however, Kerala falls below the national average. As of 1984-85, Kerala's per capita income (at 1970-71 prices) stood at Rs 645 as against the national average of Rs 772. In 1970-71, Kerala had a per capita income above the national average (Rs 596 against Rs 633). This has come about despite a slower growth of population in Kerala than in the country as a whole, indicating a slower growth of income than in the rest of the country. In fact, over the decade of the Seventies per capita real income grew at a rate of no more than 0.4 per cent per annum while the all-India average of per capita income grew at the rate of 1.0 per cent. There has been an improvement in per capita income growth in the first half of the present decade but the growth rate remains at less than 50 per cent of the all-India rate (1 per cent compared with 2.5 per cent vide Table I.2).

1.1.3 Per capita income figures, being based on the estimates of State Domestic Product, may not reflect the actual income levels of the State's population especially when a good number of the citizens happen to be employed outside on handsome remuneration and remit a sizeable portion of their

earnings home, as is the case in Kerala. It is difficult to quantify the impact of remittance of workers in the Gulf countries belonging to Kerala on the State's per capita income on consumption. The remittances, however, have not helped much in accelerating industrialisation or strengthening the growth potential of the State. This is indicated by the fact that the share of the secondary sector in Kerala registered a decline during the first half of the present decade, while for the country as a whole there has been an increase. As of 1984-85, the share of income generated in the secondary sector in State Domestic Product of Kerala was 19.7 per cent as compared with 22.9 per cent for India as a whole. Kerala, with 3.7 per cent of the total population of the country contributes only 3 per cent of the total value added in the factory sector (Table I.3).

## 1.2 Plan Outlay and its Financing Pattern

1.2.1 The sluggish growth of Kerala's economy over the 1970s and the first half of the 1980s has coincided with a marked slowdown in the Plan activities and thus public investment in the State over the Fifth and the Sixth Five Year Plans. Per capita state plan expenditure in Kerala since the First Plan is given in Table I.4. The index of Plan expenditure in Kerala (taking the all-India average = 100) which was below 100 in the First and second Plans exceeded the all-India average during the Third and Fourth Plans but declined to below 100 during the subsequent Plans. During the Sixth Plan, per capita Plan expenditure in Kerala was below the average for all States (Rs 624 against Rs 688) by about 9 per cent and, in the Seventh Plan, the envisaged per capita Plan outlay stands at 72.5 per cent of the all-India average, Rs 741 as compared with Rs 1022, an all time low. Kerala's per capita outlay for the Seventh Plan is only about 19 per cent higher than that of the Sixth Plan whereas, for all States taken together, the Seventh Plan outlay per capita is expected to be nearly 48 per cent higher.

1.2.2 While the relative size of per capita Plan expenditure in Kerala as contemplated in the Plans has been showing a decline, the State is finding it difficult to meet even the

modest outlay. During the Sixth Plan actual Plan expenditure in constant (1979-80) prices fell short of the targeted Plan outlay by almost 32.2 per cent (Table I.5.). This order of shortfall may not look too large when compared with the all-India average of 35.6 per cent. However, it is to be noted that the shortfall in Kerala occurred despite a modest target.

1.2.3 A look at the sources of Plan finance in Kerala in the Sixth Plan indicates that Plan activity in the State has been constrained primarily by inadequacy of resources and that too by shortfalls in the State's own resources. While the share of Central assistance in Kerala's plan has shown a declining trend since the Third Plan, it has remained higher than the average for all-States. In the Sixth Plan, Central assistance was originally expected to meet about 28 per cent of the State's Plan outlay as compared with about 15 per cent for all States. With large deficits in the contribution of the State's own resources, the resource gap had to be met to a large extent through medium term loans from the Centre and as a result, the share of Central assistance went up to more than 50 per cent.

1.2.4 In fact the problem of resource constraint limited the size of the Sixth Plan to a moderate level of Rs 1550 crore. This was to be financed through State's own resources of Rs 1120 crore and Central assistance of Rs 430 crore. The latest available estimates put the State Plan expenditure in the Sixth Plan at Rs 1630 crore (in current prices) financed by State's own resources of Rs 806 crore plus Central assistance of Rs 824 crore. Thus, even in nominal terms, the resources actually raised by the State government fell short of the proposed estimates by 28 per cent, and in real terms the shortfall was over 60 per cent. In other words, in real terms the resources raised by the State contributed a mere 40 per cent of the originally envisaged Plan outlay.

1.2.5 The large resource gap in financing the Sixth Plan manifested itself in a sharp divergence in the scheme of financing that finally emerged over the Plan period from what was originally envisaged. The variations and the pattern of

financing that actually emerged as compared with that was planned is best viewed in terms of relative contribution of each major source of finance as shown in Table I.6. In brief, the position is as follows:

**Financing of the Sixth Plan:Kerala**

(Per cent share in total)

	Original estimates	Latest estimates (at 1979-80 prices)
State's own resources	72.2	42.6
Central assistance	27.8	29.3
Gap in resources	Nil	28.1
<u>Financed by</u>		
Medium-term loan	Nil	7.6
Net gap in resources (covered through RBI overdraft and later by medium-term loans from Centre)	Nil	20.5

1.2.6 Originally, the Sixth Plan outlay for Kerala was expected to be financed out of the State's own resources (including devolution from the Centre and borrowings) to the extent of 72.2 per cent. The remaining 27.8 per cent was to come in the form of Central assistance. But, in real terms, the State's own resources contributed only 42.6 per cent, Central assistance met 29.3 per cent, and there remained a gap of 28.1 per cent. Of this, 7.6 percentage points were met from a medium-term loan by the Centre leaving a gap of 20.5 which, as mentioned earlier, was met out of overdraft from RBI subsequently cleared with a medium-term loan from the Centre.

1.2.7 Overall, there was a 60 per cent shortfall in the State's own resources (net) from the Plan target. While deterioration is observed under all the principal sources of State's resources, barring contribution from PSUs, the biggest shortfall took place in budgetary savings (Tables I.6 and I.7). The balance from current revenue (BCR) at 1979-80 rates fell short of the estimate by about 74 per cent in constant (1979-80)

prices. The surplus from current revenues (without ARM) turned out to be a mere one quarter of the original estimates. Additional resource mobilisation (ARM) from tax and non-tax sources did not help to make up for this gap. In real terms, the shortfall in ARM came to about 36 per cent of the target.

1.2.8 The shortfall in budgetary savings came about as a result of faster growth of the non-plan expenditure (in revenue account) than that of current revenues. During the Sixth Plan, while the State's total revenue grew at an average annual rate of 12 per cent, non-plan expenditure within the revenue account grew at 15 per cent (Table I.8). The result was a severe shortfall in BCR and ARM.

1.2.9 The other component of public savings - the contribution of state enterprises - in the aggregate, seems to have performed better. In the Plan estimates PSUs were estimated to contribute a negative balance (i.e., net loss) of Rs 145 crore. Actually, at 1979-80 prices, these losses turned out to be Rs 54 crore, an improvement of about 63 per cent. Both the State Electricity Board (SEB) and the Kerala State Road Transport Corporation, the two principal State undertakings, did better than had been anticipated. The SEB in fact produced in a sizeable surplus instead of a loss as had been assumed in the Plan estimates. However, it is to be noted that the better performance of SEB is largely attributable to revision in rates. Moreover, as will be seen in Chapter II, the SEBs had failed to pay a large amount due to the Government by way of electricity duty. As regards productivity, while the SEB showed some improvement, KSRTC showed deterioration.

1.2.10 As for loans and market borrowings, whereas the share of market borrowings in aggregate resources (at current prices) remained at about the same level (12.6 per cent) as was assumed in the Plan, provident funds made a contribution of 15.6 per cent against the original estimate of 9.5 per cent (Table I.6). Contribution of small savings was marginally higher while that of resources raised through negotiated loans fell short of the estimates by 2.7 percentage points. The higher negative balances

of miscellaneous capital receipts (MCR) were mainly because of higher repayment obligations of the State. It needs to be noted here that in real terms shortfalls of varying magnitudes had occurred under practically all the major heads of capital receipts for the Sixth Plan. In the case of market borrowing, the shortfall was 34 per cent and in small saving, it was 10.5 per cent. Miscellaneous capital receipts showed a shortfall of about 30 per cent and negotiated loans of 58 per cent. Only, State Provident Funds showed an excess of about 2 per cent.

1.2.11 To sum up, the shortfall in Kerala's Plan financing in the Sixth Plan was primarily a result of the shortfall in the State's own resources which in turn had stemmed from the poor level of surpluses on balance from current revenues of the government, that is, inadequacy of budgetary savings. The deficiency of budgetary saving is attributable mainly to a faster growth of expenditures relatively to the revenue receipts. During the Sixth Plan period, non-Plan revenue expenditure of Kerala grew by 15 per cent while revenue receipts including ARM grew by 12.0 per cent and excluding ARM by only 10.6 per cent. The severe resource crunch, particularly from State's own resources has constrained the outlay for the Seventh Plan by restricting its size in per capita terms at 72.5 per cent of the all-India average - an all time low. It may not be wrong to presume that the low level Plan outlay has resulted in the slow pace of growth of incomes particularly in the commodity producing sectors. This in turn has impeded the expansion of the tax base thereby limiting the size of Plan and creating a vicious circle.

1.2.12 The aim of this study is to identify the sources of the resource constraint faced by the state in financing the Plan and analyse its spending pattern. This requires an examination of the performance of the State in raising revenue from its own sources and the level and pattern of expenditures particularly in the non-plan revenue account. It is also necessary to identify the areas where the potential has not been adequately exploited and wasteful expenditure has taken place. In the following chapter, an important factor underlying the continued

low level of public savings, namely, slow growth of revenue from budgetary savings is analysed. In Chapter III the performance of public sector enterprises is looked into. Chapter IV provides an analysis of the composition and growth of State's expenditures within the revenue account and attempts to identify certain wasteful and avoidable expenditures. The concluding chapter highlights major findings and conclusions.

TABLE I.1

## Selected Economic Social Welfare Indicators for Kerala and India

Variables	Kerala	India	Reference year/period
1. State domestic product (SDP per capita (current prices)	Rs 2198	Rs 2344	1984-85
2. State domestic product per capita (constant prices)	Rs 648	Rs 772	1984-85
3. Growth of per capita SDP (constant prices)	0.4%	1.6%	1970-71 to 1984-85
4. Proportion of secondary sector income in total SDP	19.7	22.9	1984-85
5. Proportion of urban population to total population	18.7	27.3	1981
6. Life expectancy at birth	62 years	49.7 years	1981
7. Infant mortality rate	37	110	1981
8. Literacy rate	73.4	36.4	1981
9. Hospital beds per thousand people	123.6	83	1981
10. Density of population	655	222	1981
11. Poverty ratio - rural	46.0	50.8	1977-78
12. Poverty ratio - urban	51.4	38.2	1977-78
13. Poverty ratio - total	47.0	48.1	1977-78

Source: 1. 'Economic Review', 1985 - State Planning Board, Government of Kerala.

2. 'Statistics for Planning' - State Planning Board, Government of Kerala.

## Plan Financing in Kerala in the Sixth Plan - A Review

TABLE I.2

Per Capita Income of Kerala and All India  
1970-71 and 1980-81 to 1984-85  
(at 1970-71 prices)

Period	Kerala		All India	
	Per capita net SDP (Rs)	Growth rate (per cent per annum)	Per capita NNP (Rs)	Growth rate (per cent per annum)
1970-71	596	=	633	
1980-81	620	0.4	700	1.0
1981-82	629	1.5	720	2.9
1982-83	633	0.6	721	Neg
1983-84	620	(-) 2.1	761	5.5
1984-85	645	4.0	772	1.4
Average (1981-82 to 1984-85)		1.0		2.5

Source: 1. For Kerala's per capita Net SDP, Economic Review, 1985, State Planning Board, Trivandrum, p.86.

2. For All India NNP, National Accounts Statistics, January 1986, CSO, p. 159.

## Plan Financing in Kerala in the Sixth Plan - A Review

TABLE I.3

Structural Composition of Net State Domestic Product (at 1970-71 Prices): Kerala and All India

(Per cent)

Sector	1970-71		1980-81		1984-85	
	Kerala	All-India	Kerala	All-India	Kerala	All-India
Primary	49.30	50.14	40.30	42.76	36.70	40.75*
Secondary	16.30	19.67	19.80	20.85	18.20	20.66
Tertiary	34.40	30.19	39.90	36.39	45.10	38.59
of which						
i. Banking and insurance	(1.30)	(1.86)	(2.60)	(2.65)	(3.20)	(3.02)
ii. Transport, storage and communications	(4.80)	(4.56)	(6.60)	(6.02)	(8.90)	(6.22)
All sectors	100.00		100.00		100.00	

\* Refers to 1983-84

Source: Economic Review, 1985, State Planning Board, Kerala, p. 86.

TABLE I.4

## Per Capita Plan Expenditure and Proportion of Central Assistance

Period/Plan	Year for popu- lation estimate	All States average	Kerala	Index of Kerala's per capita plan expen- diture All States = 100	Propor- tion of Central assist- ance to All States	Propor- tion of Central assist- ance to Kerala for the the plan
First Plan (1951-56)	1953	39	31	79.5	61.8	64.9
Second Plan (1956-61)	1958	52	50	96.2	50.8	48.1
Third Plan (1961-66)	1963	93	102	109.7	60.4	67.0
Annual Plan (1966-69)	1967	63	74	117.5	58.8	61.3
Fourth Plan (1969-74)	1971	142	156	109.5	46.1	51.1
Fifth Plan (1974-79)	1976	327	284	86.9	40.2	46.3
Annual Plan (1979-80)	1979	95	90	94.7	42.1	37.5
Sixth Plan (1980-85)	1983	688	624	90.7	15.2*	27.8*
Seventh Plan(1985-90)	1987	1022	741	72.5		(50.6)**

\* Proposed

\*\* Actual

Plan Financing in Kerala in the Sixth Plan - A Review

TABLE I.5

Outlay and Expenditure in Real Terms:  
Kerala, Neighbouring States and All States

(Rs crore)

	Kerala	Andhra Pradesh	Karnataka	Tamil Nadu	All States
I Fifth Plan (1974-79)					
a. Plan outlay (original)	569	1334	998	1122	18715
b. Actual plan expenditure at constant prices	630	1375	991	1088	19041
c. Actual expenditure as per cent of Plan outlay [(b) as per cent of [(a)]]	110.7	103.1	99.3	97.0	101.7
II. Sixth Plan (1980-85)					
a. Plan outlay (original)	1550	3100	2265	3150	48600
b. Actual Plan Expenditure at constant prices	1051	1981	1653	2215	31319
c. Actual expenditure as per cent of Plan outlay [(b) of per cent of [(a)]]	67.8	63.9	73.0	70.3	64.4

Note: Current price figures have been converted into constant prices, by using the implicit deflator of gross Domestic Capital Formation - in Public Administration and Defence. Source: Planning Commission

TABLE I.6

Pattern of Financing the Sixth Plan in Kerala - Original Estimates and Actuals

(Rs crore)

Source of Financing	Original estimates (at 1979-80 prices)	Latest estimates at constant prices	Latest estimates at current prices	Percentage Distribution of			Percentage excess(+) Shortfall(-) in actual from original estimates in current prices	Percentage excess(+) Shortfall(-) in actual from original estimates in 1979-80 prices
				Original estimates (at 1979-80 prices)	Latest estimates at current prices	Latest estimates (at 1979-80 prices)		
<u>Plan outlay</u>	1550.00	1629.93	1050.88	100.0	100.0	100.0	5.2	-32.2
1. Balance from current revenue	497.61	186.91	128.58	32.1	11.5	12.2	-62.4	-74.2
2. Contribution by public enterprises	-144.87	-113.70	-54.10	-9.4	-7.0	-5.1	21.5	62.7
(i) State electricity Board	-103.70	-6.96	12.48	-6.7	-0.5	1.2	93.5	112.0
(ii) Road Transport corporation	-41.17	-106.74	-66.58	-2.7	-6.5	-6.3	-159.3	-61.7
3. Market borrowing	194.81	204.59	127.89	12.6	12.6	12.2	5.0	-34.4
4. Share of small savings	47.02	67.58	42.09	3.0	4.1	4.0	48.7	-10.5
5. State provident fund	147.27	253.53	149.85	9.5	15.6	14.3	72.2	1.9
6. Miscellaneous capital receipts	-119.52	-305.77	-155.19	-7.7	-18.8	-14.8	-155.8	-29.8
7. Negotiated loans	121.39	82.45	51.38	7.8	5.1	4.9	-32.1	-57.7
8. Additional revenue mobilisation	310.91	364.97	199.11	20.1	22.4	18.9	17.4	-36.0
9. <u>Total - States' resources</u>	1054.62	740.56	489.63	68.0	45.5	46.6	-29.8	-53.6
10. Opening Surplus	65.22	65.22	-42.30	4.2	4.0	-4.0	0	0
11. States' net resources	1119.84	805.78	447.33	72.2	49.5	42.6	-28.0	-60.1
12. Central assistance								
(a) Normal	380.04	438.74	284.17	24.5	26.9	27.0	15.4	-25.2
(b) Centrally aided projects	50.12	44.24	23.80	3.3	2.7	2.3	-11.7	-52.5
<u>Total - 12</u>								
13. <u>Aggregate resources available for the plan</u>	1550.00	1288.76	755.34	100.0	79.1	71.9	-16.9	-51.3
14. Gap in resources	-	-341.17	-295.58	-	20.9	28.1	-	-
15. Medium-term loan	-	136.19	79.78	-	8.4	7.6	-	-
16. Net gap in resources*	-	-204.98	-215.80	-	12.5	20.5	-	-

Notes: 1. Latest estimates are based on the 'forecast of States' resources furnished by the state government in connection with assessment of resources for the Annual Plan, 1986-87.

2. Estimates at constant prices are obtained by deflating current price estimates, with Gross Domestic Capital Formation (GDCF) implicit deflator for 'Public Administration and Defence' for every year and aggregating them for the plan period.

\* Subsequently covered through medium-term loan from the Centre to clear the State's overdraft with RBI.

Source: Planning Commission

Plan Financing in Kerala in the Sixth Plan - A Review

TABLE I.7

Contribution of Public Savings in Financing the Sixth Plan (1980-85): Kerala

	Original estimates (at 1979-80 prices) (Rs crore)	Latest estimates (at current prices) (Rs crore)	Percentage contribution to total Plan expenditure	
			Original estimates	Latest estimates
<u>Budgetary savings</u>				
At 1979-80 base:				
ARM (Tax + non-tax)	497.61	186.91	32.1	11.5
At current rates	<u>717.32</u>	<u>292.42</u>	<u>46.3</u>	<u>18.0</u>
<u>Contribution of PSEs</u>				
At 1979-80 rates	-144.87	-113.70	-9.4	-7.0
(i) SEB	-103.70	-6.96	-6.7	-0.4
(ii) RTC	-41.17	-106.74	-2.7	-6.6
<u>ARM</u>				
(i) SEB	91.29	259.46	5.9	15.9
(ii) RTC	41.69	146.10	2.7	9.0
At current rates	49.60	113.36	3.2	6.9
At current rates	*-53.58	145.76	-3.5	8.9
(i) SEB	-62.01	139.14	-4.0	8.5
(ii) RTC	+8.43	6.62	0.5	0.4
<u>Total Public Savings</u>				
At 1979-80 rates	352.74	73.21	22.8	4.5
ARM	311.00	364.97	20.0	22.4
At current rates	<u>663.74</u>	<u>438.18</u>	<u>42.8</u>	<u>26.9</u>
Plan outlay/expenditure	<u>1550.00</u>	<u>1629.93</u>	<u>100.0</u>	<u>100.0</u>

Source: Planning Commission.

## Plan Financing in Kerala in the Sixth Plan - A Review

TABLE I.8

Balance from Current Revenues (BCR)  
1979-80 & 1984-85

(Rs crore)

Items	1979-80	1984-85		Growth (per cent per annum 1984-85/1979-80)	
		Revenues at 1979-80 rates	Revenues at current rates	At 1979-80 rates	At current rates
1. State's own tax revenue	290.80	567.76	625.64	14.3	16.6
2. Non-tax revenue	116.53	131.24	134.42	2.4	2.9
3. State's own revenues (1+2)	<u>407.33</u>	<u>699.00</u>	<u>760.06</u>	<u>11.4</u>	<u>13.3</u>
4. Share in Central taxes	152.95	233.29	233.29	8.8	8.8
5. Grants from Centre	15.91	20.77	20.77	5.5	5.5
6. State's total revenue (3+4+5)	<u>576.19</u>	<u>953.06</u>	<u>1014.12</u>	<u>10.6</u>	<u>12.0</u>
7. Revenue expenditure	456.91	920.42	920.42	15.0	15.0
8. BCR (6-7)	119.28	22.64	93.70		
	=====	=====	=====		

Source: Planning Commission.

**CAUSES OF SHORTFALL IN BCR AND  
TRENDS IN TAX AND NON-TAX REVENUES**

**2.1 Introduction**

2.1.1 Both at the Centre and in the States resources for the Plan are determined by (i) balance from current revenues (BCR) and (ii) contribution of public sector undertakings (PSUs). BCR, being the excess of current revenues over non-Plan current expenditure is determined by the ability of the respective governments to raise revenue on the one hand and contain current expenditure outside the Plan on the other, while the contribution of PSUs represents the surpluses or savings generated by the State undertakings including depreciation and other reserves. This chapter presents an analysis of the factors underlying the shortfall in BCR and the growth of the tax and non-tax revenue sources in Kerala in the Sixth Plan period in an attempt to investigate to what extent this has constrained the size of the Plan outlay in the State.

**2.2 BCR - Comparison of Estimates and Actuals and Sources of Shortfall**

2.2.1 A comparison of the estimated BCR for the Sixth Plan and its components with the actuals helps to bring out how the resource constraint has affected the Plan financing in the State. For a meaningful comparison of the two, it is necessary to reduce the actuals which are at current prices to base year prices (1979-80), as the targets were fixed in 1979-80 prices. In the absence of a readily available better index, various components of revenue and expenditure were deflated with the implicit deflator of State government consumption expenditures as Non-Plan revenue expenditures are essentially consumption expenditure of the government and revenue receipts are largely meant to finance these consumption expenditures.

2.2.2 The Sixth Plan estimates and actuals of BCR, non-plan expenditures and aggregate receipts of Kerala and its neighbouring States are presented in Table II.1. A comparison of the estimated BCR with the actual for the States in question reveals the following:

- \* While the actual BCR was lower than what had been estimated for the Sixth Plan period not merely for Kerala but for its neighboring States, in the case of Kerala, the shortfall was the maximum (68 per cent).
- \* The failure to achieve the estimated BCR target in Kerala is attributable to shortfall in revenue receipts rather than to excessive spending. In fact, while in the neighbouring States actual expenditures exceeded the estimates in varying magnitudes, in Kerala the actuals were lower than the estimates by about Rs 190 crore. But the shortfall in revenue in Kerala during the Sixth Plan was as high as Rs 530 crore or a little over 14.5 per cent of the estimated revenue. Thus, even when actual non-plan expenditure of the State fell short of the original estimates by about Rs 190 crore, the BCR fell short of the estimates by as much as Rs 340 crore. The deficiency in BCR was not made up through additional resource mobilisation either as the actual ARM fell short of the estimates by nearly 74 per cent in real terms (the actual ARM in constant prices was Rs 58 crore as against a target of Rs 220 crore).

2.2.3 This however, should not be taken to imply that everything was well with the level and pattern of expenditures in the State. An analysis of the expenditure side of the government budget in Kerala is presented in Chapter 4. What is sought to be highlighted here is that the growth of State's own revenues has fallen behind both in relation to that of other States and the State's own record in the past and this constituted the most important source of constraint on the Plan size of the State.

2.2.4 Table II.2 presents a disaggregated picture of the shortfall in actual revenue from the original estimates during the Sixth Plan period by principal revenue heads in Kerala and its neighbouring States. Notable points brought out by the table are:

- \* The maximum shortfall in total revenue including Central transfers occurred in Kerala (14.6 per cent). By contrast, actual revenue exceeded original estimates in Andhra Pradesh and Tamil Nadu while Karnataka had only a marginal shortfall of 1.4 per cent of the original estimates.
- \* The shortfall in Kerala was in the State's own revenue and not in central transfers. Although there was a shortfall of about Rs 63 crore in shared taxes, this was neutralised by a larger Plan grant from the Centre than the estimates. In absolute terms the shortfall in actual receipts from the State's own revenue sources as compared to the estimates amounted to Rs 536 crore.
- \* Among the State's own sources of revenue, the magnitude of shortfall was the highest in the case of non-tax revenue (26.2 per cent), particularly in interest receipts (Rs 95 crore or 65.6 per cent). In absolute terms, the shortfall was greater in 'own tax revenues' (Rs 203 crore) although in percentage terms, non-tax revenue registered a bigger gap between the targets and the actuals.
- \* None of the neighbouring States experienced a short-fall of this magnitude whether in absolute or in percentage terms. Andhra Pradesh had a shortfall of no more than 1.8 per cent and Karnataka 4.7 per cent, while Tamil Nadu had an excess of 1.8 per cent.

2.2.5 Among the State's own tax revenue almost all the major taxes in Kerala suffered shortfalls compared with the projections of the Sixth Plan, ranging from 4.4 per cent in the case of sales tax to almost 31.8 per cent in the case of electricity duty. Revenue from State excise duty suffered a shortfall of 17.4 per cent and taxes on vehicles 21.4 per cent while the gaps in agricultural taxes and stamp duty and registration fees were of the order of 12 per cent. The growth assumed in the major taxes in the State failed to materialise almost in all cases.

2.2.6 It is thus evident that the deceleration in growth of revenue, especially tax revenue, was the main factor responsible for the poor contribution of BCR to the Plan resources in the Sixth Plan period and bringing down the per capita plan size in Kerala relative to the all States' average to a record low level during the Seventh Five Year Plan.

2.2.7 Table II.3 gives the tax-SDP ratios of Kerala for the period 1974-75 to 1984-85 along with those of its neighbouring States. It will be noticed that as of 1984-85 the ratio of the State's own tax revenue to SDP in Kerala, though appreciably higher than the all-India average, was lower than those for the neighbouring States of Andhra Pradesh and Tamil Nadu, and marginally higher than that of Karnataka. A striking feature of Kerala's tax ratio is that while rising from 6.2 in 1974-75 to 9.6 per cent in 1980-81 and 10.1 per cent in 1981-82, the ratio declined in the next two years until 1984-85 when it went up to 10.4 per cent.

2.2.8 Table II.4 gives the tax-SDP ratio in Kerala individually for the major taxes raised by the State from 1974-75 to 1984-85. It is to be noticed that after reaching a peak in 1978-79 and 1979-80 the ratios showed a declining trend in the case of agricultural taxes, stamps and registration, taxes on vehicles and also state excise duties. In the case of sales tax, the main tax source for the States tax revenue, though the overall trend is one of increase over the decade, the ratio is marked by fluctuations during the Sixth Plan period and there was a marginal decline after 1981-82. Thus, for almost all important taxes, there was a decline or stagnation in the tax ratio after the Fifth Plan period.

2.2.9 In terms of buoyancy, that is, responsiveness of revenue to changes in income, tax revenue in Kerala is found to be quite buoyant during 1974-75 to 1984-85 with a buoyancy co-efficient of 1.34. This compares with 1.37 of Karnataka and 1.45 of Tamil Nadu. In Kerala, the buoyancy coefficient of the most important state tax, namely, the sales tax, was lower than that for all the three neighbouring States of Andhra Pradesh, Karnataka and Tamil Nadu. A lower buoyancy is observed in Kerala both for the general sales tax as well as the central sales tax. (Table II.5)

2.2.10 While the tax revenues have been buoyant over the decade 1974-85 as a whole, there was a sharp deceleration in the growth

of the tax revenue in the second half of the decade which spanned the Sixth Plan as compared with the Fifth. During the Sixth Plan period, tax revenue grew at an annual average rate of 14.2 per cent as compared with a growth of over 18 per cent in the Fifth Plan period. (Table II.6). The growth in tax revenue observed in Kerala in the Sixth Plan period was also much lower than in all the three neighbouring States.

2.2.11 Decline in the growth rate of tax revenue in Kerala had occurred during the Sixth Plan as compared with that in the Fifth despite a near doubling of the SDP growth in the Sixth Plan period to 15.1 per cent from 7.6 per cent in the Fifth Plan. Non-agricultural SDP, which is perhaps a better indicator of tax potential had registered a growth of 15.2 per cent per annum during the Sixth Plan as compared with 13.7 per cent in the Fifth. Evidently, the buoyancy of the State's taxes suffered a severe setback during the Sixth Plan period. The average buoyancy of state taxes in Kerala during the Sixth Plan period works out to 1.35 contrasting with a buoyancy of 2.20 registered during the Fifth.

2.2.12 The sharp deceleration in the growth rate of state taxes during the Sixth Plan period as compared to that of the preceding quinquennium is noticeable in each of the major taxes levied in the State (Table II.6). The growth rate fell by as much as 20 percentage points in the case of state excise duties, 5.5 in the case of taxes on vehicles, about 3.8 in the case of agricultural taxes and over 2 percentage points in the case of sales taxes and stamps and registration. Only electricity duty recorded a faster growth during 1980-85 (40.7 per cent) than in 1974-79 (26.6 per cent). In the case of the two most important state taxes, namely, sales tax and state excise duties, the rates of growth observed in Kerala during the Sixth Plan were the lowest among the southern states and in the case of stamps and registration only in Andhra Pradesh, the growth rate was lower.

### 2.3 Factors Underlying Deceleration in the Growth of Tax Revenues

2.3.1 The sluggishness in the tax revenues noticed in Kerala in the Sixth Plan period is attributable to several factors, not all of which could be said to have been within the State government's control. An important factor, possibly, was the fall in the rate of growth of remittances from abroad, particularly from the Middle-east. The continuing Iran-Iraq war and the declining prices of crude oil seem to have affected employment opportunities in the Middle-East adversely leading to declining employment opportunities in this region. It is difficult to assess exactly the impact of this factor in the absence of authentic information on the number of migrants going out from Kerala to the Middle-East, number of migrants returning to the State and the amount of remittances flowing into Kerala every year. It cannot however be gainsaid that this could be an important factor leading to deceleration in the growth in tax revenues. To the extent this trend continues, it will act as a serious constraint in the financing of the Seventh Plan also. It would however be incorrect to attribute the decline in the growth rate of tax revenue in Kerala entirely to the decline in remittances. There were other factors at work undermining the buoyancy and elasticity of tax revenue in the State during the Sixth Plan. The most important factor seems to be a slackening of tax effort. This is evident particularly in the case of sales tax.

2.3.2 Sales tax, being the most important tax source, even a small decline in its rate of growth would naturally affect the resource position of the State considerably. It is found that sales tax growth rate in Kerala registered a decline in the Sixth Plan while all neighbouring States had an appreciable acceleration. The average rate of growth of sales tax in Kerala declined by two percentage points to 13.9 per cent in the Sixth Plan period from 15.9 per cent during the Fifth Plan. An analysis of disaggregated revenue data shows that this was primarily due to a decline in the growth of inter-State sales tax by about 7 percentage points. While it was not possible in

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this study to pinpoint the reasons for the fall in taxable exports to other States, the possibility of widespread evasion and avoidance of the tax due to the predominance of primary commodities in Kerala's exports to other States cannot be ruled out.

2.3.3 Even in the case of the local sales tax a marked decline in growth rate albeit of a lower magnitude was observed during the Sixth Plan. That this occurred despite a notable acceleration in the growth of SDP and especially in non-agricultural SDP suggests that it was the deficiency in tax effort which undermined the growth of sales tax revenue. This deficiency is evidenced by the fact that between 1980-81 and 1984-85 while current demand grew at the rate of 19 per cent per annum on the average, collections out of current demand grew at the rate of only 17 per cent resulting in a growing volume of arrears.

2.3.4 In the case of agricultural income tax, the revenue potential was undermined by successive enhancement of the exemption limit. The rise in the exemption limit for agricultural income tax was presumably allowed in order to maintain parity with the exemption limit for non-agricultural incomes under the Central Income Tax Act though this justification did not hold good for granting total exemption to religious and charitable institutions from paying agricultural income tax, especially when these institutions happened to be owners of sizeable agricultural land. Whatever the justification, these measures could not but have a dampening effect on the growth of revenue. Another important factor affecting the base of the agricultural income tax was the change in the definition of "hectare" for plantation tax purposes. The number of yielding trees in the earlier definition of "hectare" was enhanced in 1981 in respect of 5 major cash crops in the State as follows:

Crop	Number of yielding trees per hectare as per		Reduction in the tax base (per cent)
	1971 amendment	1981 amendment	
1. Coconut	150	200	25
2. Arecanut	1200	1500	20
3. Rubber	400	450	12.2
4. Pepper	750	1000	25
5. Coffee	1200	1500	20
6. Tea	entire area	entire area	-
7. Cardamom			-

The immediate effect of the was, ceteris paribus, to reduce the tax base in varying degrees from 12.2 per cent in the case of coconut and pepper. Again, the exemption limit itself was enhanced from 2 hectares to 4 hectares in 1981-82.

2.3.5 The result of the base erosion of agricultural taxes in the State noted above was that their revenue buoyancy computed on a year to year basis averaged only 0.72 as against 2.51 for the Fifth Plan period. This is reflected in the fact that while growth of agricultural incomes at an average rate of 6.4 per cent during the Fifth Plan led to a growth of revenue from agricultural taxes at an average rate of 14.5 per cent, during the Sixth Plan although agricultural incomes increased at an average rate of 13.1 per cent, per year, average growth in the yield of agricultural taxes was only 10.7 per cent.

2.3.6 In the case of stamp duties and registration fee, a major factor underlying the fall in both the level and growth rate of revenue is the undervaluation of immovable property in sale transactions. This is borne out by the following observations for the Zakaria Mathew Committee which went into this issue:

"...in many areas in Kerala the consideration shown in the documents may not even be 1/10th of the actual consideration" (p. 3).

2.3.7 Given that the prices of immovable properties have appreciated phenomenally over the years, undervaluation undermines the potential of this revenue source grievously. While this is a common factor acting as a drag on the revenue growth for stamps duty and registration fees all over the country, an additional factor in Kerala sapping the buoyancy of this tax could be the fall in remittances with its implications for the volume of immovable property transactions. Remittances are of course an exogenous factor beyond the control of the State government. However, the reform measure suggested by the Zakaria Mathew Committee to counter undervaluation, if implemented, could go a long way to improve the yield of this tax. This seems to be an important source of revenue with a good potential, especially since it is well known that land prices in Kerala have appreciated rapidly as a result of large inflow of funds from workers in the Gulf area.

2.3.8 State excises constitute another significant source of tax revenue in Kerala. In 1984-85, revenue from the tax amounted to over Rs 100.3 crore forming over 16 per cent of the State's own tax revenue. Almost 69 per cent of the revenue from State excise duties is derived from the auctioning of liquor shops. There was a dramatic drop in the growth rate of revenue from State excise in the State during the Sixth Plan to less than 10 per cent from a growth of about 30 per cent in the Fifth Plan. The principal reason for this seems to be the inadequate supply of country liquor. Country liquor produced within the State can meet only a portion of the demand and so a good part of the demand is met by imports from outside. Imports from other States have however been uncertain both because of the State's policy on import of liquor as well as due to uncertainty in the supply position and policies of the major supplying States of Maharashtra, Karnataka and Tamil Nadu. The restrictions imposed on the location of shops beyond 400 metres of educational institutions and religious places while helping to contain the consumption of liquor may also have adversely affected the growth of the tax revenue further.

2.3.9 One of the principal reasons for the fall in the buoyancy of the State's taxes is the mounting volume of tax arrears. The amount of arrears since 1981-82 increased more than 3 1/2 times from Rs 128 crore as on 31.3.1981 to Rs 443 crore on 31.3.1985 (Table II.7). Tax arrears in 1984-85 constituted more than 51 per cent of the State's taxes and duties (including shared taxes) and as a proportion of the State's own tax revenue of the year the amount of arrears was as high as 71 per cent.

2.3.10 Tax arrears as on 31.3.1985 were the highest in the case of electricity duty (Rs 180.51 crore) followed by sales tax (Rs 135.95 crore) State excise duty (Rs 52.01 crore) and agricultural income tax (Rs 24.64 crore). As regards electricity duty, almost the entire amount (Rs 176.72 crore) was due from the State Electricity Board (SEB) and any reduction in the arrear position essentially depends upon the financial performance of the Board. Factors affecting the performance of the SEB are gone into in the next chapter.

2.3.11 The growing volume of arrears was also responsible for the deceleration in sales tax revenue growth. Sales tax arrears multiplied 2 to 3 times in the five year period 1980-81 to 1985-86 (Table II.8). Similar trend in arrears is observed in the case of agricultural income tax. The arrears almost doubled from Rs 14.8 crore to Rs 28.4 crore during the period.

2.3.12 It may be noted that sales tax arrears as a proportion of total tax demand in 1985-86 formed as much as 22 per cent. A large part of this (14.5 per cent) is made up of past arrears, but additions to arrears from current revenue have also not been insignificant (6.5 per cent). Even the remission of arrears by a substantial amount in 1985-86 has not brought down the proportion of tax arrears to total tax demand. Collections as a proportion of tax demand registered a decline from 75 per cent in 1980-81 only to 72 per cent in 1985-86.

2.3.13 Table II.9 and II.10 give a break up of arrears of sales tax and agricultural income tax respectively according to

causes of stay or delay. In respect of both the taxes a major proportion of revenue is under "revenue recovery proceedings" or under stay by appellate authorities. Under revenue recovery proceedings there was an inordinate rise in the case of sales tax in 1984-85, and a continuous increase in the case of agricultural income tax. It was learnt that in the case of sales tax in particular a large part of the amount under revenue recovery proceedings in fact represented demand stayed or deferred by the government. The amount involved under this head stood at Rs 70 crore in 1984-85 and over Rs 55 crore in 1985-86. It appeared that the stay granted in this way did not have any legal sanction in law.

2.3.14 Apart from the above, in the case of sales tax, demand explicitly stayed by the government went up from Rs 2.5 crore in 1980-81 to Rs 7.5 crore in 1985-86. Similarly, in the case of agricultural income tax, there was an increase in demand stayed by government from Rs 33 lakh to Rs 84 lakh during the period.

2.3.15 There has thus been an increasing tendency on the part of the government to stay the collection of revenue, particularly from sales tax. Precise information on the total amount stayed by government under revenue recovery proceedings was not available. However, piecing together the available data, it appears that the amounts stayed under government orders could be about Rs 79 crore in 1984-85.

2.3.16 Other taxes for which the arrears have been increasing markedly over the years are State excise duty and motor vehicles tax. The outstanding arrears of State excise duty on 31.3.1985 was over Rs 50 crore forming as much as 12 per cent of the total arrears of tax revenue in the State. Similarly, in spite of liberal write-off of arrears by the government, outstanding motor vehicles tax due from the State Road Transport Corporation amounted to Rs 21.3 crore at the end of 1985-86.

## 2.4 Non-Tax Revenue

2.4.1 The non-tax revenue sources of the State mainly comprise receipts accruing from a variety of sources such as interest receipts, forest revenue, irrigation receipts, profits and dividend from departmental and non-departmental state enterprises, fees, fines and such other administrative receipts. Table II.11 presents the structure of the State's own non-tax revenue in Kerala in recent years. Overall, it appears that non-tax revenues have grown at a much slower pace than the State's own tax revenue as a result of which the relative contribution of the former has shown a steep decline from about 31 per cent in 1974-75 to 17.7 per cent in 1984-85. Also, non-tax revenue lacked buoyancy with respect to State domestic Product (SDP) and consequently, revenue-income ratio for non-tax sources showed a declining trend from 2.8 per cent in 1974-75 to 2.2 per cent in 1984-85.

2.4.2 Among the various items of non-tax revenue, departmental receipts from forests constituted over a quarter of the State's own non-tax revenue and constituted the most important source under the head next to administrative, social and developmental services. Interest receipts, which came next in importance, generally showed wide fluctuations, largely depending upon the contribution by the State Electricity Board. Irrigation receipts contributed only a minor proportion of the total non-tax revenue and over the years showed a declining trend although the total stock of investment in irrigation registered more than four-fold increase from Rs 87 crore in 1974-75 to Rs 507 crore in 1984-85.

2.4.3 There is no reason why the growth of receipts from other non-tax sources should be so tardy. While the scope for stepping up the rate of growth of forest revenue seems limited, given the need for maintaining the ecological balance, inadequate recoveries by the State government of interest on its loans and failure to generate reasonable surpluses or at least avoid losses on its investments have been the principal factors constraining the growth of non-tax revenues in the

State. While in this study, it was not possible to investigate in detail, the magnitude and implications of the subsidisation implicit in inadequate recoveries of interest and poor return on investment in public undertakings, an attempt was made to broadly indicate the extent of the resource constraint that has resulted on account of this.

2.4.4 The difference between the borrowing and the lending rates is an important item of implicit subsidy provided by the government. The amount of interest subsidy which may be said to have been provided implicitly in this way during the Sixth Plan period is summarised in Table II.12. Except in 1984-85 when substantial interest payment from SEB was made, the borrowing rates have been higher than the average lending rates - the difference being 2.5 per cent in 1980-81, about 4.0 per cent in 1981-82 and over 4.5 per cent in 1982-83 and 1983-84. The amount of interest subsidy, during the Sixth Plan period thus works out to more than Rs 68 crore.

2.4.5 A large part of the interest subsidy accrued to the SEB, for loans to SEB as at the end of 1984-85 amounted to nearly Rs 225 crore forming about 46 per cent of the State's total lendings. Loans to other government companies and statutory corporations amounted to approximately Rs 100 crore forming roughly 21 per cent of the loans advanced by the State. Thus about 67 per cent of the loans were advanced to government companies and statutory corporations. Inadequate generation of surpluses in these enterprises is the principal cause for the poor earning of interest by the State government on its loans. In SEB alone outstanding arrears of interest at the end of 1984-85 stood at Rs 45 crore, after payment of Rs 17 crore as interest in 1984-85. The finances of the State government enterprises are examined in some detail in Chapter 3. It may not be out of place to mention here that any prospect of better interest collection hinges crucially on the performance of State enterprises, as almost 70 per cent of the State's loans are advanced to these enterprises.

2.4.6 In this context, it is to be noted that in Kerala, only 25 per cent of the borrowed funds are advanced as loans to the public by the State. Almost 67 per cent of the advances are made to the State's own enterprises. At the end of 1984-85, while loans advanced by the State constituted 22 per cent of the State's assets, investments in shares of companies and corporations formed 12.6 per cent and investments in irrigation, 25.4 per cent. The remaining 40 per cent of the State's assets are invested in various social and economic infrastructure which are essentially developmental in nature and do not and are not expected to yield financial returns.

2.4.7 One of the major sectors where substantial investment has been made over the years is in irrigation. The total amount of investment in irrigation increased from Rs 277 crore in 1980-81 to Rs 507 crore in 1984-85. Of the various projects only 7 with a total investment of about Rs 63 crore (constituting 12.4 per cent of the total) in 1984-85 were declared commercial. Investment in non-commercial irrigation upto 1984-85 was Rs 407 crore (80 per cent) and on minor irrigation works Rs 37 crore (7.4 per cent).

2.4.8 Although only commercial irrigation is expected to generate financial returns and non-commercial and minor irrigation works are expected to serve largely, a developmental role, it is instructive to assess the opportunity cost of the funds invested in irrigation. Estimates of implicit subsidy arising from uneconomic pricing and poor management of irrigation works in Kerala are presented in Table II.13. It is seen that the recoveries fell far short of working expenses even in the case of commercial irrigation. Losses in irrigation works in a single year, viz., 1984-85, amounted to Rs 28 crore and the loss during the Sixth Plan period was as much as Rs 127 crore. If the opportunity cost of investment in irrigation is assumed to equal the average cost of State's borrowings, the implicit subsidy involved in irrigation works amounted to over Rs 60 crore in a single year, 1984-85 and Rs 231 crore during the period of the Sixth Plan. These are very rough estimates and do not take account of the nature of the irrigation works

or the gestation period involved to generate the expected return. Nevertheless, they indicate the order of implicit subsidy involved in irrigation and the consequent constraint posed on the resources arising therefrom.

2.4.9 As mentioned earlier, outstanding investments in social and economic infrastructure constitutes almost 40 per cent of the State's assets. These are largely developmental and are primarily intended to generate externalities, rather than any direct financial return. However, at least, in the interests of maintaining fiscal balance the operational costs of running these investments need to be recovered. Also the tax system should be able to ensure a return to the State exchequer indirectly from these investments. Where investments financed with borrowing fails to earn any return, directly or indirectly, the budget cannot but get unbalanced.

2.4.10 Table II.14 presents the revenue recoveries and non-plan expenditures in respect of certain selected administrative, social and economic services for the year 1984-85. As may be seen, the excess of non-plan revenue expenditures over revenue recoveries was the highest in the case of social services, particularly education. In higher education alone, the expenditures exceeded the revenue receipts by over Rs 38 crore. In respect of public health, the corresponding amount was about Rs 75 crore.

2.4.11 From the table, it would seem no attempt has been made to follow a rational price structure for various services in the State, especially in the case of higher education and medical services. Underpricing of these services across the board result in subsidising even those who can afford to pay. Underpricing can also lead to inefficient use of the services. Subsidising higher education even in the case of underserving candidates and overcrowding in colleges and universities obviously serves no social purpose. The economically poor but academically deserving students can be helped through appropriate scholarships and freeships. General underpricing of the service does not help to advance this aim. Similarly,

providing free or highly subsidised medical services to the richer sections of society is uncalled for. A recognition of the waste involved in such subsidisation is essential if the budgets of the State are to finance development.

TABLE II.1

Balance from Current Revenues - Plan Estimates and Actuals

(in 1979-80 prices)

States	Estimated revenue (1980-85)	Estimated expenditure (1980-85)	Estimated BCR (1980-85)	Actual revenue (1980-85)	Actual expenditure (1980-85)	Actual BCR (1980-85)	Shortfall in actual revenue from estimated revenue (column 1- column 4)	Shortfall in actual expenditure from estimates (column 2- column 5)	Shortfall in actual BCR over estimates (column 3- column 6)	Percentage short fall in actual BCR from estimates (column 9 column 3)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Kerala	3642.16	3144.55	497.61	3111.86	2954.19	157.67	530.30	190.36	339.94	68.31
Andhra Pradesh	5736.29	4739.44	996.85	5929.96	5372.36	557.80	-193.67	-632.92	439.05	44.04
Karnataka	4750.89	3659.76	1091.13	4684.66	3872.62	812.05	66.23	-212.86	279.08	25.57
Tamil Nadu	5676.03	4745.71	930.32	6032.18	5197.10	835.08	-356.15	-451.39	95.24	10.24

- Notes: 1. Estimated and actual revenues are at 1979-80 tax rates. Revenue effect of Additional Resource Mobilisation has been separated.
2. Actual BCR for Kerala presented here does not tally with the figure presented in Table I.6 because of the different price indices used for converting current price figure into constant price figures. In this table, implicit price index of States' consumption expenditure are employed for deflation.

Source: Planning Commission, Government of India.

Plan Estimates and Actuals of Revenue in Kerala and Its Neighbouring States

TABLE II.2

(Rs crore)

	Kerala			Andhra Pradesh			Karnataka			Tamil Nadu		
	Estima- tes	Actuals	Short- fall of actuals from estima- tes	Estima- tes	Actuals	Short- fall of actuals from estima- tes	Estima- tes	Actuals	Short- fall of actuals from estima- tes	Estima- tes	Actuals	Short- fall of actuals from estima- tes
Agricultural taxes	81.33	70.95	10.38 (12.8)	181.95	107.55	74.4 (40.9)	101.00	70.57	30.43 (30.1)	42.58	60.40	-17.82 (-41.9)
State Excise Duty	368.27	304.01	64.26 (17.4)	876.40	982.96	-106.56 (-12.2)	495.84	505.65	-9.81 (-2.0)	27.88	77.29	-49.41 (-177.2)
Taxes on vehicles	138.57	108.86	29.71 (21.4)	333.56	269.71	63.85 (19.14)	298.60	241.48	57.12 (19.1)	422.30	332.85	89.45 (21.2)
Sales tax	1133.46	1084.17	49.29 (4.35)	1588.43	1575.73	12.7 (0.8)	1381.03	1368.46	12.57 (0.9)	2258.66	2390.91	-132.25 (-5.86)
Electricity duty	95.26	64.96	30.30 (31.8)	1.61	2.16	0.55 (47.4)	67.01	45.31	21.7 (32.4)	7.26	26.16	-18.9 (-260.0)
Stamps and registra- tion	145.20	127.65	17.55 (12.1)	178.75	178.58	0.17 (0.1)	132.35	142.15	-9.8 (-7.4)	241.99	193.04	48.95 (20.2)
Total - State's own tax revenue	1967.60	1764.43	203.17 (10.3)	3326.97	3267.29	59.68 (1.8)	2674.79	2547.80	126.99 (4.7)	3231.96	3291.75	-59.79 (-1.8)
Shared taxes	839.11	775.64	63.47 (7.6)	1640.40	1507.28	133.1 (8.1)	1095.00	1004.16	90.84 (8.3)	1617.00	1488.65	128.35 (7.9)
Total tax revenue	2806.71	2539.97	266.74 (-9.5)	4967.37	4804.58	162.79 (3.3)	3769.79	3551.96	217.83 (5.9)	4848.96	4780.40	68.56 (1.4)
Interest receipts	145.57	50.09	95.48 (65.6)	704.55	586.21	118.34 (16.8)	539.79	450.51	89.28 (16.5)	164.62	268.38	-103.76 (-63.0)
Total non-tax revenue	627.31	463.16	164.15 (26.2)	652.39	562.03	90.36 (13.9)	822.76	817.23	5.53 (0.7)	432.10	662.44 107.99*	-338.43 (-78.3)
Non-Plan grants	39.69	108.63	-68.94 (-173.7)	87.74	593.44	-505.7 (-576.4)	59.88	315.47	-255.59 (-426.8)	36.11	481.23	-445.12 (-1232.6)
Buoyancy/Economy	168.45	-	-	28.79	-	-	98.46	-	-	248.00	-	-
State's own revenue	2763.36	2227.69	535.67 (19.4)	4008.15	3829.24	178.91 (4.5)	3596.01	3365.03	230.98 (6.4)	4022.89	4062.30	-39.41 (-1.0)
Central transfers	878.80	884.27	-5.47 (-0.6)	1728.14	2100.72	-372.58 (-21.56)	1154.88	1319.63	-164.75 (-14.3)	1653.11	1969.88	-316.77 (-19.2)
Total revenue	3642.16	3111.86	530.30 (14.56)	5736.30	5929.96	-193.67 (-3.4)	4750.89	4684.66	66.23 (1.4)	5676.00	6032.18	-356.18 (-6.3)

\* Transfers from various funds.

TABLE II.3  
Tax-SDP Ratios in Kerala  
and Neighbouring States

(Percentage)

Year	Andhra Pradesh	Karnataka	Kerala	Tamil Nadu	All States
1974-75	5.33	6.25	6.21	8.40	3.98
1975-76	7.22	7.66	7.41	8.56	5.67
1976-77	8.02	8.20	8.01	8.05	6.01
1977-78	7.37	7.81	8.66	7.67	5.73
1978-79	7.64	8.36	9.45	8.91	6.10
1979-80	8.04	8.40	9.22	7.98	6.40
1980-81	8.07	8.88	9.62	9.93	6.27
1981-82	7.81	9.80	10.10	11.21	6.82
1982-83	8.54	10.39	9.91	12.97	7.07
1983-84	8.72	11.74	9.35	12.51	6.75
1984-85	10.58	10.35	10.42	11.87	6.99

TABLE II.4

Ratio of major State Taxes to State Domestic Product in Kerala  
(1974-75 to 1984-85)

	1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	1979- 80	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85
Agricultural taxes	0.34	0.50	0.41	0.52	0.55	0.44	0.41	0.32	0.32	0.34	0.42
Stamps and Registration	0.60	0.62	0.66	0.70	0.82	0.73	0.74	0.79	0.74	0.73	0.72
State excise duty	0.78	1.00	1.33	1.59	1.57	1.93	1.86	1.46	1.66	1.55	1.68
Sales Tax	3.78	4.54	4.62	4.82	5.46	5.15	5.83	6.63	6.22	5.89	6.29
Taxes on vehicles	0.51	0.55	0.76	0.78	0.78	0.60	0.57	0.58	0.58	0.60	0.68
Taxes and duties on electricity	0.15	0.16	0.20	0.23	0.24	0.32	0.18	0.30	0.37	0.22	0.61
Other	0.04	0.05	0.03	0.03	0.02	0.03	0.02	0.01	0.01	0.01	0.02
<b>Total</b>	<b>6.21</b>	<b>7.41</b>	<b>8.01</b>	<b>8.66</b>	<b>9.45</b>	<b>9.22</b>	<b>9.62</b>	<b>10.11</b>	<b>9.91</b>	<b>9.35</b>	<b>10.42</b>

TABLE II.5

Buoyancy of State Taxes - Kerala and Neighbouring States  
1974-75 to 1984-85

	Andhra Pradesh	Karnataka	Kerala	Tamil Nadu	All States
1. Land Revenue	-0.5440	0.9474	0.9144	0.8480	0.6036
2. Agricultural income tax	-	0.3387	0.4793	1.1311	0.2836
3. Stamps and Registration	1.1129	1.4008	1.1452	1.2057	1.1680
4. State Excise duty	1.4267	1.2988	1.4610	3.8944	1.4164
5. State tax - Total	1.4638	1.4386	1.3997	1.4205	1.3272
(i) General Sales Tax	1.4504	1.4393	1.4185	1.5743	1.3873
(ii) Central Sales Tax	1.6782	1.4297	1.1823	1.4241	1.1954
Taxes on vehicles	1.1305	1.5414	1.2228	.7965	1.2117
Entertainment Tax	1.0214	1.1103	-	0.9327	0.9934
Total Tax Revenue	1.2810	1.3658	1.3403	1.4488	1.2612

Notes: 1. Buoyancy coefficients have been estimated employing a log linear regression model -  
 $\text{Log } T = a + b \log Y$

where T = tax revenue and Y = state domestic product.

2. All coefficients are significant.

TABLE II.6  
Growth Rates of Tax Revenue in Kerala and Neighbouring States

(Percentage)

Tax	Kerala		Andhra Pradesh		Karnataka		Tamil Nadu	
	1974-79	1980-85	1974-79	1980-85	1974-79	1980-85	1974-79	1980-85
Agricultural taxes	14.53	10.70	Negative*	Negative*	0.20*	5.36*	19.58*	24.73*
Stamps and registration	15.06	12.89	12.68	8.00	13.95	14.96	10.39	14.70
General Sales Tax	15.63	14.15	15.47	22.00	14.30	20.07	10.90	19.61
Central Sales Tax	18.73	11.49	-1.40	20.07	17.50	11.56	15.63	10.56
Sales Tax - Total	15.90	13.91	12.65	21.36	14.89	18.32	11.19	16.22
Taxes on vehicles	24.99	19.52	12.96	16.04	26.99	14.49	10.95	6.75
State Excise Duty	29.65	9.78	18.27	21.42	8.42	17.94	Negative	90.05
Electricity Duty	26.61	40.69	0.0	0.0	9.78	37.86	0.0	24.84
Total Taxes	18.05	14.20	12.74	18.75	14.36	17.27	10.13	19.77

Notes: \* Refers to Land Revenue only.

TABLE II.7  
Arrears of Tax Revenue in Kerala

(Rs crore)

Name of the tax	Arrears as on		
	31.3.1983	31.3.1984	31.3.1985
1. Sales tax	64.98	82.83	135.98
2. Agricultural income tax	20.69	20.85	24.64
3. State excise duty	19.04	25.07	52.01
4. Electricity duty	160.39	177.49	180.51
5. Total	307.67	312.26	442.59

Source: 1. Reports of the Auditor General  
2. Board of revenue,  
Government of Kerala.

TABLE II.8

Arrears of Revenue in Respect of Sales Tax and Agricultural Income Tax in Kerala

	Arrears Revenue (Rs lakh)				Current Revenue (Rs lakh)				Total Rs lakh			
	Demand	Collect- ion	Remiss- ion	Balance	Demand	Collect- ion	Remiss- ion	Balance	Demand	Collect- ion	Remiss- ion	Balance
<b>1. <u>Sales Tax</u></b>												
1980-81	5551.79	794.30	583.85	4173.64	21310.66	19432.22	143.94	1734.50	26862.45	20225.52	727.79	5908.15
1981-82	5908.15	469.72	375.22	5063.21	25378.16	23880.74	110.96	1386.46	31286.31	24350.46	486.10	6449.67
1982-83	6449.67	917.95	884.83	4646.89	28443.18	26388.82	203.14	1851.22	34892.79	27306.77	1087.97	6498.11
1983-84	6498.11	617.89	1077.90	4802.32	33518.08	29745.68	291.73	3480.67	40016.19	30363.57	1369.63	8292.99
1984-85	8282.99	830.24	731.57	6721.18	42916.85	36401.74	138.47	6376.64	51199.84	37231.98	870.04	13097.82
1985-86	13097.82	1319.14	2748.44	9030.24	49350.78	43901.02	495.18	4954.58	62448.60	45220.16	3243.62	13984.82
<b>2. <u>Agricultural Income Tax</u></b>												
1980-81	1123.19	135.49	200.71	786.89	1760.05	997.98	68.44	693.63	2883.24	1133.47	269.15	1480.52
1981-82	1480.62	139.43	265.86	1045.33	1512.84	764.92	317.48	696.30	2993.46	874.35	583.34	1741.63
1982-83	1741.62	209.56	486.59	1045.47	2122.74	912.97	196.07	1023.70	3964.36	1122.53	672.66	2069.17
1983-84	2069.17	215.00	470.15	1383.01	1869.39	1127.32	39.45	702.62	3938.56	1343.32	809.60	2085.63
1984-85	2085.62	245.35	477.48	1362.78	2979.88	1789.18	89.13	1101.60	5065.50	2034.54	566.58	2464.36
1985-86	2464.38	219.01	295.69	1919.68	3053.34	2052.75	76.40	923.99	5517.72	2301.76	372.09	2843.67

Source: Board of Revenue, Government of Kerala.

TABLE II.9  
Arrears of Sales Tax According to Stages of Action

(Rs lakh)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Stay by Government	256.46	191.39	95.85	155.27	785.19	753.86
Stay by Courts	585.54	664.13	750.71	744.51	1493.23	1913.46
Stay by Appellate Authorities	502.13	522.25	532.54	536.23	398.11	1445.99
Under revenue recovery	2181.49	2181.47	2511.27	3532.07	7004.65	5524.88
Action under Sec. 23(2)(b) of the Act	101.90	63.79	47.61	107.34	143.47	151.92
Irrecoverable to be written off	642.82	661.48	801.41	594.05	803.41	918.08
Not ripe for collection since statutory time limit not over	194.49	262.20	381.19	475.16	596.42	603.44
Other action	1447.32	1902.96	1369.53	2108.36	1873.34	2673.14

Source: Same as for Table II.1

TABLE II.10

## Arrears of Agricultural Income Tax According to Stages of Action

(Rs lakh)

Stages of Arrears/Years	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Arrears pending under Revenue Recovery proceeding	289.94	388.74	581.31	689.36	758.58	818.24
under Stay orders from Court	78.81	78.78	79.22	77.83	81.88	79.32
under Stay Government	33.42	33.28	23.61	28.28	38.79	84.34
Amount stayed by other Competent authorities	336.64	411.39	342.56	353.57	248.71	321.58
Amount to be written off	2.63	2.48	2.48	4.98	19.45	5.49
Amount irrecoverable under penalty	12.63	8.29	8.29	8.19	18.89	13.87
Amount not ripe for collection	178.85	243.81	149.76	218.68	323.24	394.88
Amount irrecoverable under other action	555.78	598.93	898.82	721.69	1088.14	1127.43
Total	1488.62	1741.62	2869.17	2885.62	2464.38	2843.67

Source: Same as for Table II.1.

TABLE II.11

## Structure of the States' Own Non-tax Revenues in Kerala

	(Rs lakh)					
	1974- 75	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85
1. Forest	1817 (32.9)	4573 (45.7)	5191 (22.3)	4964 (42.6)	4075 (34.5)	3392 (25.4)
2. Irrigation	96 ( 1.7)	142 ( 1.4)	131 ( 0.6)	113 ( 1.0)	132 ( 1.1)	140 ( 1.0)
3. Profits and dividends	76 ( 1.4)	146 ( 1.5)	184 ( 0.8)	211 ( 1.8)	161 ( 1.4)	199 ( 1.5)
4. Interest receipts	1354 (24.5)	895 ( 8.9)	386 ( 1.7)	1018 ( 8.7)	951 ( 8.0)	3063 (23.0)
5. Civil works	123 (2.2)	264 (2.6)	274 (1.2)	366 (3.1)	319 (2.7)	359 (2.7)
6. Administration social and deve- lopmental services	1500 (27.2)	2969 (29.7)	3522 (15.2)	3968 (34.1)	4421 (37.4)	4443 (33.3)
7. Miscellaneous	551 (10.0)	1016 (10.2)	13545 (58.3)	1002 ( 8.6)	1769 (15.0)	1746 (13.1)
8. Total	5517 (100.0)	10005 (100.0)	23233 (100.0)	11642 (100.0)	11828 (100.0)	13342 (100.0)
9. Percentage of States' non-tax revenue to total States' own revenue	30.9	22.9	38.3	21.0	19.5	17.7
10. Percentage of States' non-tax revenue to State Domestic product	2.8	2.9	6.3	2.6	2.3	2.2

Source: State Budgets.

TABLE II.12

Interest Subsidy in Kerala

1980-81 to 1984-85

(Rs crore)

	Outstand- ing loan of the state govern- ment	Interest paid by the State govern- ment	Average interest paid by the State (per cent)	Loan advan- ced by the State govern- ment	Interest received by the State govern- ment	Average interest received (Per cent)	Account- ing adjust- ments	Average interest rate after account- ing adjust- ment(per cent)	Amount of subsidy
1980-81	1134.51	45.59	4.02	361.72	8.95	2.45	3.33	1.55	8.93
1981-82	1219.69	61.37	4.68	385.60	3.86	1.00	3.83	2.00	18.05
1982-83	1493.05	77.99	5.22	403.67	10.18	2.52	4.53	1.40	15.42
1983-84	1653.00	98.02	5.74	432.97	9.51	2.20	4.61	1.13	19.96
1984-85	1929.91	121.07	6.27	484.52	30.62	6.32	6.11	5.06	5.86

Source: Report of the Controller and Auditor  
General for relevant Years.

TABLE II. 13

Estimates of Irrigation Subsidy

(Rs lakh)

	Irrigation (Commercial)					Irrigation (Non-Commercial)					Minor Irrigation				
	Value of investment	Revenue receipts	Working expenses	Surplus (+) deficit (-)	Estimated subsidy*	Value of investment	Revenue receipts	Working expenses	Surplus (+) deficit (-)	Estimated subsidy	Value of investment	Revenue receipts	Working expenses	Surplus Deficit	Estimated subsidy
1980-81	4664.82	84.96	420.80	-335.84	523.37	20729.41	47.26	157.27	-110.01	943.35	2315.50	20.12	769.21	-749.09	842.17
1981-82	5050.47	59.00	755.50	-696.50	932.86	24961.40	58.08	1319.78	-1261.70	2430.89	2645.52	27.00	904.72	-877.72	1001.53
1982-83	5387.54	49.27	809.40	-760.13	1041.36	29582.83	54.51	1120.88	-1066.37	2610.59	2961.57	26.45	687.99	-661.54	816.13
1983-84	5669.33	105.75	954.14	-848.39	1173.81	34937.53	92.13	1180.55	-1088.84	3003.84	3336.57	25.00	1462.46	-1437.46	1628.99
1984-85	6276.08	70.39	1089.12	-1018.73	1412.24	40651.55	52.10	868.09	-815.99	3364.84	3750.13	32.76	1030.92	-998.06	1233.19
Total-Sixth Plan		369.37	4028.96	-3659.59	5083.64		304.08	4646.57	-4342.49	12443.51		131.33	4855.20	-4723.97	5522.01

Note: \* Amount of subsidy has been estimated by assuming that investment in irrigation should generate a rate of return equivalent to average cost of borrowing of the state, derived from the interest payments as a proportion of the state's outstanding loans.

Source: State Budgets.

TABLE II.14

Departmental Receipts and Non-Plan Expenditures  
Under Selected Heads

(Rs lakh)

Nature of Public Service	Revenue receipts	Non-plan expenditure within revenue account	Excess of non-plan expenditure over revenues
1. General services	24.23	1449.21	1424.98
2. Social and community services	2430.05	47952.00	45521.95
(i) Education of which higher education	1288.08 542.38	30986.93 4356.30	29668.85 3813.92
(ii) Public health (medical, family welfare and public health)	984.75	8357.59	7462.84
3. Economic Services of which	5362.80	11024.00	5661.2
(i) Agricultural	311.41	5160.00	4848.54
(ii) Industry	278.35	862.00	583.65
(iii) Public works	150.40	2841.15	2690.75

Source: States' Budgets.

## CONTRIBUTION OF STATE UNDERTAKINGS

**3.1 Introduction**

3.1.1 The analysis presented in the previous two chapters might seem to suggest that poor generation of public savings in the Sixth Plan period is due more to the growing imbalance in the government budget on the revenue account while the public sector enterprises (PSEs) have done better than expected in as much as the losses turned in by the two major PSEs of the State, viz., the KSEB and the KSRTC were less than had been assumed for the Plan. Such a conclusion would be misleading since the sluggish growth of revenues is traceable to a considerable extent to the poor returns from the massive investments made in the public sector over the previous Plans. Poor return on public investments has severely constrained the growth of revenue both tax and non-tax. While non-tax revenues are affected directly when PSEs fail to pay any interest or dividend, even tax revenues also suffer when the PSEs run into arrear of tax (e.g., electricity duty in the case of KSEB).

3.1.2 Indeed, improvement in the financial performance of State undertakings is crucial if a viable solution is to be found for the resource crunch faced by the State and the State is to be in a position to go in for a plan of a larger size. The importance of securing better return from the PSEs can be seen from the fact that total investment of the State in various undertakings as at the end of 1984-85 amounted to Rs 280 crore. Besides, another Rs 275 crore has been advanced by the State to these undertakings as loans. Thus, over Rs 550 crore have been invested by the State government in PSEs by way of either equity or loans. The total amount of dividend received by the government in 1984-85 from the PSEs on the other hand was only Rs 64 lakh yielding a meager rate of return of 0.23 per cent. While investment in PSEs has increased over the years, both the absolute amount of dividends paid as well

as the rate of return has shown a declining trend (see Table III.1).

3.1.3 Among the State undertakings, dividends paid by statutory corporations were negligible. In the Sixth Plan period, for two years, no dividend was paid while for the remaining three years, it was negligible resulting in a return of 0.06 to 0.07 per cent. In the case of government companies and cooperative banks and societies, the return on investment by way of dividends, though higher than that of the statutory corporations, was less than 0.5 per cent in all the five years of the Sixth Plan.

3.1.4 Even the proportion of dividends paid to the State government to the investment does not provide a true picture of the non-performance of the PSEs in the State as it does not take account of the massive losses made by several State undertakings. As on 31st March, 1985, accumulated losses of government companies and statutory corporations with an investment of about Rs 158 crore, amounted to Rs 199 crore. In as many as 20 undertakings, accumulated losses were more than the investments and in 10, the losses were more than twice the investment (see Table III.2).

3.1.5 The figures given above serve to present a broad picture of the financial performance and position of State undertakings in Kerala. Performance of individual enterprises varies widely but it is difficult to get a reliable up-to-date picture of their working because of long delays in the finalisation of their annual accounts. As of 31-3-1985, although there were 86 government companies and statutory corporations in the State, only 31 companies and 2 statutory corporations had finalised their accounts. Many of these enterprises are small in terms of investment and some are promotional, making it difficult to apply the strict commercial norms in their case. However, a partial picture can be obtained by looking at the finances of those enterprises which have finalised their accounts and drawn up their annual financial statements. Of the government companies which have finalised accounts, 14 having a paid up capital of Rs 57.8 crore,

generated gross profits amounting to Rs 7 crore; the remaining 16 companies with Rs 29.3 crore capital investment generated a loss of Rs 14.8 crore. The accumulated loss of the 30 companies having capital investment of over Rs 87 crore amounted to about Rs 55 crore.

3.1.6 Although government investments are spread over 86 companies and 8 statutory bodies, the bulk of the investments is accounted for by two statutory bodies, namely, the State Electricity Board (SEB) and the State Road Transport Corporation (SRTC). The total capital employed (equity and loans) in State undertakings at the end of March 1985 by way of equity and loans amounted to a little over Rs 550 crore. Of this, about Rs 300 crore or nearly 55 per cent was accounted for by the KSEB and KSRTC. The two undertakings taken together employed 57000 workers, or nearly 57 per cent of the work force in state undertakings in the State. But their contribution to the State's Plan has been negative (Table III.3). In the paragraphs below, an attempt is made to identify the factors affecting the profitability of the two concerns and indicate the areas where attention could be paid to improve their financial performance.

### 3.2 Kerala State Road Transport Corporation

3.2.1 An examination of the financial performance of Kerala State Road Transport Corporation reveals a chronic imbalance between its receipts and expenditures resulting in a large growing deficit. Even if interest payments and depreciation are left out, working expenses of the Road Transport Corporation exceeded its revenue receipts in each of the five years of the Sixth Plan (Table III.4). The net losses, after adjusting for debt servicing and depreciation, were much larger and have been showing an increasing trend. In 1984-85, the Corporation having a paid up capital of about Rs 45 crore, showed a net loss of over 21.6 crore.

3.2.2 Factors which could possibly be responsible for the poor performance of KSRTC are, (i) low fare structure, (ii) high proportion of overage buses causing both low rate of

vehicle utilisation and low fuel efficiency; (iii) poor occupancy ratio; (iv) high marginal cost resulting from either excessive manpower or low labour productivity and (v) poor road conditions. The relative importance of these factors in affecting the performance of KSRTC is examined briefly below in the light of comparable figures for other States.

3.2.3 A comparison of revenue per passenger kilometer in different States summarised in Table III.5 (column 3) indicates that the fares in Kerala do not compare unfavourably with those obtaining in other States and that the scope of augmenting revenue through a revision of the fare structure in Kerala at present is rather limited. Initially, i.e., in 1980-81, revenue per passenger kilometer in Kerala was only about the same as the average for all States but lower than in several of the major States. However, by 1984-85, revenue per passenger kilometer in Kerala was appreciably higher than the average for the country (9.99 paise as compared to 8.97 paise) and also higher than in many States. However, there may still be some scope for enhancing the fares of certain categories. As may be seen from Table III.5, in 1985-86, long distance fares in Kerala were lower than in several States. These fares can perhaps be raised at least to levels prevailing in the neighbouring State of Karnataka.

3.2.4 Poor performance of public transport undertakings is often attributed to the fact that while the cost of operation increases due to increase in wage cost, fuel expenses and cost of repairs, the fares have a tendency to lag behind, thus accentuating the imbalance between revenues and expenditures. From Table III.6 it would be seen that this was not the case in KSRTC. The table sets out the increase in warranted staff cost at constant productivity (revenue earning kilometer per worker), fuel cost at efficiency and cost of tyres and tubes and other expenses over the period 1980-81 to 1984-85. While the normative or warranted increase in costs over the reference period worked out to about 39 per cent, the actual increase was lower (33 per cent). The average fare increase, on the other hand, was as high as 80 per cent. The sources of chronic

imbalance between receipts and costs are therefore to be looked for elsewhere.

3.2.5 A major factor underlying the poor performance of the KSRTC seems to be the high proportion of overaged vehicles. As of 1984-85, the proportion of overaged vehicles in Kerala (over 40 per cent) was the highest among all the State Road Transport Corporations (vide Table III.7). Although the percentage of overaged buses declined by 5 percentage points over the period 1980-81 to 1984-85 the proportion continues to be the highest among all the Road Transport Corporation in the country. Even at the end of the Sixth Plan, overaged bus fleet in KSRTC stands at more than 40 per cent as compared to an All-India average of 16 per cent. This has constrained the capacity of the KSRTC to raise revenue and also added to the cost of operation due to lower productivity of the fleet. Both fleet utilisation and kilometerage per bus turned out to be markedly lower in Kerala than for the country as a whole. Given that the occupancy ratio in Kerala was only slightly higher than the average for the country, lower kilometerage has resulted in very low passenger kilometer per bus (as of 1984-85 only 7900 as compared to an average of 9120 for the country). This obviously affected the revenue earning capacity of the KSRTC.

3.2.6 The high proportion of overaged buses also seems to have brought down the fuel efficiency of the buses. At 3.7 kilometer a liter, the fuel efficiency of KSRTC is the lowest among the State RTCs barring the corporations in West Bengal. Besides overaged buses, high density of population of the State necessitating frequent stoppages, hilly terrain of the routes and unsatisfactory road conditions are also some of the factors which could be responsible for lower fuel efficiency. While it is not possible to specify precisely to what extent these factors weakened the financial position of the KSRTC, the large proportion of overage buses was clearly a big factor behind the low operational efficiency of the KSRTC as reflected in several of the key indicators.

3.2.7 Another important factor contributing to the cost of operations in KSRTC is the high wage cost resulting from the relatively high level of employment and wages. KSRTC has as many as 11.5 workers per bus which is way above the ratio prevailing in many of the States. As a result, revenue earning kilometer per worker in a day in KSRTC happens to be as low as 20.6 as compared with 52.4 in Haryana, around 40 in Punjab and Tamil Nadu, 38.4 in Orissa and 37.6 in Karnataka (Table III.7). Furthermore, whereas the aggregate picture for the country as a whole shows a marginal improvement in the revenue earning kilometers per worker per day from 27.3 in 1980-81 to 29.1 in 1984-85, the situation in KSRTC shows a deterioration from 21.6 to 20.6 during the period. Since the fare structure in Kerala in 1984-85 was not low compared to that of other States, the low level of revenue earning kilometer per worker must be attributed to the lower labour productivity of the workers. The State government is fully aware of this problem and has given directions to reduce the staff-bus ratio from 11.5 to 9. This would, however, involve the redeployment of over 4700 members of the staff or acquisition of an additional fleet of 586 buses to operate 523 schedules involving an additional investment of a little over Rs 20 crore. It was also noticed that despite a high worker-per-vehicle ratio, employment in KSRTC kept on increasing, from 29255 in 1980-81 to 32153 in 1984-85. Evidently, employment in the KSRTC was being provided on considerations other than economic. Hence, increasing the fleet strength ipso facto may not guarantee a fall in the staff-bus ratio unless there is an appreciation of the need for running the enterprise efficiently. Clearly, if the KSRTC is to run efficiently and show improved financial performance, the excess staff should either be retrenched or redeployed elsewhere.

3.2.8 In sum, if the financial performance of KSRTC is to be improved it would be necessary to (i) modernise and augment the fleet and (ii) reduce the staff-bus ratio. Modernisation of overage fleet of over 40 per cent might require an investment of over Rs 45 crore. Similarly, to have a satisfactory staff-bus ratio, investment of another Rs 20 crore or redeployment of 4700 workers elsewhere will be called for.

### 3.3 Kerala State Electricity Board

3.3.1 Among the State undertakings in Kerala, in terms of investment, the State Electricity Board (SEB) ranks first. By March 1985, the outstanding investment by way of loans by the State government to the SEB amounted to more than Rs 255 crore.

3.3.2 Noting that it might not be in a position to make a positive contribution to the financing of the Plan, the Sixth Plan for the State had assumed a loss to the tune of over Rs 100 crore for the KSEB (Table III.3). As it happened, the KSEB performed better and made a positive contribution of about Rs 6 crore at 1980-81 prices, during the period. While this is a substantial improvement over the anticipated scenario, the fact remains that the investment of over Rs 250 crore has produced only a small return. What is more, the picture of better performance conceals the fact that the KSEB failed to pay the dues of electricity duty to the tune of over Rs 100 crore and if this is taken into account, the performance of the undertaking would fall far short of Sixth Plan target.

3.3.3 However, on the face of it, the KSEB is one of the few SEBs which is yielding a positive rate of return on the investment made in them by the respective State governments. It may be seen from Table III.8 that during the Sixth Plan period the the Electricity Boards of Andhra Pradesh, Karnataka and Kerala were the only ones to earn positive commercial profits while the rest of the Boards were suffering losses of varying magnitudes year after year.

3.3.4 What seems to have greatly helped the KSEB to earn a surplus is its low cost of generating power. It may be seen from Table III.9 that the operating cost in KSEB was the lowest both in 1980-81 and 1985-86. In the later year, it was as low as 33 paise per KWH of energy sold which was in fact less than 50 per cent of the average cost of SEBs taken together (70 paise per KWH). This is essentially due to the fact that power generation by public utilities in Kerala is derived entirely from hydel sources, for which the cost of generation is relatively low.

3.3.5 While the apparent contribution of the KSEB towards Plan resources of the State during the Sixth Plan turned out to be much better than anticipated (in that it showed a positive return against an anticipated loss of a rather large magnitude) the financial performance of the Board in reality shows a disturbing trend. It may be seen from Table III.10 that the return on investment declined from 12.9 per cent in the first year of the Sixth Plan (1980-81) to 5.6 per cent in the last year (1984-85). This was primarily due to the continuous decline in commercial profitability at current rates from Rs 22.4 crore in 1980-81 to a meager Rs 33 lakh in 1984-85. If the SEB is to make a significant contribution to the Plan in future, it is necessary to identify the factors responsible for this trend and take corrective measures. While this would require a much more extensive investigation of the working of the SEB than could be undertaken for this study, a few observations may be in order.

3.3.6 One of the important reasons for the low and declining rate of return of KSEB seems to be the low electricity rates. Table III.11 gives a comparative picture of average electricity rates in 1980-81 and 1984-85 and the rates charged to different categories of consumer in 1985-86. It will be seen that the average electricity rate in Kerala continues to be well below the averages for all the Boards, throughout the period. In 1980-81, the average rate in Kerala was lower than the average for all the Boards by almost 30 per cent. In 1984-85, the difference was of the order of 27 per cent and in 1985-86 it was over 36 per cent. A comparison of the power rates charged on different categories of consumers across the States shows that the rates in Kerala, are lower than the All-India average for each of the categories except in the case of agricultural consumers. For industrial consumers in particular, the rates in Kerala happen to be as low as 50 per cent of the All-India average.

3.3.7 Encouraging investment in the State is presumably the motivating factor for charging low electricity rates on industrial consumers. It is however doubtful whether this has helped achieve industrialisation to any appreciable extent in

the face of complaints of frequent interruptions in power supply. Reliance on hydel power has resulted in an almost total dependence on monsoons for continuous power supply. As it is, the growth of power generating capacity has not kept pace with demand. In a situation of such supply constraint, charging low rates of electricity could scarcely help to stimulate industrial activity. In general, this results in uneconomic use of power. It seems that the electricity rates in Kerala could be revised upwards to more realistic levels, at least to the All-India average rates so that it has a restraining influence on wasteful consumption of energy. Incentive for industrialisation is better provided by ensuring regular availability rather than by selling power at a low rate with irregular supply.

3.3.8 The declining trend in commercial profitability of KSEB may also be attributed to a few other factors. Table III.12 summarises selected productivity indicators of the State Electricity Boards in Kerala and other States in 1980-81 and 1984-85. Two striking features of the profitability indicators emerging out of the figures set out in the Table are:

- i) For KSEB, almost all productivity indicators show a pronounced worsening of the position in 1984-85 over the situation that prevailed in 1980-81. Thus, transmission and distribution losses increased by 11 percentage points from 14.2 per cent in 1980-81 to 25 per cent in 1984-85. Both establishment cost as well as operation and maintenance cost per unit of energy sold more than doubled over a span of 4 years, from 7.08 paise/KWH to 14.57 paise/KWH and 2.02 paise/KWH to 4.08 paise/KWH respectively. Evidently, declining productivity has contributed to the deteriorating operating results of the KSEB. These trends in productivity, though partly attributable to the fall in the energy generation caused by weather factors like poor monsoon, cannot possibly be explained fully by this factor. It may not be unreasonable to think that there was a marked deterioration in the working of the electricity Board itself during the Sixth Plan period.
- ii) In spite of the fact that KSEB derived its power entirely from hydel sources, in 1984-85, the KSEB shows higher transmission and distribution losses (25 per cent) than the average of all SEBs (21.6 per cent) as well as higher establishment cost per

unit of energy sold (14.57 paise/KWH) than the average (11.08).

It may not be unfair to conclude that the KSEB could have done better if the decline in productivity was arrested and a check was kept over the transmission and distribution losses. While rationalisation of the tariff structure is also called for, the accent has to be on better management.

In sum, the PSEs in Kerala should and can do much better than they did during the Sixth Plan. This is imperative as their losses constitute a heavy drag on the States Budget. There has to be a public appreciation of the implications of using PSEs for providing employment or permitting inefficiency for the development of the State.

TABLE III.1

Financial Returns from State's Investments

Year	<u>1. Statutory corporations</u>			<u>2. Government companies</u>			<u>3. Cooperative banks &amp; societies</u>			<u>4. Total</u>		
	Invest- ment	Return	Rate of return (Per cent)	Invest- ment	Return	Rate of return (Per cent)	Invest- ment	Return	Rate of return (Per cent)	Invest- ment	Return	Rate of return (Per cent)
1980-81	25.99	0.0159	0.06	110.16	0.2973	0.26	40.01	0.1648	0.41	181.91	0.6339	0.35
1981-82	26.94		0.00	129.52	0.4161	0.32	45.75	0.2277	0.50	208.00	0.8271	0.40
1982-83	29.84	0.0183	0.06	154.88	0.5166	0.33	41.33	0.1865	0.45	231.48	0.9036	0.39
1983-84	33.47	0.0220	0.07	171.19	0.2210	0.13	45.45	0.0874	0.19	257.50	0.4682	0.18
1984-85	36.54		0.00	190.15	0.2264	0.12	48.78	0.2689	0.55	279.55	0.6440	0.23

Source: Report of the Comptroller and Auditor General of India  
(Relevant years).

TABLE III.2  
Accumulated Losses in Selected State Undertakings

( Rs crore)

Name of undertakings	Total invest- ment at the end of March, 1985	Accumulated loss	
		Amount	As on 31st March
1. Kerala State Road Transport Corporation	31.35	69.49	1983
2. The Kerala Ceramics Limited	1.08	7.11	1985
3. Kerala Soaps and Oils Limited	1.44	5.03	1985
4. Trivandrum Rubber Works Limited	1.39	5.74	1983
5. Kerala State Cashew Development Corporation Limited	1.54	34.42	1985
6. Kerala State Civil Supplies Corporation Limited	2.31	12.29	1985
7. Kerala State Construction Corporation Limited	0.88	2.34	1983
8. Metropolitan Engineering Company	0.26	0.95	1983
9. The Kerala Fisheries Corporation Limited	1.79	9.58	1983
10. Transformers and Electricals Kerala Limited	2.91	18.88	1985

Source: Report of the Comptroller and Auditor General of India.

TABLE III.3

## Contribution of Public Enterprises

(Rs crore)

Year	State Electricity Board	State Road Transport Corporation	Total
1980-81	34.21	(-) 8.73	(-) 25.48
1981-82	2.99	(-) 17.32	(-) 14.32
1982-83	(-) 1.19	(-) 21.55	(-) 22.74
1983-84	(-) 3.05	(-) 23.65	(-) 26.70
1984-85	(-) 27.01	(-) 6.82	(-) 33.83
Total- 1980-85 (Actuals)	5.95	(-) 78.06	(-) 72.11
Estimated loss 1980-85 (as per Sixth Plan)	(-) 103.70	(-) 41.17	(-) 144.87

Source: Planning Commission

TABLE III.4  
Financial Performance of  
State Road Transport Corporation

	1980-81	1981-82	1982-83	1983-84	1984-85
Gross receipts	61.16	69.33	75.94	88.53	96.74
Expenditure	62.88	80.83	84.52	98.20	104.72
Gross profits	(-) 1.72	(-)11.53	(-) 8.58	(-) 9.67	(-) 7.98
Debt charges	2.16	4.05	4.90	5.25	7.44
Profit after debt charges	(-) 3.88	(-)15.58	(-)13.48	(-)14.92	(-)15.42
Depreciation	3.78	4.12	4.46	5.45	6.15
Net profit	(-) 7.66	(-)19.70	(-)17.94	(-)20.37	(-)21.57

Source: 1. Planning Commission.  
A Study on the Performance  
of State Road Transport  
Undertakings. May 1976.

2. Kerala State Road  
Transport Corporation

TABLE III.5

**Fare Structure for long Distance routes in various  
State Road Transport Corporations/Undertakings**

Name of the SRTC/Under- taking	Date effe- tive from	Gross fare* per km. (in paise)	Passenger tax/ Motor Vehicle Tax
(1)	(2)	(3)	(4)
Andhra Pradesh	06.05.85	10.0	Upto Rs 397 per seat per quarter M.V. Tax on distance slabs
Assam	07.07.82	9.3	10% of the gross fare (P.T.)
Bihar	01.11.83	11.25	25% of the basic fare (P.T.)
Gujarat	25.04.82	8.44	25% of the gross fare (P.T.)
Haryana	21.04.85	12.0	60% of the basic fare (P.T) Rs.550 per seat per annum (MVT)
Himachal Pradesh	20.04.85	P 9.0	16.7% of the basic fare +20% surcharge on passenger tax
Jammu & Kashmir	01.04.85	8.17	
Karnataka	12.10.85	11.0	Rs.160 per quarter per seat. Rs.30 per standee per quarter (MV tax combi- ned w.e.f. 1.4.1979)
Kerala	15.04.85	9.85	Rs 120 per seat per quarter + 40% surcharge
Madhya Pradesh	04.07.85	12.5	Road tax Rs 22 per seat per quarter. Additional MV tax @ 9 to 12 paise per seat for 10 kms.

Contd.....

TABLE III.5 (Contd.)

Name of the SRTC/Under- taking	Date effe- tive from	Gross fare† per km. (in paise)	Passenger tax/ Motor Vehicle Tax
(1)	(2)	(3)	(4)
Maharashtra	01.04.82	10.0 Upto 30 kms. 11.7 above 30 kms. from starting point	17.5% of gross fare
Manipur	01.12.85	0 14.0 E 16.00	6% of the basic fare + Road Tax Rs 350 per bus per quarter.
Assam	01.08.85	12.5	MV Tax Rs 2000 per annum MPC Tax Rs.3000 per bus per annum
Nagaland	01.04.85	0 13.5 E 16.0	
Orissa	10.10.85	11.35	15% of the basic fare
Punjab Roadways	06.11.80	7.53	35% of the basic fare road tax Rs.500 per seat per annum w.e.f. 1.10.80
Rajasthan	19.06.85	11.78	1.8 paise per seat per km. as special road tax in place of passenger tax w.e.f. 1.10.82
Sikkim	01.09.81	18.0	Nil
Tamil Nadu	01.07.85	P 8.5	Rs 180 to 270 per seat/ standee per quarter (Addl.surcharge on MV Tax w.e.f. 1.4.85)

Contd.....

TABLE III.5 (Contd.)

Name of the SRTC/Under- taking	Date effe- tive from	Gross fare* per km. (in paise)	Passenger tax/ Motor Vehicle Tax
(1)	(2)	(3)	(4)
Tripura	01.07.85	9.0	Nil
Uttar Pradesh	21.09.85	11.16	Passenger tax 16% of the basic fare + insu- rance 5% of passenger tax
<b>West Bengal</b>			
Calcutta STC	15.05.85	10.0	
North Bengal STC	10.09.85	10.0	
Durgapur STC	20.08.85	10.0	

\* Fare payable by a passenger including passenger tax etc.

O = Ordinary; E = Express; H = Hills; P = Plains.

Source: Planning Commission - A Study on the Performance of State  
Road Transport Undertakings, 1986.

TABLE III.6

## Cost Increases and Fare Increases in KSRTC

	Staff cost per revenue earning kilometers (21.6 per day) paise	Fuel cost at constant fuel efficiency (3.7 kms/ litre) paise	Expense on tyres and tubes at const- ant wear paise	Other expenses on repair and maintenance paise	Total expenditure as per 1980-81 norms paise	Actual expenditure paise	Average fare per kilometer paise	Rate of increase in normative cost %	Rate of increase in actual cost %	Rate of increase in fares %
1980-81	134	72	29	41	276	276	5.65	-	-	-
1981-82	148	95	34	47	324	341	6.35	17.4	23.5	12.4
1982-83	154	100	36	48	338	359	7.23	9.3	5.3	11.2
1983-84	167	106	37	48	356	353	7.57	5.9	-1.7	4.7
1984-85	197	103	40	50	384	367	10.15	7.3	4.0	34.1
Increase in 1984-85 over 1980-81	-	-	-	-	-	-	-	39.1	33.0	79.6

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- Notes:
1. The actual revenue earning kilometre per worker per day, fuel efficiency, and wear and tear of tyres and tubes per kilometre and repair expenditures in 1980-81 have been taken as norms to compute cost increase at constant (1980-81) productivity.
  2. Passenger earnings per passenger kilometre is taken as average fare per kilometer.

Source: Planning Commission, A Study on the Performance of Road Transport Undertakings.

TABLE III.7

Selected Performance Indicators of State Road Transport Corporations  
(1980-81 and 1984-85)

	Percentage coverage fleet		Fleet utilisation percentage		Fuel efficiency Km/litre		Kilo-meterage per bus per day		Load factor percentage		Passenger Kilometer per bus per day		Revenue earning per kilometer per worker per day		Staff cost per worker per day (Rs)		Staff cost per revenue earning kilometre (paise)		Revenue earning per passenger Kilometer (paise)	
	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85
Andhra Pradesh	22	17	87	91	4.09	4.58	267	268	73	80.6	9.95	11.28	26.1	29.0	27.29	42.25	105	145	7.15	8.82
Assam	6	17	70	67	4.24	3.78	113	118	81	78.0	4.57	4.61	14.6	13.5	13.75	31.47	128	233	6.52	10.05
Bihar	21	20	68	55	4.00	3.69	133	102	53	49.0	3.80	2.70	17.6	13.4	18.20	25.32	103	190	7.92	11.18
Gujarat	13	14	80	80.3	4.66	4.86	224	243	76.7	74.0	9.29	10.19	29.0	36.7	25.92	54.82	89	149	6.04	8.39
Haryana	Nil	Nil	95	95	4.10	4.13	267	277	78	82.0	10.83	11.82	49.0	53.4	25.56	44.24	52	84	5.11	6.49
Karnataka	22	25	77.2	85.6	3.94	3.93	205	237	68.7	68.8	8.42	8.75	31.4	37.6	24.09	42.04	77	111	6.54	9.82
Kerala	47	42	76.1	76.0	3.70	3.70	204	204	78	77.5	9.38	7.90	21.6	20.6	28.99	41.35	134	200	5.74	9.99
Madhya Pradesh	23	5	84	84	4.15	4.19	200	194	67	69.0	6.96	6.95	26.3	25.6	14.47	22.36	55	87	7.39	9.66
Maharashtra	13	8	87.1	87	4.16	4.26	230	210	81.4	77.0	9.75	8.40	26.7	27.4	28.26	42.94	106	157	5.86	11.56
Orissa	16	10	84	80	3.90	3.80	177	166	79	74.0	6.99	6.31	27.0	38.4	18.53	35.50	69	66	4.80	12.19
Punjab	NA	7	90.3	90.7	3.70	3.96	206	206	81	83.4	8.85	8.92	39.6	29.9	24.34	41.34	62	104	4.37	5.73
Pepsu	NA	7	95	90	3.70	3.91	236	208	81	85.0	10.14	9.36	38.4	35.3	25.32	40.51	66	115	4.62	5.73
Rajasthan	11	28	76	86	4.27	4.40	204	219	81	76.0	8.92	8.99	28.0	30.3	23.37	32.90	80	100	4.94	11.25
Tamil Nadu	10	10	88.9	92.4	3.76	3.93	285	302	80.9	74.0	15.23	14.76	36.0	39.5	25.51	42.96	68	109	4.68	6.81
Uttar Pradesh	15	20	7.8	72	4.12	4.16	154	130	74.0	66.0	7.71	4.47	20.7	17.9	16.31	28.35	64	118	5.60	13.97
Calcutta STC	NA	NA	80.5	57	2.50	2.53	127	80	100	100.0	7.98	5.64	8.3	7.2	24.79	35.53	299	494	5.51	6.55
North Bengal STC	22	51	74	62	3.50	3.50	143	118	66	65.0	5.72	3.93	13.9	11.9	20.95	37.33	150	313	5.49	7.82
Durgapur STC	17	2	84	52	3.37	3.50	146	97	84	78.0	5.50	3.07	15.8	13.9	24.36	35.41	154	254	4.09	8.30
All India	16.5	15.9	82.78	84.0	3.67	3.72	214	219	75.8	74.2	9.28	9.12	27.3	29.1	24.41	40.28	90	134	5.87	8.97

Source: Planning Commission - A study on the performance of State Road Transport Undertakings, 1986.

TABLE III.8

Commercial Profits (+)/Losses (-) at Current Rates of State Electricity Boards  
During the Sixth Plan Period

	1980-81	1981-82	1982-83	1983-84	1984-85	1980-85
Andhra Pradesh	0.82	7.81	6.72	(-)4.73	46.16	56.78
Assam	(-)26.67	(-)23.76	(-)41.42	(-)59.72	(-)76.41	(-)227.96
Bihar	(-)75.53	(-)80.93	(-)91.84	(-)107.12	(-)123.42	(-)478.84
Gujarat	(-)36.37	1.09	(-)6.31	12.86	(-)28.77	(-)57.50
Haryana	(-)38.75	(-)48.57	(-)58.96	(-)40.70	(-)76.23	(-)258.21
Jammu & Kashmir	(-)15.15	(-)19.09	(-)24.58	(-)31.19	(-)33.87	(-)123.88
Karnataka	15.85	17.81	23.93	(-)6.88	(-)17.64	33.07
Kerala	22.38	18.67	3.95	(-)4.59	(-)0.33	40.08
Madhya Pradesh	(-)50.19	(-)51.69	(-)39.83	(-)57.47	(-)67.73	(-)266.91
Maharashtra	(-)44.68	(-)17.78	20.00	9.93	(-)81.06	(-)113.59
Orissa	(-)5.70	(-)11.25	(-)10.33	(-)0.71	(-)12.39	(-)40.38
Punjab	(-)78.56	(-)59.93	(-)78.71	(-)97.52	(-)130.55	(-)445.27
Rajasthan	(-)43.23	(-)50.69	(-)45.48	(-)60.94	(-)79.79	(-)280.13
Tamil Nadu	(-)113.40	(-)176.47	(-)210.95	(-)225.22	(-)143.74	(-)869.78
Uttar Pradesh	(-)193.97	(-)200.03	(-)223.93	(-)236.35	(-)282.71	(-)1136.99
West Bengal	(-)39.81	(-)63.11	(-)71.97	(-)112.79	(-)89.52	(-)377.20
Total*	(-)752.83	(-)775.77	(-)866.33	(-)1045.41	(-)1235.32	(-)4675.66

Includes Himachal Pradesh, Meghalaya and Karnataka Power Corporation also.

Source: Planning Commission, Annual Report on the Working of State Electricity Board and Electricity Departments, April, 1986 .

TABLE III.9

Cost Structure of State Electricity Boards - 1985-86

(Paise per KWh)

	Fuel	Purchase	O&M	Estab- lishment	Miscel- laneous	Depreci- ation	Interest	Total	Total	Increase	
							to		cost	in	
									in	1985-86	
									1980-81	over	
										1980-81	
										(%)	
							Finan- cial insti- tution	State govern- ment			
1. Andhra Pradesh	13.27 (27.8)	5.06 (10.6)	3.60 (7.5)	9.95 (20.9)	3.34 (7.0)	5.04 (10.6)	3.76 (7.9)	5.71 (7.8)	47.74 (100.0)	37.79	26.3
2. Assam	13.36 (12.5)	19.88 (13.5)	11.94 (8.1)	23.27 (15.8)	-	9.97 (6.8)	20.37 (13.8)	43.43 (29.5)	147.22 (100.0)	82.53	78.4
3. Bihar	25.06 (21.9)	23.73 (20.8)	4.96 (4.3)	25.12 (22.0)	-	7.77 (6.6)	16.03 (13.2)	12.60 (11.0)	114.26 (100.0)	67.22	70.0
4. Gujarat	40.85 (50.5)	8.24 (10.2)	6.64 (8.2)	10.00 (12.4)	-	5.49 (6.8)	5.39 (6.7)	4.33 (5.3)	80.94 (100.0)	43.23	87.2
5. Haryana	19.59 (27.9)	5.86 (8.4)	5.91 (8.4)	13.76 (19.6)	-	5.72 (8.2)	8.70 (12.4)	10.63 (15.2)	70.17 (100.0)	43.14	62.7
6. Jammu & Kashmir	0.58 (0.8)	23.31 (30.4)	8.23 (10.7)	11.21 (14.6)	0.50 (0.07)	6.86 (9.0)	11.38 (14.9)	14.68 (19.0)	76.63 (100.0)	57.5	33.3
7. Karnataka	-	32.03 (57.3)	3.59 (6.4)	13.31 (23.8)	-	2.45 (4.4)	2.57 (4.6)	1.98 (3.5)	55.93 (100.0)	25.38	120.4
8. Kerala	-	1.22 (3.7)	3.97 (12.0)	12.41 (37.6)	1.72 (5.2)	3.34 (10.1)	5.62 (17.0)	4.72 (14.3)	33.0 (100.0)	18.77	75.8
9. Madhya Pradesh	20.96 (30.6)	5.24 (7.7)	5.71 (8.4)	9.23 (13.5)	1.37 (2.0)	7.12 (10.5)	7.49 (11.0)	11.01 (16.2)	68.13 (100.0)	48.83	39.5
10. Maharashtra	23.83 (36.3)	10.89 (16.6)	5.75 (8.8)	11.54 (17.6)	0.94 (1.4)	4.52 (6.9)	4.14 (6.3)	4.0 (6.1)	45.61 (100.0)	32.52	101.8
11. Orissa	7.53 (16.3)	2.35 (5.1)	3.39 (7.3)	15.11 (32.7)	-	5.64 (12.2)	8.45 (18.3)	3.77 (8.2)	46.24 (100.0)	28.69	61.2
12. Punjab	22.15 (34.2)	2.49 (3.8)	3.90 (6.0)	11.10 (17.1)	0.66 (1.0)	5.36 (8.3)	4.86 (7.5)	14.30 (22.1)	64.82 (100.0)	38.46	68.5
13. Rajasthan	11.07 (13.9)	22.53 (28.3)	8.15 (10.3)	12.67 (16.0)	-	7.21 (9.1)	8.70 (11.0)	9.10 (11.5)	79.43 (100.0)	42.22	89.1
14. Tamil Nadu	20.75 (28.8)	18.06 (25.0)	4.00 (5.5)	13.37 (18.5)	-	3.94 (5.5)	4.69 (6.5)	7.32 (10.1)	72.13 (100.0)	44.18	63.3
15. Uttar Pradesh	22.88 (28.2)	9.15 (11.3)	3.75 (4.6)	10.49 (13.0)	1.23 (1.5)	7.09 (8.8)	6.49 (8.0)	19.93 (24.6)	81.01 (100.0)	58.79	37.9
16. West Bengal	35.74 (37.5)	10.95 (11.5)	4.90 (5.1)	14.09 (14.3)	-	4.94 (5.2)	15.12 (15.9)	9.56 (10.0)	95.30 (100.0)	53.80	77.1
17. All Boards	19.86 (28.6)	11.15 (16.0)	5.08 (7.3)	12.13 (17.5)	0.87 (1.2)	5.35 (7.7)	6.37 (9.2)	8.72 (12.5)	69.53 (100.0)	41.39	63.0

Source: "Annual Report on the Working of State Electricity Board and Electricity Departments" - Power and Energy Division, Planning Commission, Government of India, April, 1986

TABLE III. 10

## Rate of Return in Kerala State Electricity Board

Year	Capital base	Commercial profits (+)/losses(-)	Interest on borro-	Total return on capital base	Rate of return (%)
1980-81	356.94	22.38	23.70	46.06	12.9
1981-82	411.13	16.67	31.04	49.71	12.1
1982-83	426.94	3.95	31.90	35.85	8.4
1983-84	452.97	-4.59	34.26	29.67	6.6
1984-85	506.67	0.33	28.20	28.53	5.6

Note: Capital base consists of outstanding loans of the Board from the State government and Financial Institutions.

Source: 1. Columns 2 and 4 - A review of Public Enterprises in Kerala from 1980-81 to 1984-85. Bureau of Public Enterprises Government of Kerala.

2. Planning Commission - Annual Report on the Working of State Electricity Board and Electricity Departments, Planning Commission, Government of India.

TABLE III.11

## Electricity Tariff in Different States

(Paise/KWH)

	1980-81	1984-85	1984-85 over 1980-81 (per cent increase)	Category-wise Average Rates in 1985-86 (RE)						
				Domestic	Commercial	Agricul- tural	Industries			Over all
							Low tension	High tension	Power intensive	
Andhra Pradesh	35.62	50.00	40.4	47.00	96.00	8.00	60.00	68.82	55.00	52.10
Assam	38.00	53.68	41.3	55.00	68.00	30.00	53.00	53.00	53.00	53.05
Bihar	39.86	66.86	67.7	57.02	87.62	12.48	126.59	92.49	-	74.06
Gujarat	36.26	65.19	79.8	66.45	66.45	51.46	84.05	74.00	-	72.43
Haryana	26.87	40.38	50.3	42.44	69.82	19.44	72.41	77.30	61.15	47.82
Jammu & Kashmir	24.79	29.75	20.0	30.68	47.10	15.25	21.00	-	-	30.01
Karnataka	27.06	39.02	44.2	45.84	122.27	16.26	63.23	56.63	-	49.04
Kerala	21.20	35.06	65.4	44.50	78.00	33.04	32.00	27.23	21.84	34.37
Madhya Pradesh	35.93	54.22	50.9	39.00	90.25	24.68	70.90	66.08	-	61.32
Maharashtra	28.12	48.20	71.4	39.65	65.60	9.73	47.77	73.65	-	56.76
Orissa	25.90	39.31	51.8	29.00	70.00	20.48	44.60	51.20	30.00	46.71
Punjab	19.02	35.04	84.2	60.40	94.30	10.82	55.08	52.56	-	30.39
Rajasthan	28.16	42.89	63.9	60.24	99.24	25.57	50.20	50.20	-	56.25
Tamil Nadu	30.30	48.60	80.7	52.71	94.74	11.20	79.14	72.91	-	55.08
Uttar Pradesh	33.85	53.31	57.5	55.00	72.00	27.70	72.40	66.90	66.90	53.31
West Bengal	69.81	68.03	71.6	52.50	76.00	36.00	61.00	49.57	-	76.38
Total*	30.54	48.10	57.5	48.80	81.08	20.13	62.09	55.28	-	53.57

Source: Planning Commission,  
Annual Report on the  
Working of State  
Electricity Board and  
Electricity Depart-  
ments, April, 1986.

TABLE III.12

## Selected Productivity Indicators of State Electricity Boards

	Energy generated (MKWH)		Transmission Distribution losses (Percentage)		Establishment Cost Per Unit of energy sold Paise/KWH		O & M Cost per Unit of Energy Sold Paise/ KWH		Employees Per MKWH Energy Sold	
	1981-82	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85	1980-81	1984-85
Andhra Pradesh	9071	13190	22.0	21.3	7.00	9.59	3.45	3.32	9.9	5.8
Assam	726	920	19.5	20.0	13.75	18.15	8.22	11.48	35.7	20.1
Bihar	2583	3240	22.3	23.1	15.04	22.67	3.09	3.91	14.7	12.4
Gujarat	10208	11911	19.8	24.2	5.22	9.16	3.59	7.24	4.6	4.1
Haryana	4818	4545	21.5	19.1	8.77	12.63	4.74	6.48	10.8	9.1
Jammu & Kashmir	785	870	51.1	36.0	6.06	9.85	10.71	6.53	8.3	14.7
Karnataka	7196	9010	22.4	22.0	7.66	9.65	2.34	2.28	7.7	6.7
Kerala	5539	4990	14.2	25.0	7.08	14.57	2.02	4.08	6.9	7.0
Madhya Pradesh	6520	12725	21.8	19.2	8.73	8.75	3.20	4.66	7.3	5.1
Maharashtra	18681	20225	16.1	14.5	6.30	9.08	2.78	4.38	6.5	5.5
Orissa	3364	4355	18.1	18.0	8.08	12.79	2.93	3.08	11.5	10.1
Punjab	7010	10539	20.0	19.0	9.26	11.53	2.35	3.11	9.7	8.9
Rajasthan	3561	3890	26.1	23.2	9.42	9.68	2.86	7.94	16.4	12.5
Tamil Nadu	7832	8960	18.9	18.8	9.59	11.82	2.70	3.55	11.0	11.0*
Uttar Pradesh	11348	13535	15.8	20.3	11.00	11.49	5.00	4.08	12.9	9.2
West Bengal	5640	4415	14.0	22.2	10.31	17.44	2.64	5.72	11.7	12.5
Total*			21.5	21.6	8.95	11.08	3.91	4.63	11.6	9.23

\* Rates to 1983-84

Source: Planning Commission, Annual Report on the Working of State Electricity Boards and Electricity Boards and Electricity Departments, April, 1986.

## TRENDS ON THE EXPENDITURE SIDE

**4.1 Introduction**

4.1.1 Prima facie, sluggish revenue growth seems to be the main cause of the imbalance in the government Budget in Kerala, as expenditures projected for the estimates of public saving for the Plan did not materialise. However, the fact remains that during the Sixth Plan period non-Plan current expenditures grew at 15.2 per cent per annum while the State's own revenue grew at a rate of only 11.6 per cent.

4.1.2 If the growth of non-Plan expenditures could be contained, the contribution of public saving would not have been so meager despite a deceleration in revenues growth. An investigation into the sources of growth of non-Plan expenditures in Kerala shows that not an inconsiderable portion of the State's scarce revenues were used up in expenditures which were patently wasteful and unproductive. With some constraints on wasteful spending the State could have contained the growth of non-Plan expenditures that took place during the reference period and thereby overcome to a considerable extent, if not fully, the financial crisis it was confronted with in meeting the Sixth Plan outlay.

**2. Non-Plan Expenditure Growth in Kerala**

4.2.1 During the decade 1974-75 to 1984-85, in current prices, non-Plan revenue expenditures in Kerala grew at an average rate of 12.8 per cent per annum (see Table IV.1) outpacing the growth rate of the State's own revenues by nearly 3 percentage points. What is more, while the revenue growth has declined, growth of non-Plan expenditures has accelerated over the years: the growth rate of non-Plan revenue expenditures during the Sixth Plan period was 15.2 per cent as compared with 11.6 per cent recorded during the preceding five years, i.e., 1974-75 to 1979-80.

4.2.2 Contrary to the widely held impression, non-Plan expenditures are not necessarily unproductive or "unimportant" since these are essentially meant to maintain assets which are created mostly through investments under the Plans and to meet the requirements of tax collection, general administration, treasury, justice and police and debt servicing. It is essential that these needs are adequately met. However, the growth of expenditures under these heads must bear some relationship to either population growth or prices. As will be seen presently this was not the case in Kerala. Expenditures which are essentially unproductive grew faster than those required for growth.

4.2.3 A broad functional classification of the State's expenditures for the decade 1974-75 to 1984-85 reveals that expenditures on general services grew at a much faster rate than both social and economic services (Table IV.1). Expenditures on general services recorded a growth of 16.3 per cent per year during the period, while expenditures on social and community services grew at the rate of 12.3 per cent and economic services at the rate of only 10 per cent. Non-developmental expenditures as a whole grew at the rate of 14.7 per cent per year while developmental expenditures increased by 11.9 per cent.

4.2.4 Among the general services, the fastest growing components were expenditure on administrative services in general (16.7 per cent), general administration (18.8 per cent) and also natural calamities (19.7 per cent). The rate of growth of debt servicing was also quite high (13.2 per cent) and so was growth of community and social services (12.3 per cent) the latter, largely due to the growing volume of expenditure on social security and welfare.

4.2.5 In terms of economic categories, transfer payments to individuals recorded the fastest growth of 16.9 per cent in the nominal terms and about 10.6 per cent in real terms. Expenditures on goods and services, and on wages and salaries increased at the rate of 12.9 per cent and 11.6 per cent

respectively in nominal terms and 5.8 per cent and 2.7 per cent in real terms.

4.2.6 It could be argued that to a large extent expenditure increases resulted from inflation on which the State government had hardly any control. In order to quantify the impact of inflation on the State's expenditures a deflator was constructed for the present study on the basis of composition non-Plan expenditures on the revenue account. First, expenditures on different functions were suitably disaggregated into economic categories - wages and salaries, goods and services, debt servicing and transfers to others. Then each category of expenditures was deflated by using an appropriate index. Wages and salaries were converted into constant price series by deducting the cumulative effect of dearness allowance payments and salary revisions since 1974-75. Expenditures on goods and services and interest payments were deflated by the SDP deflator. Transfer payments to individuals were classified, to the extent possible, under rural and urban, depending upon the target groups and deflated by the consumer price index (CPI) for agricultural workers and industrial workers respectively. The remaining transfer payments were deflated by using a weighted index of CPI for agricultural and industrial workers with weights assigned on the basis of population shares in rural and urban areas. Expenditures under different categories in current and constant prices are presented in Annex I.

4.2.7 Based on the series of expenditures at current and constant prices, an attempt was made to segregate the impact of increases in prices on the growth of non-Plan expenditures in the revenue account. Essentially, the contribution of the price factor to the growth of expenditures is the difference between the growth rates in current and constant prices. A comparison between constant and current price series of expenditures constructed in the manner indicated above shows that while expenditures in current prices increased at the rate

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\* CPI for industrial workers refers to Alwaye only.

of 12.5 per cent per annum, in real terms the increase was at an annual rate of only 4.9 per cent. That is to say, price increase contributed 7.6 percentage points or over 60 per cent of the increase in non-Plan expenditures.

4.2.8 In the case of wages and salaries which formed as much as 51.9 per cent of the total non-Plan expenditures in the State, the impact of price increase normally gets reflected through dearness allowance (DA) instalments and revision of salaries. Our analysis shows that the cumulative effect of the payment of DA instalments contributed to the growth of non-Plan expenditures by about 2.9 percentage points. The contribution of DA instalments and salary revisions taken together to the growth of non-Plan expenditures was about 3.2 percentage points. Thus, about 75 per cent of the increase in non-Plan expenditures during the decade under consideration can be attributed to factors other than payment of DA instalments and salary revisions. Among the other factors, the principal one seems to be the growth in government employment.

4.2.9 Table IV.3 presents figures of government employment in Kerala according to different categories for three different years, viz., 1975-76, 1980-81 and 1986-87. Rates of growth of employment during this period are given in Table IV.4. In the aggregate, the employment in the government in Kerala increased from 2.45 lakh in 1975-76 to 4.25 lakh in 1986-87, registering an average growth rate of 5.1 per cent per year. Employment in social and community services which accounted for about 59 to 60 per cent of the total employment in government in 1975-76 and 1980-81 shot up to about 68 per cent by 1986-87. Two striking features of the growth are:

- (i) During the years 1980 to 1986, the employment in government in Kerala registered a growth rate of 7.8 per cent per annum marking a more than three-fold rise in growth observed between 1975 and 1980. This was due largely to the very high growth rate of employment observed in the social and community services sector in general and educational services in particular. Between 1980-81 and 1986-87, employment in educational services went up from 97458 to 208735 increasing at an average rate of 13.5 per cent per year whereas during the five years ending 1980-81, the growth rate was only 1.6 per

cent. This was the outcome of the phenomenal growth in the number of teachers, particularly in private but government aided schools during the Sixth Plan.

- (ii) The growth of employment was most pronounced in the case of class II employees - the growth rate averaging about 8.5 per cent during the period from 1975-76 to 1980-81. In the case of class III employees too, the annual growth rate works out to about 8.4 per cent if only the period from 1980-81 is considered. Both in the case of class II and class III personnel, rapid employment growth was observed in social services, particularly in the educational sector, reflecting the abnormal increase in the number of teachers at all levels - lower primary, upper primary, high school and colleges. The increase is to be regarded as abnormal since either population growth nor the requirements of expansion of education in the State which leads the country in literacy warranted such increase.

4.2.10 Another important reason for the enormous growth of non-Plan expenditures is the adoption of a number of developmental schemes by the State outside the Plan. Since additional schemes cannot be taken up easily within the Plan, governments sometimes feel impelled to institute schemes outside the Plan to meet exigencies, but more often such schemes are launched on considerations of political expediency rather than real need and constitute a drain on the State's resources. In Kerala too many such schemes were started outside the Plan causing a severe strain on the non-Plan revenue account. Two conspicuous examples of schemes outside the Plan are the creation of Trichur Medical College and Gandhiji University during the Sixth Plan. Authorisation to start several schools in the private sector, inception of several public works programmes like the "M.L.A. roads" where each M.L.A. was authorised to recommend two road works are some of the other instances of such non-Plan schemes. In 1985-86, as many as 7032 such schemes were listed in the State Budget. The schemes so introduced were given only token support with State budget. But their overall contribution to the growth of non-Plan expenditures in Kerala was not negligible.

4.2.11 An off-shoot of the process of having too many schemes in the pipeline is inadequate provision for maintenance of assets already created. When competing claims are made on the

revenue and pressure is exerted to contain the non-Plan expenditures in order to generate a surplus in the non-Plan revenue account, the tendency generally is not to contain expenditures taken up on political considerations but to come down heavily on the provisions made for the maintenance of services and assets. The result of inadequate provision for maintenance is a steady deterioration in the quality of services and the assets.

#### **4.3. Distortions in Priorities and Cost Escalation**

##### **(i) Distortions in Priorities**

4.3.1 A notable feature of Kerala's developmental effort appears to be the massive growth of outlay on the social services sector, particularly education over successive plans. Total expenditure on education in the revenue account (Plan and non-Plan together) in 1984-85 accounted for 5.9 per cent of SDP Kerala had outstripped the all-State average of 3.4 per cent almost two decades ago. As of mid-1980s, in public spending on education in Kerala happened to be about 1.6 times (Rs 132) the all states average of Rs 80.

4.3.2 It is increasingly acknowledged by economists that in a developing economy, heavy investment in human capital through spending on education and public health is unexceptionable. However, in order that outlay on social services like education does not give rise to problems such as unemployment, the spending pattern on social services should be in harmony with expenditure on the commodity producing sectors, viz., agriculture and industry. In other words, the investment pattern should be so designed as to absorb the growing number of educated persons coming out of schools and colleges in gainful activities. Also, some attention ought to be paid to the quality of the education. Massive spending on education by employing teachers on a large scale when they are not needed without regard for the nature of the education provided and the employment opportunities cannot but be regarded as wasteful and improvident.

4.3.3 As mentioned earlier, Kerala has been in the forefront in the matter of government spending on education both as a proportion of state income and in per capita terms. However, the large amounts spent on social services in general and education in particular has led to a relative neglect of primary and secondary sectors of the economy and rise in the volume of educated unemployed. Another consequence of this development is the swelling of the ranks of educated unemployed in the state year after year. It is not difficult to see what led the High Level Committee on General Education appointed by the State government to observe: "We have built up an edifice which is basically unsound and beyond the capacity of the state to maintain. The state can ill afford to sustain this edifice at the expense of other productive sectors of the economy" (p. 11).

4.3.4 The 'edifice' which was already large was expanded without any apparent justification. For, as is well known, due to high literacy rate among other factors, birth rate in Kerala has come down resulting in a decline in the enrolment of children at the primary level. Besides, expansion of school facilities over the years has ensured its spread in all areas. Almost all villages in the state are served by elementary schools. Nevertheless, expansion of educational facilities in the state was continued on a large scale during the Sixth Plan. During the period 1979-80 to 1984-85, while the enrolment of children in the age group 6-11 recorded a decrease of 0.07 lakh, 417 new primary schools were sanctioned. Likewise, enrolment the age group of 11-14 increased by 1.28 lakh or by 9 per cent during the period 1978-79 to 1983-84, while the number of upper primary schools recorded an increase of about 24 per cent. The problems created by indiscriminate opening of schools was recognised even before the commencement of the Sixth Plan and opening of new schools was strongly discouraged. Nevertheless, new schools in large number were opened in spite of the severe restrictions on the creation of new schools.

4.3.5 Not surprisingly it is widely suspected that the multiplication of schools in the private sector in recent years

has not taken place for the sake of spreading education. Getting a school sanctioned appears to have become a lucrative business in Kerala. In the prevailing system, the entire expenditure on salaries of the teachers and the non-teaching staff is met by the government, but the right to appoint them rests with the management of the school concerned. It is widely known that right to appoint unaccompanied by any obligation to raise funds to meet the expenditure in the face of pressing demand from qualified personnel for teachers' Posts has given rise to malpractices such as the business of "selling" teachers' posts at a high price. Teaching posts in private schools carry the added advantages of immunity from transfer, freedom to enter politics and engaging in other avocations while getting salary and benefits on par with government teachers. Recruitment of teachers being such a profitable business there was a strong impetus for manipulation of enrolled, strength of the teaching staff to stake a claim for new appointments and recruit teachers regardless of need.

4.3.6 It is estimated that about 8000 teachers were superfluous and protected non-teaching staff further adding to wasteful expenditures. As the High Level Committee observed, "Its is unfortunate that much of the funds now expended on education are unproductive if not counter-productive: (p. 17).

4.3.7 With the preoccupation of the management with needless expansion of the teaching staff the qualitative aspect of education has tended to be overlooked. Even under Plan schemes, almost 42 per cent of the funds is set apart for schemes involving salary cost of teachers while little attention was paid to curriculum development, provision of adequate equipment, construction of school buildings and vocationalisation of education. The report of the Comptroller and Auditor General (CAG), 1984-85, also highlights this neglect of qualitative aspect of education on the basis of the findings of the district level committees. In October 1982, the committees indicated that 393 primary schools in the state had neither land nor buildings, 159 had land but no building, 115 primary school buildings needed reconstruction and 618 needed

additional accommodation.

4.3.8 Another area where inordinate growth in expenditure has taken place over the decade 1974-75 to 1984-85 is in transfer payments to various individuals. Under non-Plan revenue account alone, about Rs 53 crore were doled out as subsidy in 1984-85. While subsidies were given under several budgetary heads the maximum amount was disbursed under the head "social security and welfare". Payments under social security schemes formed almost 67 per cent of total non-Plan subsidies. Subsidies under social security and welfare recorded over fivefold increase from Rs 7 crore in 1974-75 to about 36 crore in 1984-85 (see Table IV.5)

4.3.9 The notable social security schemes are summarised in Table IV.6. Among the various schemes those having substantial financial implications are: destitute pension, unemployment assistance and agricultural workers' pension. The revised estimate of expenditure in 1985-86 on each of the three schemes exceeded Rs 10 crore and together amounted to Rs 40 crore. A striking feature of the social security schemes in the state is their wide coverage. Virtually every section of population which could exert adequate pressure is covered under one scheme or another and some benefit from more than one. Little care seems to have been taken to design the schemes properly. To quote the High Level Committee on Social Infrastructure and Services:

"The mode of formulation and implementation of social welfare programme in the state levels much to be desired. There has been a tendency for the proliferation and overlapping of projects. There are many instances of several schemes delivering identical assistance or service and intended to cater to similar categories of beneficiaries. And there is multiplicity of implementing agencies getting involved in the programmes: (P. 4).

**(ii) Time and Cost Over-run in Project Execution**

4.3.10 While the constraint on resources grew more and more acute, pressures kept on mounting for undertaking a large

number of projects resulting in a thin spread of funds over each, that is, grossly inadequate funding, and thereby time and cost overrun and waste all around. Time overruns left a growing number of schemes and unfinished and "spill over" programmes came to account for a large share of resources in successive five year plans. The cost overruns widened the gap between spending in financial terms and physical achievement. Due to resource constraint contractors bills running into large amounts were kept pending. As at the end of 1985-86 amounts due to contractors stood at Rs 65 crore, predominantly in P.W.D. (Rs 18.23 crore), irrigation (Rs 9.31 crore) and minor irrigation. It appears that the delay in disbursing the contractors' bill for long periods has induced the contractors to quote substantial higher amounts in their tender quotations, sometimes by as much as 60-70 per cent. While it was not possible to substantiate this with any firm statistical data, the cost of projects may well have escalated because of this factor. Thus a vicious circle of high cost of public works leading to resource shortage entailing in its turn inadequate funding and thereby delay and further cost escalation set in. The result was a gap between planning and performance.

4.3.11 The extent of inadequate funding of projects can be seen from the fact that in 1984-85, works-in-progress numbered 2256 requiring Rs 102 crore but the budget provision against these was barely Rs 30 crore. Further, over 5500 works which would require approximately Rs 1200 crore to execute were taken up without administrative sanction and a token provision of Rs 100 was made against each. The number of works without administrative sanction increased to 7032 in 1985-86 and the token provision provided for them amounted to Rs 80.4 lakh. The problem became particularly acute in road works. In 1984-85 about 1024 works in various stages of construction requiring about Rs 58 crore were provided with only Rs 15 crore and 3374 road works were allotted a token provision of Rs 100 each. Anywhere between Rs 800 crore to Rs 1000 crore would be required to complete them.

4.3.12 There could perhaps be no better example of improvident

spending of public resources than the scheme of M.L.A. roads in Kerala whereby each M.L.A. could recommend the construction of 2 roads whether or not these were needed or properly planned. Given the political expediency, these took precedence over the works included under the Plan. Of the total of 281 works undertaken under this scheme till 1985-86, 218 had the administrative sanction while 63 were yet to receive approval (Table IV.7). The total expenditure on these works was estimated at about Rs 86 crore of which the sanctioned works were to cost over Rs 62 crore. Against these estimates, only Rs 3.79 crore had been actually spent until the end of March 1986, leaving a major part of funding the works as a liability for the future.

4.3.13 The extent to which the schemes adopted in the earlier Plans have constrained the resources available to take up new schemes is brought out in Table IV.8. It will be seen that almost 34.2 per cent of the Seventh Plan outlay would have to be spent merely on spillover schemes and, if the outlay on externally aided projects and centrally sponsored schemes are excluded, only 40 per cent of the Seventh Plan outlay would be available for new schemes. Spillovers are expected to account for about 74 per cent of the Plan outlay on irrigation and flood control and in the case of energy and transport, the proportion is over 50 per cent.

4.3.14 That inadequate funding led to delay and escalation of costs and further time overrun is borne out strikingly by the spillover in the irrigation projects. Since the State was reorganised in 1956, 14 major and 3 medium irrigation projects were taken up upto the end of the Sixth Plan. Of these, only 3 have been completed. Of the 13 ongoing projects, one was started in the mid-fifties and as many as six were started during the early sixties. While these projects have remained incomplete, the revised cost of the projects multiplied several

leading to waste of public funds. Several instances of laxity involving fairly large sums have been pointed out in the Report of the Comptroller and Auditor General.

4.3.15 There have also been instances of misappropriation which is facilitated by delays in settling claims. Although rules require all claims to be settled within 10 days, claims are rarely cleared within the stipulated period. According to the report of CAG, at the end of March 1985, unsettled claims of 91 divisions for which information was available amounted to about Rs 42 crore. Apart from enabling the engineering divisions to circumvent the budgetary constraints, delay in clearance of dues under 'Cash-Settlement Suspense Account' creates problems in detecting misappropriation.

4.3.16 Improper inventory management has also been pointed out as responsible for enormous waste. Purchases of sluice valves of various sizes by the irrigation department is a case in point. Between June 1981 and May 1984, 9 divisions of the irrigation department purchased 5828 sluice valve sets at a cost of Rs 2.5 crore. Of these, they could utilise only 423 leaving an unused stock of over 5000 sluice valves valued at Rs 2.3 crore. What is more worse these purchases were made from a Coimbatore firm at an exorbitant prices, nearly 3 to 9 times the rates charged by other firms and the rate quoted in the rate contract (see Table IV.10).

4.3.17 In sum, rapid growth of non-productive expenditures (general administration) and wasteful expansion of expenditures on social services introduction of works programmes outside the Plan and laxity in the use of funds aggravated the already precarious budgetary position of the State. The doubling of the strength of employment in education services in the course of just six years merely in the category of school teachers and non-teaching staff which involvement declined underlines the extent to which scarce public services were wasted at the cost of the Plan needs. Heavy arrears of contractors' dues showed that the crises that overtook the state's finances was even more serious than the annual budget statements revealed.

TABLE IV.1

Growth of Non-Plan Expenditures in Kerala  
(1974-75 to 1984-85)

	Growth rate in current prices	Growth rate in constant prices	Growth rate att- ributable to infla- tion (2-3)	Growth rate attri- butable to
(1)	(2)	(3)	(4)	(5)
Fiscal Services	12.17	3.54	8.63	3.16
General Administration	18.77	12.39	6.38	2.34
Jails and Police	12.49	4.17	8.32	3.05
Administrative Services	16.69	10.11	6.58	2.41
Debt servicing	13.24			
Natural Calamity	19.68	12.00	7.68	2.82
<u>General Services - Total</u>	16.25	9.44	6.81	2.50
Education	11.72	2.75	9.01	3.30
Medical, Public Health and Family Welfare	12.00	4.84	7.16	2.63
Other Social Services	15.72	9.56	6.16	2.26
<u>Community and Social Services - total</u>	12.25	3.86	8.39	3.08
Agriculture and Allied Services	9.86	1.95	7.91	2.90
Irrigation and Electricity	5.48	-1.95	7.43	2.72
Industry	19.77	14.07	5.70	2.09
Transport & Communication	13.30	5.99	7.31	2.68
<u>Economic Services - Total</u>	10.03	2.82	7.21	2.64
<u>Total Expenditures</u>	12.82	5.13	7.69	2.82

TABLE IV.2

Price Index of Revenue Expenditures in Kerala and All States

Year	Kerala			All States		
	Compen- sation to emp- loyees	Other expen- diture	Total	Compen- sation to emp- loyees	Other expen- diture	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1974-75	100.0	100.0	100.0	100.0	100.0	100.0
1975-76	117.70	100.45	109.41	104.49	106.90	105.73
1976-77	122.84	104.27	114.56	110.51	111.99	111.79
1977-78	125.58	106.79	115.73	112.31	118.06	113.84
1978-79	123.37	118.48	122.60	110.37	125.16	113.78
1979-80	139.37	121.88	125.65	112.42	140.95	118.50
1980-81	151.52	123.61	133.81	122.43	156.35	130.16
1981-82	169.99	132.91	147.29	140.29	174.50	135.91
1982-83	195.84	142.98	161.74	133.57	194.50	145.01
1983-84	210.75	159.24	176.42	139.26	213.94	151.97
1984-85	228.68	198.90	192.76	145.27	233.26	159.20

- Sources:
1. For Kerala - Computed as explained in the text.
  2. For All States - National Accounts Statistics (Different Year) - Central Statistical Organisation, Government of India.

TABLE IV.3

Government Employment\* by Expenditure Function in Kerala  
(1975-76 to 1986-87)

	1975-76					1980-81					1986-87				
	Class I	Class II	Class III	Class IV	Total	Class I	Class II	Class III	Class IV	Total	Class I	Class II	Class III	Class IV	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
I. <u>Tax Collection Charges</u>	35	840	14189	4529	19593	43	963	17632	2172	20810	70	2135	21587	2019	25811
II. <u>Administrative Services</u>	237	1634	35529	4843	42243	329	2820	39921	5346	48416	489	3424	53043	4059	61015
(a) <u>General Administration</u>	185	1172	11339	4064	16760	257	2238	12277	4454	19236	381	2668	16853	3297	23199
(b) <u>Justice, Jail and Police</u>	52	462	24190	779	25483	72	582	27644	882	29190	108	756	36190	762	37816
(c) <u>Other Administrative services</u>															
III. <u>Social and Community Services</u>	501	8573	121094	16955	147123	697	12670	130784	15869	160020	874	22350	242676	21159	287059
(a) <u>Education</u>	141	2916	82657	4432	90146	206	5404	87668	4180	97458	300	14119	186840	7476	208735
(b) <u>Medical and Public health</u>	227	3936	26194	8726	39083	356	5048	29406	7782	42592	380	5206	37088	9172	51846
(c) <u>Other social services</u>	133	1721	12243	3797	17894	135	2218	13710	3907	19970	194	3025	18748	4511	26478
IV. <u>Economic Services</u>	246	3505	24065	8294	36110	326	5321	29804	6566	42017	477	7735	36025	7207	51444
(a) <u>Agriculture, Animal Husbandary, Forestry and Fisheries</u>	82	1508	11159	2724	15473	54	1906	12561	2765	17286	136	3199	17567	3107	24009
(b) <u>Irrigation</u>	65	927	4208	1459	6659	103	1183	5781	1488	8555	148	1703	7969	1908	11728
(c) <u>Industries</u>	10	157	1049	337	1553	22	465	1031	241	1759	32	484	1244	193	1953
(d) <u>Transport and Communication</u>	30	302	1928	1058	3318	40	357	2315	1171	3883	40	398	2739	1124	4301
(e) <u>Other Economic Services</u>	59	611	5721	2716	9107	107	1410	8116	901	10534	121	1951	6506	875	9453
V. <u>Others</u>															
<u>Total (I to V)</u>	1019	14552	194877	34621	245069	1395	21774	218141	29953	271263	1910	35644	353331	34444	425329

Note: Classification of employment under different class exists only for the salary structure that prevailed prior to 1.7.1978. Classification for subsequent years has been done for the comparable employment categories on the basis of this scale.

Source: Government of Kerala, Appendix I to the Detailed Budget Estimates of the Government (1975-76, 1980-81 and 1986-87).

\* Including employment in government aided schools.

TABLE IV.4  
Growth Rate of Government Employment by Expenditure Functions in Kerala

(in per cent)

	Class I			Class II			Class III			Class IV			Total		
	1975- 76 to 1980- 81	1980- 81 to 1986- 87	1975- 76 to 1986- 87	1975- 76 to 1980- 81	1980- 81 to 1986- 87	1975- 76 to 1986- 87	1975- 76 to 1980- 81	1980- 81 to 1986- 87	1975- 76 to 1986- 87	1975- 76 to 1980- 81	1980- 81 to 1986- 87	1975- 76 to 1986- 87	1975- 76 to 1980- 81	1980- 81 to 1986- 87	1975- 76 to 1986- 87
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
I. Tax collection charges	4.20	8.46	6.50	2.77	14.19	8.85	4.44	3.43	3.89	-13.67	-1.21	-7.08	1.21	3.55	2.54
Administrative services	6.78	6.83	6.81	11.53	3.29	6.96	2.36	4.85	3.71	2.00	-4.49	-1.59	2.77	3.93	3.40
(a) General Administration	6.80	6.78	6.79	13.81	2.97	7.77	1.50	5.42	3.57	1.90	-4.93	-1.88	2.79	3.17	3.00
(b) Justice, Jails and Police	6.72	7.00	6.87	4.73	4.46	4.58	2.71	4.59	3.73	2.51	-2.41	-0.20	2.75	4.42	3.65
III. Social services	6.83	3.84	5.19	8.13	9.92	9.10	1.55	10.85	6.52	-1.32	4.91	2.03	1.69	10.23	6.26
(a) Education	7.88	6.47	7.10	13.13	17.36	15.42	1.18	13.44	7.80	-1.16	10.17	4.87	1.57	13.53	7.93
(b) Medical and Public health	9.42	1.09	4.80	5.10	0.51	2.57	2.34	3.94	3.21	-2.26	2.78	0.45	1.73	3.33	2.50
(c) Other social services	0.30	6.23	3.49	5.20	5.31	5.26	2.29	5.35	3.95	0.57	2.42	1.58	2.22	4.81	3.53
IV. Economic Services	5.79	6.55	6.20	8.71	6.43	7.46	4.37	3.21	3.74	-4.57	1.56	-1.27	3.08	3.43	3.27
(a) Agriculture, animal husbandary, forestry and fisheries	-8.02	1.17	4.71	4.80	9.01	7.08	2.40	5.75	4.21	0.30	1.96	1.20	2.24	5.53	4.07
(b) Irrigation	9.64	6.23	7.77	5.00	6.26	5.68	6.56	5.50	5.98	0.39	4.23	2.47	5.14	5.40	5.28
(c) Industries	17.08	6.44	11.15	24.25	0.57	10.78	-0.35	3.18	1.56	-6.49	-3.53	-4.94	2.52	1.76	2.11
(d) Transport and communications	5.92	0.00	2.65	3.40	1.83	2.54	3.73	2.84	3.24	2.05	-0.69	0.55	3.19	1.72	2.39
(e) Other Economic services	12.54	2.07	6.75	18.20	5.56	11.13	7.24	-3.52	1.18	-19.80	-0.49	-8.78	2.95	-1.79	0.34
TOTAL	6.48	5.38	5.88	8.39	8.56	8.48	2.28	8.37	5.56	-2.86	2.36	-0.05	2.05	7.78	5.14

TABLE IV.5

Transfers (non-plan)

Major heads	(Rs. lakh)										
	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
277 - Education	958.83	1342.29	397.27	424.61	443.18	454.10	500.73	567.82	696.22	812.92	1002.58
278 - Art & Culture	15.49	36.06	48.08	67.19	80.93	109.52	104.88	112.89	47.15	140.73	102.16
298 - Cooperation	2.89	2.4	2.4	.4	-	4.41	22.44	24.87	16.2	658.02	364.49
311 - Animal Husbandary	1.29	3.58	5.76	3.99	6.15	7.59	-	20.50	-	-	-
312 - Fisheries	-	-	-	-	2.65	-	-	-	19.95	-	-
320 - Industry	.25	.25	.40	.40	.40	.40	1.27	132.59	150.25	201.27	207.98
321 - Villages & small Industry	7.99	15.97	11.39	9.83	16.18	21.57	13.34	-	.43	16.38	45.58
334 - Power projects	325.92	445.92	326.0	500.0	537.0	25.0	25.0	25.0	-	-	-
288 - Social welfare	701.84	909.38	895.11	1005.28	1475.28	1717.74	3376.68	3411.27	2801.21	4021.50	3572.53
Total subsidies	2014.50	2755.80	1686.41	2011.70	2561.77	2340.33	4044.34	4294.94	3731.41	5850.82	5295.32
266 -	948.22	1373.56	1493.15	1537.41	1827.22	2537.89	3186.98	4436.73	5490.08	6387.49	7604.30
Total inclusive of 266	2962.72	4129.36	3179.56	3549.11	4388.99	4878.22	7231.32	8731.67	9221.49	12238.31	12899.62

TABLE IV.6  
Social Security Schemes

Sl. No.	Name of the scheme	(Rs in lakhs)						
		Accounts 1981-82	Accounts 1982-83	Accounts 1983-84	Accounts 1984-85	Budget Estimate 1985-86	Revised Estimate 1986-87	Budget Estimate 1987-88
1.	Destitute Pension	985.05	1,221.00	1,010.25	485.79	1,035.00	1,035.00	1,035.00
2.	Unemployment Assistance	411.34	91.51	818.22	898.21	1,000.00	1,200.00	1,000.00
3.	Agricultural Workers' Pension	767.20	391.91	1,081.15	1,105.85	1,350.00	1,744.00	1,600.00
4.	Financial assistance to widows towards marriage expenses of their daughters	150.40	113.83	119.12	111.72	150.00	140.00	140.00
5.	Promotion of circus	0.85	-	0.77	2.27	4.00	4.00	3.75
6.	Welfare fund for journalists	2.50	2.00	3.00	3.00	3.00	3.00	4.00
7.	Welfare fund for Cine Artists	1.00	0.50	1.40	2.00	2.00	2.00	2.00
8.	Welfare Fund for to Coconut, Palmyrah and Arecanut tree climbers	-	1.98	10.83	3.08	3.00	3.00	2.82
9.	Relief to T.B. Patients	30.95	23.60	27.93	37.54	32.91	33.98	34.06
10.	Assistance to voluntary organisations							
	(i) Orphanages	130.37	110.38	124.43	154.69	166.00	166.00	197.90
	(ii) Homes for the aged and infirm	9.78	8.83	9.98	11.84	11.00	11.00	12.00
	(iii) Foundling Homes	2.45	2.46	3.07	2.56	2.50	2.50	3.00
	(iv) Beggar Homes	0.99	0.68	1.00	1.19	1.30	1.30	2.30
11.	Men of Arts and Letters in indigent circumstances Government of India Schemes	11.01	5.09	14.22	24.13	11.00	4.43	11.00
12.	Assistance to Artists in indigent circumstances	11.59	4.84	7.28	6.20	12.00	18.57	20.00
13.	Special pension scheme to the physically handicapped	-	-	14.53	88.24	287.00	287.00	300.00
14.	'Swathanthratha Sainik Samman' Pension	174.12	143.54	217.07	183.21	200.00	340.00	410.00

TABLE IV.7

M.L.A. Roads - Details of Costs etc.

Sl. No.	Name of Distt.	Number of works			Estimate cost of A	Probable cost of construction of 'A'	Expenditure till end of 31.3.1986	Amount required for 1986-87	Budget provision for 1986-87	Addition- nal amount required 1986-87	Remarks
		A	B	A&B	Rs. in lakh	Rs. in lakh	Rs. in lakh	Rs. in lakh	Rs. in lakh	Rs. in lakh	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1.	Trivandrum	16	11	27	215.225	263.890	5.930	68.240	0.500	67.740	A-sanctioned
2.	Quilon	13	11	24	180.420	261.000	12.206	45.500	0.000	45.500	B-to be sanctioned
3.	Pathanamthitta	9	5	14	123.850	167.200	9.270	65.000	0.001	64.999	Col. (5-4) - 1583.609
4.	Alleppey	17	5	22	375.230	506.560	11.180	161.000	16.000	145.000	Rough cost of work to be sanctioned
5.	Kottayam	19	3	22	234.590	316.700	10.460	108.000	32.002	65.998	Rs. 1350.020
6.	Idukki	8	2	10	297.900	308.939	6.287	00.000	0.001	89.380	Anticipated excess in cost in the next
7.	a. Ernakulam Mzha Division	9	1	10	271.42	393.475	28.670	119.250	20.348	98.902	four years including cost of departmental materials.
	b. Ernakulam Division	9	9	18							
8.	Trichur	18	10	28	274.840	384.770	13.170	65.000	10.002	54.998	800.000 Total of 'A' 4653.385
9.	Palghat	19	3	22	533.80	720.63	9.420	232.00	0.000	232.000	Grand Total
10.	Malappuram	24	-	24	631.900	853.000	153.209	350.000	10.003	349.007	8386.994
11.	Calicut	21	3	24	518.480	699.950	71.260	230.000	0.002	232.008	
12.	Wynad	6	-	6	238.230	321.610	22.540	127.00	0.600	187.000	Say Rs. 86 crore
13.	Cannanore	22	-	22	486.400	673.420	20.060	280.00	15.001	261.999	
14.	Kasargod	8	-	8	271.100	365.850	5.810	116.000	0.000	116.000	
TOTAL		218	63	281	4653.385	6236.994	379.472	2059.740	103.860	1955.880	

Source: Public Works Department, Government of Kerala.

TABLE IV. 8

Pattern of Utilisation of Seventh Plan - Outlay (1985-90)

	Total plan outlay	Spillover schemes	Externa- lly aid projects	Centra- lly sponso- red schemes	Amount availa- ble for new schemes	Spillover schemes as a per- centage of plan outlay	New schemes as a per- centage of plan outlay
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Agricultural and allied sectors	31675.00	2092.00	7490.50	4794.00	17298.50	6.6	54.6
2. Rural development	12550.00	300.00	190.00	10375.00	1685.00	2.4	13.4
3. Special area programmes	450.00	-	-	-	450.00	-	100.0
4. Irrigation and flood control	38400.00	28541.00	9817.00	3050.00(-)	3008.00	74.3	(-) 7.8
5. Energy	39880.00	20266.00	6720.00	-	12894.00	50.8	32.3
6. Industry and minerals	20700.00	2473.00	-	1303.00	16924.00	11.9	81.8
7. Transport	17350.00	9540.00	-	460.00	7350.00	55.0	42.4
8. Science, technology and environment	2290.00	985.00	-	-	1705.00	25.5	74.5
9. General economic services	2080.00	500.00	-	513.00	1067.00	24.0	51.3
10. Education, sports, art and culture	7300.00	2168.00	15.00	61.00	5056.00	29.7	69.3
11. Health	5050.00	605.00	-	319.00	4126.00	12.0	81.7
12. Water supply, housing & urban development	20900.00	3692.00	8020.00	300.00	8888.00	17.7	42.5
13. Information and publicity	450.00	-	-	-	450.00	-	100.0
14. Welfare of scheduled castes, scheduled tribes and other backward classes	2200.00	132.00	-	623.00	1445.00	6.00	65.7
15. Labour and labour welfare	575.00	-	-	22.25	552.75	-	96.1
16. Social welfare and nutrition	4500.00	179.00	-	49.50	4271.5	4.00	94.9
17. General services	3650.00	650.00	-	-	3000.0	17.80	82.2
<b>GRAND TOTAL</b>	<b>210000.00</b>	<b>71723.00</b>	<b>32252.00</b>	<b>21869.75</b>	<b>84155.25</b>	<b>34.2</b>	<b>40.1</b>

Source: State Planning Board, Government of Kerala.

TABLE IV.9

Cost Escalation of Major and Medium Irrigation Projects

(Rs in lakhs)							
Sl. No.	Name of the Scheme	Year of starting	Original Estimate	Latest Estimate	Expenditure upto 3/85 (anticipated)	Expected year of Completion	Increase in the original cost (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Major Scheme</b>							
1.	Pamba	1961	383	5200	4874	3/86	1358
2.	Periyar Valley	1956	348	5700	4643	3/86	1638
3.	Chitturpuzha	1963	105	1786	1396	3/86	1701
4.	Kuttiadi	1962	496	4860	4607	3/86	980
5.	Kanhirapuzha	1961	365	4200	3619	1986	1151
6.	Kallada	1961	1328	20000	13216	1987	1506
7.	Pazhassi	1961	1320	5400	4780	1986	409
8.	Chimoni	1976	2900	2343	956	1988	81
9.	Idamalayar	1977	1439	6147	1546	1992	427
10.	Muvattupuzha	1975	1100	4808	1935	1990	436
11.	Kakkadavu	1979	1330	2600	152	1992	195
12.	Beyporepuzha	1979	344	1061	34	1995	308
13.	Kuriarkutty-Karappara	1979	1600	4881	112	1995	305
<b>Medium Schemes</b>							
14.	Attappady	1975	476	2077	523	1990	436
15.	Karapuzha	1975	389	1200	642	1989	308
16.	Vamanapuram	1979	780	3640	69	1993	467
17.	Meenachil	1979	810	4810	30	1993	594
18.	Banasurasagar	1980	1100	1137	112	1990	103

Source: Government of Kerala (1985), Economic Review, State Planning Board, Trivandrum

TABLE IV.10

Prices of Sluice Values Purchased by  
Irrigation Department

Size of cast iron sluice value	Accepted rate of Coimbatore firm (excluding taxes) Rs.	DGS&D rate (excluding taxes)	Percentage of actual cost over DGS&D rate
(1)	(2)	(3)	(4)
300 mm	7250	2400	302.00
250 mm	5900	1908	309.22
200 mm	4400	1319	333.59
150 mm	4000	773	517.46
125 mm	3600	670	537.31
100 mm	3000	519	578.03
80 and 75 mm	2650	384	690.10

Source: Report of the Comptroller and Auditor General, 1984-85, p. 182.

CONCLUSIONS

5.1.1 The main conclusions that emerge from the study may be summed up as follows:

- (i) Though ahead of most States in India in several respects like literacy and life expectancy Kerala has fallen behind others in economic growth. Its per capita income is now below the all-India average while in 1970-71, it ranked above the average. Contrary to the all-India trend, the share of the secondary sector in Kerala's SDP declined in the Sixth Plan period. The deceleration in growth has coincided with a marked decline in public investment in the State in the Fifth and Sixth Five Year Plans. Per capita Plan expenditure in Kerala which happened to exceed the all-India average during the Third and Fourth Plans fell below the country average during the subsequent Plans. For the Seventh Plan the Kerala's index of per capita Plan expenditure stands at 72.5 per cent of the all-India average - an all time low.
  
- (ii) In recent years public investment in Kerala has been constrained by lack of resources for the Plans. Kerala experienced a severe shortfall in resources in the Sixth Plan. In real terms, Kerala's actual Plan expenditure during the Sixth Plan fell short of the contemplated outlay by over 32 per cent. While this may not look too large when viewed against a shortfall of 35 per cent for the country as a whole, the shortfall took place despite a modest target. Moreover, Kerala's own resources could meet barely 43 per cent of the State's Plan expenditure and the rest was financed out of Central assistance and overdrafts from the Reserve Bank.

- (iii) The main factor underlying the resource constraint experienced by Kerala during the Sixth Plan was the failure of the public sector to generate adequate public savings. Whereas the Plan stipulated a contribution of 42.8 per cent towards the Plan outlay from public savings, the actual contribution turned out to be no more than 26.9 per cent. The shortfall stemmed primarily from the inadequacy of budgetary savings. As against a target of 46.3 per cent contribution to the Plan from budgetary savings, the balance from current revenue contributed only 18 per cent. The other component of public savings, viz., surpluses of public enterprises made a positive contribution of 8.9 per cent in the Plan expenditure as compared with an anticipated loss of 3.5 per cent. This was made possible by an improvement in the financial results of the Kerala State Electricity Board. However, the performance of the State enterprises in the State was far from satisfactory.
- (iv) Shortfall in BCR as compared with the Plan estimates was the highest in Kerala among the southern States. Kerala's shortfall in BCR was 68 per cent as compared with 49 per cent in Andhra Pradesh, 18 per cent in Tamil Nadu and 33 per cent in Karnataka.
- (v) Unlike in the neighbouring States, failure to achieve BCR target in Kerala was due to shortfalls in revenue receipts rather than to excess of non-Plan expenditures over the estimates. Actual expenditures happened to be lower than estimates by Rs 190 crore but revenue fell short of the target by Rs 530 crore leaving a BCR deficiency of Rs 340 crore. This could not be made up through ARM as the latter could achieve only 26 per cent of the target.
- (vi) Although expenditures did not exceed the projections, the deficiency in Kerala's budgetary saving in the Sixth Plan is attributable mainly to a faster growth

of non-Plan expenditure than revenue receipts. During 1980-85, non-Plan revenue expenditure recorded a growth of 15 per cent per annum while revenue receipts grew at the rate of only 12 per cent including ARM yield.

- (vii) Almost all major heads of capital receipts also had shortfalls of varying magnitudes compared to Plan estimates. In market borrowing, the shortfall was of the order of 34 per cent and in negotiated loans, it was 58 per cent.
- (viii) Among the southern States, Kerala had a shortfall of 14.6 per cent in total revenue while Andhra Pradesh and Tamil Nadu had an excess and Karnataka, a shortfall of 1.4 per cent. The shortfall in Kerala was in the State's own revenue and not in central transfers.
- (ix) In percentage terms the shortfall was higher in non-tax revenue (26.2 per cent) particularly in interest receipts (Rs 95 crore or about 66 per cent), though in absolute terms, the shortfall was greater in own tax revenue (Rs 203 crore). None of the neighbouring States experienced shortfalls of this magnitude either in relative or in absolute terms.
- (x) Tax-SDP ratio in Kerala, though higher than the all-India average falls below that of its neighbouring States, Tamil Nadu and Andhra Pradesh and is marginally higher than that of Karnataka. The ratio in Kerala behaved erratically during 1980-84.
- (xi) Growth of tax revenues suffered a setback in Kerala in the Sixth Plan, declining from 14.2 per cent per annum as against 18 per cent in the Fifth. Tax revenue growth in Kerala during the Sixth Plan was much slower than that in the neighbouring States.

- (xii) Tax revenue growth in Kerala had decelerated during the Sixth Plan despite near doubling of the SDP growth from 7.6 per cent in the Fifth Plan to 15.1 per cent in the Sixth.
- (xiii) All but one among the major taxes suffered sharp deceleration in growth during the Sixth Plan. Only electricity duty recorded a faster growth than in the previous five years. There were shortfalls in the revenue from almost all the taxes in relation to the Plan projections.
- (xiv) Several factors undermined the potency of the State's taxes in Kerala in the Sixth Plan. An important factor could be the fall in the workers' remittances from abroad. However there were other factors at work, the most important of which seems to have lack of effort on the part of the government. Lack of effort is evidenced by the growth of huge arrears resulting from stays granted by government especially in sales tax, often without any legal sanction. Arrears of sales tax multiplied twofold from Rs 65 crore on March 31, 1983 to Rs 134 crore on March 31, 1985.
- (xv) In the case of agricultural taxes, the revenue potential was weakened by successive enhancement of exemption limit; total exemption of religious and charitable institutions and amendment made in the definition of hectare for plantation tax purposes.
- (xvi) The potential of stamp duties and registration fees also went unexploited because of undervaluation of properties.
- (xvii) Growth rate of State excises slumped from 30 per cent in the Fifth Plan to 10 per cent in Sixth, because of inadequate supply of country liquor and restrictions on location of shops.

- (xviii) While electricity duty recorded good growth, receipts from electricity duty suffered because of the default of SEB.
- (xix) Over the years, non-tax revenues grew at an even slower pace than tax revenues resulting in a steep decline in the share of the former in total revenues of the State from 31 per cent in 1974-75 to 17.7 per cent in 1984-85. Non-tax revenue also lacked buoyancy with respect to SDP.
- (xx) Tardy growth of non-tax revenue resulted from the spread between borrowing and lending rates of government. The implicit interest subsidy works out to Rs 68 crore in the Sixth Plan.

Another factor was poor return on investments, especially in irrigation. The implicit irrigation subsidy could be of the order of Rs 230 crore during the Sixth Plan. Inadequate recovery of user charges in health and education also sapped the potential of non-tax revenue.

- (xxi) Among the non-tax revenue sources, large shortfall occurred in "Interest receipts", only Rs 44 crore was received under this head as against an expected sum of Rs 146 crore, the shortfall being of the order of 70 per cent. Andhra Pradesh and Karnataka also experienced shortfalls in interest receipts but of a much smaller order (around 25 per cent of the anticipations), while Tamil Nadu's receipts under this head exceeded the projections by Rs 84 crore or 51 per cent. The shortfall in interest receipts in Kerala was caused largely by the inability of its State undertakings to pay adequate interest on the loans from the government.
- (xxii) The State public sector enterprises (PSEs) apparently did better than expected in that the losses of the

two major enterprises, viz,, KSEB and KSRTC turned out to be less than had been projected. In fact however the poor return of the PSEs and their inability to pay even interest on the loans given by the government constituted an important factor behind the growing budgetary imbalance in the State.

- (xxiii) In the Sixth Plan period, dividends paid by statutory corporations were negligible.
- (xxiv) As of March 1985, accumulated losses of government companies and statutory corporations with an investment of about Rs 158 crore amounted to Rs 199 crore. In 20 undertakings, accumulated losses exceeded the investments and in 10, losses aggregated to more than twice the investment.
- (xxv) In KSRTC, working expenses (excluding interest payments and depreciation) exceeded revenue receipts in all the five years of the Sixth Plan. Two important factors underlying the poor operational efficiency of KSRTC seem to be (a) high proportion of old vehicles (40 per cent of the total compared to an all-India average of 16 per cent) and (b) high level of employment and wages. Revenue earning kilometer per worker per day happened to be 20.6 in Kerala, compared with 52.4 in Haryana, around 40 in Punjab and Tamil Nadu and 38.4 in Orissa. There was a deterioration in this respect in Kerala between 1980-81 and 1984-85. Despite a high worker-vehicle ratio, employment in KSRTC increased from 29255 in 1980-81 to 32153 in 1984-85.
- (xxvi) KSEB is one of the few SEBs in India yielding a positive return on investment but its financial performance shows a declining trend. There is room for upward revision of electricity tariff especially for industrial consumers. All productivity indicators also show a worsening performance.

Transmission and distribution losses increased from 14.2 per cent to 25 per cent in the Sixth Plan. Establishment cost per unit of energy sold in Kerala is high compared to all-India average.

- (xxvii) Growth of non-Plan revenue expenditure accelerated from 11.6 per cent in the Fifth Plan period to 15.2 per cent in the Sixth. Unproductive and wasteful expenditure seem to have grown faster than those required for growth. Expenditure on general services grew at 16.3 per cent per annum as against 12.3 per cent for social and community services and 10 per cent for economic services. Within general services, general administration and natural calamities showed fastest growth (18 to 20 per cent).
- (xxviii) In economic categories, transfers to individuals recorded rapid growth (about 17 per cent per annum).
- (xxix) About 60 per cent of the increase in non-Plan expenditure was caused by inflation. However, there was a threefold rise in the growth rate of government employment between 1980 and 1986. Employment in educational services went up from less than 1 lakh in 1980-81 to over 2 lakh in 1986-87, at an annual rate of 13.5 per cent contrasting with a growth of 1.6 per cent in the preceding five years. This is the result of indiscriminate employment of teachers in private (but government supported) schools.
- (xxx) Another contributory factor in the growth of wasteful non-Plan expenditure was the institution of "development" schemes outside the Plan. Schools and colleges were set up when they were not needed and each MLA was authorised to recommend construction of two road works - widely known as "MLA roads". In 1985-86, over 7000 such schemes were instituted. Though these were given only token support in the budget, they constituted a growing burden on the

government finances in the State resulting in inadequate provision for maintenance of assets already created.

- (xxxii) There has also been a proliferation of social welfare schemes, accounting for almost 67 per cent of the non-Plan subsidies. Virtually every section of the population is covered by one scheme or the other and some by more than one. There is also a multiplicity of implementing agencies.
- (xxxiii) Growing expenditure on employment of teachers has resulted in distortions in priorities and neglect of quality of education.
- (xxxiiii) Resource constraint created a vicious circle in that it led to gross underfunding of many projects resulting in time overruns which in turn entails cost escalation. In 1984-85, about 1024 on-going road works requiring about Rs 58 crore were provided with only Rs 15 crore and 3374 road works were allotted a token provision of Rs 100 each. Anywhere between Rs 800 to 1000 crore would be required to complete them. Underfunding also led to large spill over of projects. Thus, only 40 per cent of the Seventh Plan outlay in Kerala was available for new projects.
- (xxxv) Laxity in expenditure control and inventory management provided scope for misappropriation and wasteful spending.

The lesson that emerges from the study is that Kerala's public investment suffered a severe setback thereby affecting its growth prospects grievously because of lack of effort to raise revenues on the one hand and wasteful spending on the other especially on transfers and patently uneconomic creation of schools, colleges and roads. Inefficient running of PSEs, the tendency to use them for

providing employment and failure to recover user cost for services provided by the State requiring large investment like irrigation all contributed to the acute financial crisis that faced the Government of Kerala at the close of the Sixth Plan.

TABLE A. 1. 1

Government Expenditure (non-Plan) in Kerala  
(1974-75 to 1984-85)

1974-75

(Rs lakhs)

Expenditure Items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	709.38	137.79	-	-	847.17	709.38	137.79	-	-	847.17
General administration	926.14	563.11	-	948.22	2437.47	926.14	563.11	-	948.22	2437.47
Jails and police	1084.83	395.97	-	-	1480.80	1084.83	395.97	-	-	1480.80
Sub total: <u>General services</u> <sup>1/</sup>	2720.35	1187.27	-	948.22	4855.84	2720.35	1187.27	-	948.22	4855.84
Education	8451.99	606.52	-	958.83	10017.34	8451.99	606.52	-	958.83	10017.34
Medical and family welfare	1155.69	694.43	-	-	1850.12	1155.69	694.43	-	-	1850.12
Public health	273.12	508.91	-	-	782.03	273.12	508.91	-	-	782.03
Other social services	678.58	516.26	-	717.33	1912.17	678.58	516.26	-	717.33	1912.17
Sub total: <u>Community and social services</u>	10559.38	2326.12	-	1676.16	14561.66	10559.38	2326.12	-	1676.16	14561.66
Agriculture and Allied services	545.06	690.44	-	1.29	1236.79	545.06	690.44	-	1.29	1236.79
Irrigation and electricity	303.37	115.47	-	325.92	744.76	303.37	115.47	-	325.92	744.76
Industry	81.99	37.91	-	8.24	128.14	81.99	37.91	-	8.24	128.14
Transport and communication	140.82	823.18	-	-	964.00	140.82	823.18	-	-	964.00
Other Economic services	628.07	453.12	-	2.89	1084.08	628.07	453.12	-	2.89	1084.08
Sub total: <u>Economic services</u>	1699.31	2120.12	-	338.34	4157.77	1699.31	2120.12	-	338.34	4157.77
Total expenditures <sup>2/</sup>	14979.04	5633.51	2852.59	2962.72	23575.27 (26427.86)	14979.04	5633.51	2852.59	2962.72	23575.27 (26427.86)

Notes: 1/ Including expenditure on Natural calamities.

2/ Figures within parentheses are row totals - including expenditure on debt servicing.

TABLE A. 1. 1 (Contd.)

1975-76

Expenditure Items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total Expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total Expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	866.27	179.81	-	-	1046.08	735.31	176.30	-	-	911.61
General administration	1077.93	627.01	-	1373.56	3078.50	919.14	614.46	-	1419.85	2953.45
Jails and police	1311.05	447.94	-	-	1758.99	1118.29	438.98	-	-	1557.27
Sub total: <u>General services</u>	3255.25	1425.50	-	1373.56	6054.31	2757.42	1397.06	-	1419.85	5574.33
Education	10234.80	708.47	-	1342.29	12285.56	8701.19	694.30	-	1387.52	10783.01
Medical and Family welfare	1407.32	1120.06	-	-	2527.38	1194.88	1097.66	-	-	2292.54
Public Health	312.65	237.12	-	-	549.77	260.42	232.38	-	-	492.80
Other social services	795.68	356.11	-	945.44	2097.23	674.04	348.98	-	976.96	1999.98
Sub total: <u>community and social services</u>	12750.45	2421.76	-	2287.73	17459.94	10830.53	2373.32	-	2364.48	15568.33
Agriculture and Allied services	649.27	927.56	-	3.58	1580.41	551.48	909.00	-	3.73	1464.21
Irrigation and electricity	378.67	6.16	-	445.92	830.75	321.70	6.04	-	460.95	788.69
Industry	69.73	96.43	-	16.22	182.38	61.28	94.51	-	16.75	172.54
Transport and communication	159.19	1108.69	-	0.00	1267.88	137.87	1086.51	-	-	1224.38
Other Economic services	767.51	676.51	-	2.40	1446.42	658.72	662.99	-	2.48	1324.19
Sub total: <u>Economic Services</u>	2024.37	2815.35	-	468.12	5307.84	1731.05	2759.05	-	483.91	4974.01
Total Expenditures	18030.07	6662.61	3424.50	4129.41	28822.09 (32246.59)	15319.00	6529.43	3356.01	4268.24	26116.67 (29472.68)

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TABLE A.1.1 (Contd.)

1976-77

Expenditure Items	I. In current prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments of persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	956.30	231.56	-	-	1187.86	759.38	207.95	-	-	967.33
General Administration	1177.21	659.41	-	1493.15	3329.77	937.11	593.47	-	1730.99	3261.57
Jails and police	1408.30	541.08	-	-	1949.38	1130.99	486.97	-	-	1617.96
Sub total: <u>General Services</u>	3541.81	1508.88	-	1493.15	6543.84	2827.48	1357.54	-	1730.99	5916.01
Education	12029.88	673.46	-	397.27	13100.61	9581.10	606.11	-	460.55	10647.76
Medical and Family welfare	1636.94	1112.62	-	-	2749.56	1308.72	1001.36	-	-	2310.08
Public health	351.70	365.90	-	-	717.60	274.67	329.31	-	-	603.98
Other social services	866.18	210.41	-	943.19	2019.78	694.75	189.35	-	1088.55	1972.65
Sub total: <u>Community and social services</u>	14884.70	2362.39	-	1340.46	18587.55	11859.24	2126.13	-	1549.10	15534.47
Agriculture and allied services	702.32	880.67	-	5.76	1588.75	565.50	792.60	-	6.77	1364.87
Irrigation and electricity	20.95	508.80	-	326.00	855.75	16.16	457.92	-	377.93	852.01
Industry	87.75	55.22	-	11.79	154.76	64.63	49.70	-	13.63	127.96
Transport and communication	169.23	1207.94	-	-	1377.17	129.26	1087.14	-	-	1216.40
Other economic services	883.62	383.81	-	2.40	1269.83	694.73	345.44	-	2.78	1042.95
Sub total: <u>Economic Services</u>	1863.87	3036.44	-	345.95	5245.26	1470.28	2732.80	-	401.11	4604.19
Total Expenditures	20290.38	6907.71	3782.01	3179.56	30377.65 (34159.66)	16157.00	5216.47	3403.81	3681.20	26054.67 (29458.48)

TABLE A.1.1 (Contd.)

1977-78

Expenditure Items	I. In current prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	991.00	274.32	-	-	1265.32	802.90	238.91	-	-	1041.81
General administration	1224.00	697.56	-	1537.41	3459.00	986.89	599.89	-	1826.55	3413.33
Jails and police	1490.00	536.57	-	-	2026.57	1221.07	461.45	-	-	1682.52
Sub total: <u>General services</u>	3705.00	1959.90	-	1537.41	7202.34	3010.86	1688.50	-	1826.55	6525.91
Education	12128.00	555.44	-	424.61	13108.05	9852.20	477.68	-	504.47	10834.35
Medical and family welfare	1575.00	1286.84	-	-	2860.94	1271.25	1106.68	-	-	2377.93
Public health	249.00	270.62	-	-	519.62	234.18	232.73	-	-	466.91
Other social services	881.00	134.94	-	1072.47	2088.41	702.54	116.04	-	1266.35	2084.93
Sub total: <u>Community and social services</u>	14833.00	2247.84	-	1497.08	18577.02	12060.17	1933.13	-	1770.82	15764.12
Agriculture and Allied services	730.00	821.62	-	3.99	1555.61	585.45	706.60	-	4.82	1296.87
Irrigation and electricity	175.00	365.89	-	500.00	1040.89	100.36	314.66	-	594.04	1009.06
Industry	102.00	97.01	-	10.23	227.08	83.64	83.42	-	12.11	179.17
Transport and communications	171.00	1276.55	-	-	1447.55	133.82	1097.84	-	-	1231.66
Other economic services	920.00	659.08	-	0.40	1579.48	752.70	566.80	-	0.47	1319.97
Sub total: <u>Economic services</u>	2098.00	3220.15	-	514.62	5850.61	1655.97	2769.32	-	611.44	5036.73
Total Expenditures	20636.00	7427.89	4194.53	3549.11	31629.97 (35807.53)	16727.00	6390.95	3607.30	4208.81	27326.76 (30934.06)

TABLE A.1.1 (Contd.)

1978-79

Expenditure Items	I. In current prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	1043.62	267.54	-	-	1311.16	746.60	216.71	-	-	963.31
General administration	1295.00	704.51	-	1827.73	3826.73	937.22	570.64	-	2114.35	3622.21
Jails and police	1610.00	741.14	-	-	2351.14	1159.60	600.33	-	-	1759.93
Sub total: <u>General services</u>	3948.02	1759.46	-	1827.22	7535.30	2843.42	1425.16	-	2114.35	6382.93
Education	12874.00	871.04	-	443.18	14188.22	9229.22	705.54	-	512.82	10447.55
Medical and family welfare	1935.00	1116.68	-	-	3051.68	1382.00	904.51	-	-	2286.51
Public health	300.00	299.56	-	-	599.56	222.39	185.94	-	-	408.33
Other social services	861.00	736.88	-	1556.21	3154.09	619.50	596.86	-	1793.67	3010.03
Sub total: <u>Community and social services</u>	15970.00	3024.16	-	1999.39	20993.55	11453.08	2392.85	-	2306.49	16152.42
Agriculture and Allied services	769.00	1006.08	-	8.80	1783.88	555.98	814.92	-	10.40	1381.30
Irrigation and electricity	315.00	1273.02	-	537.00	2125.02	222.39	190.17	-	621.38	1033.94
Industry	64.00	17.33	-	16.58	97.91	47.66	14.04	-	19.13	80.83
Transport and communication	191.00	1581.19	-	-	1772.19	142.97	1280.77	-	-	1423.74
Other economic services	882.00	840.92	-	-	1722.92	619.40	681.12	-	-	1300.52
Sub total: <u>Economic services</u>	2221.00	4718.54	-	562.38	7501.92	1588.40	2981.02	-	650.91	5220.33
Total expenditure	22139.62	9502.16	4401.43	4388.99	36030.77 (40432.20)	15884.90	6799.03	3565.16	5071.75	27755.68 (31320.84)

TABLE A.1.1 (Contd.)

1979-80

Expenditure items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	1209.00	299.46	-	-	1508.46	633.00	220.99	-	-	853.99
General administration	1540.00	1054.82	-	2537.89	5132.72	1032.80	780.57	-	2744.85	4558.22
Jails and police	2108.00	455.79	-	-	2563.79	1399.27	337.28	-	-	1736.55
Sub total: <u>General services</u>	4757.00	2121.81	-	2537.89	9516.70	3065.07	1569.53	-	2744.85	7379.45
Education	14369.00	2326.68	-	454.10	17149.98	9578.35	1721.89	-	491.13	11791.37
Medical and family welfare	2001.00	1646.19	-	-	3647.19	1332.64	1218.18	-	-	2550.82
Public health	525.00	306.29	-	-	831.29	349.82	226.65	-	-	576.47
Other social services	1094.00	160.57	-	1827.26	3081.83	732.95	118.83	-	1959.91	2811.69
Sub total: <u>Community and social services</u>	17989.00	4439.93	-	2281.36	24710.29	11993.76	3285.55	-	2451.04	17730.35
Agriculture and Allied services	927.00	1193.90	-	7.59	2128.49	616.35	883.56	-	8.43	1508.34
Irrigation and electricity	341.00	530.56	-	25.00	896.56	233.21	392.62	-	27.04	652.87
Industry	81.00	46.59	-	21.97	149.56	49.97	34.48	-	23.71	108.16
Transport and communication	221.00	1698.04	-	-	1919.04	149.92	1256.54	-	-	1406.46
Other economic services	824.00	801.50	-	4.41	1629.91	549.72	593.11	-	4.77	1147.60
Sub total: <u>Economic services</u>	2394.00	4270.59	-	58.97	6723.56	1599.17	3160.31	-	63.95	4823.43
Total Expenditure	25240.00	10832.33	4791.55	4878.22	40950.55 (45742.10)	16658.00	8015.39	3545.75	5259.84	29933.23 (33478.98)

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TABLE A.1.1 (Contd.)

1980-81

Expenditure Items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	1421.00	311.83	-	-	1732.83	840.02	221.44	-	-	1061.46
General Administration	1773.00	1049.49	-	3186.98	5276.80	1054.14	934.94	-	3132.47	5121.55
Jails and police	2187.00	802.69	-	-	2989.69	1284.74	569.91	-	-	1854.65
Sub total: <u>General services</u>	5381.00	2507.36	-	3186.98	11342.67	3178.90	1970.03	-	3132.47	8281.40
Education	16288.00	2972.40	-	500.73	19761.13	9586.12	2110.40	-	492.17	12188.69
Medical and family welfare	2244.00	1988.24	-	-	4232.24	1317.68	1411.65	-	-	2729.33
Public health	339.00	738.36	-	-	1077.36	197.65	524.24	-	-	721.89
Other social services	1253.00	-390.67	-	3481.56	4387.75	741.75	101.08	-	3442.34	4284.62
Sub total: <u>Community and social services</u>	20124.00	5308.33	-	3982.29	29458.48	11842.65	4147.37	-	3934.51	19924.53
Agriculture and allied services	844.99	1601.30	-	-	2446.29	494.13	1136.93	-	-	1631.06
Irrigation and electricity	361.00	956.90	-	25.00	1342.90	214.12	679.40	-	24.57	918.09
Industry	82.00	52.17	-	14.61	148.78	49.41	37.04	-	14.19	100.64
Transport and communication	246.00	2515.01	-	-	2761.01	131.77	1785.65	-	-	1917.42
Other economic services	960.00	833.96	-	22.44	1816.40	560.02	592.12	-	22.06	1174.20
Sub total: <u>Economic services</u>	2493.99	5959.34	-	62.05	8515.38	1449.45	4231.14	-	60.82	5741.41
Total Expenditure	27998.99	13775.03	4870.32	7231.32	49316.53 (53875.66)	16471.00	10348.54	3457.93	7127.80	33947.34 (37405.27)

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TABLE A.1.1 (Contd.)

1981-82

Expenditure Items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	1624.93	336.50	-	-	1961.43	833.56	231.59	-	-	1065.15
General Administration	1958.89	1501.53	-	4436.73	7897.15	1009.89	1051.06	-	3928.05	5989.00
Jails and police	2429.38	930.00	-	-	3359.38	1234.31	651.00	-	-	1885.31
Sub total: <u>General services</u>	6013.20	2986.57	-	4436.73	13436.50	3077.76	2086.63	-	3928.05	5092.44
Education	19223.00	2463.27	-	567.82	22254.09	9810.36	1724.29	-	502.72	12037.37
Medical and family welfare	1506.90	3429.99	-	-	4936.89	769.44	2400.99	-	-	3170.43
Public health	285.42	882.60	-	-	1168.02	144.27	617.82	-	-	762.09
Other social services	1386.95	593.56	-	3524.16	5504.67	705.32	415.50	-	3124.33	4245.15
Sub total: <u>community and social services</u>	22402.27	7369.42	-	4091.98	33863.67	11429.39	5158.60	-	3627.05	20215.04
Agriculture and Allied services	1484.29	1305.31	-	20.50	2810.10	753.41	913.72	-	18.74	1685.87
Irrigation and electricity	249.77	1572.16	-	25.00	1846.93	128.24	1100.51	-	22.13	1250.88
Industry	96.05	58.48	-	132.59	287.12	48.09	40.94	-	117.22	206.25
Transport and communication	284.58	2373.53	-	-	2658.11	144.27	1661.47	-	-	1805.74
Other Economic services	862.83	538.20	-	24.87	1425.90	448.84	376.74	-	22.02	847.60
Sub total: <u>Economic services</u>	2977.52	5847.68	-	202.96	9028.16	1522.85	4093.38	-	180.11	5796.34
Total Expenditure	31392.99	16203.67	5982.96	8731.67	56328.33 (62311.29)	16030.00	11338.61	4188.07	7735.21	35103.82 (39291.89)

TABLE A. 1. 1 (Contd.)

1982-83

Expenditure Items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	1845.91	318.95	-	-	2164.86	874.00	210.50	-	-	1084.50
General Administration	2188.55	1400.87	-	5490.08	9079.50	1048.80	924.57	-	4302.23	6275.60
Jails and police	2697.58	1071.13	-	-	3768.71	1276.04	706.94	-	-	1982.98
Sub total: <u>General services</u>	6732.04	2946.72	-	5490.08	15168.84	3198.84	1944.82	-	4302.23	9445.89
Education	22675.86	1206.52	-	696.22	24578.60	10767.68	796.30	-	545.58	12109.56
Medical and family welfare	2013.08	3045.04	-	-	5058.12	961.40	2009.72	-	-	2971.12
Public health	618.77	217.13	-	-	835.90	297.16	143.31	-	-	440.47
Other social services	1521.18	568.60	-	2848.36	4938.14	699.20	375.27	-	2232.57	3307.04
Sub total: <u>Community and social services</u>	26828.89	5037.29	-	3544.58	35410.76	12725.44	3324.60	-	2778.15	18828.19
Agriculture and Allied services	1599.05	1099.34	-	19.95	2718.34	751.64	725.56	-	15.63	1492.83
Irrigation and electricity	423.62	977.42	-	-	1401.04	192.28	645.10	-	-	837.38
Industry	107.94	61.83	-	150.68	320.45	52.44	40.81	-	118.09	211.34
Transport and communications	325.43	2820.15	-	-	3145.58	157.32	1861.30	-	-	2018.62
Other economic services	822.70	423.31	-	16.20	1262.21	402.04	279.39	-	12.69	694.12
Sub total: <u>Economic services</u>	3278.74	5382.05	-	186.83	8847.62	1555.72	3552.16	-	146.41	5254.29
Total Expenditure	36839.67	13366.06	6375.42	9221.49	59427.22 (65802.64)	17480.00	8821.58	4207.78	7226.79	33528.37 (37736.15)

TABLE A.1.1 (Contd.)

1983-84

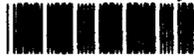
Expenditure Items	I. In Current Prices					II. In 1974-75 Prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	2129.12	566.73	-	-	2695.85	937.02	351.37	-	-	1288.39
General Administration	2671.74	2672.97	-	6387.49	11732.20	1175.87	1657.24	-	4111.68	6944.79
Jails and police	3146.00	1305.12	-	-	4451.12	1359.61	809.17	-	-	2168.78
Sub total: <u>General services</u>	7946.86	4762.16	-	6387.49	19096.51	3472.50	2952.53	-	4111.68	10536.71
Education	25548.19	1461.23	-	812.92	27822.34	11170.78	905.96	-	523.28	12600.02
Medical and family welfare	2680.66	2679.60	-	-	5360.26	1175.87	1661.35	-	-	2837.22
Public health	474.53	-1971.06	-	-	-1496.53	202.10	-1222.06	-	-	-1019.96
Other social services	1462.96	1521.45	-	4162.23	7146.64	643.06	943.29	-	2685.14	4271.49
Sub total: <u>Community and social services</u>	30166.34	3691.22	-	4975.15	38832.71	13191.81	2288.54	-	3209.42	18688.77
Agriculture and Allied services	1452.47	1579.70	-	-	3032.17	624.68	979.41	-	-	1604.09
Irrigation and electricity	493.73	1002.26	-	-	1495.99	220.48	621.40	-	-	841.88
Industry	199.43	699.56	-	217.65	1116.64	91.87	433.73	-	136.68	662.28
Transport and communication	381.45	2820.66	-	-	3202.11	165.36	1748.81	-	-	1914.17
Other Economic services	1375.69	564.59	-	558.02	2598.30	606.30	350.04	-	423.57	1379.91
Sub total: <u>Economic services</u>	3902.77	6666.77	-	875.67	11445.21	1708.69	4133.39	-	560.25	6402.33
Total Expenditure	42015.97	15120.15	9345.87	12238.31	69374.43 (78720.30)	18373.00	9374.46	5794.46	7880.35	35627.81 (41422.25)

TABLE A.1.1 (Contd.)

1984-85

Expenditure Items	I. In Current Prices					II. In 1974-75 prices				
	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure	Wages and salaries	Goods and services	Debt servicing	Transfer payments to persons	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax collection charges	2328.41	422.69	-	-	2751.10	1093.83	190.21	-	-	1284.04
General Administration	3022.21	2498.26	-	7604.30	13124.77	1406.35	1124.23	-	4767.29	7297.87
Jails and police	3611.63	1306.05	-	-	4917.68	1696.54	587.72	-	-	2284.26
Sub total: <u>General services</u>	8962.25	6499.65	-	7604.30	23066.20	4196.72	2924.85	-	4767.29	11888.86
Education	28453.26	1531.09	-	1002.58	30986.93	13282.19	588.99	-	628.54	14599.72
Medical and family welfare	3627.00	2778.42	-	-	6405.42	1696.55	1250.29	-	-	2946.84
Public health	464.07	1462.89	-	-	1926.96	223.22	658.30	-	-	881.52
Other social services	2215.94	719.61	-	3674.69	6610.24	1004.54	323.83	-	2313.00	3641.37
Sub total: <u>Community and social services</u>	34760.27	6492.01	-	4677.27	45929.55	16206.50	2921.41	-	2941.54	22069.45
Agriculture and Allied services	1401.44	1719.96	-	-	3121.40	647.37	028.41	-	-	1475.78
Irrigation and electricity	532.10	443.09	-	-	975.19	245.55	199.40	-	-	444.95
Industry	201.35	406.35	-	253.55	861.26	89.29	182.85	-	158.11	430.25
Transport and communication	335.63	2797.64	-	-	3133.27	156.26	1258.94	-	-	1415.20
Other Economic services	1648.61	917.91	-	364.49	2931.01	781.31	413.06	-	228.51	1422.88
Sub total: <u>Economic Services</u>	4119.13	6294.95	-	618.05	11022.13	1919.78	2882.66	-	386.62	5189.06
Total Expenditure	47841.65	19276.61	12251.40	12899.62	80017.88 (92269.28)	22323.00	8728.92	5513.13	8095.45	39147.37 (44660.50)

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